

France wants online marketplaces becoming liable to VAT

European Commission estimates that VAT fraud is costing France €20 billion.

Thus, in order to fight VAT fraud, Minister of Public Accounts, Mr. Gérard Darmanin, suggests new actions.

First at all, the French Minister proposes to make online marketplaces responsible for the payment of VAT due by non-European merchants on some transactions. France wants to transpose a European directive as early as 2020, while the Directive must enter into force only in 2021.

The proposal includes a VAT split payment requirement. This would oblige marketplaces facilitating payments for non-EU third party merchants, to separate any VAT due and remit it directly to the French tax authorities. The online marketplaces will become liable to VAT.

The purpose of this measure is to adapt tax rules to the huge development of e-commerce, which causes a loss of revenue for public finances and unfairness between economic actors. Indeed, some platforms can sell their products at a lower price because they do not apply French VAT, while other companies sell at the same price but keep the VAT for themselves.

Second measure: French Government plans to delete the VAT exemption for shipments under €22.

Indeed, so far, an exemption allowed goods imported to be exempt from VAT if their value did not exceed €22. However, fraudsters can abusively exempt high-value goods, such as tablets or smartphones, by pretending they are low-value items and thus avoid VAT.

Finally, other various measures are planned. Indeed, France wants to introduce an obligation for warehouses to track their logistics flows or even to extend electronic invoices in order to enable the tax authorities to suspend the VAT numbers of fraudulent companies more quickly.

Currently, the measures proposed by the Minister of Public Accounts are only proposals. These proposals will be included in the Finance Bill for 2020 and unveiled at the end of September 2019 in order to be debated in the autumn before the French Parliament. It will be necessary to wait until mid-December 2019 for the final adoption of the text.

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