



Brussels, 5 July 2018

**UEPC COMMENTS ON THE ECON COMMITTEE AMENDMENTS TO MEP SZANYI'S DRAFT REPORT ON  
THE PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING DIRECTIVE 2006/112/EC AS REGARDS RATES OF  
VALUE ADDED TAX**

The European Union of House Builders and Developers ('UEPC') takes a close interest in discussions in the European Parliament's ECON Committee on MEP Szanyi's draft report on the proposal amending the Directive 2006/112/EC concerning rates of value added tax ('VAT Directive'). UEPC would like to offer its views on the main topics in the light of the discussions underway in the run up to the vote.

UEPC supports the overall approach of the European Commission to give more flexibility to Member States to define their own VAT rates.

**1. New Annex IIIa ('List of supplies of goods and services referred to in Article 98.3')**

UEPC welcomes the idea of the 'negative list' to replace Annex III of Directive 2006/112/EC. It provides a clear incentive to Member States to apply a reduced or super-reduced rate to all housing, not only as part of a social policy.

There is increasing consumer demand for affordable, good quality housing that the public sector (alone) does not have the capacity to deliver. Allowing the application of reduced rates to all types of housing would allow developers to supply this demand, and will ultimately benefit the final consumer.

It is on that basis why we **strongly reject the amendment n. 19** (Sander Loones), which talks clearly about "public housing policy". As the European Union has no competency in terms of housing, this creates an unfair market between public and private bodies in terms of VAT rates. This limits greatly the goals of the VAT Directive.



On the other hand, we **strongly support amendment n. 17** (Miguel Viegas), and **support the amendment n. 18** (Molly Scott Cato on behalf of the Verts/ALE Group), which make clear that Member States will be able to continue to apply the derogations currently granted under Chapter IV of Title VIII, making them *de facto* available to all Member States. This would allow, for example, Member States to apply a super-reduced rate for first-time buyers, stimulating growth and investment.

## **2. Review of Annex IIIa**

The Commission is proposing to review Annex IIIa by 2026 and every five years thereafter by the Council on the basis of the Commission's report. This proposal seems to us to be adequate, as it will allow enough time for Member States to implement Annex IIIa and for the Commission to assess its effectiveness and fairness, whilst also reducing administrative burden for the review process, in comparison with a shorter time-frame that would over complicate any assessment due a lack of good quality case-study examples being available across a majority of Member States for different goods and services, such as housing.

This is why we **reject amendments n. 25 and n.58** (Werner Langen) and **strongly reject amendments n. 26, n. 57 and n. 60** (Molly Scott Cato on behalf of the Verts/ALE Group), which would create unnecessary legal uncertainty regarding the status of the new Annex IIIa.

## **3. Deletion of the current Annex III ('List of supplies of goods and services to which the reduced rates referred to in article 98 may be applied')**

UEPC strongly supports the proposal of the European Commission to delete Annex III from the Directive, which includes 'the provision, construction, renovation and alteration of housing as part of a social policy'. The list does not work in its current form, as social policy is not a European policy. No country applies a super-reduced rate to any kind of housing as an application of the Annex III, but rather as a special provision of Title VIII, Chapter IV.

As such, we **strongly reject amendment n.49** (Molly Scott Cato on behalf of the Verts/ALE Group) and subsequent amendments (**amendments n. 27 and n.65**), that would keep the current Annex III, with some slight alterations. This would create uncertainties and a lack of clarity, in respect to the new Annex IIIa, for the Member States and citizens, and defeat the whole purpose of creating a 'negative list'.



#### 4. Final consumer and general interest (art. 98.3)

UEPC welcomes the revised wording of the newly created Article 98.3. The concept of general interest must be defined by EU Member States, with the European Commission playing the crucial role of verifying and ensuring that this concept is not at odds with EU competition rules, thereby creating a level-playing field between private and public bodies.

The amendment proposed by MEP Szanyi in his draft report, giving priority “to goods or services having positive social and / or environmental effects” (**amendment n. 8**) strikes a proportionate balance between creating an obligation and adopting a laissez-faire approach, giving the necessary guidance to the Member States within the flexible framework provided under the revised VAT Directive. While this was already suggested in the Commission’s proposal (‘an objective of general interest’), the amendment of the Rapporteur offers greater clarity.

In this respect, we would also **support amendments n. 43** (Arndt Kohn, Peter Simon, Tibor Szanyi), **n. 44** (Molly Scott Cato on behalf of the Verts/ALE Group), and **n.46** (Werner Langen). These amendments clarify further the objectives of the reduced and super-reduced rates, without hampering the ability of Member States to decide which goods and services might benefit from those rates. Social and environmental effects, as well as health benefits, are clearly an objective of general interest, while limiting its definition.

We also **strongly support amendments n. 47** (Sander Loones) and **n. 48** (Othmar Karas), which go in the same direction as the draft report of MEP Szanyi. The Commission’s proposal to use the word ‘only’ is rather restricting and runs contrary to the aim of the proposal to give more flexibility to Member States. They are already limited in their application by the weighted average. In this respect, we **strongly reject amendment n. 29** (Molly Scott Cato on behalf of the Verts/ALE Group), which would create uncertainties as to the application of reduced rates by creating unnecessary difficulties. The use of the word ‘ultimate’ is restrictive and does not reflect the reality of goods and services in Europe.



## 5. Other provisions

The goal of the Commission's proposal is to respect the current Directive 2006/112/EC and its provisions, while giving Member States the necessary flexibility to define their own VAT rates within a framework. Some of the amendments proposed by MEPs are going, we would argue, would hamper this goal, as they try to limit the ability of Member States to apply reduced and super-reduced VAT rates. We **reject amendments n. 20, n. 38 and n. 40** (Molly Scott Cato on behalf of the Verts/ALE Group), which set minimums for the reduced VAT rates. Moreover, we **strongly reject amendment n. 21, n. 39 and n. 41** (Arndt Kohn, Peter Simon), which are calling for the end of the super-reduced VAT rates (below 5%) and only for a possibility to have one rate. This goes against the aim of the Commission's proposal, which states that Member States should continue to apply reduced VAT rates that are currently granted as derogations under Title VIII, Chapter 4 ('Special provisions').

Finally, we **strongly support amendment n. 5 and 7** (Tibor Szanyi), which sets a maximum for the standard VAT rates (25%) and **strongly reject amendment n. 37** (Werner Langen), which states that the standard VAT rate "shall permanently remain at least 15%". The proposal shall not be set in stone and shall instead be flexible.

Part of the text being considered	Subject of the vote	UEPC's position
Article 97 – paragraph 1	AM 7 Rapporteur	+++
	AM 37 Langen	---
Article 98 – paragraph 1 – subparagraph 1	AM 38 Scott Cato	-
	AM 39 Kohn, Simon	---
Article 98 – paragraph 1 – point 2	AM 40 Scott Cato	-
Article 98 – paragraph 2	AM 41 Kohn, Simon	---
Article 98 – paragraph 3 – subparagraph 1	AM 8 Rapporteur	++
	AM 43 Kohn, Simon, Szanyi	+
	AM 44 Scott Cato	+
	AM 46 Langen	+
	AM 47 Loones	+++
	AM 48 Karas	+++
Article 98 – paragraph 3 – subparagraph 1 a (new)	AM 49 Scott Cato	---
Article 100 – paragraph -1 (new)	AM 57 Scott Cato	---
Article 100 – paragraph 1	AM 58 Langen	-
	AM 60 Scott Cato	---
Annex III	AM 65 Scott Cato	---
Recital 3	AM 17 Viegas	+++
	AM 18 Scott Cato	+++


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Recital 4	AM 19 Loones	---
	AM 20 Scott Cato	-
	AM 21 Kohn, Simon	---
Recital 5	AM 25 Langen	-
	AM 26 Scott Cato	---
Recital 5a (new)	AM 27 Scott Cato	---
Recital 6	AM 29 Scott Cato	---
Recital 8	AM 5 Rapporteur	+++