


# Procedure file

Basic information	
CNS - Consultation procedure Directive	1995/0362(CNS)
Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)	Procedure completed
Subject 2.70.02 Indirect taxation, VAT, excise duties	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy	PPE <a href="#">LANGEN Werner</a>	21/02/1996
Council of the European Union	Council configuration	Meeting	Date
	Fisheries	<a href="#">1983</a>	20/12/1996

Key events			
10/12/1995	Additional information		Summary
20/12/1995	Legislative proposal published	COM(1995)0731	Summary
11/03/1996	Committee referral announced in Parliament		
26/06/1996	Vote in committee		Summary
26/06/1996	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0225/1996</a>	
04/09/1996	Debate in Parliament		
05/09/1996	Decision by Parliament	T4-0438/1996	Summary
20/12/1996	Act adopted by Council after consultation of Parliament		
20/12/1996	End of procedure in Parliament		
28/12/1996	Final act published in Official Journal		

Technical information	
Procedure reference	1995/0362(CNS)
Procedure type	CNS - Consultation procedure

Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	EC before Amsterdam E 099
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/07701

### Documentation gateway

Legislative proposal	<a href="#">COM(1995)0731</a> <a href="#">OJ C 073 13.03.1996, p. 0022</a>	20/12/1995	EC	Summary
Economic and Social Committee: opinion, report	<a href="#">CES0546/1996</a> <a href="#">OJ C 204 15.07.1996, p. 0094</a>	25/04/1996	ESC	Summary
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0225/1996</a> <a href="#">OJ C 261 09.09.1996, p. 0004</a>	26/06/1996	EP	
Text adopted by Parliament, 1st reading/single reading	T4-0438/1996 <a href="#">OJ C 277 23.09.1996, p. 0012-0025</a>	05/09/1996	EP	Summary

### Additional information

European Commission	<a href="#">EUR-Lex</a>
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### Final act

<a href="#">Directive 1996/95</a> <a href="#">OJ L 338 28.12.1996, p. 0089</a> Summary
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## Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)

PREVIOUS COMMUNITY LEGISLATION: Directive 77/388/EEC (the Sixth VAT Directive). This was amended by Directives 91/680/EEC, 92/77/EEC and 92/111/EEC to introduce a "transitional" VAT system within the Single Market at the beginning of 1993. Article 12(3)(a) of the revised Sixth Directive established a minimum standard rate of VAT. This was fixed at 15% for the period 1 January 1993 until 31 December 1996. Under Article 35a of the Directive, the Commission was required, by the end of 1994, to report on the operation of the transitional arrangements and also to "submit proposals for a definitive system". The report (COM(94)515 of 23.11.1994) was published on time, though the proposals have yet to appear. Article 12(3)(a) further required the Council, "on the basis of the report on the operation of the transitional arrangements and proposals on the definitive arrangements" to decide "before 31 December 1995 on the level of the minimum rate to be applied after 31 December 1996 with regard to the standard rate." PREVIOUS POSITION OF EP: Parliament's position on rates of VAT is contained in the METTEN Report from the Committee on Economic and Monetary Affairs and Industrial Policy, adopted by Parliament on 12th June 1991 (OJ C183 of 15.7.91). It agreed with a minimum standard rate of VAT fixed at 15%. 6. Situation in the Member States: All Member States have a standard rate of VAT above 15%. No Member State has a standard rate above 25%. The absolute average rate is 19% and the average weighted by GDP is 17.5% BACKGROUND INFORMATION: This proposal is tabled by the Commission as an amendment to the Sixth VAT Directive. It is not, therefore, strictly in accordance with Article 12(3)(a) of the Sixth Directive, which requires the Council to make a decision on the basis of proposals for a definitive VAT system. The Commission states, indeed, that it is proposing "the creation of a standard VAT rate band on a transitional basis only". This will be subject to revision after a two-year period "and will anyway be examined in the context of the introduction of the definitive system". of a standard VAT rate band on a transitional basis only". This will be subject to revision after a two-year period "and will anyway be examined in the context of the introduction of the definitive system".

## Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)

- OBJECTIVE: the proposal for a directive will allow the Council to take a decision on the minimum level of the standard rate, as required under Community VAT legislation (Directive 77/388/EEC). The decision is required in order to consolidate the functioning of the single market from a fiscal standpoint, both in the context of the transitional arrangements currently in force and in the light of the preparation of definitive arrangements for the common system of Valued Added Tax. - SUBSTANCE: - the current standard VAT rate band which applies in different Member States is not to be extended (with the effect that the current difference between rates - 15% and 25% - will not be increased); - the proposed minimum and maximum levels of the standard rate are not to be considered as definitive but shall, at the Commission's initiative, be subject to revision after a period of two years; - Directive 77/388/EEC is not amended in respect of reduced rates. ?

## Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)

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The ESC approves the Commission proposal to introduce a band with a lower rate of 15% and an upper rate of 25% for the standard rate of VAT in Member States from 1 January 1997 to 31 December 1998. The ESC accepts the Commission proposition that any change in the transitional arrangements must also serve for the preparation of the subsequent definitive system. The ESC also considers that the proposed introduction of a definitive system should not be allowed to obscure the need for further interim reforms of the existing transition system. One such reform which the ESC considers to be highly desirable is that the group registration provisions should be extended to groups of associated companies in different Member States. ?

## Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)

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The Committee on Economic and Monetary Affairs approved the Commission proposal without amendment. ?

## Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)

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In adopting the report by Mr Werner LANGEN (PPE, D), Parliament rejected, by 612 votes to 142, the Commission proposal aimed at fixing the maximum level of the standard rate of VAT at 25% for the period 1 January 1997 - 31 December 1998. ?

## Value added tax VAT: level of the standard rate (amend. direct. 77/388/EEC)

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OBJECTIVE: to take a decision on the level of the minimum rate of the standard rate as it is required under Community VAT legislation (Directive 77/388/EEC). The decision is necessary to consolidate the functioning of the single market from a fiscal standpoint both under the transitional arrangements currently in force and in the light of the preparation of the definitive arrangements for the common system of value added tax. COMMUNITY MEASURE: Council Directive 96/95/EC amending Directive 77/388/EEC on the common system of Value Added Tax. SUBSTANCE: the amendments made to Directive 77/388/EEC provide for the following measures: - maintenance of the current level of the minimum rate (15%) for a further period of two years (from 1 January 1997 to 31 December 1998); - the level of the standard rate to be applied after a period of two years will be decided unanimously by the Council on a proposal from the Commission. DATE OF ENTRY INTO FORCE: 1 January 1997. ?