


Global Tax Controversy Flash News

The EU's ViDA initiative aims to close the €90 billion VAT gap through digital reporting and compliance modernization.

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The EU ViDA initiative aims to close the “VAT gap”

The European Union (EU) relies heavily on value-added tax (VAT) as a major source of revenue for the individual Member States and for the EU's own resources. However, each year there is a substantial gap between the VAT revenues collected and the amount that the EU expects to collect. It is estimated that the EU loses €90 billion annually to this “VAT gap” due to issues such as VAT fraud, inefficient tax collection and administrative complexity.

The VAT in the Digital Age (ViDA) initiative, which takes effect on 14 April 2025, brings a fundamental shift in how VAT is administered across the EU. Aimed at modernizing VAT processes, reducing fraud, and streamlining cross-border trade, ViDA introduces standardized digital reporting requirements that will roll out in phases over the coming years.

For the first time, businesses will have to adopt harmonized e-invoicing and near real-time reporting across all Member States, creating a more transparent and digital-first tax system. E-invoices will be directly linked to the new Digital Reporting Requirements (DRR), allowing tax authorities to receive transaction data in near real-time. Automated VAT compliance will become the new standard, with an aim of reducing human errors and improving accuracy. These changes should help simplify compliance and reduce administrative burdens, especially for small and medium sized enterprises.

Implementing real-time transaction reporting will also help tax authorities to detect VAT fraud as it happens, rather than through after-the-fact audits.

What businesses should do now

While full implementation of e-invoicing obligations is still a few years away, the April 2025 milestone will set the legal framework in motion. Businesses that prepare early will be ready to comply and avoid last-minute disruptions. Businesses can start preparing now by:

- Reviewing invoicing and ERP systems to analyze compatibility with structured e-invoicing.
- Engaging with technology providers to implement automated e-invoicing and digital reporting solutions.
- Staying updated on national rollout plans, as individual Member States may introduce local variations.

For more information about the ViDA initiative, please read: [What ViDA means for the rise of global e-invoicing](#).

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