

# Reverse Charge Mechanism Can Be Applied until 2027



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**News**

The Council extended the application period of the optional VAT reverse charge mechanism until 31 December 2026. The respective [Directive \(EU\) 2022/890](#) amending Directive 2006/112/EC entered into force on 11 June 2022. The extension became necessary since the Council has not been able to agree on two Commission proposals (tabled five years ago) for the introduction of the definitive VAT system, which aim to provide a comprehensive response to VAT fraud. The current temporary rules on the optional reverse charge mechanism would have been expired on 30 June 2022.

The reverse charge mechanism is considered a useful instrument to combat fraud, in particular Missing Trader Intra-Community fraud. As a general rule, Art. 193 of the 2006 VAT Directive stipulates that the taxable person supplying goods or services is liable to pay VAT. As a derogation, the reverse charge mechanism allows to designate the recipient of the supply as the person liable for the payment of VAT. Under this reverse charge mechanism, VAT is not charged by the supplier but accounted for by the customer (a taxable person) in his VAT return. This VAT is then deducted in that same VAT return and, therefore, insofar this person has a full right of deduction, the result is nil.

In addition, Directive 2022/890 also extends the application of the Quick Reaction Mechanism (QRM). The QRM allows Member States to quickly introduce a temporary reverse charge mechanism for the supply of goods and services in particular sectors if sudden, massive fraud occurs.

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