



**Mrs. Natalia Radichevskaia**  
Financial Counsellor  
Permanent Representation of the Grand  
Duchy of Luxembourg  
Avenue de Cortenberg 75  
1000 Bruxelles

18 November 2015

**Ref: General Reverse Charge Mechanism**

Dear Mrs Radichevskaia,

BUSINESSEUROPE is the leading advocate for growth and competitiveness at European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 34 European countries whose national business federations are our direct members.

We welcome the Commission and Member States focus on fighting VAT fraud, in particular through the Commission's work plan that foresees the launch of an Action Plan for an efficient and fraud-proof VAT regime, when setting out the definitive VAT regime. The business community shares the objective of having a harmonized approach to efficiently stop VAT fraud, which creates competitive distortions at the expense of the vast majority of businesses who pay their taxes in full.

Currently, in the EU we are still facing 28 different VAT regimes, which increases dramatically the pressure and risks for tax administrations and businesses whilst creates a flourishing ground for fraudsters to abuse and explore. The EU VAT legislation needs to be further improved by target oriented and harmonized measures in all the member states if we want to achieve a complete single market.

During the ECOFIN Council meeting, of 6 October 2015, the Czech Republic Finance Minister made a request to test a general reverse charge system through a pilot project in his Member State.

In the last years we have seen an increasing use by Member States of unilateral regimes, such as domestic reverse charge mechanism and/or extended reporting obligations, which have simply shifted the fraud to other sectors and/or to other Member States and created onerous burden for legitimate business and tax administrations. Although reverse charge mechanisms for a specific area or a specific product might help to stop fraud in that area or product, such unilateral measures have proven not to be successful in curing the source of the problem, as the studies on the increasing VAT gap clearly demonstrate<sup>1</sup>.

<sup>1</sup> The overall VAT Gap in the EU-26 saw an increase in absolute values of about Euro 2.8 billion - Study to quantify and analyse the VAT Gap in the EU Member States, 2015 Report, DG TAXUD 2013/DE/321



Evidence has shown that the different regimes on reporting obligations have negatively affected businesses and consumers through the creation of burdensome and almost real-time obligations.

We urge Member States to continue working together with the European Commission and business on achieving a harmonized fraud-proof regime with balanced reporting obligations/administrative requirements that allows governments, business and consumers to get the utmost of the Single Market.

In light of these concerns, we would be happy to discuss these matters further and, most important, share less burdensome and successful solutions and best practices on how to best tackle VAT Fraud in cooperation between legitimate business and tax administrations.

Yours sincerely,

James Watson