

New Rules for Payment Service Providers to Fight VAT Fraud

Thomas Wahl



News

New transparency regulations to combat VAT fraud in cross-border payments came into force on 1 January 2024. Directive 2020/284/EU amended the original VAT Directive 2006/112/EC with regard to the introduction of certain reporting requirements for payment service providers (PSPs), such as banks, e-money institutions, payment institutions and post office giro services. The aim of this new measure is to provide the tax authorities of the EU Member States with the necessary tools to detect possible VAT fraud, particularly in e-commerce - an area which is predominantly prone to VAT non-compliance. In detail, the new regulations entail the following:

- As of 1 January 2024, PSPs will be obliged to monitor the payees of cross-border payments;
- As of 1 April 2024, PSPs must also provide information on persons who receive more than 25 cross-border payments per quarter to the tax administrations of the EU Member States;
- The information will be stored centrally in a new European database developed by the EU Commission (Central Electronic System of Payment information - CESOP) and cross-checked with other data;
- All information contained in CESOP will be made available to the Member States via Eurofisc, the EU's network of anti-VAT fraud specialists launched in 2010. This will facilitate data analyses and identification of online sellers who do not comply with VAT obligations, including businesses that are not located in the EU;
- Eurofisc liaison officials are empowered to take appropriate action at national level, such as proceeding with requests for information, audits, and deregistration of VAT numbers.

Germany has implemented Directive 2020/284 by inserting § 22g Umsatzsteuergesetz (Value Added Tax Act).

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Published in
2023, Vol. 18(4) eucrim
ISSN: 1862-6947
<https://eucrim.eu>



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The project is co-financed by the Union Anti-Fraud Programme (UAFP), managed by the European Anti-Fraud Office (OLAF).



Co-funded by
the European Union