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**Opinion of the European Economic and Social Committee on Proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third territories or third countries and special arrangements for declaration and payment of import VAT**

(COM(2023) 262 final — 2023/0158 (CNS))

(C/2024/1579)

Rapporteur: **Reet TEDER**

Referral	Council of the European Union, 19.7.2023
Legal basis	Article 113 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	15.11.2023
Adopted at plenary	13.12.2023
Plenary session No	583
Outcome of vote (for/against/abstentions)	195/0/2

## 1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes and supports the Commission's proposal and its objective to reduce the compliance burden for taxable persons by removing multiple registration obligations.

1.2. The EESC supports removing the current EUR 150 Import One-Stop Shop (IOSS) threshold, considering it fully in line with the goal to have one single VAT registration in the EU, simplifying the process effectively and substantially reducing red tape and compliance costs.

1.3. The EESC backs the Commission's proposal to extend the deemed supplier rule (Article 14a) to all distance sales of imported goods — including those above a value of EUR 150 — that are facilitated by an electronic interface.

1.4. The EESC agrees with the Commission that an EU initiative is better suited than single initiatives by Member States to simplify procedures for declaring and paying VAT, to benefit and consolidate the internal market.

1.5. The EESC believes that the broader access to the IOSS pursued by the Commission's proposal will encourage small players to engage in transnational activities and to carry out transactions in additional markets, avoiding the costs and the lengthy procedures necessary to obtain VAT registration in multiple Member States.

1.6. The EESC deems that the new rules and the simplification measures in the VAT field will allow tax authorities to focus on major priorities and, in particular, on the most relevant and damaging cases of tax abuse and fraud.

1.7. The EESC appreciates the fact that the proposed reform strengthens the fight against VAT fraud, focusing at the same time on compliance efforts in smaller marketplaces and for taxable persons who can be considered to be well aware of VAT rules, and therefore bound to VAT compliance.

1.8. From a methodology perspective, the EESC stresses the importance of clear definitions. It should first be clarified whether or not there is a difference between a 'deemed importer' and a 'deemed supplier'. A uniform definition of 'intermediary' in the context of the platform economy would also be useful.

## 2. Commission proposal and background

2.1. The importance of a well-functioning and fraud-proof VAT system for public budgets cannot be understated. In 2020, its contribution to total tax receipts ranged from 20 % to 50 % across Member States and accounted for approximately 26 % of the total yearly tax receipts for general government in the EU27. VAT is also a key source of financing for the EU budget, since 0,3 % of VAT collected at national level is transferred to the EU as own resources, representing 12 % of the total EU budget.

2.2. The current VAT gap is estimated at a total of EUR 93 billion (2020) and is due to multiple causes, such as bankruptcies, liquidations and other cases of insolvency. Having said this, a significant part of the VAT gap stems from missing trader intra-Community (MTIC) fraud and revenues lost to domestic VAT fraud and evasion, as well as VAT avoidance. The current VAT system has also become increasingly complex and burdensome for European businesses.

2.3. The 2021 reform of VAT rules applicable to e-commerce was aimed at achieving a level playing field for EU established suppliers by addressing distortive rules that led to competition issues in the e-commerce market. The threshold allowing the VAT exemption for the importation of small value consignments not exceeding EUR 22 was abolished. As a result, VAT is now due on all commercial goods imported into Europe from a third country or third territory, irrespective of their value.

2.4. A One-Stop Shop (OSS) dedicated to intra-EU e-commerce sales was set up. EU e-commerce traders can now use the OSS to declare all sales across the EU and remit the VAT through one single VAT return.

2.5. The IOSS dedicated to e-commerce trade where goods are dispatched from a third country and imported into the EU follows the same principle as the OSS. It allows traders to declare and remit VAT in one country for all their eligible distance sales of imported goods into the EU in one single monthly VAT return, avoiding the need to register for VAT in each country where the supply takes place. This scheme is also limited to imported goods with a value not exceeding EUR 150, meaning that the IOSS cannot be used where the value of the goods exceeds EUR 150. Currently, the top five Member States for registration in the IOSS are Ireland, the Netherlands, Luxembourg, Germany and France.

2.6. The IOSS can also be used by electronic interfaces (portals, online marketplaces) that facilitate eligible online business-to-consumer (B2C) sales of imported good into the EU by EU and non-EU sellers. These electronic interfaces are deemed to be the supplier of the goods ('deemed supplier') and are responsible for charging VAT upfront instead of the seller. The deemed supplier rule applies to distance sales of goods imported to the EU with a value not exceeding the threshold of EUR 150. The use of the IOSS is not compulsory for deemed suppliers.

2.7. The 2021 reform also introduced special arrangements regarding postal operators and other couriers. Such arrangements can apply when the EU buyer purchases directly from the outside producer and the goods are delivered by a postal operator or customs agent, or where the seller or deemed supplier defer the collection of VAT to the postal operator or customs agent. The EUR 150 threshold also applies in these cases.

2.8. Problems related to the current VAT system in connection with import e-commerce are: 1) undervaluation, as the EUR 150 threshold creates an incentive for traders to undervalue their goods to below the EUR 150 threshold, leading to customs duty losses, lower VAT revenue and unfair competition; and 2) compliance difficulties related to VAT registration requirements in multiple Member States for imported goods with a value above EUR 150, leading to fraud and non-compliance.

2.9. The Commission's legislative proposal is part of a broader and more comprehensive reform of the Customs Union and other proposals, and extends some significant simplification measures which were limited by the e-commerce package to goods with an intrinsic value under EUR 150. The proposal is also in line with the VAT in the Digital Age (ViDA) proposal <sup>(1)</sup> and its objective to simplify and reduce compliance costs for taxable persons.

2.10. The Commission's proposal aims to extend the application of the 'deemed supplier rule' (currently limited to distance sales of imported goods not exceeding EUR 150) to cover all distance sales of goods imported from a third territory or third country into the EU. This extension is pursued by removing the reference to the EUR 150 threshold under Article 14a(1) of Council Directive 2006/112/EC <sup>(2)</sup>. Consequently, the deemed supplier rule would apply to all distance sales of imported goods into the EU which are facilitated by an electronic interface, regardless of the consignment's value. The import process is therefore improved, as VAT is collected upfront at the time of supply, which is when the payment for the e-commerce transaction is accepted.

2.11. The Commission also proposes extending the IOSS — freeing traders from the obligation to register for VAT in each Member State and requiring VAT to be collected upfront at the moment of supply — to cover all distance sales of imported goods, irrespective of their value. Under the current rules, distance sales of imported goods exceeding an intrinsic value of EUR 150 are excluded. However, products subject to excise duty would remain excluded. The IOSS would be extended by deleting the reference to the EUR 150 threshold under Article 369l, first paragraph, of Directive 2006/112/EC.

2.12. The application of the special arrangements set out in Chapter 7 of Title XII of Directive 2006/112/EC, currently limited to eligible imported goods of an intrinsic value not exceeding EUR 150, would also be widened to include all eligible goods. Products subject to excise duty would remain excluded from these arrangements. Such an extension would be carried out by amending Article 369y of Directive 2006/112/EC to remove the reference to the EUR 150 threshold.

### 3. General comments

3.1. The rise of e-commerce has required the VAT system to adapt and modernise. For traders, registering for VAT abroad can be a lengthy and costly procedure. The registration process itself can be complex and expensive, and, once registered, businesses are required to begin complying with different national VAT rules. Therefore, the EESC strongly supports this proposal and its objective to reduce the compliance burden for taxable persons by removing multiple registration obligations.

3.2. The EESC supports the removal of the current EUR 150 IOSS threshold, considering it fully in line with the objective of a single VAT registration in the EU, simplifying the process effectively, and substantially reducing red tape and compliance costs regarding distance sales of imported goods. Such an approach is also consistent and complementary with the key objectives of the previous ViDA proposal.

3.3. The EESC believes that the new rules and the simplification measures in the VAT field will allow tax authorities to focus on major priorities and, in particular, on the most relevant and damaging cases of tax abuse and fraud, which contribute for the most part to the persistent VAT gap in the EU.

3.4. As pointed out in several opinions, the EESC strongly encourages targeted initiatives, such as this one, that aim for better tax collection and reduced tax fraud and tax avoidance/evasion. With regard to VAT, improving the taxation system is indeed beneficial for the budget of both the Member States and the EU, releasing additional resources to be invested within Member States to improve public services and growth reforms, as well as to support the twin digital and green transitions, in line with EU objectives.

3.5. The EESC agrees with the Commission that an EU initiative is better suited than single initiatives by Member States to simplify procedures for the declaration and payment of VAT, to benefit and consolidate the internal market. Single initiatives by Member States might result in discrepancies and lead to compliance costs triggered by fragmentation. As VAT is also relevant for the EU budget, it is extremely important to ensure that the VAT gap does not increase and that the tax administrations of Member States have the necessary capacity to act in this respect. A level playing field between foreign sellers and the domestic market would be best achieved by adapting the current Directive to update the applicable legal framework to the latest developments regarding e-commerce.

<sup>(1)</sup> COM(2022) 703 final.

<sup>(2)</sup> Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1).

3.6. The EESC believes that facilitating a broader access to the IOSS will also encourage small players to engage in transnational activities and to carry out transactions in additional markets, avoiding the costs and the lengthy procedures necessary to obtain VAT registration in multiple Member States. A single VAT registration in Europe is a very positive development, even though there is still the possibility that some of the less structured sellers will choose not to register within the IOSS.

#### 4. Specific comments

4.1. The EESC supports the Commission's proposal to extend the deemed supplier rule (Article 14a) to all distance sales of imported goods — including those above a value of EUR 150 — that are facilitated by an electronic interface. The marketplace, acting as deemed supplier, would declare and remit the VAT due on those supplies via the expanded IOSS scheme, which would be mandatory for marketplaces, thereby achieving effective simplification. It is worth noting that, within the new system, problems may arise due to mandatory registration, especially in the initial period of application of the new rules.

4.2. From a methodology perspective, the EESC stresses the importance of clear definitions. It should first be clarified whether or not there is a difference between a 'deemed importer' and a 'deemed supplier'. A uniform definition of 'intermediary' in the context of the platform economy would be also useful, together with a set of common behaviours that are able to help identify when platforms are acting exclusively in their own interest and capacity.

4.3. The EESC considers it important that the customs reform (removing the EUR 150 duty exemption threshold) be carried out as planned. Eliminating the customs duty exemption removes the incentive for traders to undervalue goods, reducing fraudulent practices and ensuring a level playing field for businesses.

4.4. The EESC appreciates the fact that the proposed reform strengthens the fight against VAT fraud, focusing at the same time on compliance efforts in smaller marketplaces and for taxable persons who can be considered to be well aware of VAT rules, and therefore bound to VAT compliance.

4.5. The EESC believes it would be useful to remove the customs duty exemption threshold (EUR 150). However, regardless of the outcome of the proposal at hand, it is still imperative that the current VAT proposal be adopted, as the various initiatives currently in place are not legally linked, and the current proposal brings significant benefits for both Member States and traders.

Brussels, 13 December 2023.

*The President*  
*of the European Economic and Social Committee*  
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