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EU evaluation implementation of CESOP reporting – four key takeaways



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In December 2024, the European Commission evaluated with PSPs and the EU Member States the implementation of the VAT legislation to exchange and transmit payment data to combat VAT fraud (CESOP) in a meeting of the CESOP Expert Group.





1. Data quality

Payment service providers ("PSPs") currently do not report the expected quality of payment data to the local Tax Authorities.

There is a real risk that PSPs that are not reporting the correct data will get fines and penalties imposed in the various Member States. It can concern significant amounts and potentially have a negative impact on the PSP's reputation with the authorities.

Examples of data quality issues detected by the European Commission are:

- 1. TINs are not always reported (despite available due to KYC).
- 2. Too many attributes reported.
- 3. IBAN or Account ID incorrect.
- 4. 25-threshold: reporting payments that do not pass 25-payment threshold.
- 5. Payee data reported as PSP data or Payer data.

PSPs should check the quality of their data reported and if needed undertake efforts to improve this to avoid penalties and fines.



2. Legislative updates & maintenance

The CESOP Guidelines and Q&As, XML schema and business rules will be amended based on new market insights, and additional (mandatory) payment data should be reported in the future.

PSPs have to take into account that they have to update their data model, perform a mapping exercise and change their XML model due to the (legislative) updates. Processing and monitoring these updates results in additional costs for PSPs as they require amending and maintaining your existing CESOP reporting solution.

The required additional costs for these updates and maintenance should be taken into account when setting the internal budget.

There will be legislative updates which require amending and maintaining PSP's CESOP reporting solution to stay compliant.



3. MiCA & Crypto-assets

The Regulation of Markets in Crypto-Assets ("MiCA") is the European Union's regulatory framework aimed at ensuring legal clarity and consumer protection in the cryptocurrency market.

Crypto-asset service providers (CASPs) impacted by MiCA will also have CESOP reporting obligations for its payment services provided under its PSD2-license. CASPs have to plan and budget to implement a CESOP reporting solution and prepare their systems for this reporting obligation in every Member State where payment services are provided.

For example, crypto tokens used as payment method are considered "electronic money" and will fall in scope of the CESOP reporting obligations if all conditions are met.

CASPs should prepare for CESOP reporting obligations if they provide payment services and implement a CESOP reporting solution.



4. One-stop-shop proposal?

The European Commission seems to be open to discuss to report the payment data only to the EU home Member State (i.e., onestop-shop). This means that the PSP can only report in the home Member State the data it now has to report in both the home Member State and the host Member States.

However, currently there is no legal basis under CESOP for a one-stop-shop reporting system and the European Commission will first have to perform a study whether this is a feasible option. Furthermore, it will require amendments of the legislation for which all Member States have to agree. Therefore, due to this being a complicated political matter, it remains uncertain whether this will be implemented.

Engaging in active conversations with the European Commission can facilitate more efficient future CESOP reporting solution.

A one-stop-shop reporting measure is discussed, but it remains uncertain whether this will be implemented.

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CESOP: contact us

For more on CESOP and to discuss the impact of the CESOP implementation review for you, reach out to any of the persons below.





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