

WRITTEN QUESTION P-5315/08  
by Raymond Langendries (PPE-DE)  
to the Commission

Subject: Funding of school facilities and VAT

When a school builds premises, it may not deduct VAT on the building and fitting-out of such facilities. Under Article 132 of the VAT Directive, its activities are exempt from VAT and Article 168 of the VAT Directive does not authorise it to deduct VAT in such cases. Generally, the school will fund the building of the premises with loans from financial institutions. It can reimburse such loans with the help of subsidies from public authorities in particular, coming from taxpayers' contributions.

We end up with a situation in which local authorities collect taxes in order to pay taxes incurred by schools when constructing buildings, as well as the interest on these taxes. In other words, a significant proportion of future taxes will be used to cover the payment of present taxes and the funding thereof.

Does the Commission consider this view to be inaccurate or correct?