
More EU firms to enjoy simpler, cheaper, more effective VAT payment system

Wider use of an online portal for firms to pay their VAT could slash compliance costs by 95%, and deliver billions more in revenue for Member States.

The proposal is part of a package of measures aimed at streamlining the existing VAT system for firms using the internet to sell their goods across Europe. On Tuesday, the Economic and Monetary Affairs Committee gave its backing by 47 votes, to 1 votes, with 6 abstentions to the expanded use of an online portal currently used to calculate and collect the tax on e-goods and services.

“This much-needed update to VAT rules for e-commerce is crucial to keep pace with the advance of new technology and the rise of the digital economy. It will reduce compliance costs, boost trade, and also facilitate access to the European market for small businesses,” said rapporteur, Catalin Ivan (RO, S&D).

The VAT one-stop-shop

The proposal is to extend the “mini One-Stop-Shop” (MOSS) -- an electronic registration and payment system which was introduced in 2015 for firms operating in the field of telecommunications, broadcasting and electronic services. If the reforms are given the go-ahead the portal would also embrace cross-border sales of tangible goods and non-electronic services.

The extended MOSS would allow business -- both within and outside the Union -- which supply goods and services across Europe, to register, declare and pay VAT in a single Member State on all their sales within the EU.

The European Commission says that businesses currently operating outside of MOSS have to pay an average of € 8,000 a year for each Member State they supply to. An extension of the MOSS could reduce regulatory costs for businesses by €2.3 billion, while Member States could see their VAT receipts rise by more than €7 billion annually, suggests the Commission.

Improving the collection and distribution of VAT

The Economics and Monetary Affairs Committee gave its backing by 53 votes to 1 vote, with no abstentions, to a separate measure aimed at improving coordination between tax authorities on information about taxable persons. Under one provision the Member State responsible for identifying any VAT due, would be paid a fee of 5% of the money collected from the Member State of consumption, to compensate for the costs linked to the collection and control of VAT.

"This is another step towards a modern tax system fit for the 21st century. The result will be the prevention of fraud and the collection of more VAT, more efficiently," said rapporteur Ludek Niedemyer (CZ, EPP).

The proposals will now be put to a vote of the whole plenary later this year.

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