

**Andrej BABIŠ**  
*First Deputy Prime Minister and Minister of Finance*

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Dear Commissioner,

*Pierre*

*On the occasion of your recent appointment to the post of the Commissioner for Economic and Financial Affairs, Taxation and Customs, I would like to warmly congratulate you and to wish you every success in your new position. I am writing to you to share with you some ideas that I am looking forward to working on together in near future.*

*I can see increasing sophistication and mobility of fraudsters, and the state budget significant revenue losses due to VAT carousel fraud in particular. The immediate and comprehensive response to act in quick and flexible way represents the key priority for the Czech Republic. We are supportive of any tool that proves to be efficient in combatting the tax fraud. At the same time we put a great emphasis on the simplification of the system and keeping the administrative burden sustainable. In this context I find particularly inspiring the idea of application of the reverse charge mechanism to a greater extent of supplies. I understand that the discussion over last years showed that a general reverse charge mechanism has not been the desired solution for the EU, at the same time I would like to encourage you to consider wider application of this tool in future Commission proposals on VAT.*

*The adoption of VAT EU Directive amendment in 2013 was the move in the right direction without any doubt. It is designed to provide Member States with rapid access to anti-fraud measures when faced with massive frauds and enabled them to use the reverse charge mechanism in the fight against tax fraud based on particular circumstances and for certain commodities and services. The Quick Reaction Mechanism was created to counter*

*a sudden and massive fraud and to tackle known risk areas. I think we need to develop this trend further and enable Member States to decide on application of reverse charge mechanism in more flexible and efficient way. Quick Reaction Mechanism has already been fully implemented in the Czech Republic. Unfortunately, we have continued to be unable to apply the reverse charge mechanism to some critical areas where we are encountering massive VAT fraud, for example fuels merchandising.*


*An intense debate of the scope of the reverse charge mechanism has been ongoing in my country and I would like to endeavour its application to the maximum range of items. In the longer term, we should strive for delivery of a "Robust, Resilient and Fraud-proof VAT System" and expand the key underlying objective of the EU Commission's revised VAT strategy for the upcoming season. The Czech Republic will support the European Commission work to create a simpler, more efficient and more robust VAT system in the EU. In our view, a reverse-charge mechanism could serve these priorities very well.*

*It is clear from my recent debate with my counterparts that the Czech Republic is not isolated in recognition the urgent need for an effective and early response to the risks of VAT fraud. Obviously combatting the carousel fraud is the one of the most important common goals of the states of our geographic region and I think we should continue the intense debate of this particular question amongst all EU Member States and develop further solutions which were adopted by the Council in 2013.*

*The Czech Republic is in favour of the reverse-charge mechanism as an efficient method in combatting the VAT carousel fraud. We support the broad application of reverse charge and should keep in mind the good experience of the Member States with this mechanism when the impact of the different options for a future system is assessed.*

*I am truly looking forward to discussing the results of the ongoing study concerning the different options on intra-EU supplies and namely to the proposal to change the VAT Directive. I hope you will take above mentioned ideas into consideration.*

*Yours Sincerely,*



*Commissioner*

**MOSCOVICI Pierre**

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