

Proposal for a Council Decision extending the period of application of Council Decision 2000/185/EC authorising Member States to apply a reduced rate of VAT to certain labour-intensive services in accordance with the procedure provided for in Article 28(6) of Directive 77/388/EEC

(2003/C 20 E/20)

COM(2002) 525 final

(Submitted by the Commission on 25 September 2002)

EXPLANATORY MEMORANDUM

On 22 October 1999, as part of its implementation of the recommendations of the European Council of 11 and 12 December 1998, and in particular the 'Vienna Strategy for Europe', the Council adopted Directive 1999/85/EC ⁽¹⁾ amending Directive 77/388/EEC ⁽²⁾ (the 6th VAT Directive) as regards the possibility of applying on an experimental basis a reduced VAT rate on labour-intensive services. Its purpose is to allow Member States that so wish to test the impact, in terms of job creation and a reduction of the underground economy, of a targeted reduction of VAT on these services.

Under Article 28(6) of the 6th VAT Directive as amended by Directive 1999/85/EC, any Member State that wished to introduce this measure was required to inform the Commission before 1 November 1999. Nine Member States did so. Their applications were the subject of Council Decision 2000/185/EC of 28 February 2000 ⁽³⁾.

Based on the assessment reports to be drawn up by 1 October 2002 by the Member States that have applied such reduced rates, the Commission is required to submit a global evaluation report to the Council and the European Parliament by 31 December 2002, accompanied if necessary by a proposal for a final decision on the VAT rate to be applied to labour-intensive services.

This is to be done as part of the rationalisation of rules and derogations applicable to reduced VAT rates announced in the Commission Communication on 'A strategy to improve the operation of the VAT system within the context of the internal market' ⁽⁴⁾, which advocates considering how reduced rates of VAT can be used in the interests of various Community policies, particularly job creation.

In view of the time needed to carry out a thorough global review of the national reports, the Commission is presenting a proposal for an amendment of Article 28(6) of the 6th VAT Directive extending the period of application of reduced VAT rates on labour-intensive services by one year.

Council Decision 2000/185/EC authorising the nine Member States to apply a reduced rate of VAT to certain labour-intensive services must, therefore, also be amended in the same way to allow those Member States to continue applying the reduced rates for another year under the same conditions, without altering or extending the scope of the experiment.

⁽¹⁾ OJ L 277, 28.10.1999, p. 34.

⁽²⁾ OJ L 145, 13.6.1977, p. 1. (Directive last amended by Directive 2002/38/EC: OJ L 128, 15.5.2002, p. 41).

⁽³⁾ OJ L 59, 4.3.2000, p. 10.

⁽⁴⁾ COM(2000) 348 final, 7.6.2000.

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Sixth Council Directive (77/388/EEC) of 17 May 1977 on the harmonisation of the laws of the Member States relating to turnover taxes — common system of value-added tax: uniform basis of assessment ⁽¹⁾, and in particular Article 28(6) thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) Under Council Decision 2000/185/EC ⁽²⁾, Belgium, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Portugal and the United Kingdom are authorised to apply, up to 31 December 2002, a reduced rate of VAT on the labour-intensive services for which they submitted an application.
- (2) Based on the reports to be drawn up by 1 October 2002 by the Member States that have applied such reduced rates, the Commission is required to submit a global evaluation report to the Council and the European Parliament by 31 December 2002, accompanied if necessary by a proposal for a final decision on the VAT rate to be applied to labour-intensive services.
- (3) Since the Member States have not yet submitted any assessments to the Commission and in view of the time

needed to produce a thorough global evaluation of the national reports, the maximum period of application set for this measure in Directive 77/388/EEC has been extended.

- (4) The period of application of Decision 2000/185/EC should also be extended,

HAS ADOPTED THIS DECISION:

Article 1

Decision 2000/185/EC is amended as follows:

1. In the first paragraph of Article 1 'three years running from 1 January 2000 to 31 December 2002' is replaced by 'four years running from 1 January 2000 to 31 December 2003'.
2. In the second paragraph of Article 3, '31 December 2002' is replaced by '31 December 2003'.

Article 2

This Decision is addressed to the Kingdom of Belgium, the Hellenic Republic, the Kingdom of Spain, the French Republic, the Italian Republic, the Grand Duchy of Luxembourg, the Kingdom of the Netherlands, the Portuguese Republic and the United Kingdom of Great Britain and Northern Ireland.

⁽¹⁾ OJ L 145, 13.6.1977, p. 1. Directive last amended by Directive [...].

⁽²⁾ OJ L 59, 4.3.2000, p. 10.