



European Tax Report Confédération Fiscale Européenne (CFE)

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News - Indirect Taxes

Council of European Union

Reduced rates of VAT on Labour intensive ser- vices

The Council adopted a decision authorising certain member states to continue applying reduced rates of value-added tax for certain labour-intensive services until 2010, in accordance a directive on reduced VAT rates adopted earlier this year.

The decision implements the provisions of directive 2006/18/EC which extends an experiment, launched in 1999, of reduced VAT rates for labour-intensive services until 31 December 2010 and allows all member states to take part in the experiment under the same conditions.

To which services does the directive apply?

In accordance with the directive, member states may apply a reduced rate to district heating and two (or in exceptional cases three) out of the following five services: small repair services, the renovation of private dwellings, window cleaning and private household cleaning, domestic care services and hairdressing, on condition that they requested authorisation to do so by 31 March 2006.

The decision will apply from January 2006 (retroactively) until December 2010. Under Community law, the minimum VAT standard rate is 15% and the minimum VAT reduced rate is 5%.

Read more (click to open):

Council Directive 2006/18/EC amending Directive 77/388/EEC with regard to reduced rates of value added tax

languages: [EN](#) [FR](#) [DE](#)

VAT on online media services

The Council took note of remarks by the French delegation regarding the rate of value-added tax charged on online media services.

Whereas current EU rules allow member states to apply a reduced VAT rate (minimum 5%) to sales of newspapers and periodicals, they require the standard VAT rate (minimum 15%) to be applied to the on-line press.

The French delegation considers that the distinction is hindering the development of the on-line press at a time when the industry is adapting to the digital environment. It has requested EU rules to be amended in order to enable member states that so wish to apply a reduced rate to the on-line press.

Minimum excise duty rates on alcoholic beverages

The Council examined a compromise proposal presented by the presidency on the adjustment of minimum excise duty rates applied by the member states on alcoholic beverages in order to counter the effects of inflation.

The minimum rates should be increased about 31% according to the rate of inflation from 1993 to 2005. The majority of the Member States are not affected by this proposal as their national rates already exceed the proposed minimum rates. Those countries who might have difficulties to adjust their national rulings enjoy a transitional period until 1 January 2010 (see European Tax Report, Issue 11).

Proposal rejected by four Member States

Four Member States (including Germany) rejected the proposal. Thus it was not adopted. Considering the small increases which would have been followed by the adoption it is not understandable why some of the Member States did not want to approve the proposal.

Read more (click to open):

Proposal of the EU Commission amending Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages

languages: [EN](#) [FR](#) [DE](#)

Press Release from the European Commission

Alcohol taxation: Commission proposes increases of minimum rates

languages: [EN](#) [FR](#) [DE](#)

Tax Exemptions: Imports of small consignments of goods of a non-commercial character

The Council Directive 78/1035/EC of 19 December 1979 on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries has been substantially amended several times. On 5 October 2006 the Council has adopted the codified version of this directive (2006/79/EC) in the interest of clarity and rationality.

Tobacco products, alcohol beverages, perfumes, coffee and tea

Art. 1 of the Directive allows import of goods by a private person if the amount is very small, the goods have a non-commercial character and if they were sent by a private person. Products to which this article applies are tobacco products, alcohol and alcoholic beverages, perfumes, coffee and tea.

Still Member States have the right to reduce the given quantities or to abolish exemption for such products altogether (see Case-140/05 in European Tax Report, Issue 11). The Directive will enter into force on mid November 2006.

Read more (click to open):

Council directive 2006/79/EC on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries

languages: [EN](#) [FR](#) [DE](#)

EUROPEAN COMMISSION

Action plan – Saving 20% by 2020

Reducing the waste of energy

The European Commission has published an action plan for energy efficiency on 19 October 2006. The report outlines the contradiction between record high energy prices, increasing environmental concerns and the waste of energy which is going on in Europe. The EU Commission numerals the energy which might be wasted until 2020 with over 100 billion Euros. Additionally there is the further damage to environment which cannot be expressed in monetary terms.

Green Paper on indirect taxation

The aim of the Action Plan is to reduce the whole energy consumption by 20% by 2020. Thus the report outlines a framework of policies and measures which shall be implemented. Also in the field of taxes there should be taken some action. The EU Commission demands a coherent use of taxation and will therefore prepare a Green Paper on indirect taxation from 2007. The Energy Tax Directive should be reviewed to facilitate a more targeted and coherent use of energy taxation. Moreover the Institution will consider using tax credits etc. as incentives for enterprises to promote the increased production of certified energy-efficient appliances and equipment.

Read more (click to open):

Press Release from the European Commission (MEMO 06/387)

language: [EN](#)

Action plan for energy efficiency: Realising the potential

languages: [EN](#) [FR](#) [DE](#)

News - Direct Tax

EUROPEAN COMMISSION

Discrimination against foreign charities

The European Commission has sent Ireland and Poland formal requests to end discrimination of foreign charities. Tax relief is allowed for gifts to charities in both Member States only if the charity is established in their own territory.

Stauffer Case C-386/04

This underlines that the ECJ ruling on Stauffer Case C-386/04 of 14 September 2006 (see European Tax Report, Issue 11) is an important step in the income taxation treatment of non-profit organisations which are established in another Member State. In its decision the Court referred to Annex I of the Council Directive 88/361/EEC of June 24 1988 which provides for a community definition of „capital movements“. Cross-border gifts or legacies are explicitly described as capital movements. Thus gifts to charities should be treated in the same way, no matter if the charity is established in the own territory or in another Member State.

„Gifts to bona fide charities in other Member States should get the same tax treatment as gifts made to domestic charities“,

concluded László Kovács, Commissioner for Taxation and Customs Union.

Next Steps

The request from the EU Commission is in form of a reasoned opinion under Article 226 of the EC Treaty. If Ireland and Poland does not reply satisfactorily within two months the Commission may refer the matter to the European Court of Justice.

Read more (click to open):

Press Release of the European Commission (IP/06/1408)

Commission requests Ireland and Poland to end discrimination of foreign charities

languages: [EN](#) [FR](#) [DE](#)

EUROPEAN COMMISSION

Discriminatory taxation of foreign lotteries

The European Commission has sent Poland a formal request to end discriminatory taxation of foreign lotteries. In Poland winnings from Polish lotteries are subject to a less high taxation than winnings from lotteries in other Member States.

„Member State are free to set their own rules on betting and gambling“, commented Laszlo Kovacz, Commissioner for Taxation and Customs Union. „But the EC Treaty requires that these rules are applied in the same way to domestic and foreign lotteries.“

Next Steps

The request from the EU Commission is in form of a reasoned opinion under Article 226 of the EC Treaty. If Poland does not reply satisfactorily within two months the Commission may refer the matter to the European Court of Justice.

Read more (click to open):

Press Release of the European Commission (IP/06/1360)

Commission requests Poland to end discriminatory taxation of foreign lotteries

languages: [EN](#) [FR](#) [DE](#)

Discriminatory taxation of dividends paid from foreign companies

The European Commission has formally requested Greece to abolish discriminatory taxation of dividends paid by companies of other Member States. Dividends paid by Greek Companies to individuals are exempted while dividends paid by companies of other Member States are not.

Rules of internal market forbid double taxation

Greece aims with the exemption avoiding double taxation of the company profits which arises when the profits are taxed at the level of the company and then again in the hands of the individual shareholders when distributed as dividends. Still the exemption should be applied also to dividends from foreign Member States because „the rules of the Internal

Market forbid discrimination of dividends paid by companies of other Member States“, as László Kovács, Commissioner of Taxation and Customs Union, points out. Moreover double taxation affects also dividends from foreign companies.

Position paper of the European Commission

However the position of the EU Commission has been published in its Communication „Dividend taxation of individuals in the Internal Market“ (COM(2003)810), 19. December 2003. The institution concluded that dividends paid from other Member States could not be subjected to higher taxes than dividends paid from within the Member State.

Next Steps

The request from the EU Commission is in form of a reasoned opinion under Article 226 of the EC Treaty. If Spain does not reply satisfactorily within two months the Commission may refer the matter to the European Court of Justice.

Read more (click to open):

Press Release of the European Commission (IP/06/1410)

Direct taxation: Commission requests Greece to end discriminatory taxation of dividends from foreign companies

languages: [EN](#) [FR](#) [DE](#)

Communication from the European Commission:

Dividend taxation of individuals in the Internal Market

languages: [EN](#) [FR](#) [DE](#)

OECD

Tax administrations in OECD and selected non-OECD member countries

Updated comparative information series

On 27 October 2006 the OECD released a report comparing tax administration in OECD and selected non-OECD member countries. The aim is to facilitate dialogue among tax officials on tax administration issues which may also identify opportunities for revenue bodies to improve the design and administration of their respective tax systems. From now on the report shall be extended and updated every two years.

Read more (click to open):

OECD Report

Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2006)

languages: [EN](#)

- a) General principles and approaches
- b) Innovative approaches to improve the efficiency and effectiveness of indirect income measurement methods
- c) Auditor workforce management-survey findings and observation

Read more (click to open):

OECD Report

Strengthening Tax Audit Capabilities: General Principles and Approaches

languages: [EN](#)

Strengthening Tax Audit Capabilities: Innovative Approaches to Improve the Efficiency and Effectiveness of Indirect Income Measurement Methods

languages: [EN](#)

Strengthening Tax Audit Capabilities: Auditor Workforce Management – Survey Findings and Observations

languages: [EN](#)

Customs relation, will deliver the keynote address.

Read more: language [EN](#)

Impressum

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News - Events

Strengthening tax audit capabilities of tax administrations

27 November 2006

Conference on tax/benefit system

The Forum on Tax Administration (FTA), a subsidiary body of the OECD Committee on Fiscal Affairs, released three reports on strengthening the tax audit capabilities of tax administrations on 24 October 2006. The three reports specifically address:

On Monday 27 November, the Centre for European Policy Studies (CEPS) will host the final conference of the TAXBEN project. This project analysed the need for reform of tax/benefit systems in the EU. Laszlo Kovacs, European Commissioner for Taxation and