Value added tax VAT: length of application of the current minimum standard rate, 2001-2005 (amend. Directive 77/388/EEC)

2000/0223(CNS) - 20/09/2000 - Legislative proposal

PURPOSE : to present a proposal for a Council Directive aiming to amend Directive 77/388/EEC on the common system of value added tax, with regard to the length of time during which the minimum standard rate is to be applied. CONTENT : earlier proposals relating to approximate rates of value added tax have been amended by the Council several times, however, throughout this process the Council kept only the principle of the minimum rate. Since then, the Commission has recently adopted a new strategy aimed at improving the operation of the VAT system in the internal market. This strategy does not call into question the idea of a definitive system of taxation or harmonisation of the rates as long-term objectives. However, having said this, the Commission proposed a phased strategy geared to four major objectives, namely simplification and modernisation of current rules, more uniform application of the existing legislation and closer administrative cooperation. During this period, however, it is important to prevent growing divergence in the standard rates of VAT applied by the Member States from leading to structural imbalances in the EU and distortions of competition in certain sectors of activity. Therefore, the aim of this proposal is to enable the Council to extend the period of application of the minimum standard rate of value added tax. The minimum level for the standard rate is therefore set at 15% for a period of 5 years, from 1 January 2001 to 31 December 2005. This provision will be subject to revision, given that the Council, acting on a proposal to be submitted by the Commission not later than 31 December 2005, must decide what the standard rate is to be after that date.