

Letter from: Secretary-General of the Italian Senate
Place and Date: Rome, 24 March 2009
To: Secretary-General of the Commission
Subject: Resolution in response to the proposal for a Council Directive amending Directive 2006/112/EC on reduced VAT rates

I am pleased to forward to you the text of the resolution approved on 11 March 2009 by the Italian Senate Committee on Finance and the Treasury regarding the proposal for a Council Directive amending Directive 2006/112/EC as regards reduced rates of value added tax (COM 2008 428 final).

Resolution of the Italian Senate's Committee on Finance and the Treasury and **opinion** of the Committee on European Union Policies regarding the proposal for a Council Directive amending Directive 2006/112/EC as regards reduced VAT rates

RESOLUTION OF THE SIXTH STANDING COMMITTEE

(Finance and the Treasury)

(Drafted by Salvatore Sciascia)

approved at the meeting of 11 March 2009

concerning the

PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING

DIRECTIVE 2006/112/EC AS REGARDS

REDUCED RATES OF VALUE ADDED TAX

(COM (2008) 428 FINAL) (COMMUNITY ACT NO 20)

within the meaning of Article 144(1) and (6) of the Regulation

Submitted to the Presidency on 17 March 2009

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The Sixth Standing Committee,

having examined, within the meaning of Article 144 of the Rules of Procedure, the proposal for a Council Directive amending Directive 2006/112/EC as regards reduced rates of value added tax (COM(2008) 428 final) and having assimilated the comments in the opinion of the Committee for European Union Policies,

endorses the objective of a thorough review of the entire system of reduced VAT rates that will be the ultimate outcome of the analyses by the Community institutions; this medium-term objective is particularly important both as a way of making the VAT legislation of all the Member States uniform and coherent and as an effective tool of fiscal and economic policy in conditions of low growth;

approves the decision not to postpone an initial amendment to the rules governing reduced VAT rates where there is more substantial agreement between the Member States and welcomes the way in which sectors originally contained in Annex 4 have been singled out with a view to including them among the sectors where the supply of goods and services enjoy reduced rates of VAT on a permanent basis.

The Committee would make the following comments on the proposal:

with regard to the building sector, enlargement of the area to which the reduced VAT is applicable not only permanently guarantees reductions supportive of a sector that, throughout Europe, is of strategic importance for the economy, but also makes it easier for companies and taxpayers to pursue activities related to the building sector entirely legally. However, the Committee thinks it appropriate to add a specification concerning the use of materials and construction techniques designed to save energy and to increase the use of automated home management technologies (home automation). Furthermore, the Committee suggests that consideration be given to including among the operations subject to the reduced rate the supply of goods and services for public works carried out by local bodies or administrative entities with limited territorial jurisdiction where the total value does not require European tendering procedures and so are compatible with the rules for safeguarding competition;

with regard to extending the reduced rate to electronic (CD or CD-ROM) or physical media that reproduce the same information contained in printed books, the Committee proposes giving consideration in future to extending the reduced rate to media that reproduce music or film as well, which will also help to combat piracy and increase copyright protection.

OPINION OF THE 14TH STANDING COMMITTEE

(EUROPEAN UNION POLICIES)

(Drafted by Attilio Fontana)

10 December 2008

Having examined the Community act, the Committee,

given that the proposal is within the framework of a more substantial and detailed review of the scope of reduced rates of VAT, that it offers a broad evaluation and proposes the adoption of a system of tax reductions useful for achieving specific strategic objectives and that it does not dangerously disrupt the internal market;

given that the proposal meets the requirement to tackle more promptly the most urgent issues arising from differing interpretations of Directive 2006/112/EC or from differing approaches among the Member States on the issue of applying reduced rates in sectors in which they would not threaten the proper operation of the internal market;

given that the European Commission thinks it possible to grant the Member States more autonomy and certainty to set reduced rates for certain local services, in line with efforts to improve the business environment for small and medium-sized enterprises;

in view of the wide-ranging debate conducted within the Council and within the Working Party on Tax Questions from which emerged an amended version of the text contained in the Commission proposal that nonetheless retains the essence of the proposal;

adopts, within its area of competence, a favourable view of the proposal for a Directive and makes the following comments:

the proposal substantially complies with the principles of subsidiarity and proportionality in that it relates to subject matter already regulated by Directive 2006/112/EC, amending harmonisation rules that the Member States could not by any means amend individually, and in that the measures proposed remain optional and do not therefore impose any obligation on the Member States;

the decision to apply reduced rates to labour-intensive services, which are at present subject to temporary provisions applicable up to the end of 2010, and, specifically, to services connected with the housing sector, domestic care, and restaurant and catering services, plus modernisation and repair work designed to increase energy savings and efficiency is particularly welcome;

the desire to adapt the provisions on reduced rates to technological progress, so making them applicable to all absorbent hygiene products and to audio books, CDs, CD-ROMs and any physical media that predominantly reproduce the same information contained in printed books is generally to be welcomed;

it is hoped that, in implementing the Directive, the Government is able to reconcile budgetary requirements with the potential for growth and development that the application of reduced VAT could release, with particular reference to the activities of small and medium-sized enterprises. It is also hoped that the reduced rates will be applied in a non-discriminatory fashion to all enterprises operating in the same sector;

since infringement proceedings were initiated against Italy for its failure to notify the measures implementing Directive 2006/112/EC, which the proposal concerned is designed to amend, the Government is asked not to delay in giving such notification, which should ensure that the dispute with the European Commission ceases immediately.