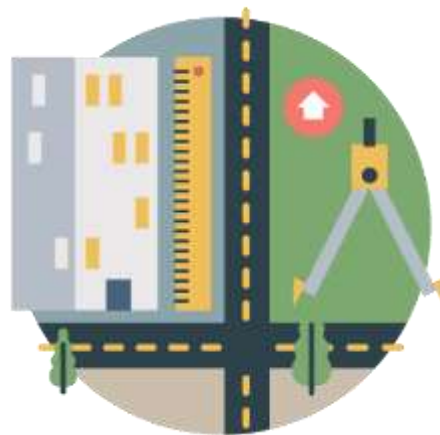


# Public Consultation on the reform of VAT rates



# EU framework

- 2 rates:
  - Standard rate = 15%
  - Reduced rates, no less than 5%, to choose in Annex III of the VAT Directive 2006/112
- For public, social or cooperative housing, Annex III of the same directive provides 2 possibilities of reduced rates:
  - provision, construction, renovation and alteration of housing, as part of a social policy
  - renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied

# Context of the EC consultation

- Action Plan on VAT 7/04/2016
- VAT system originally established on the « origin principle » (the location of the seller determines the tax treatment), which requires convergence on rates between MS to avoid unfair competition
- 2011> change of principle , « destination-based » one (the buyer location determines the tax treatment)
- Which this destination principle, a greater differentiation between rate is allowed by nature> opportunity to reform the rules on rates
- According unanimity principal on tax, it's difficult to extend reduced-rate treatment to new areas
- Because of the long time-lags for adopting changes in EU legislation, MS are not respecting the rules> more than 40 infringement procedures

# EC proposals

- Reform proposed to give more freedom to MS and balance to find according the possible administrative burdens and legal uncertainty
- 2 options proposed

# Option 1

- Extension and regular review of the list of goods and services eligible for reduced rates
- « All the existing reduced rates would be maintained and could be included in the list of optional reduced rates »

# Option 2

- Abolition of the list
- More freedom to MS on the number of reduced rates and their level, in the respect of fair competition (which may need some safeguards)
- New basic rules needed (impact assessment?)
- « All currently existing rates would be maintained »
- The minimum standard VAT rate would be removed

# Flexibility or certainty?

- Keep the existing optional list and review it regularly OR change the all system? In which political context?
- Existing reduced rates are supposed to be maintained, but on which conditions and how in a new system?
- EC consultation Deadline 20/03/2017
- <https://ec.europa.eu/eusurvey/runner/ReformofVATrates2017>



[www.housingeurope.eu](http://www.housingeurope.eu)

[info@housingeurope.eu](mailto:info@housingeurope.eu)

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