



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 07.06.2000
COM(2000)348 final

**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**A STRATEGY TO IMPROVE THE OPERATION OF THE VAT SYSTEM WITHIN
THE CONTEXT OF THE INTERNAL MARKET**

TABLE OF CONTENTS

1.	BACKGROUND	3
2.	NEW STRATEGY FOR 2000: reappraisal of the programme proposed in 1996	4
2.1.	Defining a viable strategy to improve the present system	4
2.2.	Proposals already before the Council must be adopted	5
2.3.	Other measures	6
3.	THE ACTION PROGRAMME	7
3.1.	Phase One: 2000/2001 - Adoption by the Council of the proposals already tabled ..	7
3.2.	Phase Two: 2000/2001 - Presentation of new proposals by the Commission.....	7
3.3.	Phase Three: 2001 - Evaluation and definition of future priorities	8
1.	PRIORITIES FOR 2000	9
1.1.	Treatment of postal services	9
1.2.	Treatment of e-commerce and radio and TV broadcasting	9
1.3.	Rules on invoicing	10
1.4.	Revision of the rules on administrative cooperation and mutual assistance	10
1.5.	Setting the minimum level for the standard VAT rate.....	10
1.6.	Report on the application of the reduced rate.....	10
2.	OTHER POTENTIAL FUTURE PRIORITIES	11
2.1.	Treatment of subsidies, public authorities and services in the public interest	11
2.2.	Treatment of financial and insurance services	11
2.3.	Court judgements	11
2.4.	Rules on supplies of goods.....	11
2.5.	Closer administrative cooperation	12
2.6.	Coordination of customs and taxation	12
2.7.	Review of the place of taxation of services in general (Article 9)	13
2.8.	Rationalisation of derogations under Article 27	13
2.9.	Rationalisation of options, rights and derogations.....	13
2.10.	Rationalisation of VAT rates	13
2.11.	The scheme applying to small businesses	14

1. BACKGROUND

1. When the First and Second VAT Directives were adopted in April 1967 the Community undertook a legal and political commitment (as part of its objective to create the most efficient possible common market) to establish a common VAT system under which the taxation of imports and the non-taxation of exports in intra-Community trade would be abolished. This commitment underpinned the objective to design a VAT system which was tailored to the internal market and operated within the European Union in the same way as it would within a single country.
2. The two basic principles of VAT had to be observed in designing such a system:
 - the mechanism of **fractionated payments**, which ensures that the tax system is to some extent self-policing;
 - a **clear division of responsibilities** between sellers (correct invoicing of the tax due) and buyers (detailed proof of the tax deducted);
3. The Commission put forward proposals for such a system in 1987 under the work programme to establish the internal market by January 1993. The key elements of these proposals, which were designed to achieve a genuine internal market by means of taxation in the country of origin, were:
 - a harmonised tax structure with two rates of VAT;
 - harmonisation, within a defined band, of the rates applied by Member States;
 - a clearing mechanism for the redistribution of VAT receipts.
4. By 1989, it had become clear that it would be impossible to adopt the Commission's proposals by **1 January 1993** and the ECOFIN Council therefore decided to adopt a **transitional system** which would enable controls at the Community's internal borders to be abolished whilst allowing tax to continue to be collected in the Member State of destination under certain well defined circumstances (transactions between taxable persons and large-scale "distance selling" to private individuals).
5. At the same time however, the Council **reaffirmed both legally and politically** the commitment it had made in April 1967 to introduce a "definitive system" of taxation where goods and services would be taxed in "**the Member State of origin**" by the new target date of 31 December 1996.
6. It therefore fell to the Commission, once again, to put forward new proposals. Before doing so, the Commission carried out a thorough evaluation of the operation of the transitional arrangements¹ and polled the Member States on their views, concluding that a different approach to that proposed in 1987 would have to be taken to achieve

¹ Report by the Commission to the Council and the European Parliament on the operation of the transitional arrangements for charging VAT in intra-Community trade (COM(94) 515 final of 23 November 1994, unpublished)

a VAT system tailored to the internal market. The **programme put forward in 1996² differed** in two main respects from the 1987 proposals.

7. *Firstly*, the substance of the 1987 proposals was based on the principle that taxation should take at the place of supply (place where the goods are located when they are sold, place of supply of immovable property, etc.) and the clearing mechanism would operate on the basis of declarations by taxable persons. The 1996 programme put forward the idea that taxation should be based on a trader's "**tax domicile**" so that there would be **one single place of registration** with a **redistribution mechanism** based on official statistics (a "new macroeconomic approach") to ensure that VAT receipts accrue to the Member State where consumption takes place.
8. *Secondly*, the 1987 proposals were based on the "big bang" approach, i.e. an immediate switchover to the definitive system, whereas the 1996 programme envisaged a **gradual changeover** to the definitive system. The first stage in this gradual approach was to modernise and more uniformly apply the existing system introducing changes which would shape it into a definitive system.
9. This **gradual approach has proved as difficult** to implement as the 1987 "big bang" approach. If a Community trader's entire economic activity is taxed in one single Member State, **taxation systems have to be closely harmonised** to ensure the uniform application traders desire. There also has to be **some harmonisation of rates** to ensure that the tax has a neutral impact on business competition. However, it very soon became clear, as it did in 1987, that this degree of harmonisation could not be achieved because of differing domestic arrangements in the Member States. Consequently very little progress has been made in the Council on the Commission's proposed 1996 programme.
10. On the other hand, it is accepted that the **current transitional arrangements have a number of shortcomings**, because they are complicated, susceptible to fraud (the problem of so called "carousel fraud" is becoming of increasing concern) and are out of date. There is a patent need to modernise, simplify, strengthen and more uniformly apply the VAT system in order to bring it up to date and to ensure it encourages legitimate commercial transactions within the internal market without providing greater scope for fraud.

2. **NEW STRATEGY FOR 2000: REAPPRAISAL OF THE PROGRAMME PROPOSED IN 1996**

2.1. **Defining a viable strategy to improve the present system**

11. It should be pointed out from the outset that the internal market could and would function better with a VAT system based on taxation in the Member State of origin as this would be easier to administer (and consequently less costly for business) and less susceptible to fraud (providing a better a guarantee of stable tax revenue). However, it must also be recognised that in the current climate (where the conditions are not propitious for rapid progress towards closer harmonisation of VAT rates and legislation and it would be difficult to introduce a really reliable system of

² A common system of VAT - a programme for the single market (COM(96) 328 final of 22 July 1996, unpublished)

reallocating revenue) it is unlikely that significant progress will be made in the immediate future.

12. It is not in any way the Commission's intention to question the idea of a definitive system of **taxation in the Member State of origin** of transactions giving rise to consumption in the Community as a **long-term Community goal**. However, in the interest of improving the functioning of the internal market in the **short term**, the Commission considers it necessary to reappraise the programme it proposed in 1996 and to define a viable strategy based on four main objectives: **simplification** and **modernisation** of current rules, **more uniform application** of current rules and **closer** administrative cooperation.
13. The objective of such an exercise is to create **fresh impetus** within the Council to achieve the much needed improvements to the present system as quickly as possible. This will of course only be possible if all Member States are prepared to consider changes to their national VAT systems (and, if necessary, to agree to a reduction in the large number of special schemes or options, derogations, etc. which exist at present) which can help bring about an overall improvement in the way the common VAT system operates. If the present transitional arrangements are retained Member States will also have to accept the need for greater emphasis on tighter controls and closer administrative cooperation in order to deal with the problem of fraud highlighted in the Commission's report on administrative cooperation and VAT control.³ The fact that under the transitional VAT system goods can circulate between Member States without VAT being paid⁴ inevitably creates risks, particularly of "carousel fraud" and stringent counter-measures are required. "Modernisation and simplification" and "administrative cooperation and fraud prevention" form a single package and must go hand in hand.

2.2. Proposals already before the Council must be adopted

14. This does not mean that the Council does not have to adopt the proposals already tabled by the Commission under the 1996 programme and the SLIM exercise (Simpler Legislation for the Internal Market). On the contrary, these proposals were specifically designed to simplify, modernise, enhance and ensure more uniform application of the current VAT system in areas where improvements are essential.

³ Report from the Commission to the Council and the European Parliament - Third Article 14 report on the application of Council Regulation (EEC) No 218/92 of 27 January 1992 on administrative cooperation in the field of indirect taxation (VAT) and Fourth report under Article 12 of Regulation (EEC, Euratom) No 1553/89 on VAT collection and control procedures (COM(2000) 28 final of 28 January 2000) http://europa.eu.int/comm/taxation_customs/publications/official_doc/com/com.htm

⁴ Intra-Community trade is valued at EUR 930 billion annually. VAT accounts for 15 to 25% depending on the Member State, i.e. EUR 162.75 billion. According to the Commission's estimates fraud accounts for 5% of this amount, in other words a loss of EUR 8 billion in tax revenue.

15. The proposals concerning the right to deduction and abolition of the procedure provided for under the Eighth Directive (COM(98) 377)⁵ and determination of the person liable for payment of VAT (COM(98) 660)⁶ are crucial to the simplification of existing procedures. They cover areas where refunds of VAT are difficult to obtain from other Member States and deal with the cost and complexity of using tax representatives who are considered to be the main source of problems for traders operating in other Member States, particularly for small businesses which are directly affected by the cumbersome procedures involved. These proposals will be reviewed in the course of their examination by the Council to ensure that they are compatible with the proposed changes to the current rules.
16. Two other proposals which the Commission still considers to be essential are the reform of the VAT Committee (COM(97) 325)⁷ and the improvement of mutual assistance for the recovery of claims (COM(98) 364)⁸. The VAT Committee plays an important role in ensuring existing rules are more uniformly applied, but its effectiveness depends on finding a way of involving it in the procedure by which the Commission adopts binding implementing decisions. The proposal on the recovery of claims is crucial to closer administrative cooperation and should be adopted as quickly as possible. It will also be a perfect adjunct to the proposal to abolish compulsory tax representation (COM(98) 660).

2.3. Other measures

17. The proposals already before the Council will be supplemented by other measures under a new strategy covering a number of areas where Community legislation needs updating (e.g. postal services, e-commerce, etc).

These areas are described in the **annex**. The list is in no way exhaustive and in no way excludes others being included. The Commission will ensure that account is taken of the EU's international obligations and their VAT implications.

⁵ Proposal for a Council Directive amending Directive 77/388/EEC as regards the rules governing the right to deduct value added tax and proposal for a Council Regulation (EC) on verification measures, measures relating to the refund system and administrative cooperation measures necessary for the application of Directive 98/xxx/EC presented by the Commission on 17 June (COM(1998) 377 final) (Official Journal No C 219 of 15 July 1998, p. 16 and 20).

⁶ Proposal for a Council Directive amending Directive 77/388/EEC as regards the determination of the person liable for payment of value added tax presented by the Commission on 27 November 1998 (COM(1998) 660 final) (Official Journal No C 409 of 30 December 1998, p. 10).

⁷ Proposal for a Council Directive amending Directive 77/388/EEC on the common system of value added tax (the Value Added Committee) presented by the Commission on 26 June 1997 (COM(97) 325 final) (Official Journal No C 278 of 13 September 1997, p. 6).

⁸ Proposal for a European Parliament and Council Directive amending Council Directive 76/308/EEC on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund, and of agricultural levies and customs duties and in respect of value added tax and certain excise duties presented by the Commission on 26 June 1998 (COM(98) 364 final) (OJ No C 269 of 28 August 1998, p. 16) and (COM (1999) 183 final) (Official Journal No C 179 of 24 June 1999, p. 6).

3. THE ACTION PROGRAMME

18. A meeting of the Tax Policy Group was held on 2 March 2000 to sound out Member States' views on a new approach to VAT and to establish where improvements could be made. Member States' representatives endorsed this pragmatic approach which demonstrated a determination to quickly tackle the problems encountered by traders and provide them, as far as possible, with a solution which will enable them to benefit more effectively from the single market.

19. The Commission has drawn up an action programme to implement this new VAT strategy based on four objectives: **simplification** and **modernisation** of current rules, **more uniform application** of current rules and a **new approach** to administrative cooperation.

3.1. Phase One: 2000/2001 - Adoption by the Council of the proposals already tabled

20. The following proposals are to adopted as soon as possible:

Changes to the status of the VAT Committee (COM (1997) 325);

Improving mutual assistance on recovery (COM (1998) 364);

Proposal on the right to deduction and the Eighth Directive (COM (1998) 377);

Proposal on the person liable for VAT (COM (1998) 660).

3.2. Phase Two: 2000/2001 - Presentation of new proposals by the Commission

21. The Commission will table proposals for Directives in the following areas in the course of the year:

taxation of postal services (June/July 2000);

e-commerce (June/July 2000);

invoicing including electronic invoicing (autumn 2000);

revision of rules on administrative cooperation and mutual assistance (December 2000);

a minimum standard rate of VAT (July 2000).

The Commission will also present a report on the application of the reduced rate (December 2000).

3.3. Phase Three: 2001 - Evaluation and definition of future priorities

22. Future priorities will largely depend on the progress made by the Council in adopting the proposals already tabled (the four proposals already presented and another five to be tabled in the course of 2000). The Commission will present a progress report in early 2001 and, once it has been discussed by the Council, will use it to draw up a work programme setting future priorities, initially for 2001/2002. These priorities will be defined in the light of the findings of a review of the issues discussed in the annex and any subsequent new requirements. Each of the subsequent phases will largely depend on the proposals already presented being adopted by the Council. The aim is to avoid a whole package of proposals waiting for the Council's approval.

ANNEX
AREAS WHERE THE COMMON VAT SYSTEM IS TO BE SIMPLIFIED, MODERNISED
AND ENHANCED

1. PRIORITIES FOR 2000

1.1. Treatment of postal services

Public postal authorities are increasingly operating in competitive markets and competition would inevitably be distorted if only the public sector were exempted from VAT. This situation is hardly justifiable, and regular complaints have been received from operators. Some Member States have already opted to tax their postal services which are now privatised and this has led to problems with other countries whose public postal services are still exempt.

This shows that the principle of neutrality, which is at the heart of the common VAT system, is no longer being observed in this sector. Amending the Sixth Directive to make postal services liable to VAT would therefore help to modernise the taxation system.

The Commission will present a proposal for a Directive on **postal services** by the end of June.

1.2. Treatment of e-commerce and radio and TV broadcasting

The general principles of taxation of electronic deliveries were first set out in a communication from the Commission in June 1998.⁹ The most significant of these were that, for VAT purposes, electronic transactions should be taxed as services and taxation should take place in the jurisdiction where consumption takes place. The conclusions of the July 1998 ECOFIN Council endorsed this approach; this was also reflected internationally by the OECD conference in Ottawa in October of the same year. Consequently, the present legal basis makes it difficult to correctly apply these principles to transactions involving the supply of products in digital form over electronic networks (which includes broadcasting services).

The Commission therefore intends to amend the provisions of the Sixth VAT Directive on the place of supply of services so that electronically delivered services supplied for consumption within the EU are subject to EU VAT and those supplied for consumption outside the EU are exempt from VAT. This proposal will also contain a number of facilitation and simplification measures aimed at ensuring that the administration and collection of VAT takes full advantage of the potential benefits afforded by electronic technology. Particular objectives will include easing the tax compliance burden for non-EU operators and removing the barriers in the existing tax system to the growth of e-commerce.

⁹ COM(1998) 374 final. Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee - Electronic commerce and indirect taxation. <http://europa.eu.int/comm/taxation-customs/publications/official-doc/com/htm>

1.3. Rules on invoicing

A study on electronic invoicing was carried out in the wake of the SLIM exercise. Its main aims were to analyse current practices in the Member States (indications on invoices and cases in which electronic invoicing and self-invoicing are authorised) and to recommend the most suitable approach to harmonising practices and introducing appropriate Community rules. The findings are being discussed with national administrations and business. Action in this area would both simplify and modernise current VAT rules bringing them into line with the way in which new technology is already being used by business. A formal proposal might be ready by the autumn as these discussions are proving extremely fruitful.

1.4. Revision of the rules on administrative cooperation and mutual assistance

The report presented by the Commission under Article 14 of Regulation No 218/92 and Article 12 of Regulation No 1553/89 and discussions by the Council's *ad hoc* group on tax fraud indicate that if the present system is retained there must be a commitment to effectively enhance control procedures and administrative cooperation. The Commission has concluded that existing Community legal instruments for administrative cooperation and mutual assistance would have to be enhanced to achieve this goal. Initially it intends to propose, by way of priority, that Regulation No 218/92 and Directive 77/799/EEC be revised.

1.5. Setting the minimum level for the standard VAT rate

Article 12(3) of the Sixth VAT Directive¹⁰ sets the minimum level of the standard rate applying in the Member States at 15% until 31 December of this year. It does not set a maximum rate although the Commission has twice proposed the introduction of a band so that standard rates can be more closely harmonised between Member States. The Commission therefore propose that this provision be extended for five years.

1.6. Report on the application of the reduced rate

Pursuant to Article 12(4) the Commission will present a report reviewing the scope of reduced VAT rates. As it has done in previous reports it will look at the harmonisation of rates and assess the impact of their structure on the functioning of the single market. It will define the future approach to be taken to harmonise the scope of reduced rates. This analysis will lay down future guidelines but no formal legislative proposals are planned in the immediate future. These will not be made until an evaluation has been carried out of the current pilot project for labour-intensive services to which Member States may apply a reduced rate until 31 December 2002 in order to promote employment and reduce the black economy.

¹⁰ As last amended by Council Directive 1999/49/EC of 25 May 1999 amending, with regard to the level of the standard rate, Directive 77/388/EEC on the common system of value added tax (Official Journal No 139 of 2 June 1999, p. 27 and 28).

2. OTHER POTENTIAL FUTURE PRIORITIES

***NB:** The issues discussed below are areas which the Commission and the Tax Policy Group consider warrant a thorough review. After the progress report on the Council's discussions of the proposals already tabled has been presented, the Commission will, if necessary, make appropriate proposals under the new action programme which will then be defined. The order in which they are discussed in no way reflects any order of priority.*

2.1. Treatment of subsidies, public authorities and services in the public interest

Increasing privatisation of activities which were traditionally the exclusive reserve of the public sector has led to greater distortions of competition between exempt, non-taxable and taxable services. The VAT system for such services needs to be modernised taking account of all interests involved, in particular those of users of these services. The VAT treatment of subsidies also needs to be reviewed in order to ensure simpler and more harmonised treatment within the EU. Exemptions without the right to deduction for social, educational, cultural and other activities also need to be reviewed to see whether they meet current needs.

2.2. Treatment of financial and insurance services

The financial services sector has increased both in size and complexity and its structures and operating methods have changed creating growing problems for current VAT rules. A large-scale study initiated by the Commission has looked at and developed a method of VAT for financial services in the widest sense of the word. However, even if this proves neither desirable nor feasible, other measures are required to bring the VAT system into line with developments in this sector, which include greater opportunities for cross-border shopping.

2.3. Court judgements

A number of Court judgements concerning the application of VAT to transactions by holding companies, sales promotion of products in the form of discount vouchers and activities by public bodies have highlighted the fact that some provisions of the Sixth Directive are ambiguous, incomplete or out of date. The Commission may consider making a proposal to the Council to change these provisions, and adopting appropriate implementing decisions once the Council has adopted the proposal to amend the VAT Committee's rules of procedure (COM(97) 325).

2.4. Rules on supplies of goods

Under the present system the place of supply of goods is based on the place where the goods are deemed to be located when they are supplied. This principle will not change but a number of rules which no longer meet the needs of intra-Community trade will have to be reviewed. These include:

Supplies where the supplier is responsible for assembly and installation on the customer's premises: traders have been caused needless problems because there are both rules governing intra-Community supply/acquisition and rules on taxation at the place of destination of supplies of goods involving assembly and installation by the supplier on the customer's premises. The current rules need to be standardised.

Sales of goods through distribution networks: increasing liberalisation of the water, gas and electricity distribution sectors may mean that the current rules need to be reviewed to see whether they are compatible with the need for correct and simple taxation of such supplies; these are increasingly being thrown open to competition between national producers to the benefit of consumers who are able to use the most competitive operators. Steps must be taken here to ensure fair competition.

Distance selling: all the information made available to the Commission on Member States' monitoring and enforcement of this special scheme under the transitional arrangements indicates that the system is incapable of ensuring taxation at destination if traders fail to spontaneously fulfil declaration and payment obligations in the Member State where the VAT is due. Under these circumstances, steps could be taken to change taxation thresholds to ensure that the system applies only where there is a genuinely significant activity in the Member State of destination. This could be accompanied by the introduction of automatic exchanges of information between the Member States involved whenever the special arrangements apply. Some Member States have already recognised the need for much more routine exchanges of information and have concluded appropriate bilateral agreements. This best administrative practice could be extended to the whole Community.

2.5. Closer administrative cooperation

The increasingly serious problem of fraud, especially cross-border fraud, is being addressed both by the Commission (through the Standing Committee on Administrative Cooperation (SCAC)) and by the Council (through the *ad hoc* working group on tax fraud). One of the main reasons for the increase in fraud under the current VAT system is the fact that goods circulate without VAT being paid. The reports compiled by the Commission under Article 14 of Regulation No 218/92 and Article 12 of Regulation No 1553/89 make it clear that Member States' control and administrative cooperation arrangements cannot deal with this problem. If the existing arrangements are retained, there must be a commitment to a real improvement in these areas. The Commission has concluded that existing Community legal instruments for administrative cooperation and mutual assistance need to be enhanced. It will continue its review of appropriate solutions in addition to the changes planned this year.

2.6. Coordination of customs and taxation

The joint meeting of Directors-General for customs and indirect taxation on 16 December 1998 decided that there should be further joint discussions to improve coordination between customs and tax policies.

An *ad hoc* joint customs-taxation group was set up to look at coordination between customs and indirect taxation policy and legislation in order to identify deficiencies which could create problems for traders and risks of fraud and to suggest ways of overcoming them.

The *ad hoc* group will present its final report to the Directors-General for customs and taxation towards the end of June. The report will be used to assess the need for and nature of a Community initiative. Appropriate proposals will be made in the light of its conclusions.

2.7. Review of the place of taxation of services in general (Article 9)

A proposal for a Directive amending the rules on e-commerce and radio and television broadcasting will be presented in the course of the year. This will be the last individual change to Article 9 before a more general and thorough review of the rules governing the place of supply of services under this Article. This exercise will not, however, be undertaken in the immediate future; it may wait until changes have been made in the two specific areas where more rapid action is required.

There seems to be a general consensus that the scope of taxation at the place that the customer is located (reverse charge mechanism) should be extended or made the general principle for taxation of services. The Commission, however, considers that caution should be exercised before embarking upon this course which would call in to question one of the basic principles of VAT, that of fractionated payment. In its view, it would be preferable for the proposal in COM (98) 377 on the right to deduction and replacement of the refund procedure introduced by the Eighth Directive by a genuine right to cross-border deduction to be adopted as soon as possible and the contribution it will make to resolving current problems (in particular deficiencies concerning the leasing of means of transport), to be discussed.

2.8. Rationalisation of derogations under Article 27

The need for simplification of tax collection and prevention of fraud or tax evasion prompted the Member States to request and obtain from the Council authorisation to introduce special derogations to the Sixth VAT Directive. However the number and diversity of these derogations has led to a somewhat chaotic situation and it would be useful, if not essential, to rationalise to some degree. This might involve extending some derogations which have proved to be particularly effective to all Member States.

2.9. Rationalisation of options, rights and derogations

Traders often point to problems caused by differences in treatment between Member States.

It is true that the Sixth VAT Directive has always maintained a whole range of options, rights and derogations which, very often, have been the price to pay for unanimous adoption of VAT Directives. Even temporary derogations which were originally introduced for an extremely short period have proved impossible to abolish because the Council could not unanimously agree to do so. Some of them, however, may be real obstacles to the proper functioning of the single market and their abolition would ensure more uniform application of VAT. Others create problems with non-EU countries. A review of the Thirteenth Directive might therefore be considered to help non-EU operators who pay VAT in the Community even though they do not exercise an economic activity there.

2.10. Rationalisation of VAT rates

A review and rationalisation of the rules and derogations applying to the definition of reduced VAT rates should be considered in the medium term. Once the pilot project introduced by Directive 1999/85/EC (labour-intensive services), has been completed it may prove necessary to overhaul current rules. This would provide an opportunity

to abolish specific and temporary derogations. Particular attention will be paid to the rates applying to virtual products compared with traditional products and the use of reduced VAT rates in Community policies (e.g. to help protect the environment, promote employment, etc.).

2.11. The scheme applying to small businesses

There have also been repeated calls for a thorough overhaul of the special schemes applying to small businesses and, in particular that of exemptions which differ widely from one Member State to another. A Fiscalis seminar will be held shortly to define the objectives of and means of controlling these schemes (in Faro, Portugal, on 9 and 10 October 2000). The seminar will also provide a clearer overview of the current situation in the Member States and identify ways of improving VAT treatment of small businesses in the European Union. Appropriate proposals may be made in the light of its findings.