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

2009/0139(CNS) - 10/02/2010 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 506 votes to 26, with 9 abstentions a legislative resolution 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:

Taxable persons: according to MEPs, 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.

Greenhouse gas emission trading allowances: 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.

Communication of information and reporting obligations: to reduce the possibility of fraud being committed, the reporting has to take place on a periodical basis 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.

Inspections: control measures to monitor and mitigate current forms of fraud should be accompanied by already existing unannounced inspections.

Effect of the application of the reverse-charge mechanism on fraudulent activities: 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.

Report: 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.