Defence effort within the Union framework: common system of value added tax and general arrangements for excise duty

2019/0096(CNS) - 26/11/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 528 votes to 78, with 61 abstentions, under a special legislative procedure (consultation), a legislative resolution on the proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax and Directive 2008/118/EC on the general arrangements for excise duty as regards the defence effort within the Union framework.

As a reminder, the objective of this proposal is to align the VAT treatment of defence efforts in the EU and NATO frameworks as far as is feasible. Similarly, the arrangements for exemptions from excise duties, as provided for in the Excise Directive, should be aligned in the same way.

The European Parliament approved the Commission's proposal subject to amendments.

Defence effort

Members suggested that the definition of defence effort should be amended to ensure that all actions, military formations or structures carried out under Article 42 TEU which defines the scope of the common security and defence policy (CSDP) are covered.

It is thus specified that the defence effort carried out with a view to the implementation of a Union activity within the framework of the CSDP covers:

- military missions,

- the activities of battlegroups and other multinational formations or structures established by Member States and operating within the framework of the CSDP,

- mutual assistance,

- permanent structured cooperation (PESCO) projects,

- activities of the European Defence Agency (EDA) and

- activities aimed at the progressive framing of a common Union defence policy.

Exemptions from VAT and excise duty

The Commission should keep a record of any defence effort carried out for the implementation of a Union activity under the CSDP in respect of which exemptions apply.

The exemptions should apply only to situations where armed forces carry out tasks directly linked to a defence effort under the CSDP. They should not cover civilian missions under the CSDP. Goods or services supplied for the use of civilian staff could therefore only be covered by the exemptions when the civilian staff is accompanying armed forces carrying out tasks directly linked to a defence effort under the CSDP outside their Member State.

The resolution stressed that tasks performed exclusively by civilian staff or performed exclusively by using civilian capabilities should not be considered to be a defence effort. Nor should the exemptions in any circumstance cover goods or services that the armed forces acquire for the use of the forces or the civilian staff accompanying them within their own Member State.