

Value added tax (VAT) system: harmonising and simplifying certain rules and definitive system for the taxation of intra-Union trade

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The Committee on Economic and Monetary Affairs adopted, following the consultation procedure, a report by Jeppe KOFOED (S&D, DK) on the proposal for a Council directive amending Directive 2006/112/EC as regards harmonising and simplifying certain rules in the value added tax system and introducing the definitive system for the taxation of trade between Member States.

As a reminder, the proposal to amend the VAT Directive is a step forward to replacing the transitional arrangements by a definitive VAT system for intra-Union B2B trade under which domestic and cross-border transactions of goods will be treated in the same way.

The proposal sets out a set of fundamental principles or ‘cornerstones’ for the future definitive VAT system, and four ‘quick fixes’ to improve the day-to-day functioning of the current VAT system, tackling the VAT identification number, chain transactions, call-off stock situations and proof of intra-Community supply.

The committee responsible recommended that the European Parliament approve the Commission's proposal subject to the following amendments.

Certified taxable person: Members specified that **strict criteria, applied in a harmonised way** by all Member States, need to be put in place to determine which enterprises can benefit from the status of the certified taxable person, and common rules and provisions resulting in **finances and penalties** for those who do not comply with them should be established.

The general criteria on the basis of which Member States may certify taxable persons shall include:

- **the absence of any serious infringement or repeated infringements** of taxation rules and customs legislation in the last three years of economic activity, the absence of any serious tax adjustment by tax administrations, or no record of serious criminal offences relating to his or her economic activity, regardless of whether the activity has taken place within the Union or elsewhere;
- **the absence of any record of serious criminal offences** relating to the economic activity of the applicant, such as, but not limited to: money laundering; tax evasion and tax fraud; abuse of Union funds and programmes; bribery and/or corruption; cybercrime; participation in a criminal organisation or in terrorist activities.

The Commission shall adopt **implementing acts and guidelines** facilitating harmonisation and administrative cooperation between the authorities and ensuring interoperability among Member States whilst verifying the proper application by Member States of such harmonised criteria across the Union. Those guidelines shall be closely aligned to the criteria of the Authorised Economic Operator under the **EU Customs Code**.

With particular focus on the higher compliance costs for SMEs, the Commission shall present **simplified administrative procedures for SMEs** to obtain the status of certified taxable person. Information on whether an economic operator is a certified taxable person should be accessible via the VIES system.

Tax authorities of the Member States having granted the status of certified taxable person shall **review that decision, at least every two years**, to ensure that the conditions are still met. If the taxable person has not informed the tax authorities of any factor possibly affecting the certified taxable person status as laid out in the implementing act or has purposefully concealed it, it shall be subject to proportionate, efficient and dissuasive sanctions, including the loss of the certified taxable person status.

VAT dispute resolution mechanism: Members proposed that this shall be set up by **1 June 2020** to resolve disputes between Member States of claimed or filed or suspected erroneous cross-border VAT payments. The mechanism shall be composed of Member States' competent authorities and shall be applied where the Mutual Agreement Procedure does not lead to a result within two years.

The VAT dispute resolution mechanism shall also encompass an online VAT dispute resolution platform.

Automated notification mechanism: Members proposed to set up an automated notification mechanism by **1 June 2020**. That mechanism shall ensure automatic notifications to tax payers on changes and updates to the VAT rates of Member States. This mechanism shall be based on open and standardised data formats and fields to ensure its interoperability.

Reports: one year after the entry into force of the Directive, and every three years thereafter, the Commission shall report on the exemption scheme for imports from third countries and its compatibility with the European framework and on cooperation with the competent authorities of third States, in particular as regards the combating of fraud.

Two years after the entry into force of this Directive, and every three years thereafter, the Commission shall report on national practices as regards the imposition of administrative and criminal penalties on legal and natural persons found guilty of VAT fraud.

In keeping with the public interest and the financial interests of the Union, **whistle blowers** shall enjoy effective legal protection, in order to facilitate the detection and prevention of all forms of fraud.