

Value added tax (VAT): duration of the obligation to respect a minimum standard rate

2010/0179(CNS) - 07/12/2010 - Final act

PURPOSE: to maintain the minimum standard VAT rate at 15% for five years from 1 January 2011 to 31 December 2015.

LEGISLATIVE ACT: Council Directive 2010/88/EU amending Directive 2006/112/EC on the common system of value added tax, with regard to the duration of the obligation to respect a minimum standard rate.

CONTENT: Article 97(1) of Directive 2006/112/EC provides that from 1 January 2006 until 31 December 2010 the standard rate may not be less than 15%.

The standard rate of value added tax (VAT) currently in force in Member States, combined with the mechanism of the transitional system has ensured that this system has functioned to an acceptable degree.

To prevent a growing divergence in the standard rates of VAT applied by the Member States from leading to structural imbalances in the European Union and distortions of competition in some sectors of activity, it is common practice in the field of indirect taxes to set minimum rates. It is still necessary to do so for VAT.

Pending the outcome of consultations on a new VAT strategy which is expected to address future arrangements and corresponding levels of harmonisation, it would be premature to set a permanent standard rate level or to consider changing the minimum rate level.

The Council adopted a directive **maintaining the minimum standard VAT (value-added tax) rate at 15% until 2015.**

This does not preclude a further revision of VAT legislation before 31 December 2015 to address the outcome of the new VAT strategy.

ENTRY INTO FORCE: 11/12/2010.

TRANSPOSITION: 01/01/2011.