



EUROPEAN COMMISSION

*Brussels, 07.05.2019
C(2019) 3395 final*

*Mr. Daniel GÜNTHER
President of the Bundesrat
Leipziger Straße 3 – 4
D – 10117 BERLIN*

Dear President,

The Commission would like to thank the Bundesrat for its Opinions on the proposal for a Council Directive as regards introducing certain requirements for payment service providers {COM(2018) 812 final} and on the proposal for a Council Regulation as regards measures to strengthen administrative cooperation in order to combat VAT fraud {COM(2018) 813 final}.

Value Added Tax (VAT) losses and VAT fraud in the field of e-commerce are serious problems affecting European businesses, citizens and both the European Union's and Member States' budgets. To address these, the Commission has been taking a series of initiatives in the context of the Commission's Digital Single Market Strategy¹.

These measures include the recently adopted e-commerce VAT package², which introduced new obligations for intermediaries such as electronic platforms and aimed to facilitate compliance in the field of e-commerce. The proposals subject to the Bundesrat's opinions seek to address specifically VAT fraud in the e-commerce sector and introduce new requirements for payment service providers in order to give tax authorities the necessary tools to detect and fight e-commerce VAT fraud.

These proposals have been drafted after consultation with various stakeholders from the payment industry, as well as taking into account the experiences of Member States which already have similar systems in place. Several measures have been taken to ensure the proportionality of the proposals and limit the burden on payment service providers. The data collected, the retention period, the access to the data in the central electronic system of payment information (CESOP) have also been limited to what is strictly

¹ Implementation of the Digital Single Market digital single market strategy (COM(2017) 228 final, 10.5.2017) see: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1496330315823&uri=CELEX:52017DC0228>

² For more information, see https://ec.europa.eu/taxation_customs/business/vat/digital-single-market-modernising-vat-cross-border-ecommerce_en

necessary to fight VAT fraud, as acknowledged by the European Data Protection Supervisor in its opinion of 14 March.

The proposed legislative package regulates the access to the CESOP and the retention period of data in the system. However, the storage of data within national systems and the access to this data will be subject to national rules and follow national safeguards and limitations.

Finally, the Commission would like to reassure the Bundesrat that all necessary measures will be taken during the implementation of CESOP to ensure that the European Union and national components of the system will be operational in due time.

The points made above are based on the initial proposal presented by the Commission, which is currently in the legislative process.

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

Yours sincerely,

*Frans Timmermans
First Vice-President*

*Pierre Moscovici
Member of the Commission*