

CHAMBER OF DEPUTIES

Committees Service

Opinion on the proposal for a Council Directive amending Directive 2006/112/EC as regards reduced rates of value added tax (COM(2008) 428 final)

The Fourteenth Committee,

having examined the proposal for a Council Directive amending Directive 2006/112/EC as regards reduced rates of value added tax (COM(2008)428);

having regard to the political agreement on the proposal reached by the Ecofin Council of 10 March 2009;

Whereas:

- the proposal, one of the measures associated with the European Small Business Act, aims to systematise the right of Member States to apply reduced rates of VAT to certain labour-intensive services, which may already be taxed at reduced rates as a temporary measure until 2010, as well as other categories of locally supplied services;
- in particular, it provides for the inclusion of restaurant and catering services (excluding the supply of alcoholic beverages) and locally supplied services including labour-intensive services among the categories of supplies of goods and services taxable at a reduced rate;
- it also extends and rationalises Member States' right to apply reduced rates in the housing construction sector, makes technical adjustments and improves formulations concerning categories already taxable at reduced rates and removes inconsistencies in the treatment of similar goods and services;
- the initiative is particularly important in that it would allow reduced rates of VAT to be applied to many types of services essentially supplied by European SMEs and relaunches an ambitious project to comprehensively reorganise reduced VAT rates to overcome the inconsistency and fragmentation of the existing rules;
- the proposed Directive would eliminate the legal and economic uncertainty of economic operators regarding the future of reduced rates for labour-intensive services:

Taking into account that:

- the Ecofin Council of 10 March 2009 reached a political agreement on the proposal which allows the Member States to apply reduced rates of VAT on a permanent basis only for certain labour-intensive services, restaurant services and books on any physical support, including non-paper supports;
- the political agreement expressly rules out the possibility of applying reduced rates of VAT to all the other categories of goods and services covered in the original proposal;
- the compromise reached by the Council appears inconsistent with the objective set out in the European Economic Recovery Plan of extending the applicability of reduced rates of VAT to services supplied essentially by European SMEs to encourage the recovery of growth and employment;

- the political agreement is also in direct conflict with the objectives established in the European Small Business Act and does not seem favourable to Italy, given the high number of SMEs on Italian territory;
- this Committee also disagrees with the abandonment of the attempt to rationalise reduced rates of VAT and with the introduction of new derogations for individual Member States;

issues

A FAVOURABLE OPINION

with the following conditions:

- 1) that the lead Committee indicates in the final document the need for the Government to take prompt action in the relevant EU decision-making bodies to extend the right of Member States to apply reduced rates of VAT, at least to the labour-intensive or locally supplied services covered in the Commission's original proposal for a Directive;
- 2) that the lead Committee indicates in the final document the need for the Government take prompt action in the relevant EU decision-making bodies to promote initiatives to eliminate the derogations for single Member States regarding the application of reduced rates, exemptions or other specific aspects of VAT rules.