



FRANS TIMMERMANS
First Vice-President

Brussels,
Ares(2015)

Dear Richard,

When we last met in Strasbourg, you conveyed some of your constituents' concerns regarding the revised VAT rules which were agreed in 2008 and recently entered into force in the area of telecommunication, broadcasting and electronic services. I wanted to come back to you in writing.

The main aim of these rules is to ensure fairer competition, based on taxation at the place of consumption (or "Place of Supply"). The rules help create a level playing field for micro businesses, SMEs and other companies that supply telecommunication, broadcasting and electronic services, since the consumer will pay the same amount of VAT regardless of where the supplier is located. This will benefit small businesses which, until now, may have lost out to competitors able to relocate in a lower-tax Member State. It will also ensure fairer revenue distribution between Member States and increase tax revenues as the VAT on purchases made by residents of a Member States will now go to their own treasury.

As you are aware, in the context of the adoption of these rules, the Commission proposed twice to increase and standardise the VAT exemption for small enterprises, but these proposals were rejected by Member States.

Ahead of their entry into force for telecommunication, broadcasting and electronic services on 1 January 2015, the Commission has been in close and continuous contact with Member States to help them prepare for this change, and make sure that businesses were well informed and prepared. The Commission has also set up a mini One Stop Shop to avoid the requirement for small businesses to register for VAT in all other 27 Member States, thus considerably reducing the costs and administrative burdens for businesses by enabling them to make a single declaration and payment in their own Member State.

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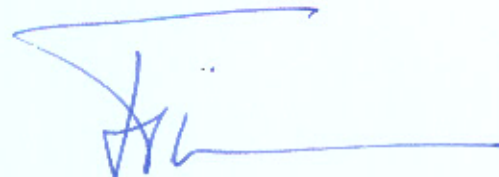
As announced in the Commission's 2015 Work Programme, within the REFIT programme the operation of the mini One Stop Shop will be subject to an assessment of its implementation starting this year to ensure that it meets its primary objective of simplifying tax payments under the new Place of Supply rules.

I have taken note of the concerns you expressed in relation to the impact of the new situation on small businesses. I would like to reassure you that the Commission is monitoring the situation closely and will evaluate it in an objective and pragmatic way. We certainly do not want the above changes to affect SMEs disproportionately, and will take very careful account of their effects, bearing in mind that changes to taxation rules are subject to the unanimous agreement of all Member States in the Council.

In the context of the Digital Single Market, simplifying VAT arrangements is important to boost the cross-border activities of businesses, especially SMEs. The Commission therefore intends to work further on this matter. More generally, the Commission aims to propose during its mandate a series of reforms of the VAT system to improve its functioning and reduce administrative burden, with a view to adopt a final VAT regime.

I hope these points can contribute to reassure you on the attention given to these concerns. My team remains at your disposal, and will continue to liaise closely with that of Vice-President Ansip and of Commissioner Moscovici who follow the issue very closely.

Yours sincerely,



Frans Timmermans