



Prague, Vienna, 24 March 2015

Dear Ministers,

The fight against missing trader fraud (e.g. carousel fraud) and the simplification of the existing VAT system remains one of the key priorities of the Austrian and Czech Republic.

At numerous occasions we have exchanged views whether a wide, flexible and timely approach to the application of reverse-charge mechanism around the EU could significantly contribute to this goal.

We remain convinced of the affirmative answer to the above question and would like to explore what concrete steps could be taken in short term perspective. Taking into consideration the international overlap and urgency of this matter it is important to work on further steps together. Potential common action of several member states would substantially increase its effectiveness. Carousel fraud represents a threat not only to individual member states' budgets, but it is often linked to the organized crime that goes far beyond member states' borders. Experience has shown that missing trader fraud (e.g. carousel fraud) is possible with any kind of goods and even more dangerously with services. It is our common interest to tackle this problem and to secure the functioning of the internal market.

Legal analysis of the situation implies that the procedure based on Art. 395 of VAT Directive is the available solution. The derogation measure would comply with the test of this provision as necessary to counter tax avoidance and tax evasion. Enclosed please find our draft of the application. Although the Czech Republic and the Republic of Austria will request authorisation to use a reverse charge mechanism for all domestic taxable supplies where the overall amount is above EUR 10 000, any Member State can join to our application with request for using a reverse charge mechanism in case of certain taxable supplies (sugar, precious stone, petrol etc.) only.

We would be very grateful for your comments and suggestions to complete the draft with your requests of a possible sectoral reverse charge mechanism. Your potential interest to join such action will be more than welcome. For any technical questions please feel free to contact us. We are looking forward to cooperating with you.

Best Wishes,



Andrej Babiš



Hans Jörg Schelling

To:

Mr Jeroen DIJSSELBLOEM, Minister of Finance of Netherlands
Mr. Vladislav GORANOV, Minister of Finance of Bulgaria
Mr Peter KAZIMIR, Deputy Prime Minister and Minister of Finance of Slovakia
Mr Boris LALOVAC Minister of Finance of Croatia
Ms Maris LAURI, Minister of Finance of Estonia
Mr Jānis REIRS, Minister of Finance of Latvia
Mr Rimantas ŠADŽIUS, Minister of Finance of Lithuania
Mr Wolfgang SCHÄUBLE Minister of Finance of Germany
Mr Mateusz SZCZUREK, Minister of Finance of Poland
Mr Darius Bogdan VALCOV, Minister of Public Finance of Romania
Mr Mihály VARGA, Minister for National Economy of Hungary

Annex: *A draft request for the authorisation of derogation under Article 395 of Directive 2006/112/EC*