

Common system of value added tax (VAT): minimum standard rate

2017/0349(CNS) - 19/12/2017 - Legislative proposal

PURPOSE: to ensure that all Member States apply a standard VAT rate of at least 15% permanently.

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 the opinion of the European Parliament.

BACKGROUND: currently, Article 97 of [Directive 2006/112/EC](#) on the common system of value added tax (VAT Directive) provides that from 1 January 2016 until 31 December 2017, the standard rate may not be less than 15 %.

In October 2017, the Commission adopted the first [proposal](#) introducing the definitive system for the taxation of trade between Member States⁸ and outlined successive steps and sub-steps for introducing this system in its follow-up to the [VAT Action Plan](#). It also announced that it would propose a reform of VAT rates, which would be consistent with the definitive arrangements based on the destination principle that will gradually replace the current transitional arrangements.

The Commission considers it appropriate to **maintain the current minimum standard rate at 15%, also in a definitive VAT system** based on the principle of taxation in the Member State of destination and to make it permanent.

Considering that all Member States currently apply a standard rate of at least 17%, the current arrangement for a minimum standard rate of 15% remains appropriate.

CONTENT: the Commission proposes to make an existing temporary provision definitive (Article 97 of the VAT Directive). The proposal aims to prevent that the minimum of 15% for the standard rate expires on 1 January 2018 and **ensures that all Member States apply a standard rate of a minimum of 15% on a permanent basis.**

The Commission will continue to monitor that Member States respect the minimum of 15% for the standard VAT rate.