

Common system of value added tax (VAT): quick reaction mechanism against VAT fraud

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The European Parliament adopted by 552 votes to 9, with 5 abstentions a legislative resolution on the proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax as regards a quick reaction mechanism (QRM) against VAT fraud in the framework of a special legislative procedure (European Parliament consultation).

Parliament stresses that the enhanced fight against tax fraud and evasion is key to restoring and maintaining the stability and strength of public finances across the Union. It points out that the resulting losses to public finances can negatively affect the conditions of competition and thus the fair and efficient operation of the internal market. These losses should be curbed, in particular during times of fiscal austerity.

Proposal of measures: Parliament considers that the **Commission** should, where appropriate, propose any other measure as falling within the scope of the quick reaction mechanism. That measure should be **approved unanimously by the Council after consulting the European Parliament**. The type of measures that could be authorised should be **thoroughly and transparently established** in order to minimise the time necessary for the authorisation of the derogations by the Commission. Any special measure **used** shall be subject to appropriate control measures by the Member States with respect to taxable persons who supply the goods or services to which that measure applies. This procedure shall be completed **within three months**.

The resolution amends the Commission's proposal so that when a Member State wishes to introduce a measure and sends its application to the Commission, it shall provide not simply the Commission, **but also the competent committees of Parliament and Court of Auditors** with the necessary supporting information. To speed up the process, Parliament proposes that if the Commission considers it does not have all the necessary information, it shall contact the Member State concerned **within two weeks** of receipt of the application (instead of a month, as proposed by the Commission) and specify what additional information is required. It also suggests that the Commission shall also consult the relevant business sector, where appropriate and where possible.

Once the Commission has all the information that it considers necessary for appraisal of the request it shall: (a) notify the requesting Member State accordingly; (b) transmit the request, in its original language, to the other Member States; (c) within one month, either authorise the special measure or, if the Commission objects to the requested measure, inform, and provide a **detailed justification** to the Member State concerned, the other Member States, the competent committees of the European Parliament, and the Court of Auditors.

Reports: Parliament introduces an article stipulating that every **three years**, and for the first time by 1 July 2014, the Commission should submit to the European Parliament and to the Council a report on the application of the QRM. The report should, *inter alia*, examine further special measures to be added to the scope of the mechanism and new ways to strengthen cooperation between Member States in the general framework of the mechanism. In another article, it proposes that, by 1 January 2014, the Commission should present a report on how the regular derogation procedure set out in Directive 2006/112/EC could be accelerated. This would be to identify changes to existing structures and routines that would **ensure that the Commission always completes the procedure within five months of receipt of an application** from a Member State. The report should, if appropriate, be accompanied by legislative proposals.

