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Basic information		
CNS - Consultation procedure Directive	<a href="#">2018/0005(CNS)</a>	Awaiting final decision
Rates of value added tax		
Amending Directive 2006/112/EC	<a href="#">2004/0079(CNS)</a>	
Subject	2.70.02 Indirect taxation, VAT, excise duties	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 <a href="#">Economic and Monetary Affairs</a>	 <a href="#">SZANYI Tibor</a>	23/01/2018
		Shadow rapporteur	
		 <a href="#">LANGEN Werner</a>	
		 <a href="#">LOONES Sander</a>	
		 <a href="#">CORNILLET Thierry</a>	
		 <a href="#">VIEGAS Miguel</a>	
		 <a href="#">SCOTT CATO Molly</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	 <a href="#">Legal Affairs</a>	The committee decided not to give an opinion.	
Council of the European Union European Commission	Commission DG	Commissioner	
	<a href="#">Taxation and Customs Union</a>	MOSCOVICI Pierre	

Key events			
18/01/2018	Legislative proposal published	<a href="#">COM(2018)0020</a>	Summary
08/02/2018	Committee referral announced in Parliament, 1st reading/single reading		
03/09/2018	Vote in committee, 1st reading/single reading		
06/09/2018	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A8-0279/2018</a>	Summary
02/10/2018	Debate in Parliament		
03/10/2018	Results of vote in Parliament		
03/10/2018	Decision by Parliament, 1st	<a href="#">T8-0371/2018</a>	Summary

Technical information	
Procedure reference	2018/0005(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2006/112/EC <a href="#">2004/0079(CNS)</a>
Legal basis	Treaty on the Functioning of the EU TFEU 113
Modified legal basis	Rules of Procedure EP 150
Stage reached in procedure	Awaiting final decision
Committee dossier	ECON/8/12106

Documentation gateway					
Legislative proposal		<a href="#">COM(2018)0020</a>	18/01/2018	EC	Summary
Document attached to the procedure		<a href="#">SWD(2018)0007</a>	18/01/2018	EC	
Document attached to the procedure		<a href="#">SWD(2018)0008</a>	18/01/2018	EC	
Committee draft report		<a href="#">PE621.118</a>	02/05/2018	EP	
Amendments tabled in committee		<a href="#">PE622.094</a>	07/06/2018	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A8-0279/2018</a>	06/09/2018	EP	Summary
Text adopted by Parliament, 1st reading/single reading		<a href="#">T8-0371/2018</a>	03/10/2018	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2018)755</a>	21/11/2018		

Additional information	
Research document	<a href="#">Briefing</a>

## 2018/0005(CNS) - 18/01/2018 Legislative proposal

**PURPOSE:** to grant Member States greater flexibility in setting value-added tax (VAT) rates.

**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 the opinion of the European Parliament.

**BACKGROUND:** the rules on VAT rates as currently contained in the VAT Directive ([Council Directive 2006/112/EC](#)) were designed more than two decades ago and based on the original principle.

In its [2016 VAT Action Plan](#), the Commission proposed to replace the current transitional arrangements for the taxation of trade between Member States by definitive arrangements based on the principle of taxation in the Member State of destination in order to create a robust single European VAT area.

At the same time the Commission announced that taxation at destination would allow to grant Member States more flexibility in setting VAT rates and that all currently existing reduced rates, including derogations, legally applied in Member States should be maintained and could be made available to all Member States, ensuring equal treatment.

The current initiative is part of the Fair Taxation package for the creation of a single EU value added tax area (VAT). The package includes two proposals to modify the VAT Directive, one as regards the [definitive VAT system](#) for cross-border trade and one adopted together with this initiative as regards [small enterprises](#), and a proposal for a Council Regulation on [combating fraud](#) in the field of VAT.

**IMPACT ASSESSMENT:** the preferred option would address the issue of derogations by removing the constraints that created the need for such derogations, namely the list of goods and services to which reduced VAT rates can be applied (Annex III) and the 5% minimum for additional reduced rates.

**CONTENT:** the proposed amendment to the VAT Directive provides for greater flexibility for the Member States to benefit from reduced and zero rates as they existed in other Member States.

The proposal allows Member States, in addition to the two reduced rates of a minimum of five percent and an exemption with deductibility of the VAT paid at the preceding stage currently allowed, to apply another reduced rate between 5% and 0%.

Member States will have to respect that those reduced rates and the exemption must be for the benefit of the final consumer and must be in the general interest.

The list of goods and services eligible for reduced VAT rates (Annex III) would be deleted and replaced by a new negative list of products (Annex IIIa) at which the standard rate of 15% or a higher rate would still be applied.

Moreover, Member States shall ensure that the weighted average VAT rate applied to those transactions for which VAT cannot be deducted always exceeds 12%.

By 31 December 2026 and every five years thereafter, the Commission shall submit to the Council a report on the scope of Annex IIIa, accompanied by any proposals to amend that Annex, where necessary.

## 2018/0005(CNS) - 06/09/2018 Committee report tabled for plenary, 1st reading/single reading

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The Committee on Economic and Monetary Affairs adopted, following the consultation procedure, the report by Tibor SZANYI (S&D, HU) on the proposal for a Council directive amending Directive 2006/112/EC as regards rates of value added tax.

The proposal to amend the VAT Directive provides for greater flexibility for Member States to benefit from reduced or zero rates in force in other Member States. It allows Member States to apply a maximum of two reduced rates of a minimum of 5%.

Member States may, in addition to the two reduced rates, apply a rate lower than the minimum of 5% and an exemption with deductibility of the VAT paid at the preceding stage.

The committee responsible recommended that the European Parliament approve the Commission proposal subject to the following amendments:

**Standard VAT rate:** Members considered that the standard rate shall permanently remain at least 15 % and shall not exceed 25 %.

**General interest:** Members stressed reduced rates and exemptions applied shall benefit the final consumer and shall be applied to pursue, in a consistent manner, an objective of general interest. Priority shall be given to goods or services having a positive impact on the general interest, such as cultural, social or environmental benefits. They stressed that Member States should avoid using reduced VAT rates for harmful or luxury products.

Members also considered allowing Member States to apply reduced rates, including reduced rates without a minimum threshold, to printed publications and electronic publications to ensure the transfer of economic benefits to consumers, thereby promoting reading, and to publishers, thereby encouraging investment in new content and, in the case of newspapers and magazines, should reduce reliance on advertising.

In addition, it shall be possible to apply reduced VAT rates to publications in adapted formats and audio formats intended to facilitate access to books, newspapers and periodicals for people with a visual impairment.

**Web portal:** it is proposed that the Commission, in cooperation with the Member States, shall establish a comprehensive, multilingual and publicly accessible Union VAT Web Information Portal on which businesses and consumers can quickly and effectively obtain accurate information on VAT rates.

**Negative list of products (Annex IIIa):** Members proposed adding pacemakers and hearing aids to the list of supplies of goods and services in the Annex. The Commission shall be empowered to amend the scope of Annex IIIa by means of an implementing act, when necessary and provided there is evidence related to distortion of competition justifying the update of the list of supplies of goods and services.

By 31 December 2021 and every two years thereafter, the Commission shall submit to the European Parliament and the Council a report on the scope of Annex IIIa, accompanied by any proposals to amend that Annex, where necessary.

## 2018/0005(CNS) - 03/10/2018 Text adopted by Parliament, 1st reading/single reading

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The European Parliament adopted a legislative resolution by 536 votes to 87, with 41 abstentions, under a special legislative procedure (consultation) on the proposal for a Council directive amending Directive 2006/112/EC as regards rates of value added tax.

The proposal to amend the VAT Directive provides for greater flexibility for Member States to benefit from reduced or zero rates in force in other Member States. It allows Member States to apply a maximum of two reduced rates of a minimum of 5%. Member States may, in addition to the two reduced rates, apply a rate lower than the minimum of 5% and an exemption with deductibility of the VAT paid at the preceding stage.

Parliament approved the Commission proposal subject to the following amendments:

**Towards convergence of VAT rates:** Members stressed that under a definitive system where the supply of goods and services would be taxed in the Member State of destination, it should be possible to grant a certain degree of flexibility to Member States in setting rates. However, Member States should not ignore the objective of ensuring greater convergence of VAT rates.

Standard VAT rate: Parliament considered that the standard rate shall permanently remain at least 15 % and shall not exceed 25 %.

General interest: if reduced rates and exemptions benefit the final consumer and be applied to pursue, in a consistent manner, an objective of general interest, priority shall be given to goods or services having a positive impact on the general interest, such as cultural, social or environmental benefits. Members stressed that Member States should avoid using reduced VAT rates for harmful or luxury products.

Parliament also considered allowing Member States to apply reduced rates, including reduced rates without a minimum threshold, to printed publications and electronic publications to ensure the transfer of economic benefits to consumers, thereby promoting reading, and to publishers, thereby encouraging investment in new content and, in the case of newspapers and magazines, should reduce reliance on advertising.

In addition, it shall be possible to apply reduced VAT rates to publications in adapted formats and audio formats intended to facilitate access to books, newspapers and periodicals for people with a visual impairment.

Web information portal: with particular attention to the needs of SMEs engaged in cross-border business activities in the Union and in order to facilitate trade and enhance legal certainty in the single market, the Commission shall, in cooperation with the Member States, establish a comprehensive and publicly accessible Union VAT Web information portal for businesses. That multilingual portal shall provide quick, up-to-date and accurate access to relevant information about the implementation of the VAT system in the different Member States and in particular about the correct VAT rates for different goods and services in the different Member States.

Negative list of products (Annex IIIa): Members proposed adding pacemakers and hearing aids to the list of supplies of goods and services in the Annex. The Commission shall be empowered to amend the scope of Annex IIIa by means of an implementing act, when necessary and provided there is evidence related to distortion of competition justifying the update of the list of supplies of goods and services.

By 31 December 2021 and every two years thereafter, the Commission shall submit to the European Parliament and the Council a report on the scope of Annex IIIa, accompanied by any proposals to amend that Annex, where necessary.