Common system of value added tax (VAT): standard VAT return

2013/0343(CNS) - 23/10/2013 - Legislative proposal

PURPOSE: to amend Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return for all businesses operating in the Union.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Council Directive 2006/112/EC requires taxable persons to submit VAT returns but allows flexibility for the Member States to determine the information needed. This gives rise to **disparate rules and procedures governing the submission of VAT returns in the Union**, added complexity for businesses and VAT obligations that create obstacles to Union trade.

To **reduce burdens on business** and improve the functioning of the internal market, the Commission proposes that a standard VAT return should be introduced for all businesses trading in the Union.

The Commission sought stakeholder views on a standard VAT declaration through the consultation on the Green Paper on the Future of VAT. Positive replies from stakeholders led the Commission to include in the Communication on the Future of VAT a commitment to come forward with a proposal for a standard VAT declaration before the end of 2013.

The Single Market Act II is therefore calling for the introduction of a standard VAT return. The recent Communication on Smart regulation aims to reduce burdens on all business, and particularly SMEs.

IMPACT ASSESSMENT: of the options evaluated in detail, the preferred option is for a **standard VAT return, mandatory for Member States and for business**. According to estimates, this should **reduce administrative burdens by a maximum of EUR 15 billion per annum**.

LEGAL BASIS: Article 113 of the Functioning of the European Union (TFEU).

CONTENT: the proposal seeks to amend Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return. The use of standardised returns should facilitate the control of VAT returns by the Member States.

The idea behind a standard VAT declaration is to allow all businesses to provide standardised information to each Member State submitted in a **common, preferably electronic, format**.

According to the proposal, the standard VAT declaration should be **available to all businesses**.

The proposal addresses issues in relation to the content, submission in terms of when and how, and corrections of the standard VAT return. It lists a **maximum number of twenty six boxes of information to be completed by business for which Member States may choose to exempt businesses from all but five**. The information provided should be **consistent** in all Member States.

Member States may require **extra information** for the control and administration of VAT for specific regions, territories, or special regimes allowed exceptionally in VAT legislation.

For the **submission of the declaration**, the proposal provides for a minimum standard. All businesses should be allowed to submit monthly VAT returns, with VAT being due and paid by the end of the month following the VAT return period. Beyond that Member States may introduce further burden reductions to allow for longer VAT return periods of up to one year and to extend the due date for submission and payment by up to a further month.

To ensure that certain technical aspects of the VAT return are standardised, which cannot be achieved through a directive, **scope is provided in the proposal for the use of the comitology procedure**. This is envisaged where needed for the technical details of the return, for the common definitions and procedures, for the detailed treatment of corrections, as well as for the common methods of electronic submission.

BUDGETARY IMPLICATIONS: the proposal has no negative impact on the EU budget.