Value added tax VAT: length of time during which the minimum standard rate is to be applied (amend. Directive 77/388/EEC)

2005/0051(CNS) - 12/12/2005 - Final act

PURPOSE : to amend Directive 77/388/EEC on the common system of value added tax, with regard to the length of time during which the minimum standard rate is to be applied.

LEGISLATIVE ACT : Council Directive 2005/92/EC amending Directive 77/388/EEC with regard to the length of time during which the minimum standard rate of VAT is to be applied.

CONTENT : to recall, the standard rate of VAT currently in force in the various Member States, combined with the mechanism of the transitional system, has ensured that this system has functioned to an acceptable degree. That rate continues to range from 15% to 25% in the 25 Member States. Two Member States (Cyprus and Luxembourg) apply a 15% rate and three a 25% rate (Denmark, Hungary and Sweden). It is nonetheless important to prevent a growing divergence in the standard rates of VAT applied by the Member States from leading to structural imbalances in the Community and distortions of competition in some sectors of activity. In these circumstances, it therefore appears appropriate to maintain temporarily the principle of a minimum standard rate of 15%, and to propose that the legislation in force be extended.

Since the application of this rate under Article 12(3)(a) of Directive 77/388/EEC expires on 31 December 2005, the purpose of this Council Directive is to enable the Council to extend the period of application of the minimum standard rate. The minimum level for the standard rate is therefore set at 15% for the five years from 1 January 2006 to 31 December 2010.

ENTRY INTO FORCE : 28 December 2005.

TRANSPOSITION : 1 January 2006.