EU COMPARISON OF VAT

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Abstract

VAT is one of the newest tools of the global economy and is widely adopted in most of the countries. For EU Member States is required not only the existence of VAT, but also that its main characteristics to be uniformly implemented. This should facilitate intra-Community transactions, but in practice does not as there are many local variations which can lead to costly errors and penalties. The objective of this paper is to collate data about the main characteristics of VAT in EU Member States and to highlight the key differences between them. This survey shows that there continue to be opportunities and risks for businesses trading cross border, as a result of differences in application of Community legislation on VAT. This led to the necessity of VAT reform. On this basis, the Commission adopted on the end of the last year a Communication on the future of VAT. This sets out the fundamental characteristics that must underlie the new VAT regime, and priority actions needed to create a simpler, more efficient and more robust VAT system in the EU.

Keywords: *VAT standard rate, VAT registration threshold, distance selling, VAT recovery, principle of destination.*

Introduction

Fiscal policies represent an important lever for the support of a sustainable economic growth and for public finances consolidation. It is important that the European fiscal system becomes effective, efficient and correct, especially regarding the VAT European system given the fact that at present, the VAT constitutes one of the main sources of revenues for the Member States budgets.

One of the conditions to accede to the EU is that the main characteristics and rules regarding VAT be uniformly implemented. The objective of this request is to simplify the taxation of intra-community transactions, but in practice this thing is not possible because of different local VAT regulations and foreign languages assessing the compliance of some operations. In the first part of the work, we shall emphasize these differences which are especially related to the level of VAT rates, thresholds of VAT and foreign companies VAT recovery.

In the second part of the work, we shall analyze the recent initiatives of European Commission regarding the creation of a more efficient, stronger and simpler VAT system. This system should reduce the operational costs for companies and administrative charges of authorities, fighting at the same time against fraud which represents a considerable burden for public finances and for consumers.

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1. Comparison of VAT in Member States of European Union

The main normative act of VAT is Council Directive 2006/112/EC on the common system of value added tax, which is a recast of the Sixth VAT Directive of 1977. This normative act pursues to establish a general frame as VAT systems of Member States be compatible. The Directive establishes mandatory rules for all states, but some aspects are left in care of Member States which can have thus a certain degree of decision.

For example, the mandatory rules deal with the definition of taxable operations, taxable persons, VAT rules in case of intra-Community aquisition and supply, VAT tax base etc. Uniformity of VAT tax base is necessary taking into account the obligation of EU Member States to contribute to the Union budget with a part of collected VAT, a contribution which is calculated by application of a percentage rate upon the tax base.

One of the most significant differences between the VAT systems of Member States refers to VAT rates. Besides the standard VAT rate, another three rates are applied: reduced rate, over-reduced rate and parking rate. *Table no. 1* presents the four VAT rates applied in EU Member States at 1st of January 2012.

Table no. 1. VAT rates in EU Member States (%)

	Standard rate	Reduce rate	Super reduce rate	Parking rate
Belgium	21,0	6/12	-	12
Bulgaria	20,0	9	-	-
Czech Republic	20,0	14	-	-
Denmark	25,0	-	-	-
Germany	19,0	7	-	-
Estonia	20,0	9	-	-
Ireland	23,0	13,5	4,8	13,5
Greece	23,0	6,5/13	-	-
Spain	18,0	8	4	-
France	19,6	7	2,1	-
Italy	20,0	10	4	-
Cyprus	15,0	5/8	-	-
Latvia	22,0	12	-	-
Lithuania	21,0	5/9	-	-
Luxembourg	15,0	6/12	3	12
Hungary	27,0	5/18	-	-
Malta	18,0	5/7	-	-
Netherlands	19,0	6	-	-
Austria	20,0	10	-	12
Poland	23,0	5/8	-	-
Portugal	23,0	6/13	-	13
Romania	24,0	5/9	-	-
Slovenia	20,0	8,5	-	-

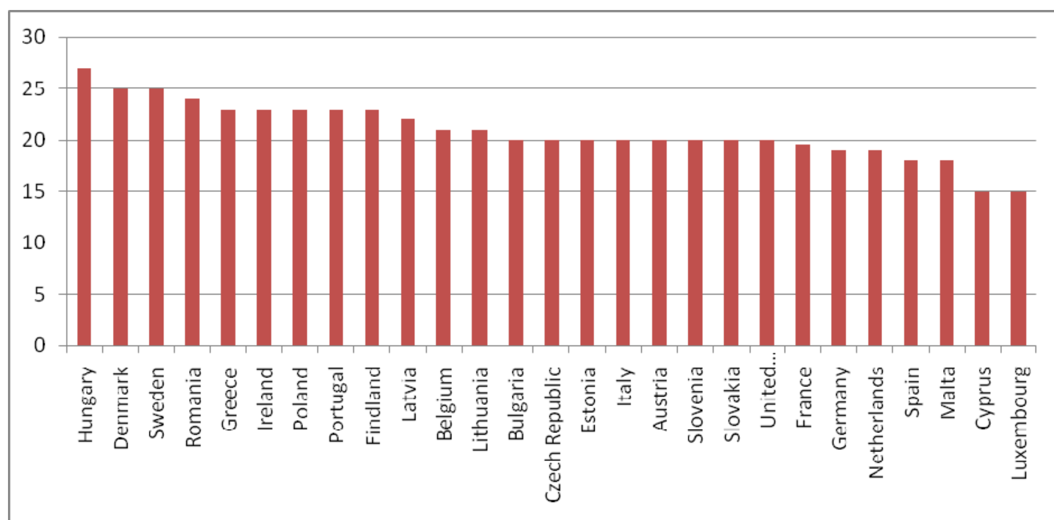
Slovakia	20,0	10	-	-
Finland	23,0	9/13	-	-
Sweden	25,0	6/12	-	-
United Kingdom	20,0	5	-	-

Source:
http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2011/report_2011_en.pdf
http://www.vatsystems.eu/index.php/news/show_prev_news/12/2011

The minimum standard rate in EU is established to 15%, each Member state having the liberty to establish the rate considered appropriate for its budgetary necessities. This minimum rate helps to avoid substantial variations in Member States' VAT rates which could lead to distortions of competition between high and low rate countries and put the smooth functioning of Single Market at risk.

Hungary practise the biggest standard rate of TVA from EU: 27%. The rate of 25%, the second as size in EU, is applied in Denmark and Sweden. Romania was till the 1st of July 2010 in the group of middle states with a rate of 19%, but now it occupies third place in the classification of EU Member States with a rate of 24%. The most relaxed taxation regarding VAT is found in Cyprus and Luxembourg, countries which practise the minimum rate of 15% (graph no. 1).

Graph no. 1. VAT standard rates in the Member States



According to the data from table no. 2, between 2000 and 1st of January 2012, the VAT standard rate remained unchanged in 8 Member States (Belgium, Bulgaria, Denmark, France, Italy, Luxembourg, Austria and Sweden), rose in 17 Member States and diminished only in Slovakia (from 23,0% in 2000 to 19,0% in 2012) and Czech Republic (from 22,0% to 20,0%). The highest rises were registered in Greece (from 18,0% to 23,0%) and Cyprus (from 10,0% to 15,0%).

Table no. 2. Evolution of the standard rate of VAT (%)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
EU-27 average	**19,2**	**19,3**	**19,5**	**19,5**	**19,4**	**19,6**	**19,4**	**19,5**	**19,4**	**19,8**	**20,4**	**20,7**	**20,9**
Belgium	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0
Bulgaria	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0
Czech Republic	22,0	22,0	22,0	22,0	19,0	19,0	19,0	19,0	19,0	19,0	20,0	20,0	20,0
Denmark	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0
Germany	16,0	16,0	16,0	16,0	16,0	16,0	16,0	19,0	19,0	19,0	19,0	19,0	19,0
Estonia	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	20,0	20,0	20,0	20,0
Ireland	21,0	20,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,5	21,0	21,0	23,0
Greece	18,0	21,0	21,0	21,0	21,0	19,0	19,0	19,0	19,0	19,0	23,0	23,0	23,0
Spain	16,0	16,0	16,0	16,0	16,0	16,0	16,0	16,0	16,0	16,0	18,0	18,0	18,0
France	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6
Italy	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0
Cyprus	10,0	10,0	13,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0
Latvia	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	21,0	21,0	22,0	22,0
Lithuania	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	19,0	21,0	21,0	21,0
Luxembourg	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0	15,0
Hungary	25,0	25,0	25,0	25,0	25,0	25,0	20,0	20,0	20,0	25,0	25,0	25,0	27,0
Malta	15,0	15,0	15,0	15,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0	18,0
Netherlands	17,5	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0
Austria	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0
Poland	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	23,0	23,0
Portugal	17,0	17,0	19,0	19,0	19,0	21,0	21,0	21,0	20,0	20,0	21,0	23,0	23,0
Romania	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	24,0	24,0	24,0
Slovenia	19,0	19,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0
Slovakia	23,0	23,0	23,0	20,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	20,0	20,0
Finland	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	23,0	23,0	23,0
Sweden	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0
United Kingdom	17,5	17,5	17,5	17,5	17,5	17,5	17,5	17,5	17,5	15,0	17,5	20,0	20,0

Source:
http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2011/report_2011_en.pdf
http://www.vatsystems.eu/index.php/news/show_prev_news/12/2011

Under the pressure of the financial crisis, more European countries resorted last years to the enhancement of standard rate.

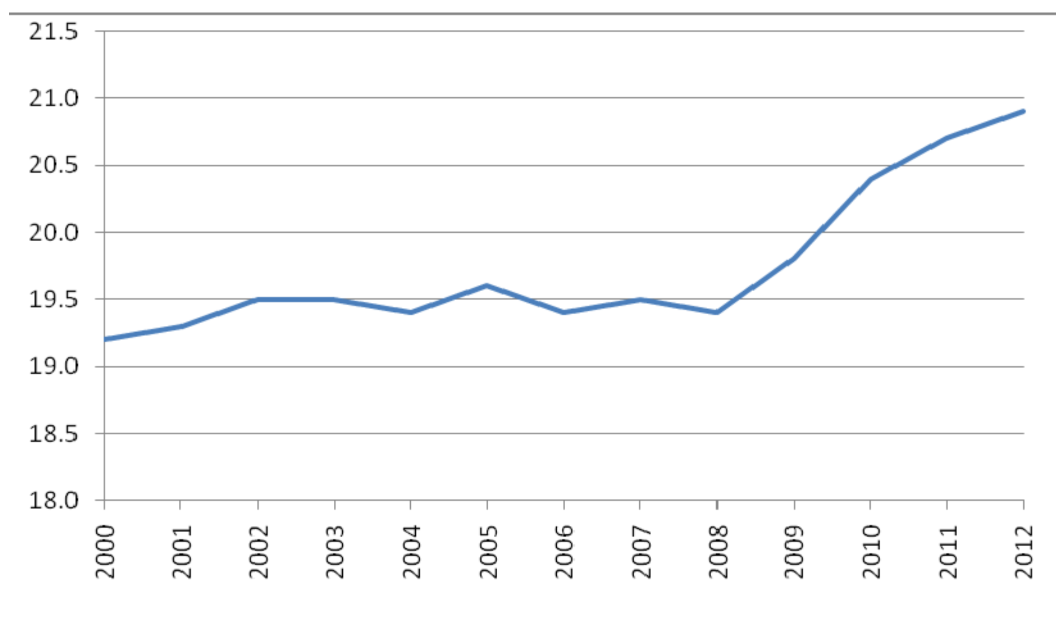
In 2010 Greece increased the VAT rate with four percentages, but in two stages. The first increase was from 19% to 21% and the second till 23%. In exchange, Spain increased the VAT rate

only with two percentages from 16% to 18%. Also, Finland increased in 2010 the VAT rate but only with one percentage from 22% to 23%. Also, the VAT rate increases with one percentage in Portugal from 20% to 21% in 2010 while in 2011 it increases till 23%. In 2011, increases of VAT rate of one percentage have taken place in Latvia, Poland and Slovakia. On the 1st of January 2011, Great Britain increased the VAT rate from 17,5 % to 20%.

The only country which increased the VAT rate with 5 percentages like Romania is Hungary. The Hungarian government increased in 2009 the VAT rate from 20% to 25%. From the 1st of January 2012, two countries increased the VAT rate with 2 percentages: Ireland from 21% to 23% and Hungary from 25% to 27%.

According to the data from table no. 2, in EU-27 the VAT standard average rate rose from 19,8% in 2009 to 20,2% in 2010, 20,7% in 2011 and 20,9% in 2012. As compared to 2000, in 2012 the rise of VAT average rate was of 1,7% (Graph no. 2).

Graph no. 2. Evolution of the standard rate of VAT (EU-27 average)



Member States have the option of applying one or two reduced rates to a restricted list of goods and services. The reduced rate cannot be less than 5% and the list of eligible goods and services must be strictly interpreted. As we can see in table no. 1, the differences between Member States are substantial: 12 states have one reduced rate, 14 states have two reduced rates and Denmark is the single state which doesn't have reduced rate. The minimum reduced rate of 5%, value imposed by European Directives, is found in Cyprus, Latvia, Hungary, Malta, Poland, Romania and Great Britain. The highest values of reduced rate are found in Hungary (18%), Czech Republic (14%), Ireland (13.5%), Greece, Portugal and Finland (13%).

Not only the value of reduced rates differs from one state to another, but also the categories of goods and services for which these rates are applied. There are 21 of such categories among which we enumerate: foodstuffs, medicines, medical equipment for the disabled, books on all physical

means of support, newspapers, periodicals, passenger transport, admission to shows, theatres, museums, etc.

The variety of reduced VAT rates brings a new level of complexity to intra-community transactions, leading to additional compliance costs. In spite of all this, for those who seek more advantageous situations, these differences can be used as opportunities worthy to be taken into consideration when they chose the country where they are going to open their business.

Over-reduced rates (lower than 5%) are applied only in five states: Spain (4%), France (2.1%), Ireland (4,8%), Italy (4%) and Luxemburg (3%), for goods and services as: food products, pharmaceuticals, books, newspapers, periodicals, television license fees, supply of new buildings, medical equipment for disabled persons etc.

A characteristic met among EU states is represented by the parking rate, which is a special VAT rate applied in five Member States (12% in Belgium, Austria, Luxemburg; 13% in Portugal; respectively 13,5% in Ireland) for certain goods as: certain energy products, certain wines, washing and cleaning products, printed advertising matter, tourism publications etc.

According to the table no. 3, European legislation provides three thresholds of TVA: for small enterprises (column A), for intra-Community acquisition accomplished by taxable persons not entitled to deduct input tax and by non-taxable legal person (column B) and for distance selling (column C).

Table no. 3. VAT Thresholds (September 2011)

Country	A. Exemption for small enterprises (annual turnover)		B. Threshold for non-taxable intra-Community acquisition (annual value of intra-Community acquisitions)		C. Threshold for application of the special scheme for distance selling (annual value of distance selling)	
	National currency	Euro equiva-lent	National currency	Euro equiva-lent	National currency	Euro equiva-lent
Belgium	5.580 euro	-	11.200 euro		35.000 euro	
Bulgaria	50.000 BGN	25.565	20.000 BGN	10.226	70.000 BGN	35.791
Czech Republic	1.000.000 CZK	40.851	326.000 CZK	13.318	1.140.000 CZK	46.570
Denmark	50.000 DKK	6.707	280.000 DKK	6.500	280.000 DKK	37.557
Germany	17.500 euro	-	12.500 euro	-	100.000 euro	-
Estonia	15.978 euro	-	10.226 euro	-	35.151 euro	-
Ireland	75.000 euro or 37.500 euro	-	41.000 euro	-	35.000 euro	-
Greece	10.000 euro or 5.000 euro	-	10.000 euro	-	35.000 euro	-
Spain	None	None	10.000 euro	-	35.000 euro	-
France	81.500 euro or 32.600 euro	-	10.000 euro	-	100.000 euro	-
Italy	30.000 euro	-	10.000 euro	-	100.000 euro	-
Cyprus	15.600 euro	-	10.251 euro	-	35.000 euro	-
Latvia	35.000 LVL	49659	7.000 LVL	9.932	24.000 LVL	34.052

Lithuania	100.000 LTL	28.962	35.000 LTL	10.137	125.000 LTL	36.203
Luxembourg	10.000 euro	-	10.000 euro		100.000	
Hungary	5.000.000 HUF	18.328	2.500.000 HUF	9.164	8.800.000 HUF	32.257
Malta	35.000 euro or 24.000 euro or 14.000 euro	-	10.000 euro	-	35.000 euro	-
Netherlands	None	None	10.000 euro	-	100.000 euro	-
Austria	30.000		11.000 euro	-	35.000 euro	
Poland	150.000 PLN	37.774	50.000 PLN	12.592	160.000 PLN	40.293
Portugal	10.000 euro or 12.500 euro	-	10.000 euro		35.000 euro	
Romania	119.000 RON	28.249	34.000 RON	8.071	118.000 RON	28.012
Slovenia	25.000 euro	-	10.000 euro	-	35.000 euro	-
Slovakia	49.790 euro	-	13.941,45 euro	-	35.000 euro	-
Finland	8.500 euro	-	10.000 euro	-	35.000 euro	-
Sweden	None	-	90.000 SEK	10.190	320.000 SEK	36.232
United Kingdom	70.000 GBP	81.843	70.000 GBP	81.843	70.000 GBP	81.843

Source:
http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/traders/vat_community/vat_in_ec_annexi.pdf

Small enterprises, meaning entrepreneurs whose turnover (plus the value-added tax on it) has not exceeded the legal threshold in the preceding calendar year and is not expected to exceed this threshold in the current year, do not need to pay value-added tax. According to the data from *table no. 3*, column A, this threshold varies between 5.580 euro (Belgium) and 81.843 euro (United Kingdom). There are only three Member States not applying the special exemption for small enterprises: Spain, Netherlands and Sweden.

For simplification reasons, goods acquired by taxable persons not entitled to deduct input tax and by non-taxable legal person are not subjected to VAT if annual acquisitions are below an annual turnover threshold set by their Member State, though it is still possible to opt for taxation.[1] This threshold varies between 8.071 euro, in Romania, and 81.843 euro, in United Kingdom (table no. 3, column B).

Regarding distance sale, differences appear although theoretically it should be used either the minimum threshold of 35.000 euro or the maximum one of 100.000 euro. In spite of all this, as we can notice in *table no. 3,* column C, this request wasn't applied and implemented uniformly in those 27 states.

The great variations regarding these three thresholds of TVA can represent a real trap for many entrepreneurs who wish to develop their businesses in different Member States.

Even for companies which know their responsibilities regarding VAT registration and payment, the differences regarding the reporting periods specific to each country, as well as those regarding the order of declarations which must be submitted every month, quarter or year, create great problems (*table no. 4)*.

[1] M. Z. Grigore, M. Gurău, *Fiscalitate. Noţiuni teoretice şi lucrări aplicative*, Cartea Studenţească Publishing House, Bucharest, 2009

Table no. 4. Fiscal period of VAT

Country	Fiscal period	Annual VAT declaration deadline
Belgium	Monthly / Quarterly	Not Applicable
Bulgaria	Monthly	Not Applicable
Czech Republic	Monthly / Quarterly	Not Applicable
Denmark	Monthly / Quarterly / Biannually	Not Applicable
Germany	Monthly / Quarterly	May
Estonia	Monthly	Not Applicable
Ireland	Biannually / Annually	Not Applicable
Greece	Monthly / Quarterly	10 May
Spain	Monthly / Quarterly	January
France	Monthly / Quarterly	Not Applicable
Italy	Monthly / Quarterly	Not Applicable
Cyprus	Quarterly	Not Applicable
Latvia	Monthly / Quarterly / Biannually	1 May
Lithuania	Monthly / Quarterly / Biannually	Not Applicable
Luxembourg	Monthly / Quarterly / Annually	May
Hungary	Monthly Quarterly Annually	Not Applicable
Malta	Quarterly	March
Netherlands	Monthly / Quarterly / Annually	March
Austria	Monthly / Quarterly	April
Poland	Monthly / Quarterly	Not Applicable
Portugal	Monthly / Quarterly	15th July
Romania	Monthly / Quarterly / Biannually / Annually	Not Applicable
Slovenia	Monthly / Quarterly	Not Applicable
Slovakia	Monthly / Quarterly	N/A
Finland	Monthly	Not Applicable
Sweden	Monthly / Quarterly / Annually	Not Applicable
United Kingdom	Monthly / Quarterly / Annually	Not Applicable

Source: http://www.agn-europe.org/htm/firm/news/ttf/2011/2011_vat_web.pdf

The fiscal period varies depending mostly on the overall turnover of the previous year, but also depending on VAT payment of precedent or current fiscal year (Hungary and Netherland), or depending on type of taxable person. Only 9 of the 27 EU Member States are required to submit an annual statement of VAT.

Since 1st January 2010, the procedure for reimbursement of VAT incurred by EU taxable persons in Member States where they are not established has been replaced by a new fully electronic procedure, thereby ensuring a quicker refund to claimants. The previous paper-based procedure was slow, cumbersome and costly. The new procedure better facilitates taxable persons and improves the functioning of the internal market. A new feature is that taxable persons will be paid interest if Member States are late making refunds.

The data from *table no. 5* suggest that the new procedure determined the improvement of VAT recovery time as a result of the fact that many Member States joined the statutory term of 4 months.

Table no. 5. Foreign Company VAT Recovery

%	Claim time limit?	Representative required?	Approximate recovery time (months)	Surrender of original invoices required	Proof of payment needed	Certificate of registration required
Belgium	30 June	yes	6	yes	no	yes (original)
Bulgaria	30 September	no	4	no	no	yes (original)
Czech Republic	30 September	no	6	yes	no	yes (original)
Denmark	30 September	no	3	yes	no	yes (original)
Germany	30 June	no	6	yes	no	yes (original)
Estonia	30 September	no	4	yes	no	no
Ireland	30 June	no	0	yes	yes	yes (original)
Greece	30 June	no	6	yes	yes	yes (original)
Spain	30 September	yes	6	yes	no	yes (original)
France	30 June	no	3	yes	yes	yes (original)
Italy	30 June	no	6	yes	no	yes (original)
Cyprus	30 September	no	4	yes	no	yes (original)
Latvia	9 months	no	4	yes	yes	yes (original)
Lithuania	30 June	no	4	yes	yes	yes (original)
Luxembourg	30 June	no	6	yes	no	yes (original)
Hungary	30 September	no	4	yes	yes	yes (original)
Malta	9 months	no	4	yes	yes	yes (original)
Netherlands	30 June	no	6	yes	no	yes (original)
Austria	30 June	no	6	yes	no	yes (original)
Poland	30 September	no	6	yes	no	yes (original)
Portugal	30 September	yes	0	yes	no	yes (original)
Romania	30 September	no	6	yes	yes	yes (copy)
Slovenia	30 September	no	4	yes	no	yes (original)
Slovakia	9 months	no	6	yes	no	yes (original)
Finland	30 June	no	3	yes	no	yes (original)
Sweden	30 June	no	3	yes	no	yes (original)
United Kingdom	9 months	no	4	no	no	no

Source: http://www.agn-europe.org/htm/firm/news/ttf/2011/2011_vat_web.pdf

2. Directions for VAT system improvement from EU

On 1st December 2010, the European Commission adopted a Green Paper on ”The future of VAT – Towards a simpler, more robust and efficient VAT system”[2]. The purpose of the Green Paper was to generate a comprehensive debate with all interested stakeholders (businesses, academics, citizens, tax authorities) regarding the assessment of actual VAT system and possible modalities to enhance its coherence with the single market and its capacity to mobilize revenues, reducing at the same time the VAT compliance cost.

The Green Paper deals especially with the way of approach of cross-border transactions as well as other essential aspects related to VAT neutrality, the necessary degree of harmonization on the single market and decrease of bureaucracy.

One of the VAT essential aspects is the **principle of neutrality**. As VAT is a final consumption tax, companies shouldn’t bear the VAT payment burden. As a result, Member States should ensure, in principle, the taxation of all commercial transactions and similar goods and services should be treated similarly.

Regarding intra-community transactions, the actual VAT system diverged from the initial commitment of Member States to apply the principle of origin, for lack of political support between Member States regarding cooperation in view of application of this principle.

A VAT system based upon the **principle of destination**, not only in case of goods but also in case of services seems to be a pragmatic and feasible solution.

According to the Communication released by European Commission as a result of the public debate of the Green Book,[3] the result of the proposed reform should be a VAT system with three attributes.

First, VAT must be made more workable for businesses. It should exist one single set of clear and simple rules regarding VAT (an EU VAT Code), which to be applied in case of a taxable person who develops its activity in many EU states; such a person should deal with tax authorities from one Member state. Among the measures envisaged for a more business-friendly VAT are expanding the one-stop-shop approach for cross border transactions, standardizing VAT declarations and providing clear and easy access to the details of all national VAT regimes through a central web-portal.

Second, VAT must be made more neutral and efficient in supporting Member States' fiscal consolidation efforts and sustainable economic growth. Broadening tax bases and limiting the use of reduced rates will generate new revenue or will allow the standard rate reduction without decreasing the revenue. The Communication sets out the principles that should guide the review of exemptions and reduced rates. Neutrality imposes equal rules regarding the right of deduction and very limited restrictions regarding the practising of this right.

Third, the huge revenue losses that occur today due to uncollected VAT and fraud need to be stopped. It is estimated that around 12% of the total VAT which should be collected, is not. Modern methods of VAT collection and monitorization should maximize the revenue practically collected and limit or even eliminate fraud. Besides the facilitation of legislation observance by companies, local tax authorities should concentrate upon risky behaviours, aim to combat frauds and finally to

[2] http://ec.europa.eu/taxation_customs/resources/documents/common/consultations/tax/future_vat/com(2010)695_en.pdf

[3] http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/key_documents/communications/com_ 2011_851_en.pdf

act collectively as European authority. An intensified, automatic and fast information exchange between national tax administrations will be vital in achieving this goal.

Conclusions

Value added tax constitutes an important source of revenue for national budgets of Member States. Consumption taxes are considered to be a more stable revenue source, and more growth-friendly, than certain other taxes such as profits and income. Therefore many Member States have recently increased their VAT rates as part of their consolidation efforts.

The VAT legislation is regulated at the community level, but the necessary time to observe the tax liabilities comprised in the VAT legislation varies depending on different administrative used practices. For example, the observance of tax liabilities regarding VAT needs 222 hours in Finland and 288 in Bulgaria.[4]

With different local VAT regulations and foreign languages assessing the compliance of some operations, preparing and submitting VAT declarations can be complicated and time consuming for companies involved in European cross-border operations.

Business environment needs clear norms as regards VAT which grow the juridical degree of security and the probability that these norms be interpreted uniformly in Member States. Actual Council directives comprise inaccurate dispositions which increase the possibility of interpretation while the complex VAT system thus created prevents the cross-border activities and generates useless administrative charges.

The objective of Commission initiative, under the form of the Green Book, is to create a „simpler, stronger and more efficient" VAT system which is more transparent and focused on a close collaboration and exchange of best practices between Member States with the observance of subsidiarity principle.

A simpler, more harmonised VAT system, more adapted to modern business models and new technologies, would create a better environment for business and a more attractive market for investment.

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