



FEE Future of VAT Roundtable, 21 October 2015, Brussels

“Destination one stop shop? The potential impact of changing the VAT place of supply rules”

SUMMARY

Disclaimer: This note aims to summarise the discussions held during the roundtable, which do not necessarily reflect FEE's views.

On 21 October 2015 FEE organised the 2nd roundtable of its series dedicated to VAT legislation in Europe, titled “**Destination: One Stop Shop? The potential impact of changing the VAT place of supply rules**”. It brought together approximately 70 representatives from the policy-making and business communities. The purpose of the Roundtable was to share experiences on the use of the VAT Mini One Stop Shop (MOSS) and to exchange views on potential VAT solutions for the future. The speakers presented their experiences with regard to changes in the place of supply rules for digital services and identified future steps towards more coherent VAT rules for the single market.

FEE CEO **Olivier Boutellis-Taft** welcomed the attendees and speakers, whilst **Paul Gisby** set the scene for the discussion. Mr. Gisby referred to the key changes in VAT legislation that took place earlier this year, and underlined the importance of tackling VAT fraud. He invited speakers to discuss today's progress with VAT, and to consider improvements for the future.

“Examining the options”

Ms Audrey Fearing, Partner Indirect Tax at EY, presented the results of the EY report regarding the options available for changing the place of supply. In December 2011, the European Commission in its “Communication on the Future of VAT” concluded that there was no longer sufficient political support for maintaining the place of origin system of taxation. As a result, the Commission came down with 5 possible options on the future of VAT. EY was asked by the Commission to assess these five options. Overall, the possible options were:

- **Option 1: Limited improvement of the current rules**
- **Option 2: Taxation following the Flow of the Goods**
- **Option 3: Reverse Charge following the Flow of the Goods**
- **Option 4: Reverse Charge Where Customer is Established**
- **Option 5: Taxation following the Contractual Flow**

Ms Fearing presented the assessment criteria used to assess these options and clarified that EY was asked not to suggest any of the options as the preferred way forward. She concluded that options 2 and 5 have the potential to decrease VAT fraud and bring in a higher positive impact to the European economy. However, Ms Fearing also stressed the need to undertake specific solutions for SMEs, which might face higher compliance costs. A proposal by the Commission is, in all likelihood, expected in 2016.

“Lessons learned from the VAT Mini One Stop Shop (MOSS) examining the options”

Ralph Korf, VAT Expert and Chair of the FEE VAT Taskforce opened the discussion and invited the panelists to share their experiences with VAT Mini One Stop Shop (MOSS).

All speakers recognized the success of MOSS based on their experience as well as from a technological point of view. The main difficulties identified were related to different national time-frames and frameworks for refunds, audits and penalty regimes. The very long and different periods required from Member States to store documents was also brought up as one of the “problematic” aspects of MOSS.

The speakers also raised the need for further coordination among the Member States. Member States seem to apply the legal terms differently. The lack of legal effects of the Commission’s guidelines was mentioned as one of the possible reasons for this. The majority of the speakers also stressed the need to look into “thresholds” to exempt very small businesses from the requirements of the MOSS.

Finally, the speakers referred to the lack of precise information on the VAT system applied to the customer’s Member State. Further enhancement of the Commission’s web portal as a central hub of information was proposed as a way to address these limitations.

“Solutions for the Future”

In the panel “Solutions for the Future” Mr. Korf asked the speakers to elaborate on possible future ways forward and on improvements for the EU VAT landscape.

Particular measures for SMEs were called for and, especially, for micro-entities. According to some of the speakers, evidence has shown that several SMEs have stopped providing cross-border digital services because of VAT compliance costs.

The European Commission referred to the need to fight VAT fraud and also to address problems when it comes to distorted competition by third country providers. The Commission also stressed the coordination of VAT policy with the Digital Single Market initiative. Four main reforms are expected to be prioritised in due course:

1. Extend MOSS to distance sales in and out of the EU
2. Remove existing thresholds so that the destination principle is applied consistently in the EU
3. Propose a threshold for micro businesses.
4. Improve MOSS - for example, by reducing the 10 year period for storing documents and applying home country rules instead of harmonisation were brought up as possible improvements.

Speakers of this panel stressed the need for further coordination at global level and added that the ultimate purpose should be to facilitate commerce and transactions globally. The role of the accountants was also referred to. In particular, accountants have the benefit of interacting both with business and the policy makers, and can consequently work as intermediaries particularly when it comes to the implementation of new legislation.

Mr. Korf closed the roundtable and thanked the attendees for their participation. He recognized the efforts made by the Commission and added that most of the hurdles lie at Member State level. He also pointed out that micro-entities should be better represented amongst the SMEs. Mr. Korf concluded by calling for further cooperation and coordination across Europe as well as on a global level.