

Common system of value added tax (VAT): temporary application of a generalised reverse charge mechanism in relation to supplies of goods and services above a certain threshold

2016/0406(CNS) - 11/12/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 337 votes to 100, with 222 abstentions, under the consultation procedure, 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 the temporary application of a generalised reverse charge mechanism in relation to supplies of goods and services above a certain threshold.

The European Parliament approved the Commission's proposal subject to the following amendments:

Application of the generalised reverse charge mechanism (GRCM): Member States shall be allowed to derogate from the common value added tax system in order to apply a generalised reverse charge mechanism (GRCM) to supplies exceeding an **invoicing threshold of EUR 25 000** (instead of a threshold of EUR 10 000 in the Commission's proposal).

To benefit from this derogation, a Member State should:

- in 2014, in accordance with the method and figures set out in the 2016 final report on the VAT gap published by the Commission, a VAT gap, expressed as a percentage of the VAT Total Tax Liability, of at least 15 percentage points above the Community median VAT gap;
- register a carousel fraud level within its total VAT gap of more than **25 %**;
- establish that other control measures are not sufficient to combat carousel fraud on its territory, in particular by specifying the control measures applied and the particular reasons for their lack of effectiveness, as well as the reasons why VAT administrative cooperation has proven insufficient;
- establish that the estimated gains in tax compliance and collection expected as a result of the introduction of the GRCM outweigh the expected overall additional burdens on businesses and tax administrations **by at least 25 %**;
- establish that businesses and tax administrations will not incur, as a result of the introduction of the GRCM, costs that are higher than those incurred as a result of the application of other control measures.

Members opposed allowing a Member State that shares a border with a Member State that applies the GRCM to also be authorised to apply the GRCM, under certain conditions.

Presentation of information: in order to be able to assess whether the introduction of the GRCM in one Member State results in fraud shifting towards other Member States and to be able to assess the degree of possible disturbances to the functioning of the internal market, it is appropriate to provide for a specific obligation to **exchange information** between Member States that apply the GRCM and other Member States.

Member States applying the GRCM shall submit in electronic format to all Member States, at the latest three months after the introduction of GRCM, the **names of those persons** who, in the twelve months preceding the date of application of the GRCM, have been subject to proceedings, whether criminal or administrative, for VAT fraud or the names of those persons, including in the case of legal persons the

names of their directors, whose VAT registration in their Member State was terminated upon the introduction of the GRCM.

All such exchanges of information should be subject to applicable **personal data protection and confidentiality provisions**.

Member States applying the GRCM shall submit an interim report to the Commission no later than one year after the start of application of the GRCM. This report shall provide a detailed assessment of the effectiveness of the GRCM.

The Directive shall apply until **30 June 2022**.