

Brussels, 31 May 2023

**Subject: Urgent need to review the EU's proposed VAT platform rules**

**To:** Swedish Presidency of the Council of the European Union; Spain, Belgium, Hungary

**Cc:** EU Member States; Paolo Gentiloni, European Commissioner for Economy; Thierry Breton, European Commissioner for Internal market; MEPs Olivier Chastel, Lídia Pereira, Aurore Lalucq, Mikuláš Peksa, Andželika Anna Moždžanowska, Chris Macmanus

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Dear Commissioners,

Dear Ministers,

Dear Members of the European Parliament,

As representatives of key sectors of the European economy, encompassing travel, tourism, technology, and transportation, we are writing to you with regard to the European Commission's proposal **on VAT in the Digital Age (ViDA)**. We acknowledge the ViDA package's objective of revamping the current VAT structure to align with the changing VAT landscape in the EU, but are concerned that several parts of the proposal are likely to **compromise the competitiveness of the European economy and adversely affect EU consumers** and smaller service providers (i.e. private individuals, enterprises operating under simplified VAT and VAT-exempted enterprises) and small online travel companies.

We believe that the ViDA **provisions relating to the deemed supplier regime (DSR) are not fit for purpose and violate the principles of VAT and channel neutrality and fairness**. Under the proposed DSR, online platforms would be made responsible for collecting and remitting VAT for services (such as rental of short-term accommodation or ride-hailing), which would otherwise be VAT-exempt. **A key policy objective set forth for the ViDA package is a "level playing field for businesses, regardless of business model"**. We believe the **deemed supplier regime stands in fundamental opposition to this aim**. If the DSR is implemented, services provided on digital platforms would be **unfairly disadvantaged vis-à-vis** other sales channels (i.e. offline economy or online mere advertising websites), which will disincentivise consumer transparency, and distort competition in favour of larger and more traditional accommodation and transport options. **Smallest and most vulnerable service providers will see their sales being subject to VAT while in practice being deprived of their right to deduct VAT** on costs associated with the services provided through online platforms. In the case of providers operating under simplified VAT schemes, this is equivalent to double taxation and therefore contrary to fair competition. Hotels will gain even further advantage with a lower effective VAT rate, while European ride-hailing platforms would be discriminated against traditional street hailing. Moreover, smaller online travel companies providing 'untaxed' accommodation and transport services are unduly overburdened by the DSR. To note, 99% of travel agents and tour operators are SMEs according to Eurostat data<sup>1</sup>.

The DSR would have an equally devastating impact on VAT-exempt individual property owners, who carry out the activity of renting accommodation, as they would no longer be able to rely on such exemptions if they offer their accommodation via a platform.

We strongly suggest further clarification of the scope of the DSR. It is not clear whether a 'genuine' travel agent providing 'untaxed' accommodation and/or transport services included in a supply and falling under the special scheme for tour operators should be taxed under the DSR or the special scheme rules.

For platforms and marketplaces, and particularly the smaller players and SMEs in Europe, the proposed DSR would be **extremely burdensome to implement as it comes in addition to already adopted reporting regimes (i.e. DAC-7, PSP CESOP reporting, 242a VAT reporting, and more)**. As a result, prices would increase for consumers and the offer of passenger transport and short-term rental accommodation would be restricted, as smaller providers may exit the market. This will have long-term negative impacts on the tourism and transport economy and the EU's GDP. Several Member States have made the conscious

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<sup>1</sup> [Eurostat: Annual enterprise statistics by size class for special aggregates of activities \(NACE Rev. 2\)](#)

decision to VAT-exempt or provide simplified VAT schemes for such services for this reason, but the ViDA package would **limit the ability and autonomy of Member States** to implement those tax policies best tailored to their respective economies. Such concerns come in addition to the **myriad technical challenges** of the DSR, including how to prevent double taxation, how to handle B2B supplies, or how to assign a deemed supplier in a complex chain of transactions.

We strongly recommend pausing **the provisions for the deemed supplier regime under ViDA until a thorough, data driven analysis may be undertaken**. This would allow time to, on the one hand, conduct a **in-depth quantitative and qualitative assessment of the potential implications** of this package on EU businesses, consumers and taxation authorities and, on the other hand, to assess the impact of other relevant pieces of EU legislation, such as 7<sup>th</sup> revision of the Directive on Administrative Cooperation in the field of taxation (DAC-7) and the future Short-Term Rental Regulation. Such a revision should also address the underlying but questionable assumption that VAT-exempted services pay less net taxes. We believe that it is **crucial to rethink the current approach** in order to safeguard European consumers from increased prices and supply limitations and to protect the multitude of EU businesses and non-professionals whose competitiveness would be put at risk should the DSR under ViDA package be implemented as proposed.

### Signatories:

*The co-signatories of this statement represent European homeowners, short-term accommodation and passenger transport platforms, as well as small travel and tourism operators.*



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**The European Travel Agents' and Tour Operators' Association**