“Reduced VAT”
Meeting with the Czech Presidency
(Permanent Representation of the Czech Republic in Brussels)
20/02/2009

Main points as regards the latest and future developments:

● No further progress in negotiations during the last ECOFIN Council of 10th February.
● All arguments and data are already known but the debate is not anymore at a logical and rational level, but rather at a high political level (finance and prime ministers only).
● Basically, EU-Commission’s proposal considered as too broad by many Member States.
● Czech Presidency expected to propose a very limited list of high labour-intensive services benefiting from reduced VAT rates, namely services which are subject to transitional measures until end 2010 (Annex IV of Directive 2006/112/EC), in addition to catering services?.
● A compromise on the inclusion of the housing sector also seems to still be possible.
● Key actors of the debate remain Germany and the UK.
● Issue will be discussed again at the next ECOFIN Council of 10th March, and then at European Council of 19th and 20th March where a solution is supposed to be adopted.
● Only remaining argument is the time: Member States have 1 month time to agree on a compromise.
● In the meantime, Member States are expected to continue bilateral negotiations between national Finance Ministers.

Comments:
In this context, the only possible remaining actions to be undertaken are:

- at Member Federations’ national level;
- targeted towards finance ministers and Heads of State/Government;
- in order to find at least a limited compromise for the construction sector (housing).

In parallel, the Commission is working on a proposal on reduced VAT rates for environmentally friendly products and services, which is expected to concern the construction sector.
This proposal should be published in April and, despite requests from Germany, should not be integrated to the current proposal under discussion, which concerns labour-intensive services only.