Turn-over-taxes, common system of VAT: uniform basis of assessment. Report

1997/2274(COS) - 13/11/1997 - Non-legislative basic document

OBJECTIVE: to review the scope of the sixth VAT Directive. SUBSTANCE: this document contains the report which the Commission is required to submit to the Council pursuant to Article 12(4) of the Sixth VAT Directive with a view to reviewing the scope of the reduced VAT rates. On the basis of the information available to it the Commission considers that in general the current structure of VAT rates is not, within the Community's territory, an obstacle to the operation of the transitional VAT systems. In general the differences in VAT rates do not affect cross-border purchases, even if they sometimes influence consumers, which causes distortions. Apart from certain regions and/or certain goods, there have not been major distortions of competition or deflections of trade within the Community because of the major differences in the VAT rates applied by the Member States. The analysis of the current structure of VAT rates and, in particular, the scope of the reduced rate, always highlights two inherent problems in this structure which underlie certain distortions which disturb the competitive position of certain parties. Firstly there is the voluntary nature of Annex H and secondly the lack of common definitions of the categories in this annex. The Commission therefore hopes to encourage the Member States to examine the difficulties which these fundamental problems could cause. More specifically, the report recommends the following guidelines: - close approximation of rates is a technical necessity; - the scope for the application of reduced rates should be determined by social considerations (in order to offset the sometimes regressive character of VAT); - generally reduced VAT rates are a very imprecise tool for policy making and they should not be used as a substitute for direct subsidies; - reduced VAT rates should not affect the general neutrality of VAT.