


# Procedure file

Basic information		
CNS - Consultation procedure Directive	<a href="#">1997/0030(CNS)</a>	Procedure completed
Telecommunications: Value added tax VAT arrangements applicable (amend. Direct. 77/388/EEC)		
Subject 2.70.02 Indirect taxation, VAT, excise duties 3.30.03 Telecommunications, data transmission, telephone		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy	ELDR <a href="#">COX Pat</a>	20/03/1997
	Former committee responsible		
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy	ELDR <a href="#">COX Pat</a>	20/03/1997
	Former committee for opinion		
	<b>BUDG</b> Budgets		
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Transport, Telecommunications and Energy</a>	<a href="#">2191</a>	17/06/1999

Key events			
14/03/1997	Committee referral announced in Parliament		
26/11/1997	Vote in committee		Summary
26/11/1997	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0376/1997</a>	
14/01/1998	Debate in Parliament		
15/01/1998	Decision by Parliament	COM(1997)0004	Summary
15/01/1998	Report referred back to committee		
03/05/1999	Vote in committee		
03/05/1999	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0266/1999</a>	
06/05/1999	Decision by Parliament	T4-0424/1999	Summary

17/06/1999	Act adopted by Council after consultation of Parliament		
17/06/1999	End of procedure in Parliament		
26/06/1999	Final act published in Official Journal		

### Technical information

Procedure reference	1997/0030(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	EC Treaty (after Amsterdam) EC 093
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/08711; ECON/4/09685

### Documentation gateway

Legislative proposal	<a href="#">COM(1997)0004</a> <a href="#">OJ C 078 12.03.1997, p. 0022</a>	29/01/1997	EC	Summary
Economic and Social Committee: opinion, report	<a href="#">CES0594/1997</a> <a href="#">OJ C 287 22.09.1997, p. 0028</a>	28/05/1997	ESC	Summary
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0376/1997</a> <a href="#">OJ C 388 22.12.1997, p. 0002</a>	26/11/1997	EP	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0266/1999</a> <a href="#">OJ C 279 01.10.1999, p. 0017</a>	03/05/1999	EP	
Text adopted by Parliament, 1st reading/single reading	T4-0424/1999 <a href="#">OJ C 279 01.10.1999, p. 0253-0278</a>	06/05/1999	EP	Summary

### Additional information

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

<a href="#">Directive 1999/59</a> <a href="#">OJ L 162 26.06.1999, p. 0063</a> Summary
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## Telecommunications: Value added tax VAT arrangements applicable (amend. Direct. 77/388/EEC)

**OBJECTIVE:** to amend the VAT rules applicable to telecommunications services in order to prevent distortions of competition resulting from the current legislation (Directive 77/388/EEC). **SUBSTANCE:** The Commission proposes a new regime for the taxation of telecommunications services with a view to providing the same conditions and fiscal framework for all telecommunications providers having activities within the Community independent of the place of establishment of those operators (within or outside the Community). The proposal for a directive establishes specific rules for determining the place of taxation for the supply of telecommunications services: the criterion of the place of establishment of the service provider is replaced by that of the acquirer of the service for telecommunication services other than those supplied by Community operators to their Community customers. Consequently services supplied by Community service providers to customers established outside the Community are no longer subject to the tax. On the other hand, by providing that the place of taxation for telecommunications services supplied by a service provider established outside the Community to customers established within the Community is the place of establishment of the customer, all consumption within the Community is brought within the scope of the tax. The rules on the place of taxation for telecommunications services supplied by Community operators to Community customers remain unchanged. The new approach requires in principle a third-country operator to be identified for VAT purposes in the Member State of his customer: the

non-Community operator is deemed to be established within the Community once he is identified for VAT purposes in one Member State. Provision is also made for charges for supply of services related to routing and terminating telephone calls by the various telecommunications companies to be exempt from VAT. It should be noted that the definition of telecommunications services reproduces the definition used in the Melbourne Convention: it includes the provision of networks and infrastructures such as cables or satellites used for the purposes of telecommunication, of access to Internet and of electronic courier networks. ?

## Telecommunications: Value added tax VAT arrangements applicable (amend. Direct. 77/388/EEC)

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The Committee considers that the proposed directive offers a sufficient advantage over the existing situation to constitute a worthwhile improvement and it therefore gives its approval to this proposition. ?

## Telecommunications: Value added tax VAT arrangements applicable (amend. Direct. 77/388/EEC)

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The Committee rejected the Commission proposal on VAT on certain telecommunications services. The proposal was the Commission's response to the technological development where it now is possible to provide services from anywhere in the world. This trend caused major competition handicaps for EU operators, liable to pay VAT, vis-à-vis their non-EU Competitors, exempted from VAT. Posed by this threat, the Council went ahead in March this year and adopted its own solution; 15 identical derogations from the sixth VAT Directive where if the supplier is based outside the EU but the service in reality is consumed in the Union, the VAT of the country of final consumption applies. Similarly, if the services are provided from another Member State the customer's local VAT rate applies. To create a more permanent framework, the Commission put forward a proposal to change to the Sixth VAT Directive under which the place of taxation is shifted to the place of establishment of the recipient of the Service. To simplify the process, the Commission argues, telecom providers should be registered for VAT purposes in a single Member State for all services they provide in the EU. However, the advantage of this for the operator is counterbalanced by the problem of VAT recovery for customers not established in the same Member State as the supplier. Even if a French company would like to buy telecom services from a Belgian company, Belgian VAT will be charged, and the customer has to resort to the costly and cumbersome VAT recovery procedures under the eighth VAT Directive. Reporting for the Committee, Mr. Patrick COX (ELDR, Ir) points out that the path chosen by the Council is tax-neutral and non-discriminatory, which is not the case for the rules proposed by the Commission. Furthermore, Mr Cox adds, the industry is more happy with the Council derogations than with the Commission Draft Directive. Therefore, the Committee modified the Commission proposal, effectively calling upon the Commission to withdraw it and come up with a new and improved proposal well before the Council derogations expire (31 December 1999). ?

## Telecommunications: Value added tax VAT arrangements applicable (amend. Direct. 77/388/EEC)

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Under consultation procedure, the European Parliament adopted the second report by Patrick Cox (ELDR, EI), which approves the Commission proposal for a Council directive amending directive 77/388/EEC as regards the value added tax arrangements applicable to telecommunications services, subject to amendments, notably in the following areas: - providing that telecommunications service within the meaning of the proposed directive will include provision of access to global information networks; - given that the necessary conditions for the changeover to the definitive arrangements will not be fulfilled in the short term, proposing a derogation to the proposed directive with regard to taxation, under which the provision of services to taxable persons by a service provider established abroad are taxed wherever the customer is established; - providing that Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with the proposed directive by 01/01/2000 (rather than 01/01/1999).?

## Telecommunications: Value added tax VAT arrangements applicable (amend. Direct. 77/388/EEC)

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PURPOSE : to amend the value added tax arrangements applicable to telecommunications services in terms of all such services consumed within the Community and to prevent distortions of competition in this area. COMMUNITY MEASURE : Council Directive 1999/59/EC amending Directive 77/388/EEC as regards the value added tax arrangements applicable to telecommunications services. CONTENT : the amendment contributes to the "Sixth VAT Directive" has as its main aim to ensure that the telecommunication services used by clients established in the Community are taxed in the Community, in order to prevent the distortions of competition. To this end, the Directive provides that the telecommunication services supplied to those with a VAT registration in the Community or recipients established in the third countries should, in principle, be taxed in the country of the recipient of the services. The new Directive also defines telecommunication services covered, which include international telephone call routing and termination services and access to global information networks. ENTRY INTO FORCE : 26/06/1999 DEADLINE SET FOR THE TRANSPOSITION : 01/01/2000.?