



EU-ACTIONPLAN

The European Commission has issued a Roadmap ahead of the release of its [Action Plan](#) for a simple, efficient, and fraud-proof definitive system of value-added tax tailored to the single market.

According to the Roadmap, the Action Plan is intended to take stock of the achievements made since the 2011 Communication of the Future of VAT and to set out the direction for future work. In particular, it will set out the main features of a definitive VAT regime for intra-EU trade, to create a regime that operates across EU member states in the same way as it would in a single country, centred on the use of the destination principle. This provides that supplies should be taxed where they are effectively used and enjoyed.

It will also feature some actions to address the complexity of the VAT system, in particular for small- and medium-sized enterprises; to broaden the scope of the VAT base by examining the appropriate VAT treatment of the activities of public bodies, taking into account the evolution in member states towards privatisation and deregulation of activities traditionally reserved for the public sector; and to enhance the fight against VAT fraud, notably through co-operation between tax administrations.

The Action Plan is intended to reduce the cost of complying with EU VAT law, after a study confirmed businesses' complaints that trading cross-border in the EU is significantly more costly – 11% more, according to that study – than trading domestically. It will also look to make EU VAT regimes less vulnerable to fraud, with high levels of VAT fraud in intra-EU trade resulting in major losses for member states and increasing tax risk for businesses engaged in cross-border activity.

The Roadmap says the Action Plan will also feature proposals to harmonise VAT rates and structures within the EU. It says: "It is also envisaged to consider options for a review of the current rules on VAT rates. These rules are characterised by multiple country and product-specific derogations leading to a non-level playing field. These derogations were meant to be temporary (some of them applying only until adoption of definitive regime) so they should be addressed in this context".

Last, as regards the VAT treatment of intra-EU business-to-business supplies of goods, four options have been identified with member states and business (in addition to maintaining and fine-tuning the current system) with respect to the place of taxation:

1. Taxation of intra-EU supplies where the goods are delivered
2. Taxation of intra-EU supplies where the customer is established regardless of the place of delivery of the goods
3. Reverse charge where the customer is established or
4. Reverse charge where the goods are delivered.