HEADLINES

Generalised reverse charge mechanism, a temporary solution to combat VAT fraud

On 21 December 2016 the Commission presented a proposal for a Council Directive for temporary introduction of a “Generalised Reversed Charge Mechanism” (GRCM). This would allow Member States to derogate from certain provisions of the VAT Directive 2006/112/EC. According to the new scheme, which applies to B2B transactions on goods and services, VAT will be paid by the recipient and not the supplier. This derogation would apply on invoices above the threshold of €10,000. The proposal would offer a temporary solution, until 30 June 2022, to combat tax fraud while waiting for the definitive VAT system to be introduced. The application of the mechanism is voluntary and every Member State can decide whether to ask for such derogation. However, two criteria are necessary to be granted this derogation: Member States with a VAT gap 5% above the average VAT gap in the EU and a carousel fraud level of more than 25% within the VAT gap.

Geo-blocking proposal moving in the right direction

This week, the Internal Market and Consumer Protection (IMCO) committee held their first discussion on the draft report by rapporteur Thun on geo-blocking. A lot of traders still do not trade cross-border due to a range of problems, such as different VAT regimes, different contract law and expensive parcel delivery systems. The aim of this proposal is to open up the market for consumers and offer them a range of goods and services to forbid denying access on basis of your place of residence. In this meeting Ms. Thun outlined the major changes she made to the Commission’s proposal. The first major change was made in the scope of the legislation. She excluded B2B trade, included online market places and included copyright materials. She stated redirection should be merely explained but no explicit consent from the consumer is needed. The most important clarification in her draft report is the applicable law of the contract. When businesses engage in passive cross-border sales, she expects them to treat those consumers as if they were domestic ones.

IN BRIEF

EU/SME financing: Block chain used in trade finance to help SMEs stimulate trade

On 16 January 2017, seven of Europe’s biggest banks (Deutsche Bank, HSBC, KBC, Natixis, Rabobank, Société Générale and UniCredit) signed a memorandum of understanding. They committed themselves to collaborate on the Digital Trade Chain. By pooling their expertise, the consortium will explore the possibility to launch a Digital Trade chain of scale. This block chain system would insure payments. SMEs often hesitate to trade cross-border because they fear not getting paid or for the product not to be delivered. Big companies make use of letter of credit arrangement to limit their risk of faulty payments, these letters can however be a problem for SMEs. Digital Trade Chain should simplify this financing procedure, lower the administrative paperwork and also make it easier for companies to track and secure international trade transactions.

For more information on the Digital Trade Chain and its functioning, please click here.
EU/Late payments: New debt recovery system cost-effective alternative for SMEs
On 18 January 2017, the European Accounts Preservation Order tool came into effect, allowing businesses, particularly SMEs, to recover debt which would otherwise be lost. Roughly €600 million is lost annually due to unrecovered debt. The EAPO allows companies, otherwise unable to engage in costly legal disputes, to cheaply recover debt across Member States’ borders. The current system, involving the blocking of debt owed to a business in their business partner’s Member State, which would otherwise be too costly for many SMEs, will be replaced by far cheaper court-blocking systems (EAPOs) which are equally effective between Member States. The system will be fast and far more cost-effective, significantly benefitting SMEs.

For more information on the European Accounts Preservation order, please click here.

EU/Capital Markets Union: Public consultation to give new impetus to Commission’s flagship Capital Markets Union
On 20 January 2017, the Commission launched a new public consultation, offering stakeholders to put forward insights on how to reinvigorate the Commission’s CMU Action Plan. The ‘mid-term review’ consultation, Vice-Commissioner Dombrovskis believes, will help shape the trajectory of the next phase of the CMU. The CMU, a critical element of Commission President Juncker’s Investment Plan for Europe, is regarded as a means by which the Union can instil a more investor-friendly system in the EU. Stakeholders are encouraged to provide evidence-based contributions in order to ensure the next stage of the CMU is up to date and relevant. The results of the consultation are expected to be released in June 2017.

For more information on the Capital Markets Union, please click here.

EU/SME Financing: SMEs benefit from more than €33billion from EIB and EIF funds
On 24 January 2017, Werner Hoyer, European Investment Bank President, reported that in 2016 small and medium enterprises across the EU have widely benefited from loans from the European Investment Bank (EIB) and the European Investment Fund (EIF), which have financed their projects. More than €33 billion have been handed to SMEs, promoting jobs and growth. Environment, innovation and key infrastructure are some of the main areas addressed by the projects. The European Fund for Strategic Investments (EFSI), a crucial tool in pursuing Juncker’s Investment Plan for Europe has also supported the EIB’s activities. Hoyer further called for a removal of the structural hurdles that hamper investment, demanding for a completion of the single market and regulatory reforms by Member States.

For more information on SME financing, please click here.

EU/Trade: CETA receives the support of the INTA Committee
On 24 January 2017, the Trade Committee voted in favour of the free-trade Agreement between the European Union and Canada. With a 25 to 15 majority, the INTA Committee supported the Agreement and sends it, with its approval, to the plenary session of the European Parliament in mid-February 2017. If CETA receives the backing of the Parliament, it could come into provisional application as early as April 2017. The final step will then be the ratification in Member States’ national Parliaments in order to fully implement the Agreement.

For more information on CETA, please click here.
PUBLICATIONS

LSE: Will Donald Trump shoot down TTIP, or rebrand it as ‘Trump Trade and Investment Partnership’?
On 19 January 2017, LSE’s US Centre published a piece by Dr Teresa Novotna of the Université libre de Bruxelles (ULB) on five possible scenarios of the Transatlantic Trade and Investment Partnership between the United States and the European Union. The suggested scenarios, ranging from TTIP being quickly shut-down, to a new trade deal, or a ‘TTIP 2.0’ being negotiated and concluded between the two partners.

To access this publication, please click here.

Friends of Europe: Europe needs a data-driven economy - ten ways to achieve it
On 23 January 2017, Friends of Europe released a publication examining ways in which European business, both larger businesses and SMEs, can adapt in the so called “4th Industrial Revolution”. The publication examines ways in which the EU regulatory framework and legislative process can be used to strengthen companies’ capacities to adapt to the ever changing digital and data-driven economy. The piece highlights ten key areas in which the data-driven economy can be encouraged in the EU.

To access this publication, please click here.

College of Europe: Towards a European Pillar of Social Rights
In January 2017, the College of Europe published a policy brief examining the Commission’s proposal for a European Pillar of Social Rights. The College of Europe brief analyses the Commission proposal for a ‘social Europe’, suggesting several key areas by which this concept can be encouraged and advanced, revolving around the core principle of workers’ rights and empowerment of workers in the EU.

To access this publication, please click here.

CONSULTATIONS

Public consultation on the functioning of mutual assistance between EU Member States for the recovery of taxes
DEADLINE: 08/03/2017
The competence of tax authorities is limited to their national territory. They cannot take recovery actions in other countries, although tax debtors may have moved to another country or may dispose of assets in other countries. Therefore, the EU has adopted legislation which allows the EU Member States to provide mutual assistance to each other, for the recovery of their taxes. The European Commission is currently undertaking an evaluation of this legislation, as announced in its Action Plan on value added tax (VAT). This public consultation seeks the opinion of persons confronted with such recovery assistance procedures and other stakeholders.

To access this consultation, please click here.

Public consultation on the capital markets union mid-term review 2017
DEADLINE: 17/03/2016
The aim of the consultation is to seek feedback on how the current capital markets union (CMU) programme can be updated and completed so that it represents a strong policy framework for the development of capital markets, building on the initiatives that the Commission has presented so far.
To access this consultation, please click here.

Public consultation on the special scheme for small enterprises under the VAT Directive
DEADLINE: 20/03/2017
This consultation aims at obtaining the views of stakeholders on: (i) the current VAT provisions for SMEs and their application; and (ii) possible changes as regards the VAT provisions for SMEs. Its results will feed into the review of the SME scheme.

To access this consultation, please click here.

Public Consultation on the reform of VAT rates
DEADLINE: 20/03/2017
This Open Public consultation aims at obtaining stakeholders' views' on the following aspects: (i) The need for EU action in the field of VAT rates; (ii) The proper balance between harmonisation and Member States autonomy in setting VAT rates; (iii) The problems and risks linked to differentiation of VAT rates within the Single Market; (iv) The desirable direction for reform; (v) Stakeholders' views on the proposed policy options.

To access this consultation, please click here.

Public Consultation on the Definitive VAT system for Business to Business (B2B) intra-EU transactions on goods
DEADLINE: 20/03/2017
This consultation aims at obtaining the views of stakeholders on: (i) The current VAT situation of B2B intra-EU supplies of goods; (ii) Possible short term improvements of the current transitional VAT system; (iii) The need to move towards the definitive VAT system based on the principle of taxation of the supply in the Member State of destination.

To access this consultation, please click here.

Public consultation on Building the European data economy
DEADLINE: 26/04/2017
This public consultation will be used to shape the future policy agenda on the European data economy. The consultation tries to collect information on the trading of non-personal data, the effects of the local storage of data, the nature of barriers to this data and ways how to tackle these barriers.

To access this consultation, please click here.

Public consultation on the proposal to reform notifications of new regulatory requirements for services providers
DEADLINE: 19/04/2016
The aim of this public consultation is to seek the view of stakeholders on the existing services notification procedure established by the Services Directive and on potential improvements of that procedure. The results of this consultation will provide invaluable input for the Commission when preparing any future policy proposals and assessing the impact of different policy options.

To access this consultation, please click here.

Public consultation on the rules on liability of the producer for damage caused by a defective product
DEADLINE: 26/04/2017
This public consultation aims to collect feedback on the application and performance of the Directive on liability for defective products (Directive 85/374/EEC). This directive guarantees the liability of the producer in the event of damage caused by malfunctioning products. The results of the public consultation will provide evidence to assess the extent to which the provisions of the Directive have been effective and efficient.

To access this consultation, please click here.

**COMING-UP**

**EU Institutions : important dates**

- 1 February 2017 : Coreper II
- 1 February 2017 : Coreper I
- 1-2 February 2017: Parliament Plenary Session
- 7 February 2017: General Affairs Council
- 8 February 2017: Coreper I
- 8 February 2017: Coreper II
- 9 February 2017: Coreper II

**Other SME-Related Events**

**Improving the effectiveness of EU Policies for SMEs**

06/02/2017, Brussels

On 6 February 2017, the European Economic and Social Committee will be organising a hearing as part of its preparatory work in order to issue its own-initiative opinion on The effectiveness of EU policies for SMEs. The main objective of the hearing will be to debate the effectiveness and efficiency of the EU policies for SMEs, to find the ways in which they can be improved and to outline the opportunities and challenges for the future. All the issues will be addressed by high-level speakers from different institutions, and social organisations and stakeholders from across the EU will have the opportunity to exchange their views.

To find out more about this event, please click here.

**Removing information barriers to investments in SMEs**

08/02/2017, Brussels

On 8 February 2017, the Centre for European Policy Studies in collaboration with the European Capital Markets Institute will organise a lunchtime seminar on the Capital Market Union (CMU) Action Plan. The seminar will aim at analysing the Action Plan and assess if it is suitable to overcome information barriers that prevent SMEs and prospective investors from identifying new opportunities to secure funding and to make investments.

To find out more about this event, please click here.