Common system of VAT: a programme for the single market

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When it adopted the report by Mrs Christa RANDZIO-PLATH (PPE, D), the European Parliament took the view that the introduction of a definitive VAT system based on the principle of taxation in the country of origin, while possessing some potential advantages, would be a long process. It therefore called on the Commission to submit proposals which could be implemented without too much difficulty within the framework of a provisional system. It called on the Commission to submit its initial proposals for its programme designed to modernize and ensure the more uniform application of the current system of VAT with a view to remedying some of its shortcomings and to creating favourable conditions for the transition to the definitive system. The new VAT system must continue to be fiscally neutral so as to prevent distortion of competition. There must be no reduction in tax revenue in the Member States, and the system must prevent any shifts of revenue among the Member States. Parliament also emphasized the need to select VAT rates which made the tax socially fair and had a positive impact on employment and that an ecological tax reform must be supported. While deeming it politically difficult to widen or to narrow the current band of standard VAT rates, Parliament believed that it was essential to maintain the zero rate, to fix the reduced rate at 5% and for there to be a binding definition of all transactions falling into that category. It called for: - the application of the reduced rate or a zero rate to objects and services: - the improvement of the tax status of welfare organizations in the Union; - the application of the zero rate to the transactions of the medical professions and hospitals, to transactions carried out by social insurance funds and by welfare organizations recognized in the Member States and to transactions concerning social security, education, training and sport. Finally, having called for the introduction of a system of penalties for breaches of law that are uniform in nature and scale, Parliament called for the principle of majority decision-making on indirect tax issues to be introduced in the Council of Ministers.