

Common system of value added tax (VAT): duration of the obligation to respect a minimum standard rate

2015/0296(CNS) - 14/12/2015 - Legislative proposal

PURPOSE: to extend, for a period of two years, the current situation where the minimum standard rate of VAT in Member States is at 15%.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: [Directive 2006/112/EC](#) on the common system of value added tax ("the VAT Directive") provides that from 1 January 2011 until 31 December 2015 **the standard rate may not be less than 15%**. This current minimum standard rate provision has been extended five times.

The Commission considers that the standard rate of value added tax (VAT) currently in force in Member States, combined with the mechanism of the transitional system has ensured that this system has **functioned to an acceptable degree**. With new rules on the place of supply of services which favour taxation at the place of consumption, the possibilities for exploiting differences in VAT rates through relocation have been limited further and potential distortions of competition reduced.

In the light of results obtained following its [Communication of 2011 on the future of VAT](#), the **Commission will publish an Action Plan for a definitive system of Value Added Tax** for intra-EU trade that the Commission wants to propose and the reforms it envisages to adapt the existing rules on VAT rates to a definitive regime characterised by the destination principle. This review of rules on VAT rates will address two key issues:

- the possibility of giving greater autonomy in rate-setting ('enhanced flexibility') to Member States, and
- the manner of dealing with the temporary derogations allowing for exemptions, zero rates and super reduced rates, that would have to be reconsidered upon the introduction of the definitive VAT regime.

CONTENT: pending the decisions on the final shape of the definitive regime, the Commission proposes to amend the VAT Directive in order to **extend from 1 January 2016 to 31 December 2017 the period of application of the current minimum standard rate of VAT in Member States, set at 15%**.

This sixth prolongation maintains the current satisfactory situation and provides legal certainty for stakeholders, while allowing the definitive VAT regime for intra-EU trade to enter into force on the basis of a reviewed set of rules for standard and reduced VAT rates.

The proposed measure does not preclude a further revision of VAT legislation before 31 December 2017 to address the final arrangement of a definitive VAT regime for intra-Union trade.