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VAT- SIMPLIFYING VAT OBLIGATIONS- THE ONE-STOP-SHOP SYSTEM**CONSULTATION PAPER OF THE EUROPEAN COMMISSION/TAXUD/C3/MARCH 2004****UNICE COMMENTS****Introduction**

UNICE welcomes the Consultation Paper of the European Commission on Simplifying VAT obligations and the one-stop-shop system. Administrative obligations are an important issue for enterprises in and outside the EU. Cross-border activities within the European Union often involve a VAT registration in another Member State. Due to better communications, centralisation of business activities and the globalisation of the market, enterprises will increasingly supply goods and/or services to recipients in other Member States within the European Union.

UNICE therefore welcomes this initiative of the Commission and endorses an optional system in which **all** VAT reporting and payment obligations for more than one Member State can be fulfilled at one central place, the Member State of identification. In addition, UNICE recommends that companies be given the alternative option of an EU VAT group.

The one-stop-shop system

In the Consultation Paper of the European Commission the one-stop-shop system with a single place of identification is proposed. A single place of identification implies a single VAT registration in the Member State where the taxable person is established or lives. All supplies to consumers (B2C) within the European Union made by this taxable person will be reported via this single VAT registration.

Only for B2C or for B2C and B2B?

In the Consultation Paper the Commission proposes that the one-stop-shop system should be restricted to B2C transactions, as "B2B transactions could be in fact systematically subject to the reverse charge procedure which appears to be the simplest for B2B transactions carried out by non-established taxable persons." However, there are many B2B transactions that could also be facilitated by the one-stop-shop system.

The Paper identifies a number of transactions which necessitate foreign VAT registration when carried out in a different Member State from that where the taxable person is established (distance selling, installation or assembly, work on immovable property, etc.). In addition to these, there are B2B supplies of services not eligible for the reverse charge and supplies of goods from stocks held in a different Member State. Optimising logistical flows often implies that one legal entity/taxable person has more than one stock location in various Member States. Besides this, consignment stock/call off stocks (stocks at or near the premises of the customer) are increasingly used. As not all countries have facilitating schemes, foreign VAT registrations are necessary.

Single European Authorisation (SEA) within the Community Customs Code does allow taxable persons to release goods in any Member State within the European Union whilst the actual customs declaration can be made in one (central) Member State. E.g. a taxable person established in the Netherlands buys goods from a supplier in the Asian Pacific. The goods are shipped to the UK. The goods can be released in the UK and the importation can be declared in the Netherlands. Thus for customs it will be considered as an import into the Netherlands, but for VAT an import in the UK. The VAT import in the UK implies a VAT registration in the UK. SEA does facilitate business, but only as far as the customs declaration is concerned. A similar facilitation is needed for VAT.

UNICE therefore supports introduction of the one-stop-shop system for B2C transactions on an optional basis. However, bearing in mind that some B2B activities - services not eligible for reverse charge, cross-border stocks and importation of goods into other Member States – in principle involve foreign VAT, UNICE is of the opinion that a greater simplification could be achieved by extending the one-stop-shop option to all kinds of transactions, including B2B and imports in other countries. Such an extended one-stop-shop system would facilitate cross-border activities and lead to a real internal market.

In addition, UNICE proposes that companies operating in more than one Member State should have the option of an EU VAT group. Many EU companies which have operations in different Member States usually have separate legal entities for B2B purposes through establishments in those countries (and perhaps for some B2C transactions) and cannot take any advantage from the one-stop-shop proposals.

The main advantage of a single EU VAT group is that VAT would not need to be charged across borders in B2B transactions, and most large businesses are probably set up for electronic settlements between their EU entities without invoices anyway.

The declaration

In the Consultation Paper it is proposed that the Member State of identification would decide on the domestic obligations so harmonisation of domestic obligations is not necessary. UNICE assumes that this means that a taxable person established in e.g. Germany has to follow only the German rules in respect to filing, periods of filing, payments, etc.

The Consultation Papers also refers to “electronic pages” (one for each Member State). It confirms that VAT rates are set by the Member State of consumption. Although at this moment details are not known, UNICE proposes – in line with the recommendation of the PWC report – that the layout of any forms should be harmonised so enterprises can standardise their reporting systems.

The right to deduct (foreign) VAT

The Consultation Paper proposes to exercise the right to deduct in the electronic returns (submitted via the one-stop-shop system) according to the rules of the Member State of purchase. This implies that a supplier established in France can declare his Belgian output and input VAT via his French electronic VAT return within the one-stop-shop system.

The Commission states that this way of working is comparable with the present situation and the one-stop-shop system does not alter this principle (with the exception that one electronic VAT return is filed. Since the proposal includes that the deduction rules of the Member State of purchase would be applicable, UNICE believes it would greatly reduce the value of the

simplification to business in the absence of harmonisation of deduction rules across the EU. Businesses would have to ascertain the detailed rules on input tax deduction for each Member State from which purchases are made. This would deter many businesses from using the system. Adoption of the deduction rules of the Member State of registration would make the system a much simpler and more attractive option, as foreseen in the Proposal for a Council Directive COM (1998) 377, issued 1998, governing the right to deduct VAT.

As mentioned before, UNICE is of the opinion that the one-stop-shop system should be extended to all kinds of transactions (B2C, B2B and imports) to facilitate cross-border activities and the real implementation of the internal market. For the same reasons, UNICE is also of the opinion that Eighth Directive refunds should be filed via the same electronic VAT return within the one-stop-shop system. Foreign VAT will become much less important under the new place of supply rules for B2B services.

Payment and repayment

The Consultation Paper suggests that payments are directly made to the national account of each Member State in the currency of that Member State. Furthermore the remark is made that it would be possible and desirable for tax administrations in each Member State of establishment to negotiate agreements with their national banks to enable taxable persons to make only one payment. UNICE agrees with Commission that one electronic VAT return should be combined with one central payment. UNICE is of the opinion that the implementation of the one-stop-shop system consists in one central payment.

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