



Mr Donato Raponi
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Dear Mr Raponi,

Re: FEE's additional comments on the European Commission's Communication on the future of VAT

Further to the conclusions of the Council of the European Union on the future of VAT on 15 May 2012¹, FEE² (the Federation of European Accountants) is pleased to provide you with its additional comments on the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the future of VAT – Towards a simpler, more robust and efficient VAT system tailored to the single market. FEE's ID number on the European Commission's Register of Interest Representatives is 4713568401-18.

FEE commends the Council's support to the objective to create a simpler, more efficient, neutral, robust and fraud-proof VAT system in the EU.

As mentioned in the FEE response to the European Commission's Green Paper on the future of VAT³, the debate on the EU VAT system is timely and urgently needed. The EU VAT system is often seen as harmonised, however, in practice differences and inconsistencies in implementation and interpretation undermine the neutrality, transparency and efficiency of the EU VAT system.

Therefore, FEE generally supports many of the suggested priority actions in the European Commission's Communication as they set out the fundamental characteristics that must underlie the future EU VAT regime.

¹ See http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/130257.pdf

² FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 45 professional institutes of accountants and auditors from 33 European countries, including all of the 27 EU Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 700.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

³ Dated 10 June 2011, see http://www.fee.be/publications/default.asp?content_ref=1401&library_ref=4

Nevertheless, we would like to draw your attention to the following areas of the proposals on EU VAT reform and provide our additional comments on some of the measures proposed in the European Commission's Communication that were further discussed by the EU Council in May 2012:

A Providing business with more accessible and better information at EU level (item 5.1.2 of the Communication)

FEE fully supports the European Commission's initiative to set up an EU VAT web portal where accurate, reliable and timely information on the details of the VAT regimes currently in place in Member States will be provided in several languages.

Such an EU VAT web portal would facilitate compliance for businesses across the EU until full harmonisation of VAT is achieved both in legislation and in practice. Facilitating compliance reduces cost for businesses, an effect that is usually over-proportionately felt by SMEs. Thus, an EU VAT web portal could contribute to increase cross-border activities of all businesses, but in particular help SMEs expand more internationally and grow. An EU VAT web portal could also help to improve legal certainty, once the legal background of such portal is clarified. Furthermore, it could assist tax practitioners who are not a member of a pan-European network to increase their cross-border services or establish in another Member State.

We understand the Council's call to the European Commission to further clarify the legal background as well as the content, form roles and responsibilities regarding the EU VAT web portal.

Nevertheless, creating a better business environment is a policy priority for the European Commission in general. Furthermore, the European Commission has communicated its political will to recognise the central role of SMEs in the EU economy and is committed to creating a level playing field for SMEs throughout the EU⁴. The EU VAT web portal is, in our view, an important step towards achieving these objectives and reducing "red tape".

Therefore, we urge the European Commission to proceed with the development of the EU VAT web portal as a matter of priority, while clarifying its legal background. In our view, the Council should take the above arguments into account and support the European Commission's work.

B. Reviewing the way VAT is collected and monitored (item 5.3.3 of the Communication)

As highlighted in our initial comments on item 5.3.3 of the European Commission's Communication⁵, we acknowledge that there are problems with fraud but wonder if it is prudent to review the way that VAT is collected without a proper analysis having been carried out based on reliable data.

The extent of the problem of the VAT "Gap" varies from Member State to Member State and a number of countries that have appropriate systems already in place should not be forced into a different VAT collection system which will imply significant additional costs and administrative burdens both for businesses and for the Member States' tax administrations. This hesitation at Member State level regarding an EU VAT collection system is depicted in the recently published EU Council conclusions⁶.

⁴ See the Small Business Act and its review, <http://ec.europa.eu/enterprise/policies/sme/small-business-act/>

⁵ Dated 14 February 2012, see http://www.fee.be/publications/default.asp?content_ref=1478&library_ref=4

⁶ Dated 15 May 2012, see http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/130257.pdf

Although we remain of the view that the problem with the VAT “Gap” should be solved at Member State level, (as outlined in the FEE response to question 30 of the European Commission’s Green Paper on the future of VAT⁷) a possible alternative would be to propose an EU VAT collection system applied on a voluntary basis by the Member States. Such solution would enable those Member States with significant problems to reduce their VAT Gap while not obliging all taxpayers across the EU to effectively pay, via additional costs, for certain Member States’ problems in collecting VAT.

In reiterating our initial comments on item 5.3.3 of the European Commission’s Communication⁸, a “split payment” method would hardly be feasible in practice for all sorts of transactions as it seems to involve too many unsolvable issues. Apart from the administrative burden for businesses and tax practitioners, financial reporting will be negatively affected not only in terms of cash-flow impact but also regarding the mismatch between the time of VAT payment and the moment VAT becomes due. As a result, additional complexities will also be introduced for the auditors of these financial statements and the relevant procedures that they have to apply in the course of their audit.

The data warehouse (SAFT) model relies on technology issues that, if not solved, would involve additional administrative costs for the companies. Nevertheless, we acknowledge that this model has already (partially) been implemented in some Member States and that other Member States are considering its introduction. Therefore, it could be promising as long as the aforementioned issues are addressed.

In general, we strongly encourage the European Commission to focus on how and if any potential system would solve the problem of the VAT “Gap” while assessing the burden placed on taxable persons. FEE would be interested to contribute to the European Commission’s work, in particular on the data warehouse model, with insights from the tax practitioner’s experience.

Further to our comments provided on areas A and B above, we would like to urge the Commission to further facilitate the discussions on the reform of the EU VAT system with the businesses and tax practitioners’ community in order to allay the concerns expressed. Based on the experience of accountants providing VAT advice to and working within business, FEE would be delighted to provide its input and expertise in such discussions.

For further information on this letter, please contact Petra Weymüller, FEE Senior Manager, at +32 2 285 40 75 or via email at petra.weymuller@fee.be.

Yours sincerely,



Philip Johnson
FEE President

⁷ Dated 10 June 2011, see http://www.fee.be/publications/default.asp?content_ref=1401&library_ref=4

⁸ Dated 14 February 2012, see http://www.fee.be/publications/default.asp?content_ref=1478&library_ref=4