

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 572 final

Brussels, 14th October 1981

STRENGTHENING OF THE INTERNAL MARKET

(Communication from the Commission to the Council)

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EXPLANATORY MEMORANDUM

1. Need for measures to facilitate the free movement of goods and persons within the Community

More than twentythree years after the Treaty of Rome entered into force, the free movement of goods, one of the essential pillars of the Community, has not yet been fully achieved.

Admittedly, some significant steps forward have been made, including establishment of the Community transit system. But a great deal remains to be done before the objective effective free movement of goods in the Community under the same conditions as obtained within an individual country, is achieved.

The obstacles that remain are formidable. Above all, they have one feature in common: the high costs they impose on the economic operators concerned. Comprehensive action to reduce these costs would, without doubt, have a beneficial economic impact. It would give a boost to Community preference by enabling Community products to compete more effectively with products from outside the Community, and this would be undeniably welcome in the present economic climate. Moreover, all these obstacles nurture the protectionist tendencies that are bound to emerge within the Community itself at times of economic difficulty and are contrary to the principles that were uppermost in the minds of the Treaty's architects. These different aspects of the problem were viewed with concern at the most recent European Council, held in Luxembourg on 29 and 30 June 1981. At its meeting, the Council came to the conclusion that an effort had to be made to strengthen and develop the internal market because of all the threats to which it was exposed.

An analysis of the obligations incumbent upon economic operators reveals first that the formalities that have to be completed at the moment by persons wishing to send goods from one Member State to another are identical in virtually all respects with those required in trade with non-member countries. A situation of this kind is clearly incompatible with the concepts of customs union and single market. It is further complicated by the extremely wide diversity of documents that have to be produced in some Member States in connection with the completion of such formalities.

There can, of course, be no question of abolishing the rules requiring production of these related documents since they flow either from Community provisions (cf. monetary compensatory amounts), or from national provisions that have not yet been harmonized (excise duties) or have been adopted by certain Member States under the Treaty (Articles 36, 73, 103, 108 and 115 in particular).

In the tax field, for example, VAT, which is levied on "imports" of Community goods, is still applied in some Member States exactly as if it were a customs duty. This was understandable prior to 1 July 1968, when customs duties in intra-Community trade were abolished, but is hardly so nowadays. What is more an approach of this kind takes no account whatsoever of the specific nature of VAT as compared with customs duties or other charges or in particular of the principle of deductibility. Shifting collection of VAT to a point within the national territory would permit a substantial easing of formalities at frontiers. This facility could be accorded to all persons who, in their capacity as taxable persons, are required to submit periodic returns to the tax authorities in respect of transactions carried out by them under the national arrangements, since there is no reason why the arrangements for paying the VAT chargeable on such transactions should be divorced from those applicable in trade between two Member States.

In parallel to a simplification in the collection of VAT in intra-Community trade, action should be taken to ease the formalities to be completed in the movement of goods from one Member State to another. In particular, the numerous documents necessary at present in all steps of the operation from departure to arrival, should be replaced by a single document such as the invoice. Similarly an improvement in the procedures for the collection of statistical data would support the effects that such

facilitation measures would have in intra-Community trade.

Lastly, turning to the free movement of persons, the present situation can only be deplored in spite of the simplifications that have been introduced. Apart from the fact that, because of the inadequacies which exist anyway, customs checks on travellers at frontiers are of doubtful utility, there will be even less need to check goods carried by travellers as duty free allowances increase. It should be clearly understood that the simplification - perhaps even the abolition - of customs checks within the Community would go a long way to reinforce the public's sense of belonging to a united Europe, and would also avoid the recurrence of regrettable incidents of the type referred to frequently in questions from Members of the European Parliament.

This draft Resolution highlights the areas for immediate priority action. Its purpose is to obtain a political commitment from the Council on precise aims which it will then be mandatory to achieve.

2. Scope of the proposed measures

Clearly, totally free movement of goods cannot be achieved overnight. There are too many problems to overcome. Until the wide variety of rules that can apply to trade between Member States has been harmonized, there will always be specific formalities to be carried out. Immediate harmonization of all these rules is not feasible although the aim should obviously be to complete the work in this direction as soon as possible. But substantial progress in specific areas is possible at once, and will help to create the practical and psychological conditions required to bring the internal market, nearer to completion.

3. Content of the proposal

The proposal for a Resolution sets out an action programme for the Community, and purposes binding obligations on the Member States in a number of fields.

These are:

(i) as regards customs formalities:

- (a) to simplify procedures and checks so as to reduce the burden on users without increasing the risk of fraud;
- (b) to simplify paperwork in general in intra-Community trade so as to substitute a single document, if possible the standard commercial invoice, for both the customs declaration itself and the supporting documents used for a transaction;

(ii) as regards taxation:

- (a) to simplify the payment of VAT by discontinuing the requirement of payment when import formalities are carried out (except for private individuals) and by the requiring that the user should enter the amount of tax due in the periodic returns sent to the tax authorities for transactions carried out within the country;
- (b) to increase substantially the tax-free allowances in intra-Community relations;
- (c) to take other measures, in particular to abolish double taxation or to create a uniform basis of assessment for VAT, so as to remove as far as possible the major barriers to the achievement of the internal market;

(iii) where statistics are concerned:

- (a) to reconsider whether the statistical data at present required by the Member States are indispensable;
- (b) to promote methods encouraging data-gathering elsewhere than at internal Community frontiers;
- (c) to harmonize or eliminate national subdivisions of NIMEXE codes so as to achieve single nomenclature for goods.

This Resolution, when adopted, will be a solid foundation for the various proposals the Commission intends to present to the Council on this question; it will make it easier to correct unfair differences in the treatment of economic operators in different Member States, it will be an important step towards achieving the internal market.

Resolution

The Council of the European Communities,

- having regard to the Commission Communication of 17 June 1981 on the state of the internal market,
- Whereas, at its meeting in Luxembourg on 29 and 30 June 1981, the European Council reached the conclusion that a concerted effort must be made to strengthen and develop the Community's internal market,
- Whereas, 23 years after the entry into force of the Treaty of Rome, trade in goods between Member States is still subject to administrative formalities that are practically indential to those required in trade with third countries,
- Aware that a decrease in the costs of the formalities required in trade between Member States would improve the competitiveness of Community products as compared with products from third countries,
- Convinced that it would be an important step towards the creation of a genuine single market within the Community if the Community were to introduce facilities on the lines of those which have for several years applied to trade between the Benelux Member States,
- Whereas, by improving the conditions governing the movement of persons and of their goods, the introduction of such facilities supported by ancillary measures which Parliament has repeatedly called for, will make the citizens of Europe more tangibly aware that they belong to the Community entity;

HAS AGREED AS FOLLOWS:

.../...

The Council

1. agrees that the formalities and checks applying to trade within the Community must no longer resemble those required in trade with third countries, but on the contrary must henceforth approximate as closely as possible to the situation obtaining within a Member State;
2. recognizes the importance of achieving uniformity in the basis of VAT by reducing derogations as much as possible and adopting the directives necessary to complete this harmonization;
3. recognizes that, as a first step both tax formalities and the other formalities required in trade between Member States must be simplified;
4. agrees that the simplification of formalities must include the following:
 - (a) as regards the method of collecting VAT: taxable persons must be able, on their own responsibility, to defer payment of the tax due in the Member State of destination by reference to the periodic obligations incumbent upon them by reason of their economic activities within a country; it is for the authorities of the Member State of destination to inspect the accounts of the taxable persons and, if need be, to make a physical inspection of the goods;
 - (b) as regards the formalities required in intra-Community trade:
 - in place of the present administrative documents, a single document such as the invoice, to be standardized, is to be used, it being understood that this document must meet the administrative requirements of each stage of the operation from departure to arrival of destination;
 - the procedures for gathering statistical data by means of the returns sent direct to the appropriate authorities under the responsibility of the person required to provide the information must be eased, subject to the necessary guarantees;

.../...

- measures must be adopted in the medium term whereby the Member States will require no more than the data agreed on at Community level;
 - administrative procedures must be modified to ease the task of operations for users;
5. considers that frontier checks should be further reduced by increasing gradually but significantly the tax-free allowances granted to private persons and by abolishing as soon as possible the instances of double taxation that still remain in intra-Community trade;
 6. invites the Commission to present appropriate proposals and undertakes to adopt them without delay;
 7. recognizes the urgent need to adopt the proposals listed in the annex hereto that the Commission has already presented in the matters of customs and taxation, particularly as regards tax-free allowances on imports.

List of the proposals still before the Council (point 7)

- Proposal for a Council Directive on tax exemptions for certain means of transport temporarily imported into one Member State from another, presented to the Council on 30 October 1975 (OJ No C 267, 21 November 1975, p.8)
- Proposal for a Council Directive on tax exemptions applicable to personal property of individuals on permanent importation from another Member State, presented to the Council on 30 October 1975 (OJ No C 267, 21 November 1975, p. 11)
- Proposal for a Council Regulation introducing arrangements for movement within the Community of goods sent from one Member State for temporary use in one or more other Member States, presented to the Council on 28 July 1981 (OJ No C 227, 8 September 1981, p.3)