



**COUNCIL OF
THE EUROPEAN UNION**



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Council allows the optional use by member states of reduced VAT rates in certain sectors

The Council today adopted¹ a directive allowing – on a permanent basis – the optional use of reduced rates of value-added tax (VAT) for certain labour-intensive local services, including restaurant services, for which there is no risk of unfair competition between service providers in different member states.

Adoption of the directive follows political agreement reached at the Council's meeting on 10 March. The optional use of reduced VAT rates in certain sectors is one of the actions identified by the economic recovery plan approved by the European Council in December.

EU rules on VAT rates, set by directive 2006/112/EC, require member states to apply a minimum 15 % standard rate to most goods and services. Member states are however allowed to apply one or two reduced VAT rates to a limited number of supplies. Where a reduced rate is allowed, this must amount to at least 5 % of the value of the supply.

¹ The decision was taken at a meeting of the Economic and Financial Affairs Council.

P R E S S

The current rules are the outcome of a variety of initiatives over the years, including the 1992 decision on the harmonisation of VAT rates in the context of the EU single market, a 2000 decision to allow reduced VAT rates on labour-intensive local services with a view to stimulating employment, and derogations allowed in 2004 for newly acceding member states.

Reduced rates on labour-intensive local services have so far only been allowed on a temporary basis.

Under the directive adopted today by the Council, member states that so wish may apply reduced VAT rates, on a permanent basis, to:

- the following labour-intensive local services:
 - minor repairs of bicycles, shoes and leather goods, clothing and household linen (including mending and alteration);
 - window cleaning and cleaning in private households;
 - domestic care services such as home help and care of the young, elderly, sick or disabled;
 - hairdressing;
 - the renovation and repair of private dwellings, excluding materials which account for a significant part of the value of the service supplied;
- restaurant and catering services;
- books on all physical means of support.

In addition, Portugal may apply a reduced VAT rate to tolls on bridges in the Lisbon area, Cyprus is allowed to apply a reduced VAT rate to the supply of liquid petroleum gas in cylinders, and Malta may maintain a zero VAT rate for the supply of foodstuffs and pharmaceuticals.

The directive will enter into force on the first day of the month following that of its publication in the Official Journal.