



THE SECRETARY GENERAL

Mr László Kovács
Member of the
European Commission
Rue de la Loi 200,
B-1049 Bruxelles

Brussels, 4 July 2008

Re: BUSINESSEUROPE Survey of Obstacles to the European Internal Market in the field of Value-Added Tax.

Dear Commissioner,

We are very pleased to send you a report on VAT-related obstacles to cross-border activity in the EU, based on a detailed survey of 56 member companies in 12 European countries.

The report illustrates that EU companies involved in cross-border transactions face higher advisory and compliance costs as well as risk exposure related to value-added tax (VAT) obligations than when they operate exclusively at domestic level.

One of the key obstacles is the fragmentation of national VAT law. Companies operating across the EU are obliged to invest considerable resources in gathering Member State specific VAT information and often need to intervene manually to adapt their IT systems to local requirements. Other obstacles result from enhanced reporting obligations for intra-Community supplies, obstructions to deduct input VAT and excessive interests and penalties levied by Member States in cases where no revenue shortfall occurs.

Practical examples illustrate how the EU's current VAT set-up deters companies from cross-border activity and/or forces them to organise their business in a non-efficient way. To remove these obstacles, BUSINESSEUROPE urges the Commission to work towards a more uniform application of the VAT directive and to ensure that Member States do not impose excessive red tape on companies.

BUSINESSEUROPE is confident that the Commission will ensure that new measures in the area of VAT – one of the priority areas for better regulation – make it possible to reach the Lisbon target for cutting administrative burdens by 25% by 2012.

Yours sincerely,

Philippe de Buck