

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Directive amending Directive 2006/112/EEC with regard to certain temporary provisions concerning rates of value added tax'

COM(2007) 381 final — SEC(2007) 910

(2008/C 44/26)

On 27 July 2007 the Council decided to consult the European Economic and Social Committee, under Article 95 of the Treaty establishing the European Community, on the abovementioned proposal.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 October 2007. The rapporteur was Mr Burani.

At its 439th plenary session, held on 24-25 October 2007 (meeting of 24 October), the European Economic and Social Committee adopted the following opinion by 154 votes, *nem. con.*, with four abstentions.

Conclusions and recommendations

Reasons

1. Gist of the proposal

1.1 The Commission has launched a broad debate on the use of reduced VAT rates, starting by publishing a Communication to the Council and the European Parliament ⁽¹⁾. The main aim of this exercise is to pave the way for a new directive seeking sustainable, durable global solutions regarding **reduced rates**. 'Reduced rates' are rates below the customary VAT rate (15 %).

1.2 In the Communication published on the same day as the proposal, the Commission states that 'Considerable time will be needed in order to identify the suitable way forward'. Meanwhile, the issue arises of **temporary derogations granted to the Member States which have recently joined the EU**. These derogations expire at various different points between June 2007 and 1 January 2010 (Articles 123-130 of the VAT Directive) ⁽²⁾. The simplest solution, adopted in the Commission proposal, is to propose that they be **extended** until the end of 2010, although the extension would not be general but **limited to certain goods or services**. Thus, the end of these derogations would fall together with the expiry of the minimum of 15 % for the standard rate and the end of the experiment on the application of reduced VAT rates to certain labour-intensive services.

1.3 The extension is granted for **labour-intensive services** (housing sector, restaurants etc.) and, where some countries are concerned, for goods which are of **particular social importance** (food, specialist periodicals and books, pharmaceutical products etc.). The reason for this is that the reduced VAT rate

will in all probability continue to apply to all the countries after new rules have been drawn up as well. Derogations which conflict with the smooth functioning of the internal market are not extended (agricultural inputs).

1.4 Coal and energy for heating, in particular, are **excluded** from the extension. The exceptions laid down in the various Acts of Accession are coming to an end (in 2007 or 2008) and no extensions are provided for. Moreover, taxation on energy sources is a separate issue which is currently being discussed; when solutions are found, they should apply across the board.

2. General comments

2.1 Directive 2006/112/EC laid down for **Member States which joined the EU before 2001** a series of **derogations** ⁽³⁾. These derogations are **open-ended** or, to be more specific, apply until the entry into force of the "**definitive system**" for intra-Community transactions'. As things stand, on the basis of experience, a definitive system is not likely to be introduced in the short or medium terms. **The exemptions granted to the 'old' Member States could thus be extended almost indefinitely**, while the 'new' Member States would be penalised by the expiry of the terms negotiated when the Acts of Accession were adopted. Moreover, some Member States are allowed to apply reduced rates to locally supplied services ⁽⁴⁾ until the end of 2010, while this opportunity does not exist for the others. This situation is untenable.

2.2 The proposal is a transitional solution which will **enable the Member States which have recently joined the EU to operate on an essentially level playing field** with the other

⁽¹⁾ COM(2007) 380 final of 5.7.2007.

⁽²⁾ Council Directive 2006/112/EC of 28.11.2006.

⁽³⁾ Articles 109 to 122 of the VAT directive.

⁽⁴⁾ See Annex IV to the VAT directive.

Member States, at least until 31 December 2010. The Commission hopes that, by that date, the Council will have adopted the **new directive** bringing order to all exemptions across the board, as called for in the Communication.

3. Specific comments

3.1 The EESC congratulates the Commission on its work: both the **proposal for a directive, which it endorses unreservedly**, and the publication of a Communication announcing the definition of an 'exemption' structure which is consistent with the principles of the single market and the Lisbon Strategy.

The EESC will issue a specific opinion on the Communication, to make a constructive contribution to the debate.

3.2 Previous experience would suggest that the general interest of reaching swift consensus on the proposal might take second place to defending particular interests and policies: the EESC hopes that this fear will prove unfounded. In terms of technical accuracy the proposal cannot be criticised: as the decision-making process progresses, only the political aspects will play a role. The EESC draws the decision-makers' attention to the needs of the market and the public, which require transparent, fair laws to be adopted without delay.

Brussels, 24 October 2007.

The President
of the European Economic and Social Committee
Dimitris DIMITRIADIS

Opinion of the European Economic and Social Committee on Croatia on the road to accession

(2008/C 44/27)

On 16 February 2007 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on: *Croatia on the road to accession*.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 October 2007. The rapporteur was Ms Anne-Marie Sigmund.

At its 439th plenary session, held on 24 and 25 October 2007 (meeting of 24 October 2007), the European Economic and Social Committee adopted the following opinion by 155 votes to two with four abstentions.

1. Introduction

1.1 On 20 April 2004, the Commission issued a positive opinion on Croatia's application for accession to the European Union; on 20 December 2004, the European Council decided to open accession negotiations in March 2005, which were then postponed to October 2005.

1.2 The joint screening process was successfully completed in October 2006, and bilateral accession negotiations were able to begin. Substantial progress has been made on the political and economic criteria and on transposing the *acquis*.

1.3 The Committee welcomes the speedy progress of the negotiations and the broad-based participation of Croatian civil

society in this process but stresses that the contribution of all the representative civil society organisations concerned is needed, and in particular the comprehensive involvement of the social partners in the negotiation of all the relevant chapters. In this context, the Committee refers to its opinion of 31 March 2004 and the arguments put forward in point 5.5, which continue to be valid and which it now reiterates ⁽¹⁾.

1.4 This opinion will refrain from making another analysis of existing statistical material, but will instead concentrate on assessing the situation of organised civil society in Croatia, assessing its foundations, opportunities and challenges.

⁽¹⁾ EESC opinion of 31.3.2004 on *Croatia's Application for EU membership* (rapporteur Mr Strasser), point 5.5: 'If the Croatian economy is to successfully cope with the conditions applying in the EU's internal market, it is essential that the necessary reforms, liberalisation measures and adjustments to comply with EU law receive the support of civil society. Key prerequisites in this context are that the Croatian population is kept adequately informed of the importance and the impact of Croatia's integration into the EU and that representative civil society organisations are involved in the political decision-making processes.' (OJ C 112, 30.4.2004, p.68).