



**COUNCIL OF
THE EUROPEAN UNION**



Council conclusions on the future of VAT

*3167th ECONOMIC and FINANCIAL AFFAIRS Council meeting
Brussels, 15 May 2012*

The Council adopted the following conclusions:

"A. Council Conclusions on the future of VAT in general"

The Council of the European Union

- RECALLS the Commission's Green Paper on "The future of VAT – Towards a simpler, more robust and efficient VAT system" and ACKNOWLEDGES the wide public consultation of all interested parties conducted during the first half of 2011.
- WELCOMES the subsequent 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".
- SUPPORTS the objective of an EU VAT system which should be simpler, more efficient and neutral, robust and fraud-proof.

P R E S S

- In this context, EMPHASISES that the current financial and economic situation is difficult and complex and demands a strong fiscal consolidation of national budgets, as reflected in the European Council Conclusions of 1/2 March 2012 (cf. doc. EUCO 4/3/12) and RECALLS that the European Council invited “Member States, where appropriate, to review their tax systems with the aim of making them more effective and efficient, removing unjustified exemptions, broadening the tax base, shifting taxes away from labour, improving the efficiency of tax collection and tackling tax evasion”. This should be taken into account at EU level in the implementation of the objectives of the Communication. Value Added Tax constitutes a major source of revenue for the national budgets and reform of the current EU VAT system should, in particular, aim at making it more effective and efficient, removing unjustified exemptions and broadening the tax base, in order to contribute to fiscal consolidation and growth.
- POINTS TO the following principles and legal considerations, which should be taken into account in furtherance of any future action: cost-efficiency, proportionality, unanimity, data protection legislation, compliance with the subsidiarity principle and full respect for the respective competences of the Union and the Member States.
- INVITES the relevant Council bodies and the Commission to take into account these conclusions, in their ongoing work and in the implementation of the objectives of the Communication.
- INVITES the Presidency and the Commission to update the Council on the progress of work as necessary.

B. Council Conclusions on the priorities for further work

1) A simpler VAT system

The Council of the European Union

- ACKNOWLEDGES the need to simplify the current VAT system in order to reduce VAT compliance costs and administrative burdens for businesses small and large alike, and in particular for businesses working in more than one Member State and SUPPORTS work to ensure the timely implementation of the mini One-Stop-Shop in 2015 as a key priority action. TAKES NOTE of the Commission’s view that, in a VAT system based on taxation at destination, a One-Stop-Shop is a crucial instrument to facilitate access to the single market.
- EMPHASISES the importance of ensuring that initiatives designed to arrive at a simpler VAT system for businesses do not impose additional burdens on national authorities; the strategic objective of simplicity should be seen as a two-way concept that applies to businesses and national authorities alike.
- CALLS ON the Commission to further clarify the legal status of the information, as well as content, form, roles and responsibilities in connection with the proposed EU VAT web portal and INVITES Member States to collaborate on the design of such a portal, which should not impose disproportionate administrative burdens on national authorities nor duplicate work.

- INVITES the Commission, in close cooperation with Member States and in consultation with stakeholders, to continue its work on the setting up of an EU VAT forum for Member States and stakeholders, facilitated by the Commission.
- TAKES NOTE of the intention of the Commission to present a proposal for creating a standardised VAT declaration, and in this context CALLS ON the Commission to ensure a broad based dialogue and a thorough cost-benefit analysis beforehand.

2) *A more efficient VAT system*

The Council of the European Union

- CONSIDERS revenue generating capacity and the ability to sustain economic growth to be inherent features of a more efficient VAT system.
- CONCURS with the need to examine in further detail the present EU rules on the application of VAT to the public sector, in so far as there is competition between the public and private sectors.
- ACKNOWLEDGES the desire to clarify the rules concerning non-profit-making organisations.
- RECALLS the ECOFIN Council Conclusions of 10 March 2009, which settled the issue of: “the possibility, for the Member States that so wish, of applying reduced VAT rates in certain sectors” and “at the same time acknowledged that reduced VAT rates may, depending on the circumstances, have positive and negative economic effects, so that more efficient alternative solutions should always be considered before a Member State decides to use the option to apply reduced VAT rates”.
- TAKES NOTE that the Commission favours a restricted use of reduced rates in order to increase the efficiency of the VAT system, and that it intends to launch in 2012 an assessment of the current VAT rates structure in the light of the various guiding principles set out in its Communication. COMMITS ITSELF to examine the findings of that assessment.

3) *A more robust and fraud-proof VAT system*

The Council of the European Union

- Fully ACKNOWLEDGES that continued work is needed to improve the robustness and resilience of the EU VAT system, including taking into account new technological developments.
- TAKES NOTE of the intention of the Commission to analyse the feasibility of new tax collection methods.

- TAKES NOTE of the intention of the Commission to come forward with a concrete proposal for a Quick Reaction Mechanism which, with a view to combating sudden fraud, will enable the adoption at national level of temporary measures derogating from the Directive, pending the outcome of the procedures for the adoption of appropriate measures at Union level.

4) *A VAT system tailored to the single market*

The Council of the European Union

- CONCURS with the Commission that the principle of “taxation in the Member State of origin of the supply of goods or services”, as envisaged in article 402 of Directive 2006/112/EC on the common system of value added tax, remains unlikely to be politically achievable.
 - INVITES the Commission to proceed with in-depth technical work and a broadly based dialogue with Member States to examine in detail the different possible ways to implement the destination principle."
-