

# COMMISSION OF THE EUROPEAN COMMUNITIES

REVISED VERSION

COM(87) 324 final/2

Brussels, 21 August 1987

**Proposal for a Council Directive  
instituting a process of convergence of  
rates of value-added tax and excise duties**

(presented by the Commission)

COM(87) 324 final/2

# COMMISSION OF THE EUROPEAN COMMUNITIES

AMENDMENT

COM(87) 324 final/3

CONCERNS ALL THE  
LANGUAGE VERSIONS

Brussels, 10 November 1987

Proposal for a  
COUNCIL DIRECTIVE

instituting a process of convergence of rates of  
value-added tax and excise duties

(presented by the Commission)

COM(87)324 final/2, 21.8.1987

Proposal for a Council Directive, Article 2(4). Delete section on alcoholic beverages and substitute :

" Alcoholic beverages, etc.

Potable Spirits (per hl of pure alcohol)	1271 ECU
Intermediate products (per hl of product)	85 ECU
Still wine (per hl of product)	17 ECU
Sparkling wine (per hl of product)	30 ECU
Beer (per degree Plato per hectolitre)	1.36 ECU
Undenatured ethyl alcohol contained in perfumes, toiletries and cosmetics (per hl of pure alcohol)	424 ECU "

COM(87) 324 final/3

EXPLANATORY MEMORANDUM

The overall approach towards completing the internal market as far as indirect taxation is concerned is described in the Commission's Global Communication to the Council<sup>(1)</sup>. That Communication sets out the reasons underlying the proposals which the Commission is making and deploys the arguments in their support. It is particularly important therefore that the present document should be read in conjunction with the Global Communication.

On 21 November 1985, the Commission submitted to the Council a proposal for a Directive<sup>(2)</sup> which instituted within the framework of the White Paper on the completion of the internal market<sup>(3)</sup> a standstill on VAT and any new excise duties in order to prevent any further increase in the existing differences between national systems of indirect taxation.

On 22 May 1986, the Economic and Social Committee delivered a favourable opinion on the proposal<sup>(4)</sup>. The European Parliament was also in principle in favour of the proposal, but in its opinion of 9 October 1986<sup>(5)</sup> put forward a number of amendments which led the Commission to amend its original proposal<sup>(6)</sup>.

Now that the Commission has presented its detailed proposals in the field of indirect taxation described in the Global Communication, the proposed standstill Directive as at present drafted is no longer appropriate. Instead, the Commission proposes a new draft Directive which would prohibit any divergence in the number and level of VAT rates at present applied by the Member States whilst at the same time allowing, and indeed encouraging, convergence towards the number and level of VAT rates which the Commission proposes should apply by 31 December 1992 at the latest.

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<sup>(1)</sup> Document COM(87) 320 final

<sup>(2)</sup> O.J. Nr. C 313 of 4.12.1985

<sup>(3)</sup> Bulletin CE 6/1985, points 1.3.1 and following

<sup>(4)</sup> O.J. Nr. C 207 of 18.08.1986

<sup>(5)</sup> O.J. Nr. C 283 of 10.11.1986

<sup>(6)</sup> O.J. Nr. C 30 of 07.02.1987

Similarly, for excise duties on alcoholic drinks, tobacco products and mineral oils, only changes which converge towards the rates of duty proposed by the Commission would be allowed. The introduction of new excise duties which give rise to controls at internal frontiers would be prohibited.

## Commentary on the Articles

### Article 1

#### Provisions relating to VAT

Paragraph 1 proposes, as a general rule, a prohibition on changes to the number and rates of tax except within the conditions fixed by paragraphs 2 and 3.

Paragraph 2 establishes the provisions which concern the number of rates to be retained.

Paragraph 3 provides that the Member States can alter their normal and reduced tax rates on condition that they do so within the terms provided for in the Directive. The higher tax rates must be abolished, or reduced in such a way as to align themselves on the VAT system of two rates proposed by the Commission.

### Article 2

#### Provisions relating to excise duties

Paragraph 1 provides for a prohibition against the introduction by Member States of new excise duties which give rise in trade within the Community to the system of taxation of imports and refunds on export or to internal frontier controls.

Paragraphs 2 and 3 provide for a standstill for the excise duties which relate to tobacco products, alcoholic drinks and mineral oils as set out in paragraph 4. The standstill includes a prohibition against any increase in the scope of these duties.

Paragraph 4 provides that the Member States can alter their excise duties which apply to alcoholic drinks, tobacco products and mineral oils provided that they move towards the Community rates.

**Proposal for a  
Council Directive instituting a process of  
convergence of rates of value added tax and  
excise duties**

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The Council of the European Communities,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 99 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament<sup>(1)</sup>,

Having regard of the opinion of the Economic and Social Committee<sup>(2)</sup>,

Whereas completing the internal market, which is one of the fundamental objectives of the Community, requires that fiscal frontiers be abolished, that is to say that the system of remission of tax on exportation and the imposition of tax on importation and of frontier controls on taxable persons as well as on private persons be discontinued;

**Whereas the measures to be taken to accomplish that objective ought to be spread over a period of time, but it is necessary at present to avoid an increase in the existing divergence between the fiscal systems of the Member States and on the contrary to encourage their convergence;**

**Whereas, in order to attain this objective, it is necessary for the Member States to refrain from altering the number and the rates of value added tax; whereas it is on the other hand desirable that the Member States should, if they wish, be authorized to alter the number and the rates of tax which they apply in each situation so that the substantial differences that currently exist within the Community may be reduced;**

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(1)

(2)

Whereas only the excise duties on tobacco products, alcoholic drinks and mineral oils ought to be maintained at a Community level; whereas the Member States ought therefore to commit themselves not to introduce new excise duties or to increase the rates or the scope of existing excise duties; whereas it is appropriate, however, to allow them to move their main excise duty rates towards the Community rates,

HAS ADOPTED THIS DIRECTIVE:

#### Article 1

##### Value-Added Tax provisions

#### 1. Standstill

Pending the adoption of provisions concerning the number and level of the rates which will have to be applied in the Community in order to permit the abolition of the remission of tax on exportation and of the imposition of tax on importation insofar as trade between Member States is concerned, Member States shall refrain from altering the number and level of rates which they apply at the date of adoption of this Directive, subject to the rights provided for in the paragraphs below.

#### 2. Optional convergence of the number of tax rates

Member States which apply:

- a) three rates or more, may reduce that number to two rates, to be called a reduced rate and a normal rate,
- b) one rate, may increase that number to two rates, to be called a reduced rate and a normal rate.

### 3. Optional convergence of the tax rates

Member States may:

- (a) alter the levels of their reduced and normal tax rates on condition that they move towards or within the following limits:
  - (aa) for reduced rates: between 4% and 9%
  - (ab) for normal rates: between 14% and 20 %
- (b) reduce or abolish their increased tax rates.

## Article 2

### Excise Duty provisions

1. Member States shall refrain from introducing new excise duties or indirect taxes which give rise, in trade between Member States, to taxation on importation and remission of tax on exportation or to frontier controls.
2. Member States shall refrain from increasing the rates or enlarging the scope of those excise duties or indirect taxes which give rise to taxation on importation and remission of tax on exportation or to frontier controls.
3. Paragraphs 1 and 2 shall not apply to the excise duties on manufactured tobacco, alcoholic beverages and mineral oils.
4. Pending the adoption of provisions concerning the rates and/or amounts of excise duty which will have to be applied in the Community in order to permit the abolition of import taxation and of export tax remission in trade between Member States, the latter may alter the rates of excise duty applied to the products set out below on condition that they move towards the following levels or amounts:

#### Alcoholic Beverages

Potable Spirits (per hl of pure alcohol)	1271	ECU
Intermediate products (per hl)	85	ECU
Wines	17	ECU
Beers per ° Plato per hl	1,32	ECU



Manufactured tobacco

Cigarettes: specific excise in (ECU per 1.000)	19,5 ECU +
+ ad valorem duty plus VAT (as a % of the retail price)	between 52% and 54%
Cigars and cigarillos ad valorem duty plus VAT (as a % of the retail price)	between 34% and 36%
Smoking tobacco ad valorem duty plus VAT (as a % of the retail price)	between 54% and 56%
Other manufactured tobacco ad valorem duty plus VAT (as a % of the retail price)	between 41% and 43%

Mineral oils

Leaded petrol and medium oils used as propellant per 1.000 l	340 ECU
Unleaded petrol per 1.000 l	310 ECU
Liquified petroleum gas (LPG) per 1.000 l	85 ECU
Diesel oil per 1.000 l	177 ECU
Heating gas-oil and medium oils used as fuels other than propellants per 1.000 l	50 ECU
Heavy fuel oil per 1.000 kg	17 ECU

Article 3

The Member States shall communicate to the Commission the text of all the provisions of national law which they adopt in the field covered by this Directive.

Article 4

This Directive is addressed to the Member States.

Done at Brussels,

For the Council  
The President

## FICHE D'IMPACT

### Propositions de directives concernant la suppression des frontières fiscales en matière de TVA

- Proposition de directive du Conseil instituant un processus de convergence des taux de la taxe sur la valeur ajoutée et les accises
- Proposition de directive du Conseil complétant le système commun de la taxe sur la valeur ajoutée et modifiant la directive 77/388/CEE
  - Rapprochement des taux de TVA
- Proposition de directive du Conseil complétant et modifiant la directive 77/388/CEE
  - Suppression des frontières fiscales
- Communication de la Commission :  
Achèvement du marché intérieur - Mise en place d'un mécanisme de compensation de la TVA pour les ventes intracommunautaires

#### 1. CONTRAINTES ADMINISTRATIVES DECOULANT DE L'APPLICATION DE LA LEGISLATION POUR LES ENTREPRISES :

Directives : Néant

Clearing : Fournir quelques éléments supplémentaires sur la déclaration TVA périodique

#### 2. ALLEGEMENTS POUR LES ENTREPRISES :

- La plupart des Etats membres, à l'exception du Danemark, utilisant un système de TVA à deux ou plusieurs taux, la proposition entraînera une simplification de la gestion administrative de la TVA. Tous les Etats membres utiliseront en effet un système de TVA à deux taux, ce qui simplifiera la ventilation entre les taux, la structure des taux sera donc identique.
- De plus, un même produit sera taxé au même type de taux dans tous les Etats membres, la classification des produits par taux sera simplifiée.
- Les formalités d'exportation et d'importation seront supprimées puisque le système actuel de la détaxation (taux zéro) à l'exportation et de la taxation à l'importation sera aboli. Toutes les opérations intra-communautaires seront traitées de la même façon que les opérations en régime intérieur à l'heure actuelle.
- Les petites entreprises ayant un chiffre d'affaires annuel inférieur à 35.000 ECUs sont libérées des obligations découlant du clearing et bénéficieront donc d'un traitement plus favorable dans ce domaine. Le chiffre de 35.000 ECUs correspond à la limite pour la franchise facultative prévue dans la proposition de directive en matière d'harmonisation du régime particulier TVA applicable aux PME (Doc. COM(86)444 final).

#### 3. INCONVENIENTS POUR LES ENTREPRISES (coûts supplémentaires) :

Non

#### 4. EFFETS SUR L'EMPLOI :

Ces directives n'ont pas d'effets directs sur l'emploi. Toutefois, vu les allègements procurés aux entreprises (cf. point 2) on peut raisonnablement espérer un effet positif sur l'emploi.

De plus, la création du marché intérieur contribuera à la relance de l'économie européenne entière et par conséquent entraînera vraisemblablement des effets positifs sur l'emploi.

#### 5. Y A-T-IL EU CONCERTATION PREALABLE AVEC LES PARTENAIRES SOCIAUX ?

Non

#### 6. Y A-T-IL UNE APPROCHE ALTERNATIVE MOINS CONTRAIGNANTE ?

Non