


Procedure file

| Basic information | |
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| COS - Procedure on a strategy paper (historic) | 1997/2274(COS) |
| Turn-over-taxes, common system of VAT: uniform basis of assessment. Report | Procedure completed |
| Subject | |
| 2.70.02 Indirect taxation, VAT, excise duties | |

| Key players | | | |
|-------------------------------|--|--|------------|
| European Parliament | Committee responsible | Rapporteur | Appointed |
| | ECON Economic and Monetary Affairs, Industrial Policy | ARE CASTAGNÈDE Bernard | 16/02/1998 |
| Council of the European Union | | | |

| Key events | | | |
|------------|--|---|---------|
| 13/11/1997 | Non-legislative basic document published | COM(1997)0559 | Summary |
| 20/02/1998 | Committee referral announced in Parliament | | |
| 25/06/1998 | Vote in committee | | Summary |
| 25/06/1998 | Committee report tabled for plenary | A4-0252/1998 | |
| 16/09/1998 | Debate in Parliament |  | |
| 17/09/1998 | Decision by Parliament | T4-0523/1998 | Summary |
| 17/09/1998 | End of procedure in Parliament | | |
| 12/10/1998 | Final act published in Official Journal | | |

| Technical information | |
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| Procedure reference | 1997/2274(COS) |
| Procedure type | COS - Procedure on a strategy paper (historic) |
| Procedure subtype | Commission strategy paper |
| Legal basis | Rules of Procedure EP 142 |
| Stage reached in procedure | Procedure completed |
| Committee dossier | ECON/4/09519 |

| Documentation gateway | | | | | |
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| Non-legislative basic document | | COM(1997)0559 | 13/11/1997 | EC | Summary |
| Committee report tabled for plenary, single reading | | A4-0252/1998 OJ C 226 20.07.1998, p. 0004 | 25/06/1998 | EP | |
| Text adopted by Parliament, single reading | | T4-0523/1998 OJ C 313 12.10.1998, p. 0133-0192 | 17/09/1998 | EP | Summary |

Turn-over-taxes, common system of VAT: uniform basis of assessment. Report

OBJECTIVE: to review the scope of the sixth VAT Directive. SUBSTANCE: this document contains the report which the Commission is required to submit to the Council pursuant to Article 12(4) of the Sixth VAT Directive with a view to reviewing the scope of the reduced VAT rates. On the basis of the information available to it the Commission considers that in general the current structure of VAT rates is not, within the Community's territory, an obstacle to the operation of the transitional VAT systems. In general the differences in VAT rates do not affect cross-border purchases, even if they sometimes influence consumers, which causes distortions. Apart from certain regions and/or certain goods, there have not been major distortions of competition or deflections of trade within the Community because of the major differences in the VAT rates applied by the Member States. The analysis of the current structure of VAT rates and, in particular, the scope of the reduced rate, always highlights two inherent problems in this structure which underlie certain distortions which disturb the competitive position of certain parties. Firstly there is the voluntary nature of Annex H and secondly the lack of common definitions of the categories in this annex. The Commission therefore hopes to encourage the Member States to examine the difficulties which these fundamental problems could cause. More specifically, the report recommends the following guidelines: - close approximation of rates is a technical necessity; - the scope for the application of reduced rates should be determined by social considerations (in order to offset the sometimes regressive character of VAT); - generally reduced VAT rates are a very imprecise tool for policy making and they should not be used as a substitute for direct subsidies; - reduced VAT rates should not affect the general neutrality of VAT. ?

Turn-over-taxes, common system of VAT: uniform basis of assessment. Report

Under current EC VAT legislation, Member States may apply reduced VAT rates (minimum 5%) to a certain number of goods and services listed in Annex H to the sixth VAT directive. In a study, the Commission notes that there are a number of pressing problems with these derogations that must be tackled. In particular, there are no common definitions of the categories listed in Annex H, and more importantly, the optional character of Annex H, which has resulted in great differences in VAT rates between Member States. Reporting for the EMAC, Bernard CASTAGN-DE (ERA, F) feels that there is an urgent need to improve the rules for reduced VAT rates. The Committee therefore requests the Commission to lay down common definition of goods and services eligible for reduced VAT, and to rationalise and update the scope of the categories in Annex H, taking into account technological and societal change. The Committee also calls on the Commission to come up with a proposal for a directive on reduced VAT for certain labour intensive services. Finally, the Committee considers it necessary to embark on the process of approximating VAT rates within the EU.?

Turn-over-taxes, common system of VAT: uniform basis of assessment. Report

Adopting the report by Mr Bernard CASTAGNEDE (ARE, OF) by 183 votes to 8 with 4 abstentions, the European Parliament pointed out that the current disparities in VAT rates and the conditions under which reduced rates are applied give grounds for embarking on a process of rationalisation of the structure of rates and their approximation, with a view to establishing a definitive system. The European Parliament urged the Commission: - to come forward with a proposal for a directive on the application of a reduced VAT rate, on a trial basis, to certain labour-intensive services; - to lay down common definitions of goods and services falling under the categories which make up Annex H to the Sixth Directive, to which a reduced VAT rate may be applied; - to incorporate into Annex H to the Sixth Directive all the existing or new categories of goods or services to which a reduced VAT rate may be applied and in particular both to the outputs of NGOs and to their inputs. It called in particular for: - the reduced rate for the supply, construction, restoration and conversion of housing to be uniformly applied throughout Member States, in particular in the case of the upkeep of social housing; - the reduced rate for books to be extended to CD-ROMs with a content identical or analogous to that of books; - a reduced rate of VAT to be applied to catering services. Finally, Parliament called on the Commission immediately to embark on the process of approximating VAT rates within the Union. This process should be based, firstly, on the abolition of the derogations permitting application by a Member State of a rate other than the normal rate to goods or services not covered by Annex H to the Sixth Directive and should involve requiring the Member States to apply one or two reduced VAT rates, not exceeding 14%, on the categories of goods and services defined in that annex.?