



European Economic and Social Committee

ECO/293
The future of VAT

Brussels, 14 July 2011

OPINION
of the
European Economic and Social Committee
on the
Green Paper on the future of VAT -
Towards a simpler, more robust and efficient VAT system
COM(2010) 695 final

Rapporteur: **Ms Mader**

On 1 December 2010, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

Green Paper on the future of VAT - Towards a simpler, more robust and efficient VAT system
COM (2010) 695 final.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 24 June 2011.

At its 473rd plenary session, held on 13 and 14 July 2011 (meeting of 14 July 2011), the European Economic and Social Committee adopted the following opinion by 161 votes with 10 abstentions.

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1. Conclusions and recommendations

- 1.1 The Committee unreservedly endorses the Commission's initiative to consider overhauling the VAT system, the rules of which were described as "provisional" at the time of their introduction in 1967 and which have been widely criticised. The Green Paper is only the beginning of a procedure which is likely to be long, difficult and complex, and whose success will depend on real determination by Member States to develop a "simpler, more robust and efficient" system.
- 1.2 Over time, there have been numerous changes to the current system: the Commission has proposed improvements to make the system more effective and consistent with the principles of the Single Market. The Member States have agreed to various measures relating to organisation, administrative cooperation and automatisisation. Other measures were primarily administrative and organisational in nature. However, up till now the Council has always resisted proposals to reform the system as a whole.
- 1.3 The Committee agrees with the Commission's statement that a comprehensive VAT system should reduce operational costs for users and administrative charges for authorities while cutting back attempted fraud, which represents a burden on public finances. Another consideration which should be mentioned here is the needs of economic operators, who ultimately have to handle the collection of this tax and who, along with consumers, pay for its inefficiency. As previously stated by the Committee, attention should also be paid to the VAT

regime on financial services¹, and certainly if a new financial sector tax based on cash flows or similar factors were to be introduced, the Commission should assess the merits of designing it within the VAT framework².

1.4 One particularly sensitive issue is that of dealing with cross-border transactions. From a rational point of view, the tax should be levied in the Member State of origin under the same conditions as internal trade; due to the difficulty of settling accounts between Member States, the Council opted for the simplest solution of levying a tax in the Member State of destination, with a few exceptions, mostly concerning services. The Commission is now proposing alternative solutions, but everyone is well aware that a perfect solution is difficult to find.

1.4.1 At all events, the Committee feels that radical changes should be avoided; instead, a step-by-step approach should be pursued. The best option would probably be generalised taxation in the Member State of destination while maintaining the principles of the current system. At the same time, the reverse charge mechanism should be generally adopted, optionally at first and then on a compulsory basis. A one-stop shop for businesses should in any event be set up to simplify administrative procedures.

1.5 The Green Paper proposes to compile comments and suggestions from all stakeholders in order to ultimately formulate Commission proposals. To this end, the document, which is impossible to summarise, puts 33 questions; these are answered by the Committee. For details, see Section 5 of this document.

2. **Introduction**

2.1 For several years, improvement of the VAT system has been one of the Commission's fiscal policy priorities. This tax, adopted by the EU in 1967 as a common taxation system for all Member States, generates a large part (over 20 %) of their revenue. In addition, some of the VAT levied contributes to the EU budget; it is therefore obvious that it is of direct concern to the Commission that its interests be protected by ensuring that the tax is applied as effectively as possible.

2.2 Although the VAT system contributes substantially to Member States' revenue, it is far from being satisfactory and has been the subject of many criticisms from both Member States and other stakeholders, such as businesses and consumers. For a long time the Commission has been endeavouring to take these criticisms on board and has been proposing improvements to

¹ See EESC opinion 1002/2008 on the Proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services (COM(2007) 747 final - 2007/0267 CNS).

² See EESC opinion 991/2011 on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Taxation of the Financial Sector (COM(2010) 549 final).

make the system more effective and consistent with the rules and principles of the Single Market; admittedly, these efforts have met with more or less overt opposition from the Member States.

- 2.3 It must be said clearly and openly that in fiscal matters, the desire for European cohesion is constrained by every Member State's concern - indeed need - to protect its own sources of finance; countries which feel certain rules might adversely affect their interests or result in heavier costs or more cumbersome administrative procedures express their disagreement fairly overtly, often in a way which lacks transparency.
- 2.4 Detrimental as all this is to a common European policy, it does explain why the Commission's laudable efforts over the past years have foundered. Nevertheless, considerable progress has been made in rationalising and computerising procedures, in reducing costs for both governments and taxpayers, and in enhancing administrative and judicial cooperation.
- 2.5 Aware as it is of the problems and obstacles, the Commission has now come back to the objective it has always had in mind, namely reforming the system as a whole to align it with the principles of the Single Market, taking into account the concerns of all parties. Following the usual procedure, the Green Paper asks a series of questions on various aspects of the VAT system; the answers it receives will be used as the basis of proposals for a new "simpler, more robust and efficient" system. This opinion sets out the EESC's contribution - in its capacity as representative of socio-economic interest groups.

3. General remarks

- 3.1 As the Commission rightly points out, the crisis has impacted on public finances, not least due to a shift in the importance of direct taxation relative to indirect taxation; the percentage of total revenue contributed by VAT, which has been around 22% up to now, shows a rising trend. This is the result of policies generally geared to improving competitiveness by reducing taxes on work and business. Although the EESC feels that this is a positive development, **it must not lead to higher VAT rates being laid down in the framework directive**, which would mean an unacceptable additional burden on employees and consumers.
- 3.2 The mechanism would be improved by putting in place "a **comprehensive VAT system**" which, according to the Commission, should reduce operational costs for users and administrative charges for administrations and cut back **attempted fraud**. On the latter point, the Committee shares the Commission's concerns; its opinions have repeatedly pointed out that VAT is the most widely evaded tax in the EU, and that tax evasion is a significant source of funding for organised crime and terrorism. The interdependent phenomena of tax evasion, crime and associated money laundering represent a **major threat to society at international level**. The Committee stresses that examination of the new rules should always take into account how **"watertight" they are in relation to fraudulent attacks**.

- 3.3 The Green Paper does not overlook business-related aspects: VAT management and administration (the Committee would also mention litigation here) represent a major part of businesses' administrative costs, to the extent that many SMEs are reluctant to take part in international trade. The Committee reiterates that there is a need for **VAT management to become more flexible, simpler, and less burdensome**; it is consumers - as end users - who pay the price for shortcomings in this area.
- 3.4 Another important subject is the possibility of introducing a **single-rate tax**, considered to be the "ideal consumer tax"; the Committee agrees with the Commission that this is a near-impossible goal, and strongly **supports** the Commission in its attempts to **reduce or eliminate the excessive number of exemptions, exceptions, and reduced or preferential rates** - arrangements which cut revenue by 45% compared to what could theoretically be levied by applying the normal rate. A reasonable balance will have to be struck between budget needs and the social and economic considerations underlying such arrangements, particularly with regard to local and labour-intensive services.
- 3.5 As the EESC has emphasised in its opinion on "Taxation of the financial sector" (ECO/284 – CESE 991/2011), the approach to VAT in the financial sector is in need of revision.
4. **VAT treatment of cross-border transactions in the single market**
- 4.1 When it was adopted in 1967, the VAT system between Member States based on application in the country of destination, was described as "provisional"; the definitive system was to involve taxation in the country of origin. 44 years on, the "provisional" system is still in force. From a rational point of view, **the tax should be levied in the Member State of origin** under the same conditions as internal trade, except for settling the balance due to the country of destination. Given the problems at that time, some of which persist, the Council opted for the **simplest solution of levying a tax in the Member State of destination**; this approach is still used, albeit with some significant exceptions, mainly concerning cross-border telematic services.
- 4.2 The Commission has tried twice in the past to get Council agreement on a standardised VAT system based on the principle of levying a tax in the country of origin; it failed on both occasions due to serious implementation problems. In 2007 the Commission looked into a system of **taxation in the country of origin at a rate of 15 %**, leaving it up to the Member State of destination to levy or reimburse as appropriate the balance relative to its own VAT rate. The Council did not follow through with this proposal.
- 4.3 The Committee acknowledges the complexity of the problem; given the variety of tax rates and differences in administrative procedures which still exist despite the Commission's attempts to achieve harmonisation, **a perfect solution is difficult to find**. However, **we cannot deny the progress** which has already been made or is being made in taxation on

provision of services³, improvements to taxation systems⁴, administrative cooperation and one-stop-shop mechanisms⁵, as well as on good governance and combating fraud⁶.

- 4.4 The Green Paper is a step in the right direction in that it sets out to gather useful information in order to propose improvements; based on past experience and the current situation, the Committee would prefer a **policy of step-by-step improvements rather than radical changes**. It therefore feels that the best solution is the one mentioned in Point 4.2 of the Commission's document - **generalised taxation in the Member State of destination, and maintaining the principles of the current system** (Point 4.2.1), with gradual adoption - optional at first and then compulsory - of a **reverse charge mechanism** (Point 4.2.2). At the same time, one-stop shops should be set up to ensure that businesses can settle their cross-border tax liabilities with minimal bureaucracy.

5. Replies to questions

- 5.1 VAT arrangements for intra-EU trade (Q.1): the current system is not perfect: it has various drawbacks, mostly due to the numerous concessions, exceptions, exemptions etc. granted to Member States. That said, **it has been operating for too long to allow easily for radical change**; a radical shift would be disastrous. It would be better to **concentrate on applying the principles of good governance** so often mentioned by the Commission, as endorsed by the Committee in its opinions; these are summarised in the document accompanying the Green Paper⁷. The **main obstacles to drawing the full benefits of the system have less to do with the principles themselves** than with defective implementation and resistance to change in Member State administrations.
- 5.2 VAT and public authorities (Q.3): in principle, exemptions to public bodies in competition with private operators (e.g. transport, health care) are justified by the typically social nature of public services. However, it should be kept in mind that private operators often **complement** inadequate or defective public services. Undoubtedly the current situation **distorts competition**, an effect generally mitigated by new forms of cooperation. At all events, the consumer has a choice between cheaper public services or more expensive private ones. Except in cases in which one or the other is not available (e.g. transport), choice between the two is mostly based on an **assessment of quality**.

³ EESC opinion on *Rules/place of supply of services*, OJ C 117, 30.4.2004, p. 15.

⁴ EESC opinions on *Improving the operation of taxation systems in the internal market (Fiscalis 2013)*, OJ C 93, 27.4.2007, p. 1, on *Promoting Good Governance in Tax Matters*, OJ C 255, 22.9.2010, p. 61, and on *VAT: Combating tax evasion*, OJ C 347, 18.12.2010, p. 73.

⁵ EESC opinion on *Simplifying VAT*, OJ C 267, 27.10.2005, p. 30.

⁶ EESC opinion on *Anti-abuse measures in the area of direct taxation*, OJ C 77, 31.3.2009, p. 139.

⁷ Commission Staff Working Paper, SEC(2010)1455 of 1.12.2010.

- 5.2.1 The Committee feels that a fair solution which would be advantageous to consumers would be to retain exemptions for public services and to extend them to private operators providing an essential service in the absence of a public service. We are aware of the difficulties in applying this principle; on the other hand it is unacceptable that consumers in deprived areas should have to pay more for services offered to them without there being a choice. In order to avoid distortions to competition with the private sector, this exception should definitely be limited to tasks of public interest⁸.
- 5.3 VAT exemptions (Q.6): there is no reason to retain **exemptions granted to Member States** prior to 1 January 1978 - these **should be scrapped**: as privileges negotiated by the Member States at the time when the EU was founded or shortly afterwards, they now constitute an unacceptable departure from the principles of the Single Market. The same arguments apply to the new Member States, for which exemptions should be phased out in line with improvements in their living standards, while setting transparent criteria for the assessment thereof.
- 5.3.1 **Exemptions for certain activities in the public interest and other activities** are more complex and require a more nuanced approach. Both types of exemption depend on the policy orientations and economic policies of each Member State; although they contradict the principles of the Single Market, they may be used as instruments to **support national growth and employment policies**. At all events, any future good governance policy should only allow such exemptions as **exceptional and temporary measures**. As previously stated in its opinion regarding the VAT regime on financial services⁹, the Committee would welcome a more thorough legislative approach to eliminate the remaining interpretation difficulties and unsolved problems. In addition, regarding the possible introduction of a financial transaction tax¹⁰, the Commission should assess the merits of designing it within the VAT framework, so as to ensure an administratively easier approach for the sector and to alleviate the burden of irrecoverable VAT.
- 5.3.2 **The exemptions granted to SMEs in certain countries constitute a special case; these should be scrapped**. As is well-known, VAT evasion is a serious problem *in all countries*; the possibility of legally avoiding VAT in neighbouring countries only increases cross-border purchases of goods and services from such countries. An additional consequence for countries with no VAT exemption is the undermining of efforts to combat VAT evasion and distortion of competition to the detriment of SMEs complying with the rules.

⁸ Services of General Interest (SGI) – Protocol of the Intergovernmental Conference No. 26, 23.7.2007.

⁹ See EESC opinion of the EESC 1002/2008 on the Proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services (COM(2007) 747 final - 2007/0267 CNS).

¹⁰ See EESC opinion of the EESC 991/2011 on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Taxation of the Financial Sector (COM(2010) 549 final).

- 5.4 Taxation of passenger transport (Q.7): our reply is along similar lines to the comments on Q.3 (paragraph 5.2 above); it should be applied to **all transport modes, including air transport** (as indeed already appears to be the case).
- 5.5 Problems with the right of deduction (Q.9): VAT deductions are a **major problem for businesses**, being complex, difficult to apply in many cases, and liable to give rise to disputes, litigation and fines. Moreover, it is based on an **unfair principle**, as the Commission itself points out: the right of deduction (together with the obligation to pay VAT) arises at the moment when goods are delivered or services provided, regardless of whether or not the client has paid. Late payers also have what the Commission calls a "cash-flow advantage", which in fact amounts to **certain revenue for the taxation authority, paid in advance by the vendor or supplier and guaranteed even in the event of insolvency on the part of the client**¹¹.
- 5.5.1 Another serious problem is **VAT deduction by means of offsetting arrangements whenever a positive balance for the VAT taxpayer arises**: in some Member States, reimbursement involves considerable delays, adversely affecting cash flow and in some cases even driving businesses into bankruptcy. As Member States have pointed out, the offsetting (clearing) system offers some scope for fraud; although this is true, it is up to them to put in place speedy checks, as businesses pay the price for Member States' inefficiency.
- 5.5.2 The Committee agrees with the Commission's arguments in favour of the **cash accounting system as a possible, fair and neutral solution for intra-community trade**, especially from the point of view of companies' cash flow. However, the solution will only be possible in intra-community trade if an **offsetting system using a one-stop-shop mechanism** is developed, as proposed by the Commission; implementing such a system would involve several problems.
- 5.6 VAT on **international services** (Q.11): the importance of international services, especially those provided electronically, warrants adoption of special rules for such services; however, the non-tangible nature of such services often makes it difficult to monitor application of VAT by providers, especially in the case of services provided to individuals (software, music, etc). Such monitoring is impossible when providers are based outside the EU; both the OECD and the Commission are studying the problem, but finding a solution will not be easy, certainly not in the short term.
- 5.6.1 The main problems have to do with the serious **distortion of competition** between services provided within the EU and those originating from outside; there are few effective means of regulating the situation, apart from **possible international cooperation agreements between tax authorities**. At all events, the Committee is **opposed to measures** such as those adopted

¹¹ Reimbursement of VAT on goods or services remaining unpaid involves long, complicated and costly procedures in many countries.

in Canada, which involve **levying VAT from consumers after checking online payments** made by them. Apart from the inconvenience for consumers of paying VAT on each purchase, the checks envisaged here represent an **unacceptable intrusion into people's private lives**.

- 5.7 EU VAT law (Q.13): Article 113 of the Treaty gives the Council all the powers on **harmonising VAT legislation**; there are therefore no constraints in the choice of legal instruments, whether directives or regulations. Based on past experience and a tendency among Member States to interpret provisions according to their own interests, a **Council regulation would no doubt be the best choice**. However, the provisions of such a regulation should realistically be limited to certain fundamental aspects: scope of VAT, definition of VAT taxpayers, administrative cooperation and the fight against fraud. The more detailed that provisions are, the more serious will be the difficulties in reaching a consensus within the Council, thus making it necessary to resort to implementing directives.
- 5.7.1 Implementing provisions (Q.14): we would welcome the option of authorising the Commission to adopt implementing decisions; however, this solution was already rejected by the Council in 1997. It remains to be seen if such an agreement could be reached on the basis of a majority decision; it would be difficult to get round the unanimity requirement (which is a Council prerogative) by delegating powers to the Commission. Although a favourable decision would be welcome here, the Committee fears that this is **not a realistic prospect**.
- 5.7.2 Guidance on new EU VAT legislation (Q.15): it would be useful to publish Commission guidelines for Member States wishing to comply with them. Problems might arise from the fact that these guidelines are not binding; taxpayers or even administrations could **litigate** on the basis of failure to apply guidelines - which have no legal value - or the poor application thereof. The **courts would then have to decide on a case-by-case basis** on the merits of complaints invoking guidelines whose validity would be questioned.
- 5.7.3 Improving the legislative process (Q.16): for improving the legislative process, we should be thinking in terms of a **new approach and method** rather than new measures. In the **initial stages** of the process, the Commission's approach is one of transparency and openness: prior consultation with the Member States, meetings of consultative committees, green papers and contacts with stakeholders. So much for the early stages; later on, Council procedures become less transparent and less open to offers of dialogue from outside.
- 5.7.4 In the **final stages**, improvements at national level could involve faster legislative processes for the adoption of directives and implementing regulations; the latter in particular often lack clarity and precision, making it difficult for operators and sometimes even administrations to comply with the rules. At European level, agreement should be reached on a reasonable period of time between the deadline for transposition of the directive by Member States and entry into force of new measures.

- 5.8 Derogations granted to Member States (Q.17): just looking at the list of over 100 derogations shows that the Member States, and certain ones in particular, are excessively reliant on such derogations and on extensions of their validity. The Commission rightly points out that this patchwork leads to confusion, extra costs, distortion of competition, and often provides scope for fraud; the Commission is asking for more powers enabling it to grant derogations promptly and where needed. The Committee agrees with this proposal, but at the same time it calls for a comprehensive overhaul to make sure that the existing derogations are still warranted.
- 5.8.1 Procedure for granting derogations (Q.18): the current procedure is slow, and the request for the powers needed to speed it up is justified; at the same time, the Committee would like to see tighter criteria for granting derogations. The list of derogations should be constantly updated, and it should be possible to check it easily and quickly.
- 5.9 Current VAT rates structure (Q.19): it is certainly true that the current rates structure **diverges from the principles of the Single Market**; it remains to be seen whether - and if so, to what extent - rate differences are a **means of accommodating the specific circumstances** of certain activities. On the subject of **differing rates applied to similar products**, for example online services compared to products and services with similar content, the Committee points out that consumers generally benefit from lower prices. As far as products are concerned, delivery costs to some extent balance out the operational costs of conventional trade; equal VAT rates would therefore be detrimental to online shoppers. For services, on the other hand, the question is open and would be worth discussing. Finally, as a general rule, similar products should be subject to the same VAT rate.
- 5.9.1 Reduced VAT rates (Q.20): although we might like to get rid of reduced rates, we **cannot realistically expect this to happen**; however, the list should certainly be **pruned**, and is definitely in need of a rigorous review - for example, some of the cases where reduced rates have long been applied are no longer acceptable, given the changes that have taken place.
- 5.9.2 A compulsory and uniformly applied **reduced VAT rates list** is likewise an appealing, but **unrealistic** idea. Reduced rates are used in all the Member States as a powerful economic policy lever, sometimes for social or even purely political reasons. Whatever the case, we **cannot expect Member States to give up their powers to grant reduced rates for individual cases**. The thinking behind this will only **change** when there is Europe-wide **economic governance**, clearly aligning national policies in all the Member States.
- 5.10 Problems with the current rules (Q.21): the problems with red tape which operators, vendors and purchasers face have to do with the **multiplicity of rules** applied on either side of a border, which are **often different and sometimes overlap**. These include recapitulative statements, recording requirements, documentation requirements, declaration obligations, invoicing requirements (electronic invoicing), registration requirements in other Member

States, and the distinction between the supply of goods and services. **Language** problems also mean additional costs and can cause dangerous misunderstandings.

- 5.10.1 Overcoming these problems (Q.22): the Commission itself has suggested solutions in several directives and recommendations aimed at achieving **administrative simplification**, for example through the creation of a **one-stop-stop mechanism, the introduction of a European number to identify operators, and the computerisation of administration**. The problem is that administrations have only implemented these measures to a limited extent, sometimes with differences between countries and considerable delays. **Harmonisation and coordination** of procedures have thus become **priority objectives**, even more so than simplification¹².
- 5.11 Exemption for small businesses (Q.24): there are **several possible justifications** for generally overhauling exemption arrangements: distortions of competition, permanent monitoring of the reasons originally justifying exemptions, impact on the budget of each Member State, the general economic climate, implications for competitiveness, employment and consumers, and consistency with the Europe 2020 objectives. Basically, however, there are **significant political aspects to this issue**, and it remains to be seen whether the Council is willing to look into the problem.
- 5.12 Needs of small farmers (Q.26): insofar as this question applies to "small" farmers, in most cases the problem should only concern cross-border traffic between neighbouring areas. Given the relatively limited volumes of such traffic, **general** exemption arrangements might be a possibility.
- 5.13 One-stop-shop mechanism (Q.27): the Committee confirms all the arguments¹³ put forward for proposals to introduce a **one-stop-shop mechanism**¹⁴: this would be a **good solution** for cutting costs and simplifying administrative procedures, once a general, coordinated solution has been found to the **numerous problems which still need to be tackled**: setting up an electronic register recognised throughout the EU, scrapping the requirement for direct financial transfers between debtors and the creditor Member State, and harmonisation of various national rules, especially those on declaration periods.
- 5.14 Cross-border transactions (Q.28): the answer is already implicit in the way the question is asked: current rules definitely cause problems for intra-European companies and corporate groups, as well as administrations. Inevitably, the detailed rules which apply here are complicated for businesses to comply with and for administrations to monitor. One solution - although not perfect - would be to consider multinational companies as **being solely subject**

¹² The Committee has discussed the subject on several occasions: EESC opinions on a *Common system of VAT (Recast)*, OJ C 74, 23.3.2005, p. 21; *VAT/Rules on invoicing*, OJ C 306, 16.12.2009, p. 76, and all other EESC opinions referred to in this text.

¹³ EESC opinion on *Simplifying VAT*, OJ C 267, 27.10.2005, p. 45.

¹⁴ COM(2004) 728 final.

to the rules of the country in which their headquarters are located, regardless of the countries of origin or destination, except where **compensation is due for sums over-or underpaid by means of a one-stop-shop mechanism**. The main disadvantage here would be the increased scope for fraud. To conclude, this problem is so complicated that ultimately only a **study group** comprising experts from administrations and corporate groups would be in a position to **come up with reasonable proposals**.

- 5.15 Synergies with other legislation (Q.29): the Committee has already given a detailed answer to this question in its opinion on "Promoting Good Governance in Tax Matters"¹⁵. In this document it emphasises the need to **coordinate VAT directives ("customs" directives) with directives on indirect taxation and money laundering**. It also deems it essential to establish **structured cooperation and structurally organised collaboration between the various bodies** responsible for combating organised crime. Nothing has been done here at EU level, and it seems that the Committee's proposals have been completely ignored.
- 5.16 VAT collecting arrangements (Q.30): of the four alternatives proposed, the second one - envisaging a **central database** recording all invoice data - seems to be by far the best one, as it is a simple, effective means of combating fraud. Electronic invoicing does, however, entail high costs for businesses. That said, civil service and business professionals should have the last word here. For its part, the Committee notes that the main positive aspect here is that **this method seems to be best option for fighting fraud**.
- 5.17 Optional split payment (Q.31): the Committee finds it **difficult to understand the reasons for a split payment system** as proposed in the first model in Point 5.4.1 of the Green Paper; it feels that requiring a double payment for every transaction would mean more complicated accountancy and greater scope for error. Besides, according to some experts **there is no certainty that this model would provide absolute, infallible protection from 'missing trader' fraud** ("carousel" fraud). In any case, the idea of an **optional system** is also best **avoided**, as it would run counter to the idea of harmonisation, to which there are already too many exceptions.
- 5.18 Relationship between traders and tax authorities (Q.32): the Commission's Communication of December 2008¹⁶ already includes guidelines (an action plan) for a policy to **improve relations between traders and tax authorities at national level**. The Committee put forward its comments and proposals in an **opinion**¹⁷ which, while expressing agreement with the Commission's proposals (essentially the same as those set out in the Green Paper), emphasised the need i) to pay closer attention to the protection of data on operators, ii) for administrations to accept responsibility vis-à-vis taxpayers in the event of mistakes or abuse of powers and iii) to adopt a fair approach to joint liability. Apart from this, numerous

¹⁵ EESC opinion on *Promoting good governance in tax matters*, OJ C 255, 22.9.2010, p. 61.

¹⁶ COM(2008) 807 final accompanying COM(2008) 805 final - 2008/0228(CNS).

¹⁷ EESC opinion on *Tax evasion linked to imports*, OJ C 277, 17.11.2009, p. 112.

recommendations have been made inter alia on information that is clear, rapidly available, and accessible on line, as well as on assistance from national authorities to operators in dealing with administrations from other Member States.

Brussels, 14 July 2011

The President
of the
European Economic and Social Committee

Staffan Nilsson

N.B.: Appendix overleaf

Appendix
to the OPINION
of the
European Economic and Social Committee

Text of the section opinion, rejected in favour of the amendment adopted by the plenary assembly

Point 1.3:

The Committee agrees with the Commission's statement that a comprehensive VAT system should reduce operational costs for users and administrative charges for authorities while cutting back attempted fraud, which represents a burden on public finances. Another consideration which should be mentioned here is the needs of consumers, who ultimately bear the costs of this tax and pay for its inefficiency.

Outcome of the vote: 81 for, 45 against and 29 abstentions.
