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

1999/0056(CNS) - 22/10/1999 - Final act

PURPOSE : to introduce on an experimental basis a reduced rate of VAT on labour-intensive services.
COMMUNITY MEASURE : Council Directive 1999/85/EC amending Directive 77/388/EEC.
CONTENT : the Directive provides that the Council, ruling by unanimity, can authorise a Member State to apply a reduced rate of VAT to certain local highly labour-intensive services, over a maximum period of 3 years running from 01.01.2000 to 31.12.2002. The services concerned are as follows : small repair services (bikes, shoes and leather articles, clothes and household linen); renovation and repair of private accommodation, excluding materials which represent an important part of the value of the service supplied; window washing and cleaning of private accommodation; domestic health services (eg: children, old people, ill or handicapped), and hairdressing. The services in question must fulfil the following conditions: they have to be highly labour-intensive, to be largely directly supplied to the final consumer and be principally local and unlikely to create distortions of competition. Lastly, there must be a direct link between the drop in price resulting from the reduced rate and a clear increase in demand for labour. In this respect, the Directive requires Member States that have applied such a measure to draw up a detailed report on its operation and its impact on employment. From 31.12.2002, the Commission will draw up an overall evaluation report and will propose, if necessary, a definite regulation on the rate of VAT applicable to labour-intensive services. ENTRY INTO FORCE : 28/10/1999.