

Rates of value added tax

2018/0005(CNS) - 03/10/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a legislative resolution by 536 votes to 87, with 41 abstentions, under a special legislative procedure (consultation) 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.

Parliament approved the Commission proposal subject to the following amendments:

Towards convergence of VAT rates: Members stressed that under a definitive system where the supply of goods and services would be taxed in the Member State of destination, it should be possible to grant a certain degree of flexibility to Member States in setting rates. However, Member States should not ignore the objective of ensuring greater convergence of VAT rates.

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

General interest: if reduced rates and exemptions benefit the final consumer and 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**. Members stressed that Member States should **avoid using reduced VAT rates for harmful or luxury products**.

Parliament 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 information portal: with particular attention to the needs of SMEs engaged in cross-border business activities in the Union and in order to facilitate trade and enhance legal certainty in the single market, the Commission shall, in cooperation with the Member States, establish a **comprehensive and publicly accessible** Union VAT Web information portal for businesses. That multilingual portal shall provide quick, up-to-date and accurate access to relevant information about the implementation of the VAT system in the different Member States and in particular about the correct VAT rates for different goods and services in the different Member States.

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.