



Brussels, 24 April 2013

Press Release

COCERAL, FEDIOL and ASSUC strongly support the Anti-Fraud Package on VAT currently discussed at the EU level

COCERAL, FEDIOL and ASSUC strongly support the Commission's proposal for an anti-Fraud package on VAT and join the [electricity and gas sectors](#) in their plea to Member States for reaching an agreement in favour of the proposed measures.

The grain trading sector, the oilseeds crushers and the sugar trading sector suffer greatly from the unlawful competition of fraudsters cheating the basic VAT rules in a number of countries in the EU. The anti-fraud package on VAT proposed by the European Commission and the Irish Presidency would provide for a structural solution to this on-going problem, yet until now it has not found much needed support from the EU Council.

The risk of VAT fraud is high in the cereals, oilseeds and sugar trade, in particular where VAT on food products is high. In Hungary and Bulgaria VAT evasion accounts for minimum 30% of the grain, oilseed and proteinmeal markets, for a value of €150 million only for Bulgaria. The temporary authorization for applying the reverse charge mechanism for cereals and oilseeds in [Hungary](#) has had very positive effects and fraudsters have disappeared from these markets since its application. [Romania](#) will also be benefitting from the same authorization but only until May 2013. As the request for prolonging the reverse tax application was rejected, the members of COCERAL, FEDIOL and ASSUC will soon again be exposed to unfair competition from VAT-fraudulent practices.

The anti-Fraud Package on VAT presented by the Commission and the Irish Presidency comprises an excellent set of the measures needed to fight against fraudsters and re-establish fair competition for lawful grain, sugar and oilseeds traders. The package includes the possibility for Member States to implement the reverse charge mechanism for a number of sectors, including cereals, oilseeds and sugar that today need to apply for a specific authorization. The package would provide for a structural, timely and long-term solution against VAT frauds: it would help the grain, oilseeds and sugar trading companies that comply with VAT rules to regain their competitive position and Member States to recover their VAT losses.

COCERAL, FEDIOL and ASSUC are united in strongly calling upon Member States to consider the benefits of these anti-fraud measures on VAT for a number of strategic commodity sectors, and to promptly reach an agreement at Council level. Fraudulent practices are putting considerable financial burden on European industries, threatening their competitiveness and jeopardizing the economies of Central and Eastern Europe. In order to remain competitive and secure the supply of raw materials for the food and feed processing industries, it is essential that structural measures are rapidly deployed to combat VAT fraud in the grain, oilseeds and sugar trades.

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Note for editors

The most common type of VAT fraud in grain and oilseed trade is the so-called missing trader fraud or carousel fraud. This unlawful mechanism consists in setting up a chain of fake trading companies that buy goods without VAT, sell them with VAT and then disappear before the authorities can claim the VAT back.

One of the elements triggering the fraudulent behaviour is the high taxation on food products, e.g. as high as 27% in Hungary. A temporary solution to this issue is the application of the reverse charge mechanism in derogation to Article 193 of Directive 2006/112/EC. The reverse charge mechanism moves the obligation for collecting VAT from the supplier to the recipient of goods, thereby removing the possibility for frauds. Further to the requests for derogation, the EU authorised the application of the reverse charge mechanism in a number of countries:

- Council Decision 2011/363/EU allows Romania to apply the reverse charge mechanism for cereals and oilseeds since June 2011 until May 2013. The Regulation states that this measure cannot be further extended; consequently the request for its prolongation was rejected.
- Council Decision 2012/624/EU provides for the same authorisation in Hungary, since July 2012 until June 2014. Similarly to the Romanian case, the EU will most probably refuse a further extension of this derogation from the general VAT rules.
- Bulgaria has put forward its request for authorisation of the reverse charge; the procedure is still on-going.

COCERAL is the European association representing trade in cereals, rice, feedstuffs oilseeds, olive oil, oils and fats and agrosupply. It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above mentioned agricultural products. COCERAL's full members are **31 national associations in 19 countries**. With about **2700 companies** as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses. COCERAL has an associated member in Switzerland.

FEDIOL represents the interests of the European vegetable oils and proteinmeal industry. With about 150 facilities in Europe, the sector provides over 20.000 direct employments. Its members process 30 million tonnes of basic products a year.

Oilseed crushing yields vegetable oils and proteinmeals as co-products. While vegetable oils are used for food and technical uses (pharmaceuticals, paints, detergents, biodiesel, etc.), proteinmeals are used to meet the increasing global demand for meat and protein.

ASSUC is the European Association of Sugar Traders. Founded in 1959, it is the voice of the European Sugar Traders. Through its membership today ASSUC represents over 60 sugar trading companies across the EU. Through regular contacts with the different EU institutions ASSUC is able to make its views heard by providing expertise on market issues and promoting its opinions on intended legislation.