

Position Paper

UEAPME¹ Position Paper on proposal of a “Standard VAT Return”

1. General comments

UEAPME, the European Association of Crafts and SMEs representing about 12 Million small enterprises at European level, welcomes any initiative which aims to reduce the compliance cost of the current VAT system. Indeed, complying with 28 different VAT administrations VAT returns within the internal market is seen as a significant barrier for cross border business, especially for smaller companies. This is also the reason why UEAPME has already in its [“Rome Declaration on European Tax Policy”](#)² in 2003 demanded a *“full harmonisation of the administrative obligations in the VAT system”* (page 2) and why UEAPME is supporting the Commission work on this subject also at the VAT Forum and the VAT Expert Group.

However, even if UEAPME supports any progress in this direction, legislators have to be aware that any change of the current system of declaring VAT returns may not only result in lower compliance costs for cross border business, but it will create also burdens and costs for companies, because reporting systems and software has to change and the new system may not provide the same favorable features for companies. Both effects may create disadvantages, especially for micro and small enterprises only active at national level. Furthermore, one has to be aware that even with a standard VAT return SME will still face barriers when doing cross border trade such as uncertainty to prove for intercom deliveries or malfunctioning of the VIES database.

Therefore, the current proposal from the European Commission for a Council directive amending Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return, has to be judge against both aspects of a new system and it needs a proper assessment of the benefits for doing cross border businesses against the cost and burdens for companies active only at national level.

Unfortunately, the UEAPME experts on VAT came to the conclusion that the current proposal goes not fare enough as regards harmonization of VAT administrations to justify the burdens that proposed system would create for companies only or mainly active at national level. The main reasons for this judgment are:

- The introduction of five obligatory boxes, while allowing Member States to choose additional boxes out of 21, will in reality lead again to 28 different forms for VAT return, which can hardly be called a standard form.
- The Commission proposal neither allows VAT declaration in the national language of the company, nor does it provide the provision that every Member State has to offer a form in English language.

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is 55820581197-35.

² http://www.ueapme.com/docs/events/030308_RomeDeclaration_TAX_final_en.doc

Therefore, our experts see the reduction of administrative burdens up to EUR 15 billion per annum as stated in the impact assessment as highly overestimated and the potential benefits of the current proposal do not justify the burdens and costs such a change would create for businesses at whole.

2. Specific comments

In order to improve the benefits of a “Standard VAT Return”, further steps towards harmonization would be necessary and the specific situation of micro enterprises without any cross border trade has to be recognised:

- The number of optional boxes has to be reduced.
- Companies have to be provided with a European-wide standardised EU VAT Return Form including all boxes and showing which boxes has to be filled in and which not.
- This EU VAT Return Form has to be provided by each country also at least in English language and TAX administrations have to allow companies to file the VAT declaration also in English.
- Member States should be able to allow micro enterprises without any cross border trade to file their annual VAT return later than two month after the tax period as currently foreseen in the proposal, i.e. together with their income tax declaration.
- Finally, it has to be ensured that any adaptations for businesses caused by harmonising the VAT return has to be in line with the ideas the European Commission has for a “definitive VAT system” to avoid double efforts and costs for businesses.

At the same time UEAPME welcomes most of the elements of harmonisation proposed by the European Commission, which should be kept in future proposals:

- The clear definition of information a Member State can require from companies.
- Minimum tax period of three month for micro enterprises (turnover below EUR 2 million).
- The right of companies to submit the standard VAT return by electronic means.
- Exemption from standard VAT return of cases when the taxable person is covered by the exemption for small enterprises or the common flat rate scheme for farmers.

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