

EN
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Answer given by Mr Gentiloni
on behalf of the European Commission
(24.11.2021)

Value Added Tax (VAT) is one of the most important sources of revenue for Member States, accounting for, on average, approximately 7% of their gross domestic production. By its very nature, the burden (and therefore the risk) of the collection of the VAT is spread across the supply chain, with each actor accounting for a fraction of the VAT as a whole. This is in contrast to a turnover tax, which places the burden of the collection of the tax at the end of the supply chain, which in turn makes such a system vulnerable to fraud and other commercial pressures, such as insolvencies.

The Action Plan for a fair and simple taxation¹ published last year provides the plans for the Commission to mitigate the risks of fraud over the coming years. These measures include improvements to the information exchanged between Member States and their enhanced cooperation within the Eurofisc network². Within the Action Plan is the VAT in the Digital Age Initiative, wherein the Commission is looking at ways of using technology to improve the fight against VAT fraud, part of a wider drive to ensure that the VAT rules are adapted to doing business in the digital age. The Commission continues to work closely with Member States to mitigate risks of fraud in the VAT system through a variety of measures, including, where appropriate, the use of targeted reverse charges.

The Commission is not considering moves that would abolish VAT and introduce a ‘turnover tax’.

¹ https://ec.europa.eu/taxation_customs/system/files/2020-07/2020_tax_package_tax_action_plan_en.pdf

² https://ec.europa.eu/taxation_customs/vat-and-administrative-cooperation_en