



**COUNCIL OF
THE EUROPEAN UNION**



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Council approves measures to tackle VAT fraud schemes

The Council today¹ adopted two directives that will enable member states to better combat VAT fraud, facilitating rapid reaction and allowing a specific measure to tackle so-called carousel fraud ([12083/13](#) + [ADD 1](#) + [11373/13](#) + [11374/13](#)).

The importance of such measures amongst a number of initiatives aimed at better combating tax evasion and tax fraud was highlighted by the European Council at its meeting on 22 May.

Weaknesses in the VAT system leave member states vulnerable to fraud, often with serious consequences for national exchequers. This is particularly the case with cross-border transactions.

Fraud schemes evolve rapidly, giving rise to situations that require a rapid response. A common example is "carousel" fraud, where supplies are rapidly traded several times without payment of VAT.

Until now, such situations have been tackled either by amendments to the VAT directive (2006/112/EC) or through individual derogations granted to member states under that directive. Both require a proposal from the Commission and a unanimous decision by the Council, a process that can take several months.

¹ At a meeting of the Council, without discussion.

P R E S S

The two directives adopted today amend directive 2006/112/EC on the EU's common VAT system:

- One is aimed at enabling immediate measures to be taken in cases of sudden and massive VAT fraud ("quick reaction mechanism");
- The other allows member states to apply, on an optional and temporary basis, a reversal of liability for the payment of VAT ("reverse charge mechanism"), with the aim of closing off certain types of known fraud, in particular carousel schemes.

With the "reverse charge mechanism", liability for the payment of VAT is shifted from the supplier (as normally required by EU rules) to the customer for supplies for certain goods and services. Under the new directive, member states have the option of applying it temporarily within an extended pre-determined list of sectors, by derogation from the provisions of the VAT directive.

The "reverse charge mechanism" will now potentially apply to the following sectors: mobile phones, integrated circuit devices, supplies of gas and electricity, telecoms services, game consoles, tablet PCs and laptops, cereals and industrial crops and raw and semi-finished metals.

With the "quick reaction mechanism", an accelerated procedure will enable member states to apply a "reverse charge" to specific supplies of goods and services for a short period of time, by derogation from the provisions of the VAT directive.

When a member state wishes to introduce a specific measure using the "quick reaction mechanism", the Commission will have a short period in which to confirm whether it objects, taking into account the views of other member states.

Adoption by the Council today follows a political agreement at its meeting on 21 June. In a statement, the Council and the Commission highlighted the temporary and exceptional nature of the two directives in addressing serious risks of VAT fraud.

Both directives will apply until 31 December 2018, and any renewal thereafter would require a proposal from the Commission and the unanimous approval of the Council.

In the meantime, the Commission will prioritise work on a new VAT system, as outlined in a December 2011 communication¹, with a view to facilitating the prevention of VAT fraud rather than relying on solutions based on derogations.

¹ Doc. [18288/11](#).