
Opinion Statement FC 5/2020 on Unharmonized Reporting Obligations in VAT

Prepared by the CFE Fiscal Committee
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This Opinion Statement discusses issues with lack of harmonization in VAT reporting within the European Union.

CFE Tax Advisers Europe is a Brussels-based association representing European tax advisers. Founded in 1959, CFE brings together 33 national organisations from 26 European countries, representing more than 200,000 tax advisers. CFE is part of the European Union Transparency Register no. 3543183647-05. We would be pleased to answer any questions you may have concerning our Opinion Statement. For further information, please contact Ms. Stella Raventós-Calvo, Chair of the CFE Fiscal Committee or Brodie McIntosh, Tax Technical Officer, at info@taxadviserseurope.org. For further information regarding CFE Tax Advisers Europe please visit our web page <http://www.taxadviserseurope.org/>

The VAT system within the European Union should be moving towards a system of increased harmonization to facilitate the single market. However, when it comes to the collection of VAT and accounting obligations, businesses are increasingly being faced by a series of new reporting and payment requirements which are being introduced by Member States on a non-harmonized basis. Poland has introduced requirements for split payment. We are also seeing increasing moves towards real time submission of data, mandatory e-invoicing and prefilled VAT returns, for example the Suministro Inmediato de Información (SII) in Spain, esterometro reports in Italy and software and audit requirements in France and Luxembourg.

It is understandable that tax authorities should want to be using modern technology to facilitate the collection of information to reduce fraud. However, the introduction of the steps outlined above on a unharmonized basis is particularly expensive and burdensome for business that seek to operate across the single market, as they are required to spend significant amounts on different systems in different Members States to remain compliant. This will particularly true if the reporting requirements apply to small non-established businesses that make some supplies that are subject to VAT in the jurisdiction and who are not eligible to use the one-stop shop accounting procedure.

While it is understandable that tax authorities should be seeking to exploit modern technology they should be seeking to do so on a harmonized and proportionate basis to facilitate the single market and to keep the burdens on businesses that operate on a cross-border basis to a minimum. It is also important that this be done as a matter of urgency. This is because the adoption of a more harmonized system later will require business to incur yet further expense in jurisdictions where they have had to comply with the previous unharmonized requirements. Accordingly, CFE Tax Advisers Europe view this as an area where measures should be adopted on a more harmonized basis as a matter of urgency. Such requirements should also be used in a manner that seeks to reduce the burdens on businesses. For example, there is no reason why input tax claims should be refused on account of formalities if it is clear that the supplier has accounted for VAT to the tax authority.

CFE Tax Advisers Europe therefore welcomes the European Commission's proposals to hold a Fiscalis seminar on transaction based VAT reporting and its recognition of the importance of this issue. The CFE believes this issue require consideration on a pan-European basis as soon as possible.