

# EUROPEAN PARLIAMENT

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*Committee on Budgetary Control*

**2005/0019(CNS)**

4.5.2006

## **OPINION**

of the Committee on Budgetary Control

for the Committee on Economic and Monetary Affairs

on the proposal for a Council directive amending Directive 77/388/EEC as regards certain measures to simplify the procedure for charging value added tax and to assist in countering tax evasion and avoidance, and repealing certain Decisions granting derogations  
(COM(2005)0089 – C6-0100/2005 – 2005/0019(CNS))

Draftsman: Herbert Bösch

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## SHORT JUSTIFICATION

Under Article 27 of the Sixth VAT Directive<sup>1</sup>, the Council, acting unanimously on a proposal from the Commission, may authorise any Member State to introduce special measures derogating from the provisions of the Sixth VAT Directive, in order to simplify the procedure for charging the tax or to prevent certain types of tax evasion or avoidance.

Currently, over 140 derogations are being applied by Member States. This number will grow in the near future, since Member States which joined the EU on 1 May 2004 are now introducing requests for derogations. In addition, they will almost certainly come across other special measures in their legislation which will require a Community legal base.

In its communication of 7 June 2000 to the Council and the European Parliament on a strategy to improve the operation of the VAT system within the context of the internal market<sup>2</sup>, the Commission undertook to rationalise some of the large number of derogations currently in force. The Commission's communication of 20 October 2003<sup>3</sup>, which reviewed and updated the strategy, reiterated this. It was envisaged that such a rationalisation would involve making certain individual derogations available to all Member States through an amendment to the Sixth VAT Directive. These derogations would be those which had already proved themselves effective and which tackled problems that were shared by more than one Member State.

The number of derogations and the similar problems they tackle is indicative of the fact that in recent years, as a consequence of VAT evasion and fraud, VAT collection has become an important issue.

VAT fraud, particularly fraud involving so-called intra-Community carousel transactions, causes enormous losses every year. The Ifo Institute for Economic Research estimates total losses of national VAT revenues in Germany in the years 2003 to 2005 at EUR 17 000 to 18 000 annually, a third of which is attributable to cross-border fraud. Other Member States are also suffering losses of VAT revenues running to thousands of millions of euros, which are estimated to represent up to 10% of their total revenues.

In this context, it should be pointed out that only actual revenues are able to be taken into account for the purpose of collecting VAT own resources and that the losses are therefore undermining the operation of the Community's system of own resources.

## AMENDMENTS

The Committee on Budgetary Control calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

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<sup>1</sup> Sixth Council Directive 77/388/EEC of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment (OJ L 145, 13.6.1977, p 1.) Directive as last amended by Directive 2006/18/EC (OL L 51, 22.2.2006, p. 12).

<sup>2</sup> COM(2000)0348.

<sup>3</sup> COM(2003)0614.

Amendment 1  
RECITAL 1 A (new)

***(1a) In order to protect the Community against damage to its financial interests in relation to value added tax, and in particular against losses resulting from cross-border activities, as the Member States have committed themselves to do pursuant to Article 280 of the Treaty, Member States should cooperate closely with the European Anti-Fraud Office (OLAF).***

Amendment 2  
ARTICLE 1, POINT 7 A (new)  
Article 30 a (new) (Directive 77/388/EEC)

***(7a) The following Article shall be inserted:***

***"Article 30a***

***In order to counter cross-border value added tax fraud, and in particular so-called carousel fraud, affecting the Community's financial interests, Member States shall call upon their competent authorities to cooperate closely with the European Anti-Fraud Office (OLAF) where fraud is suspected. The Commission shall regularly report on progress in this area to the European Parliament within the framework of the annual report in accordance with Article 280(5) of the Treaty."***

Amendment 3  
ARTICLE 1, POINT 7 B (new)  
Article 34 a (new) (Directive 77/388/EEC)

***(7b) The following Article shall be inserted:***

***"Article 34a***

*To determine the best long-term value added tax collection arrangement in the European Union, the Commission shall draw up a comprehensive comparative synopsis, assessing national thinking on the subject and specifying the many and varied consequences of changing the system to the reverse charge model and the advantages and disadvantages entailed thereby for the Member States and businesses operating in the Union."*

## PROCEDURE

<b>Title</b>	Proposal for a Council directive amending Directive 77/388/EEC as regards certain measures to simplify the procedure for charging value added tax and to assist in countering tax evasion and avoidance, and repealing certain Decisions granting derogations
<b>References</b>	COM(2005)0089 – C6-0100/2005 – 2005/0019 (CNS)
<b>Committee responsible</b>	ECON
<b>Opinion by</b> Date announced in plenary	CONT 27.4.2005
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Draftsmen</b> Date appointed	Herbert Bösch 20.4.2005
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	19.4.2006
<b>Date adopted</b>	4.5.2006
<b>Result of final vote</b>	+: 13 -: 0: 1
<b>Members present for the final vote</b>	Herbert Bösch, Paul van Buitenen, Simon Busuttill, Szabolcs Fazakas, Ingeborg Gräßle, Ona Juknevičienė, Nils Lundgren, Hans-Peter Martin, Jan Mulder, Borut Pahor, José Javier Pomés Ruiz, Bart Staes, Kyösti Virrankoski
<b>Substitute(s) present for the final vote</b>	Janusz Wojciechowski
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	