

Parliament green lights update of VAT rules to make them fit for digital times

The update will notably require that VAT be paid for services provided through online platforms, putting an end to an unfair distortion of competition. It will also fight VAT fraud.

On Wednesday, Parliament's plenary approved the changes to the rules that member states indicated in November they wished to make to the VAT Directive. MEPs approved the rules with 589 votes in favour, 42 against and 10 abstentions.

These changes will require that by 2030 online platforms must pay VAT for services provided through them in most of the cases where the individual service providers do not charge VAT. This will put an end to a distortion of the market because similar services provided in the traditional economy are already subject to VAT. This distortion has been most significant in the short-term accommodation rental sector and the road passenger transport sector. Member states will have the possibility of exempting SMEs from this rule, an idea which Parliament had also pushed.

The update will also fully digitalise VAT reporting obligations for cross-border transactions by 2030 with businesses issuing e-invoices for cross-border business-to-business transactions and automatically reporting the data to their tax administration. With this, tax authorities should be in a better position to tackle VAT fraud.

To simplify the administrative burden for businesses, the rules beef-up online VAT one-stop-shops so that even more businesses with cross-border activity will be able to meet their VAT obligations through a single online portal and in one language.

Background

This update to the VAT rules has been over two years in the making. On 8 December 2022, the Commission presented the '[VAT in the digital age](#)' package (ViDA package) which consisted of three proposals. One of these was the update to the VAT directive of 2006.

[The Commission has calculated](#) that Member States will recoup up to €11 billion in lost VAT

revenues every year for the next 10 years. Businesses will save €4.1 billion a year over the next 10 years in compliance costs, and €8.7 billion in registration and administrative costs over a ten year period.

Further information

[The adopted text will be available here \(click on 12.02.2025\)](#)

[Profile of the rapporteur, Ľudovít Ódor \(Renew, SK\)](#)

[File of the procedure](#)

[Study of the EP research service - Filling the gap: The EU's fight against VAT fraud](#)


[Subcommittee on tax matters homepage](#)

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