


# Procedure file

Basic information			
CNS - Consultation procedure Directive	2003/0329(CNS)	Procedure completed	
Value added tax (VAT): place of supply of services			
Amending Directive 2006/112/EC <a href="#">2004/0079(CNS)</a>			
Subject 2.70.02 Indirect taxation, VAT, excise duties			
Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<div>ECON</div> Economic and Monetary Affairs		16/11/2005
		PPE-DE <a href="#">KARAS Othmar</a>	
	Former committee responsible		
	<div>ECON</div> Economic and Monetary Affairs		11/02/2004
		PPE-DE <a href="#">KARAS Othmar</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<div>IMCO</div> Internal Market and Consumer Protection	The committee decided not to give an opinion.	
	<div>CULT</div> Culture and Education		23/11/2005
		PSE <a href="#">HEGYI Gyula</a>	
Former committee for opinion			
<div>JURI</div> Legal Affairs and Internal Market	The committee decided not to give an opinion.		
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2847</a>	12/02/2008
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2836</a>	04/12/2007
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2828</a>	13/11/2007
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2804</a>	05/06/2007
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2766</a>	28/11/2006
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2734</a>	07/06/2006
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2726</a>	05/05/2006
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2628</a>	07/12/2004
	European Commission	Commission DG	Commissioner
<a href="#">Taxation and Customs Union</a>		KOVÁCS László	

23/12/2003	Legislative proposal published	<a href="#">COM(2003)0822</a>	Summary
15/01/2004	Committee referral announced in Parliament		
06/04/2004	Vote in committee		Summary
06/04/2004	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A5-0233/2004</a>	
20/04/2004	Decision by Parliament	<a href="#">T5-0286/2004</a>	Summary
07/12/2004	Debate in Council	<a href="#">2628</a>	Summary
20/07/2005	Amended legislative proposal for reconsultation published	<a href="#">COM(2005)0334</a>	Summary
25/04/2006	Vote in committee		Summary
28/04/2006	Committee report tabled for plenary, reconsultation	<a href="#">A6-0153/2006</a>	
05/05/2006	Debate in Council	<a href="#">2726</a>	Summary
16/05/2006	Results of vote in Parliament		
16/05/2006	Decision by Parliament	<a href="#">T6-0196/2006</a>	Summary
07/06/2006	Debate in Council	<a href="#">2734</a>	
28/11/2006	Debate in Council	<a href="#">2766</a>	
05/06/2007	Debate in Council	<a href="#">2804</a>	Summary
13/11/2007	Debate in Council	<a href="#">2828</a>	
12/02/2008	Act adopted by Council after consultation of Parliament		
12/02/2008	End of procedure in Parliament		
20/02/2008	Final act published in Official Journal		

#### Technical information

Procedure reference	2003/0329(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2006/112/EC <a href="#">2004/0079(CNS)</a>
Legal basis	EC Treaty (after Amsterdam) EC 093
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/20584; ECON/6/31149

#### Documentation gateway

Legislative proposal		<a href="#">COM(2003)0822</a>	23/12/2003	EC	Summary
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A5-0233/2004</a>	06/04/2004	EP	

Text adopted by Parliament, 1st reading/single reading		<a href="#">T5-0286/2004</a> <a href="#">OJ C 104 30.04.2004, p. 0031-0143 E</a>	20/04/2004	EP	Summary
Economic and Social Committee: opinion, report		<a href="#">CES0659/2004</a> <a href="#">OJ C 117 30.04.2004, p. 0015-0020</a>	28/04/2004	ESC	
Amended legislative proposal for reconsultation		<a href="#">COM(2005)0334</a>	20/07/2005	EC	Summary
Committee draft report		<a href="#">PE370.297</a>	08/03/2006	EP	
Amendments tabled in committee		<a href="#">PE371.927</a>	03/04/2006	EP	
Committee opinion	CULT	<a href="#">PE370.116</a>	25/04/2006	EP	
Committee final report tabled for plenary, reconsultation		<a href="#">A6-0153/2006</a>	28/04/2006	EP	
Text adopted by Parliament after reconsultation		<a href="#">T6-0196/2006</a>	16/05/2006	EP	Summary
Economic and Social Committee: opinion, report		<a href="#">CES0741/2006</a>	17/05/2006	ESC	
Commission response to text adopted in plenary		<a href="#">SP(2006)2902</a>	22/06/2006	EC	
Follow-up document		COM(2014)0380	26/06/2014	EC	Summary

#### Additional information

European Commission

[EUR-Lex](#)

#### Final act

[Directive 2008/8](#)  
[OJ L 044 20.02.2008, p. 0011](#) Summary

## Value added tax (VAT): place of supply of services

**PURPOSE** : to amend directive 77/388/EEC with regard to the rules on the place of supply of services. **PROPOSED ACT** : Council Directive.

**CONTENT** : the aim of this proposal is to bring about the first part of the reform of the rules on the place of supply of services. It deals with supplies between taxable persons. Supplies whereby the customer is a non-taxable person will be addressed in a subsequent exercise. Under the present place of supply rules, services are taxed on the basis of where the supplier is established unless they are specifically defined as being taxed somewhere else. In this regard, a number of exceptions to the general rule exist. However, as a result of globalisation and advances in technology as well as the nature of these supplies (e.g., intangible, composite, etc.) the addition of new appropriately defined exceptions is difficult. It is often the case that the issue of the place of supply of services is one determined by the Courts. Ultimately, this model is proving difficult to apply for taxpayers and difficult to administer for tax authorities. In response, a shift from taxation where the supplier is established to taxation where the client is established would better reflect the current state of the services sector and provide greater certainty for all stakeholders. For supplies of services to taxable persons, the general rule with respect to the place of supply of services should be based on where the customer (i.e., the taxable person) is established, rather than where the supplier is established. The advantages of this approach are many. First, there would be no need to amend the Sixth Directive with respect to taxable persons every time a new service or service delivery model appears. Second, this approach is more in line with the one used in many other VAT jurisdictions. This would diminish the possibilities of double or unintentional non-taxation in international supplies of services. Finally, it resolves a number of bundling issues, such as those that might exist between tangible and intangible services. Furthermore, any new proposal on the place of supply of services should seek a balance between the control needs for tax administrations and the administrative obligations for traders. The effect of such a change will be twofold: - it will limit the instances whereby a supplier would be required to register for VAT purposes when performing services in a Member State other than where he is established; - it will increase the reliance on the reverse charge mechanism (i.e., self-assessment) where a taxable person receives services from a person not established in the same country. Both of these effects can be regarded as major simplifications. The exceptions are as follows: - in respect of services connected with immovable property. This would be essentially the same as existing Article 9(2)(a) of the Sixth VAT Directive; - the second exception would need to be with respect to passenger transportation services; - the third exception would need to be with respect to cultural, artistic, sporting, entertainment or similar services. The existing rule, which is based on where these services are performed, generally results in taxation where consumption occurs. It is proposed that scientific and educational services, when provided to taxable persons, be eliminated from this exception, largely for simplification purposes. For businesses that acquire such services in Member States other than where they are established, they would no longer be

required to rely on the 8th Directive refund mechanism; - the final exception would need to relate to certain services that are tangible in nature, such as restaurant services. This ensures that services that are supplied for immediate consumption at a readily identifiable location are subject to VAT where the supplier is established. This exception would reflect the reality of where such services are consumed and would be easier for suppliers of such services to administer (e.g., they would not have to be concerned with whether their customer is a taxable or non-taxable person).?

## Value added tax (VAT): place of supply of services

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The committee adopted the report by Othmar KARAS (EPP-ED, A) approving the proposal without amendment under the consultation procedure.?

## Value added tax (VAT): place of supply of services

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The European Parliament adopted a resolution drafted by Othmar KARAS (EPP-ED, Austria) approving the Commission proposal.?

## Value added tax (VAT): place of supply of services

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The Council examined a draft Directive aimed at changing the place of taxation ? from the place where the supplier is located to the place where the customer is located ? with regard to VAT payments for business-to-business services.

Discussion focused on two outstanding issues, namely the scope of provisions on the exchange of information and the conditions for entry into force of the Directive as well as of provisions relating to the long-term leasing of motor vehicles.

The Council requested the incoming Luxembourg Presidency to consult further on these two issues and to report back at a future meeting with a view to enabling it to reach an agreement.

## Value added tax (VAT): place of supply of services

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Supplies between taxable persons were addressed in an earlier proposal submitted by the Commission (Please see the summary of 23/12/2003.) Although the changes proposed applied to supplies to taxable persons only, the proposal nevertheless included a new set of rules to replace the existing rules on the place of supply of services. To bring about the second and final part of the reform of the rules on place of supply, covering services supplied by taxable persons to non-taxable customers, the proposal - which is yet to be adopted by the Council - would need to be amended.

General rule: currently, the general rule is taxation at the place where the supplier is established. In most cases, this rule leads to taxation at the place of actual consumption. While taxation at the place of consumption would best be achieved by taxing services at the place where they are actually used or enjoyed, experience shows that, in many cases, it is very difficult to determine where the service is used or enjoyed. Although this is possibly the most correct rule to apply in order to comply fully with the character of VAT as a consumption tax, it is not considered appropriate to use as a general rule, mainly because of the practical problems linked to determination of this place in cases where the service is used or enjoyed in different jurisdictions. This would also create an unnecessary administrative burden for the business. The proposal is to maintain the place of establishment of the supplier as the general rule.

Specific rules: Although in most cases the main rule does lead to taxation at the place of actual consumption, there are, nevertheless, a number of areas where specific rules are needed. These are areas where continuation with the existing rules would cause practical difficulties for businesses if the proposed treatment of B2B services were adopted without a corresponding change for B2C; or where the existing rules could be held to be inadequate or impractical; or where the current rules fail to comply with the principle of taxation at the place of consumption in an area of major financial importance. The Commission has identified the following cases where there must be exceptions to the general rule for both administrative and policy reasons:

- Immovable property: A first exception would need to be to maintain the current rule in respect of services relating to immovable property. As the Commission has already proposed, in the B2B proposal, to maintain this exception, covering supplies to both taxable and non-taxable persons, no further changes are necessary.

- Passenger transport: Passenger transport services are currently, as an exception, taxed in proportion to the distances covered. To apply this rule on an internal market without fiscal frontiers is impractical and difficult.

As it was very difficult to address the issue for taxable persons only, without taking into account services of this type to non-taxable persons, this problem was not tackled in the initial B2B proposal. Instead, it was left for a future proposal on B2C to deal with this question. The proposal examines the possibility of taxing passenger transport services, irrespective of the means used, at the place of departure. It concludes that it is better to retain the current rules until the Commission puts forward a proposal not only tackling the place of supply of passenger transport services but also eliminating the current distortions of competition between the different means of transport in terms of VAT rates and exemptions currently applied by Member States in this sector.

- Intra-Community transport of goods: The current rule is that the place of supply, in the case of intra-Community transport of goods services provided to persons not identified for VAT purposes, is the place of departure. Although this is recognised as quite burdensome for the traders involved, the preference is for maintaining this exception, to which operators are now used. The principal inconvenience of this rule is that it forces removal companies to fulfil all the VAT obligations in every Member State from where they start a removal. This problem could, however, largely be solved by applying the one-stop mechanism, which would allow these companies to centralise these obligations at one place.

- Restaurant and catering services: These services - which are tangible in nature and supplied for immediate consumption at a readily identifiable location - should, as an exception, be taxed where the service is physically carried out. While this is often the same as the place where the supplier is established, which is currently the determining factor when taxing such services, this is not always so, especially in the case of catering services. Where that is not the case, the rule that the place of supply is the place where the service is physically carried out better reflects the reality of where such services are, for all intents and purposes, consumed. It also ensures a level playing field between suppliers of such services. However, this rule will not apply to the supply of restaurant or catering services on board ships, aircraft or trains during a passenger transport service as it would be very difficult to determine where the service is physically carried out. Instead, such services should, in line with on-board supplies of goods, be taxed at the place of departure of the passenger transport service.

- Hiring of means of transport: Hiring of means of transport is deemed to have been supplied not at the place of use of the means of transport but at the place where the supplier has established his business. Since means of transport can easily cross frontiers, this rule does not properly ensure that VAT accrues to the Member State of consumption. To address this issue, it is necessary to regulate it separately. In the B2B proposal, this problem was tackled by moving the place of taxation, in the case of long-term leasing of means of transport, to the place where the customer is established under the general rule. For short-term hiring only, the place of supply under the B2B proposal would be the place where the supplier is established insofar as the means of transport is used in the same Member State. In practice this implies taxation at the place where the taxable customer takes possession of the means of transport, unless the supplier is established in another Member State. It would not be desirable to have a different set of rules for the hiring of means of transport, depending whether the customer is a taxable person or not. To be consistent, it would be logical to align the rules on B2C on the treatment proposed for B2B. It is therefore proposed to stipulate that the place of supply in the case of long-term leasing to non-taxable customers will be the place where the customer is established, has his permanent address or usually resides. For short-term hiring the place of supply would be the place where the means of transport is actually placed at the disposal of the non-taxable person. There is also a definition of long-term leasing.

- Exhibitions, fairs, cultural events, valuation of and work on tangible movable property: the current rule provides for taxation at the place where such services are physically provided. While the current rule should be left unchanged, it must be ensured that only services requiring some human presence are covered by this rule. Otherwise, suppliers of services which can be supplied without any human presence, notably training or

teaching provided at a distance, could relocate to Member States which apply more favourable VAT rates to such services, especially when they are supplied to customers with no right to deduct the input VAT. These services should, therefore, be taxed at the place where the customer is located, in the same way as other services which can be supplied remotely.

- Services which can be supplied at a distance: Electronically supplied services, telecommunication services and radio and television broadcasting services as well as distance teaching are often supplied to non-taxable persons at a distance. Financial services are also increasingly supplied in this way. When supplied to taxable persons, these services are taxed in the Member State of the customer, a rule retained in the new B2B proposal. When supplied to non-taxable persons, these services are taxed at the place where the supplier is established. For these types of services provided to non-taxable persons, the place of taxation should be changed from the place where the supplier is established to the place where the customer who receives the service is located. At this stage this exception should not, however, cover financial services, most of which are currently exempt. Instead, treatment of these services should be dealt with in the global proposal on the taxation of financial services. With this rule, the supplier would have to charge VAT in the Member States where his customers are established or domiciled, using the VAT rate applicable in each specific Member State. The Commission strongly believes that this proposal can only achieve the full scale of its simplification when accompanied by the one-stop mechanism. This rule would apply to all suppliers, irrespective whether they are established inside or outside the EU. In order to allow traders to continue to use the current rules determining the place of taxation of services supplied electronically to non-taxable customers, the Commission proposes that these rules enter into force on 1 July 2006 at the latest.

- Services provided by intermediaries: When intermediaries supply services to final consumers who are not identified for VAT purposes, these services are taxed at the place where the principal transaction to which they relate (supply of goods or services or intra-Community acquisition) is taxed. The Commission discusses the disadvantages and benefits of this rule and proposes to maintain the current place of supply of services by intermediaries to non-taxable customers.

- Suppliers and recipients established in a non-EU country: When services falling under the current Article 9(2)(e) are supplied to customers not established within the Community, the place of supply is currently situated outside the Community. This situation will be maintained.

- Anti-avoidance provision: Current rules enable Member States to override any of the rules applying to the place of supply if there is a need to avoid double taxation or non-taxation or to address distortion of competition. The scope of this rule is limited as it only covers supplies governed by Article 9(2)(e). However, the B2B proposal already envisaged extending this rule to all the provisions on place of supply, including both taxable and non-taxable persons. No further changes are, therefore, necessary.

- Exchange of information using the VAT Information Exchange System (VIES): In its original proposal, the Commission proposed introducing the obligation for taxable persons to include services in their recapitulative statements, thereby allowing the information to be exchanged between Member States using the VIES exchange of information with effect from 1 January 2008. This date is changed to 1 January 2006.

- Finally, a number of technical changes are necessary in order to clarify the wording of the provisions as well as the cross-references to Articles amended by this proposal.

## Value added tax (VAT): place of supply of services

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The committee adopted the report by Otmar KARAS (EPP-ED, AT) broadly approving - under the consultation procedure - the proposed directive on the place of supply of services. MEPs accepted the principle that VAT on services should be applied according to the place of establishment of the customer, as is already the case for VAT on goods, and proposed just a few minor amendments.

## Value added tax (VAT): place of supply of services

The Council held an exchange of views, on the basis of a package of measures proposed by the presidency, on three dossiers dealing with value-added tax arrangements for businesses:

- § a proposal for a directive on the place of supply of services as concerns VAT payments;
- § proposals for two directives and a regulation on simplification of cross-border VAT obligations and refund procedures for businesses;
- § prolongation of a directive on VAT arrangements for e-commerce.

It requested the permanent representatives committee to continue work on the package, taking account of the views expressed by delegations, so as to enable the Council to reach political agreement at its meeting on 7 June 2006.

The proposal on the place of supply is aimed at changing the place of taxation for VAT for services from the place where the supplier is located to the place where the customer is located. The proposals on simplification are aimed at providing for a "one-stop" scheme to simplify registration and declaration of VAT by businesses in member states where they have no base, as well as rules for refunds of VAT to such businesses and improved administrative cooperation as regards to VAT to prevent fraud.

As regards e-commerce, the Commission confirmed its intention to make a proposal to enable the renewal, by 1 July, of provisions of directive 2002/38/EC regarding the provision of broadcasting services and certain electronically supplied services from third countries.

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## Value added tax (VAT): place of supply of services

The European Parliament adopted a resolution drafted by Otmar KARAS (EPP-ED, AT) and approved the Commission's proposal with a few amendments. (Please see the summary of 25/04/2006.) Parliament stated that, in order to ensure the proper application of VAT on services that are subject to the reverse charge mechanism, the data collected by the Member State where the supplier is established should be communicated to the Member State where the recipient is established. Council Regulation 1798/2003/EC on administrative cooperation in the field of value added tax should provide for such communication and should be amended accordingly. The adoption of this Directive is closely linked to the necessary amendments of Regulation 1798/2003/EC, as well as to the effective modification of the VAT information exchange system (VIES) in order to include services in the exchange of information.

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## Value added tax (VAT): place of supply of services

The Council examined a package of measures aimed at simplifying value-added tax (VAT) arrangements for businesses. It adopted the following conclusions:

As a result of the substantial progress, the Council reached political agreement on the VAT package elements related to:

- the place of supply of services (one exception);
- the mini one-stop shop (CNS/2004/0261);
- the draft directive on refund (CNS/2005/0807);
- the administrative cooperation elements (CNS/2004/0262).

The Council recognises that, before the formal adoption of the full package, further discussion will be necessary on the change of the place of supply of services for B2C supplies for telecom, broadcasting, electronic and maritime services (Articles 56, 58 and 59a of the draft Directive on the place of supply of services), and invites the Portuguese Presidency to prepare final agreement on this issue.

The Council also invites the Portuguese Presidency, before the formal adoption of the full package, to find solutions that would improve control and cooperation measures engaging both the Member State of the supplier and the Member State of consumption (including, if appropriate, reporting obligation in the Member State of establishment as regards the amount of supplies of services to other Member States, electronic matching of these amounts with those declared in all relevant Member States of consumption), without undue increases in the compliance burden for economic operator or the administrative burden for the tax authorities.

The Council confirms its intention to formally adopt the VAT package before 31 December 2007 with the intention that the package would enter into force at the latest on 1 January 2010.

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## Value added tax (VAT): place of supply of services

PURPOSE: to amend the rules on the place of supply of services.

LEGISLATIVE ACT : Council Directive 2008/8/EC amending Directive 2006/112/EC as regards the place of supply of services

CONTENT: the Council adopted a package of measures on value-added tax (VAT), which includes a change in the rules on the place of supply of services in order to ensure that most types of services are taxed in the Member State of consumption.

At the same time, the package introduces the possibility for taxpayers who perform certain services to fulfil their EU-wide VAT reporting obligations in one single member state (using a "mini one stop shop") and thus reduce their compliance costs.

The package also provides for improved mechanisms for cooperation between member states in order to prevent tax avoidance under the new system. (Please refer to [CNS/2004/0261](#), [CNS/2005/0807](#) and [CNS/2004/0262](#))

The main features of the new rules are as follows:

1. for business-to-business services, taxation will be at the place where the customer is situated, and no longer at the place where the

service provider is established, as is currently the case;

2. for business-to-consumer services:

for most services, the place of taxation will continue to be that where the supplier is established, as at present; however, in certain circumstances, taxation of business-to-consumer services will be at the place of consumption in order to prevent distortions of competition between Member States operating different VAT rates. This category includes: restaurant services; the hiring of means of transport; cultural, sporting, scientific and educational services; and telecommunications, broadcasting and electronic services;

a "one-stop shop" system will be introduced for telecoms, broadcasting and electronic services in order to simplify arrangements made necessary by the new rules. The "one-stop shop" will enable service providers to fulfil in their home Member State a single set of obligations for VAT registrations, declarations and payments, covering services provided in Member States where they are not established. VAT revenue will then be transferred from the country where the supplier is located to that where the customer is situated, whose VAT rates and controls will be applicable;

for business-to-consumer supplies of telecoms, broadcasting and electronic services, application of the new rules and the one-stop shop scheme will be deferred to 1 January 2015. The Member State of establishment will, until 1 January 2019, retain a proportion of VAT receipts collected through the one stop shop scheme. This proportion will amount to 30% from 1 January 2015 until 31 December 2016, 15% from 1 January 2017 until 31 December 2018 and 0% from 1 January 2019 onwards.

Report: the Commission shall, by 31 December 2014, submit a report on the feasibility of applying efficiently the rule laid down in Article 5 for the supply of telecommunications services, radio and television broadcasting services and electronically supplied services to non-taxable persons and on the question whether that rule still corresponds to the general policy at that time concerning the place of supply of services.

ENTRY INTO FORCE: 20/02/2008.

## Value added tax (VAT): place of supply of services

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In accordance with the requirements of Council Directive 2008/8/EC, the Commission presents a report on the feasibility of supplying telecommunications services at the place of consumption.

To recall, Council Directive 2008/8/EC amending Directive 2006/112/EC as regards the place of supply of services recognised that the place of taxation for all supplies of services should, in principle, be the place where actual consumption takes place. The Directive provides that, as of 1 January 2015, all telecommunications, broadcasting and electronic services provided to a non-taxable person will be taxable at the place where the customer is established, has his/her permanent address or usually resides. This reflects the principle of taxation at the place of consumption.

The Commission is required to report on the feasibility of applying efficiently this rule and on the question whether that rule still corresponds to the general policy at that time concerning the place of supply of services.

The report focuses on the action taken to ensure the proper and efficient implementation of the new rules as of 1 January 2015.

It notes that telecommunications services supplied to non-taxable persons, EU and non-EU suppliers will have had to register for VAT purposes and comply with the relevant obligations of the Member State where the customer is established, has his/her permanent address or usually resides.

However, in order to relieve economic operators of the obligation to register for VAT purposes in every Member State in which they supply such services to non-taxable persons, the legislation provides that taxable persons can make use of a special scheme allowing them to be identified for VAT purposes in one Member State only instead of having to register in every Member State of consumption.

Mini one-stop shop (MOSS): the special scheme relies on an electronic interface (the MOSS), the development of which represents a crucial milestone but also a significant challenge that has required the Commission, Member States and business representatives to work in close cooperation. The timely implementation and efficient functioning of the system is of crucial importance for suppliers engaging in activities in Member States in which they are not established.

To achieve this objective, the Commission has taken action to help ensure that the electronic interface is developed in a uniform manner in all Member States. The report outlines the workshops organized under the Fiscalis 2013 programme as well as the guide to MOSS for stakeholders and the IT implementation of the MOSS.

Audit of the MOSS: EU legislation on the MOSS provides for controls and audits to be carried out by the Member State of consumption. Such audits may involve up to 27 different foreign administrations (in the case of EU companies, or 28 in the case of non-EU companies) auditing the same company without any coordination, leading to information requests in multiple languages. Not only could this place disproportionate administrative burden on the e-business industry, but it could also jeopardise the efficiency of the audits themselves. A Fiscalis Project Group report recommended that the Member State of identification, i.e. the Member State in which the business is established or which it has chosen as a main contact authority, will take on audit and control functions on behalf of the Member States of consumption.

However, although a very large majority of Member States strongly supported this work at a High Level Working Party in the Council, not all Member States have agreed to implement the recommendations.

Communication and awareness-raising: the Commission has also set up an EU web portal, the objective of which is to facilitate the activity of businesses operating in different Member States by providing them with a summary database, allowing them easily to obtain information on applicable compliance obligations in the EU and thereby to reduce compliance costs.

The Commission considers that it has taken the necessary action to ensure that there is a sound legal framework in place, together with practical and detailed guidance for businesses and Member States. It has also supported and monitored Member States efforts to prepare for the technical implementation of the electronic interface so as to allow proper functioning of the MOSS.

The report also confirms the consistency of the new rules with the general policy on the place of supply of services.

The Commission calls on Member States to:

- take all relevant actions to set up the necessary IT infrastructure in due time;
- fully implement the audit guidelines;
- refrain from the option provided for Member States in Article 221 of the VAT Directive to require an invoice on B2C supplies covered by the new place of supply rules, which can be burdensome for operators trading in different Member States.

Lastly, the Commission notes that many businesses fear that different VAT administrations will present them with tax demands for the same service, with no procedure or mechanism to resolve disputes between Member States. The Commission shares this concern as to the absence of such a procedure or mechanism. The current legislative framework provides no formal means of addressing such situations and the Commission has been given no power to solve double taxation issues.

The Commission considers it necessary that a mechanism to resolve double taxation situations be put in place at European level. Given the reluctance of Member States in the past to support such initiatives, it urges Member States to establish an easily accessible contact point and to communicate details to the Commission services so that a comprehensive list can be published on its website. This would be a first port of call in the search for solutions to cases of double taxation due to divergent assessments by national tax administrations.