

Value added tax (VAT): administrative cooperation to combat tax evasion connected with intra-Community transactions

2008/0059(CNS) - 17/03/2008 - Legislative proposal

PURPOSE : to amend Regulation (EC) No 1798/2003 to combat tax evasion connected with intra-Community transactions.

PROPOSED ACT : Council Regulation

CONTENT : this proposal and the proposal to amend Directive 2006/112/EC on the common system of value added tax to combat tax evasion connected with intra-Community transactions (see CNS/2008/0058) are intended to rectify the shortcomings of the intra-Community VAT arrangements. The system for the exchange of information on intra-Community supplies of goods established under the transitional VAT arrangements adopted when the single market was introduced is no longer sufficient to combat effectively tax evasion connected with intra-Community transactions. The Council has asked the Commission to submit a proposal aimed at reducing to one month both the reference period for the collection of information on intra-Community transactions and the maximum period for the transmission of that information between Member States.

The proposed measure is aimed solely at speeding up the collection and exchange of information on intra-Community transactions. The provisions in force are set out in Chapters 5 and 6 of Title XI of Council Directive 2006/112/EC and in Chapter V of Regulation (EC) No 1798/2003. Under the current provisions, data are collected from businesses with the following frequency: the recapitulative statements containing information on intra-Community supplies of goods are submitted by traders quarterly, in some cases monthly. From 1 January 2010 the recapitulative statements will also include information on supplies of services in the Member State of the customer for which the customer is liable for payment of VAT. Information on intra-Community acquisitions of goods in the Member State of arrival is collected by means of VAT returns, which are submitted on a monthly, two-monthly, quarterly, six-monthly or annual basis. At present, the interval between the time at which a transaction takes place and the time at which the information is made available to the Member State of the purchaser ranges from three to six months. The proposal would reduce this interval to one or two months.

Directive 2006/112/EC already gives Member States the option of collecting recapitulative statements on a monthly basis. Since, however, this option does not directly benefit the Member State collecting the information, only four Member States collect monthly statements from a significant number of taxable persons.

The proposal also contains a significant simplification for businesses by obliging the Member States to allow recapitulative statements and VAT returns to be submitted by electronic file transfer.

Accordingly, the proposal aims to do the following:

- reducing to one month the period for declaring intra-Community transactions in the recapitulative statements referred to in Title XI, Chapter 6, of Council Directive 2006/112/EC.
- reducing from three months to one month the period for transmission of this information between Member States.
- to obtain the information needed to combat tax evasion, it also proposed that information be collected monthly on intra-Community acquisitions of goods and purchases of services from a supplier established in another Member State for which the customer is liable for VAT. To do this, purchasers or customers carrying out such transactions for an amount higher than EUR 200 000 per calendar year will be obliged to submit their VAT returns monthly. This threshold has been calculated so as to avoid imposing further obligations on businesses making intra-Community acquisitions on an occasional basis or for small amounts while covering amounts significant for fraud;
- to provide for the amounts relating to the services concerned to be entered separately in the return for the cross-checking purposes;
- to enact provisions aimed at harmonising the rules for charging VAT on services in order to make sure that transactions are declared by the vendor and the purchaser during the same period. This provision will enable the information submitted
- to be cross-checked efficiently.

Lastly, the proposal includes a provision aimed at simplifying the procedures for submitting recapitulative statements in Member States where these procedures are unusually complex in order to reduce the burden that such submission can represent for businesses.