

VAT Action Plan: right diagnosis needs effective remedies

EUROCHAMBRES broadly supports the approach set out in the VAT Action Plan adopted today by the European Commission and underlines the importance of a single VAT area to completing the single market. The reference to an SME VAT Package is particularly encouraging. Converting this approach into meaningful rules and measures will make or break the approach.

Accurate diagnosis

The Action Plan rightly draws a direct correlation between a single VAT area and improving the effectiveness of the single market. VAT systems are in many parts of the EU not fit for the digital era and the problems multiply for cross-border traders.

EUROCHAMBRES CEO, Arnaldo Abruzzini, commented: *“It is clear that VAT compliance places a heavy burden on small cross-border traders. More worryingly, we believe that it is one of the main reasons why only one in four SMEs even attempt to go beyond their national markets.”*

Alternative medicine

The Action Plan also sets out many key elements in tackling the problem. The buy-in of member states will be crucial to the new Action Plan’s progress and the rejection of the standard VAT return in Council provides a cautionary tale. Renegotiating the rules with national governments may prove lengthy and even fruitless, so the focus should in parallel be on implementing rules in an innovative and much more business-friendly manner.

The One Stop Shop mechanism has a central role to play in the process and extending it to tangible goods is logical. EUROCHAMBRES argues that they should be integrated in the Single Digital Gateway announced in the Digital Single Market package last year.

“Unlike some EU-initiated business platforms, these VAT One Stop Shops must be effective and user-friendly across all 28 member states if they are to lighten the administrative load on small cross-border traders. We need entrepreneurial thinking among our tax administrations too!” argued Mr Abruzzini.

The mooted VAT cross-border threshold for start-up e-commerce businesses has its merits, but should be examined carefully to gauge the probability and impact of unintended consequences that such exemptions can sometimes create.

Note: Nearly 90% of respondents to a [EUROCHAMBRES single market survey](#) last autumn identified a standard VAT declaration form as a valuable solution in facilitating cross-border trade.

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