



HLG of Independent Stakeholders on Administrative burdens

Implementation of the sectoral reduction plan in the field of VAT

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VAT topics covered by the Action Programme

1. Invoicing
2. Refund Directive
3. Place of supply of services/mini-OSS
4. OSS, SME threshold, threshold distance sales
5. Increasing frequency of recapitulative statements
6. Abolish annual summary VAT return
7. Reducing VAT return frequency
8. Simplify proof for exports
9. Abolish intra-Community acquisition listing
10. Abolish nil recapitulative statements
11. Real time VAT
12. Use of power of attorneys to sign VAT returns
13. Increase e-government solutions
14. VAT registration included in business registration
15. Harmonise VAT obligations to fight fraud – Article 273
16. VAT Grouping



General overview: where do we stand

- Actions 1 – 5 and 16 have been carried out, achieving a reduction of administrative burden of
 - 1: Proposal COM (2009) 21 - € 18.8 billion
 - 2: Directive 2008/9/EC - € 447 million
 - 3: Directive 2008/8/EC - € 463 million
 - 4: Proposals COM(2004)728 - € 4.4 billion
 - 5: Communication COM(2009)325 – no figures
- Target largely exceeded! – Total reduction € 24.1 billion
 - 60% of total admin reduction is from VAT (€24.1 / €40.4)
 - 30% reduction of VAT burden (€24.1 / €79.5 bn)



General overview: where do we stand

- Actions 6 – 15 cannot be carried out or will need to be evaluated fully at a later stage:
 - NOT under consideration as MS' competence and/or going beyond remit of VAT: 12, 13, 14
 - (constructive work with MS, e.g. via exchange of best practice in FISCALIS seminars etc. ongoing!)
 - Under consideration as part of a forthcoming overall review of the EU VAT system (green book and subsequent 'VAT strategy'): 6, 7, 8, 9, 10, 11, 15
 - (note: VAT obligations subject to subsidiarity rule)



The main achievement: Equality of VAT treatment for electronic invoicing

Background to VAT legal changes

- On 28 January 2009 Commission proposed (COM(2009) 21) to amend the rules on e-invoicing contained in the VAT Directive (Articles 232 to 237; *inter alia* still requiring electronic signature, EDI or 'other' method)
- The proposal followed a study, public consultation and discussions with Member States.
- The Commission proposal was discussed during the Czech, Swedish and Spanish Presidency and agreed upon in political terms at March ECOFIN.
- The European Parliament gave its opinion 5 May 2010.
- Formal adoption is now likely in the June ECOFIN with implementation on 1 January 2013



Electronic Invoicing

Commission's aim achieved in agreed ECOFIN text

- Equal treatment between paper and e-invoices by removing specific VAT conditions for e-invoicing
- Technology neutral approach - Member States can not prescribe the use of any particular technology
- This approach has support of,
 - Expert Group on e-Invoicing
 - High Level Group of independent stakeholders on reducing administrative burdens chaired by Edmund Stoiber
 - Businesses from the Commission public consultation



Electronic Invoicing

Details of agreed ECOFIN text

- E-invoice requires the acceptance of the customer (no change)
- Authenticity of origin, integrity of content and legibility must be guaranteed from issue until the end of storage (same for paper – previous Article 246)
- Authenticity requirements can be achieved by
 - business controls that provide audit trail between supply and invoice (in same way as businesses do for paper invoices)
 - EDI or advanced e-signatures based on qualified certificate (only examples – not mandatory)
- Review clause – Commission required by 31 December 2016 to report on new rules and do further proposal if needed.



Electronic Invoicing

Further work to be considered to help clarify the rule changes

- Control of proper transposition by Member States
- Fiscalis meeting with Member States – could be organised in early 2011
- VAT Committee – try to get unanimous agreement by Member States on interpretation
- Implementing Regulation – provide legal clarity
- Commission Recommendation



Expected reduction of admin burden (VAT rules for e-invoicing)

Estimates by Corporate Action on Standards (CAST) project by European Association of Corporate Treasurers (EACT)

- Average cost of paper invoices 30€
- E-invoicing could save 80% of cost
- Total cost saving of € 243 bn

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- For taxation/customs the administrative burden was estimated at EUR 87 bn; the reduction figure is EUR 26.3 bn, representing a reduction of 30%
 - Included in the 26.3 bn is a reduction figure of EUR 2.427 bn for the modernised customs code. The reduction for VAT only is 24bn.
 - Reduction achieved (proposals made some of which are already adopted) 30% = 24bn



Way forward

- The target for the reduction of administrative burden has been largely exceeded and contributed decisively to the overall target's achievement.
- Further proposals will be examined in the context of the forthcoming overall review of the EU VAT system (green book and subsequent 'VAT strategy')
- Institutional competences and the need to combat VAT fraud as well as ensuring a well-functioning VAT system with stable revenues need to be taken into account when assessing further ideas.