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

2012/0205(CNS) - 22/07/2013 - Final act

PURPOSE: to prevent sudden and massive VAT fraud that often has an international dimension.

LEGISLATIVE ACT: Council Directive 2013/42/EU amending Directive 2006/112/EC on the common system of value added tax, as regards a Quick Reaction Mechanism against VAT fraud.

CONTENT: specific sudden and massive forms of tax fraud have recently developed especially via the use of electronic means which facilitate rapid illegitimate trade on a large scale.

Recent experience has demonstrated that the procedure provided for in Article 395 of Directive 2006/112 /EC is not able to respond quickly enough to requests by Member States for urgent measures. A rapid and exceptional response to further instances of sudden fraud is best guaranteed by a Quick Reaction Mechanism special measure consisting of the option to apply for a short period a reverse charge.

This Directive seeks to **incorporate, within the "VAT" Directive, a "Quick Reaction Mechanism" (QRM)** which, in very specific situations, will permit Member States to take immediate measures in the event of sudden and massive VAT fraud. The procedure is the following:

- a Member State wishing to introduce a QRM special measure as provided for in paragraph 1 shall send a notification to the Commission using the standardised form established in accordance with paragraph 4 and at the same time send it to the other Member States. The Member State shall provide the Commission with the information indicating the sector concerned, the type and the features of the fraud, the existence of imperative grounds of urgency, the sudden and massive character of the fraud and its consequences in terms of considerable and irreparable financial losses. The Commission may request additional information;
- once the Commission has all the information it considers necessary, the Commission shall have a brief period (one month) to confirm whether it will or will not issue an objection, taking into account the views of the other Member States.

Before 1 January 2018, the Commission shall present to the European Parliament and to the Council an overall assessment report on the impact of the QRM.

ENTRY INTO FORCE: 15/08/2013.

The QRM is an exceptional and temporary mechanism: it shall only apply until 31 December 2018.