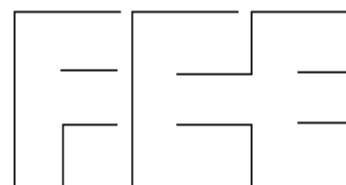


Date  
30 August 2004

Secrétariat  
Général

Fédération  
des Experts  
Comptables  
Européens  
AISBL

Rue de la Loi 83  
1040 Bruxelles  
Tél. 32 (0) 2 285 40 85  
Fax: 32 (0) 2 231 11 12  
E-mail: secretariat@fee.be



To Mr. Patrick Millet  
European Commission  
DG TAXUD  
VAT and other turnover taxes  
B – 1049 Brussels

Dear Mr. Millet,

**Re: FEE comments on the European Commission Consultation Paper “Simplifying VAT obligations. The One stop shop system”.**

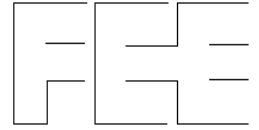
FEE (the European Federation of Accountants), the representative organisation for the accountancy profession in Europe, welcomes Commission's proposals for the simplification of VAT compliance burdens for SMEs operating in a number of Member States. The proposals, if adopted, would enable businesses to deal with only one rather than several tax authorities to complete their tax filing obligations even where by virtue of the operations carried out the tax payer was liable to pay and account for VAT in a number of Member States.

FEE appreciates that the Commission has to attempt to take forward a number of the proposals on a "step by step" basis but regrets that businesses applying the One Stop system will nonetheless be required to complete the different VAT returns in different languages - now 20, applying the different VAT rules of the Member State in which the relevant transactions are carried out, e.g. tax rates, tax point rules, for the payment and the deduction of tax, rules on deduction of input VAT, etc.

As a consequence, the benefit of the simplifications will be limited, although the measures proposed are a step in the right direction.

A number of issues should be clarified in terms of any formal proposals being made to ensure that the system has an acceptance as widespread as possible.

1. How will the one stop shop proposals interact with existing rules in areas such as consignment stocks, triangular trading, or where the business using the facility has a branch or some other form of establishment in another Member State, as we can see here a number of practical issues;
2. The accounting records to be kept, their form, from invoices to supporting records, must be harmonised so that businesses would only require to keep one set of books sub-divided by each territory, rather than being required to keep records in a particular form for one Member State's requirements.
3. VAT audits and inspections should be carried out in the territory of establishment of the taxpayer only. This will imply greater training of tax auditors who will be required to apply the rules of up to 25 Member States. From a business perspective this is preferable to having to deal with a multitude of tax auditors each using different methods of control, including extraction software.
4. We are unsure as to whether non-EU businesses will be able to benefit from the proposals in the same manner as electronically supplied services. We would therefore like the Commission to possibly clarify the point.
5. Will businesses be able to chose from any of the following types of registration depending upon their individual cash flow position, e.g. "reverse charge", one stop shop, or direct registration?



6. The treatment of the refund of excess VAT credits would need to be addressed. Could businesses not offset tax due and recoverable in different Member States?
7. Will non-established businesses be able to elect to apply the “reverse charge” for locally sourced supplies to avoid the cash-flow effects of excess VAT credits?
8. Has the possibility of applying a cross border article 4 grouping been abandoned which might help resolve a number of the issues raised above?
9. Will the proposals be extended to deal with the cross border supply of services subject to tax in a territory other than that of the establishment of the supplier?

FEE will be pleased to discuss any of the above comments at any time.

Yours sincerely,

Stephen Dale  
Chairman  
FEE Indirect tax Working Party