

Commissioner  
Pierre MOSCOVICI  
Member of the European Commission  
Berl 10/ 169  
1049 Brussels  
Belgium

Vienna/Prague, 24 January 2017

Dear Commissioner,

Dear Pierre,

As you know it has been a long-standing claim by the Czech Republic and Austria to be allowed to implement a Generalized Reverse Charge Mechanism in order to address endemic carousel fraud.

Thus, the Commission's proposal is of course principally welcome and we are grateful for it.

Unfortunately the concrete design has certain shortcomings making the proposal in its present form unsuited as a basis for the temporary implementation of the Generalized Reverse Charge Mechanism.

Firstly, the minimum VAT gap must not be a prerequisite for the application of Reverse Charge. For one thing, it is highly contested whether it is an appropriate measurement parameter for VAT fraud. For another, and this is far more important, fraud has to be combatted irrespective of its level in the Member States.

The other serious flaws are the sunset clause of 5 years (till 2022) and the safeguard measure of the European Commission. A shift to the Generalized Reverse Charge Mechanism for such a short period of time cannot be justified to business. Member States wishing to

apply the Generalised Reverse Charge should be allowed to use the system until the definitive VAT regime is implemented. A reasonable review clause would be sufficient to guarantee a smooth functioning. A possible repeal of the derogation should require a Council decision.

We sincerely hope that the Commission proposal will be approved as soon as possible in the form creating fair and sufficiently stable conditions for the EU businesses. We strongly rely on your kind and prudent collaboration in the respective discussions in the Council that will auspiciously allow the generalised reverse charge to prove as an efficient targeted tool against the VAT fraud in Austria and the Czech Republic soon.

Yours sincerely



Hans Jörg Schelling  
Federal Minister of Finance



Andrej Babiš  
Minister of Finance