**Making a Submission to the OECD – Detailed Guidelines**

The Organisation for Economic Co-operation and Development (OECD) promotes policies to improve the economic and social well-being of people around the world. They look at issues like how much people pay in taxes and how this affects business.

There is currently a Discussion Draft for Public Consultation on international VAT/GST guidelines available here.

<http://www.oecd.org/ctp/consumption/discussion-draft-oecd-international-vat-gst-guidelines.pdf>

We need as many people as possible to comment on this document by 20th February 2015. You need only send two or at most three pages. The more focused your submission is, the better and please use your own words as far as possible.

This is a hugely important opportunity for everyone to voice concerns over the ways in which start-ups and small businesses are being wrecked by the new EU regulations on VAT payable on cross-border digital sales.

It is particularly significant for those in OECD member countries outside the EU such as the United States, Australia, Canada and New Zealand. This is the best way to make your voice heard on this matter.

This is the format we would use:

1. **A brief statement** of who you are and the reasons for your interest in the implementation of the 2015 EU VAT changes to electronic B2C services.
2. **General comments** on the problems with EU digital VAT, VATMOSS etc, briefly outlining your key concerns. Keep this section concise.
3. **Specific issues** for you, your business and your particular sector. For each point that you raise, make a direct reference / citation to a specific paragraph in the Discussion Draft (link above). Please cite the paragraph number.
4. **Conclusions/Suggestions.** If you’re commenting as an individual, you need not include these. If you’re submitting on behalf of a group, you may or may not wish to include the EU VAT Action campaign’s stated aims. It’s entirely up to you.

In more detail, with those paragraph citations and some suggestions of issues to address:

1. **A brief statement** of who you are and the reasons for your interest in the implementation of the 2015 EU VAT changes to electronic B2C services.

If you are writing on behalf of a membership organisation, summarise its activities and numbers.
2. **General comments** on the problems with EU digital VAT, VATMOSS etc, briefly outlining your key concerns. Keep this as brief as possible, three lines at most.

1. **Particular issues for you and your business.** The main content of your submission should be related directly to key paragraphs in the discussion document cited by paragraph number as indicated here.

Please give specific information for your particular sector. For example, regarding ebooks, the practical effect of this legislation will be to turn Amazon’s dominance of this market into an effective monopoly. With regard to digital patterns, the response of yarn sellers to make their own patterns available free of charge since the costs of compliance outweighs that revenue is destroying the market for independent designers.

**The most important section to reference is Section A: 3.3, setting out key principles and objectives, which are also repeated in Section C3.39.**

This states that approaches which reflect the destination principle for determining the jurisdiction of taxation for international supplies of services and intangibles should ensure that:

**• International neutrality is maintained**

This is undermined because non-compliant businesses, either through ignorance within the EU or deliberate non-compliance outside it are gaining a commercial advantage by not raising prices and/or collecting and remitting VAT.

Businesses and customers in member states alike are disadvantaged when businesses within the EU refuse to sell outside their home country and when businesses outside the EU refuse to sell into the entire EU.

See also section C3.29

**• Compliance by businesses involved in these supplies is kept as simple as possible**

For small scale traders using the most widely adopted payment and e-commerce solutions, collection of customer location data is impossible. Paypal ‘Buy Now’ buttons don’t supply the required data, just a country indication.

When suppliers email customers asking for further location data, most suppliers report zero response rates and thus lost sales.

Where suppliers adopt a system that asks for customer location data during the purchase process and then the price goes up, purchase abandonment rates of 25% are being consistently reported.

None of the systems currently on offer enable the supplier to display an accurate, final VAT inclusive price at the start of the purchase process. The solution of setting a single EU wide price and then manually calculating the portion of that which now becomes VAT once the transaction is concluded, depending on where the customer lives, is a further time-consuming administrative burden.

See also section C3.23

**• Clarity and certainty are provided for both business and tax administrations**

There is considerable evidence that many if not most businesses are still hugely ignorant of these changes. Even if they are aware of the new regulations, information available to them is incomplete, frequently contradictory or just plain wrong. If you have been given such advice by your own tax authority, give full details here.

There are no commonly agreed definitions of precisely what constitutes an electronic service.

See also section C3.31

**• The costs involved in complying with the tax and administering it are minimal**

Compliance at the moment is impossible without significant investment in new software and even hardware to handle increased data processing.

 The added manual administration of customer location information costs lost working time.

Where sellers rely on 3rd parties to handle calculating and remitting VAT on their behalf, they do so at the cost of fees which can be as high as 70% of revenues.

Sellers outside the EU will incur further costs in foreign exchange commission.

The costs of administering this system for national tax authorities will vastly outweigh revenues received from the microbusiness sector. With the on-going growth of the small scale e-commerce sector, tax authorities will soon be processing tens of thousands of VAT remittances below €100 or even €10.

**• Barriers to evasion and avoidance are sufficiently robust**

The widespread availability of proxy servers and virtual private network services make both evasion and avoidance readily possible.

The more burdensome and intrusive the purchase process becomes for the customer, the more there will be who either fake their presence in a low VAT jurisdiction to reduce what they pay, or who resort to unauthorised/pirate downloads to avoid paying anything at all.

**• With reference to the principle of proportionality outlined in ANNEX 3 paragraph 16 and the simplified registration and compliance objectives outlined in ANNEX 3 paragraph 17**

These new regulations and the current zero turnover threshold definitely create disproportionate compliance and administrative burdens for microbusinesses.

4. **Conclusions/Suggestions** if you wish to include them.

To prevent widespread damage to the microbusiness sector as a result of this legislation:

A suitable turnover threshold must be calculated and agreed EU wide.

Ways to relieve the current compliance and administrative burdens must be identified.

Until these measures are implemented, microbusinesses should be exempt from these regulations.

Please feel free to rephrase these points in your own words and with your own information, to make them personal and specific. Indications that your submission has been compiled with cut-and-paste will significantly reduce the consideration it is given by the OECD.

Please prepare your response and submit it in Word format by e-mail to Piet Battiau, Head of Consumption Taxes Unit, OECD Centre for Tax Policy and Administration at piet.battiau@oecd.org.