



Plenary sitting

A9-0128/2022

26.4.2022

REPORT

on the proposal for a Council directive amending Directive 2006/112/EC as regards the extension of the application period of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud (COM(2022)0039 – C9-0053/2022 – 2022/0027(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Markus Ferber

(Simplified procedure – Rule 52(1) of the Rules of Procedure)

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council directive amending Directive 2006/112/EC as regards the extension of the application period of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud
(COM(2022)0039 – C9-0053/2022 – 2022/0027(CNS))**

(Special legislative procedure – consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2022)0039),
 - having regard to Article 113 of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C9-0053/2022),
 - having regard to Rule 82 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0128/2022),
1. Approves the Commission proposal;
 2. Asks the Commission to carry out an assessment of the effects of the reverse charge mechanism before any further extension of its application period;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the text approved by Parliament;
 5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

EXPLANATORY STATEMENT

As a general rule, Article 193 of the VAT Directive stipulates that the taxable person supplying goods or services is liable to pay VAT.

As a derogation, the reverse charge mechanism allows to designate the recipient of the supply as the person liable for the payment of VAT.

Under this reverse charge mechanism, VAT is not charged by the supplier but accounted for by the customer (a taxable person) in his VAT return. This VAT is then deducted in that same VAT return and, therefore, insofar this person has a full right of deduction, the result is nil.

The reverse charge mechanism is used to combat fraud and in particular Missing Trader Intra-Community fraud.

The reverse charge mechanism based on Article 199a of the VAT Directive is optional for Member States to apply. It allows them to fight this type of fraud in the pre-defined sensitive areas where it typically occurs on their territory.

The Quick Reaction Mechanism of Article 199b is an exceptional measure allowing Member States to introduce quickly, in cases of imperative urgency, a temporary reverse charge mechanism for supplies of goods and services in sectors where sudden and massive fraud occurred and which are not listed in Article 199a of the VAT Directive.

Article 199a of the VAT Directive was introduced for the period 2010 until 30 June 2015 and was a first time extended, with amendments, until 31 December 2018.

Article 199b of the VAT Directive was introduced for the period 2013 until 31 December 2018.

Both Articles 199a and 199b of the VAT Directive were then subsequently extended until 30 June 2022.

The VAT Directive explicitly requested monitoring by Member States of the reverse charge mechanism and reporting to the Commission. Moreover, the Commission was requested to present an overall assessment report on the effects of the reverse charge mechanism by 1 January 2018.

The current proposal contains two components:

- Firstly, to delete all monitoring and assessment requests of the Reverse Charge Mechanism.
- Secondly, to ask for a further extension by the end of 2025 of Articles 199a and 199b of the VAT Directive (i.e. Reverse Charge Mechanism and Quick Reaction Mechanism).

In the Commission views, until end of 2025 seems to be a reasonable period in order to allow Council negotiations on the definitive VAT system to come to an end.

There is urgency to move to a definitive VAT system based on the principle of taxation in the

country of destination. The Commission therefore considers appropriate to prolong the measures included in Articles 199a and 199b until 31 December 2025.

Your Rapporteur agrees with the extension of the measures until 2025. However, in case by the end of 2025 neither the definitive system nor the VAT in the digital age rules would be in place, your rapporteur considers that it would be of the utmost priority to assess again the Reverse Charge Mechanism before any further extension.

PROCEDURE – COMMITTEE RESPONSIBLE

Title	Amending Directive 2006/112/EC as regards the extension of the application period of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud
References	COM(2022)0039 – C9-0053/2022 – 2022/0027(CNS)
Date Parliament was consulted	1.3.2022
Committee responsible Date announced in plenary	ECON 7.3.2022
Rapporteurs Date appointed	Markus Ferber 3.3.2022
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