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"I/A" ITEM NOTE

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| From: | General Secretariat of the Council |
| To: | Permanent Representatives Committee (Part 2)/Council |
| No. Cion doc.: | 9988/15 FISC 78 |
| Subject: | Draft Council Implementing Decision authorising Italy to introduce a special measure derogating from Articles 206 and 226 of Directive 2006/112/EC on the common system of value added tax - Adoption |

1. On 12 June 2015 the Commission transmitted to the Council the abovementioned proposal for a Council Implementing Decision.
2. This proposal aims at allowing Italy, for a limited period, to require VAT due on supplies of goods and services to public authorities to be paid to a separate and blocked bank account instead of being paid to the supplier, in order to put an end to substantial fraud it has detected in this area. Since public authorities are in principle not taxable persons, the application of the so-called 'reverse charge' mechanism is indeed not possible.

3. At its meeting on 24 June 2015 the Fiscal Counsellors/Attachés discussed the draft Implementing Decision as set out in doc. 9988/15 FISC 78. On this occasion, the IT delegation suggested to provide for a retroactive application of the derogation in Article 4 as of 1 January 2015 to ensure that the objectives pursued by the measure are achieved and that its application does not create legal uncertainty with regard to the tax period. All delegations agreed to this change as well as to the insertion of a new recital justifying this retroactive application. However, the FR and UK delegations expressed parliamentary scrutiny reservations. Since then these reservations have been lifted.

 4. The Permanent Representatives Committee could therefore suggest that the Council adopt the abovementioned Implementing Decision as finalised by the legal/linguistic experts in doc. 10231/15 FISC 86 ECOFIN 543 as an "A" item on the agenda of a forthcoming meeting.
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