

Value added tax VAT: common system, treatment of insurance and financial services

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The Committee on Economic and Monetary Affairs adopted a report drafted by Joseph MUSCAT (PES, MT) and made some amendments to the proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services.

The main amendments were as follows :

Principle of neutrality: Members stressed the need for a framework which provides neutral conditions in regard to the value added tax (VAT) treatment of financial products and their marketing and management.

They also stressed the aim of having a level playing field in the European Union between economic operators and Member States.

Exemptions: amongst the transactions to be exempted by Member States are exchange of currency, provision of cash and cash claims transactions and derivatives of all kinds. Members stated that derivatives should be exempted from turnover tax, irrespective of the underlying assets. Turnover tax liability can only arise if the performance of a transaction leads to a taxable sale.

Definitions: the committee broadened the definition of 'investment funds'. The definition of 'transactions concerning trading in securities' has been extended to include title to cash-settled financial, credit, and commodity derivatives and related options. The definition encompasses all cash-settled derivatives, whatever the nature of the assets underlying them (commodities and/or financial instruments). Members also broadened the definition of '**investment fund**', believing the Commission's proposal to be too restrictive on this point. They state that by including in the definition pension funds and vehicles used to implement and execute collective pension schemes, a level playing field is created and a distortion eliminated. The 'management of investment funds' includes advisory services.

Groups: with regard to the conditions to be fulfilled for Member States to exempt services supplied by a group of taxable persons to members of the group, the committee notes that the group itself must be established in the Community. However, it should be possible for undertakings that are not resident in the EU to become members of such a group, and these groups should be able to provide services to third parties in accordance with general turnover tax principles without this affecting the principle of their tax exemption.

Report: the Commission will report to the European Parliament and the Council on the operation of the right of option 3 years after entry into force. If appropriate, the Commission shall present a legislative proposal concerning detailed rules governing the exercise of that right of option and any other amendments of Directive .../.../EC in this respect.

Transposition: Member States' transposition must ensure that end-consumers benefit from the restructuring of the present VAT arrangement. Members noted that The facilitation of procedures for businesses should not come at the cost of increased prices for consumers.