Rates of value added tax

2018/0005(CNS) - 06/09/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted, following the consultation procedure, the report by Tibor SZANYI (S&D, HU) on the proposal for a Council directive amending Directive 2006/112/EC as regards rates of value added tax.

The proposal to amend the VAT Directive provides for greater flexibility for Member States to benefit from reduced or zero rates in force in other Member States. It allows Member States to apply a maximum of two reduced rates of a minimum of 5%.

Member States may, in addition to the two reduced rates, apply a rate lower than the minimum of 5% and an exemption with deductibility of the VAT paid at the preceding stage.

The committee responsible recommended that the European Parliament **approve the Commission proposal subject to the following amendments**:

Standard VAT rate: Members considered that the standard rate shall **permanently remain at least 15 % and shall not exceed 25 %.**

General interest: Members stressed reduced rates and exemptions applied shall benefit the final consumer and shall be applied to pursue, in a consistent manner, an objective of general interest. Priority shall be given to goods or services having a positive impact on the general interest, such as **cultural, social or environmental benefits**. They stressed that Member States should avoid using reduced VAT rates for **harmful or luxury products**.

Members also considered allowing Member States to apply reduced rates, including reduced rates without a minimum threshold, to **printed publications and electronic publications** to ensure the transfer of economic benefits to consumers, thereby promoting reading, and to publishers, thereby encouraging investment in new content and, in the case of newspapers and magazines, should reduce reliance on advertising.

In addition, it shall be possible to apply reduced VAT rates to publications in adapted formats and audio formats intended to facilitate access to books, newspapers and periodicals for people with a visual impairment.

Web portal: it is proposed that the Commission, in cooperation with the Member States, shall establish a comprehensive, multilingual and publicly accessible Union VAT Web Information Portal on which businesses and consumers can quickly and effectively obtain accurate information on VAT rates.

Negative list of products (Annex IIIa): Members proposed adding pacemakers and hearing aids to the list of supplies of goods and services in the Annex. The Commission shall be empowered to **amend the scope** of Annex IIIa by means of an implementing act, when necessary and provided there is evidence related to distortion of competition justifying the update of the list of supplies of goods and services.

By **31 December 2021** and every two years thereafter, the Commission shall submit to the European Parliament and the Council a report on the scope of Annex IIIa, accompanied by any proposals to amend that Annex, where necessary.