Value added tax VAT: administrative cooperation (repeal. Regulation (EEC) No 218/92)

2001/0133(CNS) - 18/06/2001 - Legislative proposal

PURPOSE: To incorporate under one Regulation all provisions appertaining to administrative cooperation in the field of value added tax CONTENT: Currently, there are two legal bases governing administrative cooperation in the field of value added tax, Directive 77/799/EEC and Regulation No 218/92. The first dates back to 1977 and initially only related to taxes on income and capital. Value added tax was not covered by the Directive. In order to make up for this shortfall and in light of the removal of tax borders between Member States as of 1993, Regulation No 218/92 was adopted to supplement the 1977 Directive and to put in place a strengthened system of information exchange for intra-Community supplies and acquisitions of goods in so far as VAT is concerned. In practice, however, the existence of two legal bases has led to confusion, inefficiency and a low uptake amongst national tax authorities. For example, Directive 77/799/EEC refers to intra-Community supplies of services and other VAT transactions, whereas Regulation No 218/92 applies only to intra-Community supplies and acquisitions of goods. With both the Directive and the Regulation laying down disparate provisions and deadlines the objectives of both are being undermined. The Commission notes that most Member States have a preference for the Directive but that the Directive is too weak a framework for truly effective cooperation since it was not designed to deal with VAT in the first place. Given the current inadequacy in EU legislation the Council requested the Commission to prepare a proposal streamlining administrative cooperation in the field of value added tax. The Commission's response is a single, reinforced Regulation, which would have the specific remit of dealing with all administrative cooperation - in so far as value added tax is concerned. This new Regulation is designed to replace, strengthen and modernise the provisions of the 1992 Regulation as well as incorporating the provisions of the 1977 Directive under its remit. As such the Commission proposes repealing Regulation No 218/92. The aim of the reform is to create a synergy between the authority responsible for VAT application and control, removing borders between tax authorities and encouraging officials to cooperate as if they belonged to the same administration. The Commission concludes that these measures are imperative in the fight against fraudsters who operate unhindered by borders. Essentially, the proposed Regulation establishes a single legal framework which sets out clear and binding rules governing cooperation between Member States. The framework provides for more direct contact between services with a view to making cooperation more efficient and faster. The Regulation aims to establish an effective system of mutual assistance and information exchange in order to ensure the proper functioning of the VAT system. Under the proposal the Commission sees its role as one of coordination and stimulation, whilst the Member States would retain responsibility for investigation and the proper operation of the common system of VAT.