

COLLECTION OF THE CONSUMPTION TAX PROPOSED BY VIVANT(2005)

It is important for any type of taxation to set up a collection system that as far as possible **prevents fraud. A tax that is easily open to fraud is an unjust and ineffective tax**, and the simple administration put forward by VIVANT should help us to find simple and effective collection mechanisms.

In VIVANT's scheme, emphasis is put on the taxation of products, and it is evident that black market practices constitute a way of avoiding tax.

Where **products imported** from outside Europe are concerned, customs controls are crucial and they should be made **more effective**.

As for production inside the Union, **it should be monitored** in such a way that what reaches the market should **be known**.

The traceability (1) of means of production and finished products thus appears important, and examples already exist : control of excise duties on alcohol and tobacco; the traceability of food chains; control of the distribution of medicaments; collection of duties on energy; and, of course, the present VAT system.

By its nature, VAT is a tax that is recuperated, and thereby an occasion for fraud.

VIVANT's aim is to limit occasions for fraud and in particular the VAT circuits.

VIVANT proposes two methods :

1. To limit companies' recuperation of consumption tax

Goods the costs of which are variable as a function of production are recuperable when it comes to calculate consumption tax because they are not consumed as end products but used only for the production or manufacture of finished goods.

All inputs into production processes, such as raw materials or intermediate materials (fuel, packaging, vehicle and machine maintenance, etc.) are considered intermediate products and any VAT or consumption tax paid on them can be recuperated because they contribute directly to the process of manufacture or transformation.

On the other hand, consumption tax paid on the purchase of investments (finished products not necessarily contributing to manufacture or transformation), such as buildings, machines, computers, office furniture, heating, vehicles, telephonic and other equipment, is not recuperable.

2. To limit the number of actors in the market who actually collect consumption tax :

either by collection at the factory gate, as is suggested by Pierre Aunac, a French economist ("This is the whole point of a consumption tax conceived as a social VAT, paid directly by corporations to the social organisations, as social contributions now are.")

or by collection at the wholesaler level.

For example, the recuperation system should obviously apply to a wholesaler of heating equipment. But there is no point in applying it to those who install the heating systems. For control purposes, resources could thus be concentrated on the one wholesaler rather than spread between his 50

customers who instal his goods. In practice, then, the latter would not have to claim reimbursement of consumption tax.

The same would apply to small retailers such as bookshops, florists, cafés and restaurants.

Collection of consumption tax will thus be carried **out more economically and effectively**, at a limited number of points in the distribution chain, and may be combined with fiscal, health and environmental traceability at the European level.

⁽¹⁾ Personnel freed by the simplification of the social security system will be employed in other activities such as the education of future parents, permanent training of adults, helping those who wish to change job, diverse caring and personal services, correct tax levying, tracing of products in view of a consumption tax at the European level, social support services, and the redrafting of laws and regulations (in a permanent audit context) so that justice should be more effective. (Extract from VIVANT's Programme, p.12)

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