Value added tax VAT: reduced rates (amend. Directive 77/388/EEC)

2003/0169(CNS) - 24/11/2003

The committee adopted the report by Christa RANDZIO-PLATH (PES, D) amending the proposal under the consultation procedure. MEPs wanted to let the lower VAT rate experiment continue for some labour-intensive sectors, pending the introduction of a definitive VAT system. They said the experimental period of three years with a one-year extension had been "insufficient" to evaluate fully such a complex issue and its impact on employment. Moreover, the report pointed out that data presented to the European Parliament by the industries concerned demonstrated that there had been a significant net job creation, contrary to what the Commission was saying. The committee also said that Member States should be allowed to apply a reduced rate of VAT to a wider range of goods and services than suggested in the proposal, provided this did not affect the functioning of the internal market. Hairdressing, minor repair services and recorded music were among the extra items MEPs recommended adding to Annex H of the directive listing the goods and services allowed to enjoy a lower rate. In addition, MEPs wanted to allow individual Member States such as the UK and Ireland to continue applying a zero-rate to, for instance, children's clothes and shoes.