Romanian Parliament

Chamber of Deputies

1/942/RA
25.06.2012

on the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the future of VAT - Towards a simpler, more robust and efficient VAT system tailored to the single market – COM (2011) 851

Having regard to the Treaty of Lisbon and, in particular, Articles 5 and 12 TEU and Protocols 1 and 2 annexed to the Treaty,

Having regard to the Constitution of Romania, as republished, in particular Article 148 thereof,

Having regard to Decision No 11/2011 of the Chamber of Deputies,

Taking into account the draft opinion of the Committee for Budget, Finance and Banking at its meeting of 28 March 2012,

Taking into account the point of view of the Government of Romania, expressed in the letter from the Ministry of European Affairs,

Taking into account the notice from the Department of Parliamentary Studies and Community Law, the Directorate of Community Law of the Chamber of Deputies,

Taking into account the final draft opinion of the Committee of European Affairs at its meeting of 13 June 2012,

Having regard to the approval given by the Permanent Office of the Chamber of Deputies on 18 June 2012,

The Chamber of Deputies, acting in accordance with Article 40 of Decision No 11/2011 of the Chamber of Deputies of 27 April 2011, hereby adopts this **opinion**:

The 'Green Paper on the future of VAT - Towards a simpler, more robust and efficient VAT system', adopted on 1 December 2010 by the Commission, was followed by a six-month public consultation, during which the Commission received 1 700 contributions from businesses, academics, citizens and tax authorities. The Green Paper has confirmed the need to reform the EU's VAT system.

The *Communication on the future of VAT* therefore sets out the basic and essential characteristics of the new VAT system and the actions that need to be given priority in devising a system that is:

- robust and fraud-proof, with intensified, automated and rapid exchange of information between Member State tax administrations;
- simple, with a single set of clear and straightforward VAT rules comprising an EU VAT Code;
- efficient and neutral, with a broader tax base, implementation of the principle of taxation at the standard rate, equal rules governing the right of deduction and a limited number of restrictions.

The proposal – based on the outcome of public consultations, the discussions with Member States and the opinions expressed by the European institutions – has a dual purpose:

1. to set out the fundamental features of a future EU VAT system that can continue to perform its function of raising revenue, while increasing the competitiveness of the EU;
2. to list the priority areas for action over the next few years with a view to moving in the direction of those objectives.

The relevant measures taken by the Commission are to be welcomed and will lead to:

- the updating of the VAT system in line with economic trends in the single market (including the increased importance of services);
- a reduction in costs and an easing of the administrative burdens on economic operators in the EU and on tax administrations in the Member States, through the cutting back of bureaucracy and the harmonisation of Member States' tax rules and procedures;
- a reduction in tax fraud and the resultant budgetary losses.

The Commission wishes to reduce the differences between the standard VAT rates in the various Member States, focusing on greater harmonisation of the VAT system, without however causing the Member States gradually to forfeit their sovereignty in taxation matters. (The 27 different national VAT systems are the main obstacle to efficient intra-EU trade, preventing citizens from reaping the benefits of a genuine single market.) The absence of harmonisation increases compliance costs and reduces legal certainty.

Taxation at destination and the alternatives of reverse VAT charging and charging by suppliers, to which the Commission has given consideration in pursuing its objective, are particularly important. The problem thus arises of converting the current traditional rules on intra-EU business-to-business (B2B) transactions (which are already based on taxation at destination) into a definitive regime, in spite of the fact that the current arrangements ignore the principle according to which cross-border transactions should be treated in the same way as domestic transactions.

General objectives and priority areas for further work

The Commission's vision of a new VAT system comprises three crucial objectives:

1. Firstly, VAT needs to be more business-friendly. A simple, more transparent VAT system would relieve businesses of considerable administrative burdens and would encourage more cross-border trade, in turn benefiting economic growth. Measures designed to bring about a VAT system that is more business-friendly include the following:

- extending the one-stop-shop (OSS) approach (more services at a single point) for cross-border transactions. Intended to be introduced gradually in 2015, a mini OSS will operate for EU providers of telecommunications, radio and television broadcasting and electronic services offered to final consumers within the EU;
- standardising VAT declarations;
- ensuring clear and simple access to the details of all the national VAT regimes by means of a central web portal. The site would present information in several languages on issues such as registration, invoicing, VAT returns, VAT rates, special obligations and limitations on the right of deduction. Businesses themselves could have a significant role in defining the information required.

2. Secondly, the VAT system needs to become more efficient and to support Member States' efforts towards fiscal consolidation and sustainable economic growth. Broadening the tax base and limiting the use of reduced rates could generate new sources of revenue for Member States, without the need for an increase in rates. The standard VAT rate could even be reduced in some Member States, with no impact on revenue, if exemptions and reductions were eliminated. The Communication sets out the principles that would have to be followed in revising exemptions and reduced rates. The Commission will also analyse the use of reduced rates and exemptions by Member States when it reviews the Member States' fiscal policies in the context of the European Semester.

3. Thirdly, the huge losses in revenue resulting from fraud and the non-collection of VAT should be brought to an end. The Commission believes that (in addition to the current need to combat VAT fraud) there is a need to look at the broader picture and to explore better ways of collecting and monitoring VAT. It is estimated that approximately 12% of VAT goes uncollected (leading to what is known as the VAT Gap). In 2012, the Commission will propose a rapid reaction mechanism to ensure that Member States can deal better with fraud schemes. In addition, the Commission will examine whether the current anti-fraud mechanisms, such as Eurofisc, need to be developed further and will explore the possibility of a cross-border audit team to facilitate multilateral controls.

The current economic situation has highlighted the important role of VAT in ensuring stability and economic growth. VAT is a major source of revenue for Member States (representing up to 20% of total tax revenue). As the recession and the ageing of the population affect other sources of revenue, VAT may become even more important. Economic studies show that consumption taxes are among the taxes most favourable to growth, and a robust VAT system can contribute to revitalising the European economy.

Achievement of the objectives presented in this Communication will lead to a reduction in tax evasion and avoidance, make it easier for economic operators to observe the rules, and encourage intra-EU trade (by reducing the tax compliance burdens on economic operators).

Reform of the VAT system will help achieve the objectives of the Europe 2020 Strategy and will mark a return to economic growth, giving impetus to the single market and supporting Member States' current fiscal consolidation. Reform is also needed in the context of the Commission's proposal to establish new VAT-based resources to fund the EU budget.

Romania should give its support to updating the rules in this area as long as such updating achieves the objective of easing the administrative burdens on economic operators and, by extension, the objectives of facilitating economic activities and making tax administrations more efficient. Updating along these lines is to be welcomed, bearing in mind that Romanian VAT legislation is not very clear at present, there being in many cases margin for interpretation . In view, also, of the fact that a number of the provisions are already among the implementing rules of the Romanian Fiscal Code, the proposed new VAT system's affirmation of the current treatment of VAT is a good sign and will make it possible to interpret certain legal provisions with more certainty.

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This **opinion** shall be sent to the Presidents of the European Parliament, the Council and the European Commission and to the Government of Romania.

President
Roberta Alma Anastase