Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)

1995/0362(CNS) - 10/12/1995

PREVIOUS COMMUNITY LEGISLATION: Directive 77/388/EEC (the Sixth VAT Directive). This was amended by Directives 91/680/EEC, 92/77/EEC and 92/111/EEC to introduce a "transitional" VAT system within the Single Market at the beginning of 1993. Article 12(3)(a) of the revised Sixth Directive established a minimum standard rate of VAT. This was fixed at 15% for the period 1 January 1993 until 31 December 1996. Under Article 35a of the Directive, the Commission was required, by the end of 1994, to report on the operation of the transitional arrangements and also to "submit proposals for a definitive system". The report (COM(94)515 of 23.11.1994) was published on time, though the proposals have yet to appear. Article 12(3)(a) further required the Council, "on the basis of the report on the operation of the transitional arrangements and proposals on the definitive arrangements" to decide "before 31 December 1995 on the level of the minimum rate to be applied after 31 December 1996 with regard to the standard rate." PREVIOUS POSITION OF EP: Parliament's position on rates of VAT is contained in the METTEN Report from the Committee on Economic and Monetary Affairs and Industrial Policy, adopted by Parliament on 12th June 1991 (OJ C183 of 15.7.91). It agreed with a minimum standard rate of VAT fixed at 15%. 6. Situation in the Member States: All Member States have a standard rate of VAT above 15%. No Member State has a standard rate above 25%. The absolute average rate is 19% and the average weighted by GDP is 17.5% BACKGROUND INFORMATION: This proposal is tabled by the Commission as an amendment to the Sixth VAT Directive. It is not, therefore, strictly in accordance with Article 12(3)(a) of the Sixth Directive, which requires the Council to make a decision on the basis of proposals for a definitive VAT system. The Commission states, indeed, that it is proposing "the creation of a standard VAT rate band on a transitional basis only". This will be subject to revision after a two-year period "and will anyway be examined in the context of the introduction of the definitive system". of a standard VAT rate band on a transitional basis only". This will be subject to revision after a two-year period "and will anyway be examined in the context of the introduction of the definitive system".