

## PFP statement on the VAT anti-fraud package

15 October 2013

The Primary Food Processors (PFP) takes note of the adoption of Council Directives 2013/42/EU and 2013/43/EU amending Directive 2006/112/EC on the common system of value added tax (VAT). The directives allow for the application of the Quick Reaction Mechanism (QRM) and Reverse Charge Mechanism (RCM) in order to tackle VAT fraud related to certain goods and services which are welcome changes that will help curb fraudulent practices in the market. However, PFP is concerned that the RCM only covers cereals and industrial crops, including oilseeds and sugar beet, and not processed agricultural goods or finished products. Commodities which are traded in bulk (like sugar, flour, vegetable oil, etc.) and which cannot be identified item by item are particularly vulnerable to VAT fraud.

Agricultural raw materials traded within the Union are handled as VAT-free and recipients are entrusted to invoice themselves under the applicable law. The RCM aims to curb fraud and drive fraudulent companies/traders out of the EU market by 31 December 2018. Nonetheless, PFP is concerned about the RCM's narrow scope of application. This can only be expected to increase fake exporters' and carousel fraudsters' attention on processed goods such as bottled vegetable oils, white sugar and flour among others.

PFP welcomes the fact that the QRM will cover the sectors and product groups which are not covered by the RCM but regrets that it is now the only tool available to the sector. PFP encourages those member states most affected, Hungary, Romania, Bulgaria and Slovakia in particular, to apply the mechanism to processed agricultural goods and finished products at the earliest opportunity and asks the Commission not to object.

**QRM and RCM will remain key where the VAT for foodstuffs varies considerably between EU member states<sup>1</sup> until EU rules for harmonisation are adopted, providing legal clarity and ensuring the better functioning of the single market.**

In this context, **PFP calls on the European Commission to adapt the pre-defined list of goods and services to which RCM could apply to include semi-finished and finished goods produced by the PFP industries.** The revision clause provided by Directive 2013/43/EU does not provide the sufficient and timely response needed by well-established and law-abiding EU PFP industries.

The **Primary Food Processors of the EU (PFP)** consists of six trade associations:

<sup>1</sup> TAXUD Final Report - Study to quantify and analyse the VAT Gap in the EU-27 Member States, July 2013



## The Vital Link in the Food Chain

**European Starch Industry Association (AAF)**  
**European Committee of Sugar Manufacturers (CEFS)**  
**European Cocoa Association (ECA)**  
**European Flour Milling Association (European Flour Millers)**  
**European Vegetable Protein Federation (EUVEPRO)**  
**European Vegetable Oil and Proteinmeal Industry (FEDIOL)**

**PFP** represents the European primary food processing industries. It provides the link between agricultural raw materials and final products (secondary processors in the food, feed and non-food sectors). PFP members process approximately **220 million tonnes of raw materials** (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, cocoa beans, crude vegetable oil, starch potatoes...) **employing over 120,000 people** in the European Union.

