



Electronic Money Association
68 Square Marie-Louise
Brussels 1000
Belgium
Telephone: +32 2 320 3156
www.e-ma.org

Gerassimos THOMAS
EC TAXUD Director-General

Maria Elena Scoppio,
Director for Indirect Taxation

Cc:

Mariana Hristecheva and Constantino Lanza, TAXUD C4 leaders of the CESOP VAT expert group work

John Berrigan, Director General, DG FISMA

Eric Ducoulombier, Head of Unit FISMA B3 Retail Financial Services

9 April 2024

Dear Mr Thomas and Ms Scoppio

Re: EMA letter to European Commission

The EMA is the EU trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide, providing online payments, card-based products, electronic vouchers, and mobile payment instruments. Most members operate across the EU, most frequently on a cross-border basis. A list of current EMA members is provided at the end of this document.

We are writing to raise concerns about the implementation process for the new CESOP requirements for Payment Service Providers (PSPs), which became effective January 1, 2024 under **Council Directive (EU) 2020/284 of 18 February 2020 amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers.**

These new requirements raise a number of issues and uncertainties for the PSPs in scope. Whilst we support the Commission's objectives to identify and prevent VAT fraud, this requirement places a hugely disproportionate burden on the reporting institutions (PSPs).

Most importantly, whilst PSPs are making every effort towards meeting the compliance deadlines, they are prevented from doing so due to a number of factors.

Registration with National Tax Authorities (NTAs)

In the payments sector, a large proportion of entities operate across the EU under the freedom to provide services. They therefore tend to have customers in several EU member states, despite having no physical presence or establishment in each jurisdiction. According to the **Guidelines for the reporting of payment data from payment service providers and transmission to the Central Electronic System of Payment information (CESOP)**, the revised version of which was only published in November 2023, these PSPs must register with, and report to, the local NTA in each jurisdiction where they provide payment services, which for many PSPs will reflect every jurisdiction in which they have a customer. Many PSPs were expecting to register and report to their home NTA only and/or the location of their BIN sponsor, and were therefore unaware this obligation would apply in every jurisdiction where they have a customer. There appears to be a lack of clear rationale for this reporting requirement considering that CESOP data will be consolidated centrally by the European Commission for distribution across relevant Member States.

The lack of any centralised 'one-stop-shop' register system or any alignment whatsoever around registration requirements, has placed a burdensome obligation on PSPs.

PSPs will endeavour to report in as many Member States as possible, however, the following factors are contributing to a delay in the registration and subsequent filing process:

- The NTAs' lack of preparation for the registration process is resulting in a reduction in PSPs' ability to test files prior to the deadline. Some platforms are not even live yet - less than one month before the first reporting deadline!
- Lack of clear, easily available, or consistent guidance on registration requirements for PSPs in Member States where those PSPs are not already registered for tax purposes.
- Registration processes that are inconsistent with each other, meaning that firms have to meet individual registration requirements for each member state, which can differ widely.
- Onerous registration requirements requiring the production of various corporate documents, identity documents, and the payment of fees.

- Some PSPs have discovered they must report to a local NTAs that they had not anticipated before. As the registration process takes a relatively long period of time, there will be many cases where firms are unable to report data in the relevant quarter as the registration process has not been completed. There is no guidance to permit retrospective reporting of data.

This is especially acute for those with limited resources, which is the case for many in the payments/fintech sector. We have set out in more detail how the registration requirements are proving burdensome, disproportionate, and unnecessarily complex in Annex I to this letter.

These are all factors beyond the control of the PSPs that are subject to the Directive's requirements. However late implementation of CESOP can lead to non-compliance and, depending on each Member State, can result in severe penalties.

Cost of compliance:

There are currently 728 authorised PIs and 307 authorised EMIs in the EU¹, (not to mention the 1488 exempt PIs and 50 exempt EMIs who also fall within scope). Many of these firms are required to register with multiple NTAs, if not all 27.

The Commission anticipated that the cost of implementing the Directive would cost on average €100.000 per institution. Given the cost of technical development and other administrative costs, we estimate the real cost of technological implementation, registration and set up, plus ongoing compliance, to be in excess of **€300.000 per institution**. This comprises the cost of full-time employees combined with costs associated with engaging a third party solution provider and technical development. The cost is so significant that some PSPs are now having to explain and justify the significant rise in expenditure to their respective boards of directors and provide a recovery plan.

Proposed action for the Commission

It must be remembered that this Directive is not addressing a gap in the regulatory framework for PSPs, but instead is making use of the data and resources within the payments sector to address another policy issue. We therefore consider it is in the interest of both the Commission as well as the NTAs to introduce measures to ensure the requirement can be implemented as smoothly and reasonably as possible.

¹ EBA Register of payment and electronic money institutions under PSD2:
<https://www.eba.europa.eu/risk-and-data-analysis/data/registers/payment-institutions-register>

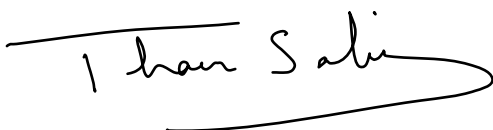
To alleviate the administrative burden, the EMA recommends that the Commission consider the following:

- i. A written statement allowing a grace period for the initial CESOP filing period – this should comprise:
 - a. A moratorium on the imposition of penalties for non-compliance for the first 12 months to allow firms and fiscal authorities to implement the new regulation without incurring additional costs;
 - b. An extension to the filing deadline for the first period to 30 June 2024.
- ii. Set up a one-stop-shop allowing PSPs to register with their home member state NTA, which can then be recognised by other NTAs. Alternatively, the Commission should provide guidance to the NTAs to align and harmonise their registration requirements, and require all Member States to review their PSP verification procedures and consider PSP verification through the VAT Information Exchange System (“VIES”) validation, which already contains all the necessary company details. This would establish a unified system, using a commonly accepted language and standardised procedures, thereby expediting registration efforts and ensuring timely compliance with CESOP requirements.
- iii. Additionally, registration should not be constrained by a deadline, as PSPs may need to monitor their clients' current activities, with new activities potentially necessitating reporting for specific cross-border payments.

Consolidating these initiatives could lead to the development of a centralised payment information system.

I would be grateful for your consideration of our comments and proposals.

Yours sincerely,



Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

Annex I

Below is a non-exhaustive list of issues encountered by the EMA members while attempting to register with local NTAs to demonstrate the varied and complex administrative burden being imposed on PSPs just to register to submit CESOP reports locally:

- The absence of CESOP portals at national levels, as well as any directions or instructions, can leave PSPs with a very short window for registration.
Example: Romania, Portugal
- Requirements for foreign PSPs to undergo a video identification procedure without offering available appointment slots prior to the reporting deadline.
Example: Austria
- Language complexities arise when instructions are not translated into English, leading to the extra expense of engaging third parties for translation and the possible misinterpretation of the requirements and the process.
Example: Slovenia, Estonia, Lithuania, Spain, Latvia
- Significant IT efforts are required, along with the involvement of multiple stakeholders to organise and implement system changes and integrate them with local interface specifications.
Example: The Netherlands
- Physical presence is required to complete the registration process.
Example: Spain, Italy, Bulgaria
- The requirement to visit a local embassy to collect a state issued Identification Card so that reports can be filed via the State's tax portal.
Example: Estonia
- The need to pay fees to obtain a tax registration for the PSP.
Example: Finland, Estonia
- Completed forms must be sent by mail (as opposed to electronically) to simply obtain a tax registration.
Example: Finland
- NTAs are requiring registration forms for granting access to specific authorised individuals, such as company managers/directors and will not accept other officially/legally appointed individuals.
Example: Latvia, Malta, Austria, Sweden

- There is a lack of consistency in the requirements for Payment Service Providers (PSPs) established at a national level, PSPs registered in another EU Member State and/or EEA, or PSPs registered with a specific authority.

Example: Bulgaria

- NTAs require a registration certificate from the home Member State authority showing the company's incorporation as well as authorised signatories' details. However some member states (e.g. Ireland) don't provide such a document. This creates additional workload and costs in finding alternatives.

Example: Sweden

- Lack of readiness in the local infrastructure/systems of several jurisdictions for supporting large volumes of access requests by the obliged entities.

Example: Denmark, Austria

- Several NTAs do not support machine-to-machine submission methods, thus manual processes should be followed, which raises the operational effort required.
- Example: All Member States, except 14
- Small differentiations exist across jurisdictions due to the room allowed for variances in the technical specifications, leading to additional, however unnecessary, technical implementation being required.
- The lack of clarity regarding nil returns and inconsistency among the Member States as to whether a notification or actual XML is required to be submitted.
- Utilising external providers for registration across multiple jurisdictions due to limited internal resources incurs substantial financial expenses ranges widely, from €500 to €5.000 per country per firm. For firms passporting across the EU, many of which are not large enterprises, this translates to a cost of up to over €150.000 **solely for registration** (excluding the expenses associated with collecting and uploading the data on a quarterly basis).

Members of the EMA, as of April 2024

[Aave Limited](#)
[Airbnb Inc](#)
[Airwallex \(UK\) Limited](#)
[Allegro Group](#)
[Amazon](#)
[Ambr](#)
[American Express](#)
[ArcaPay UAB](#)
[Banked](#)
[Bitstamp](#)
[BlaBla Connect UK Ltd](#)
[Blackhawk Network EMEA Limited](#)
[Boku Inc](#)
[Booking Holdings Financial Services International Limited](#)
[BVNK](#)
[CashFlows](#)
[Circle](#)
[Citadel Commerce UK Ltd](#)
[Coinbase](#)
[Contis](#)
[Corner Banca SA](#)
[Crypto.com](#)
[Currenxie Technologies Limited](#)
[Decta Limited](#)
[eBay Sarl](#)
[ECOMMPAY Limited](#)
[Em@ney Plc](#)
[emerchantpay Group Ltd](#)
[EPG Financial Services Limited](#)
[eToro Money](#)
[Etsy Ireland UC](#)
[Euronet Worldwide Inc](#)
[Facebook Payments International Ltd](#)
[Financial House Limited](#)
[First Rate Exchange Services](#)
[Flex-e-card](#)
[Flywire](#)
[Gemini](#)
[Globepay Limited](#)
[GoCardless Ltd](#)
[Google Payment Ltd](#)
[IDT Financial Services Limited](#)
[Imagor SA](#)
[Ixaris Systems Ltd](#)
[J. P. Morgan Mobility Payments Solutions S. A.](#)
[Lightspark Group, Inc.](#)
[Modulr Finance B.V.](#)
[MONAVATE](#)

[MONETLEY LTD](#)
[Moneyhub Financial Technology Ltd](#)
[Moorwand Ltd](#)
[MuchBetter](#)
[myPOS Payments Ltd](#)
[Nuvei Financial Services Ltd](#)
[OFX](#)
[OKG Payment Services Ltd](#)
[OKTO](#)
[One Money Mail Ltd](#)
[OpenPayd](#)
[Own.Solutions](#)
[Park Card Services Limited](#)
[Payhawk Financial Services Limited](#)
[Paymentsense Limited](#)
[Paynt](#)
[Payoneer Europe Limited](#)
[PayPal](#)
[Paysafe Group](#)
[Paysend EU DAC](#)
[Plaid](#)
[PPRO Financial Ltd](#)
[PPS](#)
[Ramp Swaps Ltd](#)
[Remitly](#)
[Revolut](#)
[Ripple](#)
[Securiclick Limited](#)
[Segpay](#)
[Soldo Financial Services Ireland DAC](#)
[Square](#)
[Stripe](#)
[SumUp Limited](#)
[Swile Payment](#)
[Syspay Ltd](#)
[Transact Payments Limited](#)
[TransferGo Ltd](#)
[TransferMate Global Payments](#)
[TrueLayer Limited](#)
[Uber BV](#)
[VallettaPay](#)
[Vitesse PSP Ltd](#)
[Viva Payments SA](#)
[Weavr Limited](#)
[WEX Europe UK Limited](#)
[Wise](#)
[WorldFirst](#)
[Worldpay](#)
[Yapily Ltd](#)