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The European Commission presents action plan to modernise VAT in the EU

On the 7th of April 2016, the European Commission adopted an Action Plan on VAT – Towards a single EU VAT area.

The Commission announced that the action plan aims to tackle fraud, support business and support the digital economy. In 2013, the VAT gap, which is the difference between the expected VAT revenue and VAT actually collected in Member States amounts to around €170 billion. Cross-border fraud itself is estimated to be responsible for a VAT revenue loss of around €50 billion a year in the European Union. At the same time, the current VAT system remains fragmented and creates significant administrative burdens, especially for SMEs and online companies.

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs, stated: "VAT is a major source of tax revenue for the EU Member States. Yet we face a staggering fiscal gap: the VAT revenues collected are €170 billion short of what they should be. This is a huge waste of money that could be invested on growth and jobs. It's time to have this money back. We are also keen to grant Member States more autonomy on how to define their VAT reduced rates."

The Action Plan sets out new rules, such as:
- key principles for a future single European VAT system;
- short term measures to tackle VAT fraud;
- update the framework for VAT rates and set out options to grant Member States greater flexibility in setting them;
- plans to simplify VAT rules for e-commerce in the context of the Digital Single Market (DSM) Strategy and for a comprehensive VAT package to make life easier for SMEs.

As a next step, on each of the issues raised in the Action Plan the European Commission will present legislative proposals.

The VAT system is one of the main source of revenue in the EU, which unfortunately has been unable to keep the expected pace and creates burden for the growing number of EU businesses operating cross-border. The Commission therefore intends to present in 2017 a legislative proposal for a definitive VAT system for cross-border trade.

This definitive VAT system will be based on the principle of taxation in the country of destination of the goods. The document states that: the VAT on a cross-border sale (goods or services) would be collected by the tax authority of the originating country and transferred to the country where the goods or services are ultimately consumed.
Later this year, the European Commission will propose measures to strengthen current tools used by Member States to exchange information related to VAT fraud, fraud schemes and good practices.

The action plan also proposes two different options to modernise the framework, namely to maintain the minimum standard rate of 15% and review regularly the list of goods and services that benefit from reduced rates and the second option would be to abolish the 15% rate.

Furthermore, the Commission is expecting to present by the end of 2016 a legislative proposal to modernise and simplify VAT for cross-border e-commerce. And by the end of 2017, a VAT simplification package designed to support the growth of SMEs and to make it easier for them to trade across borders.

The Commission announced the next steps will be to ask the European Parliament and the Council to provide clear political guidance on the options that the action plan has set. Proposals on all issues will be presented in 2016 and 2017.

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Minimum wage for truck drivers

On the 19th of April, the European Commission organised the 2016 Road Transport Conference. The transport Commissioner, Violeta Bulc, addressed the issue of companies which use legal loopholes to underpay truck drivers.

She added that social dumping is prevalent among truck drivers who drive between multiple countries every month. One of the subject addressed in her
plans is to tackle exploitation through guaranteeing truck drivers a minimum wage.

“If a driver stays in a country for a long period, or carries out activities in a given country regularly, then this driver should receive the minimum salary of the country in question,” stated Commissioner Bulc.

22 out of the 28 EU Member States (Denmark, Italy, Cyprus, Austria, Finland and Sweden are the exceptions) have a national minimum wage.

So far, there is no information on how truck drivers’ salaries could be regulated, including what length of time they would have to spend in one EU country to receive the national minimum wage.

“I want to find a solution between those member states with lower social standards and those with higher social standards,” she added.

In order to improve road safety and ensure drivers' good working conditions within the European Union, the Commission is expected to propose set of rules by the end of this year.

Last May, the Commission launched an infringement case against Germany in connection with the application of minimum wage. This required employers to pay all their employees operating within German borders the minimum wage of 8.50 EUR per hour, even if the employer is based outside of Germany.

The Commissioner proposed highway checkpoints to be used for checking certification and safety of trucks, as well as whether trucks complies with cabotage rules. Cabotage allows foreign drivers to enter a EU country with a load and stay for up to seven days while still being subject to national laws of their home country.
On the 19th of April, the European Commissioner for Transport Violeta Bulc presented the forthcoming road transport initiatives, which, while supporting the sector’s development, will provide competitive services for people and for businesses.

The new road initiatives directly contribute to Junker’s priorities: Deepening the Internal Market, Building the Energy Union while tackling Climate Change and Creating the Digital Single Market. The priorities will lead to increased jobs and growth and also strengthen Europe's role as a global actor. The road initiatives will result in improved energy efficiency, reduced CO2 emissions, more fairness, increased competitiveness, job creation, innovation and new investment opportunities.
Nowadays, the majority of the SMEs are facing different rules which results in uncertainties, administrative burdens and costs for operators due to the fact that transport operations are done at cross-border level. In order to have well-functioning and fully integrated Internal Market for road transport, the European Commission wants to establish common rules across all EU-28 countries.

Commissioner Bulc stated that "unfortunately, we are seeing a tendency in Member States to implement their own rules. Different rules in different countries are problematic for transport operators who very often operate in several countries on a daily basis. This may endanger the single market. Operators have to keep track of all these different rules in order to be compliant and to avoid fines. This is not what we envisaged as an internal market."

Another important issue on which the European Commission is planning to take action on is the rights of workers. Many transport workers are highly mobile and spend time away from home, therefore the Commissioner announced that drivers should receive the minimum wage of the country in which the driver is staying/carrying activities for a long period of time.

In order to encourage more fuel-efficient vehicles, the European Commission wants to link road charging to the CO2 emissions of trucks. Violeta Bulc gave as an example road tolls that could enable the EU to reach its decarbonisation objectives and to make the transport sector more attractive.

"If road charges were properly designed to reward the cleanest trucks, then road operators would undoubtedly be encouraged to buy these to remain competitive," she stated.

Lastly, the Commissioner emphasized on the potential of digital technologies to make the road transport more efficient and environmentally friendly. It is important to ensure the interoperability of on-board devices with the IT systems. She promotes the safety benefits expected to emerge from intelligent transport, by using for example smart tachograph together with e-documents.
Currently the Commission is preparing a package of measures on road transport which will be presented next year, a reform of “Eurovignette” time-based charging scheme for road tolls towards distance-based scheme is included.

Road safety statistics show European roads remain the safest in the world

On the 31st of March 2016, the European Commission published its 2015 road safety statistics. The report shows that European roads remain the safest in the world, however compared to 2014 there is no improvement at EU level.

The figures reveal a total of 26,000 road deaths on EU roads in 2015, which is 5,500 less than in 2010.

A new topic that the Commission published for the first time is “serious road traffic injuries”. According to the figures, 135,000 people, called vulnerable road users (pedestrians, cyclists, etc.) were seriously injured on EU roads. The EU Member States contributed to the report with comparable and reliable data on serious road traffic injuries. This is seen as step forward towards a European approach to serious injuries.

The EU Commissioner for Transport Violeta Bulc stated: “Every death or serious injury is one too many. We have achieved impressive results in reducing road fatalities over the last decades but the current stagnation is alarming. If Europe is to reach its objective of halving road fatalities by 2020, much more needs to be done. I invite Member States to step up efforts in terms of enforcement and campaigning. This may have a cost, but it is nothing compared to the €100 billion social cost of road fatalities and injuries. For its part, the Commission will
continue to act where it can bring a clear European added-value. Technology and innovation are increasingly shaping the future of road safety. In the medium to long term, connected and automated driving, for instance, has great potential in helping to avoid crashes, and we are working hard to put the right framework in place."

Looking into the numbers, some European countries report a better than average road safety improvement over the years, however the number of road fatalities varies greatly across the EU.

In 2015, Sweden (27), the Netherlands (28), the UK (29), Denmark (30) and Malta (26) are among the countries with the lowest fatality rate per million inhabitants. On the other hand, those with the weakest road safety records were Romania (95), Bulgaria (95), Latvia (94), Lithuania (82), and Croatia (82), even if two of them marked a significant decrease from 2014 to 2015, namely Latvia (-11%) and Lithuania (-10%).

The Commissioner called for an additional efforts from the Member States in order to reach the strategic target of halving the number of road deaths by 2020. The Member States need to address infrastructure and vehicles safety, and in particular focusing on awareness-raising and education, as well as efficient enforcement of traffic rules. The EU contributes with legislation and recommendations on issues of common concern, for example through legislation enabling the enforcement of cross-border traffic offences or by setting technical safety standards for infrastructure and vehicles.

What will the Commission do next:

1. Review and monitoring of existing legislation
   - A review of the infrastructure safety directive
   - A review of the training requirements for professional drivers

2. Road safety is mainstreamed in the discussions on innovative technologies which have a huge road safety potential
- Intelligent transport systems and better management of traffic
- Automated driving, within the Commission initiative GEAR 2030

3. Studies and projects dedicated to further improving the knowledge on serious road injuries
- A study on crashes causing serious injury in order to identify a number of the most common crash scenarios with serious injuries as an outcome
- The Safety Cube research project funded under Horizon 2020

MEPs call for a more innovative single market, eliminating unjustified barriers

On the 21st of April the European Parliament’s Internal Market Committee voted on two important dossiers, namely “The Single Market Strategy” and “NonTariff Barriers in the Single Market”. Both dossiers were adopted with a large majority.

"Parliament can contribute significantly to making the single market strategy more ambitious, by putting forward specific proposals in individual areas and focusing efforts on achieving a deeper and fairer single market that is more modern and innovative", stated Lara Comi (EPP, IT) rapporteur on “The Single Market Strategy”. The report is the Parliament’s contribution to the Commission’s proposal for a new Single Market Strategy, aiming at using the single market in the best way and deliver positive results for consumers, SME and start-ups, as well as innovative services and professionals.

The main priorities in the dossiers include: support development of SMEs and
start-ups by removing unjustified barriers in the single market and improving the access to financing, as well as reforming VAT rules.

The MEPs pushed on eliminating the so-called 'non-tariff barriers' which are obstacle in the way of cross-border trade within the EU.

"Businesses and consumers may no longer have to pay tariffs when buying or selling from other EU countries, but they do often face a nightmare of red tape. For many people, buying a product elsewhere in the EU is not much easier than buying it from outside due to the large number of obstacles and barriers that exist", stated Daniel Dalton, rapporteur on “NonTariff Barriers in the Single Market”.

Belgian truckers block roads

As of the 1st of April 2016, a new kilometer tax for all vehicles with a permissible total weight exceeding 3.5 tonnes will replace the current Eurovignette. The new system already created an increasing number of complaints regarding the non-delivery of OBUs (On-board Units), technical problems and unclear installation and user guidelines. Long queues were created due to the limited capacity of the machines at the service points and the fact that entering data is time consuming. This delays may result in additional transport costs.

"This tax does not work at the base," stated Fabrice Ausloos, manager of a transport company based in Villers-le-Bouillet. He added that "the boxes must be ordered on the Internet. The geolocation does not work. This tax is huge, we cannot help but pass it in the price, and thus to the end customer."
In the beginning of April, Belgian truck drivers blocked key transport routes in the south of the country in protest against the introduction of a kilometer tax for heavy goods vehicles over 3.5 tonnes. Some transport companies have estimated that this tax could add an estimated 8% to their operating costs.

“According to official sources, only 5% of OBUs malfunctioned,” announced a spokesman for the International Road Transport Union (IRU). It is expected this number to be much higher following information received from Irish, UK, Dutch, French and German member associations.

“Everyone should have an OBU in their truck and those without one will be fined €1,000,” stated a spokesman for Viapass, the government agency that oversees the new toll.