European Parliament
2024-2029

TEXTS ADOPTED

P10_TA(2026)0401

VAT reverse-charge mechanism

European Parliament resolution of 25 November 2026 on the implementation of the VAT reverse-charge mechanism (2025/2261(INI))

The European Parliament,

– having regard to Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax[1], as amended, in particular, by Council Directive 2013/43/EU of 22 July 2013 amending Directive 2006/112/EC on the common system of value added tax, as regards an optional and temporary application of the reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud[2], and subsequent amending acts introducing and extending the optional VAT reverse charge mechanism under Articles 199a and 199b of Council Directive 2006/112/EC,

– having regard to Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax[3],

– having regard to Special Report 24/2015 by the European Court of Auditors of 3 March 2016 entitled ‘Tackling intra-Community VAT fraud: More action needed’,

– having regard to its resolution of 24 November 2016 entitled ‘Towards a definitive VAT system and fighting against VAT fraud’[4],

– having regard to Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of

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1 OJ L 347, 11.12.2006, p. 1, ELI: http://data.europa.eu/eli/dir/2006/112/oj.
2 OJ L 201, 26.7.2013, p. 4, ELI: http://data.europa.eu/eli/dir/2013/43/oj.
3 OJ L 268, 12.10.2010, p. 1, ELI: http://data.europa.eu/eli/reg/2010/904/oj.
4 OJ C 224, 27.6.2018, p. 107.

the European Public Prosecutor's Office ('the EPPO')[5],

– having regard to the Commission report of 8 March 2018 on the effects of Articles 199a and 199b of Council Directive 2006/112/EC on combating fraud (COM(2018)0118),

– having regard to its position of 12 February 2019 on the proposal for a Council directive amending Directive 2006/112/EC as regards the introduction of the detailed technical measures for the operation of the definitive VAT system for the taxation of trade between Member States[6],

– having regard to the study entitled 'Addressing the VAT gap in the EU', published by its Directorate-General for Parliamentary Research Services (EPRS) in December 2020[7],

– having regard to the study entitled 'The implementation and impact of the VAT reverse charge mechanism in the EU', published by the EPRS in June 2026,

– having regard to its resolution of 16 February 2022 on the implementation of the Sixth VAT Directive: what is the missing part to reduce the EU VAT gap?[8],

– having regard to its position of 3 May 2022 on the proposal for a Council directive amending Directive 2006/112/EC as regards the extension of the application period of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud[9],

– having regard to Council Directive (EU) 2022/890 of 3 June 2022 amending Directive 2006/112/EC as regards the extension of the application period of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud[10],

– having regard to Council Directive (EU) 2025/516 of 11 March 2025 amending Directive 2006/112/EC as regards VAT rules for the digital

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5 OJ L 283, 31.10.2017, p. 1, ELI: http://data.europa.eu/eli/reg/2017/1939/oj.
6 OJ C 449, 23.12.2020, p. 295.
7 Study – 'Addressing the VAT gap in the EU', European Parliament, EPRS, December 2020.
8 OJ C 342, 6.9.2022, p. 88.
9 OJ C 465, 6.12.2022, p. 209.
10 OJ L 155, 8.6.2022, p. 1, ELI: http://data.europa.eu/eli/dir/2022/890/oj.

age[11],

– having regard to Council Regulation (EU) 2025/517 of 11 March 2025 amending Regulation (EU) No 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age[12],

– having regard to Council Implementing Regulation (EU) 2025/518 of 11 March 2025 amending Implementing Regulation (EU) No 282/2011 as regards information requirements for certain VAT schemes[13],

– having regard to the proposal of 4 October 2017 for a Council directive amending Directive 2006/112/EC as regards harmonising and simplifying certain rules in the value added tax system and introducing the definitive system for the taxation of trade between Member States (COM(2017)0569), which was withdrawn in October 2025,

– having regard to its position of 17 June 2026 on the proposal for a Council regulation amending Regulation (EU) No 904/2010 as regards the access of the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) to value added tax information at Union level[14],

– having regard to the Commission proposal of 14 November 2025 for a Council Regulation amending Regulation (EU) No 904/2010 as regards the access of the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) to value added tax information at Union level (COM(2025)0685),

– having regard to the European Council conclusions of 19 March 2026,

– having regard to Flash Eurobarometer 559 entitled 'Startups, scaleups and entrepreneurship', covering the period from February to April 2025,

– having regard to Flash Eurobarometer 562 entitled 'Citizens' attitudes towards taxation' of April 2025,

– having regard to Rule 55 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of

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11 OJ L, 2025/516, 25.3.2025, ELI: http://data.europa.eu/eli/dir/2025/516/oj.

12 OJ L, 2025/517, 25.3.2025, ELI: http://data.europa.eu/eli/reg/2025/517/oj.

13 OJ L, 2025/518, 25.3.2025, ELI: http://data.europa.eu/eli/reg_impl/2025/518/oj.

14 Texts adopted, P10_TA(2026)0213.

Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,

– having regard to the report of the Committee on Economic and Monetary Affairs (A10-0300/2026),

A. whereas VAT is a major source of revenue for Member States and contributes to the EU’s own resources;

B. whereas the EU’s VAT system remains vulnerable to missing trader intra-community fraud and carousel fraud;

C. whereas the European Court of Auditors has repeatedly identified weaknesses in the accessibility and interoperability of VAT-related information systems across Member States and EU bodies as a significant obstacle to effective cross-border VAT fraud investigations;

D. whereas such fraud can cause significant losses to national budgets, distort competition and expose legitimate businesses to legal and financial risks;

E. whereas the capacity to improve results in addressing tax fraud, evasion and avoidance remains restricted by unanimity voting in the Council of the EU, as applicable to this policy area;

F. whereas the reverse charge mechanism (RCM) shifts the obligation to account for VAT from the supplier to the customer, thereby reducing the risk of a supplier collecting VAT and disappearing without remitting it;

G. whereas Article 199a of Directive 2006/112/EC allows Member States to apply the RCM to certain fraud-sensitive products; whereas Article 199b of Directive 2006/112/EC provides for a quick reaction mechanism (QRM) in cases of sudden and massive VAT fraud;

H. whereas both mechanisms currently apply until 31 December 2026;

I. whereas the application of the RCM differs across Member States, including as regards voluntary thresholds and definitions of sectors covered, potentially creating legal uncertainty, compliance costs and opportunities for fraud displacement;

J. whereas there are stark divergences in the national VAT compliance gap, from 1 % to 30 % in proportion to revenues collected by the respective Member State;

K. whereas businesses, especially small and medium-sized enterprises (SMEs) operating across several Member States, need clear, consistent and workable VAT rules in order to comply without disproportionate administrative burden; whereas divergent national

conditions for applying the RCM add an additional layer of complexity for such businesses;

L. whereas a recent survey with more than 12 000 participating SMEs points towards taxation and VAT as the most prevalent barrier preventing enterprises from scaling up in other EU countries;

M. whereas a recent survey with more than 25 000 participating citizens highlights the fact that the majority (54 %) of those surveyed wished the EU to have combating tax avoidance and evasion as its main priority with regard to tax policy;

N. whereas the VAT in the Digital Age (ViDA) package and the digital reporting requirements it introduces are expected to improve VAT fraud detection over time, but will be implemented progressively and will not immediately replace targeted anti-fraud tools;

O. whereas the ViDA package alone will not eliminate VAT fraud and needs to be complemented by additional preventive measures;

P. whereas the QRM has never been applied in practice, raising questions about its operational effectiveness;

Q. whereas any future framework should balance the protection of tax revenues, legal certainty for businesses, workload for tax administration, the principle of proportionality and respect for Member States' competences in taxation; whereas greater consistency in the conditions of application of the RCM, where the Member States choose to use it, can contribute to legal certainty without requiring full harmonisation;

R. whereas in its position of 3 May 2022, Parliament called for an assessment of the effects of the RCM to be carried out before any further extension; whereas the most recent substantive Commission assessment of Articles 199a and 199b of Directive 2006/112/EC dates from 2018 and the requested up-to-date assessment has not been delivered;

S. whereas the RCM was introduced, among other things, to combat VAT fraud in the EU Emissions Trading System (EU ETS); whereas it is estimated that, in some Member States, up to 90 % of the market volume was linked to fraudulent activities in 2008-2009, causing losses of up to EUR 5 billion and undermining confidence in the

scheme[15]; whereas greenhouse gas emission allowance trading remains among the sectors most exposed to VAT fraud; whereas greenhouse gas emission allowances continue to be one of the most frequently used categories under Article 199a of Directive 2006/112/EC;

General findings

1. Recalls that the RCM is a targeted derogation from the VAT system and should not become a general replacement for it, and that its extensive use may weaken the coherence of the EU tax framework;

2. Stresses that protecting VAT revenues is essential for the Member States' budget and the Union's budget, fair competition and the proper functioning of the internal market;

3. Expresses deep concern about the VAT compliance gap, which reached EUR 128 billion in the latest year of available records; regrets the increase of 1,6 percentage points in the VAT compliance gap between 2022 and 2023;

4. Notes the European Council's lack of any reference to tax policy harmonisation under the 'One Europe, One Market' agenda, which contrasts with SMEs identifying tax and VAT fragmentation as the most prevalent barrier in the single market;

5. Considers that the use of unanimity, including for legal definitions and clarification or administrative cooperation, has limiting effects in delivering regulatory harmonisation to fight tax fraud, evasion and avoidance;

6. Notes that the absence of a definitive EU VAT system continues to create opportunities for missing trader intra-community fraud and carousel fraud; regrets the delay in establishing such a system and acknowledges that this has necessitated the interim use of the RCM as part of a wider toolkit of anti-fraud measures;

7. Notes that the Commission's proposal for a definitive VAT system was formally withdrawn in 2025 owing to a lack of foreseeable political agreement in the Council; stresses, nonetheless, that the underlying objective of closing the structural loopholes exploited by

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15 According to the Commission staff working document entitled 'Impact Assessment Accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in the field of value added tax' (SWD(2017)0428), Europol estimated that, in some Member States, up to 90 % of the carbon emissions trading market was linked to VAT fraud in 2008-2009, resulting in estimated losses of around EUR 5 billion.

carousel and missing trader fraud remains a priority;

8. Recognises that the RCM has generally proved effective against missing trader intra-community fraud and carousel fraud in high-risk sectors with high value homogenous products, while noting that fraud patterns continue to evolve and that the extended use of the RCM may cause the fraud to move to adjacent sectors;

9. Highlights the fact that the RCM's effectiveness hinges on the broader control environment – including transaction-level reporting, advanced audit tools, trader registration verification, risk-based audits, and refund controls – and on Member States applying these anti-fraud instruments consistently; notes therefore that the RCM does not remove the administrative burden on tax administrations but shifts it, requiring different, and in some cases more demanding, control capabilities than under the standard VAT system;

10. Notes that the expiry of Articles 199a and 199b of Directive 2006/112/EC would remove specific anti-fraud tools and this is set to happen before the ViDA package is fully applicable;

The RCM and Article 199a of Directive 2006/112/EC

11. Notes that a vast majority of Member States applying the RCM declared that it reduced cases of fraud, notably in transactions involving high-value and standardised products; underlines that, unlike the standard VAT system, the RCM shifts VAT collection to a later stage in the supply chain, concentrating potential risks in fewer transactions; considers that, where applied, the RCM should remain temporary and strictly limited in scope to avoid negative long-term structural effects on the VAT system;

12. Considers the possibility of an extension of the validity of Article 199a beyond 31 December 2026 as a temporary and targeted anti-fraud measure, for a period that is necessary in order to preserve legal certainty, prevent renewed exposure to carousel fraud and ensure operational continuity for tax administrations and businesses while ViDA is progressively implemented; regrets the extension of the implementation deadlines agreed under the ViDA package, under which digital reporting requirements are key to giving competent authorities tools to investigate VAT fraud efficiently, reducing the need for the RCM;

13. Considers that a more significant extension than those granted so far, such as the four years remaining until the deadline for the implementation of the ViDA package, should be subject to regular review, be justified by demonstrated fraud risks and be accompanied by a Commission evaluation, to ensure the measure remains relevant and to ensure continuity for businesses and tax administrations until ViDA, digital reporting and national e-invoicing systems produce their full effect; recalls that such an extension should serve as a

bridging measure pending the roll-out of a harmonised, digitally enabled EU VAT system, underpinned by robust e-invoicing and digital reporting requirements, and can reduce fraud structurally, simplify compliance for legitimate businesses and secure stable revenues for public services;

14. Underlines that any extension of the validity of Article 199a should remain targeted, evidence-based and justified by clear fraud risks, sector specificities and a lack of less burdensome alternatives; considers that this extension should be accompanied by a harmonisation of the conditions under which Member States apply the mechanism, in particular as regards thresholds and the scope of sectors covered;

15. Stresses that the RCM must remain an exceptional derogation and not replace the need for a broader VAT reform; calls on the Commission to present a roadmap for a comprehensive and coherent VAT framework, aimed at closing loopholes that enable large-scale VAT fraud and based on EU-wide digital reporting and e-invoicing, stronger administrative cooperation, and effective enforcement of measures to prevent cross-border VAT fraud;

16. Regrets that, according to recent Commission estimates, the EU VAT compliance gap amounted to EUR 128 billion in 2023; notes with concern that carousel VAT fraud accounted for approximately one quarter of annual VAT revenue losses, while missing trader intra-community VAT fraud is estimated to cause annual losses of between EUR 12,5 billion and EUR 32,8 billion; stresses that these lost revenues deprive public budgets of resources for public investment, weaken the EU’s own resources and undermine fair competition for legitimate businesses in the single market;

17. Calls on the Commission, together with the Member States, to assess the costs and benefits of applying the RCM, sector by sector, including its impact on fraud, businesses and their compliance costs, with a particular focus on SMEs, tax administrations and possible fraud displacement, and to adapt the list of sectors accordingly; further calls on the Commission to analyse and issue recommendations for Member States regarding ‘last-mile’ fraud in business-to-consumer (B2C) transactions for sectors where the RCM is applicable;

18. Takes note that the Commission has not delivered the up-to-date assessment of the effects of Articles 199a and 199b of Directive 2006/112/EC requested by Parliament before any further extension; calls on the Commission to present such an assessment and, on that basis, to put forward a timely proposal and establish common minimum conditions for the application of the RCM across Member States in order to reduce legal uncertainty and limit opportunities for fraud displacement between Member States with diverging rules;

19. Stresses that the RCM should remain optional for the Member States; considers, however, that where a Member State applies the RCM pursuant to Article 199a, the conditions governing its application, including the thresholds above which the mechanism applies and the definitions of the sectors and goods or services covered, must be aligned at EU level, with a view to ensuring clearer and more predictable treatment of comparable high-risk transactions across the internal market and to limiting opportunities for fraud displacement arising from divergent national rules, while not excluding the need for further harmonisation of the conditions of application, particularly for the sectors at the highest risk of fraud;

Clarification and legal certainty

20. Calls on the Commission, in consultation with the Member States, to propose a legal clarification of the scope, thresholds and definitions of sectors covered by Article 199a, including though implementing measures or guidance, and to regularly update it, since divergent interpretations have created legal uncertainty, compliance burdens or opportunities for fraud;

21. Stresses that minimum harmonisation of the thresholds and sector definitions applicable under Article 199a can ensure that comparable high-risk transactions are treated in a materially equivalent manner across Member States; calls on the Commission to propose, where evidence supports this, a framework of common minimum standards for the application of the RCM within the sectors listed under Article 199a(1), while preserving Member States' ability to apply more focused measures;

22. Considers that particular attention should continue to be paid to high-value, fast-moving and digitalised transactions, including energy supply, emission allowances, energy certificates, electronics and metals; calls on the Commission to clarify the VAT treatment of energy certificates, including guarantees of origin, which currently remain in a legal grey zone exposing operators to uncertainty and liability risks;

23. Warns that divergent thresholds, definitions of sectors and implementation practices may increase costs for cross-border businesses and create opportunities for fraudsters to exploit gaps; stresses the importance of enhanced information exchanges and stronger cooperation between competent authorities and EU fraud agencies in addressing risks of cross-border tax fraud, evasion and avoidance, and in simplifying cross-border economic activity;

24. Stresses the need for additional guidance on implementation matters through the VAT Committee and, where appropriate, Commission explanatory notes and other measures to achieve a consistent and uniform application of the conditions for the RCM across Member

States, while avoiding unnecessary complexity and respecting competences in taxation as established in the EU Treaties;

The QRM and Article 199b of Directive 2006/112/EC

25. Calls on the Commission to assess and propose how the QRM could be simplified and made more operationally accessible as a credible emergency tool, while maintaining safeguards;

26. Considers that such reform could include a standard notification template, clearer evidentiary requirements and better articulation of the derogation procedure under Article 395 of Directive 2006/112/EC;

27. Believes that evidentiary requirements should allow Member States to rely, at an early stage, on credible and verifiable indicators, risk analysis and market data before fully quantified evidence of tax losses is available;

28. Underlines that the QRM should remain an exceptional, temporary measure limited to addressing serious and sudden risks of fraud;

Administrative burden, monitoring and cooperation

29. Stresses that any extension or adjustment must take account of compliance costs for businesses, especially SMEs, including adaptation costs and costs resulting from transaction classification, reporting obligations and legal uncertainty; notes that access to disaggregated costs, distinguishing the burden borne by SMEs from that borne by large operators, would facilitate a proportionality assessment of the RCM;

30. Emphasises that anti-fraud measures must remain proportionate, predictable and workable; stresses that suboptimal enforcement of measures to prevent tax fraud, evasion and avoidance harms the level playing field, to the detriment of businesses that comply with legal requirements;

31. Calls on tax administrations to focus on fast identification and issuance of VAT refunds to legitimate start-ups and small businesses in industries subject to the reverse charge; underlines the need to reinforce capacity-building in national tax administrations, and the uptake of digital solutions that improve effectiveness and efficiency; stresses the importance of deepening cross-border administrative cooperation in tax matters in order to enhance early detection of fraud risk, prevent fraud, evasion and avoidance, and to swiftly provide refunds where appropriate;

32. Calls on the Commission to assess the average processing time for VAT refund claims submitted by SMEs in sectors subject to the RCM across Member States; calls on the Commission to propose, where

the assessment reveals disproportionate delays, targeted measures to ensure that refund claims from such businesses are processed within a period that does not exceed 30 days from the submission of a complete claim, in line with the objective of reducing the administrative burden on smaller operators;

33. Requests that the Commission report to Parliament and the Council every two years on the implementation of Articles 199a and 199b, making sure that the assessment is comparable across the Member States and over time; calls on the Commission, where the report identifies disproportionate burdens, insufficient evidence of fraud risk or the availability of equally effective measures, to propose measures that limit or adjust the application of the RCM by Member States; asks the Commission to report on the impact of these articles on fraud reduction, compliance costs, with a particular focus on SMEs, and fraud displacement; asks the Commission to produce a comprehensive analysis, by no later than 31 December 2030, on the impact of the roll-out of ViDA on the implementation of these articles, including whether the reverse charge mechanism will remain necessary once the digital reporting requirements provided for under ViDA have been implemented; considers that the findings of this report should be the determining basis for any decision beyond 31 December 2030;

34. Calls on the Commission to share best practices to address persistent fraud in the small-merchant sector, which contributes substantially to overall VAT fraud;

35. Calls for comprehensive and systematic information exchange between the Member States, Eurofisc, the Commission, the EPPO and the European Anti-Fraud Office, in order to identify emerging fraud patterns and displacement effects;

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36. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.