Resolution on the modernisation of VAT legislation in order to boost the digital single market

2011/2898(RSP) - 17/11/2011 - Text adopted by Parliament, single reading

Following the debate held during the sitting of 16th November, the European Parliament adopted by 484 votes to 48, with 56 abstentions, a resolution on the modernisation of VAT legislation in order to boost the digital single market.

The resolution had been tabled by the S&D, ALDE, EPP Groups, Kay Swinburne and Ashley Fox.

It notes that the Commission is currently looking into the future of VAT, and that the EU 2020 strategy must be taken into account in this connection. Members point out that the current legal framework, with particular reference to Annex 3 to Directive 2006/112/EC as regards the place of supply of services is a barrier to the development of new digital services and thus inconsistent with the goals set out in the 'A Digital Agenda for Europe'. The **EU must be ambitious** and go beyond merely remedying the inconsistencies of the current legal framework, and encouraging companies to develop and offer new pan-European online services should be a priority in the review of VAT rules.

Members consider that the VAT rates applicable to books illustrate the shortcomings of current legislation in that, while Member States may apply reduced VAT rates to the supply of books on all physical media, e-books are subject to a standard rate of no less than 15%. This discrimination is untenable, given the potential growth of this segment of the market. With a view to developing a genuine single market, EU law could allow Member States to apply, on a temporary basis, a **reduced VAT rate to electronically supplied services with a cultural content**. This new category, which would be included in the current Annex 3 to Directive 2006/112/EC, could cover the provision of online services, such as TV, music, books or newspapers and magazines, by a supplier established within the EU to any consumer resident in the EU. Members take the view that the EU needs to push ahead with the creation, production and distribution (on all platforms) of digital content and that the application of a reduced VAT rate to online cultural content could certainly boost growth.

They also draw attention to the OECD principles on the taxation of e-commerce which were agreed at a conference in Ottawa in 1998 and which establish that rules governing consumption taxes, such as VAT, should result in taxation in the jurisdiction where consumption takes place. In accordance with Directive 2008/8/EC, the OECD principles will apply to the EU as from 1 January 2015. In order to enable all Member States to benefit equally from the digital single market, the principle of taxation in the Member State where consumption takes place should apply as soon as possible, and Members want the Commission to look into the possibility of reviewing Directive 2008/8/EC with a view to requiring VAT to be paid in accordance with the destination principle by 1 January 2015.