



FEDEMAC - POSITION PAPER

CONTINUING CONCERN OVER PRESENT IMPRACTICAL EUROPEAN VAT COMPLIANCY PROCEDURES

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The Present VAT system continues to create compliancy and competition problems for cross border E.U services and commerce, in particular for 'Removal Companies' and other similar Small and Medium Sized Enterprises (SME's).

Furthermore, the new rules agreed in February 2008 and intended to reduce compliancy costs, include a limited 'MINI' One-Stop-Shop VAT scheme, which will be biased towards satisfying the compliancy needs of a select group of businesses with total disregard to the millions of SME's which also wish to carry out other types of 'cross-border' business within the EU.

The lack of a harmonized, practical and sustainable EU VAT system is seriously affecting the competitiveness and the ability of professional 'Removal and Storage Companies', as well as other businesses that have obligations in Member States other than that in which they are established, in being able to comply with the law and carry out legitimate business on a day to day basis throughout the European Union.

The present VAT system is impractical for many 'cross-border' removals within the European Union and furthermore, brings about problems and considerable uncertainty as to how and when VAT should, or even could, be paid. *The problems are particularly relevant to situations concerning private household removals starting from an EU country other than the EU country where the 'Removal Contractor' is registered for normal VAT purposes.*

FEDEMAC and its constituent National Member Associations are supportive of the European Commission's ongoing strategy, for VAT changes, which aims at simplifying and modernizing the current VAT arrangements – and, in particular, to the reduction of administrative burdens created as a result of taxable persons having to fulfil their obligations in a Member State in which they do not have an establishment.

Nevertheless, *FEDEMAC is concerned* that even after more than *fifteen years* of continuous dialogue with many of the relevant Institutions the *issues affecting Removers have still not yet been resolved!*

VAT accountability

- Whilst there have recently been agreements for a change in the general VAT rule, for where taxation is to take place, there have always been *a number of specific categories which override the general interpretation - including that of Intra-Community transport of goods.*
- The *current rule determining the place of supply of intra-Community transport of goods, when supplied to persons not identified for VAT purposes, is the place of departure.*
- This implies that *a Removal Company, when carrying out a cross-border household removal service for a private customer within the European Union, is expected to charge VAT at the prevailing rate in the Member State where the Removal starts from!*

Requirements arising from different situations

- There are no problems for FEDEMAC's trade members concerning removals starting in the country where the removal company is registered for VAT. *For example,* a German company carrying out a removal inside Germany or from say Germany to Italy. The removal company will pay its "national" VAT in Germany as usual.
- Furthermore, there is no problem on business between VAT registered organisations (B2B) as the VAT Reverse Charge Procedure applies. *For example,* a German Removal Company which is contracted for a removal from Germany to Italy sub contracts the transport/removal service to an Italian Removal Company. In this case the Reverse Charge procedure applies and the Italian company simply invoices the German company without VAT and by quoting the German Company's VAT registered number. This leaves the German Registered Company responsible for invoicing the customer and accounting to the German (*their National*) VAT Authorities.
- **The major problem area lies with private household removal consignments (B2C) where the origin is in an E.U. Member State other than the one where the main contracting Removal Company is registered for VAT.** *For example,* a removal company registered in Germany, carrying a private household removal consignment from Italy back to Germany or say from Italy to Austria en route back to Germany. In this example, *the German removal firm must collect VAT at the rate*

prevailing in the country of origin of the consignment (Italy) and is then responsible for the VAT payment to the Italian authorities!

- Whilst the legal requirement for appointment of a tax representative in each country has been removed, as a result of the earlier Council adoption of a Simplification Directive, this does very little to alleviate the situation.
- The cost of using a tax representative would always have been totally uneconomic and disproportionate to the amount of tax owed and, in any case, *fiscal agents were never prepared to act on behalf of removers because of the 'Legal Joint Responsibility' requirement.* It appears that this latter obligation has not been removed by any of the Directives.

Removal Companies all over Europe are therefore left, supposedly, with still having to face an impractical and unsustainable system of:

- registering with the tax authorities in up to 27 different E.U. countries;
- keeping abreast of differing VAT rates in each of those countries;
- maintaining separate accounts/records for transactions in all those countries;
- obtaining VAT return forms from each finance authority;
- completing the 'returns' in all the many different EU languages;
- knowing when VAT payments are due in each of those countries!

In addition, the present system indirectly requires the Removers to understand the:

- intricacies of all the various national VAT regulations;
- different threshold limits;
- different currencies;
- 'technical jargon', on different return forms, in the 18 or so different languages across Europe;
- and so on and so on!

.... and this, even before the Removal Company ever reaches the supposed stage of making final declarations of VAT to authorities in each of the other Member States and having to transfer funds, which in many cases may only amount to a relatively small amount of VAT revenue, to each relevant EU country, at the time of each declaration – especially when the Removal Company may have only undertaken one or two such moves each year!

All of this is disproportionately burdensome and, in effect, imposes unrealistic, unsustainable and unworkable administration and bureaucracy requirements upon SME's, and most large companies, in the Removal Industry throughout the E.U.

In reality, the VAT legislation is extremely confusing and almost impossible for 'Removal Companies' to comply with.

The consequences being that:

- there is a distortion of competition especially between multi-national companies (with branch offices in different Member States) and those established in a single EU Member State;
- most removal companies are unable to comply and are entirely confused;
- national and regional VAT officers are, more often than not, giving incorrect advice;
- and, customers/the general public are receiving both conflicting information and different VAT tax charges.
 - o information/tax charges varying from zero rating, to VAT at place of origin, to 'out of date' rates of VAT, to a VAT rate applicable in the carrier's national Member State! *(The last example, according to our surveys, being the most prolific mistake and one that has arisen as a result of the many responsible and honest professional removal companies wishing, at the very least, to be able to prove that they have paid their VAT dues to someone!)*

These difficulties will be even more confusing and impractical if and when E.U. membership expands yet further to other countries.

Challenge to find new solution

It is very challenging to find solutions and obtain unanimous agreement on taxation matters at an E.U. level.

- Since 1993, FEDEMAC has been liaising constructively with the European Institutions to try to find a satisfactory solution which meets the needs of both commerce and national fiscal authorities.
- FEDEMAC has contributed to all the relevant major Consultation documents and exercises.
- A suggestion was put forward by FEDEMAC, some years ago, for the idea of establishing some sort of "EU Clearing House" or "Central Holding Fund" in each country – a type of 'One-Stop Shop' arrangement for Removers to use in their own E.U. national Member State's (or an E.U. country of choice for removers based outside the E.U.) which could collect and receive all the various appropriate VAT dues, in one currency at one national location, for later redistribution of the total amounts, on behalf of all companies, to the various other relevant EU governments at the end of each agreed financial period, by some kind of intergovernmental financial exchange mechanism .
- **FEDEMAC was, therefore, very disappointed to note that in December 2007, whilst the ECOFIN meeting agreed on a 'One-Stop-Shop' scheme, starting in 2015, it has been limited only to E-Commerce, Telecommunications, Broadcasting and Electronic service industries – in effect, therefore, solving the existing problems for a select choice of (for the most part) large companies but leaving Removal Companies and millions of other SME's, involved in internal**

EU ‘cross-border’ business, with a disproportionately burdensome and impractical system with regard to VAT compliance.

- The continuing challenge is to find a solution to solve the VAT compliancy issues for all businesses, not just a ‘favoured’ few!
- Why can’t the ‘Mini’ One-Stop-Shop be extended to cover the Removals Industry and others in a similar position?

Conclusion

In reality the decisions agreed by ECOFIN in December 07, adopted by Council on 12 February 2008 and published in the Official Journal on 20th February 2008, will provide for a practical ‘Mini’ One-Stop-Shop VAT compliancy procedure limited to a select group of service providers, whilst taking no account of the plight of many other types of service providers – in particular the many, many SME’s!

In effect, this means that Removers and others are still left with an unworkable, impractical and unsustainable VAT compliancy system, in relation to some of the work carried out on behalf of European citizens. This situation has continued for more than 15 years and is totally unfair to those professional and reputable operators who are forced into such an unacceptable situation

The present system & difficulty in trying to comply with VAT requirements is also discouraging many SME’s from even becoming involved with ‘cross-border’ work within the EU and, therefore, indirectly ‘driving’ trade into the hands of the ‘multi-nationals’ (*multinationals being able to arrange finance mechanisms via branch offices in different EU States*).

Whilst the proposal for a ‘Maxi’ One-Stop-Shop scheme is ‘technically’ still on the Council table it, at this time, lies dormant. Bearing in the mind the seriousness of this issue to our industry, and indeed many others, it is perhaps not unreasonable to state that the opportunity for the Commission proposal to be discussed in the Council is in the gift of the Member State holding the rotating presidency of the Council.

FEDEMAC once again, therefore, calls upon all involved to jointly meet this challenge as urgently and practicably as possible.

Ultimately, FEDEMAC would hope for a harmonized, user-friendly, ‘One-Stop-Shop’ VAT compliance system, for ALL businesses throughout the European Union, with a single place of compliance in the Member State where the operator is based.

about FEDEMAC

FEDEMAC (originally CODEMAC) was first founded in 1959 when a number of National Removers Associations within Europe formed a coalition to exchange views and information. In 1965 the name was changed to FEDEMAC –The Federation Des Enterprises de Déménagement Du Marche Commun – but, whilst the abbreviation remains, the organization is now referred to as The Federation of European Movers Associations.

FEDEMAC was registered as an independent European organisation on 1 January 1995. Today it represents the interests of around 4,000 Professional Removals Companies in 25 European Countries.

FEDEMAC's main function is to co-ordinate national activities at a European level. Much of this work is centred on lobbying at the EU Parliament and Commission; liaising with national/international associations and other trade orientated organisations such as the IRU, MPE, the WCO and BEUC; and, undertaking other activities at national and EU level as appropriate.

FEDEMAC works continuously towards the harmonisation of working methods; quality standards; training; and, co-operation within the Moving industry throughout Europe.

FEDEMAC is also at the forefront of encouraging and assisting with the establishment of National Trade Representation and Associations for the Removals Industry in 'New' E.U. Member States. Communication; magazines; newsletters; e-news bulletins; directories; regular meetings; and, the use of modern IT tools form an important part of this work.

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