

## **Generalised reverse charge**

### **Background and general policy**

- How much extra tax do you believe could be collected as a result of introducing the generalised reverse charge mechanism:
  - (a) In absolute terms?
  - (b) As a percentage of your total VAT receipts?
- Have any specific studies, analyses or simulation exercises been carried out to assess the impact of reverse charge on fraud and if so, what were the results?
- Has the effect on the budget of possible cash-flow losses during the year of introduction been assessed, and if so, what were the results?
- How many taxable persons, as a percentage of all taxable persons, account for e.g. 80% of the VAT paid? What would this percentage be after the introduction of the generalised reverse charge?

### **Main features of the system**

- What are the main features of the system?
- Would the reverse charge be applicable to all types of taxable persons (partial taxable persons, mixed taxable persons, exempt taxable persons, taxable persons under graduated relief systems, farmers under the common flat rate scheme, occasional taxable persons,...). Would it be envisaged to extend the system to non-taxable persons such as public authorities?
- Does the system have any impact on other elements (place of supply, right and adjustment of deduction, special regimes, ...)
- Is it envisaged to apply a threshold? If so, which one, and on which basis would such a threshold be established?

### **Obligations**

- Which obligations on taxable persons would be needed to control such a proposed scheme? Would these obligations be applicable to all (types of) taxable persons?
- How would non established taxable persons be treated when supplying or receiving goods or services?
- Has the cost and the administrative burden for taxable persons in relation to these new obligations been estimated? What would be the specific cost on non-established taxable persons?
- What would be the different steps for a taxable person to complete before deciding that the reverse charge mechanism has to be applied? What, in particular, would be the possibilities for a supplier to check whether his customer is a taxable person to whom supplies under reverse charge can take place?
- What would be the liability of a supplier who, in good faith, applied the reverse charge, only to discover subsequently that his customer was not entitled to receive the goods under reverse charge?

- What would happen if at the time of supply, the conditions for applying the reverse charge were fulfilled but these conditions are changed later. E.g. (in case a threshold is applied) a credit note is issued whereby the threshold is no longer exceeded.

### **Control and fraud**

- What steps should be taken to stop new forms of fraud in relation to the threshold (in case a threshold would be envisaged)? Fraudsters could obtain goods 'VAT free' (under RC), sell them on with VAT (possibly via artificial splitting of supplies to remain below the threshold) and then disappear before paying the tax over to the treasury.
- What special control measures should counteract the loss of information currently gained from cross-checking of invoices?
- Which control policy will be established to audit the more numerous taxable persons at the end of the chain who account for an increased amount of VAT in comparison to the current situation?
- Is it the intention, to that end, to re-allocate control resources to end of the chain? How far could this be stretched without creating the risk that an increased amount of non-taxed goods would reach the retail stage (or stage where VAT has to be applied)?
- Which steps should be taken to control non-taxable persons claiming to be taxable persons (via "hijacking" of VAT identification numbers) to avoid that VAT would be charged?

### **Other**

- Has the business community been consulted on the idea of a generalised reverse charge? If so, what were the reactions?
- Apart from the recurrent costs, has the cost of transition, both for tax administrations and taxable persons been estimated and, if so, what are the results?

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