

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

1999/0056(CNS) - 04/05/1999 - Text adopted by Parliament, 1st reading/single reading

Under consultation procedure, the European Parliament adopted the report by Marianne Thyssen (PPE, BE), which approves the Commission proposal for a Council directive amending directive 77/388/EEC as regards the possibility of applying on an experimental basis a reduced VAT rate on labour-intensive services, subject to amendments, notably in the following areas: - noting that the proposed reduced VAT rate may, above all, have a favourable effect on the employment of semi- and unskilled workers, thus complying with one of the objectives of the employment guidelines and may also have a favourable effect on the protection of the environment; - providing that Member States' detailed assessment of the impact of the proposed reduced VAT rate should take account of its role as a disincentive for undeclared work and the undeclared economy, should at least contain specific information on the effect of the application of the reduced VAT rate on prices, private consumption, employment in each sector and the government's budget deficit and should be followed, no later than 31/12/2002, by a comparative report by the Commission on these Member States' reports in order to draw up sound conclusions and where appropriate, to promote the exchange of information and diffusion of best practices; - providing that the Commission's report shall also contain details of a proposal for the appropriate measures for definitive arrangements for the VAT rate for labour-intensive services; - providing that, no later than 31/12/2002, the Commission shall also forward a global evaluation report to the Council and the European Parliament accompanied, if necessary, by a proposal for appropriate measures for a final decision on the VAT rate applicable to labour-intensive services. - providing that the Council's authorisation of the application of the reduced rates by any Member State between 01/01/2000 and 31/12/2002 will be undertaken by qualified majority, rather than unanimity.