

To: Taxation Working Group  
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Subject: Commission proposes changes to the EU VAT system

## Summary

Today, the European Commission (EC) adopted and proposed a package of initiatives aiming to reform the current EU VAT system. The relevant documents are:

- [EC Communication](#)
- [Proposal for a Directive amending the VAT Directive](#) (other languages [here](#))
- [Proposal amending Implementing Regulation \(EU\) No 282/2011 to introduce a quick fix](#) (other languages [here](#))
- [Proposal amending the VAT Regulation on Administrative Cooperation](#) (other languages [here](#))

The Commission proposes to fundamentally change the current VAT system by taxing sales of goods from one EU country to another in the same way as goods are sold within individual Member States. This will create a new and definitive VAT system for the EU. Based on this proposal, the EC will seek agreement on four fundamental principles, or '**cornerstones**' of a new definitive single EU VAT area:

- **Tackling fraud:** VAT will now be charged on cross-border trade between businesses. Currently, this type of trade is exempt from VAT, providing an easy loophole for unscrupulous companies to collect VAT and then vanish without remitting the money to the government.
- **One Stop Shop:** It will be simpler for companies that sell cross-border to deal with their VAT obligations thanks to a 'One Stop Shop'. Traders will be able to make declarations and payments using a single online portal in their own language and according to the same rules and administrative templates as in their home country. Member States will then pay the VAT to each other directly, as is already the case for all sales of e-services.
- **Greater consistency:** A move to the principle of 'destination' whereby the final amount of VAT is always paid to the Member State of the final consumer and charged at the rate of that Member State. This has been a long-standing commitment of the European Commission, supported by Member States. It is already in place for sales of e-services.
- **Less red tape:** Simplification of invoicing rules, allowing sellers to prepare invoices according to the rules of their own country even when trading across borders. Companies will no longer have to prepare a list of cross-border transactions for their tax authority.

Today's proposal also introduces the notion of a Certified Taxable Person – a category of trusted business that will benefit from much simpler and time-saving rules. Four 'quick fixes' have also been proposed, to come into force by 2019. These short-term measures were explicitly requested by Member States to improve the day-to-day functioning of the current VAT system until the definitive regime has been fully agreed and implemented.



Additional material available:

- [2016 VAT Action Plan](#)
- [2017 VAT Gap Study](#)
- [Commission proposals on VAT for e-commerce \(December 2016\)](#)
- [Impact Assessment](#)
- [Q&A](#)

The Commission will follow this initiative in 2018 with a detailed legal proposal to amend the VAT Directive at technical level so that the definitive VAT regime proposed today can be smoothly implemented. The Commission's proposals will require unanimity in the Council to become law.