



European Commission
Algirdas Gediminas ŠEMETA
Commissioner responsible for Taxation and Customs Union, Audit and Anti-Fraud
Rue de la Loi 200
B - 1049 Bruxelles

European Affairs Committee

Christiansborg
DK-1240 København K
Tel. +45 33 37 55 00
Fax +45 33 32 85 36
www.ft.dk
ww.ft.dk

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**Opinion on the Commission's Green Paper on the future of VAT
COM(2010) 695 final**

Dear Mr. ŠEMETA,

Please find below the response from the Fiscal Affairs Committee and European Affairs Committee of the Folketing to the Commission's Green Paper on the future of VAT.

Based on its consideration of the Green Paper over several meetings, the Fiscal Affairs Committee has reported its opinion which was endorsed by the European Affairs Committee on 19 May 2011. The opinion, backed by a *majority* in the Committees (all Committee members with the exception of The Red Green Alliance) is presented below:

Overall, the majority welcome the initiative behind the Commission's Green Paper on the future of VAT: "Towards a simpler, more robust and efficient VAT system", and support a debate on the future of VAT since it would be desirable to modernise and simplify the system of value added tax.

VAT revenue constitutes a substantial and stable proportion of Danish Government income from tax and duty (approx. 20 per cent). The majority therefore find it essential that future changes in VAT continue to support its role as a stable source of revenue for the Danish state. In this connection, the majority obviously emphasize the extreme importance of the Green Paper's focus on initiatives to combat VAT fraud.

The majority would like to add the following comments:

VAT treatment of cross-border transactions in the single market, with a potential shift to taxation in the Member State of origin or, alternatively, further development of a system based on taxation in the Member State of destination

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Contact
Thomas Fich
Senior EU Advisor
Dir. line. +45 33 37 36 11

In respect of considerations concerning a future VAT system which is uniform not just within a country but *between* countries, the Green Paper basically distinguishes between two models: taxation in the Member State of origin or taxation in the Member State of destination. The majority see problems in relation to both models which require further analysis. While the majority therefore feel unable to take a final position on the two models on the current basis, they wish to make the following comments:

As regards switching to taxation of goods and services based on the principle of Member State of origin, the majority find such a shift would raise major concerns. A VAT regime based on taxation by the Member State of origin would presume closely harmonised VAT rates and the establishment of a clearing system for the settlement of VAT between countries, with trust in other countries' authorities being crucial. Switching to a Member State of origin VAT system would also make countries interdependent for the collection (of a major part) of their VAT revenue. The majority therefore have considerable misgivings about switching to the principle of Member State of origin and would not support a VAT system having this as its starting point.

As regards further development of the current system which is based on taxation in the Member State of destination, the majority propose having a closer look at the possibilities of combating VAT fraud while also taking a close look at potential administrative simplification.

Reviewing the way VAT is collected

The majority support conducting a thorough analysis of the different models of applying technological developments appropriately when considering new ways of collecting VAT. The aim is to apply technology in the future VAT system to effectively curb fraud and protect VAT revenue.

A single rate (a single VAT rate for all goods and services)

The majority find that, because of the many advantages associated with a single rate as opposed to multiple rates, the current Danish single rate should be retained in so far as possible.

More powers for the Commission

The majority find that care must be exercised in granting the Commission more powers to deal with Member States' individual requests for protective measures and derogations. Otherwise we would see a departure from the principle of unanimity.

Not-for-profit organisations etc.

The Commission's Green Paper does not deal directly with the question of not-for-profit organisations. However, in its staff working document the Commission has indicated that contributions on this matter would also be welcome in the public debate. The majority therefore invite the Commission to take into account the activities of not-for-profit organisations in its further consideration of VAT changes.

The majority find it important to protect the activities of non-profit societies and associations in Denmark, emphasizing the importance of providing a secure framework for their activities. This includes the operation of charity shops by emergency relief organisations, music festivals and the like which distribute their profits for non-profit purposes etc. The majority therefore invite the Commission, in its future VAT deliberations, to take into consideration the work performed by these non-profit societies and associations.

Yours faithfully,

Niels Helveg Petersen
Chair of the Fiscal Affairs Committee

Anne-Marie Meldgaard
Chair of the European Affairs Committee