

Value added tax (VAT): certain temporary provisions concerning VAT rates

2007/0136(CNS) - 11/12/2007 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Ieke van den **BURG** (PES, NL) making some amendments to the proposal for a Council directive amending Directive 2006/112/EEC with regard to certain temporary provisions concerning rates of value added tax. The report was adopted by 582 votes in favour to 9 against with 25 abstentions.

Parliament introduced a series of new recitals in order to supplement and clarify the provisions of the Directive:

- in accordance with the principle of subsidiarity, the Community should not impinge upon Member States' competence in the area of indirect taxation beyond what is necessary to ensure the proper functioning of the internal market as regards the setting of VAT rates. In particular, locally supplied services, in so far as they do not involve cross-border activities, have, in principle, no effect on the functioning of the internal market;
- the period until 31 December 2010 should be sufficiently long to allow the Council to reach a conclusion on abandoning its target of introducing a definitive system for the taxation of intra-Community transactions, based on the principle of taxation in the country of origin and on an approach towards the approximation of VAT rates.
- the period until 31 December 2010 should also be sufficiently long to allow the Council to reach a conclusion on the final structure of VAT rates, which should include options allowing Member States to apply different VAT rates, provided that the smooth functioning of the internal market and other Community policies are ensured. During that period, the current rules should be applied in a prudent way, taking due account of borderline cases, so that Member States are not precluded from pursuing legitimate policy objectives before or after the Council decides on the final structure of value added tax;
- in accordance with the principle of subsidiarity, and after the Council has decided on a definitive system for the taxation of intra-Community transactions, Member States should be able to apply reduced rates or, in exceptional circumstances, possibly even zero rates, to basic goods and services such as food and medication for clearly defined social, economic and environmental reasons and for the benefit of the final consumer;
- in accordance with the principle of subsidiarity and after the Council has decided on a definitive system for the taxation of intra-Community transactions, Member States should be able to apply reduced rates or, in exceptional circumstances, possibly even zero rates to the provision of locally supplied services, including services and provision of goods linked to education, welfare, social security work and culture;
- any future system for the taxation of intra-Community transactions should be transparent and based on administrative simplicity;
- it should be highlighted that those Member States that have not applied or no longer apply the temporary VAT derogations that expired in 2007 should be granted, until 31 December 2010, the opportunity to avail themselves of such temporary derogations.