

VAT NEWS

NEW VAT PROVISIONS INTRODUCED BY THE FRENCH FINANCE BILL FOR 2024 VOTED IN DECEMBER 2023

➤ **New timetable for the coming into force of e-invoicing and e-reporting**

The French Finance Bill for 2024 provides a new timetable for the coming into force of electronic invoices obligations (« e-invoicing ») and transmission of transaction data and payment (« e-reporting »):

- The obligation to receive electronic invoices will apply to all companies from September 1st 2026 instead of July 1st 2024;
- The obligation to issue electronic invoices and the obligation to transmission of transaction data and payment will apply from September 1st 2026 for large and medium-size companies (instead of respectively July 1st 2024 and January 1st 2025) and from September 1st 2027 for small companies and micro-businesses (instead of January 1st 2026).

The Bill allows the government to postpone these dates by a maximum of three months.

➤ **VAT on single complex supplies: the 2.1% rate applied to the main element is extended to the ancillary elements**

The implementation of EU directive 2022/542 of April 5th 2022 into domestic law repealed article 278-O A of the French General Tax Code, which stipulated that when the main element was subject to the special rate of 2.1%, it was subject to this special rate and the ancillary elements to their own rate.

From now on, when this rate is applicable to the main element, it also applies to the ancillary elements of the transaction.

➤ **VAT regime for furnished tourism accommodations**

The French Finance Bill for 2024 amends the VAT taxation regime for furnished accommodations and more clearly distinguishes the hotel sector from the residential sector.

From January 1st 2024, VAT applies to accommodation services provided within the hotel sector or sectors with a similar function that meet the following cumulative conditions:

- They are offered to the client for a period not exceeding 30 nights, without prejudice to the possibilities of proposed renewal;
- They include the provision of a furnished accommodation and at least three of the following four services: breakfast, regular cleaning of the premises, provision of linens and reception, even not personalized, of the customers. The criterion of the cumulation of the three ancillary services is therefore maintained (in addition to the criterion of the length of stay) despite the opinion of the French Council of State of July 5th 2023 which seemed to have questioned it.

The rules concerning the taxation of furnished accommodations for the residential sector remain unchanged: rentals of furnished accommodations for residential use in sectors other than the hotel sector are therefore still subject to VAT (or sectors with a function similar to the hotel sector), which are accompanied by at least three of the following services: breakfast, regular cleaning of premises, provision of household linen and the reception, even if not personalized, of customers.

➤ **Change in drop shipping regime**

New VAT rules on the importation are adapted to eliminate circumventions by online sellers using drop shipping.

The drop shippers are intermediaries buying goods located in outside the EU and reselling them online to have them delivered to France without ever physically dispose of them, the supplier directly arranging delivery to the customer.

Until then, the drop shippers not being legally not mentioned as VAT payable on importation of the property, the person liable for VAT being the recipient of goods. However, only VAT was paid on the selling price on shipment, this price being most often much lower than the one paid by the final customer.

Now, if the following conditions are completed:

- the sale is not made using an electronic interface;
- the importing Member State and arrival of goods are identical;
- the seller does not use the « IOSS » one-stop shop for this shipment;
- the imported good is cleared through customs at a value lower than the sale price to the final customer;

then the drop shipper will be designated as the recipient of the goods and will be liable for the import VAT by way of reverse charge. The resale will be then territorialized in France and subject to VAT on the final price.

In addition, taxable persons not established in within the EU, using an electronic interface without paying the VAT due could see their access to the platform restricted or even dereferenced.

➤ **Modification of the thresholds for VAT exemption**

The VAT regime of exemption has been modified to comply with European Union rules.

From January 1st 2025, taxable persons established within the EU will be able to benefit from the basic VAT exemption, not only in their country of establishment, but also in other Member States, provided that their European sales do not exceed EUR 100,000.

The national sales ceiling to benefit from the exemption is unified at the community level. This harmonization modifies the ceilings currently applicable in France. As a result, the VAT exemption will be applicable, for a year N, to taxable persons established in France when their sales in France for the previous calendar year does not exceed:

- EUR 85,000 (instead of the current EUR 91,900) for activities involving sales of tangible goods, sales for consumption on site or provision of services accommodation;
- EUR 37,500 (instead of the current EUR 36,800) for others service provision activities.

➤ **Merger of tax agent and tax representative**

From January 1st 2025, the existing devices for occasional tax representative and occasional tax agent will be merged under the same unified device of occasional tax agent which may be used by the companies established outside France (in the EU or outside the EU).

In addition, the field of operations affected by the occasional tax agent will be extended to new operations.



Dominique VILLEMOT

Attorney-at-law

dominique.villemot@marivaux-avocats.com



Nathalie LAY

Attorney-at-law

nathalie.lay@marivaux-avocats.com