

Rates of value added tax

2018/0005(CNS) - 09/03/2022 - Text adopted by Parliament after reconsultation

The European Parliament adopted by 612 votes to 14, with 71 abstentions, following a special legislative procedure (repeated consultation of the Parliament), a legislative resolution on the draft Council directive amending directive 2006/112/EC with regard to value added tax (VAT) rates.

Parliament approved the Council draft.

The Council's draft aims to update EU rules on value added tax (VAT) rates, taking into account the current needs of the Member States and the EU's current policy objectives, notably in the areas of health, the environment and the digital transition.

The draft amending Council directive provides for the following:

- extending the list of goods and services for which **reduced VAT rates** are allowed (e.g. Annex III of Directive 2006/112/EC). However, in order to avoid the multiplication of reduced rates, the number of goods to which reduced rates may be applied is limited;
- existing **derogations** which allowed some Member States to apply preferential rates for certain products have been opened up to all Member States, provided that they are compatible with the agreed principles;
- the introduction of **phasing-out periods for reduced rates applied to products with a negative impact on the environment**. Reduced rates or exemptions for **fossil fuels** and other goods with a similar impact on greenhouse gas emissions, such as peat and firewood, should cease to apply by 1 January 2030 at the latest, and reduced rates or exemptions for **chemical pesticides and chemical fertilisers** should cease to apply by 1 January 2032 at the latest;
- the possibility for Member States to apply a reduced rate to internet access services in order to address the low coverage of internet access services and to promote their development;
- the inclusion of solar panels, electric bicycles and waste recycling services in the list of environmentally friendly goods and services for which reduced rates are allowed;
- the possibility to apply reduced rates for specific social and cultural policy purposes.