



EUROPEAN PARLIAMENT

2009 - 2014

Plenary sitting

A7-0090/2014

4.2.2014

REPORT

on the proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return (COM(2013)0721 – C7-0394/2013 – 2013/0343(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Ivo Strejček

Symbols for procedures

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ■ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION	5
EXPLANATORY STATEMENT	10
PROCEDURE.....	12

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return
(COM(2013)0721 – C7-0394/2013 – 2013/0343(CNS))**

(Special legislative procedure – consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2013)0721),
 - having regard to Article 113 of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C7-0394/2013),
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A7-0090/2014),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a directive

Recital 1

Text proposed by the Commission

(1) Council Directive 2006/112/EC¹² requires taxable persons to submit VAT returns but allows flexibility for the Member States to determine the information needed. This gives rise to

Amendment

(1) Council Directive 2006/112/EC¹² requires taxable persons to submit VAT returns but allows flexibility for the Member States to determine the information needed. This gives rise to

disparate rules and procedures governing the submission of VAT returns in the Union, added complexity for businesses **and** VAT obligations that create obstacles to Union trade.

¹² Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1)..

disparate rules and procedures governing the submission of VAT returns in the Union, added complexity for businesses, ***unnecessary administrative burdens on Member State tax authorities and taxable persons, loopholes allowing VAT fraud,*** VAT obligations that create obstacles to Union trade, ***and unnecessary costs for both Member States tax authorities and taxable persons.***

¹² Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1)..

Amendment 2

Proposal for a directive Recital 2

Text proposed by the Commission

(2) To reduce burdens on business and improve the functioning of the internal market a standard VAT return should be introduced for all businesses trading in the Union. The use of standardised returns should facilitate the control of VAT returns by the Member States.

Amendment

(2) To reduce burdens on business and improve the functioning of the internal market a standard VAT return should be introduced for all businesses trading in the Union, ***and*** the use of standardised returns should facilitate ***both the collection and payment of VAT and*** the control of VAT returns by the Member States ***tax authorities. It should also contribute to helping businesses comply with VAT legislation, thus reducing the error rate, and ultimately contributing towards a reduction or even elimination of VAT fraud and the VAT gap.***

Amendment 3

Proposal for a directive Recital 3

Text proposed by the Commission

(3) It is necessary that administrative burdens are reduced to a minimum. The information required on the standard VAT return should therefore have a limited set of mandatory information. Moreover, as regards the standard VAT return and other returns, Member States should not be allowed to require other information than the one laid down in chapter 5 of Title XI of the Directive.

Amendment

(3) It is necessary that administrative burdens are reduced to a minimum. The information required on the standard VAT return should therefore have a limited set of mandatory information. Moreover, as regards the standard VAT return and other returns, Member States should not be allowed to require other information than the one laid down in chapter 5 of Title XI of the Directive. ***The standard VAT return will only fulfil its full potential if the Member States fully transpose this Directive, in a timely manner, into their national laws, regulations and administrative provisions, without deviating from its scope.***

Amendment 4

**Proposal for a directive
Recital 9 a (new)**

Text proposed by the Commission

Amendment

(9a) Member State tax authorities should provide their officials and taxable persons with online tutorials on the appropriate use of electronic filing to ensure that submission of the standard VAT return is conducted in an appropriate and secure manner.

Amendment 5

**Proposal for a directive
Recital 14 a (new)**

Text proposed by the Commission

Amendment

(14a) In order to further reduce burdens on business and improve the functioning of the internal market the information requirements in the standard VAT return should become unified in all Member States, and the Commission should, within five years of the date of entry into force of this Directive, evaluate the implementation of this Directive from that point of view and make proposals if appropriate.

Amendment 6

Proposal for a directive Article 2 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. By ...* [OJ please insert date: 5 years after the date of entry into force of this Directive], the Commission shall review the adequacy of this Directive with a view to further reducing burdens on business and improving the functioning of the internal market. The results of the review shall be communicated to the European Parliament and to the Council accompanied, where necessary, by appropriate legislative proposals.

Amendment 7

Proposal for a directive Article 3 – paragraph 1

Text proposed by the Commission

Amendment

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the

European Union.

European Union. *It shall be made available in consolidated form with the Directive which it amends within three months of its publication.*

EXPLANATORY STATEMENT

The European Union's Value Added Tax (VAT) is a general, broadly based consumption tax assessed on the value added of all commercial activities involving the production and distribution of goods and the provision of services, apart from few exemptions. The VAT does normally not apply to goods which are sold for export or services. However, it does apply to imports, so that EU producers can compete on equal footing in the internal market with suppliers of imported goods and services that are based outside of the Union.

The VAT is an indirect tax which is ultimately borne by the final consumer. It is charged as a percentage of the price paid by the buyer to the seller and collected through partial payments whereby each taxable person (both VAT-registered businesses and self-employed persons) deduct from the VAT they have collected the amount of tax they have paid to other taxable persons on purchases for their business activities. This mechanism ensures that the tax is neutral regardless of how many transactions are involved.

The VAT¹ has been recognised by the member countries of the Organisation for Economic Co-operation and Development (OECD) for its capacity to raise revenue in a transparent manner. According to the estimates of the European Commission (hereinafter 'the Commission'), VAT represents around 21% of national tax revenues in EU Member States, and taking into account that as much as 12% of VAT receipts remain uncollected each year, a more efficient VAT system is needed to appropriately prevent and eliminate the variety of VAT fraud.

By introducing the standard VAT return, the Commission estimates that it will be possible to reduce administrative burdens related to VAT collection by a maximum of EUR 15 billion per calendar year. This should be a more than welcomed relief for the expenditure side of EU Member States' public budgets, and so not only at times of crisis.

The Rapporteur appreciates the aim of the Commission's proposal to enhance the efficiency of VAT collection, while cutting red tape and reducing related costs for both Member States tax authorities and the taxable persons. The Rapporteur welcomes the objective to limit the information requirements to what is genuinely necessary for the control and collection of VAT. Thus, the proposal strikes a sensible balance and proportionality between the need to reduce burdens on business activity and remove obstacles to the proper functioning of the internal market.

The Rapporteur also concurs with the view that by allowing all businesses to provide to Member States' tax authorities where they operate as much as twenty six standardised pieces of information via a common, preferably electronic, VAT return format, filling of VAT returns is likely to save time to all actors involved, contribute to avoid, or to easily correct, mistakes, and thus increase the controlling capacity of tax authorities in the Union.

As a way to uphold the principle of subsidiarity, the Rapporteur considers sensible that Member States may require extra information for the control and administration of VAT for

¹ The VAT is also called Goods and Services Tax (GST).

specific regions, territories, or special regimes that are allowed exceptionally in VAT legislation (see the VAT Directive 2006/112/EC of 28 November 2006).

Finally, the Rapporteur has introduced three amendments to further clarify and supplement the Commission's proposal with a view to:

- 1) Underline that the introduction of a standard VAT return should cut unnecessary costs accruing to both Member States tax authorities and taxable persons from the disparate rules and procedures presently governing the submission of VAT returns in the Union;
- 2) Highlight that the use of standardised returns should facilitate both the collection and payment of VAT and the control of VAT returns by the Member States tax authorities with a view to eliminating VAT fraud, especially when it is related to cross-border business activities (e.g. carousel fraud¹).
- 3) Stress the need for Member States tax authorities to provide their officials and taxable persons with online tutorials on the appropriate use of electronic filing to ensure that submission of the standard VAT return is conducted in a due and secure manner.

For all the above-mentioned reasons, the Rapporteur recommends the Committee on Economic and Monetary Affairs of the European Parliament (ECON) to adopt the Commission proposal as amended.

¹ The carousel fraud, which is also known as 'missing trader intra-community fraud' (MTIC) is the theft of VAT from a Member State tax authority by organised crime who exploit the way VAT is treated within multi-jurisdictional trading where the movement of goods between jurisdictions is VAT-free.

PROCEDURE

Title	Amendment to Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return	
References	COM(2013)0721 – C7-0394/2013 – 2013/0343(CNS)	
Date of consulting Parliament	8.11.2013	
Committee responsible Date announced in plenary	ECON 18.11.2013	
Committee(s) asked for opinion(s) Date announced in plenary	ITRE 18.11.2013	JURI 18.11.2013
Not delivering opinions Date of decision	ITRE 27.11.2013	JURI 25.11.2013
Rapporteur(s) Date appointed	Ivo Strejček 8.10.2013	
Discussed in committee	5.12.2013	30.1.2014
Date adopted	30.1.2014	
Result of final vote	+: 39 –: 0 0: 1	
Members present for the final vote	Marino Baldini, Jean-Paul Basset, Sharon Bowles, Udo Bullmann, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Syed Kamall, Wolf Klinz, Werner Langen, Astrid Lulling, Ivana Maletić, Hans-Peter Martin, Arlene McCarthy, Marlene Mizzi, Sławomir Nitrás, Ivari Padar, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Peter Simon, Peter Skinner, Theodor Dumitru Stolojan, Ivo Strejček, Kay Swinburne, Sampo Terho, Marianne Thyssen, Pablo Zalba Bidegain	
Substitute(s) present for the final vote	Thijs Berman, Zdravka Bušić, Philippe De Backer, Herbert Dorfmann, Sari Essayah, Thomas Mann, Andreas Schwab, Catherine Stihler	
Date tabled	4.2.2014	