Digitalisation and VAT

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The good old days...
New Challenge

- Secure VAT revenue
- Prevent distortions of competition

→ OECD BEPS Action 1
Remote services

International VAT/GST Guidelines

Solution: Taxation in jurisdiction of consumption

• B2B:
  – customer location (GL 3.2)
  – multi location entities (GL 3.4)

• B2C:
  – customer’s usual residence (GL 3.6)
New challenge

- Millions of vendors
- Tax collection from non-established businesses
Role of platforms
Report: Role of digital platforms in the collection of VAT/GST on online sales
New challenge

Business:
• Tax obligations in many countries
• Determination of status and location of customer
Remote supplies

Report: Mechanisms for Effective Collection of VAT/GST

• B2B:
  – Reverse charge

• B2C:
  – Vendor collection
  – Compliance simplifications
    • Simplified registration and collection
    • Reduced administrative obligations (invoice, returns, records)
  – Thresholds

One-Stop-Shop (OSS)
Supplies of goods

Report on low value goods

Solution: Taxation in jurisdiction of consumption

• Guidance for evaluation of exemption threshold
• Different possibilities to levy import VAT
  – E.g. who can be taxpayer
Import of low value goods

• Most countries have VAT exemption for import of low value goods
  – Mostly based on per-import-threshold
    • thresholds vary considerably
      – EU: 11-22 €
  – Trade-off

– Digital economy aggravates problem
EU e-Commerce Package

• Start: 1 July 2021

• Taxation in Member State of destination
  – Intra-EU
    • Abolishment of threshold for distance sales
      – introduction EU threshold for micro-businesses
  – Imports
    • Abolishment of exemption for low value goods
EU e-Commerce Package

• Registration, declaration, payment
  – Intra-EU
    • Extension of the One-Stop-Shop
      – Registration in one MS only; standardized rules
  – Imports
    • Creation of Import-One-Stop-Shop (IOSS)
    • Simplification for post, express curriers, etc.
Report: Role of digital platforms in the collection of VAT/GST on online sales

Discretion of Member States

Distance sales of goods
EU e-Commerce Package

• Platforms (start: 1 July 2021)
  – Deemed supplier if
    • distance sales from third countries
    • distance sales within EU by non-EU established
  – otherwise
    • Record keeping obligations (Art. 242a VAT-D)
      – Information about underlying suppliers and their supplies

– Austria: Record keeping and automatic transmission (bigger platforms) of aggregated data already 2020
Sharing economy

• Sharing economy separate work stream
  – specific characteristics, e.g.
    • underlying suppliers will generally have a presence in the taxing jurisdiction
    • large number of micro or small entrepreneurs, many of whom are not considered as taxpayers under current VAT/GST rules

• Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy
Sharing economy - Platforms

Voluntary roles
Collection, supplier education, co-operation agreements...

Information sharing obligations

Discretion of Member States

Liability to collect/remit without imposing full liability (e.g. joint and several liability)

Full VAT/GST liability

Art. 242a VD + current DAC 7 proposal
Sharing economy - Platforms

- **E-Commerce package** (future Art. 242a VAT-D + Arts. 54b and 54c VAT-IR)
  - Start: 1 July 2021
  - Record keeping obligations
    - identification of suppliers
    - information on supplies
  - No distinction between sharing and other platform economy

- **DAC 7 Proposal**
  - to amend Directive 2011/16/EU on administrative cooperation change, COM(2020) 314 final
Sharing economy - Platforms

- Started: 1 January 2020
- Record keeping obligations
  - identification of suppliers
  - information on supplies
- Automatic yearly reporting
  - small platforms only on demand
- Joint and several liability
  - if they fail to fulfill reporting obligations
  - if underlying seller is obviously not complying with VAT obligations
    - exceeds threshold but does not provide VAT-ID or other proof
Accompanying measures

• Possibility for joint audits (Reg. 904/2010/EU since 2018/1541/EU)

• Payment services providers (Directive 2020/284/EU)
  – Start: 1 January 2024
  – Reporting obligations
    • cross-border payments
      – if more than 25 cross-border payments to payee per quarter year
  – to identify foreign suppliers
Future initiatives

• Commission Action Plan for fair and simple taxation, e.g.
  – Further extension of One-Stop-Shop
  – Adapt VAT framework to the platform economy
  – Administrative cooperation agreements with non-EU countries
Future challenges