

STATEMENT OF THE VAT EXPERT GROUP
ON THE WORK ON THE DEFINITIVE VAT SYSTEM

23 SEPTEMBER 2016

The second mandate of the VAT Expert Group (VEG) is now coming to an end. The VEG has over the past two years contributed to identifying possible solutions for more effectively taxing cross border movements of goods within the EU. The VEG welcomes the document recently published by the European Commission "Definitive VAT regime for intra-EU trade First Step Issues to be examined" VEG No 57. However, further substantial work is required, particularly on the Certified Taxable Person (CTP) concept, which the VEG is very happy to actively support in close cooperation with the EU Commission and the Group on the Future of VAT (GFV). The proposals need to ensure that there is a reduction in administrative burdens and costs for tax administrations and for businesses of all sizes, including SMEs, while at the same time safeguarding VAT revenues and reducing VAT Fraud. Replacing current bureaucracy with new bureaucracy or making the current situation worse would not promote the smooth functioning of the EU Single Market. The VEG believes that business (through the VEG and wider consultation) and Member States must work together collaboratively to identify with the Commission the best ways forward for the EU VAT system.

The VEG is highly committed to the Commission's initiative on the definitive system; and we believe that business involvement in it is crucial. The VEG reconfirms its commitment to this work in close collaboration with the Commission and the GFV. The VEG would be very pleased to work with the Member States (either under the auspices of the Commission and its GFV or in any other forum) in a joint sub-group to explore the issues further.

In order to reach sustainable solutions, all stakeholders - Member States and VEG-members alike – will need to have a very high commitment, willingness and open mindedness to move this difficult, but promising initiative forward. Together, we have started the process. It is of utmost importance that all Member States put time and resources into this work as we move forward, if we want to make Europe more competitive.

The work should be based on the following common principles, shared by all stakeholders, with the aim to work together towards a simple, efficient, fair and robust definitive VAT system, namely:

- legal certainty and simplicity. Clear and uniform rules should be easy to comply with for business, and easy to apply for tax administrations;
- neutrality and proportionality;
- efficiency, thereby safeguarding VAT revenues, easing collection and reducing the administrative burden for businesses. Simplicity should allow efficiencies to be achieved through the effective use of technology;
- effective enforcement and collection by the Member States in close cooperation with each other, including dispute resolution mechanisms.

In order to ensure a successful outcome of the work on the definitive system, the VEG calls for action by all stakeholders. More specifically:

- 1) The Commission should continue to further explore the avenue of a definitive system. This should be achieved through studies and impact assessments that take account of existing and new technologies. A transparent and efficient collaboration between the VEG and the GFV is crucial. Regular meetings and open discussions between the GFV and VEG should be facilitated by the Commission;**
- 2) All Member States should to commit to this high priority initiative in an open-minded, thorough and serious way by putting the required time and sufficient resources into it;**
- 3) Business and the VEG commit to continue with the high commitment already put into this work; and**
- 4) The Commission, the Council i.e. all Member States, and the Parliament should make this a strategic and urgent priority in order to reach an agreement with an implementation plan on the definitive VAT system as soon as possible, and finally,**
- 5) The Commission and the new members of VEG to continue - in close cooperation with the GFV - the VEG's work on fixed establishment (see the VEG opinion on the CJEU decision on Welmory). In addition to explore further, in close cooperation with the GFV as a follow up of the Fiscalis meeting in Dublin on VAT grouping. any realistic short, medium and long term actions that could be taken in order to create more legal certainty for operators while preserving the integrity of the EU VAT system and promoting competitiveness and future growth in the EU.**