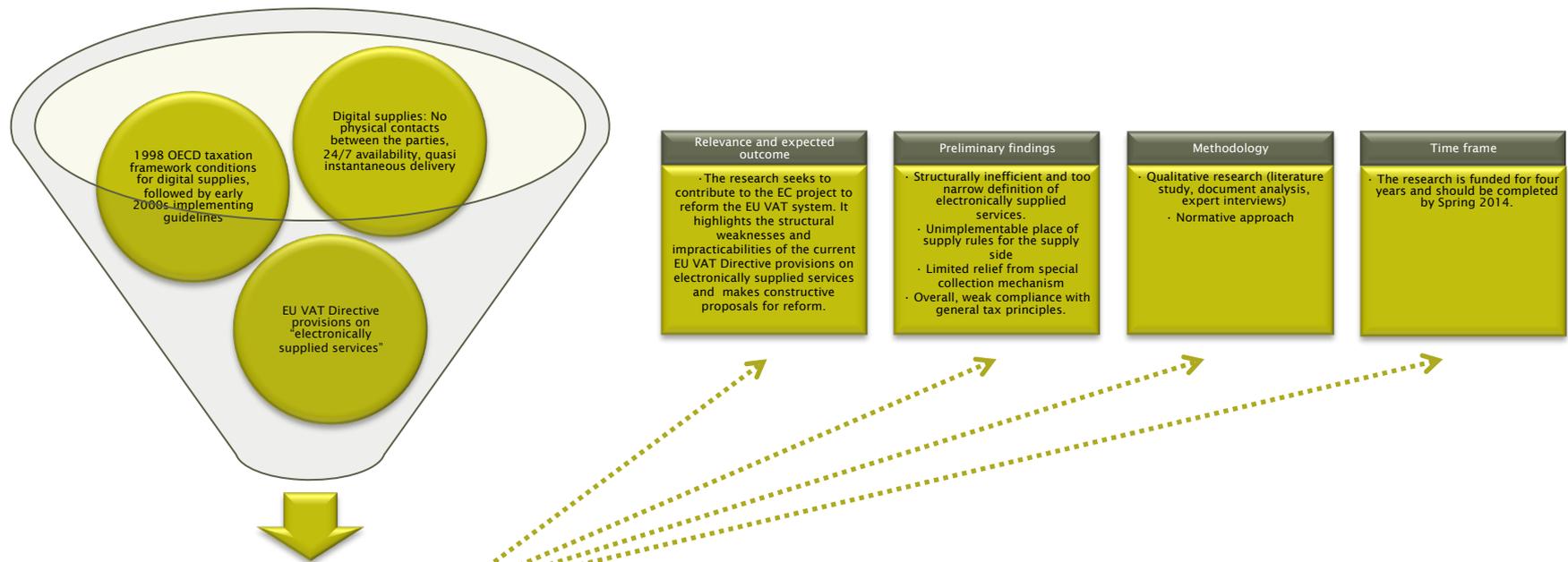


# VAT IN THE DIGITAL ERA: THE EU APPROACH

**Abstract:** Digital supplies exclude physical contact between the parties in the transaction. They are available at all times and can be delivered between any two places in the world, quasi instantaneously. These characteristics cannot be ignored in the design of a comprehensive VAT system aimed at embracing, in principle, all economic activities. In 1998, the OECD proposed taxation framework conditions for tackling the consumption taxation of digital supplies, based on discussions held between OECD members and non-members, and of representatives of the business community. The EU sought to implement the OECD framework by inserting specific provisions (regarding place of supply and collection) for “electronically supplied services” in the EU VAT Directive. This research seeks to assess whether the EU VAT provisions on electronically supplied services allow for an appropriate taxation of digital supplies in the EU, and to propose alternatives to the identified shortcomings. Assessment criteria include in particular the overall practicability and related costs for businesses as taxable persons.



## Research Questions

1. Do the EU VAT provisions on electronically supplied services allow for an appropriate taxation of digital supplies in the EU, in particular from the viewpoint of the suppliers as taxable persons?
2. What are possible solutions to the identified shortcomings?



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