



PRESS RELEASES

VAT: More flexibility on VAT rates, less red tape for small businesses

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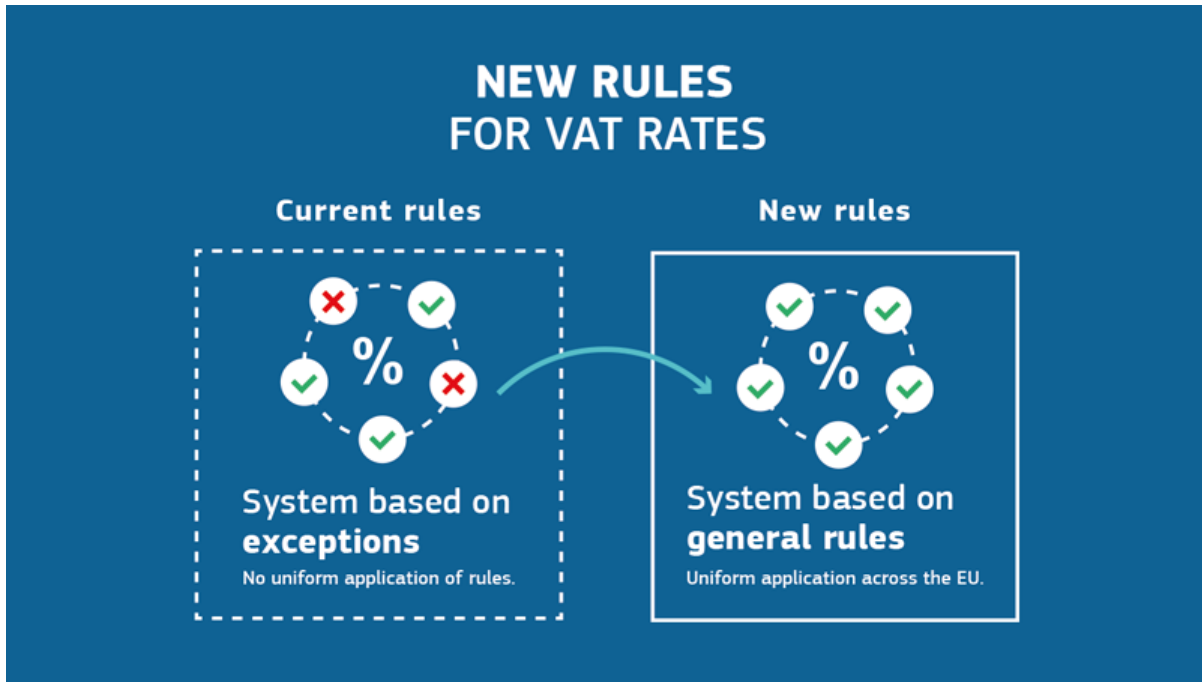
The European Commission has today proposed new rules to give Member States more flexibility to set Value Added Tax (VAT) rates and to create a better tax environment to help SMEs flourish.

Today's proposals are the final steps of the Commission's overhaul of VAT rules, with the creation of a single EU VAT area to dramatically reduce the €50 billion lost to VAT fraud each year in the EU, while supporting business and securing government revenues.

The EU's common VAT rules, agreed by all Member States in 1992, are out of date and too restrictive. They allow Member States to apply reduced VAT rates to only a handful of sectors and products. At the same time, EU countries consider VAT rates as a useful instrument to pursue some of their political objectives. The Commission is now making good on its pledge to give Member States more autonomy on rates. Countries will be on a more equal footing when it comes to some existing exceptions to the rules, known as VAT derogations.

The Commission is today also addressing the problem of smaller companies suffering from disproportionate VAT compliance costs. Businesses trading cross-border face 11% higher compliance costs compared to those trading only domestically, with smaller players hit hardest. This is proving to be a real obstacle to growth, as small businesses make up 98% of companies in the EU. We are therefore proposing to allow more companies to enjoy the benefits of simpler VAT rules which are at the moment available

to only the smallest firms. Overall VAT-related compliance costs will be cut by as much as 18% per year.



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