ec TAX REVIEW 2025–2

Editorial

And They Lived Happily Ever After? Future Challenges for E-invoicing and Digital Reporting After the Adoption of the ViDA Package

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The rules on e-invoicing and digital reporting contained in the VAT in the Digital Age (ViDA) package, are both ground-breaking and timely. Nevertheless, in order to make them a success, remaining challenges need to addressed.

Keywords: ViDA, E-invoicing, electronic invoices, Digital Reporting, Future of VAT, PEPPOL, Acceptability of e-invoicing, VAT data lakes, transmission of electronic invoices, Sistema di Interscambio

1 ViDA package ground-breaking for European VAT

European VAT will soon see ground-breaking developments: After a protracted birth, the VAT in the Digital Age (ViDA) package is about to be adopted.[1] In November 2024, the Economic Financial Affairs Council (ECOFIN) overcame its deadlock over Estonia's veto on the taxation of digital platforms and single registration and thus reached a seminal agreement.[2] In February 2025, the European Parliament, which needed to be consulted under the special legislative procedure of Article 113, 289(2) TFEU, greenlighted the modified proposal, too.[3] The amended package still has to be formally passed in the Council, but its adoption is now firmly in sight. This will mark the end of two years of intensive negotiations following the initial proposals by the European Commission in December 2022.[4]

2 Huge impact of e-invoicing and digital reporting

While the ViDA package consists of three pillars,[5] namely rules on (1) electronic invoicing (e-invoicing) and digital reporting, (2) single registration as well as (3) the platform economy, we will focus in the following on the pillar comprising e-invoicing and digital reporting. The pillar marks a major breakthrough. It is likely to have a huge impact on the VAT processes of all European business involved in intra-Community trading. In this context, e-invoices are only those invoices that are issued, transmitted and received in a structured electronic format, which allows their automatic and electronic processing.[6] Whereas previously Member States had to apply for a derogation to introduce national mandatory e-invoicing,[7]

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1 On the rules *see* e.g., Madeleine Merkx & John Gruson, *EU Member States Agree on ViDA: A Major Step for the EU VAT System and a Digital Leap for Businesses*, 34(1) EC Tax Rev. 8 et seq. (2025), doi: 10.54648/ECTA2025002. *See also* Maria Sánchez Jiménez, *La facturación electrónica en la Unión Europea*, 85 Revista de Estudios Europeos 528–553 (2025), doi: 10.24197/ree.85.2025.528-553.

2 *See* Press Release of 5 Nov. 2024, https://www.consilium.europa.eu/en/press/press-releases/2024/11/05/taxation-council-agrees-on-vat-in-the-digital-age-package/ (accessed 17 Feb. 2025).

3 European Parliament legislative resolution of 12 Feb. 2025 on the draft Council directive amending Directive 2006/112/EC as regards VAT rules for the digital age (15159/2024 – C10-0170/2024 – 2022/0407(CNS)), P10_TA(2025)0012.

4 European Commission, Proposal for a COUNCIL DIRECTIVE amending Directive 2006/112/EC as regards VAT rules for the digital age, COM(2022) 701 final. The proposal itself was announced in the COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL AN ACTION PLAN FOR FAIR AND SIMPLE TAXATION SUPPORTING THE RECOVERY STRATEGY, COM/2020/312 final. On the proposal *see* Madeleine Merkx, John Gruson, Naomie Verbaan & Bart van der Doef, *VAT in the Digital Age Package: Viva la ViDA or livin'la ViDA loca?*, 32(3) EC Tax Rev. (2023), doi: 10.54648/ECTA2023018; on the discussion preceding the proposal *see* Roland Ismer, *Towards Mandatory E-Invoicing for VAT and a Common Clearance System: Rich Pickings from Embracing Technology!*, 30(3) EC Tax Rev. 82–85 (2021), doi: 10.54648/ECTA2021010.

5 For details *see* Merkx & Gruson, *supra* n. 1, at 8 et seq.

6 *See* Art. 4(2b) *see* Art. 0 (1) of the Draft Directive Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age, which amends Art. 217 of the VAT Directive from 2030 onwards. This means in particular that a mere pdf-attachment to an e-mail which does not follow the standardized structure does not fall in the category.

7 *See* e.g., Council Implementing Decision (EU) 2018/593 of 16 Apr. 2018 authorizing the Italian Republic to introduce a special measure derogating from Arts 218 and 232 of Directive 2006/112/EC on the common system of value added tax, *OJ L 99*, 19 Apr. 2018, at 14, prolonged by Council Implementing Decision (EU) 2024/3150 of 10 Dec. 2024 amending Implementing Decision (EU) 2018/593 authorizing the Italian Republic to introduce a special measure derogating from Arts 218 and 232 of Directive 2006/112/EC on the common system of value added tax, OJ L,19 Dec. 2024; Council Implementing Decision (EU) 2022/133 of 25 Jan. 2022 authorizing France to introduce a special measure derogating from Arts 218 and 232 of Directive 2006/112/EC on the common system of value added tax, OJ L 20, 31 Jan. 2022, at 272; Council Implementing Decision (EU) 2023/1551 of 25 Jul. 2023 authorizing Germany to introduce a special measure derogating from Arts 218 and 232 of Directive 2006/112/EC on the common system of value added tax, *OJ L188*, 27 Jul. 2023, at 4.

they may do so for established businesses on domestic transactions without derogation, once the VIDA Directive is published in the Official Journal of the European Union.[8] Member States may also from then on abolish the requirement that the recipient of the invoice must agree to the electronic form.[9] From 1 July 2030, invoices for intra-Community business-to-business (B2B) transactions will have to be issued in a standardized electronic format. Newly introduced domestic e-invoicing systems will also have to be in that format, unless the Member State chooses otherwise. From that date, standardized digital real-time reporting for EU cross-border supplies of goods and services will replace recapitulative statements. Member States' existing systems must be replaced by 2035 at the latest.

The provisions on e-invoicing and digital reporting serve a dual purpose[10]: On the one hand, it seeks to provide common EU standards for the modernization of the invoicing process, which has not has shed its paper-based roots. Such a shift promises efficiency gains. When structured invoices are transmitted electronically, there is no longer a need for printing, re-keying, posting or emailing of invoices. Moreover, depending on the exact transmission channel, the exchange of invoices can be more secure than email, reducing the risk of email scams and ransomware attacks. E-invoicing can be used for data-driven decision-making, as business data becomes available faster, and in a more accurate and complete manner, thus supporting real-time business decisions for cash flow, procurement, and stock management. The digital format eliminates paper, and thus uses less energy and resources as well as physical storage space. All this promises to induce efficiency gains and thus to improve the competitiveness of European businesses. On the other hand, the pillar is to introduce digital reporting. Thereby, the VAT gap is to be reduced, in particular through preventing fraud. Recent estimates of the VAT gap still amount to EUR eighty-nine billion,[11] although it has to be seen that the amount is not fully due to VAT fraud, but also to other reasons, such as insolvencies. E-invoicing and digital reporting systems can in particular create the basis for using artificial intelligence to combat VAT fraud.[12] They also promise more up-to-date information on the state of the economy for policy-makers.[13]

3 Adoption of the Rules on E-Invoicing and Digital Reporting Timely

The agreement has to be seen against the backdrop of parallel developments mostly on e-invoicing in Member States. Initially, Italy introduced comprehensive mandatory e-invoicing through its government-run platform, the *Sistema di Interscambio*. Other countries have followed suit, but adopted different systems.[14] Among them is Germany, where e-invoicing has become mandatory from January 2025, albeit with generous transitory provisions and as to yet without provisions on digital reporting. France has also adopted provisions on e-invoicing and digital reporting, which are still to enter into force.

The agreement on the ViDA package was therefore necessary and timely. Its major significance lies in reaching of common rules and standards. It fends off of challenges to internal market that could have resulted from fragmented e-invoicing rules and digital reporting requirements. The draft Directive thus rightly stresses the importance of the new common rules for reducing compliance costs for businesses operating in different Member States and eliminating barriers within the internal market. Through its digital reporting requirements, it can also be expected to make a significant contribution towards combatting VAT fraud.[15]

4 Future Challenges

Nevertheless, in addition to the possibility of verifying what burden on taxpayers can be removed after the introduction of e-invoicing and digital reporting (decluttering),[16] three key challenges need to be addressed in order to make both the European and the domestic rules a success.[17] They include the acceptability for stakeholders, the transmission channel as well as issues of data security and data protection.

8 *See* Art. 0 (1) of the Draft Directive Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age, which introduces a corresponding Art. 218(2) of the VAT Directive.

9 *See* Art. 0 (2) of the Draft Directive Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age, which introduces a corresponding Art. 232(2) of the VAT Directive.

10 Ismer, *supra* n. 4, at 82–85.

11 Mikail Bonch-Osmolovskiy, Grzegorz Poniatowski, Lauren Braniff, Graeme Harrison et al., *VAT Gap in the EU – 2024 Report (2024)*, https://data.europa.eu/doi/10.2778/2476549 (accessed 17 Feb. 2025); P. Baert et al., *Filling the Gap: The EU's Fight Against VAT Fraud* (2025), https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2025)767221 (accessed 17 Feb. 2025).

12 Fernando Serrano Antón, *La digitalización como factor de cambio en los sistemas de facturación y suministro de información: hacia una tributación fluida basada en el data analytics y la inteligencia artificial*, Nueva Carta Tributaria. Revista de Opinión, n.º 92, 63–95 (2022).

13 *See* FrançoisMeunier, Electronic invoicing: a promising lever for public statistics, *Paper presented at the 18th conference of the National Accounting Association* (2024).

14 For an overview *see* e.g., the material collected by the Osservatorio Digital, in particular its 2024 *Report on the road towards interoperability* (2024), available at https://www.osservatori.net/report/international-observatory-on-electronic-invoicing/road-interoperability-challenges-evolving-2024-einvoicing-landscape/#; as well as the country updates provided by Vatcalc, https://www.vatcalc.com/global/live-vat-gst-transaction-e-invoicing-global-tracker/ (both accessed 17 Feb. 2025). For developments in Poland *see* Kaspar Lasiński-Sulecki, *Digitalization of VAT Reporting in Poland*, 34(6) Int'l VAT Monitor 223–227 (2023), doi: 10.59403/3a2rt1f.

15 *See* Recital 4 of the Draft Directive Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age. An empirical evaluation of the effect in Italy is provided by.

16 *See* VAT Expert Group, *VAT After ViDA* 34 (2024), available at https://circabc.europa.eu/ui/group/cb1eaff7-eedd-413d-ab88-94f761f9773b/library/f6938520-26ce-42d6-b301-17f9cb3aeccc/details (accessed 17 Feb. 2025) as well as more generally Georg Kofler, *The 'Decluttering' of EU Direct Tax Law*, 34(1) EC Tax Rev. at 2, doi: 10.54648/ECTA2025001.

17 Compare also VAT Expert Group, *supra* n. 16, at 31 ff.

The first challenge lies in ensuring acceptability for stakeholders, in particular business. Italy introduced generous support for small businesses to assist in their digitization needs. For Germany, where mandatory e-invoicing was introduced from 1 January 2025, we conducted a survey of 4,300 business participants based on established technology acceptance models and exploratory field research (unstructured interviews and observation) in the period up to July 2024.[18] Our survey showed that e-invoicing processes were not yet fully established in German companies. Around 71% of those surveyed had not yet taken concrete measures for implementation, while only around 12% were fully prepared or were already using e-invoicing. Attitudes towards e-invoicing were divided with the two groups differing in terms of factors such as company size and the status of the implementation process, as well as the sector to which they belong. Companies that have already implemented e-invoicing recognized increased efficiency and environmental friendliness as advantages, while those that are still in the early stages phase often did not see any advantages and were outright skeptical, fearing another layer of unnecessary bureaucratic requirement. In particular, small companies saw the conversion effort as high and were not yet sufficiently prepared. Given that the most often named factors preventing wider-reaching acceptance were time and information, the tax authorities would do well to put a special focus on businesses with a low number of invoices and to provide good communication and advice as well as simple technical solutions for these businesses.

Moreover, the ViDA package does not contain rules on the transmission of invoices. Member States will have to choose between a central platform as in Italy and decentralized approaches, or again, as in France, a combination of the two. The PEPPOL platform, which is already in use for public procurement, could be resorted to for such a decentralized approach. A pilot project is under way.[19] Nevertheless, the democratic structure of PEPPOL, which is a non-profit organization open to both public and private sector members, may have to be adapted so as to provide even greater institutional safeguards for a permanently trustworthy network.

Finally, issues of data protection and data security arise[20]: Potentially huge data lakes certainly promise efficient prosecution and prevention of fraud through machine learning.[21] Such algorithms must of course avoid discrimination. But beyond that, it has to be seen that any such data lakes have to be sufficiently secured against attacks from the outside, for example when they concern secret business information. Moreover, data protection issues will arise with regard to government use of the data. Storing real-time transaction data on an economy-wide scale, while allowing effective fraud prevention, entails the risk of abuse. Access to them should be limited strictly and syphoning off of data must be prevented. Such dangers are further exacerbated where there are possibilities for combining the data with other sources, e.g., from Country-by-country (CbCR)-Reporting. In any events, individual human rights (understood as the classical *status negativus*) must be heeded; this encompasses taxpayer rights, but is not limited to them. In particular, extension of data collection to B2C transactions should be resisted.

5 Conclusion

The impending adoption of the ViDA package marks a significant step in modernizing European VAT through the introduction of e-invoicing and digital reporting. These changes promise efficiency gains as well as improved fraud prevention. Given the various initiatives by Member States, the package appears timely. Yet implementation still faces significant challenges with regard to stakeholder acceptability, transmission channels as well as data protection and data security issues. The challenges certainly do not merely belong to a metaphysical after-life, but will keep the VAT community busy in the coming days. Addressing these challenges will be vital for the success of the e-invoicing and digital reporting pillar of the ViDA package.

[18] *See* Roland Ismer, Quirin Jackl, & Annalina Landsberg, *Erfolgsfaktoren für die elektronische Rechnungsstellungspflicht in Deutschland, Deutsches Steuerrecht*, 42, 2345–2352 (2024); Roland Ismer, Quirin Jackl & Annalin Landsberg, *Die Akzeptanz der Einführung der e-Rechnung in Deutschland – Ergebnisse einer quantitativen Online-Umfrage* (2024), available at https://cris.fau.de/publications/330982916/?lang=de_DE (accessed 17 Feb. 2025).

[19] *See* the call for participants at https://peppol.org/call-for-participants-to-the-peppol-vida-pilot-project/ (accessed 17 Feb. 2025).

[20] *See* VAT Expert Group, *supra* n. 16, at 33.

[21] *See* Serrano Antón, *supra* n. 12.