

# Vat FORUM

The Single EU VAT Area



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# The single EU VAT Area

- Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT Towards a single EU VAT area (07.04.2016)

SINGLE EU VAT AREA

Country A



VAT TRANSFER



All VAT paid to revenue in Country A is transferred to the treasury in Country B

NO EXEMPTION

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Goods sold to retailer in Country B. VAT is charged at the rate of VAT applicable in Country B



Country B



VAT paid in country B is paid to the treasury.

The retailer sells the finished product to the final consumer for the sale price + VAT at the rate of Country B.

A retailer in Country B buys the finished product for the sale price + VAT.

# The single EU VAT Area

## HOW WOULD THE PROPOSED SINGLE EU VAT AREA WORK?

- A supplier in Country A sells goods to a retailer in Country B. The retailer in Country B pays the supplier the sale price + VAT at the rate applicable in Country B.
- This VAT is collected by the treasury of Country A and transferred to the treasury of Country B.
- Estimates show that this option could reduce cross-border fraud by about EUR 40 billion (80 %) a year. Businesses would need to register for VAT only in their home country, rather than in every country where they trade.
- Less red tape would result in savings of an estimated €1 billion a year for businesses.
- As a first step, businesses certified by their tax administrations, including SMEs, would be allowed to purchase goods free of VAT in another Member State and pay VAT in their own country.
- In order to allow for a gradual transition, trustworthy businesses certified by their tax administrations, including SMEs, could initially continue to purchase goods free of VAT in another Member State and pay VAT in their own country.

## HOW WOULD VAT BE COLLECTED IN THE NEW SYSTEM?

In the future system, all businesses that trade in other Member States would be able to sort out their VAT via an online portal in their home country. Otherwise, traders would have to register for VAT, file returns and make payments in every EU country where they operate. The online portal would also allow VAT to be collected by the country where the sale is made and transferred to the country where the goods are consumed.

## The single EU VAT Area - conclusions

- More invoices with VAT on it = more risk for fraude
- Possible solution = more reverse charge

## The single EU VAT Area - conclusions

- Supplier has to know VAT rate in Member State of arrival
- Possible solution = reverse charge

# The single EU VAT Area – a better solution?

- VAT to be charged by the supplier only if no reverse charge is possible
  - Supplies to:
    - private persons
    - non taxable legal persons without VAT number
    - taxable persons without VAT number (not filing returns)
- What for non established business?
  - Reverse charge if foreign taxable person is registered for VAT in the MS where VAT is due?
- No 'may' provisions !



## The single EU VAT Area - conclusion

- One VAT registration, only in Member State of main establishment
- or
- also a VAT registration in the Member States of a fixed establishment ?

## The single EU VAT Area – remark

- What is the risk if VAT is not fully deductible and reverse charge is applicable?

■ Thank You!