



Evaluation of the Commission proposal “VAT in the digital age”

DER MITTELSTANDSVERBUND welcomes the opportunity to submit our overall evaluation and specific remarks on the European Commission’s proposal “VAT in the digital age”. The scope of the package is very broad, yet the different elements of the legislative proposals included in the package would likely have major effects on SME groups’ invoicing processes in the medium and long term. We understand the advantages of e-invoicing in real time brought forward by the Commission within the package. However, we see relevant problems and difficulties arising from the proposal as it combines the generalisation of e-invoicing with the termination of summary invoices and the introduction of a new deadline of two days for intra-community supplies. Apart from that, we welcome the expansion of the existing one-stop shop mechanism and the introduction of a once-only VAT registration for businesses in the entire EU which would finally end multiple registrations in several member states.

As the corresponding consultation opened by the Commission is still ongoing, we strongly endorse an official reply by Independent Retail Europe. In this regard, we would very much appreciate the consideration of our following remarks on the second legislative proposal to amend the VAT directive (2006/112/EC) with its focus on real-time digital reporting and e-invoicing:

Generalisation of e-invoicing

- We welcome the proposal’s intention to make e-invoicing the default procedure for the issuance of invoices with the new article 218. It is very coherent and even necessary to delete article 232 which until now prevents such a default procedure as it requires the recipient’s consent. This measure will probably help the introduction of e-invoicing on a broader scale even among SMEs. On the other hand, many smaller enterprises may still lack a sufficient IT infrastructure to implement all technology needed for general e-invoicing.
- However, it is of utmost importance that existing and established invoicing standards (global EDI standards such as EANCOM® and SAP IDoc) could be used optionally. The establishment of a single e-invoicing standard would call for a profound redesign of the existing ERP Systems. Whereas this process could be considered as a mere change of software, it also implies the foundation of and agreements on new standardised data sets with views to the merchandise information system.
- The existing EDI standards have been the work of many years of coordination between the respective market participants on different levels of the value chain.



The establishment of new standards therefore could be only maintained by new sectorial agreements with a respective long lead time.

- In addition, the existing ERP-Systems have been used to exchange sector-specific data beyond the mere accounting/invoicing dimension. A single standard for e-invoicing therefore might threaten established information exchange architectures, its respective sectorial data pools and the resulting added value.

Two-day deadline for the issuance of invoices on intra-community supplies

- The replacement of the existing 45-day deadline for the issuance of invoices on intra-community supplies of goods and services where the reverse charge applies with a new two-day deadline means a very significant change that will have strong effects on SME' current invoicing schemes. Given the Commission's overall aim to push e-invoicing, it seems understandable to propose such a change. Nevertheless, we see a lot of problems arising from the proposal for both SME groups and their members.
- On a practical level, a two-day deadline will be very demanding for accounting units, especially in small enterprises. The number of invoices will increase (especially in combination with the termination of summary invoices) as business would want to ensure to issue the respective invoice within the deadline by all means – and thus e.g. issue invoices even for small fractions of larger orders.
- Further technical problems may arise from the fact that the issuance of invoices often depends on the date of delivery of certain goods. Due to irregularities and frictions in the shipment process, the date of delivery may be difficult to estimate correctly. This will likely cause further difficulties to comply with the two-day deadline and to achieve the overall goal of real-time invoicing.
- Furthermore, difficulties and uncertainties will probably increase as the two-day deadline does not allow businesses to clear and correct false orders or transaction failures before issuing the invoice. The current 45-day deadline gives businesses the flexibility to clear such uncertainties. In order to prevent negative consequences for business transactions, the deadline should not be drastically reduced to two days. If a reduction of the current deadline is inevitable, it should be at least four weeks.

End of possibility to send summary invoices

- The general termination of the possibility to send summary invoices will add to the negative effects of the short two-day deadline mentioned above and likely result in increased costs: The number of invoices issued by businesses would necessarily have to increase significantly if almost each transaction requires an

invoice on its own, as a result of both the termination of summary invoices and the short deadline. Accounting services providers often bill businesses depending on the number of issued invoices. Businesses' total costs for invoicing would therefore be higher if both measures were to be implemented.

- The end of summary invoices would also have vast effects on invoicing and all business transactions with SME groups. Summary invoices are very common between the group and the group's members – and also among all SMEs. Since the financial volume of orders and transactions usually is relatively low between smaller enterprises and their business partners, a summary invoice oftentimes is the best and most efficient option for invoicing. Ending this possibility could thus be detrimental to SMEs' efficiency and weaken their competitive situation.

Digital reporting for intra-community transactions

- The proposal's aim to replace recapitulative statements with a system of digital reporting requirements for intra-community transactions on a transaction-by-transaction basis is coherent with the overall aim to promote real-time invoicing and reporting. Digitalisation of reporting for intra-community transactions may also help to increase efficiency – if fragmentation between member states is indeed to be ended by establishing common standards for digital reporting.
- However, digital reporting on a transaction-by-transaction basis shares the same flaws as the proposed two-day deadline for invoicing and the end of summary invoices: smaller enterprises will likely have difficulties to comply with the new requirements, especially if they do not receive support for updating their IT infrastructure.
- Finally, it appears questionable if digital reporting on a transaction-by-transaction basis will yield any actual benefits for public and especially tax authorities. The financial volume of intra-community transactions will likely not increase and thus not increase tax revenue.