

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

2007/0267(CNS) - 25/09/2008 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted, by 493 votes to 90 with 10 abstentions, a legislative resolution amending 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 report had been tabled for consideration in plenary by Joseph MUSCAT (PES, MT) on behalf of the Committee on Economic and Monetary Affairs.

The main amendment – adopted under the consultation procedure – 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, transactions concerning trading in securities and derivatives of all kinds.

Definitions: Parliament clarified the definition of 'insurance' and broadened the definition of 'investment funds'. The latter means specially constituted investment vehicles created for the sole purpose of gathering assets from investors and investing those assets in a diversified pool of assets, including pension funds and vehicles used to implement and execute collective pension schemes. The 'management of investment funds' includes at least strategic and tactical asset management and asset allocation, including advisory services, as well as currency and risk management.

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, Parliament 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.

Services to third countries: in order to ensure a level-playing field between the banking, insurance and fund industry sector, investment fund management services provided to third countries should also be VAT deductible.

Right of option: from 1 January 2012, Member States shall allow taxable persons in each individual case a right of option for taxation in respect of one of the services referred to in the text, where that service is provided to another taxable person established in the same Member State or elsewhere in the Community. The Commission shall report to the European Parliament and the Council on the operation of the right of option 3 years after entry into force of Directive .../.../EC. 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 this Directive in this regard.

Transposition: Member States' transposition must ensure that end-consumers benefit from the restructuring of the present VAT arrangement.