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**Group on the Future of VAT
45th meeting – 28 May 2024**

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GROUP ON THE FUTURE OF VAT

GFV No 137

MINUTES

**45TH MEETING
– 28 MAY 2024 –**

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1. WELCOME AND INTRODUCTION

The Chair welcomed the delegates.

2. APPROVAL OF THE AGENDA

The agenda ([document taxud.c.1\(2024\)3649405](#)) was not contested or discussed and was approved by the delegates.

3. NATURE OF THE MEETING

The meeting took place in the form of videoconference and was not open to the public.

4. DESTRUCTION OF GOODS AND VAT TREATMENT OF DONATIONS – EXCHANGE OF VIEWS

The Commission services and the delegates exchanged views on the VAT treatment of donations and the potential fiscal incentive towards destruction of goods and its negative impact on the environment.

The discussion was triggered by the call in Enrico Letta’s report on the Single market for a “greater harmonisation of VAT neutralisation options for donations” and the pressure from charity organisations and businesses that are also very active in Member States and are asking for a more advantageous VAT treatment for their charity-related activities.

Consequently, the Commission services want to consult the group on this issue to determine whether Member States see it as an actual problem that needs to be addressed at EU level and if this is a priority for them.

All delegates that intervened acknowledged the issue and welcomed the idea of further analysing this issue and discussing a possible harmonisation of the VAT treatment, however pointing at files that represent a higher priority for them (e.g., VAT in the Digital Age in the first place, but also the financial services, and the travel and tourism package, touching mainly on the travel agent scheme and passenger transport).

A number of Member States also mentioned the idea of an explanatory document summarising and clarifying the VAT treatment of the destruction of goods and donations as a possible way forward.

The Commission services indicated they will reflect on a possible way forward and invited the delegates to provide information on the matter.

5. INFORMATION POINTS

a. ViDA package – Update on the state of play and implementation

As announced at the previous meeting, the Commission services reminded delegates that the implementation of the Single VAT Registration (SVR) part of the ViDA package will

be further discussed in a workshop that will take place at the end of June in Helsinki. The Commission services further informed that an updated version of the previously shared working paper on the SVR implementation had been uploaded on CIRCABC¹. This updated version includes the new dates of entry into application as provided for in the last compromise text submitted by the Belgian Presidency to the ECOFIN of 14 May 2024.

The objectives of the workshop were also recalled: developing solutions and providing input for the Commission Implementing Regulation that would cater for the SVR part of the proposal as well as trying to identify the preferred solutions to secure the use of the IOSS identification number.

On this last topic, the Commission services provided a state of play as regards the Import one Stop Shop (IOSS) scheme introduced by the VAT e-commerce package, whose main objective is to simplify the collection of VAT on low value distance sales of imported goods. It was mentioned that the success of the reform has been widely recognised, but experience has also shown the need for improvements, which have been included in the ViDA proposal. Indeed, a major improvement included in the ViDA package is the mandate for the Commission to adopt an implementing act to introduce special measures to prevent certain forms of tax evasion or avoidance by better securing the correct use and verification process of IOSS VAT identification numbers.

Furthermore, the Commission services explained the problems linked to the current process:

- Potential **misuse of the IOSS identification number** by fraudulent actors seeking to unlawfully benefit from VAT exemption at import;
- Distribution/transport chain (including customs formalities) often carried out by **different actors who are not connected with the platforms** selling the goods, which makes crosschecking of data difficult;
- **Impactical physical (cross)checks** given the massive number of low value parcels.

To solve the above-mentioned issues, the verification process should be improved in a streamlined and automated way. The Commission services indicated that they are currently discussing potential solutions with stakeholders and IT experts which could include the use of a secured transaction number or the digital signature technology by platforms and/or suppliers. It was mentioned that the possible options will be further explored in the upcoming SVR workshop.

b. Ongoing reflections in the VEG on “VAT after ViDA”

The Commission services informed delegates of a reflection on the future of VAT that is taking place in the VAT Expert Group (VEG). The aim of this reflection is for the VEG to take a forward-looking view of the VAT system and generate a debate on how to further modernise and simplify the VAT system after the adoption of the ViDA package. The VEG is expected to prepare a report by the end of 2024. The report will then be presented by the VEG to the GFV.

¹ GFV 135 REV1 - SVR Implementation - EN

