



23 January 2017

Temporary general reverse charge in VAT on the EU agenda

EU finance ministers are expected to discuss on Friday 27 January the December 2016 proposal from the European Commission to amend the VAT Directive with a temporary generalised reverse charge mechanism for all domestic supplies above an invoice threshold of 10.000 Euro.

The [Proposal for a Directive amending Directive 2006/112/EC on the common system of value added tax](#) as regards the temporary application of a generalised reverse charge mechanism in relation to supplies of goods and services above a certain threshold came from the European Commission on 22 December 2016. The proposal would allow EU Member states to derogate from the standard VAT system on a voluntary basis and apply a general reverse charge on all domestic supplies above the invoice threshold of 10.000 Euro, effectively shifting the VAT payment liability from the supplier to the customer.

The amendments come after requests by a number of Member states with significant revenue losses due to VAT fraud. The EU-wide VAT tax gap is estimated at alarming level of EUR 160 billion, according to the [Case Study and Reports on the VAT Gap in the EU-28 Member States 2016 Final Report](#).

The Commission proposes the general reverse charge to be in force until 30 June 2022, until when the ongoing comprehensive reform of the EU VAT system is completed, the cornerstone of which is the 'destination' principle.

EU Financial Transaction Tax proposal 'ready by mid-2017'

Marianne Thyssen, the EU Commissioner for Employment, Social Affairs, Skills and Labour Mobility confirmed during a debate at the European Parliament on 18 January 2017 that the draft-text for EU financial transaction tax could be ready by mid-2017.

Commissioner Thyssen speaking to the MEPs confirmed that the tax is 'supporting the real economy', and that it would strengthen the EU Single market by 'reducing divisions between Member states' approach to financial taxes'. According to the Commissioner, the financial sector would then need to make a fair and substantial contribution to the public purse.

MEPs supporting the proposal highlighted that the tax would serve redistributive purposes and would enhance social justice. Many MEPs rejected the idea as 'thoroughly bad' and destined to create more costs than revenue.

Speaking on behalf of the Council of the EU, Ian Borg, minister in the Government of Malta, echoed the remarks by Commissioner Thyssen, confirming a legislative proposal is forthcoming in the months ahead.

ECOFIN Council scheduled for 27 January 2017 in Brussels

The Council of the EU, sitting as Economic and Financial Affairs Council (ECOFIN), will discuss the priorities of the [Maltese EU presidency](#) and present its working programme in the area of taxation and finance.

The Council is expected to adopt recommendations for the economic and monetary policy of the Euro zone. Also, the Council is set to adopt the annual EU growth survey for 2017 as well as the alert mechanism report related to the macroeconomic imbalance procedure.

In respect of the banking sector and the Basel Committee reform agenda, the Council will be briefed by the European Commission on the progress made in the banking post-crisis reform and developments in relation to banking supervision.

European Parliament rejects European Commission anti-money laundering 'blacklist' proposal

The European Parliament has rejected the proposal from the European Commission on a list of jurisdictions that are considered to be at risk of money laundering and terrorism financing, on grounds that the list is too limited.

European Parliament's resolution of 19 January 2017 was passed with 393 to 67 votes, with 210 abstentions. MEPs requested from the Commission to expand the proposal with jurisdictions that facilitate tax crimes. During the discussion, the MEP rapporteur insisted that the proposal from the Commission is 'inadequate' and that the revised proposal from the Commission needs to be 'more ambitious' and 'fit-for-purpose'.

The purpose of the 'blacklist' is to allow for heightened scrutiny for people and business from these jurisdictions when doing business with the EU. Bosnia and Herzegovina, Iraq, Afghanistan and Syria were originally listed by the Commission, to name but a few.

Following this vote, the existing European Commission list of countries with deficiencies in the area of anti-money laundering and terrorism financing remains in force.

The selection of the remitted material has been prepared by Piergiorgio Valente / Filipa Correia / Aleksandar Ivanovski / Mary Dineen

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