

VAT-ID verification: reliably validating suppliers' value added tax identification numbers

VAT-ID verification refers to the validation of a business partner's value added tax identification number (VAT identification number, German: USt-IdNr.), typically a supplier's. It ensures that the number is valid, assigned to the correct company and registered in the correct country. In B2B procurement, it is a prerequisite for tax-exempt intra-Community supplies, smooth invoice verification and clean supplier master data maintenance. For buyers and supply chain managers, it is therefore one of the standard checks when onboarding new suppliers.

Key facts

- VAT-ID verification validates the validity, country code and company assignment of a value added tax identification number.
- It is a prerequisite for the reverse charge procedure and tax-exempt intra-Community supplies.
- In practice, verification queries are typically carried out via the official EU VIES interface or national systems such as the BZSt.
- Combined with credit checks and supplier bank account verification, it forms a central building block of supplier onboarding.
- Results should be documented and repeated at regular intervals, as registrations can change.
- An incorrect or omitted check can lead to additional tax assessments and invoice corrections.

Definition: VAT-ID verification

VAT-ID verification is the systematic matching of a value added tax identification number against official registers in order to confirm validity, country and company affiliation. It belongs to master data quality in procurement and is frequently part of supplier onboarding and regular supplier master data maintenance.

Distinction from the classic credit check

While the credit check assesses a supplier's financial situation – for example as part of supplier financial health monitoring – VAT-ID verification exclusively checks the tax registration. The two checks complement each other: a supplier can be correctly registered for tax purposes and still be insolvent. In day-to-day practice, both checks are often located in the same onboarding workflow, but they pursue different objectives and draw on different data sources.

- Credit check: insolvency, rating, supplier credit limit
- VAT-ID verification: registration, country code, name and address matching
- Both are part of supplier qualification before the first order

Legal background in brief

For intra-Community supplies within the EU, tax-exempt treatment typically requires that the recipient of the supply holds a valid VAT-ID and that the supply complies with the evidence requirements. The specific requirements differ depending on the country and the constellation; buyers and accounts payable departments should clarify the detailed rules on a case-by-case basis with the tax department or external advisers. The VAT-ID check does not replace this review, but provides a central input signal.

- The reverse charge procedure generally requires valid VAT-IDs
- Observe the documentation requirements for tax-exempt supplies
- Always align the legal assessment with tax experts on a case-by-case basis

Methods and procedure of VAT-ID verification

In practice, a staggered approach has become established: first the formal check, then the official matching, then the linkage with the supplier master data. This achieves a high level of data quality with a justifiable amount of effort.

Formal preliminary check

First, the structure of the number is checked: the country prefix (e.g. DE, AT, FR) and the country-specific string of characters. Format errors are common – typos in order forms, outdated master sheets or incorrectly transferred bank details regularly lead to rejected invoices in practice. A formal check is easy to automate and filters out the majority of error cases before more elaborate queries are carried out.

Official matching via VIES and national systems

The authoritative matching takes place against official sources. For EU numbers, the shared EU lookup platform (VIES) is the standard; national systems such as the German Federal Central Tax Office offer additional qualified enquiries, with which the name, town and street of the registered company can also be matched. Non-EU suppliers in practice require other forms of evidence, such as local tax registrations or certificates of exemption.

- VIES: confirmation of whether the number is currently registered
- Qualified enquiry: additionally name and address from the register
- Non-EU: alternative evidence, e.g. local tax number or W-8/W-9 forms

Integration into master data and onboarding

The check only takes effect when the result is transferred to the supplier master record and versioned. Modern procurement and ERP systems therefore verify automatically when supplier master records are created or changed and store the verification result, date and source as an attribute. This closely links VAT-ID verification with supplier master data maintenance and supplier bank account verification, as fraud risks often become visible in the combination of bank, tax and address data.

Key KPIs and quality characteristics

Like any control in procurement, VAT-ID verification can be measured. Typical metrics relate to data quality, process lead time and the consequences of errors.

Data quality metrics

The key metric is the proportion of supplier master records with a valid, confirmed VAT-ID. In well-run organisations, the values in practice are frequently above 98 per cent. In addition, it is measured how many verification queries fail (format or registry errors) and how long onboarding takes until the order is released. A low error rate reduces subsequent correction effort in accounts payable.

Process and consequential metrics

Also relevant are the number of incoming invoices rejected or corrected due to tax formal errors, and the proportion of suppliers whose VAT-ID loses its validity during the course of the business relationship. High values indicate weak master data processes and indirectly impair spend analytics and the supplier rating, because evaluation data is based on incorrect master records.

- Proportion of valid VAT-IDs in the supplier master
- Proportion of invoices rejected due to formal errors
- Average processing time in supplier onboarding

Risks and controls surrounding VAT-ID verification

Without verification, tax and financial disadvantages loom; however, an isolated check alone is not enough. An effective system of controls comprises master data subject to verification, recurring checks and clear responsibilities.

Typical risk cases

Frequent risks: the VAT-ID is formally correct but does not belong to the invoicing party (for example following business sales or corporate restructurings); the registration has been revoked in the meantime; or a fraudster is using the number of a genuinely existing company. In practice, the latter risk pattern occurs above all with fake invoices and altered supplier bank details – here, supplier bank account verification usefully complements VAT-ID verification.

- Corporate restructurings and group reorganisations render master data obsolete
- Recall or insolvency cases can terminate registrations
- Fraudulent invoices use third-party VAT-IDs

Controls in ongoing operations

Best practice is the combination of an initial check at onboarding, recurring re-verification (in practice typically annually or before major framework agreements) and event-based checks when master data, new supply locations or payment terms change. Changes to bank details or legal form should always trigger a re-verification. Ideally, the results flow into the supplier rating, so that strategic procurement decisions also take master data quality into account.

Connection with payment and contracts

The VAT-ID also has financial implications: it influences which payment terms and procedures are possible in documentary credit business or payment against documents (CAD), and whether price adjustment clauses are formulated net or gross. Buyers should clarify whether contracts are always concluded with a valid VAT-ID, and build this into standard contracts and notice period provisions in the event of persistent breaches.

Current developments: digitalisation and EU harmonisation

The verification process is increasingly shifting from manual queries to automated, system-supported workflows. At the same time, EU states are working on further harmonised and digitalised reporting systems, which will increase the importance of clean tax identifications in the medium term.

Automation and lean procurement

API connections to official verification systems allow real-time checks directly in the supplier creation process. In the spirit of lean procurement, this reduces manual rework, shortens the time to order release and lowers error rates in invoice processing. Small companies often start with periodic batch checks using list queries; larger organisations integrate the check directly into master data management workflows.

Digitalisation of value added tax in Europe

Several EU initiatives are aimed at more strongly digitalised, transaction-based VAT reporting. For buyers, this means in practice: correct tax identifications and consistent invoice data are becoming more important, not less. Those who keep their master data clean today minimise subsequent adjustment effort. As the detailed rules are still in flux, companies should monitor developments with their tax department and not make themselves dependent on individual decisions.

Role in supplier onboarding and emergency management

VAT-ID verification is a standard building block of every supplier shortlist and every structured supplier onboarding. In emergency management – for example when a substitute supplier has to be qualified at short notice – the check can easily come under pressure; here, pre-verified master records and standardised rapid checks help to order quickly and yet in a compliant manner.

VAT-ID verification in the procurement process: classification and interfaces

Viewed in isolation, VAT-ID verification is a small process step – its value arises from its interlinking with purchase requisitions, procurement strategy and supplier evaluation.

From requirement to order

The process typically begins with a purchase requisition and culminates in the selection of a supplier. At the latest before order release, the supplier master record must have been verified, otherwise rework in the invoicing and payment process looms. Those who qualify suppliers in advance – for example via a supplier shortlist as part of a pre-qualification competition – can shift the VAT-ID check into the pre-qualification stage and accelerate award processes.

Interfaces to finance and compliance

Tax master data is an interface topic between procurement, accounts payable and compliance. Clear responsibilities – who verifies, who maintains, who releases – prevent duplication of work and gaps. The results should be documented and stored in an audit-proof manner, as auditors in practice regularly request evidence of the verification of the VAT number.

Typical metrics

Proportion of valid VAT-IDs in the supplier master: > 98 %

Customary target value in well-run procurement organisations

Proportion of invoices rejected due to tax formal errors: < 1 %

Benchmark; higher values indicate master data problems

Re-verification interval for active suppliers: typically 12 months

Event-based checks additionally take place when master data changes

Proportion of supplier records checked automatically: > 95 %

Indicator of the degree of digitalisation of the onboarding process

Practical example

A medium-sized mechanical engineering company with a strong supplier network in several EU countries found that a growing proportion of incoming invoices had to be put on hold because of unclear value added tax information. The cause was outdated VAT numbers in the supplier master records, including following corporate restructurings among suppliers. The company thereupon integrated an automated VAT-ID check into its supplier onboarding process and linked it to supplier master data maintenance.

- Automatic VIES query when creating and whenever supplier master records are changed
- Annual re-verification of all active EU suppliers as a batch process
- Mandatory re-verification when bank details change, linked to the supplier bank account verification
- Inclusion of the verification results in the internal supplier rating

Conclusion

VAT-ID verification is an apparently small detail with considerable impact: it safeguards tax-compliant cross-border business, reduces invoice rejections and strengthens data quality across the whole of supplier management. It is most effective when it is integrated automatically into supplier onboarding, repeated regularly and combined with bank account and credit checks. Buyers should define clear responsibilities and document verification results in an audit-proof manner. Those who work cleanly here create a solid foundation for spend analytics, supplier rating and smooth international procurement processes. In individual cases, tax assessments always remain to be aligned with the specialist department or external advisers.

Frequently asked questions

What is a VAT-ID and what is it used for?

The VAT-ID (VAT Identification Number) is a company's value added tax identification number, known in German-speaking countries as the USt-IdNr. It serves as the unique tax identification in the B2B context, in particular for intra-Community supplies within the EU. Buyers need it for the correct tax treatment of invoices and for evidence towards the tax authorities.

How can I verify a supplier's VAT-ID?

For EU numbers, in practice you use the shared EU lookup platform (VIES), which tells you whether a number is currently registered. In Germany, the Federal Central Tax Office (Bundeszentralamt für

Steuern) additionally offers qualified enquiries with name and address matching. You should document the result and the date of the check and repeat the verification regularly.

What happens if a supplier's VAT-ID is invalid?

Without a valid VAT-ID, intra-Community supplies may not be treated as tax-exempt, which can lead to additional tax assessments and invoice corrections. The invoice should be put on hold and clarified with the supplier. In parallel, it is advisable to review the remaining master data, as invalid numbers often indicate outdated or incorrect supplier master records.

Do I also have to check suppliers outside the EU?

A VAT-ID in the strict sense only exists in the EU context; for non-EU suppliers, other forms of evidence apply, such as local tax registrations or forms confirming tax status. Here too, a documented verification of the company's status is sensible, for example as part of supplier master data maintenance. The specific requirements depend on the country and the type of transaction and should be reviewed on a case-by-case basis from a tax perspective.

How often should the VAT-ID check be repeated?

In practice, an annual re-verification of active suppliers has become established, supplemented by event-based checks when master data changes, following corporate restructurings or for new framework agreements. Whenever bank details or legal form change, a re-verification should definitely be carried out. Automated systems can do this without any significant additional effort.

Is the VAT-ID check mandatory for buyers?

There is no explicit statutory obligation for the buyer to carry out a check in all constellations; the specific evidence requirements depend on the country and the transaction. In practice, however, a documented check is regarded as the standard, as it can be a prerequisite for preferential tax treatment and is requested during tax audits. The legal assessment should be carried out on a case-by-case basis with the tax department.