

Council Directive 2006/112/EC of 28 November
2006 on the common system of value added tax

TITLE XI

**OBLIGATIONS OF TAXABLE PERSONS
AND CERTAIN NON-TAXABLE PERSONS**

CHAPTER 1

Obligation to pay

Section 1

Persons liable for payment of VAT to the tax authorities

[^{F1}Article 199c

1 By way of derogation from Article 193, a Member State may, until 30 June 2022, introduce a generalised reverse charge mechanism ('GRCM') on non-cross-border supplies, providing that the person liable for payment of VAT is the taxable person to whom all supplies of goods and services are made above a threshold of EUR 17 500 per transaction.

A Member State wishing to introduce the GRCM shall comply with all of the following conditions:

- a it had in 2014, in accordance with the method and figures set out in the 2016 final report dated 23 August 2016 on the VAT gap published by the Commission, a VAT gap, expressed as a percentage of the VAT total tax liability, of at least 5 percentage points above the Community median VAT gap;
- b it has, based on the impact assessment that accompanied the legislative proposal for this Article, a carousel fraud level within its total VAT gap of more than 25 %;
- c it establishes that other control measures are not sufficient to combat carousel fraud on its territory, in particular by specifying the control measures applied and the particular reasons for their lack of effectiveness, as well as the reasons why administrative cooperation in the field of VAT has proven insufficient;
- d it establishes that the estimated gains in tax compliance and collection expected as a result of the introduction of the GRCM outweigh the expected overall additional burden on businesses and tax authorities by at least 25 %; and
- e it establishes that the introduction of the GRCM will not result in businesses and tax authorities incurring costs that are higher than those incurred as a result of the application of other control measures.

The Member State shall attach to the request referred to in paragraph 3 the calculation of the VAT gap according to the method and figures available in the report on the VAT gap published by the Commission, as referred to in point (a) of the second subparagraph of this paragraph.

2 Member States that apply the GRCM shall establish appropriate and effective electronic reporting obligations for all taxable persons and, in particular, for taxable persons

Status: EU Directives are published on this site to aid cross referencing from UK legislation. Since IP completion day (31 December 2020 11.00 p.m.) no amendments have been applied to this version.

who supply or receive goods or services to which the GRCM applies to ensure the effective functioning and monitoring of the application of the GRCM.

3 Member States wishing to apply the GRCM shall submit a request to the Commission and provide the following information:

- a a detailed justification of fulfilment of the conditions referred to in paragraph 1;
- b the starting date of application of the GRCM and the period to be covered by the GRCM;
- c actions to be taken to inform taxable persons of the introduction of the application of the GRCM; and
- d a detailed description of the accompanying measures referred to in paragraph 2.

If the Commission considers that it does not have all the necessary information, it shall request additional information, including underlying methods, assumptions, studies and other supporting documents, within one month of receipt of the request. The requesting Member State shall submit the required information within a month of receipt of the notification.

4 Where the Commission considers that a request complies with the requirements set out in paragraph 3, it shall, no later than three months after it has received all the necessary information, submit a proposal to the Council. The Council, acting unanimously on such a proposal from the Commission, may authorise the requesting Member State to apply the GRCM. Where the Commission considers that a request is not compliant with the requirements set out in paragraph 3, it shall, within the same deadline, communicate its reasons to the requesting Member State and to the Council.

5 Where a considerable negative impact on the internal market has been established in accordance with the second subparagraph of this paragraph, the Commission shall, no later than three months after it has received all the necessary information, propose the repeal of all the implementing decisions referred to in paragraph 4, at the earliest six months after the entry into force of the first implementing decision authorising a Member State to apply the GRCM. Such repeal shall be deemed to be adopted by the Council unless the Council decides by unanimity to reject the Commission's proposal within 30 days of the Commission's adoption thereof.

A considerable negative impact shall be considered established where the following conditions are fulfilled:

- a at least one Member State that does not apply the GRCM informs the Commission of an increase of VAT fraud on its territory due to the application of the GRCM; and
- b the Commission establishes, including on the basis of the information provided by the Member States referred to in point (a) of this subparagraph, that the increase of VAT fraud on their territory is related to the application of the GRCM in one or more Member States.

6 Member States that apply the GRCM shall submit the following information in electronic format to all Member States:

- a the names of the persons who, in the 12 months preceding the starting date of application of the GRCM, have been subject to proceedings, whether criminal or administrative, for VAT fraud; and
- b the names of the persons, including in the case of legal persons the names of their directors, whose VAT registration in that Member State is terminated after the introduction of the GRCM; and
- c the names of the persons, including in the case of legal persons the names of their directors, who have failed to submit a VAT return for two consecutive tax periods after the introduction of the GRCM.

Status: EU Directives are published on this site to aid cross referencing from UK legislation. Since IP completion day (31 December 2020 11.00 p.m.) no amendments have been applied to this version.

The information referred to in points (a) and (b) of the first subparagraph shall be submitted no later than three months after the introduction of the GRCM and shall be updated every three months thereafter. The information referred to in point (c) of the first subparagraph shall be submitted no later than nine months after the introduction of the GRCM and shall be updated every three months thereafter.

Member States that apply the GRCM shall submit an interim report to the Commission no later than one year after the start of application of the GRCM. That report shall provide a detailed assessment of the effectiveness of the GRCM. Three months after the end of the application of the GRCM, Member States that apply the GRCM shall submit a final report on its overall impact.

7 Member States that do not apply the GRCM shall submit an interim report to the Commission as regards the impact in their territory of the application of GRCM by other Member States. That report shall be submitted to the Commission within three months following the application of the GRCM for at least one year in one Member State.

If at least one Member State applies the GRCM, Member States that do not apply the GRCM shall, by 30 September 2022, submit a final report to the Commission as regards the impact in their territory of the GRCM applied by other Member States.

8 In the reports referred to in paragraph 6, Member States shall assess the impact of the application of the GRCM on the basis of the following evaluation criteria:

- a the evolution of the VAT gap;
- b the evolution of VAT fraud, in particular carousel fraud and fraud at retail level;
- c the evolution of the administrative burden on taxable persons;
- d the evolution of administrative costs for the tax authorities.

9 In the reports referred to in paragraph 7, Member States shall assess the impact of the application of the GRCM on the basis of the following evaluation criteria:

- a the evolution of VAT fraud, in particular carousel fraud and fraud at retail level;
- b a shift in fraud from those Member States that apply or have applied the GRCM.]

Textual Amendments

- F1** Inserted by [Council Directive \(EU\) 2018/2057 of 20 December 2018 amending Directive 2006/112/EC on the common system of value added tax as regards the temporary application of a generalised reverse charge mechanism in relation to supplies of goods and services above a certain threshold.](#)