

# Operation of the definitive VAT system for the taxation of trade between Member States

2018/0164(CNS) - 12/02/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 493 votes to 48, with 137 abstentions, following a special legislative procedure (consultation), a legislative resolution on the proposal for a Council directive amending Directive 2006/112/EC as regards the introduction of the detailed technical measures for the operation of the definitive VAT system for the taxation of trade between Member States.

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

## *Definitive VAT system for the taxation of trade between Member States*

Parliament stressed the urgent and far-reaching need to reform the VAT system in order to achieve a definitive VAT system that facilitates and simplifies intra-EU cross-border trade and to make the system more fraud-proof. The creation of a single Union VAT area is crucial in order to decrease compliance costs for businesses, particularly SMEs working cross-border, to reduce the risks of cross-border VAT fraud and to simplify VAT-related procedures.

The current initiative is based on the Member States' preferred approach of taxation at destination, with a view to allowing Member States a certain flexibility in the setting of VAT rates.

Those new principles will enable the Member States to better fight VAT fraud, especially Missing Trader Intra-Community (MTIC), estimated to amount to at least EUR 50 billion a year.

## *Certified taxable persons*

Members proposed 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 fines and penalties for those who do not comply with them should be established.

These criteria shall include the absence of any serious criminal offence related to the applicant's economic activity, such as, in particular: (i) money laundering; (ii) tax evasion and tax fraud; (iii) misuse of EU funds and programmes; (iv) bankruptcy or insolvency fraud; (v) bribery and/or corruption; (vi) cybercrime; (vii) participation in a criminal organisation or terrorist activities.

In order to ensure a harmonised interpretation in the granting of the certified taxable person status, the Commission shall adopt by means of an implementing act further guidance for Member States regarding the evaluation of those criteria, which shall be valid across the Union.

In addition, in order to encourage applications for the certified taxable person status, the Commission shall introduce a tailored procedure for Small and Medium Enterprises.

Where the status of certified taxable person is granted, that information shall be made available via the VAT Information Exchange System. Where the application is refused, the decision as well as the grounds for refusal shall be notified to tax authorities of other Member States.

Tax authorities of 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.

### ***Information portal***

By 1 June 2020, the Commission, in cooperation with the Member States, shall establish a comprehensive, multilingual and publicly accessible Union VAT Web Information Portal on which businesses and consumers can quickly and effectively obtain accurate information on VAT rates – including which goods or services benefit from reduced rates or exemptions – and all relevant information on the implementation of the definitive VAT system in the different Member States.

In complement to the Portal, an automated notification mechanism shall be set up. That mechanism shall ensure automatic notifications to tax payers on changes and updates to the VAT rates of Member States. Such automatic notifications shall be activated before the change becomes applicable and at the latest five days after the decision has been taken.

Members stressed that Member States' tax administrations must cooperate closely in a spirit of mutual trust and exchange relevant information in order to carry out their tasks.