Value added tax VAT: right to deduct

1998/0209(CNS) - 17/06/1998 - Legislative proposal

PURPOSE: to amend the Sixth Directive regarding the rules governing the right to deduct Value Added Tax. CONTENT: this proposal aims to simplify the procedures enabling taxable persons established in the Community to recover the tax in a Member State where they are not established, by means of the following measures: - amending Article 17 of the Sixth Directive, to include the right to deduct the VAT paid in a Member State where the taxable person is not established, with the result that the amount of VAT eligible for deduction will now be determined according to the rules of the Member State of establishment, and no longer according to the rules of the Member State which collected the tax, as is the case at present. In substance, the proposed measures achieve the following result: 1) if the taxable person is identified in a single Member State, the VAT is deducted in that Member State, irrespective of the Member State where he incurred the VAT-incurring expenditure. 2) if the taxable person is identified in several Member States: a) and he is identified in the Member State where he has incurred the VAT-bearing expenditure, the VAT is deducted in that Member State (no change as compared with the present solution) b) and he is not identified in the Member State where he has incurred the VAT-bearing expenditure, the VAT is deducted in the Member State where he supplies goods or services for which the expenditure is used. - amending Article 22 of the Sixth Directive to provide that taxable persons must present a specific document, attached to their periodic return, detailing the VAT amounts paid in other Member States which they are requesting to be deducted, broken down by Member State and annexed with a copy of the invoices or import documents as proof. - repealing the Eighth Directive.