

WRITTEN QUESTION P-1464/09
by Andrea Losco (ALDE)
to the Commission

Subject: Amendment of Article 71 of Regulation (EC) No 1698/2005

Unlike other basic Structural Fund regulations (ESF, ERDF), the regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (Regulation (EC) No 1698/2005¹) stipulates that VAT paid by States, regions, provinces, municipalities and other bodies governed by public law, in connection with the execution of projects co-financed by the European Community, is not eligible for Community reimbursement, because they are 'non-taxable persons' (provisions of Article 71 of Regulation (EC) No 1698/2005 in combination with those of Article 4(5) of Directive 77/388²).

This rule means that VAT relating to investments in public works in rural areas is ineligible. In most cases such projects are undertaken by small municipalities, especially in the regions of southern Italy.

However, the very serious economic crisis affecting Europe has only served to aggravate the existing difficulties faced by these local authorities. In Campania, as well as in many other regions covered by the convergence objective, the impact of VAT on the funding of such projects is so great as to create a risk that the Community funding will be automatically withdrawn, thereby jeopardising the financial objectives of the regional development plans.

In the light of the above, and bearing in mind that exceptional measures are needed to tackle radically altered circumstances, does the Commission not think that Regulation (EC) No 1698/2005 needs to be amended in line with the objectives of the European economic recovery plan in order to make VAT paid by public bodies eligible for reimbursement when it cannot be recovered and that an inter-institutional round table should be instituted to monitor the impact of this measure until the requested amendment can be introduced?

¹ OJ L 277, 21.10.2005, p.1

² OJ L 145, 13.6.1977, p. 1