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NOTE

From: General Secretariat of the Council
On: 2 May 2025
To: Permanent Representatives Committee

Subject: Draft Directive amending Directive 2006/112/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third territories or third countries and special arrangements for declaration and payment of import VAT - General Approach

I. BACKGROUND

1. On 11 March 2025, the Council adopted the VAT in the Digital Age (VIDA) package¹. The Commission proposals in the package² had three pillars: digital reporting requirements, platform economy and the single VAT registration. One of the elements included in the pillar on the single VAT registration was a proposal to make the existing import one-stop-shop (IOSS) – a special scheme introduced in the VAT Directive to simplify the compliance with the VAT obligations for imported goods – mandatory.

¹ Doc. 6304/25.

² Doc. 15841/22, 15842/22 and 15843/22.

2. However, during the negotiations on the package, there was little support for a mandatory use of the IOSS. An alternative solution was therefore developed under the Spanish and the Belgian Presidency to incentivise the use of the IOSS, in particular by making the supplier liable for VAT on importation in the Member States of the final destination of the goods, implying that suppliers (or so-called ‘deemed’ suppliers such as platforms) would have to register separately in every Member State where they do business if they don’t use the IOSS. As further analysis was required, the envisaged incentivisation provisions were added to the VAT proposal¹ included in the customs reform package under the Belgian and the Hungarian Presidency.
3. When reaching a general approach on the amending VIDA Directive in November 2024, the Council adopted a statement to be included in the Council minutes², stating that it would *“continue to work on other elements of the proposal as regards the incentives to use the import-one-stop-shop in the framework of the negotiations on the proposal for a Council Directive amending Directive 2006/11/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third territories or third countries and special arrangements for declaration and payment of import VAT (interinstitutional file number 2023/0158 (CNS)) with a view to reaching an agreement as soon as possible”*.
4. One of the objectives of the Union Customs Code reform is to remove the customs exemption for goods worth up to a threshold of EUR 150 and introducing a new tariff system for low-value consignments with four buckets. Currently, this EUR 150 threshold also exists for the application of the deemed supplier provision in the VAT Directive, as well as for the use of the VAT import one-stop shop (IOSS): their application is limited to distance sales of imported goods not exceeding EUR 150. The VAT proposal in the customs reform package aims to remove this threshold also for the purposes of the IOSS and the application of the deemed supplier provision, to align the customs and VAT rules regarding e-commerce.

¹ Proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third territories or third countries and special arrangements for declaration and payment of import VAT, doc. 9638/23.

² Doc. 14964/24 ADD 1.

5. In the second part of 2024, the Hungarian Presidency pursued the discussion on the alternative solution and further refined the provisions to incentivise the use of the IOSS, also by including measures to further secure the payment of VAT on importation and a fall-back measure that would enable Member States in exceptional cases to allow the customer to pay the import VAT if the supplier doesn't comply with its VAT obligations. The Hungarian Presidency also started the discussion on the removal of the EUR 150 threshold for the IOSS and a suggestion to extend the definition of 'distance sales of goods imported from third territories or third countries' to supplies from customs warehouses.
6. Progress was made on all the different aspects of the proposal, and at the end of 2024, delegations agreed *“on the incentivisation of the IOSS as the way forward. Moreover, while acknowledging that additional work is required, it was agreed that the provisions concerned, including the fall back-rule, were considered by all delegations as a solid base for further work on the related customs provisions.”*

II. STATE OF PLAY

7. While the removal of the EUR 150 threshold and the extension to customs warehouses are very closely related to the customs reform, and will need to be discussed in the light of the policy choices made in the negotiations on that legislative package, there is no such relation between the customs reform and the measures to incentivise the IOSS. Essentially, the alternative approach only replaces the provisions from the VIDA package that would have made the IOSS mandatory. By further encouraging the payment of VAT upfront instead of at the border, the measures to incentivise the IOSS would simplify the collection of VAT and would likely further ease the burden on customs authorities. In addition, because the measures will strongly discourage non-compliance, the Polish Presidency was of the opinion that these measures are needed and desirable purely on VAT grounds. Furthermore, the adoption of these measures would provide clarity on the applicable VAT framework in the negotiations on the Union Customs Code reform.
8. To that end, the Presidency prepared a draft with the provisions that should be adopted separately, accompanied by a statement to be added to the Council minutes that the Council would continue to work on the remaining elements of the draft Directive. This approach was also supported by the Commission.

9. At the meeting of the Working Party on Tax Questions (High Level), a revised compromise text containing only provisions to incentivise the IOSS, reflecting amendments, suggestions and observations provided by Member States, was supported by almost all delegations. A few delegations still had reservations.
10. To accommodate those delegations' concerns, the Presidency has re-inserted and complemented a recital regarding tax representatives and intermediaries, brought forward the review of the incentivisation provisions and added two paragraphs to the Council statement on the interaction between VAT and customs procedures. The Presidency is of the view that the texts are now balanced and should be acceptable to all delegations.

III. NEXT STEPS

11. In the light of this background, the Committee of Permanent Representatives is invited to:
 - a) agree on the text in doc. 8234/25 and the statement in the addendum to this note, and
 - b) suggest to the Council to reach a general approach on the Directive at one of its forthcoming meetings.
 12. The Presidency compromise text differs substantially from the Commission proposals cited above. If the Council reaches a general approach on the draft amending Directive on this basis, it will therefore need to decide, through a simplified written procedure to be launched after the Council meeting, to consult the European Parliament on the text.
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