



2015/0296(CNS)

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DRAFT REPORT

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
(COM(2015)0646 – C8-0009/2016 – 2015/0296(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Peter Simon

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ■ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT 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
(COM(2015)0646 – C8-0009/2016 – 2015/0296(CNS))**

(Special legislative procedure – consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2015)0646),
 - having regard to Article 113 of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C8-0009/2016),
 - having regard to Rules 59 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2016),
1. Approves the Commission proposal;
 2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 3. Asks the Council to consult Parliament again if it intends to substantially amend the text approved by Parliament;
 4. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

EXPLANATORY STATEMENT

The VAT Directive provides that from 1 January 2011 until 31 December 2015, the standard rate may not be less than 15 %. This provision based on Article 113 TFEU stipulates that the Council shall adopt provisions for the harmonisation of legislation concerning turnover taxes to the extent that such harmonisation is necessary to ensure the establishment and functioning of the internal market and to avoid distortion of competition.

With a view to establishing the internal market on 1 January 1993, the Commission presented proposals intended to set up a definitive system of tax harmonisation.

However, when it became clear that it would be impossible to adopt the Commission's proposals before 1 January 1993, the Council decided to adopt a transitional system. With regard to VAT rates, it adopted Directive 92/77/EEC.

That Directive introduced a system of minimum rates. It stipulated that from 1 January 1993 to 31 December 1996, the standard rate could not be set lower than 15 % in any Member State. This provision has been extended five times and applied until 31 December 2015.

Minimum rates in the field of VAT are justified by the fact that VAT at origin, rather than destination, is still applied to cross-border shopping and distance sales below a threshold. Hence, a minimum standard rate applied in all Member States – as is currently the case – provides a useful safeguard to the proper functioning of the internal market.

Considering that all Member States currently levy a standard rate above 15 %, the current arrangement for a minimum standard rate of 15 % also ensures room for manoeuvre for Member States, allowing for VAT reforms intending to reduce the standard rate by broadening the VAT base and limiting the use of reduced rates.

On 6 December 2011, the Commission adopted a Communication on the future of VAT which proposed that the origin principle be abandoned and described several ways of achieving taxation at destination. In 2016 the Commission will publish an action plan for a simple, efficient and fraud-proof definitive system of value added tax tailored to the single market.

The action plan will set out the directions for future work following the achievements attained since the 2011 Communication. It will in particular set out the main features of the definitive VAT regime 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.

In these circumstances, and pending the decisions on the final shape of the definitive regime, your rapporteur agrees with the Commission's proposal to retroactively maintain the principle of a minimum standard VAT rate of 15 %, and to propose that the current arrangements be extended for two years [until 31 December 2017].

Your rapporteur agrees that this time frame would ensure that stakeholders have the necessary legal certainty, and allows a more comprehensive discussion on VAT rates in connection with the forthcoming action plan on VAT.