Appendix 1 – Economic impact assessment from a business perspective: Methodology

1.1 Introduction

1 On the basis of questionnaires, we collected data regarding businesses that submit VAT returns in more than one Member State. The majority of the businesses in our sample are large companies with multiple VAT registrations in the EU-27. In order to increase the participation of SMEs, we conducted six telephone interviews, in which we gathered qualitative data and quantitative inputs where possible. However, the granularity (i.e. level of detail) of the quantitative data of SMEs is not comparable with the granularity of the data received from large enterprises. Whereas large companies were asked to provide detailed information on time spent, wage levels and consulting fees per activity and per Member State, SMEs were only able to provide overall cost estimates for the preparation and submission of one periodic VAT return (i.e. no data on time spent, wage levels and consulting fees and no differentiation among Member States). Additionally, SMEs did not provide feedback on set-up costs, generic costs and additional costs.

2 Therefore, for both the AS IS and TO BE analyses, we have chosen to work separately with data from large enterprises vis-à-vis data from SMEs. For large companies, we have analysed set-up costs, recurring costs, generic costs and additional costs. For SMEs, we had to limit the analyses to recurring costs only. Some calculations rely on expert opinion and assumptions as well. Where this is so, clear mention is made of it.

3 The depth and breadth of the data that we collected vary across businesses. If a certain business could not complete certain parts of the questionnaires, we only excluded that business for the purposes of analysing the results in connection with those specific parts.

4 The questionnaire used for the assessment of the current VAT return obligation is provided in Appendix 6.

5 This appendix ensures transparency with regard to data and calculations on which the findings of this report are based. We start with a discussion of the methodology of the AS IS followed by a discussion of the methodology of the TO BE.

1.2 Economic impact assessment from a business perspective

1.2.1 Process for economic data collection – project steps

6 Both for the AS IS and for the TO BE analysis, the economic data was collected in four phases plus a start-up phase, sub-divided into seven steps as described in Figure 1 below.[1]

Figure 1 – Process for economic data collection

Phase 0 – Start-up

Phase 1 – Preparation

- Step 1 – Identification of information obligations and approach to gathering administrative cost data
- Step 2 – Identification of businesses to be contacted
- Step 3 – Preparation of questionnaire

Phase 2 – Piloting

- Step 4 – Pilot interview

Phase 3 – Data capture and standardisation

- Step 5 – Business interviews
- Step 6 – Completion and standardisation of data collected

Phase 4 – Analysis and reporting

- Step 7 – Reporting and transfer of data

[1] The process for economic data collection is in line with a previous study performed by PwC for DG TAXUD: Expert study on the issues arising from a reduced time frame and the options allowed for submitting recapitulative statements – Application of Article 263(1) of Directive 2006/112/EC (amended by Directive 2008/117/EC) – Specific Contract No. 7,TAXUD/2011/DE/310.

1.2.1.1 Phase 0 – Start-up

7 Before starting with the economic analysis, we delineated the subject of the analysis: for the AS IS situation, the current practices for VAT submission; and, for the TO BE situation, the proposed standards for the common EU standard VAT return. We refer to chapter 3 of the main report, where the proposed standards are explained.

1.2.1.2 Phase 1 – Preparation

Step 1 – Identification of information obligations and approach to gathering administrative cost data

8 The only information obligation (IO) identified for the purpose of this study is *'submission of a periodic VAT return'*. This information obligation entails data requirements classified in category B[2] as being a consequence of European legislation (Directive 2006/112/EC), allowing for some flexibility in implementation at national level. The information obligation 'submission of a periodic VAT return' also implies correction of the return.

Administrative activities

9 To fulfil the required information obligations – or rather, to produce the requested information – businesses affected by the measure normally have to undertake additional activities. The costs of these additional activities can be attributed to cost parameters related to work done internally and/or to cost parameters related to work done by external advisers (e.g. fees for external experts, outsourcing costs and cost of purchases).[3] Therefore, the administrative costs of any given piece of legislation are defined as the costs of carrying out the various activities required by regulation.

10 The activities required to provide the information for the 'submission of a periodic VAT return' information obligation can be divided into two categories:

- one-time (or set-up) activities are those that have to be performed once only in order to meet the information obligation;
- recurring activities are those that the company has to perform on a periodic basis in order to meet the information obligation.

11 Table 1, below, presents the list of activities considered in the study.

[2] In order to provide an overview of the origin of the administrative costs faced by businesses, each data requirement has to be classified into one of three main categories (A, B or C), defined in the SCM. A regulation is a set of data requirements that are fully and exclusively a consequence of EU rules and other international obligations. B regulations correspond to data requirements that are a consequence of EU rules and other international obligations. The purpose is formulated in the international rules, while implementation is left up to the Member States. Data requirements that are exclusively a consequence of rules formulated at national level are included in category C. See International Standard Cost Model Manual, p. 12 (http://www.oecd.org/dataoecd/32/54/34227698.pdf).

[3] See International Standard Cost Model Manual, p. 34 (http://www.oecd.org/dataoecd/32/54/34227698.pdf).

Table 1 – One-time and recurring activities

One-time or set-up activities	
1.	Acquire/develop/adapt software system for VAT compliance
2.	Map the VAT compliance requirements in an additional EU Member State
3.	Understand the local VAT return of an additional EU Member State
4.	Adjust the software to be able to complete the local VAT return in an additional EU Member State
5.	Adjust the software to be able to report one additional type of purchase or sale in the local VAT return in an EU Member State
6.	Initial VAT training
7.	Initial software training

Recurring activities for preparing and submitting VAT returns	
1.	Gather information
2.	Prepare the VAT return
3.	Reconcile data from accounting, intra-Community sales/acquisition listings and Intrastat
4.	Review the VAT return
5.	Sign the VAT return
6.	Submit the VAT return
7.	Store a copy of the VAT return
8.	Answer any specific questions from the tax authorities

12 We also considered some additional recurring activities linked to the ‘submission of a periodic VAT return’ information obligation, namely ‘generic’ activities in connection with audits, software maintenance and training. Although the intervals at which these activities need to be done differ from those for submitting VAT returns, all companies to which VAT applies need to perform them. Finally, we took into account a number of activities that are not strictly undertaken by all companies in the sample, such as translation activities and activities linked to security (e.g. non-repudiation by use of an electronic signature).

Cost parameters

13 For the eight recurring activities for preparation and submission of a periodic VAT return, the ‘Standard Cost Model’ methodology is applied. This involves applying the principles of ‘activity-based costing’ (ABC) to determine the additional costs incurred by a ‘normally efficient business’ (i.e. a business that handles its administrative tasks in a normal manner, neither better nor worse than may be reasonably expected) as it fulfils the information obligation.

14 Moreover, a distinction is made between ‘time-driven costs’ and ‘equipment costs’. The former are one-time or recurring costs that relate to time spent by staff of the company and are calculated based on the time spent on, the frequency of and the wage rate of the respective staff member for each activity. Equipment costs are costs such as for printing or stamps.

15 In the AS IS questionnaire, the time spent on and the frequency of activities are assessed by the companies. They also informed us of the type of staff member (e.g. junior or senior level) who performs the activity and the corresponding wage levels. The hourly wages indicated by the businesses in the questionnaire vary from €13 to 70 and correspond to gross salary with social security charges added in the different MSs and to different levels of staff (e.g. junior, senior). We have also applied an overhead percentage of 25% to the internal hourly wage cost (including social security charges). The SCM Manual describes different overhead percentages for specific countries and/or sectors. They vary from 25 to 50%. For the purpose of this study and in accordance with SCM recommendations, we decided to use the lower limit, i.e. 25%, as an overhead. This working assumption allows us to guarantee uniformity for all companies and countries. The internal hourly wages correspond to the wages paid by the company for one or more of its own employees. The overhead percentage does not apply if the company has engaged an external service provider to carry out the activity.

16 In the TO BE questionnaire, we do not ask for the frequency of the ‘submitting a periodic VAT return’ information obligation because the frequency is defined by the proposed standards (i.e. monthly filing of periodic VAT returns). The impact of the new situation on the time spent is assessed by the companies in terms of the percentage increase or decrease for all administrative activities, compared to the AS IS situation. The companies also informed us of the type of resource (e.g. junior level or senior level) that performs the activity and the corresponding wage levels.

17 ‘Equipment costs’ consist of expenditure on necessary purchases to comply with specific information obligations and/or data requirements, such as printing costs or mailing costs. In the AS IS questionnaire, businesses are asked to give an estimate of the purchase cost. In the TO BE questionnaire, they are asked to assess the impact of introduction of the proposed common EU standard VAT return on these costs as a percentage increase or decrease compared to the AS IS situation.

18 Finally, a company can decide to outsource administrative activities to service providers. In this case, the total cost is taken into account, without applying any overhead percentage (as it is already included in the fees charged). In the AS IS questionnaire, the companies are asked to give an estimate of this cost. In the TO BE questionnaire, they are asked to assess the impact of introduction of the proposed common EU standard VAT return on these costs as a percentage increase or decrease compared to the AS IS situation.

Step 2 – Identification of businesses to be contacted

19 In accordance with the European Commission's requirements, the businesses within the eight selected Member States were identified taking into account their size and affiliation by economic sector. The careful selection of Member States and businesses increases the extent to which the sample of businesses represents reality and ensures the reliability of the results. Segmentation based on business size splits the group of companies into two groups: 'large' and 'small and medium-sized' (SME)[4] companies. We also have a relative spread of business sectors (according to NACE codes), including:

- manufacturing;
- information and communication technology;
- wholesale and retail;
- transport and storage;
- electricity, gas, steam and air conditioning supply;
- professional, scientific and technical activities;
- other service activities.

20 The purpose of this study was not to survey hundreds of companies submitting VAT returns in more than one Member State across the European Union in order to arrive at a statistically relevant sample size. Rather, we agreed with the Commission that we would select a limited number of companies to be analysed in greater depth. The resulting 'sample companies' may be considered case studies for the purposes of this study. Although it is entirely appropriate to draw inferences from case studies, we would emphasise that the results should be interpreted carefully and generalisations lacking any empirical basis avoided.

21 This study does not explicitly address the possibly differentiated impact of the common EU standard VAT return across business sectors. This is due to the limited sample size.

[4] *'The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro'* (extract from article 2 of the Annex to Recommendation 2003/361/EC). All other enterprises are categorised as large enterprises.

22 The AS IS and TO BE questionnaires were sent to more than 60 companies and groups. These companies/groups were identified through PwC's Indirect Tax network. In addition, the questionnaire was sent to a number of representative business organisations (e.g. the Belgian employers' federation VBO-FEB, Business Europe, FEBELFIN and TEI (Tax Executive Institute)) with a request that they distribute the questionnaire to their members. SMEs were approached through PwC's network. Furthermore, FEDEMAC (the association of the European moving industry), UEAPME (the European Association of Craft, Small and Medium-sized Enterprises) and other SME business organisations were contacted with the particular objective of finding additional SMEs. In order to enhance the participation of SMEs, respondents from these companies were given the opportunity to participate in a telephone interview instead of having to electronically complete the full AS IS and TO BE questionnaires. Below, we present the companies/groups that completed the AS IS and TO BE questionnaires. We asked each company/group to indicate the sector (according to NACE code) that they belong to.

23 In total, we received 19 AS IS questionnaires. Eighteen questionnaires were completed by large companies and one was fully completed by a SME. Two questionnaires from large companies are not included in the analysis due to the low quality of the data. All the other questionnaire data has been validated by follow-up calls and is used for the qualitative and/or quantitative data analysis.

24 In total, we received 14 completed TO BE questionnaires. One of them is only used for the qualitative analysis because no quantitative data was provided. The other 13 are used for both quantitative and qualitative analysis.

25 Thirteen companies that completed the TO BE questionnaire also filled out the AS IS questionnaire. However, not every company completed both the AS IS and TO BE questionnaires. The samples for the AS IS and the TO BE analyses are consequently slightly different.

26 One SME completed the AS IS and TO BE questionnaires. Six additional SMEs conducted telephone interviews with PwC in which qualitative data and quantitative inputs were collected.

27 All groups that completed the questionnaire consist of several legal entities and/or have branches or VAT registration numbers as non-established companies. The number of legal entities, branches and VAT registration numbers as non-established companies are shown in Table 2.

28 All companies/groups provided data for two or more of their entities and/or for multiple Member States in which they file VAT returns. Therefore, the sample size per data element that is analysed is actually larger than the number of questionnaires that were ultimately completed. However, not all companies/groups filled out all the sections in the questionnaires. Therefore, the sample size may differ per data element that is analysed. We consider the data received from one entity and for one Member State as one data entry. We have:

- 143 data entries (137 from large companies and six from SMEs) for recurring time spent on the preparation and submission of a periodic VAT return in the AS IS situation;
- 149 data entries (143 from large companies and six from SMEs) on the recurring cost in monetary values for the preparation and submission of a periodic VAT return in the AS IS situation; and
- 120 data entries (114 from large companies and six from SMEs) on the recurring cost in monetary values for the preparation and submission of a periodic VAT return in the TO BE situation.

29 The sample size per data element analysed is explained in the corresponding paragraphs in sections 1.3 and 1.4 of this appendix.

Table 2 – Sample of AS IS and TO BE questionnaires

Size	Number of legal entities	Number of branches	Number of VAT registrations as non-established company	Sector	Shared Service Centre	AS IS	TO BE	Tele-phone interview
Large	1	0	10	Manufacturing	No	X		
Large	28	0	42	Electricity, gas, steam and air conditioning supply	Yes	X	X	
Large	31	1	19	Manufacturing	No	X		
Large	16		19	Manufacturing	No	X	X	
Large	0	1	3	Manufacturing	No	X		
Large	29	0	26	Manufacturing	Yes	X	X	
Large	1	0	24	Wholesale and retail trade	No	X	X	
Large	1	0	23	Wholesale and retail trade	No	X	X	
Large	1		13	Manufacturing	No	X	X	
Large	24	0	7	Manufacturing	No	X	X	

Size	Number of legal entities	Number of branches	Number of VAT registrations as non-established company	Sector	Shared Service Centre	AS IS	TO BE	Tele-phone interview
Large	14	0	23	Information and communication technology	No	X	X	
Large	79	1	46	Manufacturing	Yes	X	X	
Large	38	0	35	Professional, scientific and technical activities	Yes	X	X	
Large	18	20	0	Transport and storage	No	X		
Large	0	0	10	Manufacturing	Yes	X	X	
Large	933	83	52	Other service activities	No	X	X	
Large	1	0	34	Manufacturing	Yes	X	X	
Large	35	1	0	Wholesale and retail trade		X		
Large	5	0	0	Wholesale and retail		X		
Large	-	-	-	Manufacturing			X	

Size	Number of legal entities	Number of branches	Number of VAT registrations as non-established company	Sector	Shared Service Centre	AS IS	TO BE	Tele-phone interview
SME	-	-	-	Wholesale and retail trade	No			X
SME	-	-	-	Transporting and storage	No			X
SME	-	-	-	Transporting and storage	No			X
SME	-	-	-	Transporting and storage	No			X
SME	-	-	-	Transporting and storage	No			X
SME	-	-	-	Construction	No			X

Step 3 – Preparation of questionnaire

30 Both the AS IS questionnaire and the TO BE questionnaire consist of four parts:

- Part I – Company identification: basic questions about the company
- Part II – Understanding of the company's situation: questions linked to the company's VAT-compliance process
- Part III – Quantitative assessment: questions linked to administrative costs, including set-up costs, recurring costs, generic costs and additional costs
- Part IV – Qualitative assessment: questions linked to advantages and disadvantages of the current or future situation

31 In addition, a brief introductory note accompanied both questionnaires and explained the purpose of the study.

32 The AS IS and TO BE questionnaires were prepared in Excel format. They are included in Appendices 6 and 7 to this report. In terms of practical application and to increase the response rate, we did not ask for exact cost estimates in the TO BE questionnaire. Instead, the sample companies were asked to estimate the impact of introduction of the proposed common EU standard VAT return in terms of a percentage increase or decrease compared to the AS IS situation. The questionnaires were sent to the heads of the companies' accounting/tax departments. Ultimately, that person was free to decide the most appropriate staff member within the department to complete the questionnaire and take part in the follow-up interview.

33 Since most SMEs were not able to complete the detailed AS IS and TO BE questionnaires, we agreed with the Commission to lower the barrier for SMEs to participate in the study by giving them the chance to share their inputs through a telephone interview. The focus of these telephone interviews was to gather qualitative and quantitative data. Given that SMEs found it difficult to report cost data at an individual activity level, we asked them to provide total cost estimates for the 'Preparation and submission of a periodic VAT return' IO.

34 Prior to distribution, the questionnaires were presented to the stakeholder groups for feedback (businesses, authorities and business associations) at a one-day conference.

1.2.1.3 Phase 2 – Piloting

Step 4 – Pilot interview

35 Both the AS IS and TO BE questionnaires were tested in an internal pilot interview with a view to highlighting problems and identifying potential areas of misunderstanding. Specifically, the pilot enabled us to assess (non-exhaustively):

- whether the questions were capable of eliciting the desired response;
- whether the questions were in the appropriate order;
- whether the questions were understood by the respondent;
- whether additional questions were required or any questions could be deleted;
- whether the instructions given in the introductory note were adequate.

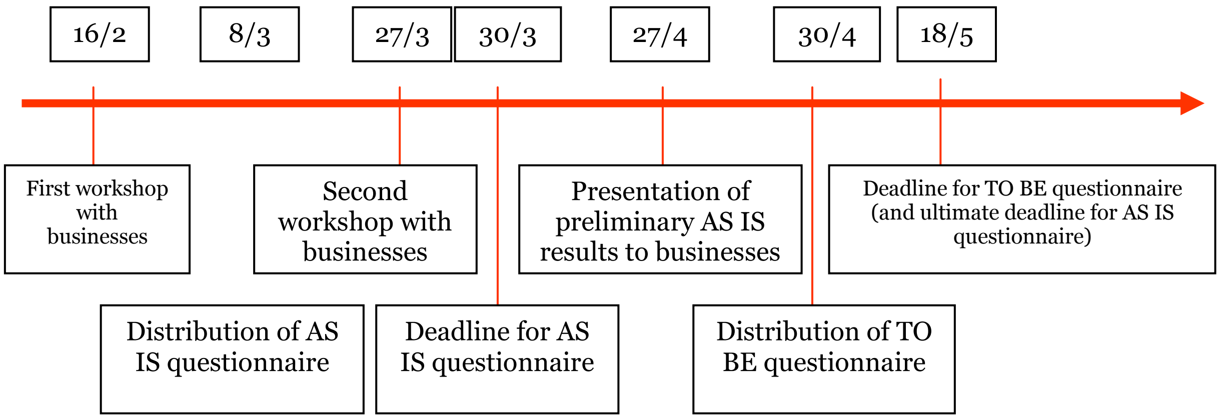
36 The pilot interview was organised with Ms. Sandy Aers, finance manager at PwC, one week prior to launch of the questionnaire. At the pilot interview, no major problems were identified in connection with either questionnaire.

1.2.1.4 Phase 3 – Data capture and standardisation

Step 5 – Questionnaire completion and follow-up interviews

37 First of all, the AS IS questionnaire was sent to the businesses. They were asked to submit the questionnaires within a timeframe of three weeks. The TO BE questionnaire was sent some weeks after the deadline for the AS IS questionnaire in order to avoid companies having to complete two questionnaires at the same time. However, we offered companies the facility of submitting both questionnaires by the deadline for the TO BE questionnaire. The timeline of submission dates and deadlines for the AS IS and TO BE questionnaires is shown in Figure 2.

Figure 2 – Timeline AS IS and TO BE questionnaire



38 The questionnaires were distributed to companies' respondents by e-mail. Both questionnaires were introduced to the companies' representatives at workshop sessions held on 16 February 2012 for the AS IS questionnaire and on 27 April 2012 for the TO BE questionnaire.

39 Upon submission of the completed questionnaires, we conducted follow-up interviews by telephone to further discuss and confirm the answers to the questions. Separate follow-up interviews were conducted for the AS IS and TO BE questionnaires unless both questionnaires were submitted to us at the same time. Two members of the project team typically conducted the interviews.

40 SMEs were given the option of participating in a telephone interview without completing the AS IS and TO BE questionnaires upfront.

Step 6 – Completion and standardisation of data collected

41 All quantitative data was grouped into one data-sheet and standardised in terms of currency. Qualitative data was checked for consistency.

1.2.1.5 Phase 4 – Analysis and reporting

Step 7 – Analysis reporting and transfer of data

42 The analytical treatment of the qualitative and quantitative data is detailed in part 5.2 of the main report.

43 First, we present the results of the AS IS questionnaire, from each of the quantitative and qualitative points of view. The administrative costs incurred by the companies are described and analysed in terms of one-time activities and recurring activities. Next, we present the results from the TO BE questionnaire, both quantitatively and qualitatively. Last, we compare the results of the AS IS and TO BE questionnaires and draw conclusions.

1.3 Costs of the current VAT return obligation

44 In this section, we provide more information on the sample. Next, we discuss the approach for calculating the AS IS population and the AS IS total costs for the EU-27.

1.3.1 Set-up costs

45 This analysis is performed for the sample of large enterprises only.

Companies/groups were asked to provide total set-up costs. Not all businesses were able to provide a cost estimate for each set-up cost element. Therefore, different sample sizes apply to each of the set-up cost elements that can be seen in Table 3.

Table 3: AS IS – Set-up costs for sample of large businesses – sample size

	Set-up cost	Sample size
1	Purchase price/development cost of software for VAT compliance	10
2	Cost to adjust software to specific VAT needs	8
3	Cost to map the VAT-compliance requirements in an additional EU Member State	13
4	Cost to understand the local VAT return of an additional EU Member State	13
5	Cost to adjust software to be able to complete the local VAT return in an additional EU Member State	12
6	Cost to adjust software to be able to report one additional type of purchase or sale in the local VAT return in an EU Member State	11
7	Cost of initial VAT training per new employee	10
8	Cost of initial software training per new employee	11

1.3.2 Recurring costs

46 In this section, we discuss the analysis in terms of time spent, followed by an analysis in monetised value of preparation and submission of the periodic VAT return. In the third subsection, we discuss the confidence intervals of the AS IS sample. In the last subsection, we discuss the analysis in time and monetised value of the summarising annual VAT return.

1.3.2.1 Analysis of time spent

1.3.2.1.1 Analysis of average time spent per Member State and per activity

47 This analysis is done for the sample of large enterprises only.

48 The sample for the analysis of recurring time spent consists of 13 large enterprises/groups. Three large enterprises/groups were excluded from the analysis as they did not provide data.

49 All groups provided data for one or more of their entities. We considered the data in connection with the time spent by/for one entity on preparing and submitting a VAT return for one Member State as a single data entry for that Member State. If, for example, a group submits VAT returns in the United Kingdom for three of its entities and has provided us with the time its staff spent on preparing and submitting VAT returns for each of the entities, we consider this as three data entries for the United Kingdom. The total number of data entries is 138 and they are reported for each Member State in Figure 3.

50 Six data entries have been excluded from the analysis because the total time spent was disproportionately higher than that spent by the “normally efficient business” in the sample. The total time spent for each data entry was compared to the average of all data entries and the average data entry for the applicable Member State. If the total time spent was more than two-and-a-half times higher than one of these averages, the data entry was excluded. In five out of the six cases, the high total time spent was due to the extreme size of the entity or to VAT groupings. In the other case, the business did not seem to be normally efficient in that specific Member State. The total number of data entries is 132 after exclusion of outliers, as can be seen for each Member State in Figure 4.

Figure 3 – AS IS – Number of data entries per Member State for recurring time spent – all data included

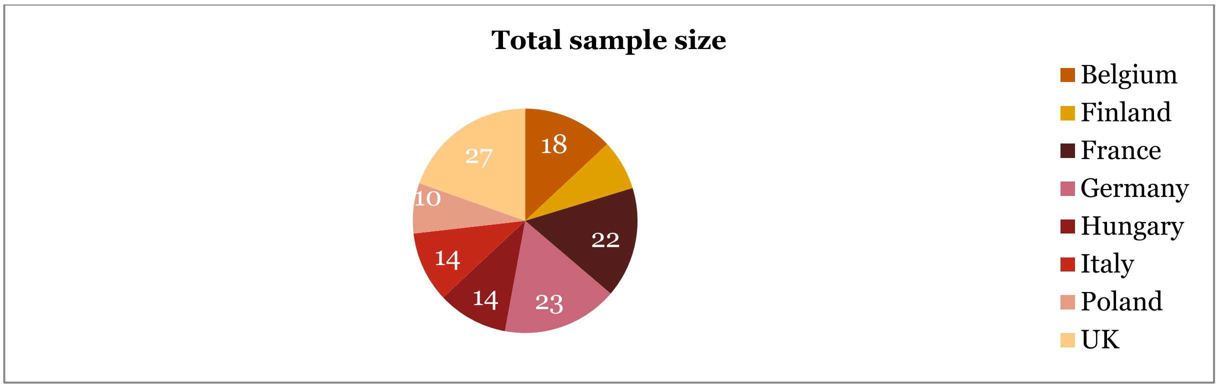
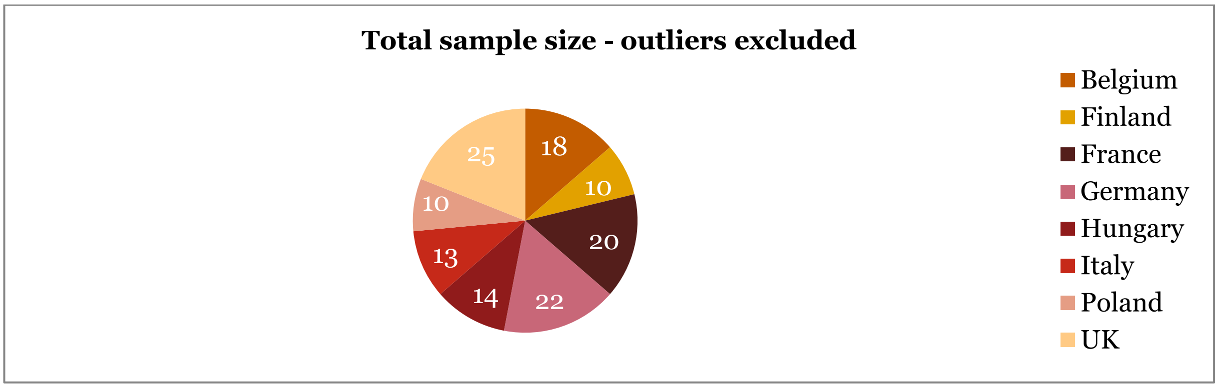


Figure 4 – AS IS – Number of data entries per Member State for recurring time spent – outliers excluded



51 Furthermore, a split was made between companies performing all activities in-house and companies relying on external consultants. The number of data entries for the former group is 99; for the latter it is 33, as can be seen in Figure 5 and Figure 6.

Figure 5 – AS IS – Number of data entries per Member State for recurring time spent – companies not using external consultants (outliers excluded)

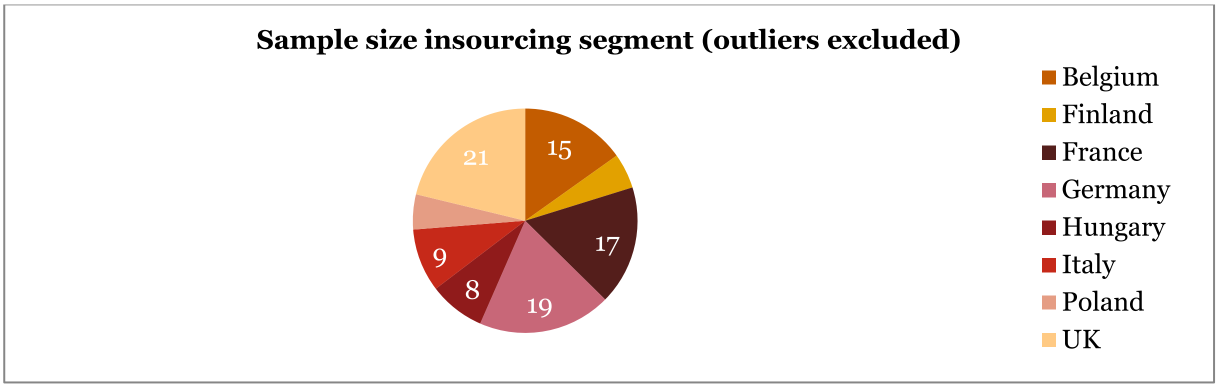
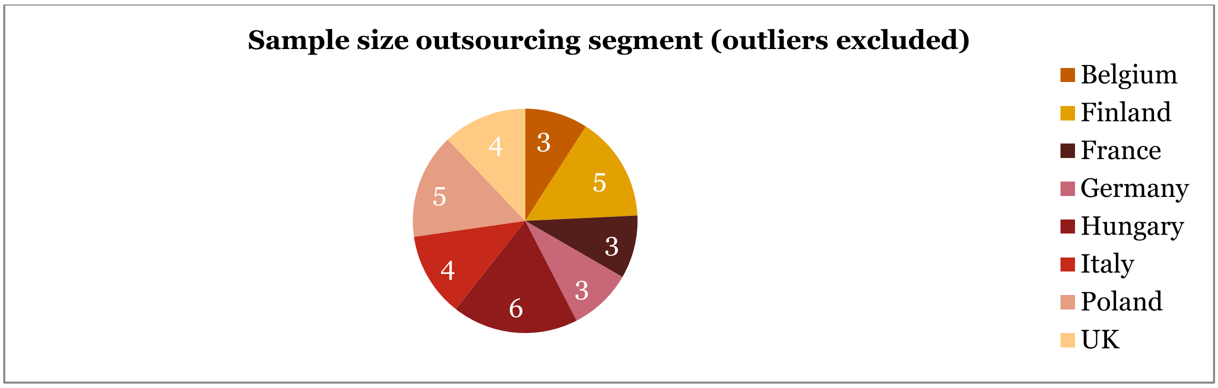


Figure 6– AS IS – Number of data entries per Member State for recurring time spent – companies using external consultants (outliers excluded)

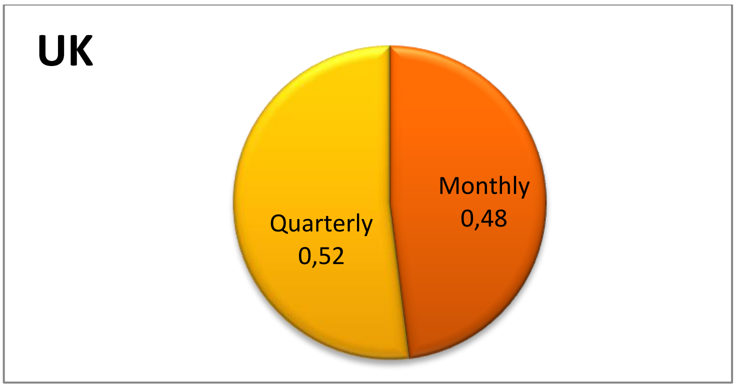


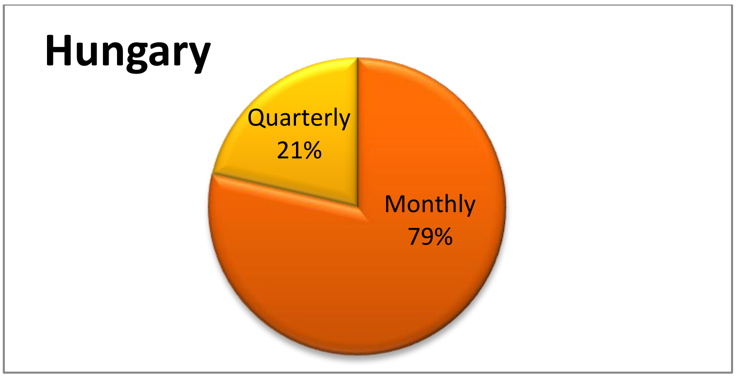
1.3.2.1.2 Analysis of impact of filing periodicity on average time spent

52 This analysis is done for the sample of large enterprises only.

53 The intervals at which VAT returns have to be filed differ between companies and Member States. The majority of large companies in this sample indicate that they file VAT returns on a monthly basis. However, some companies indicated that they file their VAT returns quarterly in the United Kingdom and in Hungary. In Figure 7, below, the numbers of data entries for quarterly filing and monthly filing are shown for the United Kingdom and Hungary in Figure 5. It appears that more than half of the sample companies filing VAT returns in the United Kingdom do so quarterly. Only 20% of the sample companies filing VAT returns in Hungary do so quarterly.

Figure 7 – AS IS – Percentage of companies filing monthly and quarterly VAT returns in the UK and in Hungary





1.3.2.1.3 Analysis of impact of level of automation on average time spent

54 This analysis is done for the sample of large enterprises only

55 Based on the information received in the AS IS questionnaires, follow-up interviews and expert opinion we categorised each of the sample companies into one of the following groups:

- High level of automation
- Medium level of automation
- Low level of automation

56 The average time spent was then calculated for each group separately.

1.3.2.1.4 Analysis of time spent and number of transactions

57 This analysis is done for the sample of large enterprises only.

58 The relationship between the total time spent and the average number of transactions was analysed. This data was available for 121 data entries (the input from one company/group for one entity and for one Member State is considered as one data entry).

1.3.2.2 Analysis in terms of cost in monetised values

1.3.2.2.1 Analysis of cost per Member State

59 This analysis is done for the sample of large enterprises only.

60 The sample contains 14 large enterprises/groups. Two entities have been excluded from the analysis as no cost data was provided.

61 All groups provided cost data for one or more entities in one or more Member States. We considered the set of cost data received from one entity concerning one Member State as one data entry for that Member State. The total number of data entries for each Member State is shown in Figure 8. The total number of data entries for the eight Member States in scope is 149.

62 We excluded the same businesses from the analysis as we did in the analysis of time spent. The resulting numbers of data entries for each Member State are depicted in Figure 9. The total number of data entries for the eight Member States in scope is 143.

Figure 8 – Number of data entries per Member State for recurring cost – all data included

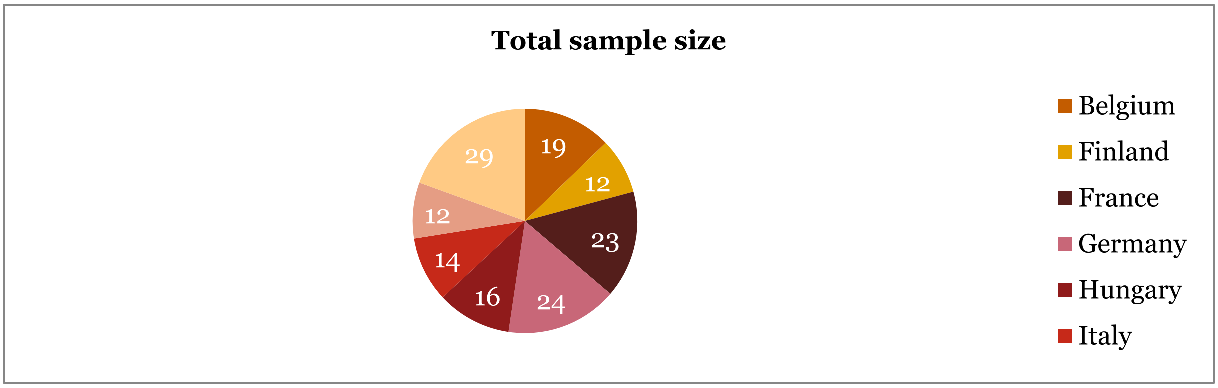
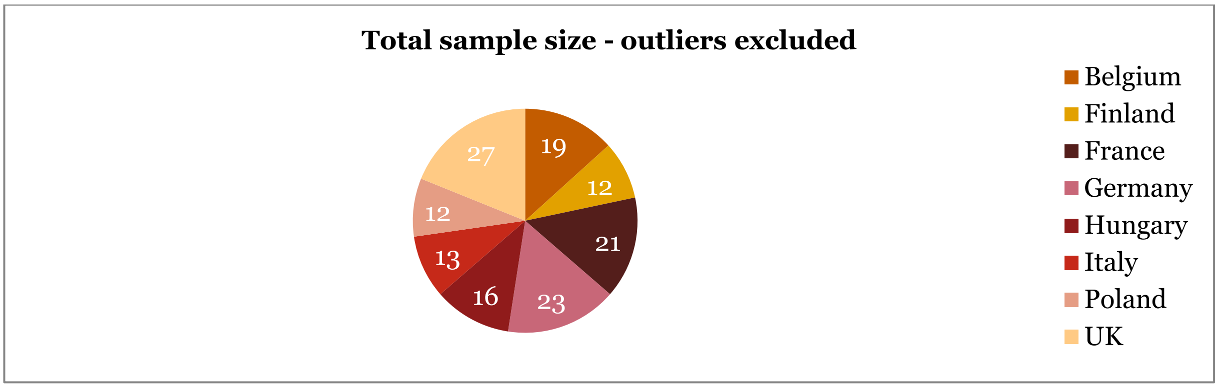


Figure 9 – Number of data entries per Member State for recurring cost – outliers excluded



63 Furthermore, a split was done between companies performing all activities in-house and those relying on external consultants. The number of data entries for the former group is 110, for the latter 33, as can be seen in Figure 10 and Figure 11.

Figure 10 – Number of data entries per Member State for recurring cost – companies not using external consultants (outliers excluded)

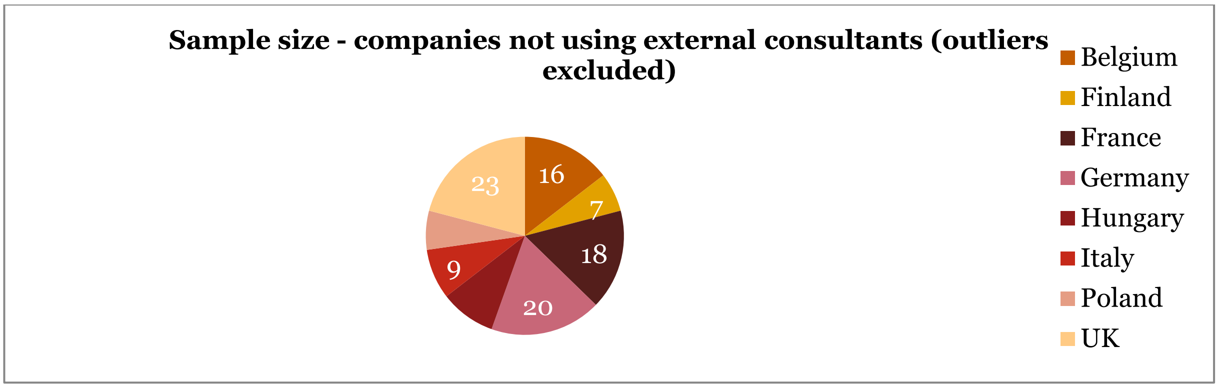
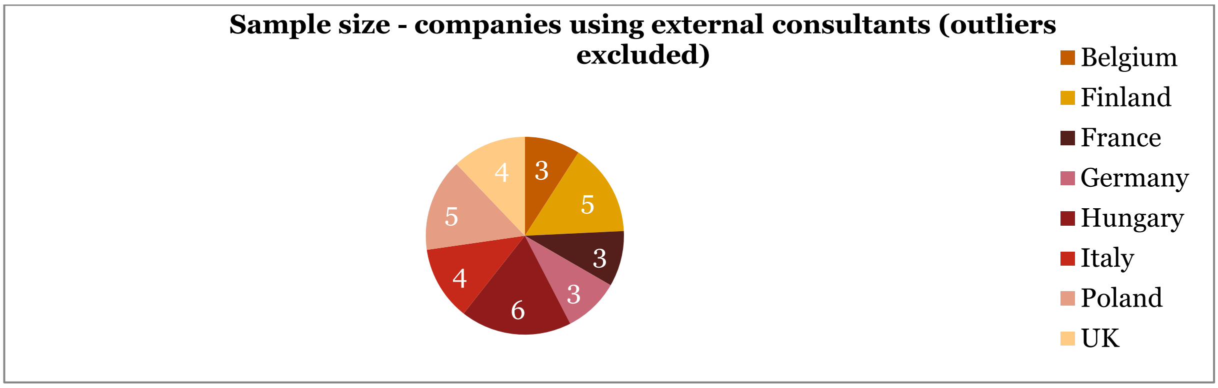


Figure 11 – Number of data entries per Member State for recurring cost – companies using external consultants (outliers excluded)



1.3.2.2.2 Analysis of average cost per VAT return

64 This analysis is done for the sample of large enterprises and for the sample of SMEs.

65 We know from the analysis of the sample of large enterprises that the average recurring cost of preparing and submitting a VAT return for large enterprises is €815. These large enterprises file VAT returns in multiple Member States and are often characterised by complex transactions. We compared this cost with the cost data provided by the only SME that completed the questionnaire. In addition, we sense-checked the cost estimate during the telephone interviews with four other SMEs registered in one or more Member States (in total, six telephone interviews were performed, but two could only provide qualitative data). This, together with our own expert judgement, resulted in the cost estimate for SMEs.

1.3.2.2.3 Analysis of wage levels

66 This analysis is done for the sample of large enterprises only.

67 The applicable wage levels differ among Member States. The sample companies were asked to specify the wage level for the preparation and submission of periodic VAT returns in the eight Member States. The average wage levels applicable in these Member States are shown in the Table 4. The wage levels vary around €33 per hour for preparation and submission of the Belgian, German, Finnish, French, Italian and UK VAT returns. Wage levels are considerable lower for preparation and submission of the Hungarian and Polish VAT returns.

68 The weighted average wage level per Member State was calculated. It takes into account the time spent on each activity and the wage level corresponding to this particular time spent. If, for example, 80% of the activities are performed by juniors and 20% by seniors, the wage level of the juniors will be weighted with a factor of 0.8 while the wage level of the seniors will be weighted with a factor of 0.2.

Table 4 – Wage levels

Member State	Weighted average (€/hour)
Belgium	35
Germany	34
Finland	36
France	36
Hungary	26
Italy	38
Poland	26
UK	35
Average	**33**

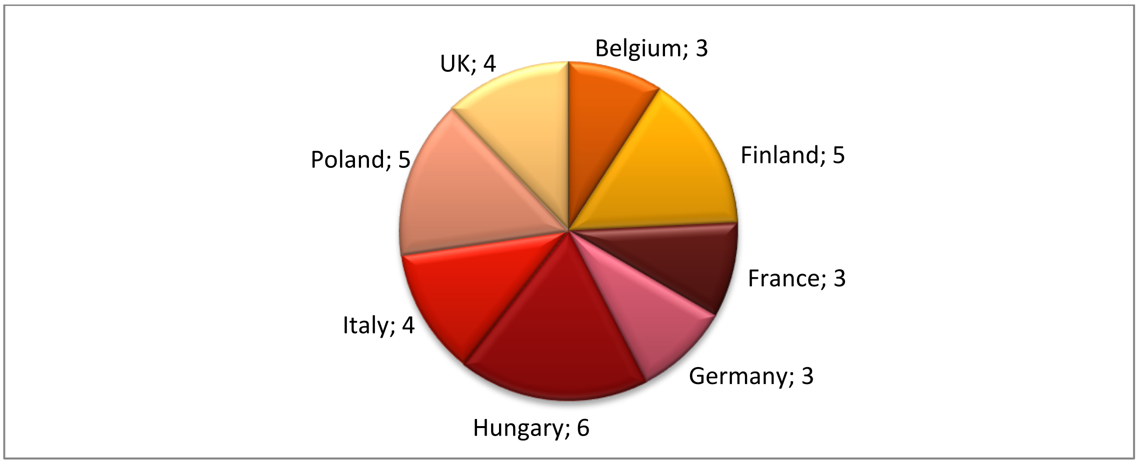
1.3.2.2.4 Analysis of consulting fees

69 This analysis is done for the sample of large enterprises only.

70 Six companies indicated that they use outside consultants. Consultancy fees appear in 33 data entries for the submission of periodic VAT returns. As a consequence, the sample per Member State is very limited. Additionally, the data inputs vary considerably. Therefore, the PwC network was contacted to sense-check the average consulting fees per Member State based on the 33 data entries. The PwC network confirmed the results.

71 The sample per Member State is shown in Figure 12.

Figure 12 – AS IS – Data entries for consultancy fees per Member State



1.3.2.3 Confidence intervals of AS IS sample

72 In statistics, a confidence interval consists of a range of values that act as good estimates of the unknown population parameter. However, in infrequent cases, none of these values may cover the value of the parameter. The level of confidence of the confidence interval is represented by a percentage.

73 The confidence level presented in this section is 90%. A higher confidence level means that the confidence interval will become wider and that the probability that the real average lies within the confidence interval will be higher as well. A lower confidence level means that the confidence interval will become smaller and that the probability that the real average lies within the confidence interval will be smaller as well.

74 Despite the rather low confidence level of 90%, we note that the intervals for both time and cost are fairly large at Member State level. This is due to the limited sample sizes per Member State. The sample sizes per Member State further decrease if the sample is split between companies relying on external consultants, on the one hand, and companies not relying on external consultants, on the other hand. Smaller sample sizes further increase the confidence interval. The confidence intervals for the sample of companies relying on external consultants are especially high. For the whole sample of the eight Member States in scope, we see that, due to a larger sample size, the width of the confidence interval is smaller. The sample size decreases again when separately considering the sample of companies relying on external consultants and the sample of companies not relying on external consultants. This results in wider confidence intervals.

75 When, for example, we consider the average time spent on the preparation and submission of a national VAT return in Belgium, it can be stated with 90% confidence that the average time spent is between 671.95 and 1,252.17 minutes. This means that there is a probability of 10% that the real average time spent on the preparation and submission of a VAT return in Belgium is not in this interval.

76 If we increased the confidence level from 90% to 95% or 99%, the confidence intervals would become even wider.

Table 5 – Confidence interval for confidence level of 90%

Total time spent in minutes – Both companies relying and companies not relying on external consultants				
	Sample size	Lower bound	Best estimate	Upper bound
Belgium	18	671.95	962.06	1252.17
Finland	10	189.88	355.10	520.32
France	20	461.47	696.95	932.43
Germany	22	401.71	654.14	906.56
Hungary	14	627.08	1059.07	1491.07
Italy	13	242.60	550.53	858.45
Poland	10	247.57	716.90	1186.23
UK	25	466.67	642.16	817.65
Grand Total	**132**	**618.79**	**715.19**	**811.59**

Total time spent in minutes – Companies not relying on external consultants				
	Sample size	Lower bound	Best estimate	Upper bound
Belgium	15	719.07	1054.13	1389.20
Finland	5	111.01	404.80	698.59
France	17	469.87	742.00	1014.13
Germany	19	387.22	679.26	971.31
Hungary	8	921.73	1537.75	2153.77
Italy	9	56.37	504.65	952.92
Poland	5	66.71	856.80	1646.89
UK	21	435.90	643.29	850.67
Grand Total	**99**	**664.48**	**787.81**	**911.14**

Total time spent in minutes – Companies relying on external consultants				
	Sample size	Lower bound	Best estimate	Upper bound
Belgium	3	44.20	501.67	959.13
Finland	5	32.99	305.40	577.81
France	3	89.68	441.67	793.65
Germany	3	27.80	495.00	962.20
Hungary	6	128.30	420.83	713.37
Italy	4	218.36	653.75	1089.14
Poland	5	278.23	577.00	875.77
UK	4	303.01	636.25	969.49
Grand Total	**33**	**407.83**	**497.33**	**586.84**

Total cost in euro – Both companies relying and companies not relying on external consultants				
	Sample size	Lower bound	Best estimate	Upper bound
Belgium	19	688.39	909.93	1131.48
Finland	12	369.68	549.76	729.83
France	21	515.47	739.86	964.25
Germany	23	401.04	598.91	796.78
Hungary	16	576.10	836.68	1097.25
Italy	13	375.64	963.70	1551.76
Poland	4	0.00	362.91	813.97
Poland	8	421.62	1868.88	3316.14
UK	27	463.45	640.82	818.19
Grand Total	**143**	**674.43**	**788.93**	**903.44**

Total cost in euro – Companies not relying on external consultants				
	Sample size	Lower bound	Best estimate	Upper bound
Belgium	16	568.96	806.21	1043.46
Finland	7	210.73	452.62	694.51
France	18	396.65	631.69	866.74
Germany	20	305.37	516.72	728.06
Hungary	10	505.83	727.27	948.71
Italy	9	101.79	459.23	816.68
Poland	7	156.45	528.80	901.15
UK	23	340.58	482.30	624.03
Grand Total	**110**	**502.97**	**581.57**	**660.18**

Total cost in euro – Companies relying on external consultants				
	Sample size	Lower bound	Best estimate	Upper bound
Belgium	3	1092.65	1463.13	1833.60
Finland	5	342.72	685.75	1028.78
France	3	1126.81	1388.88	1650.94
Germany	3	1055.63	1146.88	1238.12
Hungary	6	314.23	1019.02	1723.81
Italy	4	316.96	2098.74	3880.53
Poland	5	95.83	2540.21	4984.59
UK	4	1217.00	1552.29	1887.59
Grand Total	**33**	**1112.61**	**1480.14**	**1847.68**

1.3.2.4 Analysis of time and cost spent on summarising annual VAT returns

77 This analysis is done for the sample of large enterprises only, but is limited to Germany since this is the only Member State in scope with summarising annual VAT returns. The sample on which the analysis is based contains 14 large enterprises.

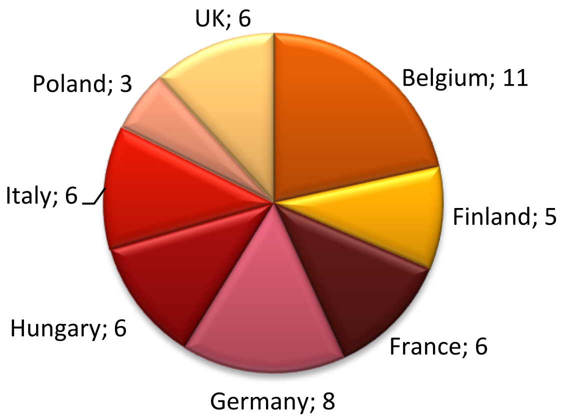
1.3.3 Generic and additional costs

1.3.3.1 Audit costs

78 This analysis is done for the sample that completed the AS IS questionnaire, including one SME.

79 Although 18 companies provided feedback on audits, the sample is not complete. Most companies have not been exposed to audits in all of the Member States within the scope of the study. Nor were all companies in a position to estimate both the time spent and the monetised costs. Some companies returned total cost estimates, while others provided only time estimates. For the analysis, we only take into account the data entries from companies that gave estimates for both time and cost (this data is available from 12 companies), in order to be able to compare time and cost estimates per Member State. The data entries for this limited sample per Member State are shown in Figure 13. In total, the sample consists of 51 data entries.

Figure 13 – AS IS – Data entries for time spent on and total cost of audits



1.3.3.2 Recurring software costs, recurring training costs and costs to stay abreast of legal changes

80 This analysis is done for the sample that completed the AS IS questionnaire, including only one SME. Not all companies were able to provide the recurring software costs. The sample size per cost element can be seen in Table 6.

Table 6 – Generic costs – sample

Generic cost	Sample size
Recurring annual software cost	14
Recurring annual training cost	18
Recurring cost to stay abreast of legal changes	16

1.3.3.3 Translation cost

81 Only 12 companies provided an estimate for translation costs or mentioned that there is no translation cost at all for their company.

1.3.4 Total recurring costs for the EU-27

1.3.4.1 Population

82 The population corresponds to the total number of periodic VAT returns that are submitted in the EU-27 each year. In order calculate the population, we used the following formula:

$$Population_{EU\ 27} = \sum_{MS_1}^{MS_{27}} (number\ of\ companies_{MS,type} * periodicity_{MS,type})$$

83 The first variable is the number of companies that file periodic VAT returns, which differs according to Member State and type (i.e. large vs. medium vs. small vs. micro). The total number of taxpayers (corporate and individual) that are VAT-registered in a Member State and that file periodic VAT returns is provided by tax authorities or Fiscal Attachés. This total number per Member State can be divided into the following types of taxpayers (as shown in the figure below):

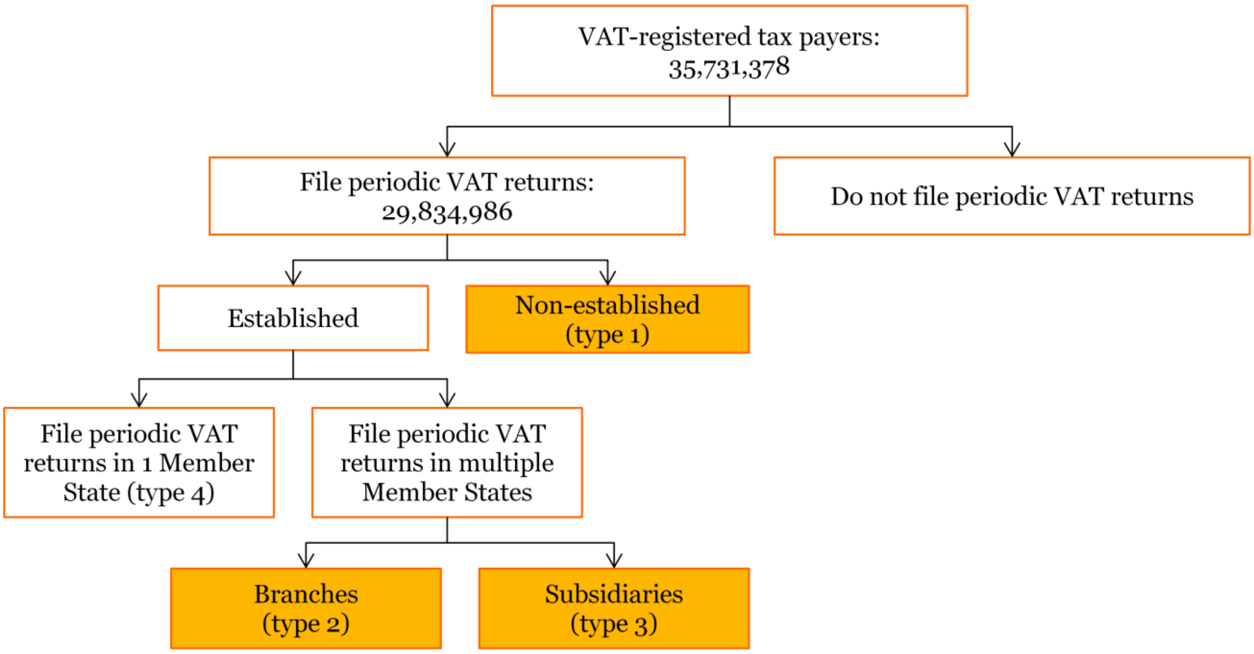
- Non-established taxpayers. The company has a VAT number in one or more Member States that are different from the Member State of its main place of establishment (type 1). The company does not have a fixed establishment in other Member States. Tax authorities and Fiscal Attachés have provided us with this data. The total number of non-established taxpayers is 307,654 at EU-27 level (or 1.03% of the total number of taxpayers that submit periodic VAT returns).

- Established taxpayers that operate through a permanent establishment (or branch) (type 2). In order to estimate the number of branches in each Member State, the average percentage of the non-established taxpayers in EU-27 (i.e. 1.03%) is applied and taken as a best estimate assumption.

- Established taxpayers that have a subsidiary or operate through subsidiaries and are therefore part of a multinational group. This relates to the subsidiaries and the parent companies (type 3). The Amadeus database provides us with a total figure of 3,267,557 (consulted in August 2012). This number provided by the Amadeus database is not split by Member State when we collect it. Therefore, we distribute the total number per Member State by taking the proportion of taxpayers that file periodic VAT returns for each Member State from the total number of taxpayers that file periodic VAT returns in the EU-27 (i.e. 29,834,986).

- Established taxpayers that do not operate through a permanent establishment or do not belong to a multinational group (type 4). The number of this type of established taxpayer is obtained by taking the difference between the total number of taxpayers that submit periodic VAT returns and the three other types of taxpayers (i.e. types 1, 2 and 3).

Figure 14 – The four types of taxpayers



84 The sum of the taxpayers in the four categories is 29,834,986, which corresponds to the number of taxpayers that submit periodic VAT returns in the EU-27. The table below presents the details for the 27 Member States.

85 Please note that no accurate data on non-established taxpayers were provided via completed questionnaires by Denmark, Germany or Sweden. The percentage of non-established taxpayers of the other 24 Member States compared to the total number of taxpayers that file periodic VAT returns in those Member States (i.e. 1.1%) is applied to the number of taxpayers that submit periodic VAT returns in these three Member States in order to arrive at data for non-established taxpayers. The extrapolated data is indicated using grey-shaded boxes in the table below.

Table 7 – Total numbers of taxpayers in EU-27

Member States	Total numbers of taxpayers	Total numbers of taxpayers that submit periodic VAT returns					
		Non-established (type 1)	Established via a branch (type 2)	Established via a subsidiary (type 3)	Otherwise established (type 4)	Total	% of non-established
Austria	796,700	118,700	6,909	73,379	471,012	670,000	17,72%
Belgium	810,807	6,136	7,043	74,801	595,007	682,987	0,90%
Bulgaria	214,660	379	2,214	23,510	188,558	214,660	0,18%
Cyprus	86,000	200	887	9,419	75,494	86,000	0,23%
Czech Republic	502,782	2,647	5,185	55,065	439,885	502,782	0,53%
Denmark	419,000	4,609	4,321	45,889	364,181	419,000	1,10%
Estonia	71,386	676	736	7,818	62,156	71,386	0,95%
Finland	592,818	4,962	6,113	64,926	516,817	592,818	0,84%
France	3,543,307	14,661	32,013	340,002	2,717,770	3,104,445	0,47%
Germany	5,700,000	62,700	58,778	624,270	4,954,253	5,700,000	1,10%
Greece	1,178,500	190	10,969	116,496	936,035	1,063,690	0,02%
Hungary	550,426	2,014	5,676	60,283	482,453	550,426	0,37%
Ireland	243,727	8,114	2,513	26,693	206,407	243,727	3,33%
Italy	9,018,998	10,334	52,923	562,089	4,506,903	5,132,249	0,20%
Latvia	87,222	649	899	9,553	76,121	87,222	0,74%

Member States	Total numbers of taxpayers	Total numbers of taxpayers that submit periodic VAT returns					
		Non-established (type 1)	Established via a branch (type 2)	Established via a subsidiary (type 3)	Otherwise established (type 4)	Total	% of non-established
Lithuania	74,446	550	764	8,113	64,649	74,076	0,74%
Luxembourg	58,900	14,000	607	6,451	37,842	58,900	23,77%
Malta	36,815	208	380	4,032	32,195	36,815	0,56%
Netherlands	1,740,000	15,000	16,138	171,400	1,362,462	1,565,000	0,96%
Poland	1,600,000	8,000	16,499	175,234	1,400,267	1,600,000	0,50%
Portugal	1,391,437	3,052	7,551	80,194	641,428	732,224	0,42%
Romania	568,190	1,081	5,859	62,229	499,021	568,190	0,19%
Slovakia	205,180	4,335	2,026	21,523	168,633	196,517	2,21%
Slovenia	102,984	932	1,062	11,279	89,711	102,984	0,90%
Spain	3,200,835	2,692	29,313	311,328	2,499,298	2,842,630	0,09%
Sweden	1,030,258	11,333	10,624	112,835	895,466	1,030,258	1,10%
United Kingdom	1,906,000	9,500	19,654	208,747	1,668,099	1,906,000	0,50%
TOTAL	**35,731,378**	**307,654**	**307,654**	**3,267,557**	**25,952,121**	**29,834,986**	**Average: 1,03%[5]**

[5] This average is obtained by dividing the number of non-established taxpayers by the total number of taxpayers that submit periodic VAT returns.

86 As periodicity depends on the type of company, we considered 0.2% to be large companies, 1.1% medium-sized enterprises, 6.5% small enterprises and 92.2% micro enterprises in Europe.[6] This gives us the number of companies per type for each Member State. The table below presents the number of taxpayers per Member State as well as the number of taxpayers that need to submit periodic VAT returns.

87 The second variable is the periodicity with which taxpayers have to file their periodic VAT returns. On the basis of a review of national legislation and information provided by tax authorities, we applied a customised periodicity for each Member State and for each type of company. For micro companies, several periodicities can be applied depending on national legislation. The table below shows the different periodicities for micro companies. It details the population calculations (i.e. numbers of periodic VAT returns that are submitted in the EU-27 on a yearly basis and the number of companies that submit periodic VAT returns by type). Applying the above formula, the total number of VAT returns submitted on an annual basis is 148,333,589 in the EU-27.

[6] Eurostat –http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=Small_and_medium-sized_enterprises&printable=yes (2009).

Table 8 – Total population and total numbers of VAT returns in EU-27[7]

Member State	Periodicity for companies						Number of companies[8]						Total number of VAT returns submitted on an annual basis
	Large	Medium-sized	Small	Micro			Large	Medium-sized	Small	Micro			
Austria	12	12	12	12	4		1,340	7,370	43,550	497,740	120,000		7,080,000
Belgium	12	12	12	12	4		1,366	7,513	44,394	48,228	581,486		3,543,956
Bulgaria	12	12	12	12			429	2,361	13,953	197.917			2,575,920
Cyprus	4	4	4		4		172	946	5,590		79,292		344,000
Czech Republic[9]	12/4	12/4	12/4	12	4		1,006	5,531	32,681	65,472	398,093		2,846,988

[7] Data provided by the tax authorities with PwC calculations, 2012. The total number of companies per Member States equals the amount of taxpayers filing periodic VAT returns for each Member State (see column 5 in table 5).

[8] The number of each type of company is obtained by applying figures representing each type of company as taken from Eurostat 2009 (i.e. 0.2% far large companies, 1.1% for medium-sized companies, 6.5% for small companies and 92.2% for micro companies) to the numbers of taxpayers that submit periodic VAT returns in each Member State.

[9] Non-established taxpayers in Czech Republic have to submit quarterly VAT returns. As we know that there are 2,647 non-established taxpayers, we consider that 0.2% are large companies (i.e. 6), 1.1% are medium-sized companies (i.e. 29), 6.5% are small companies (i.e. 72) and 92.2% are micro companies (i.e. 2,441) and we apply a periodicity of four.

Member State	Periodicity for companies						Number of companies[8]						Total number of VAT returns submitted on an annual basis
	Large	Medium-sized	Small	Micro			Large	Medium-sized	Small	Micro			
Denmark	12	12	12		4	2	838	4,609	27,235		386.318[10]		1,937,456
Estonia	12	12	12	12			143	785	4,640	65.818			856,632
Finland	12	12	12	12	4	1	1,186	6,521	38,533	227,572	27,677	291,329	3,687,781
France	12	12	12	12	4	1	6,209	34,149	201,789	1,221,762	1,626,551	13,985	24,087,097
Germany	12	12	12	12	4		11,400	62,700	370,500		5,255,400[11]		26,356,800
Greece[12]	12/4	12/4	12/4	12	4		2,127	11,701	69,140	7,032	973,690		4,974,641
Hungary	12	12	12	12	4	1	1,101	6,055	35,778	84,428	280,524	142,541	2,792,969
Ireland	6	6	6	6	4	2 or1	487	2,681	15,842	124,806	59,013	40,997[13]	1,168,120
Italy	1	1	1			1	10,264	56,455	333,596			4.731.934	5,132,249
Latvia	12	12	12	12	4	2	174	959	5,669	34,161	20,107	26,151	624,298

[10] We consider that all micro companies file quarterly VAT returns because no detailed data has been provided by the tax authorities.

[11] We consider that all micro companies file quarterly VAT returns because no detailed data has been provided by the tax authorities.

[12] Non-established taxpayers in Greece have to submit quarterly VAT returns. As we know that there are 190 non-established taxpayers, we consider that 0.2% are large companies (i.e. 0), 1.1% are medium-sized companies (i.e. 2), 6.5% are small companies (i.e. 12) and 92.2% are micro companies (i.e. 172) and we apply a periodicity of four.

[13] 28,269 micro companies file biannual VAT returns and the remaining micro companies file VAT returns on an annual basis.

Member State	Periodicity for companies						Number of companies[8]						Total number of VAT returns submitted on an annual basis
	Large	Medium-sized	Small	Micro			Large	Medium-sized	Small	Micro			
Lithuania	12	12	12	12		2	148	815	4,815	52,298		16,000	728,912
Luxembourg	12	12	12	12	4	1	118	648	3,829	19,906	16,500	17,900	377,900
Malta	4	4	4		4	1	74	405	2,393		24,443	9,500	118,760
Netherlands	12	12	12	12	4	1	3,130	17,215	101,725	92,930	1,200,000	150,000	7,530,000
Poland	12	12	12	12	4		3,200	17,600	104,000	1,255,200	220,000		17,440,000
Portugal	12	12	12	12	4		1,464	8,054	47,595	19,056	656,055		3,538,248
Romania	12	12	12	12	4		1,136	6,250	36,932	141,334	382,537		3,757,984
Slovakia	12	12	12	12	4		393	2,162	12,774	43,733	137,456		1,258,556
Slovenia	12	12	12	12	4		206	1,133	6,694	31,703	63,248		729,824
Spain	12	12	12		4		5,685	31,269	184,771[14]		2,620,905		12,257,421
Sweden	12	12	12	12	4	1	2,061	11,333	66,967[15]		949,898		4,549,619
UK	4	4	4	12	4	1	3,812[16]	20,966	123,890	52,415	1,691,069	13,848	8,037,458

[14] 60% of small companies file quarterly VAT returns and 40% monthly VAT returns.

[15] 40% of small companies file quarterly VAT returns and 60% monthly VAT returns.

Member State	Periodicity for companies				Number of companies[8]						Total number of VAT returns submitted on an annual basis
	Large	Medium-sized	Small	Micro	Large	Medium-sized	Small	Micro			
TOTAL					**59,670**	**328,185**	**1,939,274**	**4,283,511**	**17,770,262**	**5,454,085**	**148,333,589**
					29,834,986						

[16] 3% of the large, medium-sized and small companies file monthly VAT returns.

1.3.4.2 Total recurring cost

88 The aim was to estimate the total recurring cost (i.e. cost related to activities performed on a regular basis to prepare and submit periodic VAT returns) incurred by businesses in the EU-27. Consequently, generic costs and additional costs are not included in the calculation.

89 The main formula used to calculate the recurring cost in the current situation is (TRCAI):

$$TRCAI = \sum_{MS} \sum_{TP} NCVR_{MS,TP} \left((1 - \%O_{MS}) C_{in,MS,TP} + \%O_{MS} \left(C_{OUT,MSm\,TP} + CF_{MS,TP} \right) \right),$$

where MS is the 27 Member States, TP is the six types of business sizes (large, medium, small and three specifications of micro); $NCVR$ is the number of companies that file periodic VAT return, $\%O$ is the percentage of companies that hire in external consultants, CF is consultancy fees. C_{in} and C_{OUT} are insourcing and outsourcing costs, respectively. These costs are defined as follows:

$$C_{k,MS,TP} = P_{MS,TP}\, W_{MS}\, T_{k,MS,TP}\, X_{MS}.$$

k is in or out, P is periodicity, W is wage, T is the average time for insourcing or outsourcing and X is the complexity factor.

90 The first summation refers to the 27 EU Member States, the second to the categories of enterprises (i.e. micro, small, medium-sized and large).

91 Wage level corresponds to the ISCO 2 category[17] provided by Eurostat. We considered the ISCO 2 data for each Member State as the average wage level for the EU-27 is close to the average wage level the businesses reported in our questionnaire (weighted average wage level of 33 euro per hour). Table 9 shows the wage levels per Member State.

Table 9 – Wage level per Member State – ISCO 2 category[18]

Member States	Wage level according to ISCO 2 (€/hour)
Austria	38.4
Belgium	49.3
Bulgaria	3.8
Cyprus	31.3
Czech Republic	11.7

[17] Eurostat database. ISCO 2 category (or international standard classification of education) represents the wage level in the EU-27 for highly skilled employees.

[18] Hourly earnings adjusted to 2010 + non-wage labour costs (i.e. 25% overhead cost).

Member States	Wage level according to ISCO 2 (€/hour)
Denmark	45.7
Estonia	8.8
Finland	36.1
France	39.2
Germany	42.5
Greece	26.3
Hungary	8.5
Ireland	41.6
Italy	38.9
Latvia	6.3
Lithuania	6.3
Luxembourg	50.8
Malta	16.6
Netherlands	35.5
Poland	13.0
Portugal	22.2
Romania	6.5
Slovakia	9.8
Slovenia	19.7
Spain	27.6
Sweden	36.8
UK	38.2
Average for the EU-27	**32.1**

92 The complexity factor has been constructed in order to assess the level of complexity of national VAT returns. It is based on the number of boxes in national VAT returns compared to the average number of boxes in the EU-27[19] (i.e. on average, the European VAT return contains 41 boxes). The results are described in Table 10.

Table 10 – Complexity factor per Member State

Member States	Number of boxes in the periodic VAT return	Complexity factor (vs. EU-27 average or 41)
Austria	54	1.32
Belgium	34	0.83
Bulgaria	30	0.73
Cyprus	11	0.27
Czech Republic	76	1.86
Denmark	17	0.42
Estonia	24	0.59
Finland	25	0.61
France	43	1.05
Germany	45	1.10
Greece	54	1.32
Hungary	99	2.42
Ireland	6	0.15
Italy	586	/
Latvia	33	0.81
Lithuania	25	0.61
Luxembourg	89	2.17
Malta	51	1.25

[19] As Italy's periodic VAT return is submitted on an annual basis and the number of boxes is relatively high compared to the other Member States, the average number of boxes does not include data for Italy.

Member States	Number of boxes in the periodic VAT return	Complexity factor (vs. EU-27 average or 41 without Italy[20])
Netherlands	26	0.64
Poland	52	1.27
Portugal	44	1.08
Romania	76	1.86
Slovakia	37	0.90
Slovenia	29	0.71
Spain	50	1.22
Sweden	25	0.61
UK	9	0.22

93 In order to interpret the complexity factor, the average is considered as the baseline. For example, the VAT return of Malta, with a complexity factor of 1.25, is considered more difficult than the average European VAT return (complexity factor is higher than 1).

94 Moreover the complexity factor allowed us to classify the Member States into four categories according to their level of complexity (Italy is classified in the fourth category). The first category is the Member States for which the VAT return is considered very simple because the complexity factor is below 0.5. The second category is the Member States for which the VAT return is considered simple because the complexity factor is between 0.5 and 1. The third category is the Member States for which the VAT return is considered difficult because the complexity factor is between 1 and 2. The fourth category is the Member States for which the VAT return is considered very difficult because the complexity factor is above 2.

[20] Considering the high number of boxes of the Italian VAT return, it is excluded.

Table 11 – Classification of Member States according to complexity factor

Category 1 – very simple VAT return (complexity factor <0.5)	Category 2 –simple VAT return (complexity factor between 0.5 and 1)	Category 3 – difficult VAT return (between 1 and 2)	Category 4 – very difficult VAT return (complexity factor >2)
Cyprus	**Belgium**	Austria	**Hungary**
Denmark	Bulgaria	Czech Republic	**Italy**
Ireland	Estonia	**France**	Luxembourg
UK	**Finland**	**Germany**	
	Latvia	Greece	
	Lithuania	Malta	
	Netherlands	**Poland**	
	Slovakia	Portugal	
	Slovenia	Romania	
	Sweden	Spain	
Average number of boxes in VAT returns of the Member States in scope (UK): 9	Average number of boxes in VAT returns of the Member States (Belgium & Finland) in scope: 30	Average number of boxes in VAT returns of the Member States (France, Germany & Poland) in scope: 47	Average number of boxes in VAT returns of the Member States (Hungary) in scope: 99[21]

[21] Considering the high number of boxes of the Italian VAT return, it is excluded.

95 In order to obtain data for the 19 Member States out of scope, the data collected for the Member States in scope in each category (see Table 11) is used to calculate total recurring cost. The complexity factor based on the average number of boxes of the Member States in scope in each category is applied in order to consider the different levels of complexity within a given category. As we are using data from Member States in scope in each category, the complexity factor of the Member States in scope is used to estimate the cost for other Member States that fall within the same category. For example, the average data of Belgium and Finland is used in the calculation for Bulgaria, Estonia, Latvia, Lithuania, Netherlands, Slovakia, Slovenia and Sweden (see "Average category 2" in the table below, which summarises the main variables used for each Member State). The table below indicates the complexity factor used for the calculation for the Member States out of scope (no complexity factor is applied to the Member States in scope as we have data from our sample).

Table 12 – Complexity factor used in the calculation for the AS IS situation

Member State	Complexity factor (vs. the average number of boxes of the Member States in scope for each category)
Austria	1.16
Belgium	/
Bulgaria	1.02
Cyprus	1.22
Czech Republic	1.63
Denmark	1.89
Estonia	0.81
Finland	/
France	/
Germany	/
Greece	1.16
Hungary	/
Ireland	0.67
Italy	/
Latvia	1.12
Lithuania	0.85

Member State	Complexity factor (vs. the average number of boxes of the Member States in scope for each category)
Luxembourg	0.90
Malta	1.09
Netherlands	0.88
Poland	/
Portugal	0.94
Romania	1.63
Slovakia	1.25
Slovenia	0.98
Spain	1.07
Sweden	0.85
UK	/

96 The data for large companies for the four remaining variables (i.e. percentage of companies relying on external consultants, average time for companies not using external consultants, average time for companies using external consultants and average consulting fees) were retrieved from our sample (see table below).

Table 13 – Data collected from our sample for large companies

Member State	Average time: companies not using external consultants (hours)	Average time: companies using external consultants (hours)	% of companies relying on external consultants	Average consulting fees (€)
Belgium	17.6	8.4	16%	863
Finland	6.7	5.1	42%	322
France	12.4	7.4	16%	845
Germany	11.3	8.3	14%	875
Hungary	25.6	7.0	38%	681
Italy	8.4	10.9	55%	1,521
Poland	14.3	9.6	42%	3,000
United Kingdom	10.7	10.6	16%	973

97 In order to obtain the average time spent for SMEs and micro companies, the data for large companies is reduced by 45% and 70%, respectively.[22]

98 The data on the percentage of companies relying on external consultants per Member State has been double-checked through PwC's indirect tax network. On the basis of this feedback, the data was amended for Italy (i.e. the percentage was increased from 33% to 55%). The percentage is considered as constant for all types of companies (i.e. it is the same for large enterprises, SMEs and micro companies).

99 The same exercise was done on consulting fees for the Member States in scope. Adjustments were made for Germany, Poland and the United Kingdom. For the other Member States, the data for large companies collected via our questionnaire was reduced by 45% and 70% in order to get data for SMEs and micro companies, respectively. The table below indicates the amount of consultancy fees that has been used in the calculations for each type of company. The data for large companies has been collected from our sample.

100 It is expected that there is a difference between the consulting fees incurred by established taxpayers and non-established taxpayers. However the data from our sample does not allow any cost differentiation to be detected.

[22] These percentages have been calculated on the difference between the cost per VAT return for large companies (i.e. €826), SMEs (i.e. €453) and micro companies (i.e. €244), which is the only information that we have per type of company.

Table 14 – Average consulting fees per type of company

Member State	Average consulting fees (€) for large companies	Average consulting fees (€) for SMEs	Average consulting fees (€) for micro companies
Belgium	863	480	259
Finland	322	179	96
France	845	470	253
Germany	875	490	263
Hungary	681	379	204
Italy	1,521	846	456
Poland	3,000	2,000	375
United Kingdom	973	541	115

101 For the eight Member States in scope, the data collected from our sample has been used without applying the complexity factor.

Table 15 – Data used for each Member State

Member State	Companies not using external consultants – time spent (hours)			Companies using external consultants – time spent (hours)			% of companies relying on external consultants	Consultancy fees (€)		
	Large	SME	Micro	Large	SME	Micro		Large	SME	Micro
Austria	12.7	6.9	3.7	8.4	4.6	2.5	24%	1.573	863	465
Belgium	17.6	9.6	5.2	8.4	4.6	2.5	16%	863	480	259
Bulgaria	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
Cyprus	10.7	5.9	3.2	10.6	5.8	3.1	16%	973	541	115
Czech Republic	12.7	6.9	3.7	8.4	4.6	2.5	24%	1.573	863	465
Denmark	10.7	5.9	3.2	10.6	5.8	3.1	16%	973	541	115
Estonia	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
Finland	6.7	3.7	2.0	5.1	2.8	1.5	42%	322	179	96
France	12.4	6.8	3.7	7.4	4.0	2.2	16%	845	470	253
Germany	11.3	6.2	3.3	8.3	4.5	2.4	14%	875	490	263
Greece	12.7	6.9	3.7	8.4	4.6	2.5	24%	1.573	863	465
Hungary	25.6	14.1	7.6	7.0	3.8	2.1	38%	681	379	204
Ireland	10.7	5.9	3.2	10.6	5.8	3.1	16%	973	541	115
Italy	8.4	4.6	2.5	10.9	6.0	3.2	55%	1.521	846	456

Member State	Companies not using external consultants – time spent (hours)			Companies using external consultants – time spent (hours)			% of companies relying on external consultants	Consultancy fees (€)		
	Large	SME	Micro	Large	SME	Micro		Large	SME	Micro
Latvia	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
Lithuania	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
Luxembourg	17.0	9.3	5.0	9.0	4.9	2.6	46%	1.101	604	325
Malta	12.7	6.9	3.7	8.4	4.6	2.5	24%	1.573	863	465
Netherlands	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
Poland	14.3	7.8	4.2	9.6	5.3	2.8	42%	3.000	2.000	375
Portugal	12.7	6.9	3.7	8.4	4.6	2.5	24%	1.573	863	465
Romania	12.7	6.9	3.7	8.4	4.6	2.5	24%	1.573	863	465
Slovakia	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
Slovenia	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
Spain	12.7	6.9	3.7	8.4	4.6	2.5	24%	1.573	863	465
Sweden	12.2	6.7	3.6	6.7	3.7	2.0	29%	593	325	175
UK	10.7	5.9	3.2	10.6	5.8	3.1	16%	973	541	115

	Companies not using external consultants – time spent (hours)			Companies using external consultants – time spent (hours)			% of companies relying on external consultants	Consultancy fees (€)		
	Large	SME	Micro	Large	SME	Micro		Large	SME	Micro
Average category 1	**10.7**	**5.9**	**3.2**	**10.6**	**5.8**	**3.1**	**16%**	**973**	**541**	**115**
Average category 2	**12.2**	**6.7**	**3.6**	**6.7**	**3.7**	**2.0**	**29%**	**593**	**325**	**175**
Average category 3[23]	**12.7**	**6.9**	**3.7**	**8.4**	**4.6**	**2.5**	**24%**	**1.573**	**863**	**465**
Average category 4	**17.0**	**9.3**	**5.0**	**9.0**	**4.9**	**2.6**	**46%**	**1.101**	**604**	**325**

102 Considering all the data and the assumptions, the total recurring cost to prepare and submit periodic VAT returns in the EU-27 is assessed at €39,347,060,790 and is disaggregated among the Member States as set out in the table below. This table also shows the results for established and non-established companies for each Member State. In order to obtain the recurring costs for non-established companies, the percentage of non-established companies per Member State is applied to the recurring cost (i.e. companies not using external consultants, companies using external consultants and consulting fees).

103 When consulting fees are excluded from the calculation, the total recurring cost to prepare and submit periodic VAT returns in the EU-27 is assessed at €24,845,395,008 for all the taxpayers. This information is relevant in order to make a proper comparison with the TO BE cost calculations, which do not include consulting fees.

23 As Poland is considered as an outlier, the Polish data is not included in the average calculations.

Table 16 – Total recurring cost for AS IS per Member State (for established and not established companies)

Member States	Companies not using external consultants (€)		Companies using external consultants (€)		Consultancy fees (€)		Total recurring cost (€)	% of the total recurring cost
	Established	Non-established	Established	Non-established	Established	Non-established		
Austria	795,063,284	171,184,495	165,079,973	35,543,248	805,170,808	173,360,738	2,145,402,545	5.5%
Belgium	879,256,090	7,970,906	78,457,842	711,260	166,539,190	1,509,763	1,134,445,050	2.9%
Bulgaria	27,273,571	48,239	6,081,405	10,756	140,708,854	248,873	174,371,698	0.4%
Cyprus	37,354,469	87,073	7,037,318	16,404	10,006,193	23,324	54,524,781	0.1%
Czech Republic	176,924,984	936,388	36,735,153	194,423	585,687,526	3,099,793	803,578,268	2.0%
Denmark	520,101,691	5,784,751	97,983,478	1,089,806	117,830,582	1,310,552	744,100,860	1.9%
Estonia	16,623,745	158,926	3,706,728	35,437	37,145,703	355,119	58,025,659	0.1%
Finland	174,116,033	1,469,686	93,829,468	792,000	166,737,882	1,407,408	438,352,477	1.1%
France	3,201,007,713	15,188,756	357,255,325	1,695,174	1,061,851,031	5,038,475	4,642,036,473	11.8%
Germany	3,783,093,357	42,076,873	435,293,169	4,841,481	1,105,287,987	12,293,395	5,382,886,261	13.7%
Greece	507,574,282	90,681	105,388,276	18,828	751,057,950	134,181	1,364,264,197	3.5%
Hungary	131,139,145	481,598	21,533,171	79,079	247,858,160	910,240	402,001,393	1.0%

Member States	Companies not using external consultants (€)		Companies using external consultants (€)		Consultancy fees (€)		Total recurring cost (€)	% of the total recurring cost
	Established	Non-established	Established	Non-established	Established	Non-established		
Ireland	90,513,420	3,117,086	17,052,088	587,237	18,992,570	654,063	130,916,463	0.3%
Italy	2,858,502,970	5,767,329	4,525,971,776	9,131,622	1,373,158,073	2,770,490	8,775,302,261	22.3%
Latvia	12,444,341	93,290	2,774,814	20,802	38,946,997	291,969	54,572,211	0.1%
Lithuania	10,680,455	79,894	2,381,506	17,814	33,465,337	250,332	46,875,339	0.1%
Luxembourg	40,176,149	12,527,084	18,188,684	5,671,304	44,044,753	13,733,331	134,341,305	0.3%
Malta	6,611,125	37,564	1,372,676	7,800	15,518,590	88,176	23,635,931	0.1%
Netherlands	701,600,811	6,789,685	156,441,503	1,513,950	388,197,437	3,756,749	1,258,300,136	3.2%
Poland	594,576,390	2,987,821	289,951,468	1,457,043	3,766,114,800	18,925,200	4,674,012,721	11.9%
Portugal	246,846,083	1,033,191	51,252,957	214,523	431,421,392	1,805,744	732,573,891	1.9%
Romania	127,167,913	242,402	26,404,031	50,330	761,664,625	1,451,854	916,981,155	2.3%
Slovakia	43,803,621	988,067	9,767,241	220,317	87,805,533	1,980,607	144,565,387	0.4%
Slovenia	40,025,914	365,541	8,924,896	81,507	39,988,425	365,198	89,751,482	0.2%
Spain	1,166,338,825	1,105,582	242,168,372	229,553	1,644,258,602	1,558,606	3,055,659,540	7.8%
Sweden	412,905,282	4,592,475	92,068,769	1,024,021	220,460,642	2,452,039	733,503,229	1.9%
UK	870,861,780	4,362,345	164,064,196	821,835	191,013,091	956,828	1,232,080,075	3.1%

Member States	Companies not using external consultants (€)		Companies using external consultants (€)		Consultancy fees (€)		Total recurring cost (€)	% of the total recurring cost
	Established	Non-established	Established	Non-established	Established	Non-established		
TOTAL	**17,472,583,444**	**289,567,727**	**7,017,166,282**	**66,077,555**	**14,250,932,734**	**250,733,048**	**39,347,060,790**	**100.0%**

104 It appears that €606,378,630 (i.e. €289,567,727 + €66,077,555 + €250,733,048) represents the AS IS recurring cost for non-established taxpayers in the EU-27 (or 1.54% of the total AS IS recurring cost). As the total number of non-established taxpayers is 307,654, the average cost per VAT return is €1,971 on an annual basis (total cost for non-established taxpayers divided by the number of non-established taxpayers).

105 When consulting fees are excluded from the calculation, the total recurring cost to prepare and submit periodic VAT returns in the EU-27 is assessed as €355,645,282 for non-established taxpayers in the EU-27.

1.3.4.3 Summarising annual VAT return cost

106 In order to obtain the cost incurred by businesses to prepare and submit their summarising annual VAT return, several assumptions are made:

- Same formulas are used as for the total recurring cost (periodicity is 1).
- Wage level from the ISCO 2 category is used for the seven Member States.[24]
- Data from our sample are used to calculate the cost for Germany (the only Member State in scope for which a summarising annual VAT return is required) and to extrapolate the cost to the six remaining Member States.
- In order to estimate data for SME and micro companies, we decrease the data for large companies (data collected by our sample) by 45% for SMEs and by 70% for micro companies.
- The percentages of businesses relying on external consultants are those applied for the recurring cost calculation (as we believe it is reasonable to assume that a company using external consultants for its periodic VAT return will also use them for its summarising annual VAT return).
- The complexity factor is constructed in accordance with the average number of boxes in the summarising annual VAT return for the seven Member States (i.e. 136) in order to assess the levels of complexity (for which the number of boxes is used as a proxy) of the annual summarising VAT returns *inter se*.
- No complexity factor is applied for Germany.

107 The table below summarises the data used for each Member State.

[24] Eurostat database. ISCO 2 category (or international standard classification of education) represents the wage level in the EU-27 for highly skilled employees.

Table 17 – Data for the summarising annual VAT return cost

Member State	Number of boxes	Complexity factor[25]	Companies not using external consultants – Average time (hours)	Companies using external consultants – Average time (hours)	% of companies relying on external consultants	Consultancy fees (€)
Austria	63	0.46	Large companies: 19.4 SMEs: 10.7 Micro companies: 5.7	Large companies: 8.8 SMEs: 4.8 Micro companies: 2.6	24%	Large companies: 825 SMEs: 452 Micro companies: 244
Germany	45	0.33			17%	
Greece	254	1.86			24%	
Luxembourg	109	0.80			46%	
Malta	6	0.04			24%	
Portugal	81	0.59			24%	
Spain	397	2.91			24%	

108 The total recurring cost to prepare and submit the summarising annual VAT return in the EU-27 is evaluated at €3,907,848,063 and is divided amongst the Member States as described in the following table.

[25] The complexity factor equals the number of boxes in the summarising annual VAT return of each Member State divided by the average number of boxes (i.e. 136) for the seven Member States.

Table 18 – Total recurring cost to prepare and submit summarising annual VAT returns in the EU-27

Member State	Companies not using external consultants – cost (€)	Companies using external consultants – cost (€)	Consultancy fees (€)	Total cost
Austria	55,513,723	7,814,344	19,206,064	82,534,131
Germany	1,240,340,259	111,746,724	247,695,363	1,599,782,346
Greece	243,190,317	34,232,486	122,933,945	400,356,749
Luxembourg	7,883,489	3,055,735	5,674,694	16,613,918
Malta	125,334	17,643	100,508	243,485
Portugal	45,198,588	6,362,342	26,986,838	78,547,768
Spain	1,066,195,331	150,082,115	513,492,219	1,729,769,666
Total	**2,658,447,042**	**313,311,390**	**936,089,632**	**3,907,848,063**

1.4 Impact assessment of the common EU standard VAT return

109 The depth and breadth of the data that we collected vary across companies. We tried to use all the data received from them. If a certain company could not complete certain parts of the questionnaires, we only excluded that company for the purposes of analysing the results in connection with those specific parts.

110 Here, we provide more information about the sample sizes for the analyses of the TO BE situation. We also discuss the approach to calculating the impact of each of the four scenarios for implementation of the common EU standard VAT return:

- Scenario 1: Continuation of current situation (i.e. no change)
- Scenario 2: Mandatory for Member States and for all businesses
- Scenario 3: Mandatory for Member States and optional for all businesses
- Scenario 4: Mandatory for Member States and optional for businesses that are registered in multiple Member States as non-established and as an established business

111 The analysis of the TO BE situation is based on a sample of 13 case-study companies. Twelve of them are large companies, one is a SME. We first discuss the set-up costs, followed by the recurring costs, the generic costs and the additional costs.

1.4.1 Set-up costs

112 This analysis is performed for the sample of large enterprises. The input received from businesses regarding the expected set-up costs required to use the common EU standard VAT return varies. Not all businesses were able to estimate the set-up cost. The data entries per cost element can be seen in Table 19.

Table 19 – TO BE – Set-up costs

Set-up cost	Number of data entries
Cost to adjust software and systems if submission via on-line web form opted for	12
Cost to adjust software system if submission via structured data opted for	12
Cost for initial VAT and software training	11

113 Based on the analysis of set-up costs for large enterprises and the expert opinion of PwC's IT specialists, an estimate is made for the set-up costs for SMEs.

114 The sum of the average cost for the three components is €41,905 for large companies. The set-up costs for small, medium-sized companies and micro companies are expected to be 40%, 80% and 95% lower, respectively. We base this assumption on expert opinion.

1.4.2 Recurring costs

1.4.2.1 Analysis of time spent

1.4.2.1.1 Large companies

115 We calculate the expected average cost in the TO BE situation for the total sample of large businesses that completed the TO BE questionnaire based on the expected impact each business indicated in its questionnaire. The time increase or decrease expected by a company is applied to the AS IS time of the company. This allows us to calculate the TO BE time for each data entry. Averages can then be produced per Member State and for the total sample of large companies.

116 The sample contains 11 companies/groups. All the companies/groups provided time data for one or more entities and for one or more Member States. We consider the set of time data received from one entity and one Member State as one data entry for that Member State. The total number of data entries for each Member State is shown in Figure 15. In total, we received 119 data entries. This is somewhat lower than the number of data entries for the AS IS questionnaire since not all companies that completed the AS IS questionnaire also completed the TO BE questionnaire.

117 We exclude the same businesses from the analysis as we did in the analysis of the AS IS situation. The resulting number of data entries for each Member State can be seen in Figure 16. In total, we received 114 data entries.

Figure 15 – TO BE – Number of data entries per Member State for recurring cost – all data included

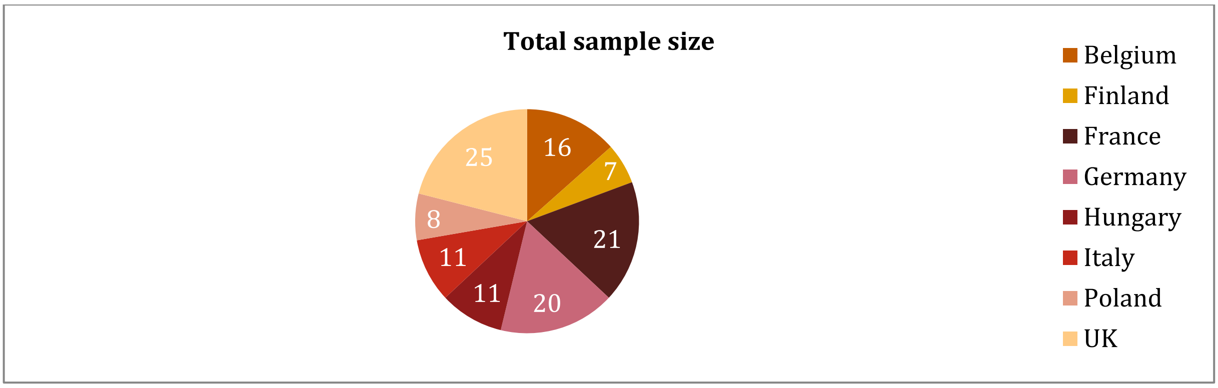
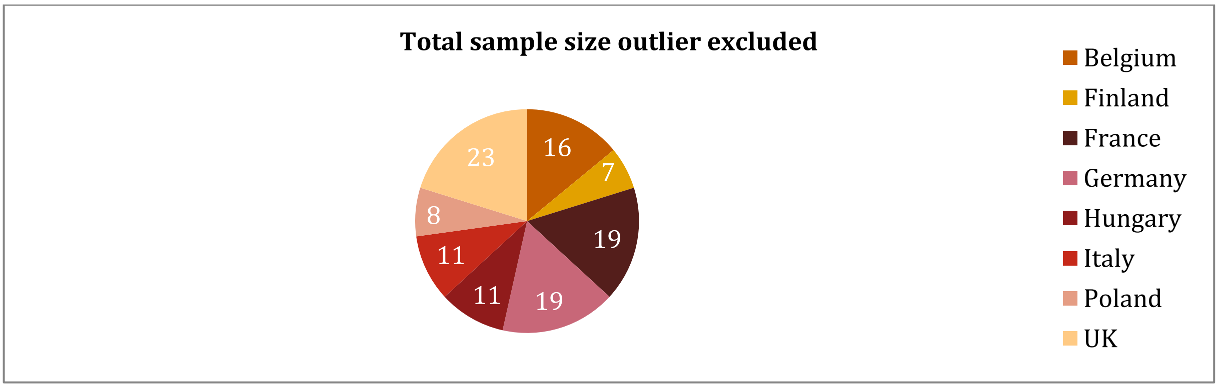


Figure 16 – TO BE – Number of data entries per Member State for recurring cost – outliers excluded



1.4.2.1.2 SMEs

118 SMEs were not able to provide us with time data or estimate the impact on time in the TO BE situation. We assume that, based on our expert opinion and the interviews with SMEs, the time decrease as a percentage of the AS IS cost per VAT return also applies to SMEs that are registered in multiple Member States. For SMEs that are registered in only one Member State, time is not expected to increase or decrease.

119 In order to calculate the AS IS time for SMEs, which is the starting point for calculating the TO BE time for SMEs, we consider the difference in AS IS cost between large companies and SMEs. The AS IS cost to SMEs (i.e. €453) is 55% of the AS IS cost of large companies (i.e. €826). For micro companies (i.e. €244), the AS IS cost is only 30% of the AS IS cost of large companies.

120 Based on these percentages, we can do an estimate of the time spent by SMEs in the TO BE situation.

1.4.2.2 Analysis of cost

121 We calculate the expected average cost in the TO BE situation for the total sample of large businesses that completed the TO BE questionnaire based on the expected impact each business indicated in its questionnaire. The cost increase or decrease expected by a company is applied to the AS IS cost of the company. This allows us to calculate the TO BE cost for each data entry. Averages can then be produced per Member State and for the total sample of large companies.

122 For the analyses in this section, the sample contains 11 large companies/groups. All the companies/groups provided cost data for one or more entities and for one or more Member States. We consider the set of cost data received from one entity and one Member State as one data entry for that Member State. The total number of data entries for each Member State is shown in Figure 17. In total, we received 123 data entries.

123 We exclude the same businesses from the analysis as we did in the analysis of the AS IS situation. The resulting number of data entries for each Member State can be seen in Figure 18. In total, we received 118 data entries.

Figure 17– TO BE – Number of data entries per Member State for recurring cost – all data included

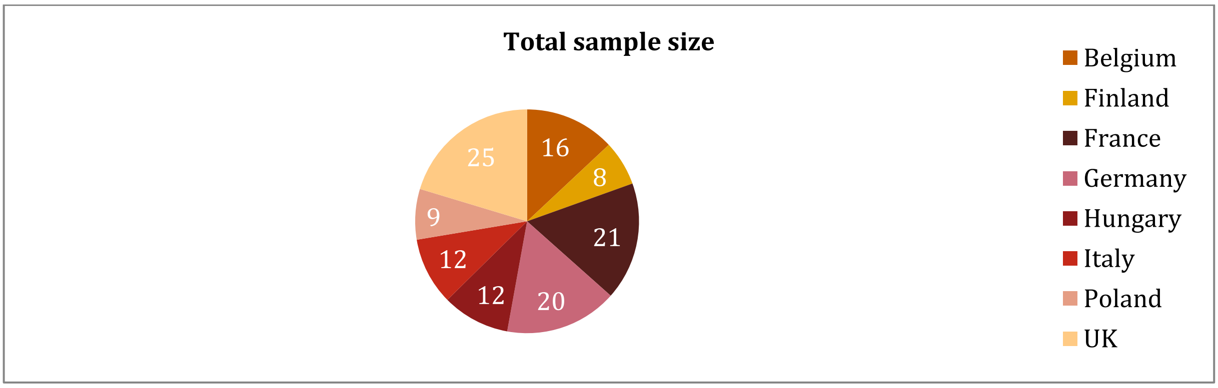
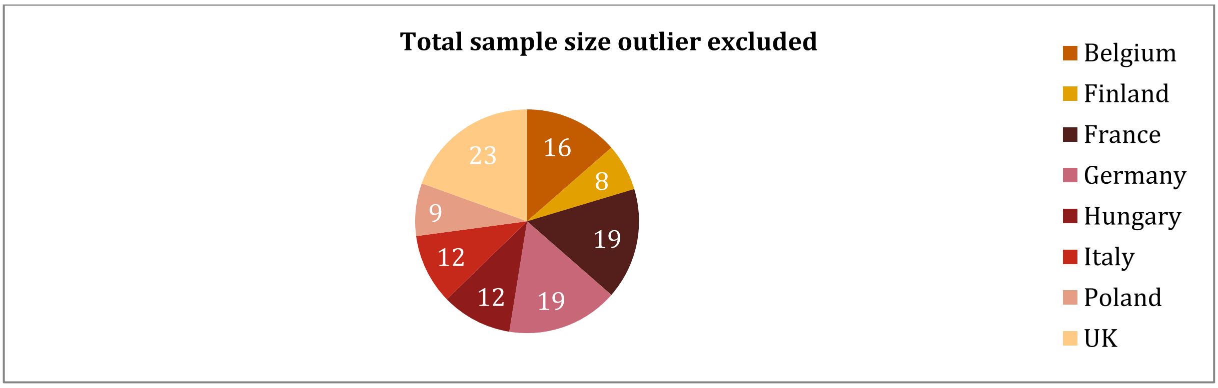


Figure 18 – TO BE – Number of data entries per Member State for recurring cost – outliers excluded



1.4.3 Generic and additional costs

124 The sample of audit costs contains 12 companies, because one company declined to provide feedback on audit costs. The samples of recurring software costs, recurring training costs, cost of security requirements, translation cost and the cost of quarterly filing each contain 13 companies.

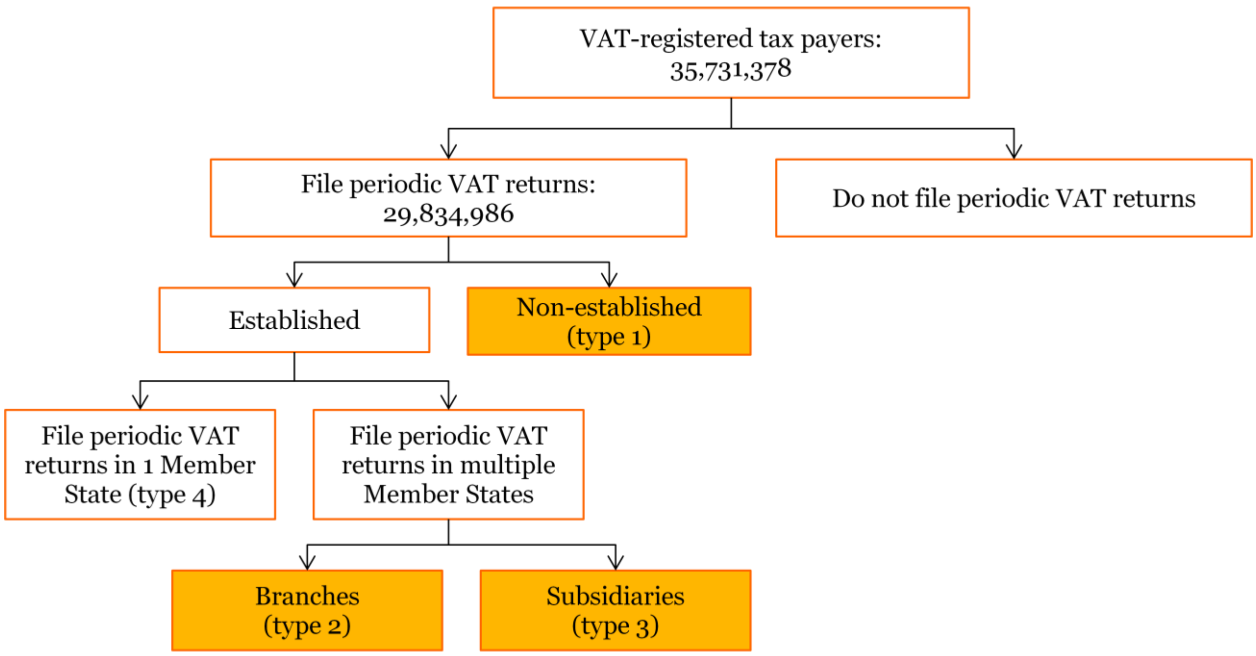
1.4.4 Total recurring costs for the EU-27

1.4.4.1 Targeted population

125 The population affected by use of a common EU standard VAT return includes businesses that have VAT registrations in several Member States (i.e. at least two). We consider three major types of organisations that can have several VAT registrations in several Member States:

1. The business has VAT numbers in one or more Member States that are different from the Member State of its main place of establishment. The business does not have a fixed establishment in other Member States (type 1).
2. The business operates through a permanent establishment (or branch) in one or more Member States (and has multiple EU VAT numbers) that are different from the Member State of its main place of establishment (type 2).
3. The business operates through several legal entities across the EU, all of which have a VAT number (type 3).

Figure 19 – Targeted population



126 The data for the first type of company is provided by the tax authorities. If tax administrations did not provide relevant data, the data provided by fiscal attachés has been used. We refer to Table 7 – Total numbers of taxpayers in EU-27. The data for the second type of companies is provided by the Amadeus database (consulted in August 2012). This allows us to estimate the total number of companies with multiple VAT registrations in the EU-27: 3,882,865 (i.e. 307,654 + 307,654 + 3,267,557).

Table 20 – Targeted population per Member State

Member State	Number of taxpayers filing periodic VAT returns	Comparison with the total number	Targeted population – non-established (types 1)	Targeted population – established branches (type 2)	Targeted population – established subsidiaries (type 3)	Total targeted population
Austria	670,000	2%	118,700	6,909	73,379	198,988
Belgium	682,987	2.29%	6,136	7,043	74,801	87,980
Bulgaria	214,660	0.72%	379	2,214	23,510	26,102
Cyprus	86,000	0.29%	200	887	9,419	10,506
Czech Republic	502,782	1.69%	2,647	5,185	55,065	62,897
Denmark	419,000	1.40%	4,609	4,321	45,889	54,819
Estonia	71,386	0.24%	676	736	7,818	9,230
Finland	592,818	1.99%	4,962	6,113	64,926	76,001
France	3,104,445	10.41%	14,661	32,013	340,002	386,675
Germany	5,700,000	19.11%	62,700	58,778	624,270	745,747
Greece	1,063,690	3.57%	190	10,969	116,496	127,655
Hungary	550,426	1.84%	2,014	5,676	60,283	67,973
Ireland	243,727	0.82%	8,114	2,513	26,693	37,320
Italy	5,132,249	17.20%	10,334	52,923	562,089	625,346
Latvia	87,222	0.29%	649	899	9,553	11,101
Lithuania	74,076	0.25%	550	764	8,113	9,427
Luxembourg	58,900	0.20%	14,000	607	6,451	21,058

Member State	Number of taxpayers who file periodic VAT return	Comparison with the total number	Targeted population – non established (types 1)	Targeted population – established branches (type 2)	Targeted population – established subsidiaries (type 3)	Total targeted population
Malta	36,815	0.12%	208	380	4,032	4,620
Netherlands	1,565,000	5.25%	15,000	16,138	171,400	202,538
Poland	1,600,000	5.36%	8,000	16,499	175,234	199,733
Portugal	732,224	2.45%	3,052	7,551	80,194	90,796
Romania	568,190	1.90%	1,081	5,859	62,229	69,169
Slovakia	196,517	0.66%	4,335	2,026	21,523	27,884
Slovenia	102,984	0.35%	932	1,062	11,279	13,273
Spain	2,842,630	9.53%	2,692	29,313	311,328	343,332
Sweden	1,030,258	3.45%	11,333	10,624	112,835	134,792
UK	1,906,000	6.39%	9,500	19,654	208,747	237,901
Total	**29,834,986**	**100%**	**307,654**	**307,654**	**3,267,557**	**3,882,865**

1.4.4.2 Total recurring costs

127 The following formula is used in order to calculate the TO BE cost (TRCTB):

$$TRCTB = \sum_{MS} \sum_{TP} NCVR_{MS,TP}((C_{MS\,TP}))$$

where MS is the 27 Member States, TP is the six types of business sizes (large, medium, small and three specifications of micro); $NCVR$ is the number of companies that file periodic VAT returns and $C_{MS\,TP}$ is the cost. The cost is defined as follows:

$$C_{MS,TP} = P_{MS,TP}\, W_{MS}\, T_{MS,TP}\, X_{MS}$$

where P is periodicity, W wage, T average time and X the complexity factor.

128 The first summation refers to the 27 EU Member States, the second to the categories of enterprise (i.e. micro, small, medium-sized and large).

1.4.4.3 Main assumptions

129 We consider that 0.2% are large companies, 1.1% are medium-sized enterprises, 6.5% are small enterprises and 92.2% are micro enterprises in Europe.[26] This gives us the number of companies per type for each Member State.

130 All large companies and SMEs are expected to submit monthly VAT returns and all micro companies are expected to submit quarterly VAT returns in the TO BE situation.

131 The wage level corresponds to the ISCO 2 category[27] provided by Eurostat.

132 A cost impact is expected for the targeted population related to the time necessary to prepare and submit a periodic VAT return in the TO BE situation. For the other taxpayers, the AS IS time is used. The cost impact linked to the new periodicity (i.e. 12 for large enterprises and SMEs and 4 for micro companies) is included in the calculation for each taxpayer that opts for the common EU standard VAT return.

133 In our expert opinion, we assume that the consulting fees for preparation and the submission of the periodic VAT return will decrease by 75% for the companies with multiple VAT registrations[28] for the following reasons:

- a large number of taxpayers that rely on consultants to assist them with the preparation and filing of their national VAT returns will stop working with consultants and insource this activity because it will become easier to perform these activities themselves;
- other taxpayers will still ask consultants for help, but it is expected that the collaboration model with consultants will change. Instead of asking consultants in each Member State where the taxpayer has a VAT return filing obligation, the taxpayer can ask one consultant for all its VAT return filing obligations, leading to lower consultancy fees;
- further, it is expected that some consultants will start offering VAT compliance services that cover the 27 EU Member States, leading to more competition and a decrease in the level of consultancy fees for VAT compliance services

134 The impact on consulting fees for companies without multiple VAT registrations, results from multiplying of the reverse complexity factor (i.e. 1/complexity factor) by a frequency change factor. This is in turn obtained by dividing the total number of periodic VAT returns submitted in the TO BE situation (i.e. periodicity of 12 for large companies and SMEs and a periodicity of four for the micro companies) by the total number of periodic VAT returns submitted in the AS IS situation. The table below shows the frequency change factor for each Member State.

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[26] Eurostat – http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=Small_and_medium-sized_enterprises&printable=yes (2009).

[27] Eurostat database. ISCO 2 category (or international standard classification of education) represents the wage level in EU-27 for highly skilled employees.

[28] The companies with multiple VAT registrations represent on average 13% of the total number of taxpayers in each Member State.

Table 21 - Frequency change factor

Member State	Number of periodic VAT returns – TO BE situation	Number of periodic VAT returns – AS IS situation	Frequency change factor
Austria	3,098,080	7,080,000	0.44
Belgium	3,158,132	3,543,956	0.89
Bulgaria	992,588	2,575,920	0.39
Cyprus	397,664	344,000	1.16
Czech Republic	2,323,212	2,846,988	0.82
Denmark	1,937,456	1,937,456	1.00
Estonia	330,089	856,632	0.39
Finland	2,741,190	3,687,781	0.74
France	14,354,954	24,087,097	0.60
Germany	26,356,800	26,356,800	1.00
Greece	4,918,384	4,974,641	0.99
Hungary	2,545,170	2,792,969	0.91
Ireland	1,032,572	1,168,120	0.88
Italy	23,731,519	5,132,249	4.62
Latvia	403,315	624,298	0.65
Lithuania	342,527	728,912	0.47
Luxembourg	272,354	377,900	0.72
Malta	170,233	118,760	1.43
Netherlands	7,236,560	7,530,000	0.96
Poland	7,398,400	17,440,000	0.42
Portugal	3,385,804	3,538,248	0.96
Romania	2,627,311	3,757,984	0.70
Slovakia	908,695	1,258,556	0.72
Slovenia	476,198	729,824	0.65
Spain	12,257,421	12,257,421	1.00

Sweden	4,549,619	4,549,619	1.00
UK	8,813,344	8,037,458	1.10
Total	**136,759,589**	**148,333,589**	

135 A complexity factor is constructed in order to appreciate the level of complexity of national VAT returns compared to the common VAT return that would be applied in the TO BE situation. It corresponds to the number of boxes in the current national VAT return divided by the number of boxes in the common EU standard VAT return (i.e. 36 based on the common VAT return defined in the report). In addition, the reverse complexity factor can be calculated (i.e. 1/complexity factor). The results are described in the table below.

Table 22 – The complexity factor per Member State (TO BE)

Member States	Number of boxes in the periodic VAT return	Complexity factor (vs. the estimated number of boxes in the common EU standard VAT return, i.e. 36)	Reverse complexity factor (i.e. 1/complexity factor)
Austria	54	1.50	0.67
Belgium	34	0.94	1.06
Bulgaria	30	0.83	1.20
Cyprus	11	0.31	3.27
Czech Republic	76	2.11	0.47
Denmark	17	0.47	2.12
Estonia	24	0.67	1.50
Finland	25	0.69	1.44
France	43	1.19	0.84
Germany	45	1.25	0.80
Greece	54	1.50	0.67
Hungary	99	2.75	0.36
Ireland	6	0.17	6.00
Italy	586	16,28	0.06
Latvia	33	0.92	1.09
Lithuania	25	0.69	1.44
Luxembourg	89	2.47	0.40
Malta	51	1.42	0.71
Netherlands	26	0.72	1.38
Poland	52	1.44	0.69
Portugal	44	1.22	0.82
Romania	76	2.11	0.47

Member States	Number of boxes in the periodic VAT return	Complexity factor (vs. the estimated number of boxes in the common EU standard VAT return, i.e. 36)	Reverse complexity factor (i.e. 1/complexity factor)
Slovakia	37	1.03	0.97
Slovenia	29	0.81	1.24
Spain	50	1.39	0.72
Sweden	25	0.69	1.44
UK	9	0.25	4.00

136 The complexity factor allows us to classify the Member States into four categories according to their level of complexity vis-à-vis the common VAT return:

Table 23 – Classification of Member States according to complexity factor (TO BE)

Category 1 – very simple VAT return (complexity factor <0.5)	Category 2 – simple VAT return (complexity factor between 0.5 and 1)	Category 3 – difficult VAT return (complexity factor between 1 and 2)	Category 4 – very difficult VAT return (complexity factor >2)
Cyprus	**Belgium**	Austria	Czech Republic
Denmark	Bulgaria	**France**	**Hungary**
Ireland	Estonia	**Germany**	**Italy**
UK	**Finland**	Greece	Luxembourg
	Latvia	Malta	Romania
	Lithuania	**Poland**	
	Netherlands	Portugal	
	Slovenia	Slovakia	
	Sweden	Spain	

137 If the common EU standard VAT return is used by all companies in the TO BE situation, the number of boxes in the VAT return in the TO BE situation is the same for every Member State (i.e. 36 boxes). This means that complexity factors are set to 1 for the companies with multiple VAT registrations (companies for which the TO BE time is used). Indeed, there is no more Member State differentiation across the number of boxes, as this number will be the same in each Member State and as the TO BE time is used in the calculations. However, for the other companies, the reverse complexity factor is used (i.e. 1/complexity factor) as the AS IS time is still used[29].

138 The data collected allows us to determine the average time spent per VAT return for large companies with multiple VAT registrations in the EU-27 and for the eight Member States in scope. This data is summarised in the table below. As the businesses interviewed were asked to provide us with an expected range of variation, we calculate the time spent per VAT return by applying this range to the AS IS data. We then obtain an average time spent per VAT return in the best and worst case scenarios. In the best-case scenario, we take the upper limit of the expected range if a business expects a positive impact and the lower limit of the expected range if the business expects a negative impact on time and costs. In other words, the best-case scenario is the scenario with the highest expected decrease in time and costs and the lowest expected increase in time and costs. In the worst-case scenario, we do exactly the opposite. The purpose is to have reliable ranges of expected impacts, taking into account the uncertainty of businesses regarding the TO BE situation.

Table 24 – Average time spent per Member State

Member state	TO BE – Average total time (best case scenario) (hours)	TO BE – Average total time (worst case scenario) (hours)
Belgium	13.9	15.3
Finland	4.4	4.4
France	11.1	11.5
Germany	10.8	11.0
Hungary	19.0	19.6
Italy (periodicity of 12)[30]	9.1	9.3
Poland	11.4	11.8
UK	10,1	11,1

[29] This methodology was discussed and agreed with the European Commission on 14/12/2012 and 19/12/2012.

[30] In Italy, the local VAT return is submitted on an annual basis. In order to obtain a monthly time, the total time has been divided by 12 to enhance comparability.

139 For the remaining 19 Member States, the data collected for the Member States in scope in each category (see Table 11) is used to calculate the total recurring cost. The complexity factor with respect to the average number of boxes of the Member States in scope in each category is applied in order to consider the different levels of complexity within a category.[31] For example, the average data for Belgium and Finland is used for the calculation for Bulgaria, Estonia, Latvia, Lithuania, the Netherlands, Slovenia and Sweden (see "Average category 2" in the table below, which summarises the main variables used for each Member State).

140 As the data regarding the expected time necessary to comply with the activities if a common EU standard VAT return is adopted is collected from companies with multiple VAT registrations in Europe, we only use these data for the targeted population, i.e. companies with multiple VAT registrations in the EU-27 (collected data for the eight Member States in scope and extrapolated data for the other Member States). For the other companies, we consider that there is no impact in terms of time, so that the average time spent per VAT return from the AS IS calculation is used. However, all the companies are impacted by the new frequency of the common EU standard VAT return.

[31] No complexity factor is considered for the eight Member States in scope as we use the data provided by the businesses in our sample.

Table 25 – Data for companies with multiple VAT registrations in the EU-27 (time spent)

Member States	Best case			Worst case		
	Average time for large companies (hours)	Average time for SMEs (hours)	Average time for micro companies (hours)	Average time for large companies (hours)	Average time for SMEs (hours)	Average time for micro companies (hours)
Austria	11.1	6.1	3.3	11.4	6.3	3.4
Belgium	13.9	7.8	4.2	15.3	8.6	4.6
Bulgaria	9.1	5.1	2.7	9.8	5.5	3.0
Cyprus	10.1	5.5	3.0	11.1	6.1	3.3
Czech Republic	14.1	7.7	4.2	14.4	7.9	4.3
Denmark	10.1	5.5	3.0	11.1	6.1	3.3
Estonia	9.1	5.0	2.7	9.8	5.4	2.9
Finland	4.4	2.5	1.3	4.4	2.5	1.3
France	11.1	6.2	3.3	11.5	6.4	3.4
Germany	10.8	6.1	3.2	11.0	6.2	3.3
Greece	11.1	6.1	3.3	11.4	6.3	3.4
Hungary	19.0	10.7	5.7	19.6	11.0	5.9
Ireland	10.1	5.5	3.0	11.1	6.1	3.3
Italy	9.1	5.1	2.7	9.3	5.2	2.8
Latvia	9.1	5.0	2.7	9.8	5.4	2.9
Lithuania	9.1	5.0	2.7	9.8	5.4	2.9
Luxembourg	14.1	7.7	4.2	14.4	7.9	4.3
Malta	11.1	6.1	3.3	11.4	6.3	3.4
Netherlands	9.1	5.0	2.7	9.8	5.4	2.9
Poland	11.4	6.4	3.4	11.8	6.6	3.5

Member States	Best case			Worst case		
	Average time for large companies (hours)	Average time for SMEs (hours)	Average time for micro companies (hours)	Average time for large companies (hours)	Average time for SMEs (hours)	Average time for micro companies (hours)
Portugal	11.1	6.1	3.3	11.4	6.3	3.4
Romania	14.1	7.7	4.2	14.4	7.9	4.3
Slovakia	11.1	6.1	3.3	11.4	6.3	3.4
Slovenia	9.1	5.0	2.7	9.8	5.4	2.9
Spain	11.1	6.1	3.3	11.4	6.3	3.4
Sweden	9.1	5.0	2.7	9.8	5.4	2.9
UK	10.1	5.7	3.0	11.1	6.2	3.3
	Average time for large companies (hours)	**Average time for SMEs (hours)**	**Average time for micro companies (hours)**	**Average time for large companies (hours)**	**Average time for SMEs (hours)**	**Average time for micro companies (hours)**
Average category 1	**10.1**	**5.5**	**3.0**	**11.1**	**6.1**	**3.3**
Average category 2	**9.1**	**5.0**	**2.7**	**9.8**	**5.4**	**2.9**
Average category 3	**11.1**	**6.1**	**3.3**	**11.4**	**6.3**	**3.4**
Average category 4	**14.1**	**7.7**	**4.2**	**14.4**	**7.9**	**4.3**

1.4.4.4 Scenario 1: Continuation of current situation

141 No cost saving is expected as the AS IS situation will continue on into the future.

1.4.4.5 Scenario 2: Mandatory for Member States and for all businesses

142 This second scenario means that all companies in the EU-27 opt for the common EU standard VAT return in the future (i.e. the targeted population as well as other companies).

143 First of all, the cost for the targeted population is estimated at €2,261,934,413 in the best-case and €2,350,998,090 in the worst-case scenario. This calculation is based on the main assumptions. Table 26 provides the results per type of company.

Table 26 – Detailed cost calculation for targeted population (scenario 2: mandatory for Member States and all businesses)

Member State	Best-case scenario – average cost (€)				Worst-case scenario – average cost (€)			
	Large	SMEs	Micro	Total	Large	SMEs	Micro	Total
Austria	2,032,419	42,356,015	92,257,736	136,845,159	2,093,969	43,638,727	95,051,675	140,983,359
Belgium	1,447,398	30,800,629	66,725,047	99,061,055	1,593,391	33,907,352	73,455,306	109,044,029
Bulgaria	21,815	464,228	1,005,682	1,517,827	23,498	500,029	1,083,239	1,632,867
Cyprus	79,757	1,662,154	3,620,420	5,372,837	87,409	1,821,624	3,967,770	5,887,309
Czech Republic	249,217	5,193,733	11,312,728	16,818,575	255,587	5,326,493	11,601,898	17,246,875
Denmark	608,205	12,675,106	27,608,276	40,946,406	666,557	13,891,179	30,257,066	44,869,621
Estonia	17,811	371,195	808,518	1,206,755	19,185	399,821	870,870	1,299,106
Finland	288,777	6,145,175	13,312,620	19,822,573	289,318	6,156,682	13,337,548	19,859,549
France	4,039,993	85,971,044	186,243,663	276,641,375	4,165,686	88,645,807	192,038,144	285,236,313
Germany	8,231,776	175,172,190	379,484,867	563,634,580	8,411,119	178,988,623	387,752,609	575,898,098
Greece	892,353	18,596,811	40,506,636	60,123,455	919,377	19,159,998	41,733,341	61,940,371
Hungary	265,189	5,643,224	12,225,218	18,201,605	273,006	5,809,565	12,585,571	18,736,115
Ireland	376,344	7,843,083	17,083,408	25,340,156	412,451	8,595,563	18,722,422	27,767,757

Member State	Best-case scenario – average cost (€)				Worst-case scenario – average cost (€)			
	Large	SMEs	Micro	Total	Large	SMEs	Micro	Total
Italy	5,319,975	113,209,077	245,250,867	364,405,265	5,412,516	115,178,334	249,516,974	370,733,169
Latvia	15,294	318,731	694,244	1,039,369	16,474	343,311	747,783	1,118,668
Lithuania	12,972	270,345	588,851	881,595	13,973	291,193	634,262	948,855
Luxembourg	360,977	7,522,826	16,385,840	24,290,701	370,204	7,715,121	16,804,687	24,911,069
Malta	20,357	424,235	924,047	1,373,258	20,973	437,082	952,031	1,414,706
Netherlands	1,578,355	32,893,231	71,646,377	106,320,501	1,700,076	35,429,917	77,171,658	114,504,190
Poland	707,830	15,062,615	32,630,947	48,601,124	734,419	15,628,440	33,856,723	50,419,315
Portugal	537,361	11,198,712	24,392,470	36,219,341	553,635	11,537,855	25,131,173	37,313,459
Romania	151,478	3,156,836	6,876,062	10,253,545	155,350	3,237,530	7,051,824	10,513,873
Slovakia	72,774	1,516,626	3,303,439	4,920,723	74,978	1,562,556	3,403,480	5,068,898
Slovenia	57,284	1,193,805	2,600,286	3,864,647	61,701	1,285,870	2,800,817	4,161,661
Spain	2,519,081	52,498,143	114,348,807	169,709,363	2,595,369	54,087,999	117,811,752	174,838,453
Sweden	1,088,534	22,685,267	49,411,904	73,320,496	1,172,481	24,434,727	53,222,490	78,964,489
UK	2,207,725	46,980,385	101,776,116	151,202,127	2,419,538	51,487,770	111,540,706	165,685,916
Total	**33,201,053**	**701,825,421**	**1,523,025,074**	**2,261,934,413**	**34,512,241**	**729,499,167**	**1,583,103,818**	**2,350,998,090**

144 Second, the cost for the other companies is estimated at €15,902,582,613. This figure is obtained using the following assumptions:

- We consider that 0.2% are large companies, 1.1% are medium-sized enterprises, 6.5% are small enterprises and 92.2% are micro enterprises in Europe.[32] This gives us the number of companies per type for each Member State.
- The total number of companies per Member State is obtained by taking the difference between the total number of taxpayers that file periodic VAT returns and the targeted population per Member State.
- All large companies and SMEs are expected to submit monthly VAT returns and all micro companies are expected to submit quarterly VAT returns in the TO BE situation.
- The wage level corresponds to the ISCO 2 category provided by Eurostat.[33]
- The time spent per VAT return and per type of company is obtained by making a weighted average of the time needed by companies not using external consultants and the time needed by companies using external consultant. The following formula (i.e. consulting fees are excluded and added in at a later stage) is then used:

$$Time\ spent\ per\ VAT\ return_{MS,type} = T_{k,MS,TP} * (1 - \%O_{MS}) + T_{k,MS,TP} * (\%O_{MS})$$

where $MS$are the 27 Member States, $TP$are the six types of business sizes (large, medium, small and three specifications of micro), $\%O$ is the percentage of companies which are hiring external consultants, k is in or out, T is the average time for insourcing or outsourcing.

- A reverse complexity factor corresponds to the number of boxes in the common EU standard VAT return (i.e. 36) divided by the number in the relevant national VAT return. The reverse complexity factor allows us to predict a gain for the companies in Member States with a more complex VAT return (i.e. the number of boxes in the current VAT return is higher than the number of boxes in the common EU standard VAT return) and a loss for the other Member States. Table 22 shows the reverse complexity factor for each Member State.

145 The detailed results are presented in the table below (results of best and worst-case scenarios are the same as we do not use the new time estimation for the TO BE situation).

[32] Eurostat – http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=Small_and_medium-sized_enterprises&printable=yes - (2009).

[33] Wage level adjusted to 2010 levels and an overhead cost of 25% applied.

Table 27 – Detailed cost estimation for companies without multiple VAT registrations (scenario 2: mandatory for Member States and for all businesses)

	Best and worst-case scenarios			
Member States	Average cost for large companies	Average cost for SMEs	Average cost for micro companies	Total average cost
Austria	3,366,553	70,159,619	152,818,144	226,344,317
Belgium	12,016,126	250,418,384	545,448,695	807,883,205
Bulgaria	219,176	4,567,669	9,949,067	14,735,912
Cyprus	1,985,640	41,381,121	90,134,271	133,501,033
Czech Republic	683,412	14,242,436	31,022,157	45,948,005
Denmark	9,057,710	188,764,421	411,157,143	608,979,274
Estonia	208,516	4,345,507	9,465,165	14,019,188
Finland	3,904,103	81,362,271	177,219,196	262,485,570
France	24,762,493	516,055,141	1,124,045,283	1,664,862,917
Germany	44,112,255	919,307,935	2,002,390,183	2,965,810,373
Greece	4,578,868	95,424,486	207,848,802	307,852,155
Hungary	671,115	13,986,167	30,463,963	45,121,245
Ireland	13,220,281	275,513,213	600,108,987	888,842,481
Italy	210,513	4,387,130	9,555,826	14,153,469
Latvia	132,598	2,763,371	6,019,036	8,915,005
Lithuania	148,480	3,094,348	6,739,954	9,982,782
Luxembourg	247,877	5,165,799	11,251,882	16,665,558
Malta	105,119	2,190,693	4,771,656	7,067,468
Netherlands	17,038,748	355,090,799	773,440,870	1,145,570,417
Poland	3,727,951	77,691,221	169,223,100	250,642,272
Portugal	3,260,266	67,944,579	147,993,455	219,198,300

	Best and worst-case scenarios			
Member States	Average cost for large companies	Average cost for SMEs	Average cost for micro companies	Total average cost
Romania	428,502	8,930,062	19,451,011	28,809,575
Slovakia	409,051	8,524,709	18,568,091	27,501,851
Slovenia	557,063	11,609,309	25,286,812	37,453,185
Spain	13,859,136	288,827,079	629,108,578	931,794,793
Sweden	12,069,186	251,524,180	547,857,285	811,450,652
UK	65,547,797	1,366,028,792	2,975,415,023	4,406,991,613
Total	**236,528,533**	**4,929,300,445**	**10,736,753,635**	**15,902,582,613**

146 By adding together the TO BE costs calculated for the targeted population and for the other companies, the total cost in the TO BE situation for scenario 2 in the best-case scenario is €18,164,517,026, implying a cost saving of €6,680, 877,982 (i.e. €24,845,395,008, which is the AS IS cost without consulting fees, less €18,164,517,026). As there will no longer be a summarising annual VAT return in the TO BE situation, the total cost for the summarising annual VAT return calculated in the AS IS cost part is added to this cost saving (€3,907,848,063 with consulting fees and €2,971,758,431 without consulting fees).[34] The same reasoning is applied for the worst-case scenario.

147 The cost saving related to the consulting fees is €7,589,164,210 considering that the total consulting fees related to preparation and the periodic VAT return in the AS IS situation will fall by 75% for companies with multiple VAT registrations (based on an expert opinion). For the rest of the population, the reverse complexity factor combined with the frequency change factor is used to define how far the consulting fee will be impacted. The total consulting fees related to preparation and submission of the annual summarising VAT return will disappear. The table below summarises the results.

[34] For comparison purposes, the AS IS cost for the summarising annual VAT return is considered without the consultancy fees, which amount to €911,320,095.

Table 28 - Cost savings related to the consulting fees (scenario 2: mandatory for Member States and for all businesses)

Member States	Cost savings – targeted population	Cost savings – rest of the population	Cost savings – annual VAT return	Total cost savings
Austria	-95,406,826	-602,973,571	-19,206,064	**-717,586,461**
Belgium	-16,384,773	-8,252,944		**-24,637,716**
Bulgaria	-13,743,378	-65,927,620		**-79,670,999**
Cyprus	-977,878	24,285,947		**23,308,069**
Czech Republic	-57,406,764	-314,242,858		**-371,649,621**
Denmark	-11,616,261	115,847,232		**104,230,972**
Estonia	-3,656,330	-13,768,052		**-17,424,382**
Finland	-16,394,166	10,295,129		**-6,099,037**
France	-104,021,727	-465,077,561		**-569,099,288**
Germany	-108,964,185	-194,459,160	-247,695,363	**-551,118,708**
Greece	-73,241,233	-222,772,884	-122,933,945	**-418,948,062**
Hungary	-24,254,919	-144,709,806		**-168,964,725**
Ireland	-1,915,547	73,562,347		**71,646,801**
Italy	-134,153,035	-857,011,710		**-991,164,745**
Latvia	-3,825,799	-10,078,916		**-13,904,715**
Lithuania	-3,287,278	-9,483,854		**-12,771,132**
Luxembourg	-5,633,363	-35,613,104	-5,674,694	**-46,921,162**
Malta	-1,521,660	160,538	-100,508	**-1,461,629**
Netherlands	-38,215,533	112,754,315		**74,538,782**
Poland	-369,041,400	-2,325,865,143		**-2,694,906,543**
Portugal	-42,239,646	-81,815,059	-26,986,838	**-151,041,543**
Romania	-74,403,857	-444,046,652		**-518,450,508**
Slovakia	-8,754,149	-23,238,916		**-31,993,065**
Slovenia	-3,934,478	-6,671,179		**-10,605,657**
Spain	-160,467,178	-400,921,072	-513,492,219	**-1,074,880,469**

Sweden	-21,733,986	85,330,975		**63,596,988**
UK	-18,717,067	565,531,414		**546,814,347**
Total	**-1,413,912,414**	**-5,239,162,164**	**-936,089,632**	**-7,589,164,210**

148 Finally, we obtain a total cost saving of €17,241,800,623 for scenario 2, which represents 39.9% of the AS IS cost calculation in the best-case scenario and €17,152,736,946 in the worst-case scenario (39.7% of the AS IS cost calculation).

1.4.4.6 Scenario 3: Mandatory for Member States and optional for all businesses

149 For this third scenario, we first of all define in which Member States the taxpayers will opt for the common EU standard VAT return: only taxpayers located in Member States for which the AS IS cost[35] (recurring cost plus the potential cost of the summarising annual VAT return) is higher than the TO BE cost estimation.

150 This reasoning implies that taxpayers located in 19 Member States will opt for the common EU standard VAT return in the TO BE situation.

Table 29 – Member States in which companies will opt for the common EU standard VAT return (scenario 3: mandatory for Member States and optional for all businesses)

Member States	AS IS cost (without consulting fees)	Cost of summarising annual VAT return (without consulting fees)	Total AS IS cost (without consulting fees)	TO BE cost (best case)	TO BE cost (worst case)	Common EU standard VAT return
Austria	1,166,871,000	63,328,067	1,230,199,067	363,189,476	367,327,676	☒
Belgium	966,396,098		966,396,098	906,944,260	916,927,234	☒
Bulgaria	33,413,971		33,413,971	16,253,739	16,368,779	☒
Cyprus	44,495,264		44,495,264	138,873,870	139,388,342	
Czech Republic	214,790,948		214,790,948	62,766,580	63,194,880	☒
Denmark	624,959,726		624,959,726	649,925,680	653,848,894	

[35] Without consultancy fees.

Member States	AS IS cost (without consulting fees)	Cost of summarising annual VAT return (without consulting fees)	Total AS IS cost (without consulting fees)	TO BE cost (best case)	TO BE cost (worst case)	Common EU standard VAT return
Estonia	20,524,837		20,524,837	15,225,942	15,318,294	☒
Finland	270,207,187		270,207,187	282,308,143	282,345,119	
France	3,575,146,968		3,575,146,968	1,941,504,292	1,950,099,230	☒
Germany	4,265,304,879	1,352,086,982	5,617,391,862	3,529,444,954	3,541,708,471	☒
Greece	613,072,067	277,422,804	890,494,870	367,975,610	369,792,526	☒
Hungary	153,232,993		153,232,993	63,322,850	63,857,360	☒
Ireland	111,269,830		111,269,830	914,182,637	916,610,238	
Italy	7,399,373,697		7,399,373,697	378,558,734	384,886,638	☒
Latvia	15,333,246		15,333,246	9,954,374	10,033,673	☒
Lithuania	13,159,669		13,159,669	10,864,376	10,931,637	☒
Luxembourg	76,563,222	10,939,224	87,502,445	40,956,259	41,576,627	☒
Malta	8,029,165	142,977	8,172,142	8,440,725	8,482,173	
Netherlands	866,345,950		866,345,950	1,251,890,918	1,260,074,607	
Poland	888,972,721		888,972,721	299,243,396	301,061,587	☒
Portugal	299,346,755	51,560,930	350,907,685	255,417,641	256,511,759	☒
Romania	153,864,676		153,864,676	39,063,120	39,323,448	☒
Slovakia	54,779,247		54,779,247	32,422,575	32,570,750	☒
Slovenia	49,397,858		49,397,858	41,317,833	41,614,846	☒
Spain	1,409,842,332	1,216,277,447	2,626,119,779	1,101,504,156	1,106,633,246	☒
Sweden	510,590,547		510,590,547	884,771,148	890,415,141	
UK	1,040,110,156		1,040,110,156	4,558,193,740	4,572,677,528	
Total	24,845,395,008	2,971,758,431	27,817,153,440	18,164,517,026	18,253,580,703	

1.4.4.6.1 Companies that will opt for the common EU standard VAT return

151 We assume that the entire targeted population in Member States in which the TO BE situation is more economically advantageous will opt for the common EU standard VAT return. For other taxpayers in those 19 Member States, we consider that 20% will not opt for the common EU standard VAT return because they are reluctant to change.

152 Next, we consider the 100% TO BE cost result for the targeted population (see result of scenario 2) and 80% of the TO BE cost estimation for other taxpayers (see “Cost from scenario 2” column). The detailed results are presented in the table below. The remaining 20% of the other taxpayers (i.e. not the targeted population) will keep the national VAT return, meaning that the AS IS cost does not change for them, and nor does the current periodicity of the national VAT return.

Table 30 – Detailed cost calculation for taxpayers located in Member States that opt for the common EU standard VAT return (scenario 3: mandatory for Member States and optional for all businesses)

Member States	Best-case scenario		Worst-case scenario	
	Cost from scenario 2 (targeted population + 80% of other taxpayers)	Cost for the 20% of companies that do not opt for the common EU standard VAT return	Cost from scenario 2 (targeted population + 80% of other taxpayers)	Cost for the 20% of companies that do not opt for the common EU standard VAT return
Austria	317,920,612	164,062,760	322,058,812	164,062,760
Belgium	745,367,619	168,381,590	755,350,593	168,381,590
Bulgaria	13,306,557	5,870,177	13,421,597	5,870,177
Cyprus	/	/	/	/
Czech Republic	53,576,979	37,620,248	54,005,279	37,620,248
Denmark	/	/	/	/
Estonia	12,422,105	3,574,185	12,514,456	3,574,185
Finland	/	/	/	/
France	1,608,531,709	625,968,611	1,617,126,646	625,968,611
Germany	2,936,282,879	741,452,593	2,948,546,396	741,452,593
Greece	306,405,179	107,903,413	308,222,095	107,903,413
Hungary	54,298,601	26,861,995	54,833,111	26,861,995
Ireland	/	/	/	/

Italy	375,728,040	108,296,447	382,055,944	108,296,447
Latvia	8,171,373	2,676,346	8,250,672	2,676,346
Lithuania	8,867,820	2,297,000	8,935,081	2,297,000
Luxembourg	37,623,148	9,838,009	38,243,516	9,838,009
Malta	/	/	/	/
Netherlands	/	/	/	/
Poland	249,114,942	155,599,948	250,933,132	155,599,948
Portugal	211,577,981	52,445,494	212,672,099	52,445,494
Romania	33,301,205	27,026,781	33,561,533	27,026,781
Slovakia	26,922,204	9,401,302	27,070,379	9,401,302
Slovenia	33,827,196	8,606,265	34,124,209	8,606,265
Spain	915,145,197	277,319,879	920,274,287	277,319,879
Sweden	/	/	/	/
UK	/	/	/	/
TOTAL	**7,948,391,345**	**2,535,203,044**	**8,002,199,840**	**2,535,203,044**

1.4.4.6.2 Companies that do NOT opt for the common EU standard VAT return

153 Even if the TO BE cost are expected to be higher than the AS IS cost for companies (i.e. in eight Member States – see Table 29), we assume that companies with multiple VAT registrations (i.e. the targeted population) will opt for the common EU standard VAT return because they will gain from standardisation and they can achieve economies of scale at group level. At the same time, it is safe to say that some companies will be reluctant to change: we consider that only 80% companies with multiple VAT registrations will actually opt for the common EU standard VAT return. The remaining companies (without multiple VAT registrations) will not opt for the common EU standard VAT return.

154 On this assumption, we consider 80% of the TO BE cost calculated under scenario 2 for companies with multiple VAT registrations and for other companies (i.e. 20% of the companies with multiple VAT registrations and the companies without multiple VAT registrations), they will still use the national VAT return implying that the AS IS cost is used.

Table 31 – Detailed cost calculation per Member State in which companies do not opt for the common EU standard VAT return (scenario 3: mandatory for Member States and optional for all businesses)

Member States	Best-case scenario		Worst-case scenario	
	Cost from scenario 3 (80% of the targeted population)	Cost for the companies that do not opt for the common EU standard VAT return	Cost from scenario 3 (80% of the targeted population)	Cost for companies that do not opt for the common EU standard VAT return
Austria	/	/	/	/
Belgium	/	/	/	/
Bulgaria	/	/	/	/
Cyprus	4,298,270	40,138,368	4,709,847	40,138,368
Czech Republic	/	/	/	/
Denmark	32,757,125	559,547,526	35,895,697	559,547,526
Estonia	/	/	/	/
Finland	15,858,058	243,552,857	15,887,639	243,552,857
France	/	/	/	/
Germany	/	/	/	/
Greece	/	/	/	/
Hungary	/	/	/	/
Ireland	20,272,125	97,639,349	22,214,206	97,639,349
Italy	/	/	/	/
Latvia	/	/	/	/
Lithuania	/	/	/	/
Luxembourg	/	/	/	/
Malta	1,098,606	6,911,479	1,131,765	6,911,479

Netherlands	85,056,401	791,390,623	91,603,352	791,390,623
Portugal	/	/	/	/
Romania	/	/	/	/
Slovakia	/	/	/	/
Slovenia	/	/	/	/
Spain	/	/	/	/
Sweden	58,656,397	491,925,402	63,171,591	491,925,402
UK	120,961,702	924,863,117	132,548,732	924,863,117
TOTAL	**338,958,683**	**3,155,968,721**	**367,162,829**	**3,155,968,721**

155 In both scenarios, only 80% of the targeted population in Malta will benefit from the positive cost impact related to the annual VAT return whereas, for the six other Member States, nearly all the taxpayers[36] will opt for the common EU standard VAT return and will no longer complete annual VAT returns. The cost calculations in the TO BE situation per Member State are given in the table below.

[36] Only 20% of companies without multiple VAT registrations will not opt for it.

Table 32 – Cost of summarising annual VAT return in the eight Member States in scope (scenario 3: mandatory for Member States and optional for all businesses)

Member States	Cost of the summarising annual VAT return (best-case scenario and worst-case scenario)
Austria	8,903,964
Germany	77,525,598
Greece	48,825,778
Luxembourg	1,405,638
Malta	128,624
Portugal	9,479,449
Spain	213,875,130
Total	360,144,181
Cost savings (AS IS cost without consultancy fees – TO BE cost)	**2,611,614,250**

156 The cost saving related to consulting fees is €7,146,091,243 considering that the total consulting fees related to preparation and submission of the periodic VAT return in the AS IS situation will fall by 75% for companies with multiple VAT registrations. For the rest of the population, the reverse complexity factor combined with the frequency change factor is used to define how far the consulting fee will be impacted. The consulting fees related to preparation and submission of the annual summarising VAT return will disappear for companies that opt for the common EU standard VAT return. The table below summarises the results.

Table 33 - Cost savings related to consulting fees (scenario 3: mandatory for Member States and optional for all businesses)

Member States	Cost savings – targeted population	Cost savings – rest of the population	Cost savings – annual VAT return	Total cost savings
Austria	-482,378,857	-482,378,857	-16,505,680	-594,291,363
Belgium	-6,602,355	-6,602,355		-22,987,128
Bulgaria	-52,742,096	-52,742,096		-66,485,475
Cyprus	-782,302			-782,302
Czech Republic	-251,394,286	-251,394,286		-308,801,050
Denmark	-9,293,008			-9,293,008
Estonia	-11,014,442	-11,014,442		-14,670,772
Finland	-13,115,333			-13,115,333
France	-372,062,049	-372,062,049		-476,083,776
Germany	-155,567,328	-155,567,328	-204,637,628	-469,169,141
Greece	-178,218,307	-178,218,307	-101,297,852	-352,757,392
Hungary	-115,767,845	-115,767,845		-140,022,764
Ireland	-1,532,437			-1,532,437
Italy	-685,609,368	-685,609,368		-819,762,403
Latvia	-8,063,133	-8,063,133		-11,888,932
Lithuania	-7,587,083	-7,587,083		-10,874,361
Luxembourg	-28,490,483	-28,490,483	-4,945,523	-39,069,370
Malta	-1,217,328		-10,090	-1,227,417
Netherlands	-30,572,427			-30,572,427
Poland	-1,860,692,114	-1,860,692,114		-2,229,733,514
Portugal	-65,452,048	-65,452,048	-22,258,749	-129,950,443
Romania	-355,237,321	-355,237,321		-429,641,178
Slovakia	-18,591,133	-18,591,133		-27,345,281
Slovenia	-5,336,943	-5,336,943		-9,271,422
Spain	-320,736,857	-320,736,857	-423,197,677	-904,401,712

Sweden	-17,387,189			-17,387,189
UK	-14,973,654			-14,973,654
Total	**-5,070,417,727**	**-4,981,544,049**	**-772,853,199**	**-7,146,091,243**

157 Finally, we obtain a total cost saving of €20,624,578,709 for scenario 3, which represents 47.7% of the AS IS cost calculation in the best-case scenario and €20,542,566,068 in the worst-case scenario (47.5% of the AS IS cost calculation).

1.4.4.7 Scenario 4: Mandatory for Member States and optional for businesses that are registered in multiple Member States

158 We assume that companies with multiple VAT registrations (i.e. the targeted population) will opt for the common EU standard VAT return because they will gain from standardisation and they can achieve economies of scale at group level. Nevertheless, as described in the previous scenario, it can be considered that some companies located in Member States where the total AS IS cost is still lower than the TO BE cost will be reluctant to change. Consequently, we consider that 100% of the companies with multiple registrations located in Member States where the cost related to the common EU standard VAT return for the companies is lower than the AS IS cost will opt for the common EU standard VAT return, whereas only 80% the companies with multiple VAT registrations will actually opt for the common EU standard VAT return if they are located in Member States where the cost related to the common EU standard VAT return for companies is higher than the AS IS cost. The other companies (without multiple VAT registrations) do not have the option for the common EU standard VAT return in scenario 4.

159 The targeted population can be divided between established taxpayers (i.e. data from the Amadeus database) and non-established taxpayers (i.e. data from the tax authorities). The table below shows the TO BE cost for companies with multiple VAT registrations and other taxpayers in each Member State.

Table 34 – TO BE cost detailed per Member State (scenario 4: Mandatory for Member States and optional for businesses that are registered in multiple Member States as a non-established and as an established business – Best case)

Member States	Best-case scenario				
	Cost for the targeted population (80%) – non-established	Cost for the targeted population (80%) – established branches	Cost for the targeted population (80%) – established subsidiaries	Cost for others (€)	Total cost (€)
Austria	81,511,954	4,744,406	50,389,810	820,313,802	956,959,972
Belgium	6,902,670	7,922,837	84,147,567	841,387,965	940,361,039
Bulgaria	21,660	126,502	1,343,563	29,355,569	30,847,294
Cyprus	81,668	362,124	3,846,074	40,146,670	44,436,535
Czech Republic	705,160	1,381,178	14,669,340	188,101,240	204,856,919
Denmark	2,750,426	2,578,361	27,384,483	559,540,405	592,253,675
Estonia	87,702	95,502	1,014,320	17,873,776	19,071,301
Finland	1,031,380	1,270,632	13,495,245	242,630,418	258,427,675
France	10,474,340	22,870,916	242,909,443	3,128,817,475	3,405,072,174
Germany	47,325,867	44,365,195	471,197,772	3,705,682,969	4,268,571,802
Greece	89,297	5,155,071	54,751,432	539,517,066	599,512,866

Hungary	537,288	1,514,200	16,082,144	134,562,207	152,695,839
Ireland	4,400,953	1,363,176	14,478,139	97,638,698	117,880,967
Italy	6,011,555	30,786,663	326,981,701	541,210,587	904,990,507
Latvia	60,116	83,311	884,841	13,385,157	14,413,425
Lithuania	50,886	70,673	750,609	11,487,204	12,359,372
Luxembourg	16,135,080	699,995	7,434,568	49,265,072	73,534,715
Malta	49,298	89,977	955,635	7,223,148	8,318,058
Netherlands	6,287,280	6,764,293	71,842,797	776,931,326	861,825,697
Poland	1,938,648	3,998,209	42,464,534	778,370,483	826,771,874
Portugal	1,214,412	3,004,429	31,909,703	262,227,471	298,356,015
Romania	159,166	862,689	9,162,522	135,133,904	145,318,281
Slovakia	760,663	355,582	3,776,595	47,019,808	51,912,647
Slovenia	270,438	308,147	3,272,790	43,042,449	46,893,824
Spain	1,327,965	14,460,002	153,578,064	1,386,599,394	1,555,965,425
Sweden	4,922,573	4,614,621	49,011,370	492,109,912	550,658,475
UK	4,822,705	9,977,609	105,971,067	928,884,478	1,049,655,858
TOTAL	**199,931,151**	**169,826,299**	**1,803,706,127**	**15,818,458,655**	**17,991,922,232**

Table 35 – TO BE cost detailed per Member State (scenario 4: Mandatory for Member States and optional for businesses that are registered in multiple Member States as a non-established and as an established business – Worst case)

Member States	Worst-case scenario				
	Cost for the targeted population (80%) – non-established	Cost for the targeted population (80%) – established branches	Cost for the targeted population (80%) – established subsidiaries	Cost for others (€)	Total cost (€)
Austria	83,980,467	4,888,086	51,915,818	820,313,802	961,098,172
Belgium	7,598,912	8,721,979	92,635,158	841,387,965	950,344,014
Bulgaria	23,330	136,258	1,447,177	29,355,569	30,962,334
Cyprus	89,503	396,866	4,215,073	40,146,670	44,848,112
Czech Republic	723,185	1,416,483	15,044,311	188,101,240	205,285,219
Denmark	3,014,307	2,825,734	30,011,801	559,540,405	595,392,247
Estonia	94,466	102,867	1,092,543	17,873,776	19,163,652
Finland	1,033,312	1,273,012	13,520,515	242,630,418	258,457,257
France	10,800,222	23,582,485	250,466,931	3,128,817,475	3,413,667,112
Germany	48,356,944	45,331,768	481,463,639	3,705,682,969	4,280,835,319
Greece	92,001	5,311,187	56,409,527	539,517,066	601,329,782

Hungary	553,125	1,558,832	16,556,184	134,562,207	153,230,349
Ireland	4,823,189	1,493,962	15,867,199	97,638,698	119,823,048
Italy	6,116,126	31,322,193	332,669,505	541,210,587	911,318,411
Latvia	64,752	89,736	953,079	13,385,157	14,492,724
Lithuania	54,811	76,123	808,495	11,487,204	12,426,633
Luxembourg	16,547,517	717,888	7,624,606	49,265,072	74,155,084
Malta	50,791	92,702	984,576	7,223,148	8,351,217
Netherlands	6,772,148	7,285,947	77,383,227	776,931,326	868,372,647
Poland	2,011,473	4,148,401	44,059,707	778,370,483	828,590,065
Portugal	1,251,189	3,095,415	32,876,058	262,227,471	299,450,134
Romania	163,234	884,740	9,396,730	135,133,904	145,578,608
Slovakia	783,698	366,350	3,890,965	47,019,808	52,060,822
Slovenia	291,293	331,910	3,525,184	43,042,449	47,190,837
Spain	1,368,181	14,897,909	158,229,030	1,386,599,394	1,561,094,515
Sweden	5,302,196	4,970,495	52,791,067	492,109,912	555,173,669
UK	5,285,404	10,934,879	116,138,128	928,884,478	1,061,242,889
TOTAL	**207,245,776**	**176,254,209**	**1,871,976,234**	**15,818,458,655**	**18,073,934,873**

160 Only companies with multiple VAT registrations that opt for the common EU standard VAT return will benefit from cost savings linked to the summarising annual VAT return. The cost calculations in the TO BE situation per Member State are shown in the table below. The cost calculations are the same for the best and worst-case scenarios.

Table 36 – Cost of summarising annual VAT return (scenario 4: Mandatory for Member States and optional for businesses that are registered in multiple Member States as a non-established and as an established business)

Member States	Cost of the summarising annual VAT return
Austria	44,519,820
Germany	387,627,988
Greece	244,128,890
Luxembourg	7,028,191
Malta	2,906,982
Portugal	47,397,247
Spain	1,069,375,650
Total	1,802,984,767
Cost savings (AS IS cost without consultancy fees – TO BE cost)	**1,168,773,665**

161 The cost saving related to consulting fees is €1,511,963,136 considering that the total consulting fees related to preparation and submission of the periodic VAT return in the AS IS situation will fall by 75% for companies with multiple VAT registrations. The consulting fees related to preparation and submission of annual summarising VAT return will disappear for companies that will opt for the common EU standard VAT return. The table below summarises the results.

Table 37 - Cost savings related to the consulting fees (scenario 4: mandatory for Member States and optional for all businesses)

Member States	Cost savings – targeted population	Cost savings – annual VAT return	Total cost savings
Austria	95,406,826	5,704,144	101,110,969
Belgium	16,384,773		16,384,773
Bulgaria	13,743,378		13,743,378
Cyprus	782,302		782,302
Czech Republic	57,406,764		57,406,764
Denmark	9,293,008		9,293,008
Estonia	3,656,330		3,656,330
Finland	13,115,333		13,115,333
France	104,021,727		104,021,727
Germany	108,964,185	32,406,686	141,370,870
Greece	73,241,233	14,753,482	87,994,714
Hungary	24,254,919		24,254,919
Ireland	1,532,437		1,532,437
Italy	134,153,035		134,153,035
Latvia	3,825,799		3,825,799
Lithuania	3,287,278		3,287,278
Luxembourg	5,633,363	2,028,838	7,662,202
Malta	1,217,328	10,090	1,227,417
Netherlands	30,572,427		30,572,427
Poland	369,041,400		369,041,400
Portugal	42,239,646	3,346,394	45,586,039
Romania	74,403,857		74,403,857
Slovakia	8,754,149		8,754,149
Slovenia	3,934,478		3,934,478

Spain	160,467,178	62,019,509	222,486,687
Sweden	17,387,189		17,387,189
UK	14,973,654		14,973,654
Total	**1,391,693,994**	**120,269,141**	**1,511,963,136**

162 Finally, we obtain a total cost saving of €9,534,209,576 for scenario 4, which represents 22% of the AS IS cost calculation in the best-case scenario and €9,452,196,936 in the worst-case scenario (21.9% of the AS IS cost calculation).