Council Directive (EU) 2016/856 of 25 May 2016 amending Directive 2006/112/EC on the common system of value added tax, as regards the duration of the obligation to respect a minimum standard rate

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amending Directive 2006/112/EC on the common system of value added tax, as regards the duration of the obligation to respect a minimum standard rate

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 113 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Parliament[(1)],

Having regard to the opinion of the European Economic and Social Committee[(2)],

Acting in accordance with a special legislative procedure,

Whereas:

(1) Article 97 of Council Directive 2006/112/EC[(3)] provides that from 1 January 2011 until 31 December 2015 the standard rate of value added tax (VAT) may not be less than 15 %.

(2) The standard VAT rate currently in force in the Member States, combined with the mechanism of the transitional system has ensured that the VAT system has functioned to an acceptable degree. With new rules on the place of supply of services which favour taxation at the place of consumption, the possibilities for exploiting differences in VAT rates through relocation have been limited further and potential distortions of competition have been reduced.

(3) To prevent excessive divergence in the standard VAT rates applied by Member States from leading to structural imbalances in the Union and distortions of competition in some sectors of activity, it is common practice in the field of indirect taxes to set minimum rates. It is still prudent to do so for VAT.

(4) In view of the ongoing discussion on the features of the definitive VAT regime for intra-Union trade, it would be premature to set a permanent standard VAT rate or to consider changing the minimum VAT rate.

(5) It is therefore appropriate to maintain the current minimum standard rate at 15 % for a period long enough to ensure legal certainty, while allowing further review.