

Speaking points :

Ladies and gentlemen,

The Commission has completed the finalisation of my proposal on the application of reduced VAT rates and approved it today.

Concerning the application of reduced VAT rates we have

a) long term objectives :

- to launch an overall review of the application of reduced VAT rates and by abolishing inequality to make the system more fair to provide a level playing field for all Member States
- to offer more flexibility to Member States, but in the same time to avoid any distortion in the Internal Market
- to promote some important policy goals (like employment, environmental, social and cultural policy)

b) short term objective :

- to tackle issues of urgency in case of temporary provisions for some Member States with a deadline till the end of 2010 with enough evidence that it will not result in distortion of competition.

The current proposal would include the following issues into the Annex III to the VAT Directives which contains the list of goods and services eligible for reduced VAT rates :

- 1) the list of labour intensive services for which the reduced VAT rates experiment expires on 31.12.2010 together with some

other locally supplied services like gardening, landscaping services, maintenance of gardens, minor repair of movable tangible property, their cleaning, ironing, laundry etc. and beauticians

- 2) the whole housing sector (abolishing the current limitation to housing as part of social policy and also adding places of worship, cultural heritage and historical monuments including renovation, repairing and cleaning.

These changes will also make it possible for Member States to apply reduced VAT rates to renovation and repair work aiming at increased energy saving and energy efficiency.

- 3) restaurant services and catering
- 4) The proposal includes some technical drafting adaptation and changes of definitions to allow reduced VAT rates for children's nappies, audio-books, those CD's, CD-ROM's or other physical supports that reproduce the same information content as printed books and a few other technical adaptations (proposed in 2003 – still valid) on equipments, aids and other appliances for disabled persons or services linked with waste treatment.

The proposal does not include provisions to apply reduced VAT rates on energy efficient or energy saving goods, appliances and materials. Currently 4 studies are ongoing and the Commission will present their results with relevant proposals in the autumn together with proposals to eliminate reduces VAT rates for products harmful to the environment like pesticides.

Other possible extension of the scope of reduced VAT rates (on music, films etc. on all support) should be left for the later stage when more analysis will be available concerning the use and effectiveness of reduced VAT rates in order to promote certain policies.

The proposal adopted by the Commission will be now sent to the Council (ECOFIN), to the European Parliament and to the European Economic and Social Committee in accordance with the Article 93 of the Treaty.

The envisaged timetable:

Opinion of European Parliament : February/March 2009

Opinion of the European Economic and Social Committee : February/March 2009

Discussion and adoption by the Council (ECOFIN) in mid-2009