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RESOLUTION OF THE SIXTH STANDING COMMITTEE
(Finance and the Treasury)
(*Rapporteur*: MOLINARI)

approved at the afternoon sitting of 16 April 2014

ON THE
**PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING DIRECTIVE 2006/112/EC
ON THE COMMON SYSTEM OF VALUE ADDED TAX AS REGARDS A
STANDARD VAT RETURN
(COM(2013) 721 FINAL)**

pursuant to Article 144(1) and (6) of the Rules of Procedure
Communicated to the President's Office on 30 April 2014

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The Committee, having examined the proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return,

Whereas:

the proposal amends Council Directive 2006/112/EC of 28 November 2006 on VAT, in order to standardise the procedures for submission of VAT returns as regards content, procedures, deadlines for submission, and corrections;

the objective is to simplify fulfilment of tax obligations, in order to reduce the administrative burden, with potential positive effects for small and medium-sized enterprises (SMEs);

the German Bundesrat and the French Senate have issued reasoned opinions with critical remarks in relation to the subsidiarity principle;

having noted the observations made by the 14th Standing Committee concerning compliance with the principles of subsidiarity and proportionality;

in view of the observations of the trade associations and the Revenue Agency, which were consulted by the Committee, it makes the following remarks:

over and above the planned objectives of simplification and reduction of the obligations incumbent on taxpayers, whilst sharing the goal of achieving uniform application of VAT declarations, the Committee emphasises the following criticisms of the proposal:

a potential negative effect in the first year of application owing to the elimination of advance payments;

the impossibility of combining the VAT return with the 'Unico' template for other taxes;

communication of VAT data being subsumed under the new obligations;

new rules on periodic payments which increase the obligations incumbent on taxpayers and above all on SMEs;

taxpayers being unable to request advance payments for the following year;

in particular, with regard to payments the Committee considers it essential to guarantee that the tax period can be kept on an annual basis, with fractionated VAT payments, so as to avoid economic operators having to submit 12 monthly or four quarterly returns instead of one single declaration, in the event that the proposal is approved without amendments;

the Committee shares the concerns of Italian SMEs, taking the view that the option of submitting VAT returns on a monthly or quarterly basis would considerably increase the costs of compliance;

urges the Government to express an opinion with the aim of being able to maintain the current system of fractionated payments;

considers that provisions for a standard VAT declaration of necessity ought to be accompanied by a parallel harmonisation of the other Community obligations relating to this type of tax, and at the same time hopes for a radical simplification of the rules governing functioning of the tax at both the European and national levels;

given that the modern functioning of the most advanced tax systems tends to bring the time at which tax is levied and the verification of the tax point closer together, so that they coincide, adoption of this proposal for a Directive, with the necessary amendments suggested above, could be an opportunity for a complete review of consumption taxes and their regulation,

in view of the above, the Committee states that it does not object to the proposal provided that it is amended as set out above.

OPINION OF THE 14TH STANDING COMMITTEE
(EUROPEAN UNION POLICIES)

(Rapporteur: MOLINARI)

19 March 2014

The Committee, having examined the document referred to above,

whereas the proposal amends Council Directive 2006/112/EC of 28 November 2006 on VAT, in order to standardise the procedures for submission of VAT returns as regards content, procedures, deadlines for submission and corrections;

whereas the objective is to simplify fulfilment of tax obligations, in order to reduce the administrative burden, with potential positive effects for small and medium-sized enterprises (SMEs) in particular;

having regard to the Government report pursuant to Article 6(4) of Law No 234 of 24 December 2012;

having regard to the reasoned opinions of the German Bundesrat and the French Senate, which made critical remarks on the subsidiarity principle; issues a favourable opinion, within its area of competence, with the following comments:

the legal basis for the above-mentioned proposal for a Directive is Article 113 of the Treaty on the Functioning of the European Union (TFEU), under which the Council adopts by means of a special legislative procedure the necessary provisions for harmonisation of the legislation on specific types of taxes, such as turnover taxes, consumption taxes and other forms of indirect taxation, 'to ensure the establishment and the functioning of the internal market and to avoid distortion of competition'. We consider that these rules cover not only substantive harmonisation, but also procedural requirements, such as the standardised declaration referred to in the proposal. Both are in fact instrumental to the objectives in view and fall within the scope of Article 113 of the TFEU;

the subsidiarity principle is respected. Harmonisation of the Member States' procedural rules on VAT presupposes the intervention of the European institutions in amending Directive 2006/112/EC and simplifying the obligations incumbent on firms, facilitating checks on VAT returns – made easier by standardising them – which has a clear added value for the European Union and its Member States;

the principle of proportionality is respected. The aim of the proposal is to standardise VAT returns and limit the information requested to what is necessary for tax checks and collection, thus reducing the burdens on firms and contributing to removing obstacles to the proper functioning of the internal market;

the introduction of a standard VAT return therefore represents a simplification of taxpayers' obligations, bringing about – according to the data given – a total saving of EUR 15 billion per year for the European Union. Simplification of the obligations seems clear, given the limited amount of information identified in the standardised template at European level;

reducing the administrative burden on economic operators could result in increased spontaneous compliance with VAT regulations, with an indirect effect of a corresponding increase in public revenue and therefore benefits for national budgetary requirements;

we therefore support the European Commission's proposal for the adoption of a standardised VAT return;

however, in the course of the negotiations, it is important that some technical problems regarding current VAT collection procedures in Italy should be addressed;

after approval of the proposed Directive and while it is being transposed, it will first of all be necessary to deal with a negative financial impact in the first year of application of the new regulations, owing to elimination of advance payments, given that the time of VAT payment will coincide with that of the standard declaration (whether this is monthly, quarterly or annual);

moreover, the adoption of the standard return would undermine the link between the VAT return and the 'Unico' template, which currently allows valuable cross-checking of data for anti-fraud and anti-evasion purposes;

the consequent withdrawal of the regulations on periodic tax payments would have negative effects in cash terms because it would no longer be possible to request the advance payment of VAT each December for the following year, which is worth an estimated EUR 8 billion per year. In addition, approval of the Directive would have consequences for the organisation of the Revenue Agency;

finally, given that the modern functioning of the most advanced tax systems tends to bring the time at which tax is levied and the verification of the tax point closer together, so that they coincide, adoption of this proposal for a Directive, although not painless for the Italian tax system, will be an opportunity for a complete review of consumption taxes and their regulation, so as to involve all operators and share the burden more widely, with significant systematic advantages for SMEs, which are the fabric of the Italian economy and would be the greatest beneficiaries of the simplification envisaged by the proposed Directive, above all if it will safeguard those who intend to operate only in the internal market by excluding them from the requirement.