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Payment Service Providers

Ecommerce VAT changes in the EU

If you are a Payment Service Provider engaged in payment processing for cross-border sales of goods and/or services to recipients (payers and/or payees) located in the EU, then the forthcoming VAT changes for ecommerce in the EU may impact your business. You may be required to keep records of the payment transactions and periodically report data to the tax authorities in the EU country where you are located and/or to tax authorities in overseas EU countries. The purpose of these regulations is to help tax authorities combat ecommerce VAT fraud. The changes will come into effect on 1 January 2024*. Prepare your business for the changes and get your data, systems and processes ready in time. A practical framework for the implementation is set out on the right hand side. Given the relatively long lead time until the effective date of the regulations (1 January 2024) and the limited guidance available at this stage, this is a high level framework only which will be updated in due course.

1 Legal
— Align terms & conditions
— Comply with data privacy regulations (GDPR)
— Align commercial data privacy policies
— Disclaimers & authorisations

2 Stakeholder engagement
— Prepare the business for the changes
— Align with Legal (e.g. PSD2 experts for the scope and application)
— Issue guidance and updated policies to clients/Merchants
— Tax authorities – operating procedures
— Ensure a smooth transition

3 Front-end systems
— Merchant on-boarding process – obtain the required data (e.g. name, address, VAT ID, IBAN, BIC)
— Disclaimers in notifications and communications

6 Reporting
— Generate automated reports
— Country reconciliations
— Reversed transactions
— Country filings
— Reporting frequencies and deadlines
— Handling tax authority inquiries

5 Systems
— Merchant master data
— Blue print / mapping of transactions to reporting obligations
— Logic/notifications for reporting thresholds (based upon volumes)
— Proxies for location payer/payee (IBAN, BIC, other identifiers)

4 Tax authority procedures
— Local tax authority registration requirements
— Foreign tax authority registration requirements
— Access to electronic tax authority portals
— Forms

7 Record keeping & retention
— Define required data points for record keeping requirements
— Retention terms (three calendar years)
— Document requirements and processes in SOP

8 Controls (examples)
— Data validations
— Procedures for missing data
— Implement controls for reversed transactions/payments

Legend
● Commercial & Legal
● Tax authority procedures
● Data, systems and processes
● Documentation & controls