Brussels, 22 January 2018

EU Commission publishes new VAT proposals concerning VAT rates

On 18 January the European Commission issued two sets of proposals, one seeking to reform VAT rates and the other to lessen the administrative burden for small enterprises. The proposals are part of the ongoing work being carried out under the 2016 Action plan aimed to modernise the system of VAT within the EU. The proposals are subsequent to the proposals on the 'cornerstones of a new definitive single EU VAT area published in October 2017. The proposals will now be transferred to the European Parliament to discuss and the Council to negotiate and finalise.

The proposals are described by the Commission as the final steps in the overhaul of the VAT rules to create a single EU VAT area with the aim of clamping down on VAT fraud.

The new rules seek to give Member States more flexibility to set new VAT rates, and put Member States on more equal footing in terms of derogations. The current rules only allow Member States to apply reduced VAT rates to two categories, and to apply specific derogations to certain reduced rates. Under the new rules the a simplified list will be created showing the products which will always be subject to the standard rate, as opposed to the current list containing lists of goods and services subject to reduced rates. All goods currently subject to the standard rate can continue to so. In order to ensure a consistent level of public revenues a weighted average VAT rate of 12% will apply to Member States.

The new proposals seek to increase harmonisation of rates and make it a less restrictive system. Member states will be allowed to apply:

- Two separate reduced rates below the standard rate of 15% to 5% at the lowest.
- One reduced rate lower than the above mentioned reduced rate that can be as low as 0%
- One VAT exemption (or 'zero rate')

For more information please see [The European Commission Press Release]

EU Commission publish proposals to reduce VAT compliance costs for SMEs

In addition to the proposals on VAT rates the European Commission also published proposals seeking to simplify VAT rules for small enterprises. The proposals seek to introduce new simplified measures regarding invoicing, VAT registration, accounting and returns for SMEs acting both in wholly domestic markets and also cross-border across the EU.

Under the current rules an exemption can be applied to sales of small and medium enterprises ("SMEs") under a certain threshold which varies across Member States. When the SME exceeds this threshold they cease to avail of the simplification measures. The current rules apply only to domestic sales made of the SME, this creates a distortion against SMEs operating cross-border.

Under the new rules, whilst Member States will still decide the threshold, a limit of 100,000 will apply. SMEs would be entitled to benefit from the exemption not only on domestic sales but also on cross-border sales to other Member States. Member States would be allowed to exempt all small business that qualify for a VAT exemption from obligations relating to identification, invoicing, accounting or returns.

In addition, a new category will be created for SMEs with annual turnover in excess of the 100,000 euro threshold but under 2 million euro under which SMEs would benefit from simplification measures regardless of whether or not they have already been exempted from VAT.
The European Commission Press Release

First ECOFIN of the Bulgarian Presidency to be held in Brussels on 23 January 2018 – Sets out Presidency work programme

The first ECOFIN meeting of the Bulgarian Presidency will take place on Tuesday 23 January 2018. The Agenda contains discussion of the Presidency work programme. On direct tax matters the priorities will be progressing efforts to agree on a proposal for enhanced administrative cooperation and the exchange of information amongst Member States. In addition, work will be progressed on the proposal for a common corporate tax base (CCTB) and the planned proposals on the taxation of the digital economy. From an indirect tax perspective, the priorities are progressing the work on the establishment of a single VAT are beginning with the establishment of a definitive VAT system and a proposal on enhanced cooperation to prevent VAT fraud.

The first ECOFIN meeting of the Presidency will discuss the above mentioned VAT proposals relating to VAT rates and SMEs.

Amendments to be made to EU List of non-cooperative jurisdictions in tax matters

Top of the taxation agenda at the next ECOFIN meeting is the removal of certain countries from the EU Blacklist of non-cooperative jurisdictions in taxation matters. These countries have undertaken to satisfy various commitments within a specific timeframe. The countries are Barbados, Grenada, the Republic of Korea, Macao SAR, Mongolia, Panama, Tunisia and the UAE. The Council have stated that they will carefully monitor the implementation of the undertakings.

The list now contains 9 jurisdictions consisting of, American Samoa, Bahrain, Guam, Marshall islands, Namibia, Palau, Saint Lucia, Samoa, and Trinidad and Tobago. In addition, letters will be sent to 8 Caribbean districts requesting that commitments be made to remedy EU concerns, these letters were delayed to allow time to recuperate after tropical storms damaged the Caribbean in September 2017.

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