



## European Tax Report Confédération Fiscale Européenne (CFE)

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### NEWS - INDIRECT TAX

## Consolation on legislation of reduced rates for VAT

### EUROPEAN COMMISSION

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

On 17 March 2008 the European Commission has adopted proposals to amend 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. Currently the internal market is hurt by the so-called „missing-trader“ phenomenon which occurs when 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 the Community with VAT imposed but then disappears without having paid the VAT into the Exchequer.

#### Shorter time-limits for information on transactions

„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“, underlined Laszlo Kovacs, Commissioner for Taxation and Customs Union. The proposal intends that any information about a transaction shall be sent within one or two month to the Member State in which the VAT is due. Currently this procedure takes between three and six months. Consequently it should be easier to detect VAT fraud.

#### Read more:

Proposal for a Council Directive - VAT Fraud

[EN](#) [FR](#) [DE](#)

The Council Directive 2006/18/EC of 14 February 2006 foresees the prolongation on reduced VAT rates for labour-intensive services until 2010. Under the mandate of the Council, the European Commission presented on 5 July 2007 a Communication on VAT rates other than the standard VAT rates on the basis of a study which was conducted by Danish Economics.

#### A new framework

In the view of the European Commission, a new framework should simplify the present system and ensure at the same time the flexibility for Member States to adopt reduced rates, in particular concerning locally supplied services. On 6 March 2008 the European Commission has launched a Consultation in order to stimulate a broad public debate in order to develop a sustainable and well balanced proposal in the medium term.

#### First proposal in 2008

It has been decided to launch a first limited proposal in 2008 most likely during the summer. It would include only those issues which require immediate action due to precise deadlines and/or for which generally speaking sufficient elements to assess the broad economic impacts are already available. At a later stage the European Commission plans to work on a depth review of the current VAT structure and in particular the current basic rules. The European Commission has launched the consultation to gather the views of stakeholders in both fields.

#### Comments shall be sent until 12 May 2008 to

European Commission  
Directorate-General for Taxation and  
Customs Union  
VAT and other turnover taxes  
Rue Montoyer 59, office 5/96  
B-1049 Brussels  
Belgium  
Fax: +32-2-299-36-48  
E-mail: [taxud-d1-rates@ec.europa.eu](mailto:taxud-d1-rates@ec.europa.eu)

**Read more:**

Consultation Paper on reduced rates for VAT

[EN](#) [FR](#) [DE](#)

**Read more:**

Website Directorate General Competition / European Commission (available in 23 languages)

[EN](#) [FR](#) [DE](#)

## NEWS - DIRECT TAX

### EUROPEAN COMMISSION

#### State aid: Italy needs to recover 123 million Euro of unlawful fiscal aid

Under the 2004 Italian Finance Law public-owned banks were allowed to pay a nominal tax of 9% instead of the ordinary company tax of 37.5% during their privatisation. The European Commission found that this measure is not compatible with EC law as it creates a distortion of competition.

#### Illegal aid must be recovered

“When Member States set favourable tax rules for a select number of undertakings, they must be careful not to alter the level playing field between competitors. Illegal aid given to privatised banks must be recovered and returned to taxpayers”, commented Neelie Kroes, Commissioner for Competition. When the measure had been introduced, the European Commission did not receive any notification. Consequently the nine private banks will have to recover 123 million Euro.

**Read more:**

Decision (non official version)

[EN](#)

State aid weekly news

[EN](#)

#### State aid: Solidarity tax on wealth in France

The European Commission allows France to the French tax-relief to a taxpayer's scheme in respect of the solidarity tax on wealth (ISF) for those who invest in SMEs. The scheme is part of the fiscal package adopted by France in August 2007. It proposes relief on ISF up to a maximum of 50 000 Euro per year for any investment made directly or indirectly in an SME. The estimated cost of the scheme is 445 million Euros in 2008 but the measure is expected to stimulate new investment in SMEs of the order of 635 million Euros.

#### Supporting Small and Medium Sized Companies (SMEs)

EU Competition Commissioner Neelie Kroes said: “The tax scheme encourages investment in SMEs, in particular those with the greatest potential of growth, on near-market terms. It is expected to provide support for SME activities and thus for the industrial fabric and employment.”

**Read more:**

Directorate General Enterprise and Industry / European Commission

[EN](#) [FR](#) [DE](#)

Analyses of the competitiveness of SMEs in Europe

[EN](#)

## State aid: Promoting of biodiesel in Italy

Italy has introduced a new measure to stipulate the production and the use of biodiesel which has been authorised by the European Commission. It ties in with a previously introduced scheme and introduces at the same time a supply obligation for biofuels which is a novelty. At this state it cannot be predicted how this will affect the market.

### EU targets on renewable energy

“I am happy to approve aid that promotes biodiesel without overcompensating suppliers. Italy is now a step further in its way to implement the EU targets on the use of renewable energies for transport”, outlined Commissioner for Competition, Neelie Kroes. The European Commission has consistently authorised support schemes for biofuels in the past where it could be demonstrated that the aid did not exceed the difference between the cost of producing biofuel and the market price of the corresponding fossil fuel. The method is considered to ensure the absence of overcompensation.

#### Read more:

Standards of biofuel

[EN](#)

Communication from the European Commission / Biomass action plan

[EN](#) [FR](#) [DE](#)

New Energy Policy / European Commission

[EN](#)

## Saving Directive Review

As set out in the Council Directive 2002/43/EC on taxation on income from savings the content has to be reviewed every three years by the European Commission. The review process is meant to address both legal and practice aspects of the Directive and takes into account of the unanimous agreement reached by the Council on 28 November 2000 on the “essential content” of the then “future” Directive. With a view to preparing the first review, the European Commission has now launched an informal consultation process with the tax administrators and with market operators of the EU Member States in order to examine the operation of the Directive and to get advice on possible amendments of the Directive.

#### Read more:

Directive 2003/48/EC

[EN](#) [FR](#) [DE](#)

Excerpt of the Council Press Release (see „future directive“)

[EN](#) [FR](#) [DE](#)

### NEWS - OTHER

## EUROPEAN COMMISSION

The European Commission has published a Taxation paper on „Corporate tax policy and incorporation in the EU“. The writers are Ruud A. de Mooij (CPB Netherlands Bureau for Economic Analysis) and Gaetan Nicodeme (European Commission). The paper explores to what extent income shifting from the personal to the corporate tax base can explain the fact that declining corporate tax rates have come along with rising tax-to-GDP ratios. The authors exploit a panel of European data on legal form business to analyse income shifting via incorporation. The results suggest that the effect is significant and large.

The taxation papers are written either by the staff of the European Commission or experts working in association with them. They intend to raise the awareness of the work being done and to seek for comments. Other Taxation Papers which have been recently published were „A history of the ‚tax package‘: The principles and issues underlying the community approach“ and „Delineation and Apportionment of an EU Consolidated Tax Base for Multi-jurisdictional Corporate Income Taxation“ in 2006.

**Read more:**

Taxation Papers / European Commission

**EN****IMPRESSUM**

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