



ECOFIN: Commission welcomes progress achieved on the road to a reformed EU VAT system

Brussels, 2 October 2018

The European Commission has welcomed the progress made today by Member States on much-needed improvements to how Value Added Tax (VAT) works in the EU.

Today's meeting of EU finance ministers in Luxembourg saw agreements on a number of files in this field, all of which should help in the day-to-day running of an EU VAT system which is in urgent need of further far-reaching reform.

"New figures released by the Commission just weeks ago show that Member States are still losing €150 billion in VAT each year. Today's agreements are another step towards addressing that problem and changing VAT rules for the better. Now is the time to seize the momentum and agree on solutions for the more fundamental problems facing the system today." said Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs following the agreements.

The measures agreed today include:

- New rules **to improve the day-to-day functioning of the current VAT system** until the overall VAT reform strategy has been implemented. These so-called 'quick fixes' should reduce compliance costs and increase legal certainty for businesses. Once the European Parliament has published its report on this file, the new rules should be enforceable by 2020.
- A new measure **to allow Member States to align the VAT rates they set for publications, currently taxed at the standard rate in most Member States, with the more favourable regime currently in force for traditional printed publications.** Today's decision is the final step to ensure that the unequal treatment of the two products - paper versus digital - becomes a thing of the past. This agreement bodes well for upcoming discussions on the Commission's latest proposal to ensure that Member States have more flexibility to set VAT rates as they see fit.
- Formal adoption of **new rules to exchange more information and boost cooperation on criminal VAT fraud between national tax authorities and law enforcement authorities.** VAT information and intelligence on organised gangs involved in the most serious cases of VAT fraud will now be shared systematically with EU enforcement bodies. Improved investigative coordination between Member States themselves and with EU bodies will ensure that fast-moving criminal activity is tracked and tackled more quickly and more effectively.

Separately, ministers today formally adopted **reinforced rules to control illicit cash flows in and out of the EU, a key measure in the fight against the financing of terrorism.** Today's formal adoption will [tighten cash controls on people entering or leaving the EU](#) with €10,000 or more in cash, enable authorities to act on amounts lower than the declaration threshold of €10,000 where there are suspicions of criminal activity and extend customs controls to cash sent in postal parcels or freight shipments, to prepaid cards and to precious commodities such as gold. The legislation will now be published in the Official Journal of the European Union and will enter into force 20 days later*.

Background

The common Value Added Tax (VAT) system plays an important role in Europe's Single Market. VAT is a major and growing source of revenue in the EU, raising over €1 trillion in 2015, which corresponds to 7% of EU GDP. One of the EU's own resources is also based on VAT. [Recent studies have indicated](#) that around €150 billion in VAT revenues goes missing every year due to problems with VAT collection and VAT fraud.

The measures agreed today follow up on the [VAT Action Plan](#) towards a single EU VAT area presented in April 2016 and the [Commission's proposals for a deep reform of the EU VAT system](#) presented in October 2017.

Member States should now move forward and agree as soon as possible on the much broader reform to cut down on VAT fraud in the EU's system, [as proposed last year by the Commission](#). The reboot would improve and modernise the system for governments and businesses alike, making the system more robust and simpler to use for companies.

At the same time, the Commission has this year also proposed new reforms to enable Member States [to set VAT rates as they see fit](#).

For more information

[VAT Digital Single Market Package](#)

[VAT Action Plan](#)

[Press release on administrative cooperation](#)

[Press release on the quick fixes](#)

**Updated on 3/10/18 to clarify a procedural point*

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