

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Directive amending Directive 77/388/EC by reason of the accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia'

(COM(2004) 295 final)

(2005/C 120/20)

On 30 June 2004 the Council decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned proposal.

In view of the urgency of the work, the European Economic and Social Committee decided at its 412th plenary session of 27 and 28 October 2004 to appoint **Mr Pezzini** as rapporteur-general and adopted the following opinion by 121 votes for, none against and three abstentions.

1. Introduction

1.1 As part of the 'Vienna Strategy for Europe', the Vienna European Council of 11 and 12 December 1998 recommended that Member States which so wished should be allowed on an experimental basis to apply a reduced VAT rate to labour-intensive services so as to test the impact of such reductions on job creation and action to curb the underground economy ⁽¹⁾.

1.2 Following the recommendation, the Council adopted an ad hoc Directive (1999/85/EC) on 22 October 1999, to be valid for the four-year period 2000-2003. Nine Member States — Belgium, Greece, Spain, France, Italy, Luxemburg, the Netherlands, Portugal and the United Kingdom — made use of the possibility.

1.3 In response to reports evaluating the impact of the measures, the Commission presented a proposal for a directive for simplifying and rationalising the reduced VAT rates ⁽²⁾. Because of numerous divergences, the Council has not yet been able to adopt the draft directive. In this area, unfortunately, adoption still requires unanimity.

1.4 Consequently, and given the risk of legal uncertainty in the Member States applying the reduced rates, the Commission, in agreement with the Council, has proposed extending the validity of Directive 1999/85/EC until 31 December 2005.

2. General comments

2.1 The EESC has on several previous occasions endorsed the principle of allowing reduced VAT rates to be applied to labour-intensive services ⁽³⁾.

2.2 In its opinions, the EESC has taken a positive view of these measures' impact in terms of creating jobs and curbing undeclared work.

2.3 The EESC has also made many suggestions for extending the VAT reductions to other sectors such as restaurant services or restoration of historic and religious buildings and buildings of private cultural and architectural heritage.

2.4 The EESC therefore endorses the principle of allowing those new Member States who so request to apply the reduced rate of VAT to labour-intensive services, under Directive 1999/85/EC, until 31 December 2005.

2.5 The EESC nonetheless regrets that the Council was unable to agree on the European Commission's proposal for a directive to simplify and rationalise the system.

2.6 The EESC has repeatedly stated its conviction that unanimity in many aspects of tax affairs is a real obstacle to the Union's progress.

Brussels, 28 October 2004.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

⁽¹⁾ Unemployment in the EU at the time was close to 10 %. The extraordinary Luxemburg European Council (1997) had focused on unemployment. Research by the European Academy of Avignon had revealed levels of undeclared work in the EU of up to 28 %. See also the EESC opinion on undeclared work (OJ C 101 of 12.4.1999, p. 30)

⁽²⁾ COM(2003) 397 final of 23 July 2003

⁽³⁾ OJ C 209 of 22.7.1999
OJ C 32 of 5.2.2004