# BRUSSELS WANTS AIRBNB AND UBER TO COLLECT VAT

The European Commission has proposed last week that platform operators in the passenger transport and short-term tourist accommodation sectors, such as Airbnb and Uber, among others, be responsible for collecting VAT to the authorities in order to prevent any unfair advantage over taxi and hotel services.

As explained at a press conference by the European Commissioner for the Economy, Paolo Gentiloni, the current rules on VAT mean that **many short-term accommodation and passenger transactions provided through these platforms are not taxed**, which is a terrain of "unfair" play or create unfair competition for traditional providers.

For example, a hotel in a large European city faces competition from a platform that can serve thousands of advertisements in the same city, many of which are not taxed, but with the new rule, when the transport provider or short-term accommodation facility does not charge VAT, it will be the platform that does it on their behalf.

Thus, the proposal aims to eliminate this unequal treatment by making the platform responsible for collecting the VAT when the provider fails to do so and will also simplify compliance for SMEs and individual users of these intermediaries, as they will not have to worry about their VAT obligations in the future.

Under current VAT rules in the EU, it is the underlying service providers, for example, the person who rents an apartment, who are obliged to collect and remit VAT to the Treasury, but many of them, whether individuals or small businesses are unaware that they may be subject to VAT for the services they offer and even when they are aware, it may be difficult for them to familiarize themselves with the VAT system and to comply with their obligations in this regard.

At the same time, economies of scale and a large number of users of these platforms, especially in the tourist accommodation and passenger transport sectors, make these providers compete with traditional VAT-registered providers such as hotels and private transportation companies.

The new rules will eliminate the current VAT inequality suffered by incumbents in these sectors and, according to estimates, this change should bring Member States up to €6.6 billion a year in additional revenue over the next ten years and up to 48 million a year to the platforms themselves during the same 10-year period.

As part of the same package, it is also intended to boost electronic invoicing in cross-border transactions to help reduce VAT fraud by up to 11 billion euros per year and lower administrative and compliance costs for EU merchants in more than 4,100 million annually for the next ten years.

This legislative proposal comes to modernize the current VAT system of the EU for intra-community trade, which with almost 30 years and, despite some recent improvements, has not kept pace with technological advances, the digital economy, changes in the business models or globalization.

The third pillar of this package is a model similar to the "one-stop shop" to allow companies selling to consumers in another Member State **to register once for VAT purposes for the whole EU, and fulfil their tax obligations through a single online portal in a single language**, a move that could save companies around €8.7 billion in administrative and registration costs over ten years.

The key measures proposed will help member states to collect up to 18 billion euros more a year in VAT, after the EU lost 93 billion in revenue from this tax in 2020, according to the latest figures of the gap of VAT, a detrimental fact at a time when governments are adjusting their budgets in the face of rising energy prices.

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