

Taxation: Council introduces electronic VAT exemption certificate

The Council today reached a political agreement on a new directive paving the way for the introduction of an electronic tax certificate for VAT exemptions.

As part of the EU's efforts to update VAT systems, I'm glad that after the VIDA package last month, we are taking another modernising step with this agreement on the electronic VAT exemption certificate, that will put an end to paper certificates to be signed by hand. **Mihály Varga, Hungarian minister for finance**

The directive will provide for an electronic certificate to replace the existing paper certificate that is used when goods are to be exempt from VAT, for example because they are imported for embassies, international organisations or armed forces. The exact electronic format, including the necessary IT specifications, will be discussed in expert groups and determined in Commission implementing acts. In a transitional period member states will be able to use both electronic and paper versions. Member states brought a number of amendments to the Commission's initial proposal. In particular they limited the scope of the mandatory use of the electronic VAT exemption certificate to situations where two member states are involved and the exemption is not granted by way of a refund. The Council also added to the Directive a number of key elements of the future electronic certificate that the Commission will take into account when designing the format, in the text of the directive. Furthermore, the Council shortened the transition period, originally planned to last 4 years (2026-2030), to just 1 year (2031-2032). The delayed starting date should help tax authorities spread in time the necessary IT developments, which will coincide with the significant investments needed to implement the VIDA package.

Next steps

The agreements will now go through technical and linguistic check before being presented to the Council for formal adoption. The texts will then be published in the EU's Official Journal and enter into force.

Background

On 8 July 2024, the Commission published two proposals with the aim of replacing the current paper VAT exemption certificate with an electronic VAT exemption certificate:

- a proposal for a Council Directive amending Directive 2006/112/EC as regards the electronic value added tax exemption certificate (the Council Directive); -
- a proposal for a Council Implementing Regulation amending Implementing Regulation (EU) No 282/2011 as regards the electronic value added tax exemption certificate (the Council Implementing Regulation).

The proposal to amend the VAT Directive creates the legal conditions for the development of the electronic certificate by the Commission through implementing measures, while the proposal to amend the Implementing Regulation provides for the alternative use of both paper and electronic certificates during a transition phase.

The Council today agreed on both these proposals. The European Parliament was consulted on the proposal for a directive and delivered its opinion on 13 November 2024.