








Procedure file

Basic information	
CNS - Consultation procedure Directive	2018/0150(CNS) Procedure completed
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	
Amending Directive 2006/112/EC 2004/0079(CNS)	
Subject 2.70.02 Indirect taxation, VAT, excise duties	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs		20/06/2018
		 PIETIKÄINEN Sirpa	
		Shadow rapporteur	
		 SZANYI Tibor	
		 SWINBURNE Kay	
		 CORNILLET Thierry	
		 SCOTT CATO Molly	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3646	06/11/2018
European Commission	Commission DG	Commissioner	
	Taxation and Customs Union	MOSCOVICI Pierre	

Key events			
25/05/2018	Legislative proposal published	COM(2018)0298	Summary
14/06/2018	Committee referral announced in Parliament		
07/09/2018	Vote in committee		
10/09/2018	Committee report tabled for plenary, 1st reading/single reading	A8-0283/2018	Summary
02/10/2018	Debate in Parliament		
03/10/2018	Results of vote in Parliament		
03/10/2018	Decision by Parliament	T8-0367/2018	Summary
06/11/2018	Act adopted by Council after consultation of Parliament		

06/11/2018	End of procedure in Parliament		
12/11/2018	Final act published in Official Journal		

Technical information

Procedure reference	2018/0150(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2006/112/EC 2004/0079(CNS)
Legal basis	Treaty on the Functioning of the EU TFEU 113
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/13244

Documentation gateway

Legislative proposal		COM(2018)0298	25/05/2018	EC	Summary
Committee draft report		PE625.397	11/07/2018	EP	
Committee report tabled for plenary, 1st reading/single reading		A8-0283/2018	10/09/2018	EP	Summary
Text adopted by Parliament, 1st reading/single reading		T8-0367/2018	03/10/2018	EP	Summary

Final act

[Directive 2018/1695](#)
[OJ L 282 12.11.2018, p. 0005](#) Summary

[Corrigendum to final act 32018L1695R\(01\)](#)
[OJ L 329 27.12.2018, p. 0053](#)

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

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 cases of sudden and massive VAT fraud.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Article 199a of [Council Directive 2006/112/EC](#) (the VAT Directive) allows Member States to optionally use the reverse charge mechanism for payment of VAT on supplies of pre-defined goods and services, which are susceptible to fraud, and in particular, to missing trader intra-Community (MTIC) fraud. Article 199a offers an option of applying the reverse charge mechanism for listed supplies and Article 199b by offering an accelerated procedure for the introduction of the reverse charge mechanism in case of sudden and massive fraud. Both Articles expire on 31 December 2018.

The Commission recently presented two legislative proposals which aim at tackling VAT fraud more fundamentally. The first is a proposal for administrative cooperation and fighting fraud in the field of VAT. The second is the [proposal](#) outlining the cornerstones for a simpler and fraud-proof definitive VAT system for intra-Union trade. A two-step approach will be followed for the implementation of these cornerstones. As a first step, the Commission will present in the first semester of 2018 a proposal containing the detailed provisions for the operation of the definitive arrangements for intra-Union Business-to-Business (B2B) supplies of goods.

These arrangements, which should enter into force on 1 July 2022, provide a fundamental response to missing trader intra-Community (MTIC) fraud. Since VAT would be effectively charged on intra-Union supplies, a trader can no longer acquire goods, transported or dispatched from another Member State, exempt from VAT which is at the root of the MTIC fraud.

On 8 March 2018, the Commission presented a [report](#) on the effects of the mechanisms on combating fraud referred to in Articles 199a and 199b of VAT Directive. The report concluded that these mechanisms have proved useful as temporary and targeted measures. Their expiration on 31 December 2018 would deprive Member States of an efficient tool to fight fraud. The Commission therefore proposes to prolong the measures included in Articles 199a and 199b until 30 June 2022, the date on which the definitive regime for intra-Union B2B supplies of goods should enter into force.

CONTENT: this proposal to amend the VAT Directive seeks to prolong until 30 June 2022:

- the possibility for Member States to apply the reverse charge mechanism to combat existing fraud in supplies of goods and services included in Article 199a(1) of the VAT Directive;
- the possibility to use the Quick Reaction Mechanism to fight sudden and massive fraud.

The current proposal is without prejudice to the Commission's [proposal](#) as regards the temporary application of a generalised reverse charge mechanism which would provide Member States that are particularly affected by fraud with the possibility to introduce a general (and not sector specific) reverse charge mechanism for domestic supplies of goods and services provided strict conditions are met.

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

The Committee on Economic and Monetary Affairs adopted, under the consultation procedure, the report by Sirpa PIETIKÄINEN (EPP, FI) on the proposal for a Council directive 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.

The committee recommended that the European Parliament approve the Commission proposal without amendments.

The purpose of this proposal is to prolong: (i) the possibility for Member States to apply the reverse charge mechanism to combat existing fraud in supplies of goods and services included in Article 199a of the VAT Directive and (ii) the possibility to use the Quick Reaction Mechanism (QRM) to combat fraud.

The purpose of the measures foreseen in Articles 199a and 199b is to allow Member States to quickly tackle problems of the Missing Trader Intra-Community (MTIC) fraud. The measures included in Articles 199a and 199b of the VAT Directive have been useful as temporary and targeted measures. Their expiration on 31 December 2018 would deprive Member States of an efficient tool to fight fraud.

It is therefore proposed to prolong the measures included in Articles 199a and 199b until 30 June 2022, the date on which the definitive regime for intra-Union B2B supplies of goods should enter into force.

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

The European Parliament adopted by 615 votes to 9 with 43 abstentions, under a special legislative procedure (consultation), a legislative resolution on the proposal for a Council directive 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.

Parliament approved the Commission proposal without amendments.

The proposal aims to extend until 30 June 2022: (i) the possibility for Member States to apply the reverse charge mechanism to combat existing fraud affecting supplies of goods and services included in Article 199a of the VAT Directive and (ii) the possibility to use the Quick Reaction Mechanism to fight sudden and massive fraud.

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

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.