



EUROPEAN
COMMISSION

Brussels, 1.10.2026
COM(2026) 515 final

2026/0292 (CNS)

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

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The purpose of the current proposal for a Directive amending Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (hereafter the ‘VAT Directive’) is to prolong: 1) the possibility for Member States to apply the reverse charge mechanism (RCM) to combat existing fraud in supplies of goods and services included in Article 199a(1) of the VAT Directive, and 2) the possibility to use the Quick Reaction Mechanism (QRM), as set out in Article 199b of the VAT Directive, to combat fraud via the application of the RCM in very specific cases.

As a general rule, Article 193 of the VAT Directive stipulates that the taxable person supplying goods or services is liable to pay VAT. As a derogation, the RCM allows to designate the recipient of the supply as the person liable for the payment of the VAT due. Under this RCM, VAT is not charged by the supplier but accounted for by the customer (a taxable person) in his VAT return. This VAT may be then deducted in that same VAT return and, therefore, insofar this person has a full right of deduction, the result is neutral for the customer.

The RCM is used to combat fraud and, in particular, Missing Trader Intra-Community (MTIC) fraud. This type of fraud occurs when a trader acquires goods, transported or dispatched from another Member State, by means of a supply exempt from VAT, and sells them on including VAT on the invoice to the customer. After having received the VAT amount from the customer, such trader disappears before paying the VAT due to the tax authorities. At the same time, the customer acting in good faith can normally deduct the VAT he paid to the supplier through his VAT return.

The RCM, based on Article 199a of the VAT Directive, allows Member States to fight missing trader fraud in the pre-defined sensitive areas where it typically occurs on their territory. The application of Article 199a is optional for Member States. Once suppliers are obliged to use the RCM for such domestic supplies, they cannot charge VAT on their invoice. They will subsequently not receive the VAT amount from their customer and, as a result, such traders cannot disappear with the amount of VAT received. The QRM of Article 199b of the VAT Directive is an exceptional measure allowing Member States to quickly introduce, in cases of imperative urgency, a temporary RCM for supplies of goods and services in sectors where sudden and massive fraud occurred and which are not listed in Article 199a of the VAT Directive. This procedure is exceptional and extremely quick as the Commission has to react within one month, either with a negative opinion or to confirm in writing to the Member State concerned that it does not object the measure. The Member State may adopt the QRM special measure from the date of receipt of that confirmation. By using this mechanism, Member States can bridge the period required for obtaining a ‘normal’ derogation under Article 395 of the VAT Directive, which can take up to six months. Such a derogation requires a proposal from the Commission and unanimous adoption by the Council.

Article 199a of the VAT Directive was introduced¹ for the period 2010 until 30 June 2015 and was a first time extended², with amendments, until 31 December 2018. Article 199b of the VAT Directive was introduced³ for the period 2013 until 31 December 2018. Both Articles 199a and 199b of the VAT Directive were subsequently extended⁴ until 30 June 2022 in order to coincide with the initially foreseen date on which the so-called ‘VAT definitive system’, a simpler and fraud-proof system for intra-Union trade of goods, would enter into force⁵. Since negotiations on that definitive system were still ongoing by that initial date and in the light of a previous Commission report on the effects of the said articles⁶, the measures were again extended until 31 December 2026⁷. However, these negotiations did not lead to an agreement, and the Commission finally withdrew its proposals in the framework of its Work Programme 2025⁸.

Meanwhile, and in accordance with the Tax Action Plan⁹, the Commission developed a VAT modernisation package, taking into account the opportunities offered by digital technologies under the heading of ‘VAT in the Digital Age’ (ViDA). This package, adopted by the Council on 11 March 2025¹⁰, contains three different parts of which one is the so-called Digital Reporting Requirements (DRR). Under this DRR, EU cross-border transactions in relation to both goods and services will, by July 2030, require near real-time digital reporting by taxable persons in combination with the obligatory use of structured electronic invoices in a standard EU format. This will be combined with Member States’ existing, or to be developed, domestic digital real-time transaction reporting obligations (which must align with EU standards by 1 January 2035). Tax authorities will subsequently have access to transaction-based

¹ Council Directive 2010/23/EU of 16 March 2010 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 services susceptible to fraud (OJ L 72, 20.3.2010, p. 1–2).

² 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 (OJ L 201, 26.7.2013, p. 4–6).

³ Council Directive 2013/42/EU of 22 July 2013 amending Directive 2006/112/EC on the common system of value added tax, as regards a quick Reaction Mechanism against VAT fraud (OJ L 201, 26.7.2013, p. 1).

⁴ Council Directive (EU) 2018/1695 of 6 November 2018 amending Directive 2006/112/EC on the common system of value added tax as regards the period of application 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 (OJ L 282, 12.11.2018, p. 5–7).

⁵ Proposal 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) 569 final.

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, COM(2018) 329 final.

⁶ Report of 8 March 2018 from the Commission to the Council and the European Parliament on the effects of Articles 199a and 199b of Council Directive 2006/112/EC on combatting fraud, COM(2018) 118 final.

⁷ 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 (OJ L 155, 8.6.2022, p. 1–2).

⁸ Communication of 11 February 2025 from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Commission work programme 2025, COM(2025) 45 final.

⁹ Communication from the Commission to the European Parliament and the Council - An action plan for fair and simple taxation supporting the recovery strategy, COM(2020) 312 final.

¹⁰ See: [Adoption of the VAT in the Digital Age package - Taxation and Customs Union](#)

information, including bank details, as from July 2030 via the so-called central VIES, a new and centralised hub for online cross-border reporting and taxpayer identification. This will allow Member States to step up against fraud and, in particular, MTIC fraud. At the same time, the package allows Member States to introduce already as of 2025 domestic e-invoicing obligations, possibly accompanied with a reporting obligation, thus covering the same level of information available for domestic supplies.

Until such system is in place as from 1 July 2030, it is reasonable and prudent that Articles 199a and 199b of the VAT Directive are prolonged to keep these measures, although derogating from the general principles of VAT, in place.

- **Consistency with existing policy provisions in the policy area**

As explained, the timing as regards the extension of Articles 199a and 199b of the VAT Directive is consistent with the entry into application of the DRR as part of the VAT in the Digital Age package.

- **Consistency with other Union policies**

Article 199a of the VAT Directive covers under the RCM, among others, the EU trading in greenhouse gas emission allowances (EU Emission Trading System (ETS)). Given the amounts at stake, it is essential that the ETS is further protected from VAT fraud and, in particular, in the light of the extension to the so-called ETS2 system.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The Directive amends the VAT Directive on the basis of Article 113 of the Treaty on the Functioning of the European Union.

As the proposal prolongs the application of certain provisions of the Directive, an amendment of the VAT Directive is necessary.

- **Subsidiarity (for non-exclusive competence)**

According to the principle of subsidiarity, as set out in Article 5(3) of the Treaty on European Union, action at Union level may only be taken if the envisaged aims cannot be achieved sufficiently by the Member States alone and can therefore, by reason of the scale or effects of the proposed actions, be better achieved by the Union.

The objective of fighting fraud via the application of the RCM and the possibility to use the QRM to fight sudden and massive fraud is best achieved at Union level and finds its specific legal basis in the VAT Directive. Therefore, the prolongation of these measures requires an amendment to the VAT Directive.

- **Proportionality**

Because of the optional and temporary character of the prolonged measures, the proposal is proportionate to the aim pursued which is to combat fraud in certain supplies of goods and services and help Member States to tackle sudden and massive VAT fraud.

- **Choice of the instrument**

A Directive is proposed in view of amending the VAT Directive.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The Commission presented a report, at the time of the second prolongation, on the functioning and effects of the reverse charge mechanism in relation to Articles 199a and 199b of the VAT Directive¹¹ and concluded at that time that the measures in these Articles were useful in the fight against fraud.

- **Stakeholder consultations**

For this extension, a questionnaire, to which all Member States replied, was sent on 6 March 2026 as to assess the current use of the RCM and to ask whether, on the basis of experience at national level, it would be useful to extend the RCM and QRM for another limited period.

On the basis of the replies, it appears that all Member States (except Malta) apply the RCM in relation to at least one category of Art. 199a of the VAT Directive. Twenty-two Member States apply the RCM to the greenhouse gas emission allowance trading (ETS) and is therefore the most used category. Then, in descending order, use of the RCM is applied to the category of mobile phones (fifteen Member States), other units for compliance with the emission allowance trading Directive (fourteen Member States), game consoles, tablet PC's and laptops (fourteen Member States), integrated circuit devices (twelve Member States), gas and electricity supplied to a taxable dealer (twelve Member States), raw and semi-finished metals (twelve Member States), gas and electricity certificates (ten Member States), cereals and industrial crops (six Member States), telecommunication services (five Member States).

Twenty-four Member States declared that the RCM, as applied in their country, has been useful in combating fraud.

Although never used in practice, eighteen Member States considered that it would still be useful to keep the QRM, in the same or slightly amended form.

- **Collection and use of expertise**

Separate from the Commission's work in this field, the European Parliamentary Research Service (EPRS) published a comprehensive study on 22 June 2026 as regards the implementation, impact, effectiveness and future relevance of the VAT reverse charge mechanism in the EU.¹² This external study recommends continuity of Articles 199a and 199b beyond 2026, particularly during the transition towards the ViDA framework and wider digital VAT controls. At the same time, the study underlines that the continued use of the reverse charge mechanism should be subject to regular review, demonstrated fraud risk and proportionality and that these measures should form part of a broader and increasingly digital EU VAT anti-fraud framework.

This proposal to extend Articles 199a and 199b of the VAT Directive is therefore largely in line with the findings and recommendations of the EPRS study.

¹¹ Report of 8 March 2018 from the Commission to the Council and the European Parliament on the effects of Articles 199a and 199b of Council Directive 2006/112/EC on combatting fraud, COM(2018) 118 final.

¹² See : [The implementation and impact of the VAT reverse charge mechanism in the EU](#)

4. BUDGETARY IMPLICATIONS

Given that this proposal extends anti-fraud measures in the field of VAT, it will have no negative implications for the Union's budget.

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 113 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Parliament¹,

Having regard to the opinion of the European Economic and Social Committee²,

Acting in accordance with a special legislative procedure,

Whereas:

- (1) Council Directive 2006/112/EC³ provides for Member States to use, on an optional basis, the reverse charge mechanism (RCM) for the payment of value added tax (VAT) on supplies of pre-defined goods and services that are susceptible to fraud, in particular, Missing Trader Intra-Community (MTIC) fraud. The RCM allows Member States to designate the recipient of supplies of goods or services as the person liable to pay VAT. That Directive also provides for the Quick Reaction Mechanism (QRM), which offers Member States, under certain strict conditions, a faster procedure that allows for the introduction of the RCM on other categories, resulting in a more adequate and effective response to sudden and massive fraud. The application period of both mechanisms expires on 31 December 2026.
- (2) On 11 March 2025, the Council adopted Directive (EU) 2025/516⁴, which sets out, inter alia, digital reporting requirements for cross-border supplies of goods and services within the Union made between taxable persons. Member States are to apply the national measures transposing those requirements from 1 July 2030. The requirements entail the use of a mandatory electronic system, including e-invoicing for cross-border business-to-business transactions, almost real time reporting and automated data transmission and allow, for example, for cross-referencing of reported data at transactional level. They should considerably contribute to the fight against MTIC fraud.

¹ OJ C , , p. .

² OJ C , , p. .

³ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1, ELI: <http://data.europa.eu/eli/dir/2006/112/oj>).

⁴ Council Directive (EU) 2025/516 of 11 March 2025 amending Directive 2006/112/EC as regards VAT rules for the digital age (OJ L, 2025/516, 25.03.2025, ELI: <http://data.europa.eu/eli/dir/2025/516/oj>).

- (3) On 6 February 2026, the Commission sent a questionnaire to the Member States regarding their actual use of the RCM and their views on the functioning and usefulness of the RCM and the QRM as an anti-fraud tool. It appears from the replies that almost all Member States apply the RCM to at least one type of good or service, with the greenhouse gas emission allowance trading system as the most used category. Further, most Member States declared that the RCM, as applied in their territory, has been useful in combating fraud and considered it useful to extend its date of application. They also considered the QRM, although it has yet to be used in practice, useful as a deterrent, as it allows the Commission to react very quickly in case of sudden and massive VAT fraud.
- (4) The RCM and the QRM have been useful as temporary and targeted measures and their expiration would deprive Member States of efficient tools to fight fraud. The application period of the RCM and the QRM should therefore be extended for another limited period of time, to allow Member States to put in place the cross-border digital reporting requirements provided for in Council Directive (EU) 2025/516 and to introduce or adapt domestic e-invoicing rules.
- (5) Since the objective of this Directive, namely maintaining efficient tools to fight fraud, cannot be sufficiently achieved by the Member States but can rather, by reason of the effects of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Directive does not go beyond what is necessary in order to achieve that objective.
- (6) The extension will have no adverse impact on the Union's own resources accruing from VAT.
- (7) Directive 2006/112/EC should therefore be amended accordingly,

HAS ADOPTED THIS DIRECTIVE:

Article 1

Directive 2006/112/EC is amended as follows:

- (1) in Article 199a(1), the introductory wording is replaced by the following:
‘Until 30 June 2030, Member States may provide that the person liable for the payment of VAT is the taxable person to whom any of the following supplies are made.’;
- (2) in Article 199b, paragraph 6 is replaced by the following:
‘6. The QRM special measure as provided for in paragraph 1 shall apply until 30 June 2030.’.

Article 2

This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Article 3

This Directive is addressed to the Member States.

Done at Brussels,

*For the Council
The President*