

*Ivan PILNÝ*  
*Minister of Finance*

Prague, 26 -06- 2017  
Ref. No.: MF-18906/2017/10-2

*Dear Minister,*

*First of all, please accept my heartiest congratulations on your reappointment as Minister of Economy and Finance. I take this opportunity to look forward to working together closely and strengthen cooperation at the European level.*

*As regards the recent and the upcoming ECOFIN Council I am seeking your kind advice on how to progress with the two open tax points so as to reach a fair and balanced agreement as soon as possible.*

*I was very pleased to see the compromise texts on both legislative items on the agenda of the ECOFIN Council in June. The Maltese Presidency invested an enormous effort to resolve all critical issues and facilitated a compromise that a vast majority of Member States could accept. Please allow me to bring together some key points in this debate.*

*Firstly, the proposal on VAT rates on books, newspapers and periodicals is linked to immensely important agenda of the Digital Single Market. Abolishing inequality within the existing system of VAT rates could substantially promote this sector. Nevertheless, I am convinced that we need a more holistic approach for the digital economy. It is necessary to make electronic services subject to clear, simple and uniform rules.*

*The application of different VAT rates on electronically supplied services could result in a targeted manipulation and make the digital sector vulnerable to VAT fraud. It would also create a strong pressure on Member States wishing to continue applying standard VAT rate on electronic books and reduced VAT rates on printed books, for legal and budgetary*

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*reasons. I fear that the extension of reduced VAT rates to e-publications only will not provide us with satisfactory results in terms of simplicity and smooth administration of VAT in the EU. For these reasons I have been reluctant to support the extension of reduced VAT rates to e-publications. However, I understand that this proposal is very important for France and other Member States.*

*Secondly, the VAT system in the EU as of today - despite being fully harmonised - comprises a number of elements reflecting specific character and needs of tax collection in different Member States. I strongly believe that these should be preserved and respected. For example the missing trader fraud intensity is not the same in all regions in the EU. Some Member States in Central and South Eastern Europe are affected more than others within the EU. It is therefore fair and reasonable if the Czech Republic and Member States in such region request additional tools to combat the fraud. I am very keen to prove that the general reverse charge mechanism makes sense in a country with increased level of carousel fraud. The proposal on general reverse charge would let the Czech Republic make its tax system more resilient.*

*The potential reverse charge derogation is subject to very strict conditions. I understand why and I am prepared to offer as much comfort as I can to dispel any concern of weakening the single market. At the same time eliminating the potential negative impact must be well balanced with stability and legal certainty of EU businesses.*

*I do not ask any Member State that does not want to use this measure to implement it. I do not expect a general reverse charge to become a uniform practice now or in future or to have any negative impact on our work on the definitive VAT regime in the EU. I only ask for openness to let the Czech Republic do what I consider the best way to combat VAT fraud in our country.*

*I sincerely hope that we can work together and find common understanding of these issues shortly. I am more than prepared to discuss details of how to progress with the two proposals on VAT rates on books, newspapers and periodicals and on temporary application of a generalised reverse charge mechanism.*

*I would like to kindly ask you for indicating possible dates and format that would be most convenient for you. I would be very honoured and pleased to meet you personally either in*

*one of our capitals or in Brussels before the next ECOFIN Council or have a conference call on this topic.*

*I am convinced that our relations will prove to be rewarding and cooperative and I wish you every success with your newly assumed responsibilities.*

*Yours Respectfully*



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