

Procedure file

Basic information		
CNS - Consultation procedure Directive	2015/0296(CNS)	Procedure completed
Common system of value added tax (VAT): duration of the obligation to respect a minimum standard rate		
Amending Directive 2006/112/EC 2004/0079(CNS)		
Subject 2.70.02 Indirect taxation, VAT, excise duties		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 ECON Economic and Monetary Affairs	 SIMON Peter	21/01/2016
		Shadow rapporteur	
		 MAYDELL Eva	
		 LUCKE Bernd	
		 JEZEK Petr	
		 URTASUN Ernest	
	Committee for opinion	Rapporteur for opinion	Appointed
	 JURI Legal Affairs	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3468	25/05/2016
European Commission	Commission DG	Commissioner	
	Taxation and Customs Union	MOSCOVICI Pierre	

Key events			
14/12/2015	Legislative proposal published	COM(2015)0646	Summary
21/01/2016	Committee referral announced in Parliament		
16/03/2016	Vote in committee		
18/03/2016	Committee report tabled for plenary, 1st reading/single reading	A8-0063/2016	Summary

12/04/2016	Results of vote in Parliament		
12/04/2016	Decision by Parliament	T8-0097/2016	Summary
25/05/2016	Act adopted by Council after consultation of Parliament		
25/05/2016	End of procedure in Parliament		
31/05/2016	Final act published in Official Journal		

Technical information

Procedure reference	2015/0296(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2006/112/EC 2004/0079(CNS)
Legal basis	Treaty on the Functioning of the EU TFEU 113
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/05316

Documentation gateway

Legislative proposal	COM(2015)0646	14/12/2015	EC	Summary
Economic and Social Committee: opinion, report	CES0717/2016	17/02/2016	ESC	
Committee draft report	PE575.288	26/02/2016	EP	
Amendments tabled in committee	PE578.670	04/03/2016	EP	
Committee report tabled for plenary, 1st reading/single reading	A8-0063/2016	18/03/2016	EP	Summary
Text adopted by Parliament, 1st reading/single reading	T8-0097/2016	12/04/2016	EP	Summary
Commission response to text adopted in plenary	SP(2016)372	31/05/2016	EC	

Final act

[Directive 2016/856](#)
[OJ L 142 31.05.2016, p. 0012](#) Summary

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

PURPOSE: to extend, for a period of two years, the current situation where the minimum standard rate of VAT in Member States is at 15%.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: [Directive 2006/112/EC](#) on the common system of value added tax ("the VAT Directive") provides that from 1 January 2011

until 31 December 2015 the standard rate may not be less than 15%. This current minimum standard rate provision has been extended five times.

The Commission considers that 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. With new rules on the place of supply of services which favour taxation at the place of consumption, the possibilities for exploiting differences in VAT rates through relocation have been limited further and potential distortions of competition reduced.

In the light of results obtained following its [Communication of 2011 on the future of VAT](#), the Commission will publish an Action Plan for a definitive system of Value Added Tax for intra-EU trade that the Commission wants to propose and the reforms it envisages to adapt the existing rules on VAT rates to a definitive regime characterised by the destination principle. This review of rules on VAT rates will address two key issues:

- the possibility of giving greater autonomy in rate-setting ('enhanced flexibility') to Member States, and
- the manner of dealing with the temporary derogations allowing for exemptions, zero rates and super reduced rates, that would have to be reconsidered upon the introduction of the definitive VAT regime.

CONTENT: pending the decisions on the final shape of the definitive regime, the Commission proposes to amend the VAT Directive in order to extend from 1 January 2016 to 31 December 2017 the period of application of the current minimum standard rate of VAT in Member States, set at 15%.

This sixth prolongation maintains the current satisfactory situation and provides legal certainty for stakeholders, while allowing the definitive VAT regime for intra-EU trade to enter into force on the basis of a reviewed set of rules for standard and reduced VAT rates.

The proposed measure does not preclude a further revision of VAT legislation before 31 December 2017 to address the final arrangement of a definitive VAT regime for intra-Union trade.

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

The Committee on Economic and Monetary Affairs adopted, in the framework of a special legislative procedure (Parliaments consultation), the report by Peter SIMON (S&D, DE) on the proposal for a Council directive 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.

The [VAT Directive](#) provides that from 1 January 2011 until 31 December 2015, the standard rate may not be less than 15 %. Pending the decisions on the final shape of the definitive regime, the committee agreed with the Commission's proposal to retroactively maintain the principle of a minimum standard VAT rate of 15 %. It proposed that the current arrangements be extended for three years until 31 December 2018 (instead of 31 December 2017 as proposed by the Commission).

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

The European Parliament adopted by 568 votes to 85, with 59 abstentions, in the framework of a special legislative procedure (Parliaments consultation), a legislative resolution on the proposal for a Council directive 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.

Parliament approved the Commissions proposal to retroactively maintain the principle of a minimum standard VAT rate of 15 %. It proposed however that the current arrangements of the [VAT Directive](#) be extended for three years until 31 December 2018 (instead of 31 December 2017 as proposed by the Commission).

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

PURPOSE: to extend, until 31 December 2017, the current situation where the minimum standard rate of VAT in Member States is at 15 %.

LEGISLATIVE ACT: Council Directive (EU) 2016/856 amending Directive 2006/112/EC on the common system of value added tax, as regards the duration of the obligation to respect a minimum standard rate.

CONTENT: this Council Directive amends the VAT Directive ([Directive 2006/112/EC](#)) in order to extend from 1 January 2016 to 31 December 2017 the period of application of the current minimum standard rate of VAT in Member States, set at 15 %.

The text recalled that the standard VAT rate currently in force in the Member States, combined with the mechanism of the transitional system has ensured that the VAT system has functioned to an acceptable degree. In view of the ongoing discussion on the features of the definitive VAT regime for intra-Union trade, it would be premature to set a permanent standard VAT rate or to consider changing the minimum VAT rate.

The maintenance of the current minimum standard rate does not preclude a further revision of VAT legislation before 31 December 2017 to address the introduction of a definitive VAT regime for intra-Union trade.

ENTRY INTO FORCE: 1.6.2016. In order to ensure the uninterrupted application of the minimum standard rate established by the VAT Directive, this Directive shall apply from 1 January 2016.

TRANSPOSITION: 1.8.2016 at the latest.

