



Dutch Association of Tax Advisers organizes CFE conference on cross-border VAT issues

On Friday, June 24, 2011, the Dutch Association of Tax Advisers (NOB) is organizing a conference on 'The impact of changing worldwide cross-border trade on the EU VAT system' for the CFE in Amsterdam. Its purpose is to identify cross-border VAT issues in the movement of goods and services between enterprises in different EU Member States and between enterprises in the EU and those outside the EU. The chairman of the conference, Herman van Kesteren, gives answers to five questions about the conference.*

Why is the NOB organizing this CFE conference?

'In the EU, a double charge to VAT may still arise, and the same applies to unintentional non-taxation. These problems are mainly caused by the lack of harmonization, resulting in a mismatch between the VAT systems of the Member States and, in many cases, with those of countries outside the EU. Enterprises either lose or profit from the gaps this mismatch creates. Both situations are undesirable. During the conference we will analyse why things go wrong for goods and for services. And of course we shall try to present better working alternatives.'

It is surely not a coincidence that the European Commission has recently identified these imperfections in its Green Paper about the future of EU VAT?

'No, not at all. This Green Paper came about in the Commission's development of a broader vision on the future of EU sales tax. It correctly states that the current system is too complex, and that small and medium-sized enterprises in particular suffer from it as they cannot always afford tax expertise to guide them through this labyrinth. Furthermore, it reveals quite a few disturbing figures. A 2006 survey on the matter showed that a 12% gap existed between the real VAT revenues and the amount Member States should have received in theory. For some Member States, this discrepancy amounted to more than 20%. These figures clearly show the imperfection of the current VAT system.'

Is this also due to the fact that the EU VAT system is relatively outdated?

'Absolutely, as this creates a first mover disadvantage. Countries like Australia and New Zealand use a modified variant of the European system for their Goods and Services Tax, and therefore count as modern VAT systems. They use a broad resources base, one VAT rate and few or no exemptions. This results in a less complex set of rules – and corresponding advantages. The obvious question is why we do not adjust our system accordingly. But that is exactly where the first mover disadvantage becomes most pertinent: the number of Member States – 27 – hampers the efforts to reach a consensus on the simplification of the existing system, its numerous exemptions and rates.'

Who is responsible for the gaps in the EU VAT system?

'Interesting question. I am inclined to point at the respective governments which are not capable of effectively bringing their national systems in line with those of other Member States. Admittedly, that's not an easy job given the number of Member States, but it is unfair that enterprises should suffer when facing double taxation. And of course unintentional non-taxation is equally undesirable. We need more robust EU regulations. The OECD is working on a Model Convention and VAT/GST Guidelines for indirect taxation, analogous to those for direct taxes. This is of course a good thing, but it is still a long-term project. The European Commission's Green Paper on the future of VAT also contains a number of proposals for improvement. But for the time being we will have to deal with the present system, however imperfect it may be.'

On the other hand, the present situation seems to offer opportunities for legal tax planning?

'Indeed, and we will identify those during the conference. The question is whether companies which take advantage of the opportunities the system creates are committing an offence generally referred to as "abuse of law". I would prefer not to jump to conclusions in that area, as there are certain requirements such as arm's length transactions and substance of activities. Fraud must of course be tackled ruthlessly, but the vast complexity of the VAT system inevitably creates a grey area where things are anything but unambiguous.'

Who should attend?

The Conference will be of great interest to all tax, legal and accounting professionals who specialise in VAT/GST. Those working in VAT/GST roles in Treasury and Revenue Authorities globally will also greatly benefit from participating in the Conference. Senior tax, legal and accounting executives in the corporate sector will also find the Conference proceedings to be of great relevance to their role.

* Prof. H.W.M. van Kesteren is Head of the Indirect Taxation Group at PwC, Professor of Sales Taxes at the University of Tilburg and Chairman of the Sales Taxes Section of the NOB.

The conference '**The impact of changing worldwide cross-border trade on the EU VAT system**' takes place on **Friday, June 24, 2011**, at the **Royal Tropical Institute** (Koninklijk Instituut voor de Tropen) in Amsterdam. It starts at 9.30 a.m. Registration € 500 (excl. VAT). The speakers come from various EU Member States. The conference is rounded off with Canal cruise with cocktails and gourmet hors d'oeuvres.

More information about registration and programme on this [link](#).