

THE AGN EUROPEAN REGION

-- 2005 VAT Survey --

Introduction

The 2005 Survey is the first year in which completion via the AGN Europe Website has been the norm. For the most part this has proved to be extremely successful with only a few problems encountered along the way.

As these problems have been quickly resolved it has enabled additional checking of the data to be made which will, hopefully, mean that the answers provided are more consistent.

This year additional efforts have been made to include all 25 EU Countries. In some cases this has had to be achieved by researching for data from published sources such as the European Commission website. By so doing we hope to be able to provide a fuller picture of VAT in Europe.

Summary

A comparison of the 2005 main European VAT rates indicates that there is a continuing upward trend. The lowest rate overall is 7.6% and belongs to Switzerland, whereas the other non EU respondents follow the EU model and have their standard VAT rate set between 15% and 25%. The trend towards higher VAT rates is also visible within the EU with almost half of the Member States using a standard rate of 20% or more.

There is also considerable disparity in relation to the use of reduced and super reduced VAT rates. A small number of countries favour the simple approach and have no reduced rates but most countries appear to prefer to sacrifice simplicity in order to reduce the tax burden on consumers.

Whilst this may be pleasing for consumers it does add complexity to VAT accounting and makes life more difficult for businesses.

To reduce the administrative burden on very small businesses some countries, like the UK, have put in place a high VAT registration threshold which enables very small businesses to stay out of the VAT regime if they so choose. This approach is one that more and more countries appear to be following.

For businesses that are interested in trading outside of their own territory there are still many countries where it will be necessary for the appointment of a VAT Representative to be made. In relation to non EU countries this comes as no surprise. However all EU countries were supposed to have removed this obligation in respect of businesses established within the EU. Clearly there are still some countries that have not caught up with this requirement.

Within the EU there should also be a standard approach to invoicing following the enactment of the Invoicing Directive. Nevertheless there continue to be variations which can add to the administrative burdens associated with cross border trading.

Finally the problems associated with seeking reimbursement of foreign VAT continue to act as a barrier to trade. It is clear that a number of non EU countries regard VAT as being similar to a Customs or an Excise Duty – a tax that businesses have to pay and cannot obtain reimbursement.

Conclusion

The VAT system, which is elegantly simple in concept, remains time consuming, confusing and costly to deal with in practice. The 2005 Survey adequately demonstrates this and confirms once more the absolute necessity of obtaining local advice.

Full details of the AGN 2005 VAT survey, including a chart comparing the countries surveyed, can be downloaded from the internet at www.agn-europe.org or obtained free of charge from AGN Europe's head office at 5-6 Francis Grove, London SW19 4DT, telephone +44 (0) 8947 4888, e-mail info@agn.org.

Before taking or refraining from action to value added taxes, specific professional advice should be taken in the countries concerned.