

**Question for written answer P-008468/2015
to the Commission**
Rule 130
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Subject: VAT taxation of expenditure made in EU-funded projects

Directive 2006/112 on the common system on the value added tax establishes the main provisions that govern the application of VAT in the European Union. The legislative act provides a number of derogations/exemptions/transitional periods, which, among other things, state that the person liable for payment of VAT is the taxable person to whom some supplies are made (reverse taxation). Other derogations are also permitted in certain circumstances as provided for by Article 395 of the directive.

The general rule applied in VAT taxation raises certain issues, especially as regards the use of structural funds. Article 37(11) of Regulation (EU) No 1303/2013 states that VAT shall not constitute eligible expenditure of an operation.

As a result, several beneficiaries of EU funds find themselves in a difficult situation owing to the fact that they have to provisionally cover the costs of VAT. This leads to difficulties in implementing projects and in some countries a low absorption rate of EU funds.

Has the Commission analysed the possibility of introducing a reverse charge mechanism for expenditure made with EU funds?

Would that be a feasible and legally implementable measure in order to enhance EU fund absorption?

What would be the main advantages and shortcomings of such a provision?