

New Legislation to Fight VAT Fraud in Cross-Border E-Commerce

Thomas Wahl

News

In February 2020, the Council [adopted new legislative measures to combat cross-border VAT fraud](#) caused by the fraudulent behaviour of some businesses in the area of cross-border e-commerce. The reform will introduce obligations for payment service providers, e.g., banks, to keep sufficiently detailed records and to report certain cross-border payments, thus enabling the location of the payer and the payee to be more easily identified. It will help facilitate controls of the supplies of goods and services by the competent Member State authorities.

In addition, a new central electronic system of payment information (“CESOP”) will be set up for storage of the payment information and for further processing of this information by national anti-fraud officials. CESOP will store, aggregate, and analyse all VAT-relevant information regarding payments transmitted by Member States in relation to individual payees. CESOP will enable a full overview of payments received by payees from payers located in the Member States and make the results of specific analyses of information available to Eurofisc liaison officials. The data in CESOP can also be cross-checked with other European databases.

The new rules shall apply from 1 January 2024. They consist of two legal acts amending existing EU legislation in the field of VAT:

- Council [Regulation \(EU\) 2020/283](#) of 18 February 2020 amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud (*O.J. L 62, 2.3.2020, 1*);
- Council [Directive \(EU\) 2020/284](#) of 18 February 2020 amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers (*O.J. L 62, 2.3.2020, 7*).

Against the background of this new legislation, on 18 March 2020, the European Commission published a [survey for actors in the payment industry](#). The survey aims to gather input from the different actors in the payment industry regarding the new reporting obligations introduced by Directive (EU) 2020/284. It gathers their views on implementation of the legislative package on the transmission and exchange of payment data in order to fight VAT fraud. The results will feed the work of the expert group established to implement the new VAT regulations.

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