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REPORT ON THE OUTCOME OF CONSULTATION ON THE "ONE STOP SCHEME"

1. DETAILS OF THE CONSULTATION

The Directorate General for Tax and Customs Union undertook a public consultation via its web site in May 2004 to assist the formulation of a proposal introducing the "One Stop Scheme". The One Stop Scheme is a facility allowing taxable persons who are liable to pay tax in several Member States the possibility of a single place of compliance, which would be the Member State where they are established (or in the Member State of identification in case of third country businesses).

The main purpose of the One Stop Scheme is to ease the VAT compliance burden on economic operators who carry out activities in other Member States but have no establishment there.

The proposal is part of continuing work to deliver the Commission's VAT strategy presented in October 2003 as a Commission Communication with the reference, COM(2003)614 final.

The One Stop Scheme proposal is seen by the Commission as crucial to the simplification of the accounting obligations placed on businesses in the Community. From surveys in 2000, 26% of traders consider the VAT system and its obligations to be an obstacle in the development of a single market and in 2001, 10% considered that VAT incurred the greatest costs for businesses. Following enlargement in 2004, a business may now find themselves facing compliance with up to 25 different sets of obligations.

2. PROPOSED ELEMENTS OF THE ONE STOP SCHEME CONSULTATION

The paper published on the website envisaged a proposal which would include the following main features:

- Application to taxable persons with taxable activities in Member States in addition to the one in which they are established;
- Available to EU and non EU businesses;
- Restriction to B2C transactions – i.e. Business supplies to final consumer;

- Optional registration by electronic means in one MS for all supplies;
- One VAT number for all supplies;
- Electronic rendering of VAT returns;
- Harmonised information for Member States provided in a harmonised format;
- Standard reporting period of 3 months;
- Deduction on the combined return according to the rules of the Member State of purchase;
- Payment direct to national authorities on the same date;
- Specific rules for re-payment;
- Member State of consumption remains responsible for checking returns, applying its rules and debt collection, if necessary using Mutual Assistance;
- Notification system under the Administrative Co-operation Regulation 1798/2003/EC when the business is subject to control by the Member State of registration;
- 8th Directive to be revised to only accept electronic claims;
- obligation to provide paper invoices under the 8th Directive refund procedure to be abandoned.

3. REPRESENTATIONS AND OVERALL RESULTS

In all a total of 35 responses were received. The majority were from either national or European representative organisations with just under a third coming from individual businesses. Participating businesses included three enterprises with annual revenues (in 2003) of roughly between €500 and €2,000 million; three in between €6,000 and €13,000 million; one of €40,000 million revenues and one with revenue in excess of €133,000 million revenue.

The replies were overwhelmingly supportive with only one response opposing the idea. Although there were a number of questions about the practical operation of the envisaged scheme a majority favoured the inclusion of Business to Business (B2B) supplies within the One Stop Scheme and a significant minority actively requested a single payment mechanism to feature as part of the scheme.

4. SPECIFIC OUTCOMES

The following summaries give in idea of the areas covered and the concerns expressed.

4.1. The concept of a One Stop Scheme

The respondents clearly supported the idea of the One Stop Scheme although some expressed doubts over whether the envisaged system went far enough or alternatively

warned that it would have to be carefully implemented to ensure that the benefits were not outweighed by the costs. An insistence on the electronic submission of returns for example could entail investment which negated the benefit. Although there was support for the scheme being optional as far as business was concerned, there was also a concern to ensure that there was uniform application of the system within the Community, one reply suggesting that a Regulation would be the most appropriate legal vehicle.

4.2. Extension of the scope to B2B supplies

Only one respondent did not call for an extension of the One Stop Scheme to cover business to business supplies. The others generally saw an extension to cover supplies not subject to a reverse charge as being of use in simplifying the system.

4.3. Control

Differing from the Commission's approach of leaving control competences with the Member State of consumption, five respondents preferred to have audits carried out by the Member State of identification.

4.4. Single payment

Amongst one of the most frequently suggested extensions of the proposals was the introduction of a possibility to discharge VAT obligations by one single payment. 13 respondents named this as a desirable provision for the proposal, some of them specifying that the central point to which the payment should be made should be the Member State of establishment.

4.5. Information

A number of replies received displayed a persistent wish to supplement the introduction of the One Stop Scheme with easier and more comprehensive information facilities.

In addition to the information tools suggested by the Commission, six respondents claimed that, alongside the proposal, an improvement of the current situation would require additional linguistic and/or content related tools. Amongst the improvements suggested were more clear information on the national rules applicable, eventually appearing on the back of the return forms or in separate leaflets.

As far as language issues were concerned, three respondents felt that information on the VAT regime should be available in all 25 Member States in the language of the taxable person.

One respondent suggested – in addition to the envisaged online information given on national websites - providing a tool containing basic information such as rate, jurisdiction, wording and the appropriate reporting for all Member States.

4.6. Harmonised returns

In order to facilitate business, five respondents requested more harmonisation with regards to VAT returns. They stated that standardized forms, regardless of the Member State to which the declaration would be made, would reduce companies' reluctance to carry out business in other Member States. Two participants suggested that the use of English should be an option.

4.7. Carryover of Input tax

Several respondents criticized the Commission's suggestion that repayment should be authorised only after two consecutive VAT returns generating a credit.

4.8. 8th Directive

Where respondents referred to the envisaged modernization of the 8th directive – a total of five - this goal of the proposal was confirmed.

5. CONCLUSION AND FURTHER DEVELOPMENTS

The Commission considers that the consultation exercise has been very useful. The large number of participants and their constructive engagement underlines the importance of this step designed to facilitate the Internal Market. The European Commission is grateful to all participants for their valuable input which helped the Commission to shape the proposal into its current form.

Following the consultation, the Commission has adjusted its original thinking taking into account, where possible, the respondents' concerns. The main responses are summarised below:

The extension of the scope of the One Stop Scheme represents the main change in the Commission's thinking as a result of the public consultation. At the time of the launching of the public consultation, the Commission's view was that the use of the One Stop Scheme facility should be limited to B2C supplies.

As a result of the comments received through the public consultation, the Commission decided to extend the scope to all supplies for which a taxable person is liable to pay VAT in a member State where he is not established. This includes, in particular, B2B supplies for which the reverse charge cannot be applied in the Member State of taxation.

Furthermore, the Commission had originally envisaged specific rules for repayment, so that repayment should be authorised only after two consecutive repayment VAT returns have been received. Responding to the criticisms of these specific rules, the Commission has amended its views so that repayments would be subject to the same conditions as laid down in accordance with Article 18(4) of the Sixth VAT Directive for taxable persons not applying the One Stop Scheme.

On the other hand, the Commission has deliberately chosen an approach which would facilitate quick adoption in Council, thus making the benefits of the system available earlier. Therefore, it was decided not to take on board other significant changes suggested during the consultation process (single payment and the assignment of audit competences to the Member State of establishment).since they were likely to complicate the debate in Council considerably.

However, the Commission considers the current One Stop Scheme proposal as an important initial step in the process of the simplification of VAT obligations. The ideas not taken on board in the current Commission's proposal will certainly be re-examined at a later stage.

RESPONDENTS

Responses by representative organisations based in :		
Belgium	1	
France	2	
Germany	5	
Poland	1	
UK	5	
USA	2	
Pan European	9	
TOTAL		25
Responses by individual businesses based in :		
Belgium	1	
Germany	2	
Netherlands	2	
UK	4	
USA	1	
TOTAL		10
TOTAL NUMBER OF RESPONSES		35