

# **VAT Modernisation**

Implementation of eInvoicing in Ireland

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# Ireland's Pathway to VAT Modernisation:

## Implementation of VAT in the Digital Age and Domestic eInvoicing

In line with the Budget 2026 speech delivered by the Minister for Finance, Paschal Donohoe, T.D., Revenue announces preparations for implementing the European Union's VAT in the Digital Age (ViDA) requirements. ViDA aims to modernise VAT systems across Europe to better support how businesses trade today, while strengthening the fight against VAT fraud.

From 1 July 2030, the ViDA Directive, adopted by the EU in March 2025, will require businesses trading cross-border with other EU businesses to implement eInvoicing and real-time reporting to tax authorities. eInvoicing refers to the electronic transmission of structured invoices through an end-to-end digital process.<sup>1</sup> Real-time reporting refers to sending a subset of relevant data from the eInvoice to the tax authority.

Importantly, businesses that trade across EU borders will need to operate these new eInvoicing systems to maintain access to current 0% VAT arrangements that support Single Market trading. This EU mandate is a key driver of Revenue's VAT modernisation, facilitating the introduction of both EU cross-border and domestic eInvoicing with real-time reporting for Irish businesses.

This transformative initiative represents the most significant modernisation of Ireland's VAT system since the tax was introduced over 50 years ago. The programme will align Ireland with international best practice in VAT administration and support business digitalisation while ensuring compliance with mandatory EU requirements.



## Modernising Ireland's VAT System

The current VAT reporting system, largely unchanged since 1972, requires businesses to file periodic returns based on aggregate sales and purchases. Ireland's business environment has significantly digitalised and changed over this period, however, Revenue's VAT administration has not kept pace with these developments.

Technology provides an opportunity to modernise our approach through the introduction of domestic eInvoicing and real-time digital reporting systems. This initiative reflects our strategic objective to redesign VAT administration to better integrate with normal business processes, thereby reducing compliance costs for tax-compliant businesses while enhancing Revenue's capacity to combat fraud. Until now, Ireland has been one of very few EU Member States not yet operating or rolling out mandatory eInvoicing.

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<sup>1</sup> This means issuing of PDF invoices or scanned paper invoices will not satisfy ViDA requirements.

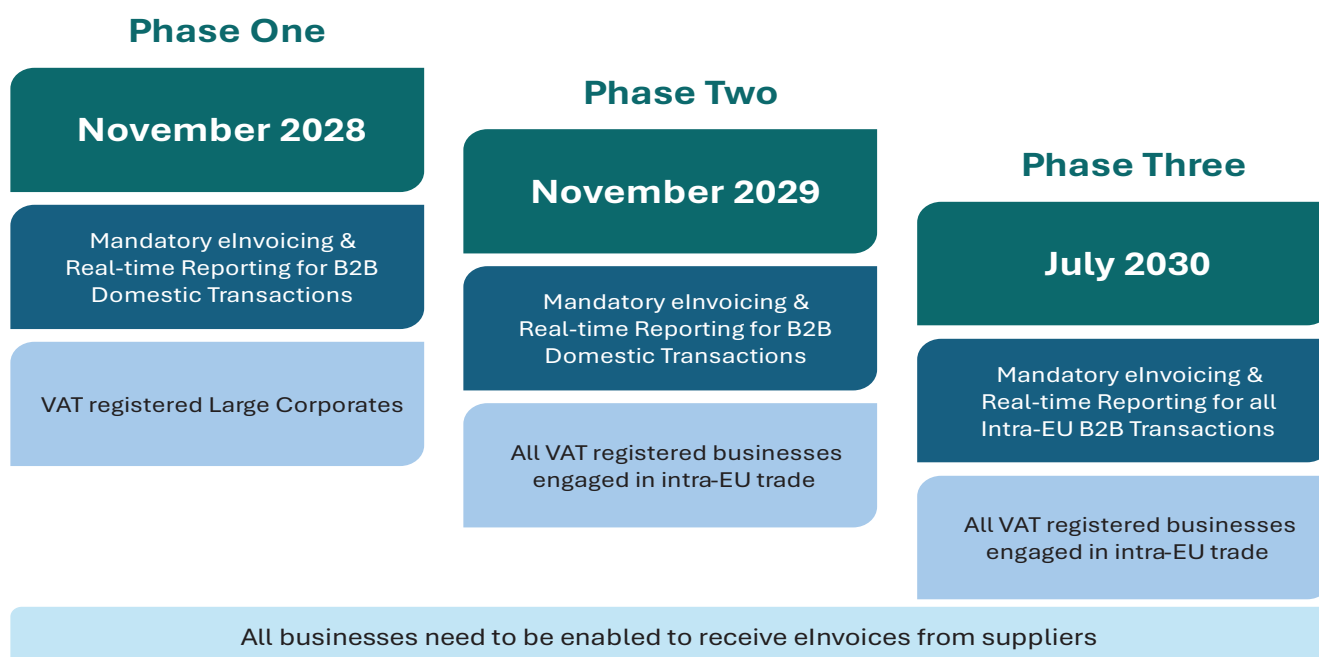
The new digital approach will integrate real-time reporting directly into normal business processes, utilising the real-time, high-quality data that many businesses already generate through their existing digital systems. Under the new arrangements, businesses will issue structured electronic invoices to their customers, with key transaction details reported to Revenue in real-time.

Importantly, these changes relate solely to invoicing and reporting processes. Tax rates, payment requirements, and liability calculations remain unchanged. The focus is on making compliance easier and more efficient rather than altering tax obligations.



## Phased Implementation Approach

A phased rollout will allow businesses and Revenue sufficient time to learn from early adopters and prepare systematically in advance of 1 July 2030, when the EU ViDA requirements become mandatory. A three-phase implementation timeline will provide businesses with adequate preparation time while building on Ireland's strengths in digital innovation.



**Phase 1 (November 2028):** VAT-registered large corporates will be required to implement mandatory eInvoicing and real-time reporting for domestic business-to-business (B2B) transactions. This phase will affect a small number of businesses, who will be best positioned to adapt to digital changes and often have existing international experience with similar systems.

**Phase 2 (November 2029):** The domestic obligation will extend to all VAT-registered businesses engaged in cross-border EU B2B trade, who benefit from the 0% VAT arrangements for such trade. This timing provides these businesses with time to familiarise themselves with the new arrangements domestically before the EU-wide system (ViDA) becomes mandatory.

**Phase 3 (July 2030):** Full implementation of EU ViDA requirements for all cross-border EU B2B transactions becomes mandatory across all Member States. Irish businesses already operating under the domestic system will transition to meet these EU obligations.

Revenue recognises the significant change this represents for Irish businesses and is committed to providing comprehensive support and engagement throughout the transition.

It is important for all businesses to understand that eInvoicing is an end-to-end digital process. For the system to operate effectively, the ViDA Directive sets out a legal obligation for business customers to accept eInvoices from suppliers. This means that even if your own business is not yet required to issue eInvoices under the phased rollout, you will need to have the capability to receive them in the required structured electronic format.

This eInvoicing process unlocks efficiencies for both parties. Revenue is actively exploring options to ensure that meeting this obligation is as straightforward as possible for all businesses. We will provide further detailed guidance, engagement and other supports to help businesses prepare for this change well in advance of the first phase.



## EU ViDA Compliance

The EU's ViDA Directive mandates that from July 2030, all cross-border business to business (B2B) transactions for the supply of goods and services between EU Member States must use structured eInvoicing in order to continue to avail of the 0% VAT arrangements which currently exist for cross-border supplies within the Single Market. EU estimates indicate that eInvoicing will help reduce VAT fraud by up to €11bn annually and bring down administrative and compliance costs for EU businesses by over €4.1bn annually over ten years.<sup>2</sup> The EU reported an estimated European VAT gap of €89.3bn, about 7 % of the total expected VAT revenue, for 2022, much of it lost to fraud and administrative errors.<sup>3</sup>

Under ViDA, suppliers must issue eInvoices within 10 days of the transaction and digitally report specified data to their national tax authority. The new system will eliminate the reporting requirement of the monthly VIES returns, further reducing the administrative burden for businesses.

Ireland's phased domestic implementation strategy ensures Irish businesses will be fully prepared for these mandatory EU requirements, avoiding any competitive disadvantage and supporting continued access to the Single Market's benefits, including the favourable 0% VAT rate on cross-border EU trade.

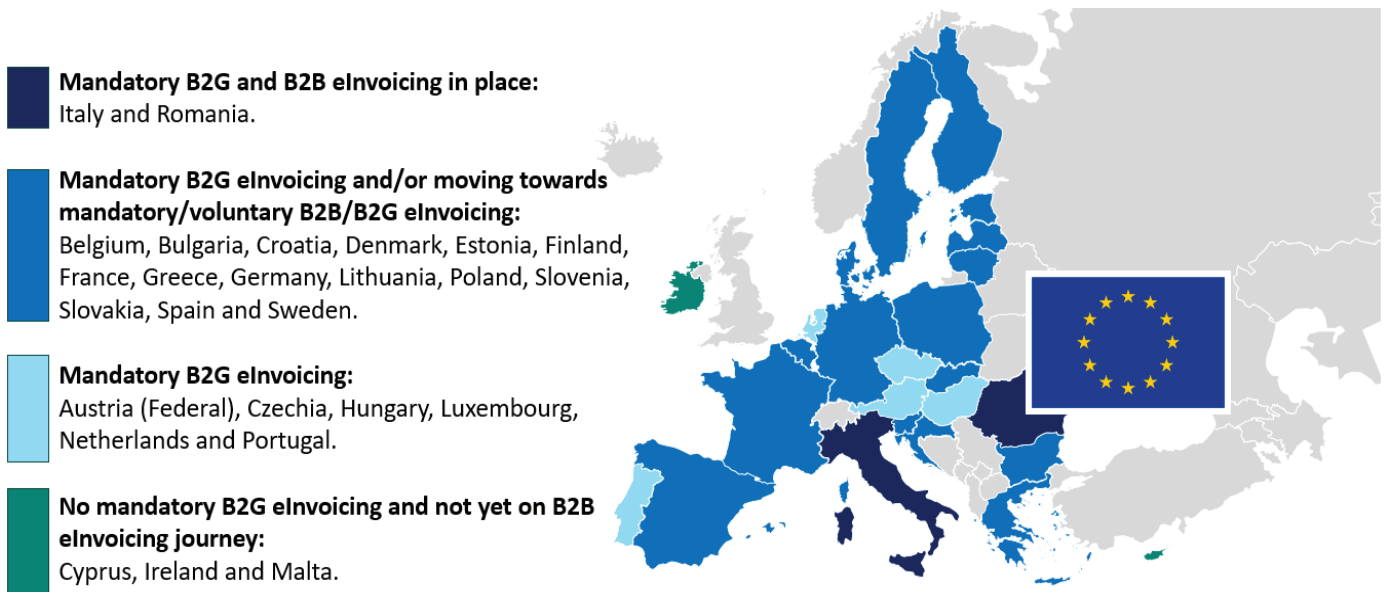
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<sup>2</sup> VAT in the Digital Age, Final Report, Vol. 1. Prepared by Economisti Associati, et al. EU Commission, 2022

<sup>3</sup> European Commission: Directorate-General for Taxation and Customs Union, Center for Social and Economic Research (CASE), Oxford Economics, Syntesia, Bonch-Osmolovskiy, M. et al., *VAT gap in the EU – 2024 report*, Poniatowski, G.(editor), Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2778/2476549>



## EU eInvoicing Landscape



## Benefits for Business

A move to eInvoicing supports “The Digital Ireland Framework”, the Government strategy to position Ireland as an international economic digital leader. That strategy seeks to increase the adoption of digital technologies by all businesses, especially SMEs, with the objectives of sustaining Ireland’s attractiveness as a location for leading digital enterprises and maximising the benefits of the digital transition for the wider economic system, across productivity, innovation and competitiveness.

The modernisation programme offers significant advantages for businesses. By integrating eInvoicing into existing business processes and systems, businesses can achieve substantial time efficiencies and cost reductions while ensuring accurate, timely VAT reporting. The real-time nature of the system will enable faster processing of VAT repayment claims and reduce the likelihood of compliance interventions for compliant businesses.

Real-time transaction data will enhance Revenue’s ability to support businesses through early identification and resolution of discrepancies. This allows us to focus resources more effectively on high-risk areas while providing better service to compliant taxpayers.



## Stakeholder Engagement

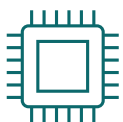
Revenue's first engagement commenced in October 2023, with a public consultation on modernising VAT administration. The consultation findings, published in June 2024, detailed the extensive feedback received from businesses, tax practitioners, software providers, and other stakeholders and has provided valuable insights that will inform the development and implementation of these reforms.

Respondents demonstrated strong support for the compliance efficiencies that digital reporting will deliver, while highlighting the importance of clear guidance, adequate preparation time, and support for businesses, particularly smaller enterprises, in managing the transition.

Revenue will intensify engagement with all stakeholders, including the software industry, business associations, and tax practitioners, to ensure the new systems are designed with practical implementation considerations at their core.

Businesses affected by the new requirements will receive direct communication from Revenue, and comprehensive information will be available on the Revenue website. Regular updates will be provided through established channels including the Tax Administration Liaison Committee (TALC) and dedicated stakeholder forums.

Revenue recognises that successful VAT modernisation requires continued collaboration with the business community, and we are committed to maintaining ongoing dialogue. This will be pursued through further engagement as reform proposals are refined and operationalised, ensuring that Ireland's approach to digital VAT reporting serves both compliance efficiency and administrative effectiveness.



## Technical Requirements

The ViDA Directive requires eInvoice structures to comply with European Standard EN16931 using structured data formats enabling automatic processing. Current practices, including issuing PDF invoices or scanned paper invoices will no longer satisfy VAT compliance requirements.

The new system will utilise various existing technical infrastructures, including the Pan-European Public Procurement Online (PEPPOL) framework, already used by some Irish public sector bodies for eInvoicing since 2019, for business-to-government (B2G) transactions. This infrastructure provides a secure, standardised platform for electronic document exchange that businesses can readily adopt.

Revenue is working closely with the Office of Government Procurement, Ireland's PEPPOL authority, to prepare for the significant expansion in network usage expected as businesses adopt eInvoicing for domestic and cross-border EU transactions. Revenue will consult with industry experts to evaluate the mechanisms for effective eInvoicing and reporting.



## Preparation and Next Steps

Revenue has started detailed analysis and technical work on the legislative changes, strategic and operational processes, and IT systems required for successful implementation. We will engage with relevant stakeholders, and subsequently publish detailed guidance and technical specifications well in advance of each implementation phase, ensuring adequate time for system preparation and testing.

The transformation to digital VAT administration represents a significant opportunity to enhance Ireland's competitive position while reducing compliance burdens for businesses. Through careful planning, extensive consultation, and phased implementation, Ireland will deliver a modern, efficient VAT system that serves both business needs and tax administration objectives in the digital age.

Revenue acknowledges that this represents substantial change and is committed to supporting all businesses through the transition process to facilitate the delivery of long-term benefits for businesses, Revenue, and the broader economy. Revenue is committed to working closely with all stakeholders to ensure a smooth, successful transition. Further detailed guidance and engagement opportunities will be announced on our dedicated [website page](#) as the programme progresses.