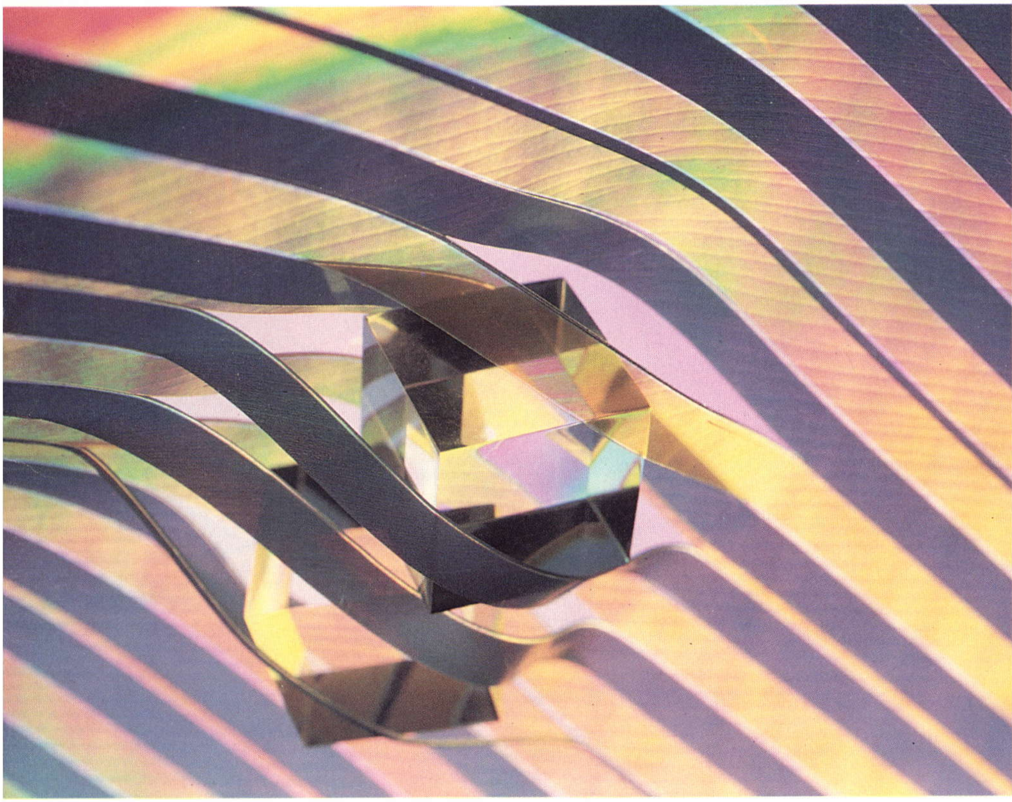
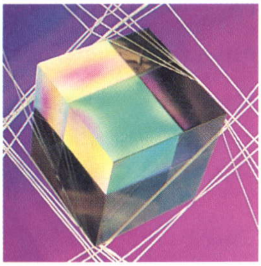
A SINGLE MARKET FOR GOODS



Series: Europe on the move



Scarcerieau

In 1985 the European Community embarked on an important and ambitious project — the completion of the single European market. Despite a number of obstacles and difficulties, especially in the tax field, the project came to fruition as planned on 1 January 1993. The most visible sign of its success is the removal of tax frontiers and the abolition of all checks on goods at border crossings between the Member States — an achievement which was made possible only by the decisions taken since 1989 on VAT and excise duties.

The new VAT arrangements render border controls superfluous and bring considerable benefits for industry and the consumer. Firms can now buy, sell and invest in any Member State without having to go through checks or formalities when crossing intra-Community borders. Community citizens may obtain goods for their own use in any Community Member State and take them across borders without being subject to controls or liable for tax.

'The key to the success [of the single market] is the trust that businesses and individuals must be able to place in the mechanisms of the market.'

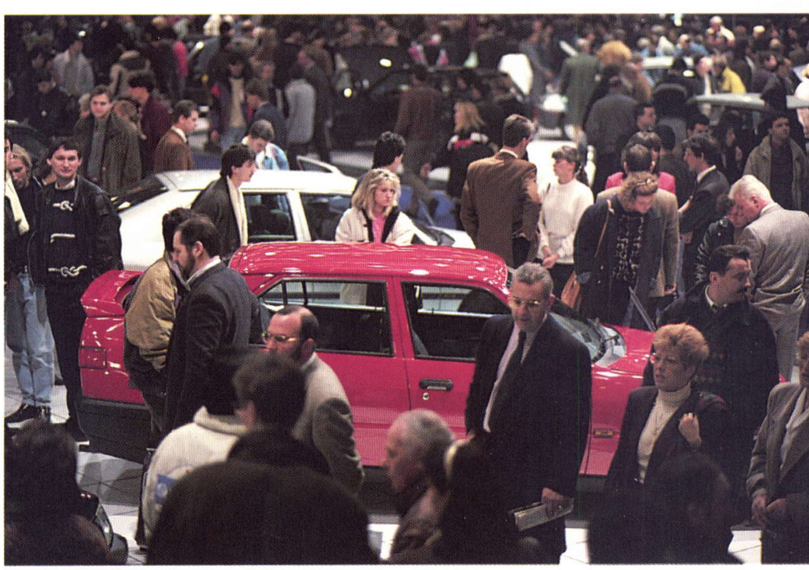
Christiane Scrivener, Member of the Commission of the European Communities, 15 January 1993

WHAT THE CHANGES MEAN FOR ORDINARY PEOPLE

Before 1 January 1993 travellers enjoyed a 'duty-free allowance'. This meant that only goods worth less than ECU 600 could be taken across borders without the need for customs formalities. Anyone who acquired goods worth more than ECU 600 had to go through lengthy and sometimes expensive formalities at the border. VAT had to be paid in the country into which the items were imported with the possibility in some cases of reimbursement of the amount of VAT already included in the price.

Since 1 January all this has disappeared. There are now no border checks on luggage and goods transported by travellers within the Community. You may now take with you any items purchased in another Community country without having to stop and declare them at the border, on one condition — the items in question must be intended for your own use. This applies to goods of all kinds, including hi-fi equipment, computers, video recorders, jewellery and antiques, irrespective of their value.

Moving house from one Community country to another can now be done without any tax or border formalities whatsoever. Nor is there any limit on the value of inherited property and wedding presents which may be taken across borders.



De Simoni

Special rules apply for cars. A private individual may purchase a car in another Member State. If it has been driven less than 3 000 km and was first registered less than three months ago, the buyer must pay VAT in the country where he or she registers the car.

CEC

This is the amount of alcoholic drinks and tobacco which each individual is free to take from one Community country to another for his own personal use (see also inset).

Special rules for cars

Special rules apply for new cars, i.e. those which have been driven for less than 3 000 km and have been on the road for less than 3 months, and also for new boats, aeroplanes and other means of transport. Private individuals may buy such items in the country of their choice but must pay the VAT in the country of registration, i.e. in their home country. However, this restriction does not apply to used cars bought in other Member States. No tax is levied on registration in the home country, as it is already included in the purchase price.

Goods subject to excise duty

Travellers may take with them as much spirits and tobacco as they wish — for their own use — without having to stop at the border. There is one minor restriction here, which is designed to prevent fraud. Member States may ask for evidence that the goods are intended for the traveller's own use if they exceed the following standard amounts — 800 cigarettes, 90 litres of wine, 110 litres of beer, 20 litres of aperitifs and 10 litres of

Free movement of goods

On 1 January 1993 all border controls inside the Community, i.e. at borders between the Member States, were stopped.

However, to prevent people from evading VAT in the country where they consume the goods, certain goods are still subject to restrictions.

The list below gives the quantities of restricted goods which travellers are allowed to take across internal borders, provided they are for personal consumption:

- 800 cigarettes
- 400 cigarillos
- 200 cigars
- 1 kg of tobacco
- 10 litres of spirits
- 20 litres of aperitifs
- 90 litres of wine, of which no more than 60 litres of sparkling wine
- 110 litres of beer

These limits may be exceeded if proof is provided that the goods are for the traveller's personal consumption.

spirits. The requirement as to evidence must under no circumstances give rise to border controls.

The popular duty-free shops in ports and airports will remain in existence until 30 June 1999, even though they are not fully consistent with the idea of a single market. In any event there are special limits on these tax-free purchases.

WHAT THE CHANGES MEAN FOR BUSINESSES

The new VAT arrangements have more obvious implications for businesses. Right up until last year all goods traded between Member States were subject to import VAT at every internal Community frontier. The goods were then exempt from VAT in the Member State from which they were exported.

These tedious and often costly formalities have now disappeared along with around 60 million customs clearance documents a year and the attendant cost to industry of an average ECU 70 per consignment.

With the scrapping of 60 million official documents, it is now much easier for firms to transport and deliver goods inside the Community.

A. Bouchet

To combat tax fraud, a computerized information exchange system has been set up, replacing the administrative checks and formalities which existed before the completion of the single market.

Since 1 January 1993 goods can cross borders without any controls. Import and export are concepts which no longer exist in trade within the Community; from now on they are only meaningful in the context of trade with non-member countries. In future, consignments to other Member States will also be exempt from VAT (zero rate). VAT will be levied in the country of destination via the usual VAT returns.

Example: A Portuguese firm sells sardines to a German firm for further processing. As the transaction takes place within the Community, the Portuguese firm applies the zero rate — as in the past. It charges the German firm ECU 1 000 for each tonne of sardines. The German firm, having made a purchase within the Community, is liable for VAT in its own country at the local rate of 15%, i.e. ECU 150. It pays the Portuguese firm ECU 1 000 and registers a VAT debt of ECU 150 with the German authorities, which it can then claim as input tax. All this is done on the standard VAT returns. Meanwhile, the Portuguese firm registers the sale with its own tax authorities. In a statement of its transactions with other Community countries it records its own VAT registration number, the corresponding number of the German firm and the total value of the transaction.

For this system to operate smoothly, a few innovations have had to be made. For example, each firm must ask the tax authorities to allocate it a VAT number. Each of these numbers begins with a special country code so that it is immediately obvious from which Community country the firm originates. A computerized information system has been set up at Community level, the VAT information exchange system or VIES. Its task is to check that tax exemptions and payments are in order and to prevent tax evasion. The authorities also allow firms the opportunity to have information checked via a VAT registration number or a corresponding address. However, the VIES operates in strict confidentiality, so that business secrets are safe.

Another important point to note is that the single market has not made any changes as regards trade with non-member countries. The arrangements for import duty and export exemptions remain unchanged.

The single market is for everyone

• Elimination of border controls on goods within the Community: no more long waits

• Dismantling of border controls on travellers within the Community in 1993 — free movement of people across borders

• Common security arrangements throughout the Community thanks to close cooperation between governments and other authorities in all Member States

• No import taxes on goods bought in other Member States for personal use

• The right for everyone to live in another Member State

• Recognition of vocational qualifications in other Member States

• Wider consumer choice and lower prices as a result of increased competition

• New job opportunities created by open competition

'New Year's Day 1993 represents both the culmination of all the Community has been doing since the Single European Act was signed in 1986 and a new starting point for consolidating the very foundations of the Community edifice.'

Christiane Scrivener, 15 January 1993

It is certainly the case that firms will have new administrative tasks to fulfil under the new rules. But on the other hand, there will be no more tax formalities at borders. In the United Kingdom it has been calculated that the transition to the new VAT system will cost British firms around UKL 100 million (ECU 125 million) in the first year, but this will be more than offset by annual savings in subsequent years of around UKL 135 million (ECU 160 million).

Special concessions have been made for small and medium-sized firms: Member States may allow firms with an annual turnover of less than ECU 70 000 to file an annual return instead of a quarterly one, as is normally required.

Firms with a turnover of less than ECU 200 000 may also be authorized to send in returns for periods longer than three months. And small and medium-sized firms are exempt from all obligations to register for statistical purposes. Only large firms will have to submit a special statistical declaration.

It is now possible to move house anywhere in the Community without the need for customs or tax formalities.

EKA

TAX RATES

The approximation of tax rates is another important aspect of the single market. The opening-up of frontiers could have resulted in unfair competition or diversion of trade if there had been wide variations in VAT and excise duty rates. The Member States therefore came to an agreement on the approximation of tax rates, in particular VAT rates, in the run-up to the single market.

The lower limit for the standard rate of VAT is now 15%. The Member States have committed themselves to abolishing all higher rates, e.g. the rates levied by some countries on 'luxury' goods such as hi-fi equipment, video recorders or cars.

They may apply one or two reduced rates of no less than 5% on goods and services which have particular social or cultural significance such as food, medicines and water supply.

Tax approximation should also bring prices further together.

VAT rates in the 12 Member States of the Community

Belgium	19.5%
Denmark	25%
Germany	15%
Greece	18%
Spain	15%
France	18.6%
Ireland	21%
Italy	19%
Luxembourg	15%
Netherlands	17.5%
Portugal	16%
United Kingdom	17.5%

'Completing the internal market will give the consumer the opportunity to select from a wider range of quality goods and services.'

Christiane Scrivener, 15 January 1993

EN

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