



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Commission proposal to amend Directive 2006/112/EC on the common system of value added tax as regards the temporary application of a generalised reverse charge mechanism in relation to supplies of goods and services above a certain threshold {COM(2016) 811 final}.

The Value Added Tax Action Plan {COM(2016) 148 final}, adopted by the Commission on 7 April 2016, already made a reference, in the context of the urgent measures to tackle value added tax fraud, to certain requests made by some Member States to be allowed to implement a temporary generalised reverse charge system which would derogate from the general principles of the Value Added Tax Directive. With this proposal, the Commission is making good on its commitment at the June 2016 Economic and Financial Affairs Council to come forward with a proposal to allow individual Member States to derogate from the common system of value added tax so as to apply a generalised reverse charge mechanism to domestic supplies above a defined threshold and preserving the internal market.

The Commission appreciates the Bundesrat's broad support for the proposal but notes its doubts relating to, in particular, the conditions and the procedure under which the generalised reverse charge mechanism can be granted or repealed.

In this context, it should be pointed out that the proposal constitutes a derogation to the harmonised value added tax system in order to allow certain Member States, more than averagely affected by (carousel) fraud, to address these value added tax fraud problems at short notice while, at the same time, the Commission is working on a more robust and fraud-proof definitive regime for intra-European Union trade. Therefore, it is the Commission's view that the conditions should be restrictive and include a limitation in time. In addition, given the potential shifting of fraud to other Member States that the measure could provoke, it is essential that a specific repeal mechanism is put in place in case of considerable negative impact on the internal market.

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The points above are based on the initial proposal presented by the Commission which is currently being discussed in the legislative process involving both the European Parliament and the Council.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Bundesrat and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Pierre Moscovici
Member of the Commission*