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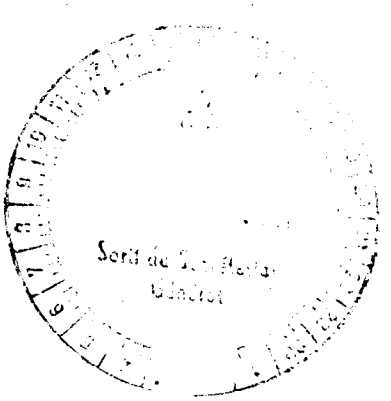
COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 14th May 1981

PROGRAMME FOR THE SIMPLIFICATION OF VALUE ADDED TAX PROCEDURES AND FORMALITIES IN INTRA-COMMUNITY TRADE

(Communication from the Commission to the Council)



I. INTRODUCTION

1. In its communication to the Council of 30 July 1975[1] setting out an action programme for taxation, the Commission announced that it planned to make proposals aimed at simplifying value added tax and other procedures and formalities applicable in intra-Community trade.

2. These procedures and formalities make it difficult for some economic traders, notably small and medium-sized enterprises, to engage in intra-Community trade, but also give rise, because they differ between Member States, to distorsions of competition by affecting firms' cash position, for example.

3. Since 1975, efforts have mainly focused on the adoption and subsequent implementation in Member States of the Sixth Council Directive of 17 May 1977[2] concerning a uniform basis of assessment for VAT.

With regard to the formalities and procedures applicable in intra-Community trade, the Sixth Directive reflects the desire to pursue a policy of simplification by instructing the Commission to present as soon as possible to the Council proposals precisely in areas where simplifications are needed, such as exemptions on importation (Article 14), certain exemptions of exports (Article 15) and special exemptions linked to international goods traffic (Article 16).

4. The Sixth Directive is also to be viewed in the context of the objective laid down by the First VAT Directive of 11 April 1967[3] of abolishing tax frontiers, i.e. abolishing the imposition of tax on importation and the remission of tax on exportation in trade between Member States, while ensuring neutrality of taxation with regard to the origin of goods and services, so that a common market is ultimately achieved within which there is healthy competition and characteristics are similar to those of a domestic market.

5. Because of the conditions which must first be met, in particular that of a satisfactory alignment of rates, definitive abolition of all tax frontiers both for undertakings subject to VAT and for non-taxable persons, such as exempt traders and private individuals, does not appear attainable in the near future. A start should, however, be made as of now and in parallel with the other measures to be taken, particularly in respect of tax rates, on simplifying the VAT procedures and formalities applicable in intra-Community trade.

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(1) Doc. COM(75) 391 final of 23.7.1975, E.C. Bulletin No. 9/1975
(2) OJ L 145 of 13 June 1977
(3) OJ of 14 April 1967, p. 1301

Although no definitive time scale can be proposed since the time needed will depend on progress in constructing the Community in general, it is evident that the transition from the present situation to that envisaged can only be gradual. On the basis of experience gained in implementing successive measures to relax, simplify or abolish arrangements, it will be possible gradually to give some practical shape to the concept of abolition of tax frontiers and to that of an internal market, while at the same time taking due account of the imperatives of the attack on tax evasion and avoidance within the Community.

2. The political, psychological and economic importance of the measures aimed at improving the functioning of the internal market has been emphasized time and again both by the Economic and Social Committee and by Parliament. Parliament has called for the adoption of a number of practical measures in two recent resolutions : one on the development of the customs union and of the internal market [1]; the other on the difficulties encountered at the Community's internal frontiers in the transport of passengers and goods by road[2].

The European Council for its part has more than once stressed that it is the Community's constant task to continue to eliminate obstacles to trade and distortions of competition.

With the same aims in mind, trade associations are calling for a substantial reduction in the various formalities applied in intra-Community trade and also, as far as taxation in particular is concerned, more advanced harmonization.

7. The Commission is equally aware of the need to simplify in stages of varying duration the procedures applicable in intra-Community trade and eventually to abolish them altogether. As far as taxation, and more precisely value added tax, is concerned, the Commission takes the view that the task given it by the Sixth Directive of submitting at the earliest opportunity proposals designed to lay down Community tax rules in the area of international trade means that such rules must not be in addition to existing customs procedures but, on the contrary, must supersede the latter to the extent to which they are not justified within a customs union thus facilitating elimination of border controls. Quite apart from the progress already made under the Sixth VAT Directive and under sectoral directives and from the progress that might be made in the scope of adoption by the Council of other proposals submitted to it, the Commission plans to give priority to any measure likely to relax or simplify tax procedures or formalities.

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[1] OJ C 108 of 8 May 1978; Resolution adopted on the basis of the report drawn up by the Committee on Economic and Monetary Affairs and presented by Mr Nyborg (doc. 557/77)

[2] OJ C 140 of 5.6.1979; Resolution adopted on the basis of the report drawn up by the Committee on Regional Policy, Regional Planning and Transport and presented by Mr Schyns (doc. 678/78).

II. General background to a programme for simplifying VAT procedures and formalities

8. For both trade between Member States and trade between them and non-member countries, the common VAT system is, in general, based on the "country of destination" principle.

Generally speaking, this principle, which reflects existing international practices, governs the rules for territorial application of tax provisions and thus entails remission of tax on goods exported outside the national tax territory and imposition of tax on goods imported.

Within the Community, as at international level, tax-related transactions introduced at frontiers as a result of application of the "country of destination" principle constitute what are customarily known as "tax frontiers".

While application of the common VAT system has not led to abandonment of this principle within the Community, it has made for extensive simplification of the way it is implemented. It might be useful to take a look at the historical record.

(1) Situation prior to application of the common VAT system

9. In 1958 and until the common VAT system was applied in all Member States, the essential difficulty lay in calculating the countervailing charges, i.e. the amount of the refund on exports and the amount of the tax on imports.

This difficulty arose because under the cascade tax systems operated at the time by most Member States it was impossible, at the time of exportation, to determine accurately the tax burden borne by products since this depended on the number of transactions that had taken place previously.

To resolve these difficulties, average standard rates, fixed in a stricter fashion in some countries than in others, were applied both to imports and exports.

These palliatives, however, posed a threat to the conditions of competition and made application of Articles 95 and 96 of the Treaty of Rome a delicate matter.

The common method for calculating average rates laid down by Council Directive[1] was applied for only a limited period since the common system of VAT was introduced at the same time.

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[1] Council Directive 68/221/EEC of 30 April 1968, OJ L 115 of 18 May 1968, p. 14.

(2) The common VAT system

10. Introduction of the common VAT system in the Community eliminated the problems previously posed by calculation of countervailing charges, both in intra-Community trade and in trade between Member States and non-member countries ; since value added tax is a tax on consumption exactly proportional to the price of products, all that has to be done to determine the amount of tax at each stage of production and distribution is to apply the relevant VAT rate to the net price of the product in question.

11. This simplification as to substance has not been matched by similarly extensive simplification of the procedures and formalities applicable in respect of the importation and exportation of goods. Frontier formalities in intra-Community trade still reflect all too frequently the situation that obtained prior to establishment not only of the common VAT system but also of the customs union.

The idea of implementing new ground rules by applying formal rules which intrinsically reflect a time gone by is paradoxical, showing clearly that these formal rules are no longer suitable today. This maladjustment is keenly felt both by economic traders and individuals.

12. However the Commission fully realizes that considerable if partial progress has been made as regards both the rules governing business transactions and those applicable to transactions carried out by private individuals :

- the former including :
  - the Community transit procedure in the context of the realization of the customs union ;
  - the determination of the place of taxation for supplies of services in accordance with exact rules, thus avoiding both double taxation and non-taxation in the Community ;
  - the use with effect from 1 January 1981 of a common form for refunds of tax borne in a Member State by taxable persons established in another Member State ;
  - the removal of the requirement to have a tax representative in order to request the refunds mentioned in the previous point ;
  - the adoption of new rules for determining the taxable amount on importation ;
- and the latter including :
  - the tax-free allowances for travellers moving between Member States and for small consignments of a non-commercial character ;
  - the exemption for movable tangible property re-imported by the person who exported it, where the property has undergone work which has been taxed without the right to deduction or refund ; this provision allows, for example, the tax-free re-importation of an individual's motor vehicle which had to undergo repairs when abroad in another Member State.

(3) Simplifying the rules ensuring collection of VAT in intra-Community trade

13. Clearly, simplification of these rules has to be viewed in the context of the abolition of tax frontiers, which as early as 1967 was laid down in the First VAT Directive as the objective of full application of the common system of VAT and which has since been incorporated in the Sixth Directive.

However, this programme is concerned at the present moment not with abolishing tax frontiers altogether but with reducing tax formalities so as to minimize the drawbacks and economic cost they entail.

These drawbacks and the economic cost involved, which differ widely according to the national legislation in question, impose a burden which is felt in quite differing ways depending on a firm's size and the degree of organization of its administrative, commercial and financial work. They may also deter small firms from engaging in intra-Community trade, thereby depriving them of the direct benefits of the Community's existence.

14. Where private individuals are concerned, the simplifications to be introduced with a view to taking existing measures a step further must aim at cutting down substantially on the amount of administrative inconvenience individuals have to put up with in everyday life whenever they cross the Community's internal frontiers or stay temporarily in a Member State other than that in which they usually reside. These simplifications are intended not only to make Community citizens aware of the existence of the Common Market but also to enable them to benefit from European integration.

(4) The imperatives of the attack on tax evasion and avoidance

15. The extent to which tax formalities within the Community should be simplified cannot be determined without bearing in mind the imperatives of the attack on tax evasion and avoidance.

These imperatives place automatic limits on the simplifications to be carried out. For it would be a serious matter for the Community, particularly in a period of economic crisis, if moves to simplify formalities and procedures resulted in the spread of certain types of tax evasion and avoidance detrimental both to the conditions of competition between firms and to the budgetary resources of the Member States and the Community.

Experience has shown, however, that the combination of complex national rules and regulations, each operating within a closed circuit, is not always a guarantee against evasion. The Commission feels that the attack on tax evasion may be made more effective by establishing simplified Community procedures, since the implementation of these procedures requires close cooperation between national administrations.

The Council Directives of 6 December 1979, in force since 1 January 1981, form the framework for this cooperation :

- mutual assistance between the competent authorities in the field of VAT (1) will enable the national administrations to detect any fraudulent practices in intra-Community trade through the exchange of various types of information.

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(1) Directive 79/1070/EEC, amending Directive 77/799/EEC ; OJ L 331 of 27 December 1979, p. 8.

- mutual assistance for the recovery of VAT claims[1] will equip the administrations with the necessary legal means to pursue the recovery of tax debts beyond their national frontiers.

To be fully effective and so permit simplification, these Directives may have to be supplemented by specific measures in sectors in which the risk of evasion is particularly strong.

III. The content of the simplification programme

1. Action resulting from the Sixth Council Directive

16. The action to be contemplated in this field follows logically from the Sixth Council Directive of 17 May 1977.

Moreover, this Directive calls on several occasions for continuation of the work on harmonization:

- either expressly in respect of certain specific provisions, such as those of Articles 14, 15 and 16 concerning exemptions on importation and exportation;
- or, by more general reference, as in Articles 28 and 35, to the objective of abolishing imposition of tax on importation and remission of tax on exportation.

17. The Commission takes the view that the harmonization envisaged by the Council must be guided by a desire to simplify arrangements: rather than resulting in a proliferation of legal rules it should make for relaxation, reduction and even abolition of such rules. The Eighth Council Directive of 6 December 1979[2] on arrangements for the refund of value added tax to taxable persons not established in the territory of the country meets this need in its particular field, notably by substituting a Community form for the various national forms.

18. In order to guarantee healthy conditions of competition between transactions carried out under the intra-Community system and those carried out within a single Member State, the objective of a substantial simplification of the procedures and formalities applicable to trade within the Common Market must be pursued in harmony with and parallel to further work on the harmonization of the internal value added tax system. This latter harmonization should itself open the way to simplification measures in intra-Community trade.

19. The simplification of tax formalities also depends on progress made in other fields, notably in the customs union field, which should serve to support certain measures included in the present programme.

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[1] Directive 79/1071/EEC, amending Directive 76/308/EEC, OJ L 331 of 27.12.79, p. 10.

[2] Directive 79/1072/EEC; OJ L 331 of 27.12.79, p. 11.

A. Proposals already transmitted to the Council

A.1. Proposal for a Directive on the Community tax procedure applicable to the stores of vessels, aircraft and international trains

Doc. COM(79) 794 final.
Submitted to the Council on 23.1.1980, OJ n° C 31, 8.2.1980, p. 10.
Opinion of the European Parliament delivered on 23.5.1980.
Opinion of the Economic and Social Committee delivered on 29.5.1980.

20. On 23 January 1980, the Commission transmitted to the Council a proposal for a Directive laying down common rules for implementing the tax exemption based on the principles already set out, where VAT is concerned, in the Sixth Directive of 17 May 1977.

Admittedly this procedure, which is the tax counterpart of the customs provisions laid down in another Commission proposal (1), is not, strictly speaking, a simplification measure. However, it is so framed as to simplify as far as possible application of these provisions especially in respect of intra-Community trade.

A.2. Proposal for a Directive on tax reliefs applicable on the final importation of certain goods

Doc. COM(80) 258 final/2.
Submitted to Council on 13.6.1980, OJ n° C 171 of 11.7.1980, p. 8.
Opinion of the European Parliament, delivered on 13.2.1981.
Opinion of the Economic and Social Committee, delivered on 24.9.1980.

21. As the counterpart to the proposal presented in the customs field (2), the Commission submitted to the Council a proposal covering the tax aspect of the imports which are referred to in Article 14 (1)(d) of the Sixth Directive and which relate to various specific situations involving both undertakings and non-taxable persons.

Besides the harmonization provisions it includes, this proposal aims to simplify frontier controls. The relevant provisions relate in particular to exemptions on certain imports by students, imports of fuels and lubricants contained in the normal tanks of vehicles, goods imported by undertakings transferring their activities, imports of minimal importance and goods imported for the promotion of trade.

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(1) Transmitted to the Council on 8.3.1978, OJ C 73 of 23.3.78, p. 4.

(2) Transmitted to the Council on 12.3.1979.

B. Future action

B.1. Proposal for a simplified procedure for the temporary use in Member States of goods sent from another Member State

22. This proposal is designed to ensure the free movement of goods purchased in accordance with the general tax arrangements applicable on a Member State's domestic market and used temporarily in one or more other Member States, by replacing the present procedures (temporary exportation, transit, temporary admission, re-exportation, transit, re-importation) by a Community procedure designed to reduce formalities and thereby improve freedom to supply of services within the Community.

B.2. Collection of value added tax on imports

23. The Commission takes the view that the arrangements for collecting value added tax on imports can be simplified a great deal in intra-Community trade.

The Sixth Directive indicates a possible solution to this problem in Article 23 under which Member States may provide that value added tax payable on importation of goods by taxable persons or persons liable to tax, or certain categories of these two, is paid at the time of importation provided that the tax in question is mentioned as such in the tax return.

24. An analysis of national legislation shows, moreover, that deferred payment of tax on importation is applied by most Member States and that the principle of payment of tax at the time of importation, embodied in legislation in the other countries, is modified, albeit to varying degrees, by various simplified procedures that may be used by certain categories of taxable persons.

As regards conditions of competition, it should be noted that undertakings required to pay the tax at the time of importation suffer a disadvantage, in cash flow terms, compared with those authorized to defer payment.

The Commission therefore feels that, in order to simplify arrangements and to eliminate distorsions of competition, application of the principle of deferred payment of the tax due on imports from Member States on the basis of taxable persons' returns should, under certain conditions, be generalized at Community level.

25. Harmonization would have to cover both the arrangements for deferment of payment and the conditions to be fulfilled by taxable persons in order to avail of this method of payment.

These conditions must :

- be sufficiently clear to allow real harmonization throughout the Community ;
- prevent the occurrence of fraud ;
- exclude any requirement for a financial guarantee.

B.3. Documents used in intra-Community trade

26. The achievement of a Community action on this point is closely linked to the action envisaged under the previous heading. Deferment of payment would not fully achieve its simplification objective unless accompanied by some measure of simplification in respect of the documents required for cross-border trade. The ultimate Community goal should be to arrive at a situation where it is possible for goods to be sent across national frontiers without there being a need to comply with formalities more cumbersome than those on a domestic market. Basically, these domestic formalities merely

involve the issue of an invoice by the supplier and, in some Member States, documents which must accompany the goods during transportation.

This latter formality must clearly be the principle in intra-Community trade. However the question arises as to whether the situation could be significantly simplified by using commercial documents instead of the present documents, on the understanding that the necessity to retain means of control and data collection in international trade be kept in mind. Commercial documents would then be used as accompanying documents for goods for the purposes of exportation, transit and importation as well as for the accounts of supplier and customer.

As part of this approach, it will have to be established whether the documents in question should first be rationalized at Community level. If this rationalization should prove necessary, the international standards governing the drawing up of documents used in international trade, established by the United Nations Economic Commission for Europe, would constitute the basis for a reform in this field.

B.4. Taxable amount

27. The Sixth Directive attempted to establish a close parallelism between the taxable amount under the internal system and that for imports, while at the same time maintaining, for practical administrative reasons, the right of Member States to base themselves on the value for customs purposes, as laid down by Regulation (EEC) n° 803/68.

Following the multilateral trade negotiations in 1979, the Council adopted a proposal from the Commission for a new regulation relating to valuation of goods for customs purposes (1).

Even though the provisions of this Regulation are close to those specifically set out in the Sixth Directive (Article 11 B (1)), the Commission opinion is that it should not be necessary to resort to customs valuation in intra-Community trade. Besides the fact that it appears psychologically as a legacy from the period preceding the customs union, this practice can give rise to distortion in tax treatment of imports vis-à-vis home supplies of goods. Consequently the Commission will propose to Council the abolition of the option for Member States to use the customs valuation regulation to value goods imported from a Member State.

B.5. Mail-order sales

28. As it emphasised in its Communication sent to the Council on 30 July 1975, the Commission takes the view that the cross-frontier development of this type of sale to non-taxable persons, which has the undeniable advantage of widening the choice available to consumers and consequently helping to keep down prices, encounters serious tax and other obstacles.

The Commission's staff, together with the trade organizations concerned, has been conducting studies on this subject for a number of years. These studies need to be taken further in order to get a clearer picture of the needs of small and medium-sized firms in this field.

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(1) Regulation of 28/5/1980 (EEC) n° 1224/80, OJ n° L 134 of 31.5.1980, p. 1.

B.6. Taxation of passenger transport

29. The taxation of international passenger transport on the basis of the distances covered on the territory of each Member State, in accordance with Article 9 (2)(b) of the Sixth Directive, requires controls and formalities at frontiers which appear unjustified to economic operators in the case of intra-Community traffic. Parliament has raised a number of complaints made in this field (1).

The Sixth Directive, Article 28 (5) of which stipulates that at the end of the transitional period passenger transport is to be taxed in the country of departure for that part of the journey taking place within the Community, shows that the Council itself is aware of the practical difficulties in this sector.

The Commission will carry out the studies necessary to determine the most appropriate procedure for implementing the principle laid down in Article 28(5) - a principle which is likely to bring about substantial simplifications at internal frontiers.

B.7. Temporary importation of commercial means of transport

30. This matter, including in relation intra-Community traffic, is currently regulated by international conventions interpreted in various ways by the Member States.

Insofar as private vehicles are used for business purposes, particular provisions are already contained in the proposal for a directive mentioned under 2.A.1. below.

B.8. Formalities relating to temporary importation and re-importation of movable tangible property

31. As is mentioned above the re-importation of movable tangible property which has undergone work in another Member State and which has been taxed there without right to deduction or refund is exempt from tax in accordance with Article 14(1)(f) of the Sixth Directive.

The Commission considers the implementation of this provision important as it involves a tax exemption within the Community operating in favour of individuals. If application of implementing provisions in the Member States appears too complicated in the context of free circulation of goods, the Commission will, therefore, propose a simplified common procedure which takes account of the variety of goods liable to benefit from the tax exemption.

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(1) Notably on page 31 of the previously mentioned report drawn up by the Committee on Regional Planning and Transport.

2. Action benefitting private individuals

A. Proposal already submitted to Council

A.1. Proposal for a Council Directive on tax exemptions for certain means of transport temporarily into one Member State from another

Doc. COM(75) 527 final
Submitted to the Council on 30.10.75
Opinion of Parliament : delivered on 13.2.76
Opinion of the Economic and Social Committee : delivered on 31.3.76
Amendment submitted to the Council on 30.6.76 (doc. SG(76) D/6997).

A.2. Proposal for a Council Directive on tax exemptions applicable to personal property of individuals on permanent importation from another Member State

Doc. COM(75) 528 final
Submitted to the Council on 30.10.75
Opinion of Parliament : delivered on 13.2.76
Opinion of the Economic and Social Committee : delivered on 31.3.76
Amendment submitted to the Council on 30.6.76 (doc. SG(76) D/6998).

32. These proposals which have been examined in detail within the Council's competent working party, were discussed at the Council meeting of 27 October 1980 without agreement being reached.

By introducing new tax exemptions and by providing a strict definition of the concept of normal residence, the adoption of these directives will make it possible to put an end to most of the inconveniences encountered by individuals in connection with the final importation of personal property within the Community and the temporary importation of means of transport. These inconveniences have given rise to a good many complaints and continue to do so.

A.3. Travellers' tax-free allowances within the Community

Doc. COM(79: 694 final
Submitted to Council on 30.11.1979, OJ n° C 318 of 19.12.1979, p. 5.
Opinion of the European Parliament : delivered on 18.4.1980
Opinion of the Economic and Social Committee : delivered on 30.1.1980.
Amendment submitted to Council on 10.6.1980, doc. COM(80) 308 final.

33. The Commission has submitted to the Council a proposal for a directive concerning tax-free allowances granted to travellers within the Community. The aim of this proposal is to increase the intra-Community allowance from 180 Ecus to 210 Ecus, to similarly increase the young persons' allowance and the unit-value limits for the derogations granted to Denmark and Ireland.

Following Parliament's opinion the Commission amended its original proposal, in particular, by incorporating a programme, covering the next few years, of increases in intra-Community allowances. However the principle of such a programme was not endorsed during the relevant discussions at various levels in the Council.

Consequently, the Commission will press for adoption of its proposal in the original form so that an increase in allowances within the Community can be achieved during 1981.

B. Future action

B.1. Tax-free allowances granted within the Community to travellers and in respect of small consignments of no commercial volume

34. The amounts of Community tax-free allowances are fixed in European units of account in accordance with the procedure laid down in the Directives adopted on 19 December 1978 (1). This means that, if any currency appreciates against the Ecu, these amounts will have to be reviewed since the Member States have agreed to avoid any reduction in the value of intra-Community allowances in terms of national currencies. These adjustments, which are a mechanical exercise, should in the Commission's opinion be carried out by the Community institutions employing a simplified decision-making procedure.

35. Furthermore the Commission will pursue its efforts to guarantee harmonious development of tax-free allowances.

36. While the tax relief procedure laid down by the abovementioned Directives for goods which are carried by travellers and whose unit value is greater than the amount of the tax relief is satisfactory in principle, since it aims to eliminate certain cases of double taxation in the Community, practical application by taxable persons does not always work smoothly. The information at the Commission's disposal shows that, while this procedure does not give rise to difficulties with taxable persons who specialize in export sales or who are well-informed (such as department stores), the same does not apply to other categories of retailers who are either not aware of the existence of the procedure or do not have the forms which certain Member States demand in addition to the commercial invoice. In order to remedy this situation, it is necessary, in the interests of both consumers and taxable persons, to examine closely the practical problems posed by remission of tax and to establish, in particular whether there is really a need for the forms required by some Member States in addition to the invoice. It is also necessary to provide adequate information for taxable persons implementing the tax remission procedure.

B.2. Formalities applicable in Member States to removals

37. The proposal mentioned at point 2.A.2 (and the instrument awaiting approval by the Council) is designed to determine the field of application of tax exemptions. Under the proposal, Member States are free to require completion of formalities for the transactions in question on the basis of a customs declaration.

The various formalities currently required in respect of those transactions which benefit from a tax exemption within the Community are obviously too cumbersome and provision should be made to substantially reduce them or even to abolish them together.

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(1) OJ L 366 of 28.12.78.

B.3. Sales of books, reviews or newspapers involving dispatch to individuals residing in a Member State other than that in which the consignor is established

38. Sales to individuals of books, reviews or newspapers involving dispatch from one Member State to another are in principle subject to general VAT rules as regards both importation and exportation.

Application of these rules to transactions which more often than not involve only small amounts is regarded as being particularly onerous both by buyers in the case of imports and sellers in the case of exports. Information available to the Commission shows that firms sometimes consider it expedient either not to remit tax on goods, thereby exposing the buyer to double taxation, or to disregard orders placed with them, and this amounts to a refusal to sell, which, on a domestic market, is liable to prosecution under private law and occasionally under criminal law.

This situation is all the more open to criticism since it places cultural exchanges within the Community in jeopardy.

On the the other hand, tax relief is granted in some Member States in respect of the importation of the goods in question, both from non-member countries and from Member States, under conditions likely to create distortions of competition to the detriment of economic operators established within the country.

39. The Commission feels that greater consistency should be achieved:

- by excluding tax relief in respect of imports from non-member countries. This solution, motivated by the desire to eliminate the dangers of distortion of competition due to absence of taxation in the country of consignment, has already been proposed by the Commission in the abovementionned proposal relating to final importation of certain goods ;

- by introducing tax relief in respect of the importation of books, reviews or newspapers addressed by a taxable person established in a Member State to an individual in another Member State provided that tax has been paid on the goods in the country of consignment and - possibly - the value of the goods does not exceed an amount fixed at such a level so as to avert any serious risk of distortions of competition arising out of differences in VAT rates between Member States. This risk would seem to be small however, since the goods in question are normally subject to a low rate of tax in Member States, since postage offsets the differences in tax rates and since the goods sent are not always available from taxable persons in the country of importation.

B.4. Taxation of individuals importing used goods purchased in another Member State

40. Adoption of the proposal for a 7th Directive (1) on the common system of valued added tax to be applied to works of art, collectors' items, antiques and used goods, which is designed to eliminate as far as possible the cumulative taxation that occurs when used goods already in the possession of a final consumer are reintroduced into the commercial circuit, will resolve any problems individuals might encounter in intra-Community trade with regard to goods acquired from taxable persons.

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(1) Submitted by the Commission to the Council on 11. 1.1978, OJ n° C 26 of 1.2.1978. Amendments submitted on 16.5.1979, OJ n° C 136 of 31.5.1979, p. 8.

41. When this proposal for a 7th Directive is adopted the problem of the legal situation governing export and import transactions carried out by individuals and involving goods acquired from other individuals will require reexamination. The current situation cannot be regarded as satisfactory in so far as it gives rise to double taxation whenever the rules governing tax relief do not apply.

The Commission considers it necessary to devise for intra-Community trade a mechanism which will resolve the problems in question.

Conclusion

42. As mentioned above, this programme consists, for the major part, in the implementation of measures required by the Commission of the Council in the context of the Sixth Directive on the common system of value added tax. The programme cannot be successfully realized except in conjunction with other action to be completed : harmonization of rules governing trade with third countries in parallel with customs provisions, harmonization of tax systems applied in the Member States.

43. In presenting this programme the Commission intends to contribute to the realization, over the coming years, of the tax conditions of a truly integrated economy and to prepare for the future suppression of tax frontiers within the Community.

It hopes to see a significant debate develop on two themes : one to put into concrete form the practical conditions of application of the measures herein and the second to complete as necessary the programme by the addition of further initiatives.

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