

**Opinion on the proposal for a Council Directive amending Directive 77/388/EEC on the common system of Value Added Tax (taxation of agricultural outputs)**

(95/C 236/02)

On 4 April 1995 the Council decided to consult the Economic and Social Committee, under Article 99 of the Treaty establishing the European Community, on the abovementioned proposal.

The Section for Economic, Financial and Monetary Questions, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 16 May 1995. The Rapporteur, working without study group, was Mr Giacomelli.

At its 326th Plenary Session held on 31 May and 1 June 1995 (meeting of 31 May), the Economic and Social Committee adopted the following Opinion by a unanimous vote.

1. The Committee notes that the Commission report accompanying the proposed directive concludes 'that in the absence of any hard evidence of significant distortive effects on the competitive situation of taxable persons involved in intra-Community trade caused by differences in VAT rates, there is no reason to assume at present that the internal market is functioning in anything other than a satisfactory manner'.

1.1. Nevertheless, as far as VAT is concerned, sight must not be lost of the benefit to the internal market's functioning of the objective of harmonization as defined in Treaty Article 99.

1.2. For the sake of completeness, it must be added that the study ordered by the Commission, which arrives at a similar conclusion to that above, was not able at the time of preparation (August 1994) to incorporate information derived from the experience of the new Member States (Austria, Finland, Sweden).

2. Despite the generally positive conclusions of the Commission report, however, problems have arisen in the case of certain specific agricultural outputs (namely, flowers, plants, etc.; wool, wood for industrial uses, wood for use as firewood), trade in which has been affected by the application of reduced or zero rates by some Member States. Since the adoption of Directive 92/77/EEC of 19 October 1992<sup>(1)</sup> the other Member States have been unable to take counteraction because they are no longer permitted to reduce their rates (Article 12(3)(d) of Directive 77/388/EEC). The aim of the proposed directive is to abolish this prohibition and hence to extend for two years the option, for all Member States, to apply or introduce reduced rates for these agricultural outputs.

3. Consequently, the Committee approves the proposed directive as necessary for the smooth functioning of the single market.

<sup>(1)</sup> ESC Opinion, OJ No C 332, 31. 12. 1990, p. 121; Directive 92/77/EEC, OJ No L 366, 31. 10. 1991, p. 1.

Done at Brussels, 31 May 1995.

*The President  
of the Economic and Social Committee*

Carlos FERRER