Value added tax VAT: one-stop scheme to simplify tax obligations

2004/0261(CNS) - 29/10/2004 - Legislative proposal

PURPOSE : to simplify current Value Added Tax (VAT) compliance obligations to help cross-border traders who supply goods and services to other EU Member States.

PROPOSED ACT : Council Directive.

CONTENT : studies including the Commission's European Tax Survey have demonstrated that VAT obligations are at present extremely burdensome and costly for cross-border activity. Furthermore, the European Council has identified the reduction of the administrative burden on business as an important element for fostering economic growth. This proposal is a valuable contribution towards that objective.

The proposal contains six elements designed to facilitate VAT compliance requirements for traders that are not established in Member States into which they supply goods or services.

- It would give a trader the option of using the VAT number by which he is identified in his own Member State for all supplies made to other Member States and of making VAT declarations to one single electronic portal. This information would then be submitted automatically to the different Member States where he supplies goods or services. The trader would pay the VAT directly to the Member State where the VAT is due. Non-EU traders would also have the option of using this scheme.

- A similar "one-stop-shop" approach would be introduced for requesting refunds of VAT from other Member States. The electronic portal would ensure that the refund request was directed to the Member State where the expenses were incurred, which would refund directly to the applicant. The deadline for repayment of VAT would also be reduced from 6 months to 3 months and a Member State would, if it exceeded the deadline, be required to pay interest of 1% a month, calculated on the amount refunded.

- The categories of expenses for which Member States may choose to apply restrictions to the right to deduct VAT would be harmonised.

- The use of the reverse charge mechanism whereby a receiving trader rather than the supply trader would be responsible for paying the VAT would be extended.

- The threshold under which traders, in particular SMEs, would be exempt from VAT could be set by Member States at a maximum of EUR 100.000.

- The arrangements concerning distance selling of goods subject to VAT would be simplified by introducing a global threshold, set at EUR 150.000, calculated on all supplies to other Member States.

This is done through three different legislative proposals: a modification of the Sixth VAT Directive, the replacement of the Eighth VAT Directive and a modification to Council Regulation 1798/2003/EC on VAT administrative cooperation (refer to CNS/2004/0262).

Lastly, this initiative has already been extensively discussed with Member States and has been the subject of a wide consultation process on the Internet.