

EU VAT: New details on rules for e-commerce including new role for online marketplaces and Payment Service Providers in fight against tax fraud

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Executive summary

On 11 December 2018, the European Commission announced new measures aimed at making online marketplaces play their part in the fight against tax fraud in the European Union (EU) and at easing administrative burdens for businesses selling goods online.¹

The new measures form part of the EU's broader agenda to tackle Value Added Tax (VAT) fraud and to improve VAT collection on internet sales. They introduce building blocks for a new VAT system for businesses that sell goods online once the agreed framework comes into force in 2021 (One-Stop Shop). They also introduce controls on large online marketplaces making them responsible for ensuring that VAT is collected on sales of goods by non-EU companies to EU consumers (B2C sales) that take place on their platforms.

Detailed discussion

Ensuring VAT is paid

From 2021, large online marketplaces will become responsible for ensuring that VAT is collected on the sales of goods by non-EU companies to EU consumers taking place on their platforms. The proposals clarify the situations in which online platforms are considered to have facilitated a sale between users and

detail the records they must keep on sales made via their interface. Since online marketplaces will be liable for any "missing VAT," authorities will be able to claim the tax due when sellers from outside the EU have not complied with the rules.

The proposed implementing rules will now be sent to Member States in the Council for agreement and to the European Parliament for consultation. The Commission calls for a quick agreement in 2019 so that businesses can look forward to a smooth transition to the broader VAT system for e-commerce in 2021.

Further EU information

The measures follow up on the [Commission's proposals for a deep reform of the EU VAT system](#) presented in October 2017, and the [VAT Action Plan](#) towards a single EU VAT area presented in April 2016. Further information has been published by the EU including:

- ▶ A proposal for a Council Implementing Regulation, amending Implementing Regulation (EU) No 282/2011 as regards supplies of goods or services facilitated by electronic interfaces and the special schemes for taxable persons supplying services to non-taxable persons, making distance sales of goods and certain domestic supplies of goods, available [here](#)
- ▶ A proposal for a Council Implementing Directive, amending Council Directive 2006/112/EC as regards provisions relating to distance sales of goods and certain domestic supplies of goods, available [here](#)
- ▶ Information on VAT and e-commerce published by the EU Commission [DG TAXUD including legal texts](#)
- ▶ In the EU [Digital Single Market strategy](#)

Payment Service Providers

The Commission has also [reported](#) that a proposal linked to the fight against VAT fraud has been presented with the aim of helping to establish improved cooperation between tax authorities and Payment Service Providers such as credit card and direct debit providers.

More than 90% of European customers' online purchases involve a payment intermediary. The EU believes that the data held by these companies can offer EU tax administrations a useful tool to control the VAT obligations arising from cross-border sales of goods and services.

The proposals establish quarterly information-sharing obligations for providers, which will allow Member State anti-fraud specialists (the "Eurofisc" network) to exchange and analyze certain payment data received from the providers on cross-border sales. In turn, both EU and non-EU online sellers will be identifiable when they do not comply with VAT obligations. The Commission suggests that similar provisions in place in some Member States and other countries have already shown how such cooperation can provide assistance in tackling fraud in the e-commerce sector.

The measures, developed following discussions with industry leaders and Member State tax authorities, will now be submitted to Member States in the Council for agreement and to the European Parliament for consultation.

Further information on the Commission's work to fight VAT fraud and improve VAT revenue collection in Member States, including:

- ▶ Proposal for a Council Regulation amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud
- ▶ Proposal for a Council Directive amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers; and
- ▶ Impact Assessment and executive summary

is available [here](#).

Endnote

1. VAT: New details on rules for e-commerce presented, including a new role for online marketplaces in the fight against tax fraud, EU Commission Press release date 11 December 2018 available [here](#).

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EYG no. 012420-18Gbl

1508-1600216 NY
ED None

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