

Value added tax (VAT): application of the reverse charge mechanism to supplies of certain services susceptible to fraud

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The Committee on Economic and Monetary Affairs adopted the report drawn up by David CASA (EPP, MT) amending, under the consultation procedure, the proposal for a Council directive amending Directive 2006/112/EC as regards an optional and temporary application of the reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud.

The main amendments were as follows:

- It should be made clearer that the application of the optional reverse-charge mechanism shall only target business to business relationship involving taxable persons. The person to pay the tax shall never be the final consumer but rather the last business trader within the chain of commerce.

When choosing which goods and services shall be subject to that mechanism, Member States shall select trading greenhouse emission trading allowances and a maximum of two of the categories of goods listed in Part A of Annex VI A.

Supporting this amendment, Members stress that where Member States choose to apply the reverse-charge system, they must include trading greenhouse emission certificates because from 2013 onwards the majority of allowances will be auctioned. Due to the greater amount of allowances traded the potential loss in case of fraud is much bigger. A maximum of two is justified because of the uncertainty how the reverse charge system will effect other areas of trade or shift fraudulent activities to other Member States.

- To reduce the possibility of fraud being committed, the reporting has to take place within reasonable periods of time so that the authorities are enabled to supervise the movement of goods and services. Reporting obligation for suppliers on a global transaction basis should be permitted in order to minimise the burden for business.

- With a view to ensuring uniform application, the Commission should be empowered to adopt measures designed to specify, on the basis of input by the Member States and taking into account the advice of the VAT Committee, the evaluation criteria that will be used by Member States when assessing the effect of the application of the reverse-charge mechanism on fraudulent activities. Such criteria should be established by the Commission by 30 June 2010.

- By 1 July 2014, the Commission should submit a report to the European Parliament and the Council together with appropriate proposals, on the basis of the Member States' evaluation reports, assessing the overall effectiveness and efficiency of the measure applying the mechanism and the cost-benefit ratio of the measure in order to re-evaluate whether an extension or a widening of its scope would be appropriate.