

**OPINION OF THE VAT EXPERT GROUP**  
**ON THE ACTION PLAN ON VAT – CREATING A DEFINITIVE REGIME**  
**20 MAY 2016**

**Background:**

VAT fraud in the current EU VAT system, a transitional VAT system, creates major obstacles for the efficient functioning of the EU Single Market for businesses and tax administrations alike. A reform of the system is therefore vital for the EU's competitiveness and for the future welfare of all EU citizens.

The EU Commission recently published an Action Plan on VAT which aims to make the EU VAT system fit for the 21<sup>st</sup> century. That Action Plan calls for:

- urgent action to tackle the VAT Gap in the short term on three fronts, namely achieving better administrative cooperation between Member States and with non-EU countries, improving compliance and improving the performance of European tax administrations; and
- the creation of a robust, fair and efficient Single European VAT Area by devising a destination based definitive system and introducing medium term measures to tackle the VAT Gap. In the definitive system, cross-border transactions would be subject to tax in the same way as domestic transactions. The Commission believes that this change alone should help reduce cross-border VAT fraud by EUR 40 billion per year.

**Statement:**

**The VEG welcomes the initiative of the EU Commission to further explore possible options for implementing the destination principle in B2B cross-border trade in order to ensure a level playing field between EU cross-border and domestic transactions and at the same time tackling the problem of VAT fraud.**

**The VEG calls upon all stakeholders – Member States, Commission and business to:**

- 1) make effective use of existing measures to tackle VAT fraud in the short term. In particular, Member States and the Commission should make increased efforts to improve the efficiency of and international cooperation between national tax administrations;**
- 2) cooperate to tackle and resolve the problem of VAT Fraud in the EU VAT system in a coordinated approach that is fully compatible with the requirements of the Single Market. Such approach should incorporate a comprehensive impact**

**assessment of the costs, benefits and effectiveness of the measures proposed for all stakeholders; and**

- 3) actively, timely and efficiently work together in order to create a robust, fair and efficient destination based definitive system for the Single European VAT Area.**

**The Action Plan launched by the EU Commission calls for urgent action on devising an EU wide definitive VAT regime in consultation with all stakeholders in accordance with the Commission's Better Regulation guidelines. Any Member State specific approaches, such as a generalised reverse charge system, even on an experimental and national basis, would put at risk the development of a coherent, harmonized and fraud proof VAT system for all Member States and stakeholders. Any such uncoordinated standalone measures adopted by Member States would shift focus from the overriding objective of putting in place a definitive regime at the earliest opportunity. It would create additional distortions within the internal market and thereby also increase opportunities for fraud. We urge the Commission and Member States to abstain from supporting such Member State specific approaches and to work together with all stakeholders in devising a definitive VAT system.**

**We as VEG remain highly committed to further share our VAT technical and practical expertise and experience throughout the whole process of this initiative. We remain at the EU Commission's and Member States' disposal to provide active support.**