

Memorandum

The Austrian Presidency and the European Commission understand the concerns of the Government of the Republic of Poland in respect of reduced VAT rates. They express their conviction that these concerns can be accommodated within the framework of the compromise tabled by the Austrian Presidency at the ECOFIN Council of the 24th of January which has been accepted by 24 Member States and on the basis of the provisions of the Sixth VAT Directive.

- Poland can apply a reduced rate according to Annex H of the Sixth VAT Directive to the "supply, construction, renovation and alteration of housing provided as part of a social policy."
- As with all Member States, it is up to Poland to define the scope of its "social policy".
- This reduced rate according to Annex H of the Sixth VAT Directive applies without time limit.
- The Commission and the Presidency will support a request by Poland to apply 3 categories of reduced rates within the context of Annex K, which will apply until 31st December 2010.
- The Commission will present to the Council and the European Parliament an overall assessment report on the impact of reduced rates applying to locally supplied services, including restaurant services, notably in terms of job creation, economic growth and the proper functioning of the internal market. This report will cover all of the housing sector.
- In addition the Commission will present a further report and, where appropriate, proposals reviewing the scope of all the reduced rates in accordance with Article 12 (4) of the Sixth VAT Directive.
- Part of this Memorandum is the interpretation of the European Commission as expressed in the letter of Commissioner Kovacs from 30 January 2006.

Vienna, 1 February 2006



The image shows three handwritten signatures in blue ink. The largest signature on the left is highly stylized and appears to be 'A. Jean'. To its right is a signature that reads 'Liza Gilowska'. Below these, on the right side, is a smaller signature that appears to be 'Kovacs'.

The Presidency concluded that, pending confirmation by the Czech Republic and Poland by the end of this week, the Council reached agreement on the following:

"With a view to the outcome of the December 2005 European council, the Council had an in depth discussion on the question of reduced rates of VAT and reached political agreement on the following:

In order to prolong the experiment of reduced rates for labour-intensive services, the validity of Annex K to Directive 77/378/EEC shall be extended as from 1.1.2006 until 31.12.2010. All Member States shall be authorized to opt for the application of Annex K. Member States wishing to make use of the provisions of Annex K may apply for such an authorization until 31.3.2006.

District heating shall be included in the option provided for by Article 12(3)(b) of the sixth VAT Directive.

The Council invites the Commission to present a report to the Council and the European Parliament, by the end of June 2007, providing for an overall assessment of the impact of reduced rates applying to locally supplied services, including restaurant services, in terms notably of job creation, economic growth and the internal market, based on a study carried out by an independent economic think tank."



Ljiljana G. Novosel
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