



EUROPEAN COMMISSION  
Impact Assessment Board

Brussels,  
D(2013)

**Opinion\***

**Title**

**DG TAXUD - Impact Assessment on a proposal for a standard VAT declaration**

**(draft version of 28 May 2013)**

**(A) Context**

The 2009 Commission's 'Action Programme for Reducing Administrative Burdens' in the European Union estimated that the total administrative costs for VAT were EUR 79 billion annually. Of this amount EUR 69 billion were classified as administrative burdens. Within this total three areas represented more than 80% of the VAT administrative burden; VAT bookkeeping, returns and invoicing. As regards the administrative burden on completing VAT returns in the EU, these were estimated at EUR 19 billion, highlighting that more work was needed to reduce administrative burden in tax, particularly from VAT returns for businesses. The Commission therefore committed itself, in its Communication on the future of VAT, to put forward a legislative proposal in 2013, so that a standard VAT declaration "is available in all languages and optional for business across the EU". The objective of the present proposal is twofold; first to reduce obstacles to cross border trade by standardising information requirements and second to ease the burden on business, and specifically on small and medium sized enterprises (SMEs) and micro-businesses, by simplifying obligations. This Impact Assessment looks at the possible options and how they respectively meet these two objectives.

**(B) Overall opinion: POSITIVE**

**The report should be improved in a number of respects. First, it should strengthen the problem definition, clearly identifying what are the problems generated by VAT returns for both for nationally operating and cross border businesses, as well as for Member States administrations. It should also explain the ways in which this initiative is linked to e-filing and the establishment of a One Stop Shop (OSS) for VAT. Second, the report should improve its subsidiarity analysis, by clearly explaining why action is now required at EU level, what the concerns of Member States are (using supporting evidence from consultations) and how this initiative will address these concerns, including on proportionality, given the likely need to change the systems for purely domestic transactions. Third, the report should conduct a more proportionate assessment of the impacts that clearly identifies how implementation costs will vary for Member States depending on the complexity of their VAT returns systems. It should also acknowledge that the number of reporting fields has yet to be finalised and describe what impact the potential increase or reduction in the number of boxes could have on final estimations of costs and benefits.**

\* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted

### **(C) Main recommendations for improvements**

**(1) Better substantiate the problems.** The report should strengthen the problem section, clearly identifying how the complexity of VAT declarations affects the administrative burden on nationally and internationally operating businesses. It should further analyse if differences in national VAT return requirements could have a negative impact on cross border trade, especially in online distance selling. If so, it should identify the potential benefits for consumers and national businesses if these barriers are removed. The report should also clarify if Members States' concerns that a reduction in the number of reporting fields ('boxes') would lead to an increased VAT gap are empirically unfounded or not. It could describe what other factors contribute to the difference in VAT gaps, with references to existing literature and studies. Finally, the report should more clearly describe how e-filing and the OSS are related to this initiative. It should explain the policy context of the OSS and at which point in time further progress with its development can realistically be expected. It should try to integrate reasonable expectations concerning these two initiatives in the baseline scenario while acknowledging any relevant data shortcomings that potentially prohibit the development of a more robust baseline.

**(2) Strengthen the subsidiarity analysis.** The report should further develop the subsidiarity analysis. It should explain why Member States despite indicating in the consultation that they were mostly in favour of reform, have made limited attempts to simplify national VAT submissions. It should describe in clearer terms what the concerns of Member States are regarding VAT return harmonisation and how their concerns will be addressed. More specifically, it should provide more details that VAT returns currently do not work efficiently and create undue burdens for businesses and that the preferred option will not lead to additional burdens for Member States with less complex VAT systems. It should also better present the evidence concerning the possible relationship between the number of boxes in the VAT declaration and the size of the VAT gap in different Member States. Finally the report should describe why businesses have been unsuccessful at achieving VAT reforms at national level.

**(3) Better assess the impacts of the options.** The report should better demonstrate the proportionality of costs and their distribution across Member States, identifying which Member States can expect higher implementation costs and providing estimates of the ranges of these costs depending on the changes required to reduce the complexity of the Member States VAT return systems. In addition, the report should also acknowledge that the number of boxes has yet to be finalised and describe what impact the potential increase or reduction in the number of boxes could have on final estimations of costs. The report should clarify if any significant environmental impacts are expected.

*Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report*

### **(D) Procedure and presentation**

The report should briefly explain the reasons for apparent data inconsistencies between the PwC and Deloitte studies within the main text. The executive summary should be modified in line with the recommendations concerning the main report.

<b>(E) IAB scrutiny process</b>	
Reference number	2013/TAXUD/003
External expertise used	No
Date of IAB meeting	19 June 2013