VAT rules for financial and insurance services today and tomorrow

Fields marked with * are mandatory.

Introduction

Objective

The objective of this public consultation is to obtain the views of stakeholders and public authorities of the Member States on the current VAT rules for financial and insurance services and their functioning as well as on possible changes to these rules. The answers provided will feed into the review of the relevant provisions of the VAT Directive and will contribute to a possible future legislative proposal.

Context

The current VAT rules for financial and insurance services are criticised for being **complex**, **difficult to apply** and for **not having kept pace with the developments of new products and services**. This seems to have led to a lack of **VAT neutrality**, **legal uncertainty** and **high administrative and regulatory costs**.

VAT is a tax levied on the consumption of goods and services within the European Union. It is a multi-stage tax calculated, and thus charged, on each stage of the value chain. Operating businesses pay the VAT due on their supplies at regular intervals. This is the VAT due on their outputs – the output VAT – after deducting the VAT on their inputs – the input VAT. The system of deduction ensures that the tax is neutral, with respect to the length of the supply chain and the number of transactions therein. However, where the output supply is exceptionally not taxed because it is exempt or out of the scope of the application of VAT, the right to deduct does not hold.

Main issues under the current rules

However, under the current rules, financial and insurance services constitute an exception to these principles: as listed in Article 135(1)(a)-(g) of the VAT Directive, most of them are exempt from VAT. The reasons behind the introduction of the exemption are multiple, but mostly related to the technical difficulty to calculate the tax amount. However, these rules were introduced in 1977 and have since become outdated.

Because of the exemption, the providers of financial and insurance services **cannot deduct the VAT incurred on inputs**, notably – but not exclusively – on investment goods, that are used to produce exempt outputs. This deprives the tax of its neutrality: unlike for other businesses, who can deduct it, VAT becomes a cost for providers of financial and insurance services, and, eventually, for their customers (as the socalled 'hidden VAT').

To address the problem of hidden VAT, the VAT Directive provides for a number of structural provisions:

- **The option to tax** allows providers of financial services to charge VAT on certain otherwise exempt services, and thus to increase the proportion of taxed turnover and the corresponding input deduction. It is, however, up to Member States to introduce such an option and it is not available to insurance service providers.
- More commonly, financial and insurance service providers make use of two other existing instruments to minimise irrecoverable (hidden) VAT: **VAT groups** and – until recently – **costsharing arrangements**.

Since financial and insurance service providers are usually part of large company groups or other networks, these two instruments, albeit being different from a legal perspective, allow them to centralise at group level common business functions (e.g. IT services, accountancy, regulatory compliance, back office support, tax advisory) without generating irrecoverable input VAT on intra-group charges. However, on the one hand, the Court of Justice of the European Union (CJEU) in 2017 found cost-sharing arrangements used by financial and insurance operators inadmissible (see judgements 1, 2 and 3). On the other hand, the VAT grouping scheme is limited exclusively to operators established in the same Member State and is implemented (if at all) in various ways across the EU. This raises the question of how to address the problem of hidden VAT in this important economic sector.

Apart from the implications of this recent case law, the VAT treatment of financial and insurance services raises other problems. The current rules are believed to be **complex** and **difficult to apply in practice**, and possibly **have not kept pace with the developments of new services** in the financial industry (for example services linked to crypto-assets and e-money). This seems to have led to **increasing litigation before the CJEU**, **legal uncertainty** and **high administrative and regulatory costs**. Moreover, such rules are interpreted and applied inconsistently by Member States, which contributes to **distortions** within the EU and in exchanges with third countries.

The Commission proposed to review the rules on the VAT treatment of financial and insurance services already in 2007 through a legislative package that comprised a proposal for a Council Directive and a proposal for a Council Implementing Regulation. However, the discussions in the Council came to a standstill and the proposals were withdrawn in 2016.

Against this background, as announced in the Communication on an Action Plan for fair and simple taxation supporting the recovery strategy, the Commission is currently preparing a proposal to review the VAT rules for financial and insurance services. This initiative is part of the objective to simplify the life of taxpayers operating in the Single Market, one of the priorities laid down in the Political Guidelines for the present Commission.

Glossary

Terms used in this context:

- **Taxable amount**: the amount in respect of a taxable transaction upon which VAT is chargeable.
- **Output VAT**: the VAT due on taxable persons' supplies' or outputs.
- **Input VAT**: the VAT paid by taxable persons for supplies made to them with regard to their business activity.
- **Hidden VAT**: a consequence of the exemption; input VAT becomes irrecoverable and increases costs for service providers while being invisible to customers as not invoiced as such to them. **VAT neutrality**: one of the most important principles of the VAT system, ensuring that the VAT due by the final consumer is the same, regardless of the nature or length of the supply chain for producing it; VAT is collected fractionally via a system of partial payments whereby at each stage of the supply chain, the taxable person deducts input VAT paid from the output VAT collected. **Option to tax** under Article 137(1)(a) of the VAT Directive: an optional regime allowing financial service providers to consider otherwise exempt supplies as taxed.
- **VAT grouping** under Article 11 of the VAT Directive: a simplification measure that allows, if introduced by the Member State, groups of 'legally independent' persons 'closely bound to one another by financial, economic, and organisational links' to be treated as a single taxable person. Consequently, intra-group transactions become, from a VAT perspective, "intra-company" supplies and thus fall outside the scope of the tax and do not result in irrecoverable input VAT.
- **Cost-sharing arrangements** under Article 132(1)(f) of the VAT Directive: an exemption allowing amongst others providers of certain exempt services to form 'independent groups', to pool the acquisition of input supplies and re-distribute the costs, from the group to its members.
- **Proportional (pro rata) deduction** based on Article 173 et sec. of the VAT Directive: Member States may apply different methods to determine the input VAT that can be deducted in the case of a taxable person supplying taxed, exempt and out-of-scope services.
- **Fee-based taxation**: a method of calculation of the taxable amount based on the remuneration linked to financial and insurance services.

About you

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*1 Language of my contribution

- Bulgarian
- Croatian

- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

*2 I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

*3 First name

*4 Surname

*5 Email (this won't be published)

*6 Scope

- International
- Local
- National
- Regional

*7 Level of governance

- Local Authority
- Local Agency

*8 Level of governance

- Parliament
- Authority
- Agency

*9 Organisation name

255 character(s) maximum

*10 Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

11 Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

*12 Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Djibouti
- Libya
- Saint Martin

Åland Islands	Dominica	Liechtenstein	Saint Pierre and Miquelon
Albania	Dominican Republic	Lithuania	Saint Vincent and the Grenadines
Algeria	Ecuador	Luxembourg	Samoa
	Egypt	Macau	San Marino
American Samoa			
Andorra	El Salvador	Madagascar	São Tomé and Príncipe
Angola	Equatorial Guinea	Malawi	Saudi Arabia
Anguilla	Eritrea	Malaysia	Senegal
Antarctica	Estonia	Maldives	Serbia
Antigua and Barbuda	Eswatini	Mali	Seychelles
Argentina	Ethiopia	Malta	Sierra Leone
Armenia	Falkland Islands	Marshall Islands	Singapore
Aruba	Faroe Islands	Martinique	Sint Maarten
Australia	Fiji	Mauritania	Slovakia
Austria	Finland	Mauritius	Slovenia
Azerbaijan	France	Mayotte	Solomon Islands
Bahamas	French Guiana	Mexico	Somalia
Bahrain	French Polynesia	Micronesia	South Africa
Bangladesh	French	Moldova	South Georgia

Southern and Antarctic Lands

and the South Sandwich Islands

Barbados	Gabon	Monaco	South Korea
Belarus	Georgia	Mongolia	South Sudan
Belgium	Germany	Montenegro	Spain
Belize	Ghana	Montserrat	Sri Lanka
Benin	Gibraltar	Morocco	Sudan
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Bhutan	Greenland	Myanmar /Burma	Svalbard and Jan Mayen
Bolivia	Grenada	Namibia	Sweden
Bonaire Saint Eustatius and Saba	Guadeloupe	Nauru	Switzerland
Bosnia and Herzegovina	Guam	Nepal	Syria
Botswana	Guatemala	Netherlands	Taiwan
Bouvet Island	Guernsey	New Caledonia	Tajikistan
Brazil	Guinea	New Zealand	Tanzania
British Indian Ocean Territory	Guinea-Bissau	Nicaragua	Thailand
British Virgin Islands	Guyana	Niger	The Gambia
Brunei	Haiti	Nigeria	Timor-Leste
Bulgaria	Heard Island and McDonald Islands	Niue	Togo
Burkina Faso	Honduras	Norfolk Island	Tokelau
Burundi	Hong Kong	Northern Mariana Islands	Tonga

Cambodia	Hungary	North Korea	Trinidad and Tobago
Cameroon	Iceland	North Macedonia	Tunisia
Canada	India	Norway	Turkey
Cape Verde	Indonesia	Oman	Turkmenistan
Cayman Islands	Iran	Pakistan	Turks and Caicos Islands
Central African Republic	Iraq	Palau	Tuvalu
Chad	Ireland	Palestine	Uganda
Chile	Isle of Man	Panama	Ukraine
China	Israel	Papua New Guinea	United Arab Emirates
Christmas Island	Italy	Paraguay	United Kingdom
Clipperton	Jamaica	Peru	United States
Cocos (Keeling) Islands	Japan	Philippines	United States Minor Outlying Islands
Colombia	Jersey	Pitcairn Islands	Uruguay
Comoros	Jordan	Poland	US Virgin Islands
Congo	Kazakhstan	Portugal	Uzbekistan
Cook Islands	Kenya	Puerto Rico	Vanuatu
Costa Rica	Kiribati	Qatar	Vatican City
Côte d’Ivoire	Kosovo	Réunion	Venezuela
Croatia	Kuwait	Romania	Vietnam
Cuba	Kyrgyzstan	Russia	Wallis and Futuna
Curaçao	Laos	Rwanda	Western Sahara

Cyprus	Latvia	Saint Barthélemy	Yemen
Czechia	Lebanon	Saint Helena Ascension and Tristan da Cunha	Zambia
Democratic Republic of the Congo	Lesotho	Saint Kitts and Nevis	Zimbabwe
Denmark	Liberia	Saint Lucia	

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **Fo r the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

*13 **Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

The type of respondent that you responded to this consultation as, your country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself.

Public

Your name, the type of respondent that you responded to this consultation as, your country of origin and your contribution will be published.

*14 **Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the personal data protection provisions

Information about your business

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*15 What is your main activity?

- Mainly financial services
- Mainly insurance services
- Both financial and insurance services
- Other services

16 Please indicate which other service(s).

*17 In which of the following sectors do you (mainly) operate?

Multiple answers possible

- Banking services sector
- Insurance services sector
- Other financial services (activities auxiliary to financial and insurance services, such as investment services)
- Innovative financial services (such as peer-to-peer lending and crowdfunding, payments, and cross-border remittances)

*18 What type of supplies do you make?

- Mainly Business-to-Business (B2B)
- Mainly Business-to-Consumers (B2C)

- Both

*19 Which markets do you provide financial and/or insurance services to?

- National market only
- National market and market(s) of other Member States
- National market, market(s) of other Member States, and market(s) outside the EU

Your experience with the current rules

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20 The exemption of financial and insurance services from VAT was introduced in 1977 as an exception to the general rule that VAT is to be levied on all services supplied for consideration by a taxable person. To what extent do you agree that the exemption is still needed?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- Not sure

21 In general, how would you assess the functioning of the exemption of financial and insurance services?

The exemption...

- ... works very well
- ... works well, but could be improved
- ... works poorly and should be improved
- ... should be removed
- No opinion

22 Please indicate the reason(s) why. The exemption...

Multiple answers possible

- ... is too costly to apply
- ... is too complex in terms of notions (structural provisions and the definition of exempted services)
- ... is not clear in terms of notions (structural provisions and the definition of exempted services)
- ... may have a distortive effect on competition with businesses in other Member States
- Other
- No opinion

23 Please indicate which other reason(s).

> Overall, we see that current VAT exemptions are too narrow and the definition of exempted services is not up to date. The framework does not take into account digitalized business approaches and banking services.
>
> There is an evident need of clear and harmonized definitions of the exempted services.

Moreover, division of work processes is not reflected properly, e.g. in payment services, preparatory services are taxable.

There is also a risk of different views on application of exemptions or options for Member States (absence of options directly applicable by tax payers themselves). Furthermore, while for certain specific financial services, e.g. payment transactions, the original reason to introduce a VAT exemption (difficulty to calculate the taxable amount) may no longer be so strong, for other financial services this reason is still valid (see also Question 34).

Therefore, a modern definition of effort pooling is requested. Furthermore, legal certainty could be increased.

24 How do you estimate the impact of the lack of input tax deduction and hidden VAT?

Multiple answers possible

- ☐ They create a price barrier to outsourcing
- ☐ They undermine the level playing field between providers of outsourced services and in-house providers
- ☐ They affect the business structures of those operating in the financial and insurance sector
- ☐ They increase the costs for business customers
- ☐ They increase compliance costs
- ☐ They undermine the competitiveness of the sector
- ☐ Other
- ☐ Do not know

25 Please indicate which other reason(s).

Among other reasons we would mention the lack of neutrality due to non-deductible input VAT and inadequate rules for determining the deductible input VAT.

26 The compliance with VAT rules can be more difficult when supplying financial and/or insurance services cross-border. How do the factors listed below contribute to that effect?

	Not at all	Somewhat	To a large extent	No opinion
Difficulty of finding information on VAT obligations in other Member States	◯	◯	X	◯
Different interpretations on definitions of exempted services	◯	◯	X	◯
Different rules for opting to tax	◯	X	◯	◯
Availability of VAT grouping	◯	◯	X	◯
Availability of cost-sharing arrangements	◯	◯	X	◯
Different deduction methods	◯	X	◯	◯
Different VAT obligations in other Member States	◯	◯	X	◯
Other	◯	◯	◯	◯

27 Please indicate which other factor(s).

28 Do you think that the current rules hinder the development of cross-border supplies of financial and insurance services?

- ◯ Yes
- ◯ No
- ◯ Do not know

29 Please indicate the reason(s) why.

Multiple answers possible

- ☐ Regulatory ecosystem too complex
- ☐ VAT rules for financial and insurance services too complex
- ☐ Discrepancies across VAT treatment by Member States
- ☐ Other

30 Please indicate which other reason(s).

Some Member States require local VAT registrations when cross-border, VAT exempt financial services are supplied. This seems unnecessary as the supply of these services is still VAT exempt.

31 To what extent are the foreign VAT rules for financial and insurance services important when deciding whether to establish your business in a specific Member State?

- ◯ Very important
- ◯ Important
- ◯ Not very important
- ◯ Not important at all

- No opinion

32 Which of the structural provisions listed below do you apply?

Multiple answers possible

- Option to tax
- VAT grouping
- Cost-sharing arrangements
- Proportional deduction
- Other
- None

33 Please indicate which other provision(s).

We would only reiterate here that the 2017 ECJ rulings had implications in a number of Member States as to the applicability of cost-sharing group exemption in financial services.

34 The exemption was put in place i.a. due to the technical difficulty to calculate the taxable amount. To what extent do you agree that progress in technology, enhanced transparency rules and experiences gained from other countries and from other indirect taxes could help overcome this issue?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- Do not know

35 Do the current VAT rules for financial and insurance services result in prices lower than those that would apply if these services were taxed?

- Yes, but just for final non-taxable customers
- Yes, for all customers
- In part, due to other similar taxes
- No
- Do not know

36 To what extent are the current structural provisions effective in increasing the deduction of input tax and reducing the impact of hidden VAT?

	Not effective at all	Somewhat ineffective	Neither effective nor ineffective	Somewhat effective	Very effective	No opinion
Option to tax					X	
VAT grouping					X	
Cost-sharing arrangements					X	
Proportional deduction				X		

37 VAT provisions related to financial and insurance services can be perceived as complex. For which of the current structural provisions is that correct?

Multiple answers possible

- [ ] Option to tax
- [ ] VAT grouping
- [ ] Cost-sharing arrangements
- [ ] Proportional deduction
- [ ] None

38 To what extent do you agree or disagree with the following statement: The lack of input tax deduction is detrimental to the financial and insurance sector. It compels the sector to outsource services which are typically provided in-house, thus raising the costs.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- Do not know

39 Unless you make use of the option to tax, does your business incur any costs related to irrecoverable (hidden) VAT?

- Yes
- No
- Do not know
- My business is applying the option to tax

40 To what extent do you agree that the current VAT rules are fit to cover emerging trends in the industry (such as digitalisation)?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- Do not know

41 The VAT treatment of emerging trends under the current VAT rules for financial and insurance services can be problematic due to unclear definitions for VAT purposes. In connection with which of the emerging trends listed, do you consider this correct?

Multiple answers possible

- [ ] Services provided by means of fintech
- [ ] E-money
- [ ] Services linked to crypto-assets (such as mining)
- [ ] Payment services

- [ ] Other
- [ ] Do not consider it problematic
- [ ] Do not know

42 Please indicate which other trend(s).

Negotiating insurance services and other financial services.

43 The regulatory framework in the financial and insurance sector (e.g. the Markets in Financial Instruments Directive (MIFID) and the Insurance Distribution Directive (IDD)) has strengthen the role of intermediaries. Do you consider the VAT exemption to be coherent with this development?

- ( ) Yes
- ( ) No
- ( ) Do not know

Possible changes to the current rules

The Commission is intending to prepare a proposal that will seek to modernise the current VAT rules for financial and insurance services. Your answers will feed into the review of these rules.

44 In your view, which would be the best way to reform the rules on exemption?

Multiple answers possible

- [ ] Update definitions of exempt services drawing on the extensive CJEU case law in the field of VAT
- [ ] As regards the definitions, refer to other EU regulations governing the financial and insurance sector
- [ ] Removing the exemption, so that definitions will be no longer needed
- [ ] Other
- [ ] Do not know

45 Please indicate which other way(s).

Definitions are not up to date and should be reworked.

CJEU case law is very narrowly interpreted and therefore hardly applicable, especially for payment services.

Other important issues to consider are the harmonization of application / removing of options for Member States to apply for certain measures or not (e.g. VAT-grouping should be mandatory in all Member States)/ legal certainty for outsourcing and cost sharing groups and VAT-grouping/explicit determination of deductible input VAT.

A further possibility could be the introduction of an 'option to tax' to be applied by taxable persons as a generally available tool, and not an option for Member States.

We disagree with a possible removal of the exemption, this could possibly only regard certain specific services and customers (fee income generated from B2B supplies).

We strongly believe that the exemption must be maintained, also due to the fact any practical difficulty faced with its implementation is greatly outweighed by benefits. Instead, a general tax liability of financial services or taxing them with a reduced rate would only create more difficulties (including in terms of differentiation across services for which tax rate) and eventually lead to substantial increases in the cost of private customers, who are not allowed to deduct input tax.

46 The removal of the exemption for financial and insurance services could benefit the neutrality of the VAT system. What could be other effects of such a removal?

Multiple answers possible

- [ ] Simplification in the application of the VAT rules for financial and insurance services
- [ ] Lower VAT compliance costs
- [ ] Less distortive effect of the exemption on competition linked to suppliers from non-EU countries operating in the EU
- [ ] Higher VAT compliance costs
- [ ] Higher complexity of VAT rules
- [ ] None
- [ ] Other

47 Please indicate which other effect(s).

Higher cost for consumers for banking products and financial services. In addition, there would be difficulties in finding the determination base for a service, for example a margin service.

48 If only fee-based financial services were to be taxed, in relation to which of them would it be difficult to determine the taxable amount? Please explain.

The distinction between fee-based on the one hand, and interest and trading income on the other hand, will bring enormous complexity and uncertainty and it is not of any help. Also, the complexity of the calculation of the proportional (pro rata) deduction remains.

49 Financial service providers may currently opt for taxation and obtain the right of deduction, but it is up to each Member State to introduce such option. Should Member States keep that discretion?

- Yes
- No, it should be available in all Member States
- No opinion

50 Not having a right of deduction when supplying exempt financial and insurance services impairs the neutrality of VAT. To what extent would you support or oppose the introduction of a fixed rate of input tax deduction to remedy that effect?

- Strongly support
- Support
- Oppose
- Strongly oppose
- No opinion

51 If a fixed rate of input tax deduction was introduced, should such a rule remain optional for operators or, alternatively, should it be mandatory?

- It should be optional
- It should be mandatory
- No opinion

52 Should cost-sharing agreements be made available to the financial and insurance services sector?

- Yes
- No
- No opinion

53 In your view, should businesses established in other Member States be allowed to form part of the cost sharing arrangements?

- Yes
- No
- No opinion

54 Please indicate the reason(s) why.

Multiple answers possible

- To achieve a more level playing field for businesses
- To boost competitiveness of financial and insurance service providers
- To reduce the tax burden and the administrative costs of businesses operating at cross-border level
- Other

55 Please indicate which other reason(s).

56 Please indicate the reason(s) why.

Multiple answers possible

- To open up the cost sharing arrangements exemption cross border would negatively affect the revenues of Member States having introduced the exemption
- Because cost sharing arrangements mostly operate in the national market of their own Member State
- To open up the cost sharing arrangements exemption may encourage crossborder operations and establishments in Member States whose tax administration are more flexible and, consequently, increase the competition between Member States
- To open up the cost sharing arrangements exemption would increase administrative costs for stakeholders and Member States' tax administration, derived from increased controls and audits
- Other

57 Please indicate which other reason(s).

58 Which is the most beneficial aspect of establishing VAT groups for providers of financial and insurance services?

	Not beneficial at all	Somewhat detrimental	Neither beneficial not detrimental	Somewhat beneficial	Very beneficial	No opinion
It is optional					X	
Intragroup supplies are out of scope and therefore not taxed					X	
VAT compliance costs are lower for the members of the group as they are pooling them					X	
It is easier to outsource the activity through a single taxable person				X		
VAT grouping increases the competitiveness of the sector by reducing hidden VAT					X	
Other						

59 Please indicate which other aspect(s).

60 Which is the most effective way to reform the rules for financial and insurance services in your country?

	Not effective at all	Somewhat ineffective	Neither effective nor ineffective	Somewhat effective	Very effective	No opinion
Remove the exemption and tax financial and insurance services at a standard rate	X					
Remove the exemption and tax financial and insurance services at a reduced rate	X					
Tax only fee-based services at a standard rate	X					
Tax only fee-based services at a reduced rate	X					
Grant businesses the option to apply VAT					X	
Grant businesses the right to constitute a VAT group in every Member State					X	
Make cost-sharing arrangements available to the sector in all Member States					X	
Other		X				

61 Please indicate which other reform(s).

With regard to Question 60 we would like to highlight how certain arrangements might have revealed more or less effective according to the Member State. For instance, in some Member States (e.g. Germany) the option to tax demonstrated as a very effective tool, while in others the experience was not as frictionless.

It is key that the whole range of tools is considered and maintained available for institutions.

Where financial and insurance services are taxed, deduction of input VAT is possible.

Further comments

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62 If you wish to add further information within the scope of this questionnaire, please feel free to do so here.

2000 character(s) maximum

The CSA (Cost sharing arrangement) is of crucial importance for cooperative banks, and particularly for middle-sized and smaller independent banks, to maintain competitive prices for the end consumers.

Outsourcing would otherwise become extremely hard for these institutions.

A clear definition of the option to tax is needed: It should be only applicable, if a service is rendered business to business. This business to business tax option should be mandatory in all Member States.

A solution which tries to offer advantages in part, such as a VAT that is only applied to fee-based banking or insurance products, or the proportional input/fixed rate VAT deduction, would most probably lead to a significant increase in complexity without a beneficial impact in terms of cost.

To summarise, the key messages would be the following:

- Keep the VAT-exemption
- Modernization and harmonization of the rules applicable to financial services
- Definition of exempt outsourced services according to the ECJ ruling
- Opening cost sharing groups for financial services
- Mandatory and explicit rules for VAT grouping in every member state
- Explicit rules for the determination of deductible input VAT amount