

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0122/2004

26 February 2004

SECOND REPORT

on the proposal for a Council directive amending Directive 77/388/EEC as regards value added tax on services provided in the postal sector (COM(2003) 234 – C5-0227/2003 – 2003/0091(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Olle Schmidt

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

CONTENTS

	Page
PROCEDURAL PAGE	4
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION	6
EXPLANATORY STATEMENT	7

PROCEDURAL PAGE

By letter of 13 May 2003 the Council consulted Parliament, pursuant to Article 93 of the EC Treaty, on the proposal for a Council directive on amending Directive 77/388/EEC as regards value added tax on services provided in the postal sector (COM(2003) 234 – 2003/0091(CNS)).

At the sitting of 15 May 2003 the President of Parliament announced that he had referred the proposal to the Committee on Economic and Monetary Affairs as the committee responsible and the Committee on Regional Policy, Transport and Tourism for its opinion C5-0227/2003).

The Committee on Economic and Monetary Affairs appointed Olle Schmidt rapporteur at its meeting of 20 May 2003.

The committee considered the Commission proposal and draft report at its meetings of 17 June 2003, 4 November 2003 and 2 December 2003.

At the last meeting it adopted the draft legislative resolution by 17 votes, with 12 abstentions.

The following were present for the vote Christa Randzio-Plath (chairwoman), Philippe A.R. Herzog (vice-chairman), John Purvis (vice-chairman), Olle Schmidt (rapporteur), Pervenche Berès, Roberto Felice Bigliardo, Hans Blokland, Armonia Bordes, Hans Udo Bullmann, Jonathan Evans, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Jas Gawronski (for Renato Brunetta pursuant to Rule 153(2)), Mary Honeyball, Othmar Karas, Giorgos Katiforis, Alain Lipietz, Astrid Lulling, Hans-Peter Mayer, Simon Francis Murphy (for David W. Martin), Ioannis Patakis, Fernando Pérez Royo, Bernhard Rapkay, Amalia Sartori (for Piia-Noora Kauppi) pursuant to Rule 153(2)), Peter William Skinner, Charles Tannock (for Ingo Friedrich), Bruno Trentin and Theresa Villiers.

The opinion of the Committee on Regional Policy, Transport and Tourism was attached.

The report was tabled on 4 December 2003 (A5-0467/2003).

At the sitting of 16 December 2003 the question was referred back to committee under Rule 68(3).

The committee confirmed the appointment of Olle Schmidt as rapporteur at its meeting of 20 January 2004.

At its meetings of 17 February 2004 and 24 February 2004 the committee considered the draft second report and adopted the draft legislative resolution by 16 votes to 12, with 2 abstentions.

The following were present for the vote: John Purvis, (acting chairman), José Manuel García-Margallo y Marfil, (vice-chairman), Philippe A.R. Herzog, (vice-chairman), Olle Schmidt, (rapporteur), Generoso Andria, Pervenche Berès, Hans Blokland, Jean-Louis Bourlanges (for Othmar Karas), Hans Udo Bullmann, Ieke van den Burg (for David W. Martin), Philip Bushill-Matthews, Martin Callanan (for Brice Hortefeux pursuant to rule 153(2)), Andrew Nicholas Duff (for Karin Riis-Jørgensen pursuant to Rule 153(2)), Harald Ettl (for Christa Randzio-Plath), Jonathan Evans, Göran Färm (for Bernhard Rapkay), Nirj Deva, Jacqueline Foster (for Ioannis Marinos pursuant to Rule 153(2)), Ingo Friedrich, Robert Goebbels, Lisbeth Grönfeldt Bergman, Malcolm Harbour (for Ioannis Marinos pursuant to Rule 153(2)),

Mary Honeyball, Christopher Huhne, Lord Inglewood (for Brice Hortefeux pursuant to Rule 153(2)), Giorgos Katiforis, Christoph Werner Konrad, Klaus-Heiner Lehne (for Ioannis Marinos pursuant to Rule 153(2)), Alain Lipietz, Astrid Lulling, Jules Maaten (for Carles-Alfred Gasòliba i Böhm pursuant to Rule 153(2)), Hans-Peter Mayer, Neil Parish (for Mónica Ridruejo pursuant to Rule 153(2)), Fernando Pérez Royo, Alexander Radwan, Giacomo Santini (for Renato Brunetta pursuant to Rule 153(2)), Manuel António dos Santos (for Helena Torres Marques), Peter William Skinner, Ursula Stenzel (for Mónica Ridruejo pursuant to Rule 153(2)), Charles Tannock (for Piia-Noora Kauppi), Gary Titley (for a member to be nominated), Bruno Trentin, Ian Twinn (for Mónica Ridruejo pursuant to Rule 153(2)) and Theresa Villiers.

The second report was tabled on 26 February 2004.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council directive on amending Directive 77/388/EEC as regards value added tax on services provided in the postal sector
(COM(2003) 234 – C5-0227/2003 – 2003/0091(CNS))**

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2003) 234)¹,
 - having regard to Article 93 of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0227/2003),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Regional Policy, Transport and Tourism (A5-0467/2003),
 - having regard to the second report of the Committee on Economic and Monetary Affairs (A5-0122/2004),
1. Rejects the Commission proposal;
 2. Calls on the Commission to withdraw its proposal and submit a new one;
 3. Instructs its President to forward its position to the Council and Commission.

¹ Not yet published in OJ.

EXPLANATORY STATEMENT

On 16 December 2003, the European Parliament, by a thin margin, voted to reject the Commission proposal seeking to remove the VAT exemption for public postal services. Given that the Commission did not withdraw its proposal, the matter was therefore referred back to the committee responsible pursuant to Rule 68(3) of Parliament's rules of procedure.

Your rapporteur, in light of the above-mentioned result, and after extensive consultation with the Commission and other actors involved, has decided to draft a new report and present it to Parliament. The reasons are twofold: firstly, your rapporteur still firmly believes that the proposal is a necessary piece of legislation and that Parliament must do the constructive thing and support it; secondly, the Commission is ready to make several concessions which go to great lengths in addressing the concerns of those who decided to reject the proposal. For these powerful reasons, the rapporteur strongly urges Parliament to support a proposal of great importance for the functioning of the Internal Market.

Summary of the proposal

In a market that is being increasingly liberalised at the European level, the proposal seeks to eliminate the VAT exemption for public providers of postal services, in order to create a level-playing field with the services provided by private competitors being subject to full VAT. The Commission therefore proposes that VAT be charged at the standard rate for all items of mail over 2 kg in weight, while at the same time giving Member States the option of applying a reduced rate of VAT to items of addressed mail weighing less than 2 kg.

Critical Appraisal of the Proposal

Your rapporteur believes that it is illogical to keep things the way they are as the current unequal tax treatment not only hampers the development of open markets and thus the development of postal liberalisation, but it also distorts competition and more often than not to the disadvantage of the public operator. In addition, your rapporteur has obtained economic data that shows that, were Member States to use a reduced rate, the impact would be negligible on consumers (one of the reasons being that as postal operators are subject to VAT, they will also be able to reclaim input VAT paid, thus lowering their overall costs).

Proposed changes

Your rapporteur suggests amendments to the Commission proposal which will soften its impact without going against the logic of the VAT system or the logic of the postal liberalisation directive, and which will thus contribute positively to the efficiency of the Internal Market.

The key changes are two:

1. The weight limit for the reduced rate for standard mail is proposed to be raised from 2 kg to 10 kg. This is one of the weight limits of the International Postal Union (IPU). In this way, important pieces of standard mail would be included in the reduced rate range, such as newspapers, weeklies, and other parcels.

2. The entry into force of the directive is postponed until 2007. This will give enough time to Member States and postal operators to adapt to the provisions of the Directive, and is in sync with the different liberalisation stages envisaged for the postal market.

In addition, the rapporteur proposes that Member States which on 1 January 2003 applied a super reduced rate to a group of goods and services may continue to apply that super reduced rate to postal services.

Conclusion

These concessions, obtained through the pressure exerted by the European Parliament, mean that the negligible impact that consumers might have experienced will be reduced even further. Doing nothing would in the long-run be worse as competition would be stifled and much of the projected benefits of postal liberalisation would be undone. Furthermore, delaying the entry into force of the directive gives extra time for markets to adapt and cushion any negative impact.

The Commission's data regarding the effect of the proposal on prices has been corroborated by other sources. In the specific case of the United Kingdom, documents released in January 2004 by the national regulator, Postcomm, prove that removing the VAT exemption for public operators would not result in significant price increases for users (a mere 2.5% hike for residential and small businesses) and would, on the contrary, create a level-playing field ultimately leading to increased competition, greater choice for postal users and lower prices.

In light of all of the above, your rapporteur believes that if the European Parliament endorses this proposal, it will be giving a clear sign of support for Europe's Internal Market which will ultimately benefit European consumers.