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Answer given by Mr Moscovici
on behalf of the European Commission
(23.5.2019)

The Commission recalls that, as regards indirect taxation, the EU's regulatory intervention is limited to the harmonisation of taxes intended to strengthen the internal market and avoid distortion of competition (Article 113 of the Treaty on the Functioning of the European Union). Member States remain free to design their value added tax (VAT) policy according to their national preferences, provided they respect the provisions of the VAT Directive (Directive 2006/112/EC) and the general principles of EU law.

By way of derogation from the VAT Directive, in order to simplify VAT collection and prevent tax evasion or avoidance (Article 395 of the VAT Directive), Italy has been authorised to introduce a system of partial VAT deductibility for corporate vehicles not wholly used for business purposes. It is therefore a national decision taken by Italy, unanimously agreed in Council, which is not violating the provisions of the VAT Directive. Therefore, the Commission is not competent to call on Italy to change its legislation in this field.

Italy has indeed requested the extension of the current regime of partial VAT deductibility for corporate vehicles. The Commission will examine the request in order to determine whether it meets the conditions laid down in the VAT Directive. Following this examination, the Commission will submit to the Council an appropriate proposal pursuant to Article 395. The Commission cannot anticipate the result of such examination.