

VAT: Commission proposes a review of the VAT rules on invoicing with a view to reduce burdens on business and to help Member States tackle fraud

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The European Commission today adopted a proposal to change the VAT Directive 2006/112/EC in respect to the invoicing rules, based on a Communication on the technological developments in the field of electronic invoicing. The aim of the proposal is to increase the use of electronic invoicing, reduce burdens on business, support small and medium sized enterprises (SMEs) and help Member States to tackle fraud. The proposal simplifies, modernises and harmonises the VAT invoicing rules. In particular, it eliminates the current barriers to e-invoicing in the VAT Directive by treating paper and electronic invoices equally. The proposal is a key element of the Commission's Action Programme to reduce burdens on business by 25% by 2012, and is part of the Commission's strategy to combat VAT fraud more efficiently.

László Kovács, Commissioner for Taxation and Customs, said: "Current national VAT invoicing rules are excessively complicated and disparate. This has led to unnecessary administrative burdens on businesses operating cross-border and has also facilitated VAT carousel fraud. Today's important initiative will put forward much simpler, more modern and comprehensive rules for invoicing, whilst allowing tax administrations effective means of control. Paper and electronic invoices will be treated equally which will allow businesses to move to a 100% e-invoicing system and to save up to 18 billion euros across the EU".

The Communication and the proposal reflect the real concerns of the business community and tax administrations, as indicated in their replies to the public consultation. A recent opinion of the High Level Group of Independent Stakeholders (HLG) also showed a demand for all the VAT aspects of invoicing to be looked at more widely. The proposal adopted today, therefore, not only addresses the VAT obstacles which hamper the up-take of electronic invoicing, but it also addresses difficulties that businesses face in respect to issuing and storing (especially electronically storing) of invoices, as well as discrepancies of the content of invoices.

The Commission believes that it is necessary to increase the up-take of electronic invoicing, by removing the pre-conditions of advanced electronic signatures or electric data interchange (EDI) for sending invoices electronically. Moreover, the electronic storage of invoices will be allowed, even if the original invoice is in paper format, and common storage periods are set.

Other measures to help reduce burdens on business include the removal of the many options available to Member States, thereby creating a harmonised set of invoicing rules. This will help those businesses that want to implement practices such as self-billing or summary invoices and will allow the larger businesses to centralise their invoicing.

To help SMEs, the proposal widens the use of simplified invoicing, notably for small value invoices (up to 200 euros) which will be of particular benefit for smaller businesses. It also allows simplified invoicing for business to consumer (B2C) supplies and certain VAT exempt supplies where the risk of fraud is limited. In addition, and of direct benefit to SMEs, is the option for Member States to introduce a cash accounting scheme under which the tax becomes due only when the invoice is paid.

Notwithstanding the measures to help reduce burdens on business and promote SMEs, safeguards are maintained or enhanced to help the authorities to tackle VAT fraud. As businesses operating cross-border will have to report their transactions in the month of the supply, fraudsters will not be able to abuse the possibility of including an invoice in a later reporting period. Moreover, the rules on the right to VAT deductions are strengthened in respect to the requirement to hold a valid invoice and as regards the contents of invoices.

Background

The VAT Directive requires that the Commission present a report and, if appropriate, a proposal amending the conditions for electronic invoicing. With the need also to address shortcomings with regard to other VAT rules on invoicing, the scope of the report and the accompanying proposal have been widened to include all aspects of the invoicing rules.

Questions and answers on technical issues of the proposal are available at this web page:

http://ec.europa.eu/taxation_customs/taxation/vat/traders/invoicing_rules/index_en.htm

Further information on the Communication and the proposal can be found at:

Communication:

http://ec.europa.eu/taxation_customs/taxation/vat/key_documents/communications/index_en.htm

Proposal for a Directive:

http://ec.europa.eu/taxation_customs/taxation/vat/key_documents/legislation_proposed/index_en.htm

The Commission sought the views of the public and commissioned a study on invoicing in order to be better informed as to the problems faced by business in respect to invoicing. Further information on the public consultation and invoicing study can be found at:

http://ec.europa.eu/taxation_customs/common/consultations/tax/index_en.htm

Invoicing study:

http://ec.europa.eu/taxation_customs/common/publications/studies/index_en.htm