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WORKING DOCUMENT

From:	Commission services
To:	Working Party on Tax Questions (Indirect Taxation – VAT)
N° Cion doc.:	ST 12079 2024 INIT
Subject:	Electronic VAT exemption certificate - Presentation by the Commission

Delegations will find attached the presentation by the Commission services displayed at the meeting of the WPTQ (VAT) on 11 July 2024.



Proposal for an electronic VAT exemption certificate

new 
future-proof
VAT rules
e-commerce made easy

Brussels, 11 July 2024

Objective and steps to be taken

- Introduction of an electronic VAT exemption certificate for exemptions under Article 151(1) of the VAT Directive
- **Legislative Package**
 - Proposal for a Council Directive, COM(2024) 278, amending the VAT Directive 2006/112/EC (legal basis for technical implementing acts)
 - Proposal for a Council Implementing Regulation, COM(2024) 279, amending the VAT Implementing Regulation 282/2011 + Annex (phasing out the paper version)

Reasons for changing the current situation

- Paper-based exemption certificate is **incompatible with the requirements of the digital age**

Benefits of an electronic certificate:

- Simpler administrative processes, less administrative burden
- Lower costs for businesses through integration into digital processes
- Possible alignment with electronic procedures for excise duties
- Ready to use advanced electronic signature
- Compliant with EU obligations for electronic processing of signed documents
- Fitting with existing EU digitalisation initiatives
- Improved control facilities through central storage of certificates

Preparatory work done

- Technical Study analysing feasibility and cost as requested by Member States (Annex to document SCIT 214)
- Proposal as the outcome of detailed discussions with Member States at technical level from 2021 to 2023
- Broad support from Member States to move forward with an electronic transformation of the certificate (GFV meeting 9 November 2023)

Key elements of the proposal

- Electronic VAT exemption certificate to be:
 - issued by the eligible body or individual to whom the exempt supply is made
 - electronically signed, together with the host Member State

*Possibility to allow auto-validation remains
(waiving the requirement for the certificate to be signed by the host
Member State)*

Key elements of the proposal

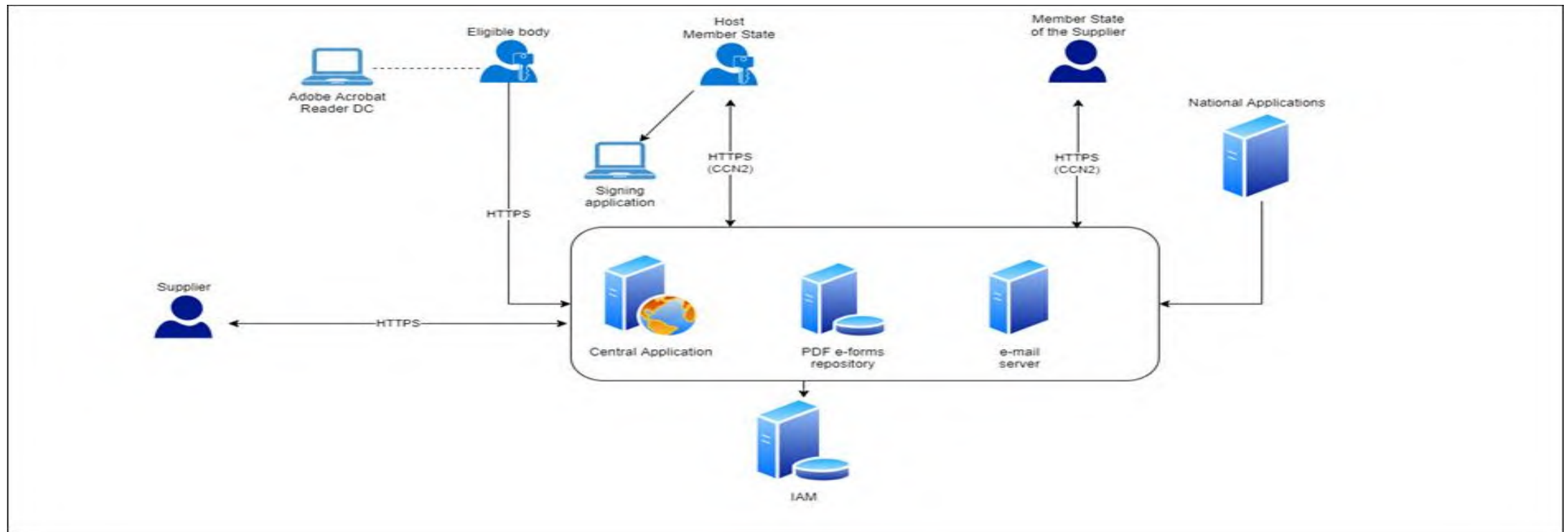
- Clarification that liability for unpaid VAT due to unmet exemption conditions falls on the certificate issuer, not the supplier (currently provided by the certificate featured in Annex II of VAT Implementing Regulation)
- No longer any distinction between domestic and cross-border transactions (more legal certainty, better data quality)
- Commission to adopt implementing measures, specifying the technical details and electronic format of the certificate
- To be established through implementing acts in consultation with Member States in SCAC

Timeline and Transitional Period

- Proposals adopted by the Commission and transmitted to Council on 8 July 2024
- Commencing discussion during today's WPTQ on 11 July 2024
- New rules to be implemented by 1 July 2026
- Option for Member States to continue using the paper version of the certificate for transactions until 30 June 2030
- End of paper version / mandatory application of the electronic certificate from 1 July 2030

Possible features of the technical solution (subject to further work in SCAC/SCIT)

PDF e-form with complete electronic process was preferred solution during technical preparation in SCIT, offering portability and ease of use



Possible features of the technical solution (subject to further work in SCAC/SCIT)

Who does what?

Eligible Body	Host Member State	Member State of Supplier	Supplier
Produces and signs the PDF certificate Connects to the data base, with access granted by the Host Member State	Signs the PDF certificate Grants access to the data base to the eligible body	Grants access to the data base to the suppliers	Connects to the data base to retrieve the PDF certificates pertaining to them

Possible features of the technical solution (subject to further work in SCAC/SCIT)

Who does what?

DG TAXUD	Member States
<p>Develops and hosts the Central Application</p> <p>Develops the PDF e-form</p>	<p>Provide translations and instructions for signing</p>

Possible features of the technical solution (subject to further work in SCAC/SCIT)

Central Application

- Web application developed in Java, deployed on DG TAXUD's WebLogic and Oracle servers
- Uses open-source libraries for cryptography, standards on Electronic Identification and Trust Services (eIDAS), and PDF manipulation

Possible features of the technical solution (subject to further work in SCAC/SCIT)

Functionalities

- Build and add QR code to the PDF e-form
- Sign and verify signatures and certificates
- Maintain status and history of PDF e-forms
- Provide task lists, reminders, and search/filter functions
- Access PDF e-forms via web interface and REST web services

Possible features of the technical solution (subject to further work in SCAC/SCIT)

Form Builder

- Supports creation of forms by encoding goods and services
- Available via user interface and web service for external system integration

Signing Application (2 Options)

- Integrated digital signature via application
or
- Manual signing using Adobe Acrobat Reader DC

Possible features of the technical solution (subject to further work in SCAC/SCIT)

Validity Checker

- Checks validity of digital signatures and certificates
- Needs a service within the Central Application for comprehensive validity checks

Thank you & Keep in touch



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