

25. VAT Invoicing Directive

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ABI Lead Committee: Taxation Strategy Committee

Other interested committees: European Committee

Issue: The European Commission has proposed simplifying VAT invoicing, which could pose substantial costs for the industry to make adaptations to their systems in order to meet the invoicing requirements, especially if invoices were introduced for exempt supplies.

Status: At the ECOFIN meeting in March a general approach was agreed on, pending the opinion of the European Parliament. The Directive will only be adopted by the Council once the Parliament has given its opinion. With regard to insurance exempt services, the Council's approach is:

- No invoicing obligation for exempt services pursuant to Article 135 (a) to (g) – new Article 220(2)
- Member States can, however, impose invoicing obligations to these services in case of domestic and non-EU supplies – new Article 221(1)

In practice, this would mean that EU cross-border exempt services would always be released from invoicing obligations whereas domestic and non-EU ones would have to be invoiced, if the Member State opts for it.

ABI action: The ABI participated in the initial Commission consultation calling for any mandatory requirement for invoicing obligations in respect of supplies of goods or services, which are exempt to be removed. The ABI has submitted representations to both HM Revenue and Customs and HM Treasury and will continue to work with Government to ensure that the current position is not compromised.

Background: Following their proposal of new rules for VAT invoicing, it has become clear that the Commission did not take the industry's suggestion in full consideration. In article 220(a), there was a proposal for Member States to allow the taxable person to issue a simplified invoice for domestic exempt supplies. The Directive's aim is to simplify VAT invoices for exempt supplies; however, even a simplified invoice would require adaptation of one or more of the related systems. It is difficult to understand what will be gained for either traders or tax administrations from any requirement to issue even simplified VAT invoices for VAT exempt supplies of insurance.

Following intense lobbying on previous proposals, in February 2010 the Spanish Presidency issued a compromise text on EU Invoicing Directive, which includes provisions allowing cross-border exempt services to be released from invoicing obligations whereas domestic services would have to be invoiced, but only if the Member State opts for it.

Useful documents

[Proposal for a Directive](#)