



2018/0005(CNS)

2.5.2018

DRAFT REPORT

on the proposal for a Council directive amending Directive 2006/112/EC as regards rates of value added tax
(COM(2018)0020 – C8-0023/2018 – 2018/0005(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Tibor Szanyi

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.

CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION.....	5
EXPLANATORY STATEMENT.....	13

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council directive amending Directive 2006/112/EC as regards rates of value added tax

(COM(2018)0020 – C8-0023/2018 – 2018/0005(CNS))

(Special legislative procedure – consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2018)0020),
 - having regard to Article 113 of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C8-0023/2018),
 - having regard to Rule 78c of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2018),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a directive

Recital 4

Text proposed by the Commission

(4) In a definitive VAT system all Member States should be treated equally and should therefore have the same restrictions in applying reduced VAT rates, which should remain an exception to the standard rate. Such equal treatment without restricting Member States current flexibility in setting VAT can be achieved

Amendment

(4) In a definitive VAT system all Member States should be treated equally and should therefore have the same restrictions in applying reduced VAT rates, which should remain an exception to the standard rate. Such equal treatment without restricting Member States current flexibility in setting VAT can be achieved

by enabling all of them to apply a reduced rate for which the minimum requirement does not apply, as well as an exemption with the right to deduct input VAT, in addition to a maximum of two reduced rates of a minimum of 5%.

by enabling all of them to apply, *with the purpose of taking into account the positive social or environmental effects of different services and goods*, a reduced rate for which the minimum requirement does not apply, as well as an exemption with the right to deduct input VAT, in addition to a maximum of two reduced rates of a minimum of 5%. *Within the limits provided for by this Directive, it is possible for Member States to maintain existing or introduce new reduced VAT rates relating to the provision of labour-intensive services and to take into account social and environmental considerations. However, Member States should avoid using reduced VAT rates for harmful or luxury products.*

Or. en

Amendment 2

Proposal for a directive Recital 5

Text proposed by the Commission

(5) Distortions of competition could arise where the mechanism used for taxation would not be based on the destination principle. That is notably so with travel facilities supplied as a single service under the margin scheme for travel agents and goods supplied under the special arrangements for second-hand goods, works of art, collectors' items and antiques but also in certain cases involving goods or services, such as financial services, that are exempted without right of deduction but for which a right of taxation may be granted. In order to mitigate any such distortions, a list of supplies of goods and services subject to the standard VAT rate ('negative list') should be established based on the statistical classification of products by activity. The list should be

Amendment

(5) Distortions of competition could arise where the mechanism used for taxation would not be based on the destination principle. That is notably so with travel facilities supplied as a single service under the margin scheme for travel agents and goods supplied under the special arrangements for second-hand goods, works of art, collectors' items and antiques but also in certain cases involving goods or services, such as financial services, that are exempted without right of deduction but for which a right of taxation may be granted. In order to mitigate any such distortions, a list of supplies of goods and services subject to the standard VAT rate ('negative list') should be established based on the statistical classification of products by activity. The list should be

reviewed every *five* years.

reviewed every *three* years.

Or. en

Amendment 3

Proposal for a directive

Recital 6

Text proposed by the Commission

(6) To avoid unnecessary complexity and subsequent rise in business costs, in particular for intra-Community trade, goods and services that can be used only as intermediate input to an economic activity should not be eligible for reduced rates in a definitive VAT system. Such rates should be applied **only** for the benefit of final consumers and the setting of such rates should ensure equal treatment of similar goods or services supplied by different taxable persons. They should therefore be applied to pursue, in a consistent manner, an objective of general interest.

Amendment

(6) ***The fragmentation of the VAT system within the internal market already places unjustified obstacles in the way of the development of small and medium-sized enterprises (SMEs).*** To avoid ***further*** unnecessary complexity and subsequent rise in business costs, in particular for intra-Community trade, goods and services that can be used only as intermediate input to an economic activity should not be eligible for reduced rates in a definitive VAT system. Such rates should be applied for the benefit of final consumers and the setting of such rates should ensure equal treatment of similar goods or services supplied by different taxable persons. They should therefore be applied to pursue, in a consistent manner, an objective of general interest.

Or. en

Amendment 4

Proposal for a directive

Recital 6a (new)

Text proposed by the Commission

Amendment

(6a) With particular focus on the needs of SMEs and in order to facilitate trade in the single market, the Commission, in cooperation with Member States, should establish a Union VAT Web Information

Portal for businesses. That Portal should provide quick and accurate access to relevant information about the implementation of the VAT system in the different Member States.

Or. en

Amendment 5

Proposal for a directive Recital 8

Text proposed by the Commission

(8) While the application of different rates in certain remote areas continue to be possible, it *it* necessary to ensure that the standard rate respects the minimum of 15%.

Amendment

(8) While the application of different rates in certain remote areas continues to be possible, it *is* necessary to ensure that the standard rate respects the minimum of 15% *and the maximum of 25 %*.

Or. en

Amendment 6

Proposal for a directive Recital 11a (new)

Text proposed by the Commission

Amendment

(11a) The Commission and the Member States should launch media information campaigns and toolkits to promote the new VAT system and its requirements.

Or. en

Amendment 7

Proposal for a directive Article 1 –point 1a (new) Directive 2006/112/EC Article 97

Present text

Amendment

From 1 January 2016 until 31 December 2017, the standard rate may not be lower than 15 %

(1a) Article 97 is replaced by the following:

'The standard rate may not be lower than 15 % ***nor higher than 25 %.***';

Or. en

Amendment 8

Proposal for a directive

Article 1 –point 2

Directive 2006/112/EC

Article 98 – paragraph 3 – subparagraph 1

Text proposed by the Commission

Reduced rates and exemptions applied pursuant to paragraphs 1 and 2 shall ***only*** benefit the final consumer and shall be applied to pursue, in a consistent manner, an objective of general interest.

Amendment

Reduced rates and exemptions applied pursuant to paragraphs 1 and 2 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 positive social and / or environmental effects.***

Or. en

Amendment 9

Proposal for a directive

Article 1 –point 5

Directive 2006/112/EC

Article 100 – paragraph 1

Text proposed by the Commission

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.;

Amendment

By 31 December 2026 and every ***three*** 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.;

Or. en

Amendment 10

Proposal for a directive
Article 1 –point 5 a (new)
Directive 2006/112/EC
Article 100a (new)

Text proposed by the Commission

Amendment

(5a) The following Article is inserted:

'Article 100a

The Commission, in cooperation with the Member States, shall establish a Union VAT Web Information Portal for businesses in order to provide quick and accurate access to the relevant information about the implementation of the definitive VAT system in the different Member States.'

Or. en

Amendment 11

Proposal for a directive
Annex
Directive 2006/112/EC
Annex IIIa – row 5 – column B

Text proposed by the Commission

Amendment

11.01

11.01

11.02

11.02

11.03

11.03

11.04

11.05

11.05

47.00.25

47.00.25

Or. en

Amendment 12

Proposal for a directive

Annex

Directive 2006/112/EC

Annex IIIa – row 7 – columns C and D

Text proposed by the Commission

Supply, hire, maintenance and repair of bicycles, baby carriages and invalid carriages	30.92
	33.17.19
	47.00.65
	47.00.75
	77.21.10
	77.29.19
	95.29.12
<i>Supply of motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars, other than those vehicles with spark-ignition engine only or with compression-ignition internal combustion piston engine (diesel or semi-diesel) only</i>	29.10.24
	45.11.2
	45.11.3
<i>Amendment</i>	
Supply, hire, maintenance and repair of bicycles, baby carriages and invalid carriages	30.92
	33.17.19
	47.00.65
	47.00.75
	77.21.10
	77.29.19
	95.29.12

Or. en

Amendment 13

Proposal for a directive

Annex

Directive 2006/112/EC

Annex IIIa – row 10 – columns C and D

Text proposed by the Commission

<i>None</i>	<i>None</i>
<i>Amendment</i>	
<i>Pacemakers; hearing aids</i>	<i>26.60.14</i>

Or. en

EXPLANATORY STATEMENT

The fragmentation of the VAT system has created a great obstacle for the well functioning of the Single Market. That is why a EU level VAT regulation is needed to replace the current transitional arrangements and guarantee equal treatment to all Member States.

The definitive VAT system for the taxation of trade between Member States proposed by the Commission is based on the principle of taxation in the Member State of destination. This approach helps to create a robust single European VAT area by ensuring that Member States are treated equally – also when it comes to applying reduced VAT rates.

It is important to highlight that the current flexibility of the Member States in setting VAT is not restricted at all by the proposal. On the contrary, the harmonised and less restrictive rules would enable all 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 five and zero percent. Furthermore, instead of extending the already extensive list of goods and services to which reduced rates can be applied, Annex III would be replaced by a negative list to which reduced rates cannot be applied.

The rapporteur believes it to be important to emphasize that reduced rates and exemptions shall benefit the final consumer and shall be applied to pursue, in a consistent manner, an objective of general interest, with priority addressed to goods or services having positive social and environmental effects.

The same consideration motivated the rapporteur when proposing the amendment calling on Member States to avoid the use of reduced rates for harmful or luxury products and the amendment specifying that while the standard rate may not be lower than 15 % but it also cannot be higher than 25 %. VAT has a bigger impact in proportion on low-tax income citizens, the rapporteur believes that a maximum rate of 25% is reasonable and that other sources of income such as corporate taxes should also be used. Moreover this limit would help to avoid cases such as the one that occurred in Hungary, where the government imposed the highest VAT rate (27%) on its citizens within the EU.