

## Editorial

### Silly Season, Silly Problems

It is characteristic of August that real (political) news is absent. People get airtime on the news, debate on the "Today" programme, drone on on "Newsnight", and in similar fora in other countries. Airtime has to be filled, and if the air is not hot with political nonsense, any other form of nonsense will do.

If nothing else appears, there is always a row to create about new Life Peers. So too, the row about the symbols which would appear on an optional identity card to be combined with the new model driving licence. The head of the Commission's London Office had to be wheeled out to explain that this was a matter for each Member State. Just as passports are national passports in standard model form, the same concept applies to the driving licence.

In fact, the machine-readable back page of the British passport bears a very strong resemblance to the form of identity card used in some other Member States. But whether the Union flag, the Royal Arms, or even a picture of the Immaculate Misconception (a former Prime Minister) should appear on the new card is indeed a matter for the British government, and, for their territories, for the governments of the other Member States. The fact that such a storm in a teacup received such publicity (and is even discussed in this Editorial) demonstrates the paucity of items of any consequence.

### Calm before the Storm?

When normal business returns, people may soon wish that they were back in the (few) balmy days of August. Before next summer there will have to be a general election in the UK (possibly demonic forces in advertising notwithstanding), and it should be clear in

what direction the Intergovernmental Conference will be heading.

The backwoodsmen and those ultimate *sans-culottes*, the Euro-sceptics will no doubt try to torpedo progress towards further integration at every turn. In the meantime, business lawyers' attention will turn to the programme for the introduction of the new common system of VAT in the Community.

The Commission's programme (COM (96) 328 Final) points out the benefits of a single place of taxation for operators, irrespective of where in the Community a transaction takes place. It heralds a macroeconomic reallocation of Member States' VAT revenues, the transformation of the VAT Committee into a regulatory committee with the Commission being empowered to adopt measures implementing Council legislation, and the modernisation of the system as a whole.

The creation of a single Community tax area will involve the abolition of distinctions between domestic and intra-Community transactions, so that the whole Community market is one domestic market. It will also mean the abolition of mechanisms for remission of tax and taxation in trade between Member States, through the taxation of all transactions carried out.

In terms of ensuring the competitive neutrality of VAT between firms, a single standard rate is likely, although approximation within a band of two percentage points may prove sufficient. In any event, the number and scope of reduced rates will need to be harmonised. Simplification for business will be most welcome, but no doubt the *sans-culottes* will see the programme as another attack on national sovereignty, in the form of the ability to determine taxation. So simplification may not please even the most hardened enthusiasts of deregulation. But if it makes life easier for all concerned, it will be very welcome indeed.

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