

WRITTEN QUESTION P-3171/02  
by Werner Langen (PPE-DE)  
to the Commission

Subject: VAT exemption for private management companies in Germany

Private management companies have been established in the military sector in the Federal Republic of Germany to provide services for the German Army. The Army provides manpower for GEBE (Development, Procurement and Operations Company) and other companies involved in fleet management, clothing management and land valuation. The companies pay the wages of such personnel who may be employed, for example, as drivers in a fleet management company. Such private companies are exempted from VAT in respect of the wages component of the services that they provide. Without such exemption, the German Army would have to pay VAT in respect of the driving services and wages invoiced by the private companies. The Sixth VAT Directive established a uniform basis of assessment in the EU and largely harmonised the scope of VAT. Pursuant to that Directive, the Member States may not, of their own account, create new exemption categories. Since the operations of the management companies acting for the German Army do not involve the manufacture of or trade in armaments, they cannot be excluded from the scope of the EC Treaty.

Is such VAT exemption compatible with the Sixth VAT Directive?

If not, what will the Commission do to put an end to this breach of European Union law?