It is time for a uniform, simple and flexible VAT system to prevent fraud in Europe, say S&Ds

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Today in Strasbourg, the Socialists and Democrats will present to the European Parliament two files on rules on the value added tax (VAT) system in Europe. Following today's Council decision and ahead of the debate in plenary, the S&Ds call for a change towards a definitive VAT system that is uniform, simple and flexible. The new rules aim to end ad-hoc derogations and reduce cross-border VAT fraud by €41 billion and compliance costs for businesses by €1 billion.

S&D Group vice-president, rapporteur for TAX 3 special committee and author of the VAT system file, Jeppe Kofod MEP, stated:

"Almost €150 billion were lost in VAT revenue in the EU in 2016 alone, which is the equivalent of the entire annual EU budget. This clearly shows that the VAT system in Europe has reached a breaking point. Europe needs an urgent and comprehensive reform of the current VAT system to combat VAT fraud.

"By adopting the cornerstones for the future definitive EU VAT system, including the 'quick fixes' and the introduction of the certified taxable person (CTP) concept we are finally, after 25 years, taking decisive action to combat VAT fraud. By enabling businesses to apply to their national tax authorities for CTP-status, we can ensure that only reliable taxpayers are given access to simplified administrative procedures for cross-border VAT. Regarding the four 'quick fixes' to the EU's current VAT system agreed today in the Council, we strongly believe they should only be made available to businesses who have been granted CTP-status, in order to avoid opening up new loopholes for potential cross-border VAT fraud.

"We urge member states to fully implement the measures adopted by Parliament without delay in order to reduce the administrative burden for European businesses, in particular SMEs, and close the shockingly large EU VAT gap."

S&D MEP and author of the VAT rates file, Tibor Szanyi said:

"We support the proposal of the European Commission to ensure that the weighted average VAT rate exceeds 12% and enhance flexibility for member states for setting VAT rates. It is in line with the Socialists and Democrats strategy to fight tax fraud and tax avoidance."

"Greater freedom goes hand in hand with responsibility and compliance. It is important that member states apply a uniform set of rules with fixed minimum and maximum rates, 15% and 25% respectively. However, reduced rates and exemptions should only apply to products that bring social, environmental or cultural benefits for the consumers. We want to make sure that

SMEs can benefit from a simpler framework that helps their development. To this end, we have asked the Commission to create an online portal where businesses can easily access to information on VAT rates of different products regardless of their location.”

S&D Group spokesperson on economic and monetary affairs, Pervenche Berès MEP, added:

“We welcome the agreement reached today in the Council. It recognises the need to move forward towards a strong, harmonised and definitive VAT system, a system we Socialists and Democrats have been calling for, for years. The measures on "quick fixes" would provide temporary solutions to the current VAT problems, so long as they are abided by all member states, and the measures already in place of improved exchange of information among national administrations are key to tackling cross-border fraud. However, this is insufficient, and the measures proposed on VAT rates and on preventing VAT fraud are the key for a European, harmonised, simple and flexible VAT system that is sustainable in the long-term. Losing €150 billion per year from national budgets is unacceptable. European citizens can wait no longer for tax justice in Europe.”

Note to editors:
• VAT gap refers to the difference between the expected VAT revenue and the amount actually collected.
• The reasons accounting for the revenue loss are: tax fraud, tax evasion and tax avoidance, as well as bankruptcies, financial insolvencies or miscalculations.
• In 2015, the VAT lost across the EU amounted to €151.1 billion, i.e. 13.2% of the total expected VAT revenue. This figure dropped to €147.1 billion in 2016 representing 12.3% of the expected VAT revenue.
• The VAT Gap performance varies significantly from state to state. In 2016, it decreased in 22 Member States, most notably in Bulgaria, Latvia, Cyprus, and the Netherlands, but did increase in six member states, i.e. Romania, Finland, the UK, Ireland, Estonia, and France.