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Definitive VAT system and fighting VAT fraud

Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax

This briefing is one in a series of 'Implementation appraisals', produced by the European Parliamentary Research Service (EPRS), on the operation of existing EU legislation in practice. Each such briefing focuses on a specific EU law which is likely to be amended or reviewed, as foreseen in the European Commission's annual work programme. 'Implementation appraisals' aim at providing a succinct overview of publicly available material on the implementation, application and effectiveness to date of an EU law, drawing on input from EU institutions and bodies, as well as external organisations. 'Implementation appraisals' are provided by the EPRS Ex-Post Evaluation Unit, to assist parliamentary committees in their consideration of new European Commission proposals, once tabled.

Summary

Council Directive 2006/112/EC lays down the rules applicable to the common system of value added tax (VAT). Among other issues, the Council Directive establishes a temporary VAT system based on 'the origin principle', which requires that a VAT rate applicable to transactions is determined by the Member State of the seller's location. The temporary VAT system, established by the directive was supposed to be replaced by a definitive system. This however has not happened yet despite the latest VAT system having been set up approximately two decades ago. The temporary nature of the current VAT system brings several challenges, including the fact that it is more susceptible to VAT fraud.

The European Parliament has called on the European Commission to update Council Directive 2006/112/EC to establish a definitive VAT system. Similarly, the Council and the European Economic and Social Committee have recommended updating the legislation. Representatives of various stakeholder groups have also meanwhile voiced concerns regarding this piece of legislation. It is expected that the European Commission will submit a legislative proposal amending this directive in October 2017.

1. Background

The centrepiece of current VAT legislation is [Council Directive 2006/112/EC](#) of 28 November 2006 on the common system of value added tax (the VAT Directive), the main subject of this briefing.¹ Originally, the common criteria for VAT were included in [Sixth Council Directive 77/388/EEC](#) of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes. The VAT Directive codified the

¹ Other pieces of EU VAT legislation include: [Council Directive 2008/9/EC](#) laying down detailed rules for the refund of value added tax, [Thirteenth Council Directive 86/560/EEC](#) on the harmonization of the laws of the Member States relating to turnover taxes, [Council Directive 2009/132/EC](#) determining the scope of Article 143(b) and (c) of Directive 2006/112/EC as regards exemption from value added tax on the final importation of certain goods, [Council Directive 2007/74/EC](#) on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries and [Council Directive 2006/79/EC](#) on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries. There are also several implementing acts ensuring uniform application of the VAT Directive, such as Council Implementing Regulation (EU) No 282/2011 of 15 March 2011 laying down implementing measures [for Directive 2006/112/EC](#) on the common system of value added tax.

sixth Council Directive 77/388 with all its amendments into one document. Since its adoption the VAT Directive has been amended on 13 different occasions.²

The present EU legislation on value added tax (VAT) was designed 'over two decades ago with the aim of arriving at a definitive VAT system based on the origin principle'.³ The present VAT system was supposed to be transitional. According to Article 402 (1) of the VAT Directive, the arrangements provided for regarding 'the taxation of trade between Member States are transitional and shall be replaced by definitive arrangements based in principle on the taxation in the Member State of origin of the supply of goods or services'. Although the Commission has promised to tackle this issue on several occasions, no definitive VAT system has been introduced.⁴

VAT Directive 2006/112/EC establishes the common system of VAT and sets a framework for VAT rates. The directive enumerates activities subject to VAT, such as supply of goods and services, acquisition of goods, and importation of goods (Article 2).⁵ Furthermore, it defines a taxable person as a person who, independently, carries out in any place any economic activity, whatever the purpose or results of that activity (Article 9 (1)). The VAT Directive also sets out the VAT rates with a standard VAT rate of 15 % applicable to all taxable goods and services and allows Member States to apply a reduction to this rate.⁶ Annex III of the directive includes a list of supplies of goods and services to which the reduced VAT rates can be applied. In some cases, the directive also allows Member States to apply derogations or even exemptions to VAT.⁷ Furthermore, the directive sets out the obligations of taxable and certain non-taxable persons and various special schemes for VAT arrangements. Last, but not least, the VAT Directive (Article 398) also establishes a special advisory committee on value added tax ([the VAT Committee](#)) to promote uniform application, which has to be often consulted by Member States before they adopt exemptions or restrictions in their national legislation.⁸

The need to tackle the temporary nature of the VAT system was noted in the European Commission's 2016 [action plan on VAT](#).⁹ Among other things, the action plan set out immediate and urgent measures to tackle the VAT gap and adapt the VAT system to the digital economy.¹⁰ In December 2016, as a follow up to the action plan, the Commission submitted a package of initiatives to modernise VAT with regard to [cross-border e-commerce](#), [generalised reverse charge mechanism](#) and [VAT rates applied to books, newspapers and periodicals](#).¹¹ The Commission's action plan on VAT [includes](#) four key areas of action:

- to support e-commerce and small and medium-sized enterprises (SMEs),
- to tackle the VAT gap,
- towards a robust single European VAT area and
- on a modernised VAT rates policy.

² This briefing should be read together with M. Remáč, [Setting VAT rates](#), EPRS, European Parliament, September 2017.

³ The European Commission communication on an action plan on VAT ([COM\(2016\) 148 final](#)), p. 11.

⁴ For example, the European Commission communication on the future of VAT ([COM\(2011\) 851 final](#)), p. 16.

⁵ The directive provides specific explanations for each of these taxable transactions (Articles 14 to 30).

⁶ Regarding VAT rates, see M. Remáč, [Setting VAT rates](#), EPRS, European Parliament, September 2017.

⁷ The directive allows for various exemptions from VAT, for example, for activities in the public interest, such as education or hospital and medical care, but also most financial and insurance services are exempted from VAT. See, Title IX of the VAT Directive.

⁸ See, for example, Articles 155, 177 or 281 of the directive. Documentation from the VAT committee and a list of consultations are published on the European Commission [website](#).

⁹ COM(2016) 148.

¹⁰ VAT gap is the difference between expected VAT revenues and VAT actually collected. The Commission [web page](#) on this issue provides estimates of the VAT gap in individual Member States in 2014.

¹¹ See European Parliament procedure files [2016/0149\(COD\)](#) with regard to cross-border parcel delivery services, [2016/0406\(CNS\)](#) on generalised reverse charge mechanism and [2016/0374\(CNS\)](#) on VAT rates applied to books, newspapers and periodicals.

2. EU-level reports, evaluations and studies

European Commission [inception impact assessment](#) on more efficient VAT treatment of cross-border business-to-business (B2B) supplies of goods and a simpler, fraud-proof definitive VAT system (December 2016)

This inception impact assessment¹² noted that the current transitional VAT arrangements lead to 'a complex and fragmented VAT system'.¹³ This complexity led to (1) high compliance costs for companies trading across the borders, (2) increased red tape for companies, (3) a significant level of VAT cross-border fraud and (4) obstacles hampering the single market.

With regard to the heavy administrative burden and high compliance costs, the inception impact assessment confirmed that the compliance costs linked with cross-border VAT obligations are approximately 11 % higher than the domestic VAT compliance costs. The inception impact assessment also confirmed the major revenue loss for Member States owing to high levels of VAT fraud. It was estimated that the VAT gap was approximately €170 billion annually, including a revenue loss of €50 billion annually for cross-border fraud.¹⁴ The document also noted that the current legal provisions were inadequate when it came to addressing obstacles to the proper functioning of the single market and that, because of these provisions, businesses might unknowingly be involved in 'a fraudulent supply chain'.

The general objective of the upcoming proposal would aim to implement the destination principle, to simplify the rules for intra-EU B2B transactions, to reduce burdens and costs for cross-border intra-EU business and to reduce the level of VAT fraud.

European Commission [communication](#) on an action plan on VAT (April 2016)

In its action plan on VAT the European Commission 'set out the progressive steps required toward a single EU VAT area'.¹⁵ According to the Commission, the common VAT system was an important source of revenue in the EU; in 2014 it corresponded to 7 % of EU GDP.¹⁶ Because of that, the Commission underlined the need to reboot and modernise the system and to bring it up to date with the challenges of today's economy.

Such a reform should increase the simplicity and efficiency of the VAT system, including exploiting the opportunities provided by digital technology, decreasing compliance costs for cross-border trade and being friendlier to SMEs. Furthermore, it should strengthen the fight against VAT fraud and improve trust between business and tax administrations, and between EU tax administrations.¹⁷ In this regard, the Commission planned to present legislative proposals on a definitive VAT system, on VAT rates, and on a VAT package for SMEs. According to the action plan, a definitive VAT system needed to rest upon 'the agreement of EU legislators that the VAT system should be based on the principle of taxation in the country of destination of the goods'.¹⁸ These changes should, according to the Commission, reduce cross-border VAT fraud by €40 billion per year.¹⁹

In order to tackle the VAT gap, the action plan called for several measures, including improvement of administrative cooperation within EU and with non-EU countries, improvement of voluntary compliance with and performance of European tax administration and a change of approach to tax collection. According to the Commission, the transitional nature of the VAT system was one of the reasons for VAT

¹² The [Better Regulation Guidelines](#) (SWD(2015) 111 final) describe an 'inception impact assessment' as a roadmap for initiatives subject to an impact assessment. It sets out in greater detail the description of the problem, issues relating to subsidiarity, policy objectives and options, and the likely impacts of each option.

¹³ Inception Impact Assessment (2016), p. 2.

¹⁴ *ibid.*

¹⁵ The European Commission communication on an action plan on VAT ([COM\(2016\) 148 final](#)), p. 4.

¹⁶ *ibid.*, p. 3.

¹⁷ *ibid.*

¹⁸ *ibid.*, p. 4.

¹⁹ *ibid.*

fraud. The Commission noted that the system lacked controls and was therefore open to cross-border fraud.²⁰ Furthermore, it noted that it was necessary to tackle 'missing trader intra-Community' fraud. In this context the Commission identified two necessary legislative steps. The first step required the re-establishment of the principle of taxation of cross-border supplies and an extension of the one-stop shop²¹ to cross-border B2B supplies of goods. In the second step, taxation should cover all cross-border supplies, so that all supplies would be treated in the same way.²²

European Commission study '[Implementing the 'destination principle' to intra-EU B2B supplies of goods](#)' (June 2015)

This study researched the VAT system and the application of the origin principle.²³ It identified two fundamental issues with the current VAT system: (1) the existence of additional obligations and costs linked with compliance with the VAT rules for businesses engaging in cross-border (intra-EU) trade and (2) a high level of VAT fraud within the EU. With regard to the existence of VAT fraud, the study estimated that 'missing trader intra-Community' fraud²⁴ alone is responsible for a loss of approximately €45 billion to €53 billion annually.²⁵ The study in this regard noted that this VAT fraud occurred on a substantial scale across the EU.²⁶ The study assessed five policy options selected by European Commission services: (1) limited improvement of current rules, (2) taxation following the flow of the goods, (3) a reversed charge following the flow of the goods, (4) alignment with the place of supply of services and (5) taxation following the contractual flow.

After assessing these policy options, the study made several conclusions with regard to the impact of these options on VAT fraud. It concluded that the option 2 and 5 can likely reduce the level of a missing trader intra-Community fraud and by that significantly increase revenues of Member States. The study estimated that these options will annually generate approximately EUR 41 billion that would have been lost to the VAT fraud. The other researched option did not include such positive anti-VAT fraud measures that were unlikely to reduce the level of the missing trader intra-Community fraud or they even increased a chance of this fraud to occur (option 4).²⁷

European Commission [staff working document on the implementation of the definitive VAT regime for intra-EU trade](#) (2014)

In this document, the Commission commented on developments since its communication on the future of the VAT (2011) and noted that that 'doing business across the EU must be as simple and as secure as engaging in purely domestic activities'.²⁸ It noted the need to move to a definitive VAT regime that would reduce compliance costs and administrative burdens but reflect the newest developments and challenges, including the VAT gap. Two main issues were meant to be addressed; the definition of the place of taxation and the person liable for payment of the VAT.²⁹ In this regard, five main options were outlined: (1) taxation of intra-EU supplies where the goods are delivered, (2) taxation of intra-EU supplies where the goods are delivered, (3) a reverse charge to where the customer is established, (4) a reverse charge to where the goods are delivered and (5) status quo with some simplification of the procedures.³⁰

²⁰ *ibid.*, p. 9.

²¹ The one-stop shop is an optional scheme allowing 'taxable persons supplying telecommunication services, television and radio broadcasting services to non-taxable persons in Member States in which they do not have an establishment to account for the VAT due on those supplies via a web-portal in the Member State in which they are identified'. European Commission, [Practical guide to the VAT mini One Stop Shop](#) (2013), p. 2.

²² *ibid.*, p. 10.

²³ The study was outsourced by the European Commission and carried out by Ernst & Young LLP in 2015.

²⁴ 'Missing trader intra-community' fraud is sale of the goods by a fraudulent business without paying VAT. This type of fraud is also called a 'carousel fraud'. For a broader explanation of the term see, footnote 2 of the study, p. 13.

²⁵ European Commission, [Implementing the 'destination principle' to intra-EU B2B supplies of goods](#), June 2015, p. 17.

²⁶ *ibid.*

²⁷ *ibid.*, pp. 126-127 and p. 128.

²⁸ SWD(2014) 338 final, p. 3.

²⁹ *ibid.*, p. 4.

³⁰ *ibid.*, pp. 4-5.

European Commission [communication](#) on the future of VAT (December 2011)

The Commission's communication intended to set out the fundamental features of a future VAT system and it provided a list of priority areas for further action.³¹ The Commission discovered that the 'origin principle' was not achievable in the foreseeable future and that it should be abandoned,³² which would allow substantial changes to be made to the VAT system.

VAT reform should lead to a simpler, more efficient and robust and fraud-proof VAT system. With regard to a simpler VAT system, the communication noted the need to introduce a one-stop shop concept for VAT. It also acknowledged the need to provide businesses with more accessible and better information on VAT regimes at EU level, to improve VAT governance at EU level and to standardise VAT obligations. Regarding a more efficient VAT system, the communication promised to broaden the tax base and to review the VAT rate structure. With a view to a robust and fraud-proof VAT system, the communication intended to establish a quick reaction mechanism to deal with 'sudden fraud', to combat VAT fraud and to review ways of collecting VAT.³³

According to this communication, the Commission intended to table a legislative proposal laying down the definitive regime as early as in 2014.

3. European Parliament position / MEPs' questions

3.1 Resolutions of the European Parliament

European Parliament [resolution](#) of 24 November 2016 on towards a definitive VAT system and fighting VAT fraud

Parliament welcomed the Commission's intention to submit proposals in 2017 that would establish a definitive VAT system that was 'simple, fair, robust, efficient and less susceptible to fraud' (point 1).³⁴ Parliament noted the efforts made by Member States to agree on a definitive VAT system (point 7). Parliament further called for fundamental reform and improvement of the existing VAT system, including the European problem of VAT collection (point 5). It highlighted the need to adopt a coordinated tax policy and to improve the Member States' speed and frequency of exchange of information on intra-Community trade in order to reduce the VAT gap (point 11). Parliament explained that it was in favour of the destination principle in the case of distance sales to individuals and called for the introduction of harmonised measures for small businesses (point 23). Furthermore, it called for the incorporation of the latest technical developments into existing tax models (point 24). With regard to VAT fraud, Parliament called on the Commission to study the consequences of the reverse charge mechanism and its impact on VAT fraud (point 37). It also called on the Commission to submit proposals for enhanced administrative cooperation between Member States to combat VAT fraud (point 55). The Commission and Member States were called upon lastly to strengthen their actions with regard to VAT fraud.

It appears that the Commission's follow-up document to this resolution has not yet been published.

European Parliament [resolution](#) of 17 November 2011 on the modernisation of VAT legislation in order to boost the digital single market

Parliament pointed out that with regard to the VAT rules the EU should develop 'solutions tailored to its own needs'.³⁵ In order to develop a genuine single market, according to Parliament, Member States should be allowed to apply a reduced VAT rate to electronically supplied services with cultural content (point 4). With regard to crafting a new VAT system, Parliament noted a need for the EU to be ambitious. In Parliament's opinion this had to 'go beyond merely remedying the inconsistencies of the current legal framework' (point 3). Parliament furthermore considered that a review of VAT legislation allowing Member

³¹ COM(2011) 851 final, pp. 4-5.

³² *ibid.*, p. 5.

³³ Various European Commission communications on the VAT Directive adopted between 2008 and 2011 can be accessed via the Commission's [website](#).

³⁴ P8_TA(2016)0453.

³⁵ P7_TA(2011)0513.

States more flexible application of reduced VAT rates should comply with principles laid down in [Council Directive 2008/8/CE](#) on the place of supply of services (point 8). Parliament also stressed that any review of the VAT system should simplify it (point 8).

The Commission's follow-up document to this resolution does not seem to have been published yet.

3.2 Written questions by MEPs

Members have addressed several written and oral questions to the European Commission in which they have asked for answers or explanations with regard to various VAT system and VAT fraud-related issues. Examples of Members' questions on the subject from the latest parliamentary term are provided below.

[Written question by Andrey Kovatchev \(EPP, Bulgaria\)](#), 8 June 2017

The Member asked the European Commission about the steps it had taken to prevent and combat missing trader intra-Community fraud (carousel fraud) with a view to monitoring and evaluating it more effectively. He also asked about the procedure followed by the Commission when Member States reported cases of VAT fraud.

[Answer given by Pierre Moscovici on behalf of the Commission](#), 4 August 2017

The Commissioner noted that by the end of 2017, the Commission intended to submit a legislative proposal that would deal with missing trader intra-Community fraud in the long term. He stated that the Commission was also examining possible ways to reinforce administrative cooperation between Member States in order to detect cross-border VAT fraud efficiently. This too would be the subject of a legislative proposal. Finally, the Commissioner noted that the Commission regularly collected statistics and information on the intensity of information exchange on VAT rates between Member States.

[Written question by Julia Pitera \(EPP, Poland\)](#), 18 November 2016

The Member asked the Commission to provide her with statistics on intra-Community fraud cases of a total value higher than €10 000, €1 million and €10 million reported over the last ten years.

[Answer given by Günter Oettinger on behalf of the Commission](#), 16 January 2017

The Commissioner stated that the Commission did not have the information requested. He noted that Member States did not report suspicious VAT fraud cases systematically, either to the Commission or to the European Anti-Fraud Office (OLAF). Nonetheless, the Commissioner estimated that intra-Community VAT fraud was the cause of around €50 billion per year in lost revenue for Member States.³⁶

4. Council and European Council

The Council of the European Union ('Council') and the European Council have addressed the issue of VAT rates in their conclusions on several occasions. For instance, in its 2012 [conclusions on the future of VAT](#) the Council supported a simpler, more efficient and neutral, robust and fraud-proof EU VAT system (letter A). The Council noted that reform of the EU VAT system should be aimed at 'making it more effective and efficient, removing unjustified exemptions and broadening the tax base, in order to contribute to fiscal consolidation and growth' (letter A). The Council agreed that the origin principle remained unlikely to be politically achievable (letter B4). In this regard it invited the Commission 'to examine in detail the different possible ways to implement the destination principle'. In its 2016 [conclusions on the VAT action plan and on VAT fraud](#), the Council, among other things, agreed that the EU's VAT system needed to be modernised and improved. It called for robust legal rules that would hamper VAT fraud (point 1). The Council also underlined the need to improve the exchange of information so as to help the fight against VAT fraud. In this regard the Commission was called on to propose 'ways of addressing legal obstacles and practical limitations that might exist in the EU and in the Member States' (point 5). Furthermore, the Council recognised the differences between the Member States regarding exposure to VAT fraud (point 10). With

³⁶ Members have asked additional questions with regard to the VAT fraud, for example, [E-002245-16](#), [E-000426-16](#), [E-000145-16](#), [E-014169-15](#), and [E-003656-17](#).

regard to the definitive VAT system for cross-border trade, the Council noted that the origin principle should be replaced by the destination principle (point 24). It also underlined the need to continue to work in order to pave the way 'for the political choice to be made with regard to the definitive VAT system' (point 26).

On a related point, its [October 2013 conclusions](#) the European Council noted that work to tackle tax evasion, tax fraud, aggressive tax planning, tax-base erosion and profit shifting was important for the digital economy. In this regard, the European Council welcomed the Commission's initiative to set up an expert group on taxation of the digital economy (point 4).

5. European Court of Auditors

In 2015 the European Court of Auditors (ECA) published a [special report](#) (24/2015) on tackling intra-Community VAT fraud. The special report noted that the existing VAT system created 'a risk that these goods and services remain untaxed in both the supplying state and in the state of consumption'.³⁷ The ECA also noted that the uncollected VAT had an impact on Member States and the EU alike.

The special report addressed the issue of the EU's action to tackle VAT fraud effectively. In this regard it found that 'the EU system is not sufficiently effective and that is adversely affected by the lack of comparable data and indicators on intra-Community VAT fraud at EU level'.³⁸ In this context, the ECA found that some of the EU's tools for combatting VAT fraud do not work properly. The Court found no effective cross-checks between the customs and tax data. Furthermore it found ineffective administrative cooperation and VAT information sharing between Member States. It also noted a lack of cooperation between national (administrative, judicial and law enforcement) authorities.³⁹

The Court addressed several recommendations to the Commission and Member States including one to adopt legislative amendments enabling effective cross-checks between customs and VAT data.⁴⁰ Parliament and the Council were called on to include VAT in the scope of the directive on the fight against fraud and to grant OLAF clear competences with regard to VAT fraud investigations.⁴¹

6. European Economic and Social Committee and Committee of the Regions

The European Economic and Social Committee has also expressed its opinions and recommendations with regard to the definitive VAT system. More detail of the Committee's opinions and recommendations relevant to this particular area are noted in the parallel briefing on 'Setting VAT rates'.⁴²

7. European Commission public consultation

Between 20 December 2016 and 20 March 2017, the Commission carried out a [public consultation](#) on a definitive VAT system for Business to Business (B2B) intra-EU transactions on goods. The [summary report](#) on the definitive VAT system (June 2017) noted that only fully harmonised legislation could solve the complexity of the system.⁴³ The responses received were not numerous (121) and the majority were sent by businesses and business organisations. Respondents called for improvements in clarity and legal certainty. The vast majority of the respondents (89 %) argued that there were additional compliance costs with the application of VAT rules to intra-EU supplies of goods. The majority of the respondents (74 %)

³⁷ Special report (24/2015), p. 9.

³⁸ *ibid.*

³⁹ *ibid.*, p. 52.

⁴⁰ *ibid.*, p. 41.

⁴¹ *ibid.*, p. 44.

⁴² See M. Remáč, [Setting VAT rates](#), EPRS, September 2017.

⁴³ Summary report, p. 9.

agreed that the current system was not resistant to VAT fraud.⁴⁴ Furthermore, 67 % of respondents agreed that 'in the definitive VAT system there should be only one taxed transaction' – intra-EU supply of goods.⁴⁵ Finally, the half of the respondents agreed that taxation of B2B intra-EU supplies of goods would help in fighting VAT fraud.⁴⁶

8. Stakeholders' comments

Various stakeholders have provided comments on the current VAT system. More detailed opinions and recommendations regarding this particular topic were noted in the parallel briefing on 'Setting VAT rates'.⁴⁷

9. Other sources of reference

Dražen, R., [Indirect taxation](#), Policy Department for Economic and Scientific Policy, European Parliament, June 2017.

Katsarova, I., [E-Books: Evolving markets and new challenges](#), EPRS, European Parliament, February 2016.

Remeur, C., [Reduced VAT rate for e-publications](#), EPRS, European Parliament, May 2017.

Remeur, C., [The same VAT rate for print and e-publications](#), EPRS, European Parliament, May 2017.

Table: Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax

EP committee responsible at the time of adoption of the EU legislation: Committee on Economic and Monetary Affairs (ECON)
Date of adoption of original legislation in plenary: 20 June 2006
Deadline for transposition of legislation: 1 January 2008 (Article 412 (1), Council Directive 2006/112/EC)
Planned date for review of legislation: According to Article 404 of the directive, the European Commission is obliged to present a report to the European Parliament and the Council on the operation of the common system of VAT in the Member States, in particular on the operation of the transitional arrangements for taxing trade between Member States. These reports should be submitted every four years. If possible, they should be accompanied by proposals for the definitive arrangements. ⁴⁸
Timeline for new amending legislation: The REFIT proposal on a definitive VAT system is listed in Annex 1 to the 2017 Commission work programme . The European Commission intends to submit its proposal in October 2017. ⁴⁹

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⁴⁴ *ibid.*, p. 5.

⁴⁵ *ibid.*, p. 6.

⁴⁶ *ibid.*, p. 6.

⁴⁷ See, M. Remáč, [Setting VAT rates](#), EPRS, September 2017.

⁴⁸ It seems that no such report was submitted to the European Parliament.

⁴⁹ The Commission's list of possible items for College agendas of 19 September 2017 ([SEC\(2017\) 393 final](#)) notes that the Fair Taxation Package, including proposals for a Council Directive on the definitive VAT system for cross-border trade within the single market, should be presented on 3 October 2017.