

TAX POLICY UPDATE

26 JUNE – 7 JULY

HIGHLIGHTS

- European Parliament: PANA Committee report and recommendations published, first exchange of views takes place – 30 June/10 July
- Council: Priorities of the Estonian Presidency in the area of tax – 3 July
- European Parliament: Plenary votes on public CBCR – 4 July
- Other news: GUE-NGL report argues that large accountancy firms should separate their auditing and tax advice functions – 5 July
- International: G20 Leaders issue joint statement on common priorities, tax remains high on the agenda – 8 July

EUROPEAN COMMISSION

COMMISSIONER MOSCOVICI DELIVERS SPEECH AT TAX FAIRNESS CONFERENCE – 28 JUNE

Commissioner Moscovici has delivered a [speech](#) on **tax fairness** at a Commission conference on the same topic organised in late-June. In his speech, Commissioner Moscovici criticises what he sees as a false dichotomy between promoting tax justice and fairness on the one hand, and building a tax system that is conducive to economic growth on the other. He highlights that a resilient and fair tax system should ensure a level playing field between taxpayers, and should foster “social justice”. Moreover, the Commissioner refers to the recently launched proposal on **tax intermediaries** whilst emphasising that he is not fighting against “this or that profession” per se. For the rest, the speech delivers more or less the expected – for example, when the Commissioner highlights the importance of the **Common Consolidated Corporate Tax Base (CCCTB)**. The Commissioner also turns his attention to **VAT** – in anticipation of major VAT reform proposals in autumn and the Commission’s growing interest in this sphere of taxation. He highlights that the autumn proposals will make VAT compliance easier for companies, give Member States greater freedom in setting their national rates, and reinforce the fight against **VAT fraud**. In terms of more **forward-looking** elements, the Commissioner hints that the Commission will turn its attention to the taxation of the **digital economy** in order to tackle the challenge at a EU-level. The Commissioner also expresses

his optimism on the **Financial Transactions Tax (FTT)**, believing that an agreement between the 10 participating Member States is nigh.

COMMISSION PROPOSES A PAN-EUROPEAN PERSONAL PENSION PRODUCT, INCLUDING RECOMMENDATIONS FOR TAX TREATMENT – 29 JUNE

As part of its **Capital Markets Union (CMU)** package, the European Commission has published its long-awaited proposal for a [Regulation](#) on a **pan-European Personal Pension Product (PEPP)**. The proposed PEPP will, notably, enable workers moving from country to country to save into one retirement pot. As such, PEPP should be thought of as a 'quality label' for **personal pension products (PPPs)** tailored for cross-border situations. In turn, it would release additional funding for EU capital markets.

The PEPP Regulation also covers the tax angle. Since taxation remains a Member State competence, the Commission published a [recommendation](#) for Member States concerning the **tax treatment** of PEPPs. As the name implies, the document is a mere recommendation and is not legally binding on Member States. In essence, the recommendation states that PEPPs should be subject to the same tax reliefs as national PPPs even where the PEPP does not fulfil all the national criteria for granting a tax relief for PPPs. Where Member States have more than one type of PPPs, the PEPP should be subject to the most favourable tax treatment available to PPPs.

“EU CONSIDERS NEW TAXES AS IT SCRATCHES ITS HEAD OVER THE BUDGET FUNDING SHORTFALL FROM BREXIT” – 30 JUNE

The Commission is [reportedly](#) considering new forms of **tax income** to cover losses to the EU budget stemming from an eventual **Brexit**. On the table are, for example, **environmental taxes**, the **Common Corporate Consolidate Corporate Tax Base (CCCTB)** or, indeed, the prospective **Financial Transactions Tax (FTT)**.

COMMISSION PUBLISHES TAXATION TRENDS 2017 REPORT – 11 JULY

The European Commission has published its Taxation Trends [report](#) which sheds light on main **tax trends** across the EU as well as on country levels. According to the figures, revenues from consumption taxes (including VAT and excise duties) were up for the EU 28 as a percentage of GDP in 2015. However, the share of consumption taxes of total tax revenue increased only slightly to 28.7% compared to 28.5% in 2014. The report also shows that the average top level of corporate tax fell from 22.5% to 21.9% from 2016-2017. It also provides an analysis on the medium- to long-term evolution of these trends. The report, published annually, offers a breakdown of comparative tax levels in the EU and of tax revenues raised from consumption, labour and capital. It also contains data on energy, environmental and property taxation and on the top rates for personal and corporate income taxes. Download the report [here](#).

EUROPEAN PARLIAMENT

EUROPEAN PARLIAMENT PANA COMMITTEE REPORT AND RECOMMENDATIONS PUBLISHED, FIRST EXCHANGE OF VIEWS TAKES PLACE – 30 JUNE/10 JULY

The long-awaited [draft report](#) of the **PANA Committee** has finally been published, together with a set of policy [recommendations](#). Of particular interest, the report calls for moving away from **self-regulation** of professions towards state-regulated practices, and removing the licenses of intermediaries assisting in 'aggressive tax

planning'. **Accounting firms** are singled out as one of the main intermediaries, together with banks, lawyers and wealth managers.

To recall, this is a so-called **own-initiative report**, which means that it commits neither the Commission nor Member States to any particular course of action. Having said that, the TAXE I and II Committees demonstrated that even legally non-binding Parliament reports can push the Commission to take action in the area of taxation. This was the case with **public Country by Country Reporting (CBCR)** as well as the more recent proposal establishing disclosure rules on **tax intermediaries**. In terms of **next steps**, a vote in the Committee is currently scheduled for 18 October. A Plenary vote, in turn, should be for now expected for 14 November.

A first **exchange of views** in the PANA Committee already took place a few days after the report's publication. Overall, the report was well received by the Committee MEPs across the board. MEPs reiterated the need for a stronger enforcement of existing legislation and more resources for authorities. MEPs had different ideas on who the real **main intermediaries** were. For some it was banks, for others it the wealth managers. **Molly Scott Cato (Greens-EFA/UK)** called for strong action against the **accountancy sector**. **Ana Gomes (S&D/POR)** wanted to strengthen the chapter on **sanctions** for intermediaries. Except for banks, she believed that intermediaries do not comply with rules. **Ludek Niedermayer (EPP/CZE)** for his part called on the Committee to respect its mandate. He would like to see more discussion on what is immoral, a **EU FATCA**, and a ban on outsourcing due diligence. He is also opposed to legislating too far and wide since he maintains that **self-regulation** and standards are effective. Finally, several MEPs stated that the Council has not cooperated sufficiently with the Committee's investigation.

EUROPEAN PARLIAMENT PLENARY VOTES ON PUBLIC CBCR – 4 JULY

The European Parliament Plenary has adopted its [position](#) on the **public Country by Country Reporting (CBCR)** proposal. Despite stark political disagreements until the last minutes before the vote, the draft report passed by a comfortable margin of 534 in favour, 98 against and 62 abstentions.

As expected, the main point of contention was the so-called **safeguard clause** and the details (such as the time limit) surrounding the clause. The safeguard clause provides for special conditions under which a multinational may

omit the public disclosure of certain information if it poses a risk to its commercial position and business secrets. Some of the other amendments adopted by the MEPs include the following:

- **International coordination:** the **International Accounting Standards Board (IASB)** should upgrade “relevant” **International Financial Reporting Standards (IFRS)** and **International Accounting Standards (IAS)** in order to “ease the introduction of” public CBCR requirements
- **Role of statutory auditors and audit firms:** statutory auditors or audit firms must check that the publicly-disclosed information is in line with the **audited financial information** for the undertaking within the time limits provided for in the Directive
- **Disclosure requirements:** in the end there was broad relative consensus on the disclosure requirements. On top of what the Commission proposed, the MEPs notably call for the following additional information:
 - Fixed assets other than cash or cash equivalents
 - Stated capital
 - Whether undertakings, subsidiaries or branches benefit from preferential tax treatment, from a patent box or equivalent regimes
 - Details of public subsidies received and any donations made to politicians, political organisations or political foundations
- **Geographic scope:** public CBCR should cover all jurisdictions – as opposed to EU Member States and non-cooperative third jurisdictions, and aggregated data for the rest as proposed by the Commission
- **Turnover:** the €750 million turnover is maintained, but the Commission must report at latest after four years on the prospect of lowering the threshold to €40 million, and to submit an amendment to the Directive with this regard “if appropriate”

In terms of **next steps**, the Member States will now have to adopt their negotiating position. The common understanding seems to be that no progress should be expected from the Council’s side until the **German elections** on 24 September – given that the country is at the forefront of the anti-public CBCR faction of Member States. After the Council has finalised its own negotiating position, it will enter into negotiations (**‘trilogues’**) with the European Parliament in order to find a mutually agreeable compromise. This process can take several months.

COUNCIL

MALTESE PRESIDENCY REVEALS STATE OF PLAY OF PUBLIC CBCR IN COUNCIL – 22 JUNE

A new Presidency [document](#) on **public Country by Country Reporting (CBCR)** provides an overview of the state of play of the negotiations. The text presents the progress reached so far at a technical level of negotiations between the tax attaches of EU Permanent Representations. The text’s provisions constitute the basis upon which the Estonian Presidency will take the negotiations forward in the weeks to come. In terms of substance of interest, the text now calls on the Commission to issue recommendations on how to ensure that **global disaggregation** may be achieved “particularly in international fora”. This constitutes a first signal that Member States are at least considering whether the scope of the Commission’s initial proposal should eventually be broadened. Moreover, the text includes its own version of a **‘safeguard clause’** – another area where the Member States and the European Parliament may eventually find common ground. The Council document states that certain information could be excluded from disclosure when its nature “is such that would be seriously prejudicial to any of the undertakings to which it relates or to the economic viability of a Member State”. The document adds that any such omission should be previously

authorised by the national administration and that this authorisation would apply for one year with the possibility of renewal.

PRIORITIES OF THE ESTONIAN PRESIDENCY IN THE AREA OF TAX – 3 JULY

The **Estonian Presidency** has published its planned [programme](#) and priorities for the ECOFIN in the six months to come. As already known, the Presidency will give strong emphasis to **VAT reform**, and in particular on easing administrative burdens on businesses and improving the fight against VAT fraud. Moreover, the Presidency feels that technological solutions should be used more by **tax administrations**. Other VAT priorities include achieving a political agreement on e-publications and the general reverse charge mechanism, as well as on the main elements of the VAT e-commerce proposal. Estonia will also start discussions on the proposals regarding the **definite VAT regime** and reduced rates.

In the area of **direct taxation**, the Presidency “will continue discussing” the **Common Corporate Tax Base (CCTB)** – a choice of words that does not spark a lot of confidence or ambition from the Presidency’s side. Estonia will also want to better assess the potential impact of the CCTB on Member States’ tax revenues, and wishes to maintain the international competitiveness and attractiveness of the European tax system – a clear signal that the Presidency’s appetite for moving far beyond OECD BEPS and G20 provisions is low. Reaching progress on the **tax intermediaries** proposal as well as the common EU list of non-cooperative jurisdictions is also on the menu. Although with regard to tax intermediaries, the Presidency only [commits](#) to “launch discussions” on the proposal – potentially indicating that it is not anticipating to finalise the file during its term.

Finally, the Presidency is seeking to open discussions on new avenues. In particular, the Presidency states that it wishes to discuss how to ensure **fair taxation** in the **digital economy**, and the concept of **permanent establishment**. Estonia maintains that the concept is not fit for the digital economy, and does not sufficiently provide for an understanding of where value creation takes place. One possibility that the Presidency may consider is formulating a definition of a ‘**virtual permanent establishment**’.

INTERNATIONAL

LUXEMBOURG NOT A TAX HAVEN, CLAIMS PM – 27 JUNE

Not unexpectedly, the Prime Minister of **Luxembourg** has [denied](#) allegations that the country is or has been a ‘**tax haven**’. The Prime Minister maintains that his country was amongst the first to introduce greater transparency into its tax system and to exchange **tax rulings** with other countries. He emphasised, moreover, that Luxembourg is not breaking any rules and is fully compliant with tax standards.

INDIA UNDERTAKES FOR MAJOR TAX REFORM – 28 JUNE

As widely reported by the Financial Times for example (articles only available to subscribers), **India** is embarking on major tax reforms under the leadership of Prime Minister **Narendra Modi**. The reform would, [reportedly](#), turn India into a proper single market and increase the country’s tax-to-GDP ratio – a rate that remains amongst the lowest in the world. The main element is the introduction of a country-wide **Goods and Services Tax (GST)**, but critics [fear](#) that it will not go far enough in making things easier for businesses. Instead of a single national rate, there would be six and companies will apparently have to file three tax returns a month in all states in which they conduct

business. Critics are also concerned about the requirement to file tax returns electronically, doubting the digital readiness of a large proportion of businesses.

"FRENCH PM CONFIRMS CORPORATE TAX CUT" – 5 JULY

According to Tax News, the French Prime Minister **Edouard Philippe** has [confirmed](#) that the new administration will seek to cut the **corporate tax rate** from 33% to 25%. The government will, however, have to move cautiously as it will also seek to cut the country's budget deficit to below 3% of the GDP.

G20 LEADERS ISSUE JOINT STATEMENT ON COMMON PRIORITIES, TAX REMAINS HIGH ON THE AGENDA – 8 JULY

The **G20** leaders have gathered together at a meeting in Hamburg, **Germany**, to discuss common global challenges and priorities. As a conclusion to the meeting, the leaders issued a joint [statement](#) which outlines the main conclusions reached. With regard to **tax cooperation**, the G20 leaders notably state the importance of assisting developing countries to improve their tax capacity, to bring forward the so-called **tax certainty** agenda, and to discuss tax challenges of digitalized economies.

OECD

OECD PUBLISHES 'LIST' OF NON-COOPERATIVE JURISDICTIONS ON TAX – 28 JUNE

The OECD has [published](#) a list of **non-cooperative jurisdictions** on tax matters, ahead of the G20 meeting in Hamburg, **Germany**. The list was devised on the basis of 'objective criteria', mainly compliance with the provisions concerning the exchange of information on request, automatic exchange, as well as participating in the Convention on Mutual Administrative Assistance in Tax Matters. However, a 'list' may not be the best description of the outcome, since only one jurisdiction has been found as being non-compliant: **Trinidad & Tobago**. In parallel, the EU is currently working on its own list of non-cooperative jurisdictions on the basis of stronger criteria. The EU list is scheduled to be finalised by the end of 2017.

BAHRAIN JOINS MULTILATERAL CONVENTION ON TAX MATTERS – 29 JUNE

Bahrain has signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. It thus became the 112th jurisdiction to join the Convention. As a reminder, the Convention provides for a wide range of administrative assistance in tax matters. This includes exchange of information on request, spontaneous exchange, automatic exchange, tax examinations abroad, simultaneous tax examinations and assistance in tax collection. It guarantees extensive safeguards for the protection of taxpayers' rights.

OECD RELEASES LATEST UPDATES TO THE TRANSFER PRICING GUIDELINES FOR MULTINATIONAL ENTERPRISES AND TAX ADMINISTRATIONS – 10 JULY

The OECD has released the 2017 [edition](#) of its **Transfer Pricing Guidelines** for Multinational Enterprises and Tax Administrations. The 2017 edition incorporates substantial revisions made in 2016 to reflect clarifications and revisions agreed in the 2015 BEPS Reports on **Actions 8-10** (Aligning Transfer pricing Outcomes with Value Creation) and on **Action 13** Transfer Pricing Documentation and Country by Country Reporting (CBCR). It also includes the revised guidance on **safe harbours** approved in 2013, which recognises that properly designed safe harbours can help to relieve some compliance burdens and provide taxpayers with greater certainty. Finally, the

edition also contains consistency changes that were made to the rest of the OECD Transfer Pricing Guidelines. The purpose of the Guidelines is to provide timely guidance on the application of the **arm's length principle**.

STATE AID

COMMISSION FINDS POLAND'S TAX ON THE RETAIL SECTOR IN BREACH OF EU RULES – 30 JUNE

The Commission has [found](#) that a **Polish tax** on the **retail sector** is in breach of EU state aid rules. The Commission concluded that the current **progressive tax** rates based on turnover give companies with a lower turnover an advantage over their competitors. In the Commission's interpretation, whilst smaller retailers should pay less tax in absolute terms when compared to their large competitors, the proportion of taxes paid on turnover must be the same for all retailers regardless of their size.

OTHER NEWS

UEAPME PUBLISHES POSITION PAPER ON SPECIAL VAT SCHEME FOR SMES – 30 JUNE

UEAPME – a major European association representing SMEs – has published its [position paper](#) on the review of the **VAT SME Scheme**. As a reminder, the review is part of the VAT Action Plan and has been announced for autumn 2017. UEAPME maintains that the SME Scheme should become mandatory for Member States. All SMEs should have to register for VAT purposes, including occasional traders. Simplified VAT obligations should also become mandatory and open to all SMEs. This is especially the case for the frequency of VAT returns – for which UEAPME recommends doing so every 12 months – and cash-accounting schemes, which UEAPME argues are of high importance for SMEs suffering from late payments. However, in all these cases SMEs should have the right to opt out and to apply the normal VAT rules.

GUE-NGL REPORT: LARGE ACCOUNTANCY FIRMS SHOULD SEPARATE THEIR AUDITING AND TAX ADVICE FUNCTIONS – 5 JULY

The far-Left European Parliament political Group, **GUE-NGL**, has published a [report](#) on **large accountancy firms** and their operations in secretive jurisdictions. The report has been drafted by **Richard Murphy**. The paper argues, notably, that the **Big Four (B4)** are deliberately obscuring the links between their numerous offices in several countries by claiming they are separate legal entities. Moreover, the report argues that the B4 often conceal data on profits earned as well as the number of staff working in various jurisdictions globally. In addition, the paper looks into the operations of B4 inside the EU and identifies a number of weaknesses in the EU's proposed legislation on **tax intermediaries**, claiming that the proposed measures are insufficient. The report recommends that networked firms should be recognized as single entities, or the obligations of firms in EU Member States should include their network partners beyond the EU's territorial limits. Moreover, there should be a complete separation of the B4's auditing and tax consulting business in order to avoid potential **conflicts of interest**.

EESC PUBLISHES ITS OPINION ON THE VAT E-COMMERCE PACKAGE – 6 JULY

The **European Economic and Social Committee (EESC)** has published its opinion on the **VAT e-commerce** package that the Commission published in December 2016. In the opinion paper, EESC finds that the implementation of the **VAT MOSS** has had a significant impact on the reduction of compliance costs. SMEs have

struggled with several compliance elements of the MOSS and expressed significant concerns. EESC feels, however, that the proposed amendments to the MOSS address these concerns. EESC also welcomes the proposed extension of the MOSS to goods as it creates conditions for the possible removal of the **Low Value Consignment Relief (LVCR)** scheme. And finally, EESC recognises that the amendments to the rules governing **VAT rates** applicable to **e-publications** would eliminate the distinction between physical and non-physical publications, and ensure neutrality in the market. However, EESC considers that this may carry a risk for the VAT base.

MEP QUESTIONS & ANSWERS

TAX PRACTICES OF MULTINATIONAL CORPORATIONS – 26 JUNE

The European Commission has replied to a question asked by the MEP **Stelios Kouloglou (GUE-NGL/GRE)** with regard to the **tax practices of multinationals**. In his [question](#), Mr. Kouloglou refers to a study by **Oxfam** which demonstrates that the **US** loses \$135 billion annually due to taxable profits being hidden in secretive “**tax havens**”. He points to a number of EU jurisdictions that, arguably, facilitate such practices. He therefore asks the Commission what measures it will undertake to tackle such practices and what is the state of play with the **Common Consolidated Corporate Tax Base (CCCTB)**. In his [reply](#), **Commissioner Moscovici** reminds that investigations into specific companies are mainly the responsibility of Member States. He, however, refers to the **state aid** investigations and the numerous rapidly adopted legislative tax proposals as examples of effective action taken at the EU level. On CCCTB, the Commissioner merely states that the Commission is aiming for an agreement as soon as possible.

THE FUTURE OF SPECIAL TAX ARRANGEMENTS FOR THE OUTERMOST REGIONS (OR) – 28 JUNE

The European Commission has replied to a question asked by the MEP **Joëlle Mélin (ENF/FRA)** with regard to special **tax arrangements** of the so-called **outermost regions (ORs)**. In her [question](#), Ms. Mélin refers to special tax regimes applicable to the ORs as potentially abusive, and asks the Commission why it allows such special arrangements to continue. In his [reply](#), **Commissioner Moscovici** maintains that the exceptional regimes such as **dock dues** are based on stringent and objective criteria. The Member States whose ORs are subject to such special arrangements must submit periodic reports clearly outlining the need for the existence of the special tax regimes, and failing to do so will have to take appropriate action.

REFORMING VAT COLLECTION – 30 JUNE

The European Commission has replied to a question asked by the MEP **Jiří Pospíšil (EPP/CZE)** with regard to reforming **VAT collection**. In his [question](#), Mr. Pospíšil asks the Commission which of the two options for VAT collection reform the Commission prefers – **reverse charge mechanism** or the **definitive regime**, whether it has received feedback from Member States on the two options, and when it expects to reach an agreement on the VAT collection reform. In his [reply](#), **Commissioner Moscovici** confirms that the Commission has a clear preference for taxation of intra-EU transactions. The Commission will publish its proposal on VAT reform in autumn.

REPORTING OBLIGATIONS FOR NON-EU COMPANIES IN THE PUBLIC CBCR DIRECTIVE – 4 JULY

The European Commission has replied to a question asked by the MEP **Alfred Sant (S&D/MAL)** with regard to reporting obligations for non-EU companies under **public Country by Country Reporting (CBCR)**. In his [question](#), Mr. Sant refers to the Commission’s public CBCR proposal in which it states that subsidiaries of multinationals located in the EU will have a “collective responsibility” in ensuring that the relevant information is published in

accordance with the Directive's requirements. He therefore asks the Commission how the provisions will apply when a US subsidiary operates in the EU and its parent company prohibits it from disclosing certain information under US law, and how the Commission will ensure that EU subsidiaries of EU companies are not subject to de facto stricter requirements than their competitors. In his [reply](#), **Vice-President Dombrovskis** maintains that if a subsidiary of a non-EU group fails to obtain the requested information, it will be subject to applicable sanctions. It will be up to Member States to enforce the sanctions and to ensure that the information is made available. Otherwise, the Commission also relies on reputational harm that would fall on a multinational that seeks to conceal information.

EUROPEAN BANKS AND TAX HAVENS – 5 JULY

The European Commission has replied to a question asked by the MEP **Patrick Le Hyaric (GUE-NGL/FRA)** with regard to **European banks** and 'tax havens'. In his [question](#), Mr. Le Hyaric refers to a recent **Oxfam** report which allegedly reveals to what degree European banks are concealing funds overseas. He therefore asks the Commission what it will do to tackle such practices. In his [reply](#), **Commissioner Moscovici** lists a number of tax proposals that the Commission has put forward in order to strengthen the resilience of European tax systems against abusive tax practices, including both public and non-public **Country by Country Reporting (CBCR)** as well as the **Anti-Tax Avoidance Directive (ATAD)**.

INCOME TAX 2010 (2011, 2012 AND 2013) INVESTIGATION – 5 JULY

The European Commission has replied to a question asked by the MEP **Enrique Calvet Chambon (ALDE/SPA)** with regard to the Commission's **income tax** investigations into **Gibraltar**. In his [question](#), Mr. Calvet Chambon refers to an investigation into suspected illegal state aid in Gibraltar which are now likely to be delayed due to court appeals by the Gibraltar authorities. He asks the Commission whether Gibraltar is still issuing rulings similar to the ones subject to investigation, whether Gibraltar has introduced new measures or changed its practices due to the Commission investigation, and whether the Gibraltar could feature on the EU list of **non-cooperative jurisdictions**. In his [reply](#), **Commissioner Moscovici** confirms that the court appeal does not hinder the Commission investigation. Moreover, during the investigation Gibraltar has already abolished the tax exemptions for **passive interest** and royalties. In 2015, Gibraltar also strengthened its requirements for **tax returns**. With regard to the list of non-cooperative jurisdictions, the Commission is not in a position to disclose which jurisdictions have been chosen for subsequent screening. Only the Council may disclose this information.

VAT REGIME FOR DUTY FREE SHOPS – 5 JULY

The European Commission has replied to a question asked by the MEP **Stefano Maullu (EPP/ITA)** with regard to **VAT** applicable to **duty free** shops. In his [question](#), Mr. Maullu states that goods put on sale in duty free shops in 'temporary export' are subject to different tax arrangements depending on whether or not the buyer has a flight to a EU or non-EU country. He compares this practice to that granted to 'regular exporters', defined as those who can purchase goods without paying VAT. He therefore asks the Commission whether duty free shops could be considered as regular exporters. In his [reply](#), **Commissioner Moscovici** maintains that EU VAT legislation does not specifically define the concept of an 'exporter', and instead provides for an exemption to the supply of goods dispatched or transported to outside of the EU by a vendor or a customer. Member States may treat duty free shops as **tax warehouses** where the goods are intended to be sold to such travellers.