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EUROPEENNE

**Opinion Statement FC 13/2015**

**on VAT rates in EU Directive 2006/112/EC**

**Prepared by the CFE Fiscal Committee**

**Submitted to the European Commission in October 2015**

*The CFE (Confédération Fiscale Européenne) is the umbrella organisation representing the tax profession in Europe. Our members are 27 professional organisations from 21 European countries with more than 200,000 individual members. Our functions are to safeguard the professional interests of tax advisers, to assure the quality of tax services provided by tax advisers, to exchange information about national tax laws and professional law and to contribute to the coordination of tax law in Europe.*

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The Member States' rights to fix VAT rates are governed by Articles 93 to 130 of the VAT Directive 2006/112/EC, which give Member States only limited powers to determine rates.

The CFE observes that these restrictions were made necessary by the fact that the underlying scheme of the tax was that VAT was due in the member state where the supplier was established<sup>1</sup>. Similar rules have been introduced to harmonise excise duties. On this basis, the provisions harmonising rates were necessary to avoid trade deflection.

In the light of the European Commission's 2011 Communication on the future of VAT<sup>2</sup>, the original idea of collecting VAT in the member state of establishment of the supplier has now been abandoned. The practical need for these restrictions has also been reduced because we now have:

- special rules for distance sales of goods and
- the application of a common regime on e-commerce.

However, harmonisation of rates is still possibly relevant in the case of cross-border shopping by individuals.

The CFE therefore considers that there is no reason to systemically limit the freedom of the member states to introduce reduced rates when they consider this to be appropriate. Such a change accords with the principle of subsidiarity. The CFE therefore suggests that the Commission should submit a proposal to delete or modify Articles 93 to 130 of the VAT Directive.

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<sup>1</sup> Proposal of 7 August 1987 for a Council Directive completing and amending Directive 77/388/EEC — Removal of fiscal frontiers, COM(87) 322, OJ C252 of 22 September 1987.

<sup>2</sup> Communication on the future of VAT, COM(2011)851 of 6 December 2011: "Towards a simpler, more robust and efficient VAT system tailored to the single market":

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/key\\_documents/communications/com\\_2011\\_851\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/key_documents/communications/com_2011_851_en.pdf)