Value added tax VAT: reduced rate on labour-intensive services (amend. Directive 77/388/EEC)

1999/0056(CNS) - 17/02/1999 - Legislative proposal

PURPOSE: allowing possible application on an experimental basis of a reduced VAT rate on labour-intensive services. CONTENT: this proposal for a directive is designed to amend the sixth VAT directive (77/388/EEC) by introducing an authorisation procedure by the Council, acting unanimously, for those Member States wishing to apply a reduced rate for certain local labour-intensive services. In view of this measure's experimental nature, it should be restricted for Member States to a fixed three-year period beginning on 01/01/2000 and ending on 31/12/2002 so that it can be assessed and the appropriate arrangements made. It should also be made subject to strict conditions to ensure that it remains verifiable and limited. To this end, the proposal: - lists the conditions that services must meet in order to qualify for a rate reduction; - spells out in detail the authorisation procedure set in place and the information to be provided by the Member States wishing to introduce the measure; - provides for the Commission to propose appropriate measures to the CXouncil in the event of distortions of competition coming to light during the experiment; - requires those Member States which implement the measure to draw up a detailed report on its operation and its impact on employment.