



**COUNCIL OF
THE EUROPEAN UNION**



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Reduced VAT Rates ECOFIN Council political agreement confirmed

On 24 January 2006 the President of the ECOFIN Council, Karl Heinz Grasser concluded that, pending confirmation by the Czech Republic, Poland and Cyprus, the Council reached agreement on the following compromise:

"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.

P R E S S

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."

On 28 January, the Czech Republic and Cyprus confirmed to the Presidency and the Council Secretariat that they agreed to that compromise. On 1 February Poland also confirmed that it agreed to the compromise.

The Council will adopt the legal text enacting this political agreement on reduced VAT rates at one of its forthcoming meetings.
