



Dear

Sir/Madam,

The CFE Fiscal Committee has prepared an [Opinion Statement](#) on issues surrounding the justification for harmonisation of VAT penalties in the EU.

The movement to the destination principle in VAT and in particular the abolition of current distance sales rules in 2021 by Council Directive 2017/2455 mean that businesses are going to increasingly have to account for VAT in accordance with the rules of the country where their customer is established. Because they will understandably be less familiar with the rules and procedures in other states, there is also a greater risk that traders based in other states may by accident make mistakes. Small businesses in particular may be apprehensive about undertaking cross-border transactions if this potentially results in them being subject to relatively draconian penalties in other Member States. Such businesses are also likely to have particular difficulties in disputing any claims for penalties.

The logistical and financial burdens of instructing advisers in other states for advice and then in disputing any penalties are likely to be especially onerous for them. If correspondence is sent to them in a language that they do not understand, they may have difficulties in knowing that penalties are being sought and the basis and time limits for disputing the penalties. Although principles of European Union law require penalties to be proportionate, courts are likely to be reluctant to brand penalties as disproportionate. Member States currently therefore have considerable discretion when setting penalties.

Given the changes being made to the VAT system and the burdens that these will place on businesses established in other States, CFE Tax Advisers Europe considers that both the Commission and the Member States should seek to harmonise or increasingly harmonise the basis upon which penalties are imposed.

We invite you to read the [Opinion Statement](#), and remain at your disposal for any queries you may have.

Kind regards,

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EU Transparency Register No. 3543183647-05