International indirect tax policy: CIOT input into EU consultations and projects on VAT

Indirect Tax

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As part of its international tax policy focus, the CIOT is a member of the CFE Tax Advisers Europe, an association of European tax advisers with members from 26 European countries. Through this membership, the CIOT can participate in EU consultative groups in relation to VAT and also input into consultations published by the EU Commission that still have relevance to countries outside of the EU.

CFE Tax Advisers Europe (CFE) aims to contribute to the coordination and development of tax law in Europe by sharing member insights with European institutions, and promotes the co-ordination of national laws governing the tax adviser profession. The CIOT's membership in the CFE is unaffected by the UK leaving the EU.

The CIOT's Indirect Tax Committee has two representatives on the CFE's indirect tax committee, which allows the CIOT to contribute to relevant international indirect tax policy work; one of the CIOT representatives is chair of the CFE's indirect tax committee. Through the CFE, the CIOT provides views on indirect tax consultations carried out by the European Commission, which still seeks contributions from businesses or advisers in third countries for issues impacting those outside of the EU. One such consultation on VAT in the digital age is discussed below.

The CFE is represented on the EU VAT Forum and the EU VAT Expert Group and one of the two CIOT representatives is currently the CFE's alternate representative on the VAT Expert Group. The EU VAT Forum (tinyurl.com/yckzp87v) is the EU body that brings together indirect tax advisers and members of national tax authorities to discuss how to improve the implementation of EU VAT legislation in practice. The

VAT Expert Group is a combination of practitioners and academics that the Commission consults about proposals to reform the VAT system. The CFE, and through that, the CIOT, regularly contributes to indirect tax projects run by these groups.

In the case of the EU VAT Forum, this has included providing feedback on the 'VAT Quick Fixes', the rules that harmonise the position for call-off stock, chain transactions, exemption for intra-community supplies of goods, and proof of transport in the EU. A recent project has focused on the proof of transport rules and the CIOT was able to contribute to the CFE's feedback on the position taken prior to the implementation of the quick fixes rules, highlighting the position post implementation, and comment on practical problems that businesses have experienced. Other subjects that the Forum has recently looked at include sanctions and cross-border rulings.

The VAT Expert Group, through sub-groups, has looked at issues connected with fixed establishments and tripartite supplies, including in particular the use of fuel cards. In addition, the VAT Expert Group work has recently been focused on the Commission's proposals for VAT in the digital age (tinyurl.com/2p8x669h). This has included members attending a meeting where these proposals have been discussed with representatives of member states' tax authorities.

In response to this EC consultation on VAT in the digital age, the CFE submitted an opinion statement (tinyurl.com/yc3cc93p) that the CIOT representatives contributed to. This raised points under three main headings.

Digital reporting requirements

The key point raised in this section is the concern surrounding the introduction of non-harmonised digital reporting requirements and e-invoicing. It acknowledges that having a single system that must report variances in data for VAT compliance for different member states can become expensive and administratively burdensome, particularly for small and medium sized enterprises. It does, however, acknowledge that an upfront investment in VAT systems can have benefits in the longer term.

The submission also acknowledges the interaction of digitalisation and combatting fraud. Focus must be paid by tax authorities to domestic transactions that precede intra-community carousel fraud. It is also noted that there are still variances

between member states in the information provided to users of the VAT Information Exchange System online tool (tinyurl.com/5c6wvbx8) where EU VAT numbers can be verified.

VAT treatment of the platform economy

The submission highlights that due to discrepancies between member states on whether it is the platform or individual making the supply, this creates risks of non-taxation and double taxation, with the added complication of the varying VAT registration thresholds in different countries. There are circumstances and sectors where individuals using platforms would not be required to be registered for VAT so it should not be assumed that they will be. There are particular issues for the supply of accommodation, as there can be multiple resellers in a chain for hotels, unregistered users for home-swaps, tourist agents, and the position of non-EU sellers.

Single VAT Registration in the EU and Import One Stop Shop (IOSS)/One Stop Shop (OSS)

The CFE's suggestions for the IOSS/OSS include:

- extending the OSS to include supplies with installation;
- allowing the inclusion of chain supplies;
- allowing business to business transactions to be included where the reverse charge does not apply;
- raising the transactional threshold of the IOSS, which would also mean allowing the system to include customs duty reporting for eligible transactions; and
- the introduction of a good faith clause for intermediaries, which may particularly assist with compliance by non-EU sellers.

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