

# A GUIDE TO VAT IN THE DIGITAL AGE

## Is your business ready?

The VAT in the Digital Age (ViDA) initiative is the European Union's ambitious plan to modernise the way VAT is reported, collected and enforced across its member states.

Together, these reforms will reduce fraud, improve efficiency, and simplify compliance for businesses operating both domestically and across borders.

Proposed by the European Commission, ViDA is designed to tackle the challenges brought about by an increasingly digital economy and growing cross-border trade.

While the proposals are still moving through the EU legislative process, companies are being urged to prepare.

ViDA aims to create a more harmonised and transparent VAT system and a wider extension of the One Stop Shop (OSS) mechanism.

The upcoming changes will reshape compliance obligations but also require businesses to invest in technology, review processes, and reassess their readiness for a far more digital approach to VAT.



## The three pillars of ViDA

The ViDA proposals are built around three central pillars.

Together, they aim to simplify VAT across the EU, combat fraud, and ensure the tax system keeps pace with the digital economy.

01

### Digital Reporting and E-Invoicing

ViDA will make e-invoicing mandatory for cross-border transactions within the EU, replacing today's patchwork of national rules. Businesses will have to submit transaction data electronically in near real time, giving tax authorities better visibility and reducing opportunities for VAT fraud.

02

### Platform Economy

Digital platforms such as online marketplaces, ride-sharing services and accommodation providers will be more accountable for VAT. In many cases, they will be deemed the supplier, responsible for charging, collecting and remitting VAT, ensuring a fairer system between digital and traditional businesses.

03

### Single VAT registration

The existing OSS will be extended to cover more types of sales, including domestic and cross-border B2C and certain B2B transactions. This allows businesses to manage VAT obligations through a single EU registration, reducing the need for multiple VAT numbers and filings across member states.

## ViDA implementation timeline

2025

ViDA officially adopted (March), member states can mandate domestic e-invoicing without EU approval. Place-of-supply rules clarified for live streaming and virtual events.

2026

Invoice reference rules may apply to cash accounting invoices (from January). Platform economy obligations begin to roll out and member states prepare for structured e-invoicing formats.

2027

Updates to 2021 e-commerce VAT package take effect (January) and OSS expands to include electricity supply. Further alignment of VAT rules across member states.

2028

Reverse charge extended to foreign sellers dealing with VAT-registered customers. OSS covers movement of own goods across borders and B2C sales abroad and IOSS reforms linked to customs data. Reverse charge mechanism becomes mandatory in more scenarios.

2029

Structured e-invoicing mandatory for cross-border B2B and B2G transactions (from July). Digital Reporting Requirements (DRR) replace EC Sales List for intra-EU B2B. Platform rules apply to short-term accommodation and passenger transport.

2030

Full harmonisation of domestic digital reporting models across the EU. Unified VAT compliance framework for all member states.

## Importance of compliance

ViDA is not just a technical change, it is a regulatory shift that will transform VAT obligations across the EU. With mandatory e-invoicing, stricter reporting timelines and expanded VAT collection responsibilities, non-compliance could lead to penalties, reputational damage, and disruption to business operations.

By acting early, companies can turn compliance into an advantage, streamlining their processes and reducing manual errors.

## What it means for tax/finance teams

For tax and finance functions, ViDA will bring both challenges and opportunities. Teams will need to adapt to near real-time reporting, new data quality standards, and increased reliance on technology.

Traditional, manual VAT processes will no longer be fit for purpose. These changes present a chance to modernise workflows, strengthen collaboration between tax and IT, and build a more data-driven approach to compliance. The role of the tax team will shift from after the fact reporting to proactive, technology enabled oversight.

## How we can help: Our e-invoicing three-step service

At Innovate Tax, we know that preparing for ViDA can feel like a huge challenge. We can guide you through every stage of global e-invoicing compliance with a structured, vendor-agnostic process that aligns your tax, IT, finance and compliance teams. Our three-step service ensures a seamless transition from readiness to go-live and beyond.

### Step 1 - Readiness workshops

We will help to align tax, finance, IT and compliance teams so everyone understands the challenges and deliverables. Map country-by-country e-invoicing mandates to identify what's required in each jurisdiction. We also review your current operating model (systems, legal entities, existing integration, business processes) and produce a readiness matrix.

### Step 2 - Vendor selection

Our team will plan a structured selection process, including stakeholder involvement and criteria based on both business and technical needs. With our vendor demos you can compare functionality, usability, compliance, support and technical fit. This includes making a final recommendation: which vendor best meets your requirements, which offering gives most value, risk/benefit trade-offs?

### Step 3 - Implementation service

We will project-manage the setup, including technical design, configuration of the chosen solution, ERP/middleware integration, and handling country-specific rules. Throughout supporting user acceptance testing, cut-over, go-live readiness and system go-live. Providing ongoing advisory support to ensure long-term compliance as mandates evolve.

To find out more on how we can help you with your e-invoicing requirements: [innovatetax.com/e-invoicing](https://innovatetax.com/e-invoicing)