

## **VAT fraud: the European Commission proposes measures to tackle fraud effectively**

*The European Commission today adopted proposals for the amendment of the VAT Directive and the VAT Administrative Cooperation Regulation to speed up the collection and exchange of information on intra-Community transactions from 2010 onwards. This will enable the Member States to detect carousel fraud very quickly.<sup>1</sup> The proposals follow on from the Communication on the improvement of administrative cooperation between Member States to improve the fight against VAT fraud ([IP/07/1754](#)). They are part of a range of legislative and administrative measures which have been, or are about to be, agreed in order to combat VAT fraud more effectively.*

László Kovács, the European Commissioner responsible for taxation and the customs union, said: "The measures being proposed today are the first step towards a more effective fight against VAT fraud. Their advantages are that they can be implemented very quickly and do not impose any significant administrative burdens on economic operators."

Intra-Community carousel VAT fraud occurs where a person liable for VAT who has acquired goods or services within the Community on which no VAT has been paid supplies these goods or services within the Community with VAT imposed but then 'disappears' without paying the VAT into the Exchequer.

### **Faster information exchanges**

When an intra-Community transaction takes place, it currently takes between three and six months for information about that transaction to be sent to the Member State in which the VAT is due. Under the proposals for a Directive and a Regulation, this period will be reduced to between one and two months, thus enabling any fraud to be detected much faster.

With this in mind, the Commission proposes:

- harmonising and reducing to one month the period which persons liable to VAT have for declaring intra-Community transactions involving the supply of goods or services within the Community;
- reducing from three months to one month the period for transmission of this information between Member States;

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<sup>1</sup> Also known as intra-Community missing trader fraud.

- collecting information monthly on intra-Community purchases of goods or services where the buyer or customer is liable for VAT to make it easier to cross-check the data with that provided by suppliers. For this purpose, buyers or customers making transactions to a value of more than EUR 200 000 per calendar year will be obliged to submit their VAT declarations monthly. The threshold has been set at this level to avoid imposing extra obligations on undertakings which make intra-Community acquisitions only occasionally or only for small amounts, while having regard to the significant amounts which fraud represents;
- simplifying the procedures for submitting declarations on intra-Community transactions in Member States in which these procedures are abnormally complex to reduce the burden which the procedures may impose on undertakings.

According to the various consultations carried out within the private sector, these measures will not impose an additional administrative burden on economic operators.

### **Other conventional measures under discussion**

In addition to the proposals for a Directive and a Regulation, the Commission recently submitted several other conventional measures to the Member States' tax authorities for consideration and for a decision. Some of these measures do not require any changes to EU legislation and can therefore be implemented quickly by the national authorities.

With effect from 2009, the department which checks the data on registration for VAT purposes on the Europa website will enable confirmation to be obtained of the name and address of trading partners established in other Member States and will issue personal consultation certificates. This measure is intended to increase the legal certainty of operators acting in good faith and to enable the tax authorities to carry out more effective controls.

Considerable progress has also been made in discussions with the national authorities on the following points:

- automated access by all other Member States to certain non-sensitive data held by Member States on their own taxable persons (business sector, certain data concerning turnover, etc.),
- harmonisation of the procedures for the registration and de-registration of persons liable for VAT to ensure the swift detection and de-registration of fake taxable persons. The Expert Group is considering the introduction of minimum standards.

For more information on these proposals see:

[http://ec.europa.eu/taxation\\_customs/taxation/vat/key\\_documents/legislation\\_proposed/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/vat/key_documents/legislation_proposed/index_en.htm)