Common system of value added tax (VAT): period of application of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud

2018/0150(CNS) - 06/11/2018 - Final act

PURPOSE: to amend Council Directive 2006/112/EC on the common system of VAT in order to combat fraud affecting certain supplies of goods and services and to assist Member States in dealing with sudden and massive fraud liable to lead to considerable and irreparable financial losses.

LEGISLATIVE ACT: Council Directive (EU) 2018/1695 amending Directive 2006/112/EC on the common system of value added tax as regards the period of application of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud.

CONTENT: Article 199a of Council Directive 2006/112/EC (the VAT Directive) allows Member States to provide that the person liable for VAT due on supplies listed in that Article is the taxable person receiving the supply concerned (the ‘reverse charge mechanism’) in order to promptly tackle the problem of the missing trader fraud in intra-Community trade (MTIC). Member States may apply this mechanism until 31 December 2018 and for a minimum period of two years.

As these two measures were due to expire on 31 December 2018, Member States would have been deprived of an efficient tool to combat VAT fraud.

This amendment to the VAT Directive extends until 30 June 2022:

- the possibility for Member States to apply the reverse charge mechanism to combat existing fraud affecting the supply of goods and services referred to in Article 199a(1) of the VAT Directive, and

- the possibility of using the Quick Reaction Mechanism (QRM) to combat fraud.

The QRM special measure shall be subject to appropriate control measures by the Member State with respect to taxable persons who supply the goods or services to which that measure applies, and shall be for a period not exceeding nine months.

A Member State wishing to introduce a QRM special measure shall send a notification to the Commission using the standardised form and at the same time send it to the other Member States.

Once the Commission has all the information it considers necessary for appraisal of the notification referred to in the first subparagraph of paragraph 2, it shall notify the Member States thereof. Where it objects to the QRM special measure, it shall produce a negative opinion within one month of that notification, and shall inform the Member State concerned and the VAT Committee thereof. Where the Commission does not object, it shall confirm this in writing to the Member State concerned and to the

VAT Committee within the same time period. The Member State may adopt the QRM special measure from the date of receipt of that confirmation.

ENTRY INTO FORCE: 2.12.2018.