# Value added tax VAT: derogations granted to Austria and Portugal (amend. Directive 77/388 /EEC)

1999/0272(CNS) - 30/03/2000 - Final act

PURPOSE : Value Added Tax (VAT) provisions for Austria and Portugal COMMUNITY MEASURE : Council Directive 2000/17/EC amending Directive 77/388/EEC on the common system of value added tax - transitional provisions granted to the Republic of Austria and the Portuguese Republic. CONTENT : The Directive authorises: -Austria to apply one of the two reduced rates provided for in the third subparagraph of Article 12(3)(a) of the Sixth VAT Directive to the letting of immovable property for residential use, provided that the rate is not lower than 10%; -Portugal to apply one of the two reduced rates provided for in the third subparagraph of Article 12(3)(a) to restaurant services, provided that the rate is not lower than 12%. Austria had been allowed this derogation from its accession until 1 January 1999. It asked for an extension of the derogation since the transitional VAT regime was still in place and the situation had not changed since the negotiation of the 1994 Act of Accession : dispensing with the reduced rate would inevitably lead to an increase in the price of immovable property rental for the final consumer. As regards Portugal - which applied a reduced rate of 8% until 1991, and the normal rate since 1992 - the reintroduction of a reduced rate for restaurant services was justified by the fact that maintaining the adverse rate had adverse consequences, in particular job losses and an increase in undeclared employment, as well as an increase in the price of restaurant services for the final consumer. The Council considers that there is no risk of distortion of competition with other Member States, given that the services would be supplied within the single Member State concerned. The Directive applies as from 1 January 1999 until the end of the transitional period referred to in Article 281 of the sixth VAT Directive. ENTRY INTO FORCE : 05.04.2000.