

## THE AGN EUROPEAN REGION

### -- 2006 VAT Survey --

AGN International is an association of separate and independent accounting and consulting firms, represented in 83 countries with 500 office locations and 10,000 partners and staff. The AGN European Region conducts annual surveys of corporate taxes, corporate structures, value added taxes (VAT), salary taxes and inheritance taxes. These surveys have been produced for a number of years and provide interesting comparisons and insight into trends.

#### Summary Article

The 2006 VAT Survey conducted by the AGN Europe Taxation Task Force has been even more successful than 2005 with more responses from AGN firms.

This has produced a broader range of data from which interesting results can be drawn.

One fact that is immediately noticeable is that there are so many countries with a standard VAT rate between 15% and 20% suggesting some form of rate convergence on the part of Fiscal Authorities.

So although EU member states can, if they wish, increase their standard rate up to 25% it is noticeable that only one EU Member State, Sweden, has pursued this option. This may be due to the fact that, Norway its very near neighbour, also has a standard rate of 25%!

The reduced rates, however, cover an extremely wide range with considerable variation from country to country.

A comparison of the VAT registration threshold shows that the UK is very much out of step with its EU counterparts with a threshold of €88,500 which was recently increased to the equivalent of €90,000.

This is considerably out of step with the rest of the EU and reflects a difference in attitude towards the administration of VAT.

Other administrative areas such as invoicing and periodic VAT returns, however, demonstrate that any business that wants to establish in Europe must take local advice or run the risk of failing to fulfil its obligations under the local VAT system.

Although VAT may appear to have similarities from one country to the next it is in fact administered in a completely different way in every country. This coupled with wide differences in the application of VAT rates shows that doing business in a country other than one's own is not an easy proposition.



However, it is equally clear that opportunities exist for those that are prepared to take advantage of the differences. Provided that adequate ground work is performed it should be feasible to enjoy the opportunities afforded by these differences without incurring some form of penalty.

*Before taking or refraining from action in relation to VAT tax, specific professional advice should be taken in the countries of the individual's residence, domicile and, possibly, location of assets.*

*Full details of the AGN VAT Tax survey, including a chart comparing the countries surveyed, can be downloaded from the internet at [www.agn-europe.org](http://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) 20 8947 4888, e-mail [info@agn.org](mailto:info@agn.org)*