Question for written answer E-003320/2011
to the Commission
Rule 117
Viktor Uspaskich (ALDE)

Subject: Application of the reverse charge mechanism for VAT

On 10 February 2010, Parliament approved the Council Directive amending Directive 2006/112/EC as regards an optional and temporary application of the reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud.

Although the VAT reverse charge mechanism is basically a positive measure, I see a problem with it. For example: A sells to B, B sells to C and C then sells to the end consumer or to a person who is not registered for VAT. A and B do not pay VAT because they are not the end sellers. Only C, who sells the finished product to the consumer, pays VAT. In fact B does not pay VAT at any time, despite the fact that his main activity consists in buying at a lower price and deriving added value through reselling.

Does the Commission not think that it would be wise to propose a scheme whereby B pays the Treasury VAT on the price difference?

The scheme is beneficial in all aspects save one: no one is going to request reimbursement of VAT from the Treasury but if C is dishonest, then he will quite simply not pay the VAT due as the end seller. This being so, applying the VAT reverse charge mechanism will mean that the balance will not be negative because no one will request reimbursement of VAT and, in my view, this scheme will be just as easy to run insofar as the price difference will come to light during tax inspections.