

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

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The Council held an **exchange of views** on the way forward for two legislative proposals aimed at combating VAT fraud better and more rapidly.

The package includes:

- a **proposal for a Directive aimed at enabling immediate measures to be taken in cases of sudden and massive VAT fraud ("quick reaction mechanism")**;
- a [proposal for a Directive](#) intended to allow Member States to implement, on an optional and temporary basis, a reversal of liability for the payment of VAT on the supply of certain goods and services ("reverse charge mechanism").

A broad majority of Member States indicated that they could support the way forward suggested by the Presidency in the form of a package encompassing both proposals.

In the light of the Council's discussion and the guidance received, the Presidency announced its intention to carry forward work on the compromise package at the level of experts, on the basis of the following guidelines:

1. A Quick Reaction Mechanism (QRM) based on the procedure proposed by the Commission should be considered to facilitate the rapid response necessary for Member States faced with unknown, sudden and massive fraud. The lifetime of the QRM framework will be limited to five years to end-2018 and any renewal of the framework will require a new legislative proposal from the Commission to the Council to be adopted by unanimity.
2. Regarding known fraud, the scope of the existing Reverse Charge Mechanism (RCM) under Article 199a of the VAT Directive should be extended in order to provide the option to Member States to apply this mechanism to transactions in sectors which are already the subject of derogation requests, including mobile phones, integrated circuit devices, game consoles, tablet PCs and laptops, telecommunications services, gas and electricity, and agricultural products; and also to recently identified transactions in the copper sector.
3. The timeframe for the RCM should be aligned with that of the QRM to apply until end-2018 and the necessary technical work in respect of the QRM and the RCM should be concluded with a view to enabling the Council to adopt these legislative proposals by May 2013 at the latest.
4. All Member States should inform the relevant business sectors of decisions granting derogations under the QRM framework in a timely manner.
5. The Commission should clarify the criteria under which a temporary derogation already granted under the QRM framework may qualify for extension as required under the normal (Article 395) procedures. It is important that Member States are not denied the possibility of accessing that derogation under Article 395.
6. The desire of Member States and the Commission to speed-up the existing procedures under Article 395 of the VAT Directive with a view to reducing the timescale involved in granting derogations in general should be taken into account. The Presidency notes the Commission's commitment in this regard.

7. The Presidency also welcomes the commitment from the Commission to progress the delivery of a “Robust, Resilient and Fraud Proof VAT system” as outlined in its Communication on the Future of VAT with a view to facilitating the prevention of VAT fraud rather than having to rely on derogatory arrangements to deal with its often serious consequences.
8. Lastly, greater co-operation in the sharing of best administrative practice among Member States in enhancing the effectiveness of measures against the risk of VAT fraud should be encouraged.

The Presidency remains open to **explore any concrete proposals** by Member States supporting the objectives of the package, in particular in delivering the requisite speed to tackle sudden and massive fraud. It remains the aim of the Presidency to seek adoption of the legislative proposals by the Council **before the end of June 2013**.