Value added tax VAT: labour-intensive services, extension of reduced rates (amend. Directive 77 /388/EEC)

2002/0230(CNS) - 25/09/2002 - Legislative proposal

PURPOSE : to extend the facility allowing Member States to apply reduced rates of VAT to certain labour-intensive services. CONTENT : on 22 October 1999, the Council adopted Directive 1999/85/EC amending Directive 77/388/EEC (the 6th VAT Directive) as regards the possibility of applying on an experimental basis a reduced VAT rate on labour-intensive services. Its purpose is to allow Member States that so wish to test the impact, in terms of job creation and a reduction of the underground economy, of a targeted reduction of VAT on these services. The 6th VAT Directive authorises the experimental application of a reduced rate of VAT on labour-intensive services up to 31 December 2002. It requires Member States that have applied such reduced rates to draw up a detailed report by 1 October 2002 assessing the measures' effectiveness in terms of job-creation and efficiency. Since no assessment reports have yet been submitted to the Commission by the Member States, and in view of the time needed to evaluate such reports thoroughly in accordance with the guidelines of Directive 1999/85/EC, it is essential to alter the period set in Article 28(6) of the 6th VAT Directive. It is under these circumstances that Commission considers that the first subparagraph of Article 28(6) of Directive 77/388/EC and the first paragraph of Article 1 of Decision 2000/185/EC should be amended to extend the period of validity of the authorisation to 31 December 2003 at the latest. This would allow the nine Member States currently applying a reduced rate of VAT to labour-intensive services to continue to do so for another year under the same conditions, without changing or extending the scope of the experiment.