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Modernising VAT groups

Identification

1. What is the field of your professional activity?

- ☐ Tax administration of a Member State
- ☐ Business
- ☐ Academic

General issues as regards VAT groups

2. Which should be the main objective of VAT groups?

- ☐ Administrative simplification: disregarding the transactions between members of the group reduces the administrative burden for businesses and tax administrations
- ☐ Control to counter abuse: for instance, it helps to ensure that undertakings are not artificially split up into several legal entities
- ☐ Other

3. What are the benefits of VAT groups both for businesses and tax administrations?

Please rate each option below (scale of 1–5, with 1 representing the most beneficial and 5 the least beneficial).

	1	2	3	4	5
Equal treatment: it allows the same treatment for businesses, irrespective of whether they are made up by one or several legal entities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduction of VAT costs: it minimises (non-recoverable) input VAT linked to supplies made between members of the group	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cash-flow efficiency: it reduces the amount of VAT to be accounted for and enables VAT liabilities to be offset among members of the group	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative simplification: as transactions between members of the group are disregarded, it reduces compliance costs, with only one consolidated VAT return needed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring: for example, it helps to ensure that undertakings are not artificially split up	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. What do you see as the potential risks of VAT groups both for businesses and tax administrations?

Please rate each option below (scale of 1–5, with 1 representing the greatest and 5 the slightest).

	1	2	3	4	5
Financial impact: group members may be held jointly and severally liable for any VAT debts of the group	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Thresholds and VAT groups: it makes it more difficult to benefit from special schemes (e.g. cash accounting)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Target of VAT groups: it may be difficult for SMEs (typically made up by a single legal entity) to profit from VAT groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative complexity: it is difficult to gather the information necessary for the consolidated VAT return from the members of the group	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ability to control: due to the existence of a single taxable person, members of a VAT group are not necessarily subject to individual control and this may hamper control	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Revenue impact: non-deductible VAT of VAT group members, derived from intra-group transactions, is not accounted for since the transactions are disregarded	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Abuse: VAT groups may be used with a view to obtain unjustified tax advantages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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5. What do you see as the practical issues faced by businesses operating VAT grouping schemes across the EU?

Multiple answers possible

- ☐ None
- ☐ Reporting (VAT returns, EC Sales List, etc.)
- ☐ Invoicing
- ☐ Determining on whom these obligations fall (which member of the VAT group)
- ☐ Other

Characteristics of VAT groups

6. Which should be the implications of VAT groups for its members?

Multiple answers possible

- ☐ Members of a VAT group should be treated as a single taxable person
- ☐ Transactions between members of a VAT group should be disregarded for VAT purposes
- ☐ A VAT group should enable VAT liabilities to be offset among members of the group
- ☐ The members of a VAT group should be jointly and severally liable for the VAT liabilities of other members
- ☐ Each VAT group should have a single VAT identification number
- ☐ A VAT group should only have to present a single consolidated VAT return
- ☐ Other

7. Where all conditions for forming a VAT group are satisfied, VAT groups should be...

- ☐ Mandatory for businesses
- ☐ Optional for businesses

Please indicate why:

8. The use of the VAT grouping scheme should be...

- ☐ Mandatory for Member States
- ☐ Optional for Member States

Please indicate why:

9. Irrespective of whether mandatory or optional for Member States, the rules governing VAT groups at EU level should be...

- ☐ Fully harmonised
- ☐ Further harmonised (than what follows from Article 11 of the VAT Directive)
- ☐ Not further harmonised (than what is the result of Article 11 of the VAT Directive)
- ☐ Less harmonised (compared to Article 11 of the VAT Directive)

Please indicate why:

10. VAT groups should be...

- ☐ Limited to the territory of a single Member State
- ☐ Available to members established in several Member States (cross-border VAT groups)
- ☐ Other

11. Please outline the reasons for the choice made under question 10:

12. Would cross-border VAT groups necessarily require the application of fully harmonised rules on VAT groups across Europe?

- ☐ Yes
- ☐ No

Please indicate why:

13. Which could be the potential risks associated with VAT groups limited to the territory of a single Member State?

Please rate each option below (scale of 1–5, with 1 representing the greatest and 5 the slightest).

	1	2	3	4	5

Negative impact on the EU single market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Restriction on some of the TFEU's fundamental freedoms (e.g. freedom of establishment)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of neutrality (unequal treatment of domestic and cross-border transactions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertainty about the VAT treatment of transactions involving entities of group members established in another Member State	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mismatches in cross-border transactions involving VAT groups in Member States with a different application of the VAT grouping rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Impact of VAT groups on other Member States	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

#### 14. Which could be the potential risks associated with cross-border VAT groups?

Please rate each option below (scale of 1–5, with 1 representing the greatest and 5 the slightest).

	1	2	3	4	5
Difficulties in identifying the place where a group has its main establishment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Difficulties in determining whether the group has fixed establishments in any of the Member States where it has members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ensuring taxation in the right place	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Difficulties in determining in which Member State the VAT group would be entitled to deduct input VAT	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

#### 15. Which abusive practices could arise in relation to VAT groups limited to the territory of a single Member State?

#### 16. Which abusive practices could arise in relation to cross-border VAT groups?

#### 17. VAT groups should be available to...

- ☐ Taxable persons only  
☐ Taxable persons and non-taxable legal persons  
☐ Taxable persons and all non-taxable persons

Please indicate why:

#### 18. VAT groups should be available to...

- ☐ All eligible persons, irrespective of their sector of economic activity  
☐ Eligible persons of certain sectors of economic activity only

If limited to certain sectors of economic activity, which should those sectors be and why is a limitation necessary?

#### 19. Do you consider that only the requirements in Article 11 of the VAT Directive (close financial, economic and organisational links) are relevant?

- ☐ Yes  
☐ No

Please indicate why:

#### 20. If you consider them relevant, which of them should be defined to provide clarity for business and Member States?

Multiple answers possible

- ☐ Financial link  
☐ Economic link  
☐ Organisational link

☐ None of the above

21. If you do not consider them to be relevant, how would you modify them?

22. How should input VAT deduction work for VAT groups?

- ☐ Deduction should be based on the VAT group pro rata
- ☐ Deduction should be based on a direct allocation of the costs
- ☐ Other

23. Are specific rules necessary to prevent tax evasion or avoidance through the use of VAT groups?

- ☐ Yes
- ☐ No

Please indicate why:

24. If so, the use of such anti-avoidance provisions should be...

- ☐ Mandatory for Member States
- ☐ Optional for Member States

Please indicate why:

25. Irrespective of whether mandatory or optional for Member States, the content of such anti-avoidance provisions should be...

- ☐ Fully harmonised
- ☐ Further harmonised (than what follows from the second paragraph of Article 11 of the VAT Directive)
- ☐ Not further harmonised (than what is the result of the second paragraph of Article 11 of the VAT Directive)

Please indicate why:

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26. Which of the following options would you favour, concerning the future of VAT groups?

Please rate each option below (scale of 1–5, with 1 representing the option that you would favour the most, and 5 the least attractive).

	1	2	3	4	5
Do nothing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Clarify existing rules through soft law (e.g. guidelines agreed by the VAT Committee, update of the Commission's 2009 communication, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Clarify existing rules through hard law (adoption of implementing measures)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Amend existing rules in an effort to bring more clarity to the legislation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Replace existing rules by entirely new rules on VAT groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do away with the rules on VAT groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

27. Could other provisions of the VAT Directive, such as the exemption for cost-sharing groups pursuant to Article 132(1)(f), provide benefits similar to those of VAT groups?

28. Could you think of any other instrument that could provide the benefits of VAT groups?

Please do not restrict your ideas to what is currently possible or allowed under the VAT Directive.

29. Are there any other policy options which can be considered with a view to addressing the particular problems faced by businesses

which necessitate the need for VAT groups and cost-sharing arrangements, particularly in respect of those businesses carrying out VAT exempt supplies?

30. If you have any other comments, please make them below.

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