



European Commission  
Taxation and Customs Union

# ***ACTIVITIES OF THE EUROPEAN UNION (EU) IN THE TAX FIELD IN 2006***



## **TABLE OF CONTENT**

<b>1. PERSONAL AND CORPORATE TAXATION</b> .....	3
1.1. Communication on Progress to date and further steps towards a Common Consolidated Corporate Tax Base (CCCTB) .....	3
1.2. Communication on a coordination of Member States tax systems .....	4
1.2.1. Communication on Exit taxation and the need for co-ordination of Member States' tax policies .....	5
1.2.2. Communication on the tax treatment of losses in cross-border situations .....	5
1.3. Taxation of savings .....	6
1.4. Good Governance in the Tax Area .....	6
1.5. Communication on the more effective use of tax incentives in favour of R&D tax incentives .....	7
1.6. Transfer pricing issues .....	8
<b>2. VALUE ADDED TAX (VAT)</b> .....	9
2.1. Reduced rates of VAT on labour intensive services .....	9
2.2. Electronically supplied services .....	9
2.3. Recast of the Sixth VAT Directive .....	10
2.4. Reverse charge mechanism and anti-fraud avoidance .....	10
2.5. Directive to simplify the procedure for charging VAT and to assist in countering tax evasion or avoidance, and repealing certain Decisions granting derogations .....	11
2.6. Exemption of tax on small consignments .....	11
2.7. Legislation adopted to take into account the accession of Bulgaria and Romania .....	12
2.8. VAT derogations: Council decisions concerning individual Member States .....	12
2.9. List of all remaining decisions and proposals made in the VAT area in 2006 .....	12
<b>3. EXCISE DUTIES AND OTHER INDIRECT TAXES</b> .....	13
3.1. Traveller's allowances .....	13
3.2. Alcohol .....	13
3.3. Expiry of derogations in the Energy Tax Directive .....	14
3.4. Proposal for a recast of the Capital Duty Directive .....	14
3.5. Fiscal marker for gas oils and kerosene .....	15
<b>4. TAX ADMINISTRATION, TAX AVOIDANCE AND EVASION MEASURES</b> .....	15
4.1. Fiscalis 2013 Programme .....	15
4.2. Communication on the need for an anti-fraud strategy at EU level .....	16
<b>5. PUBLIC CONSULTATIONS</b> .....	16
<b>6. FISCAL STATE AID DECISIONS</b> .....	17
<b>7. INFRINGEMENTS PROCEEDINGS LAUNCHED BY THE COMMISSION</b> .....	18
<b>8. EUROPEAN COURT OF JUSTICE JUDGEMENTS</b> .....	18
<b>9. ACTIVITIES OF THE EUROPEAN PARLIAMENT</b> .....	19
<b>10. ACTIVITIES OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE (ECOSOC)</b> .....	19
<b>11. ACTIVITIES OF THE COMMITTEE OF THE REGIONS</b> .....	19
<b>12. TAX PUBLICATIONS OF THE EUROPEAN COMMISSION IN 2006</b> .....	20
12.1. Speeches .....	20
12.2. Publications produced by or on behalf of the Directorate-General for Taxation & the Customs Union or by officials of the Directorate-General .....	20
12.2.1. Taxation papers series .....	20
12.2.2. Other publications .....	21
<i>Report "Structures of the Taxation Systems in the European Union"</i> .....	21
<i>Study on the implementation of the Interest and Royalties Directive</i> .....	21
<i>VAT- gold coins</i> .....	22
<i>VAT rates in Member States</i> .....	22
<i>Consultations of the VAT Committee by Member States</i> .....	22
<b>13. CONFERENCES AND SEMINARS ON TAX ISSUES ORGANISED BY THE EUROPEAN COMMISSION</b> ..	22
<b>APPENDIX</b> .....	23
<b>1. OTHER COUNCIL'S DECISIONS IN THE VAT AREA</b> .....	23
<b>2. OTHER COMMISSION'S PROPOSALS IN THE VAT AREA</b> .....	23



# **ACTIVITIES OF THE EUROPEAN UNION (EU) IN THE TAX FIELD IN 2006**

## **1. PERSONAL AND CORPORATE TAXATION**

### **1.1. Communication on Progress to date and further steps towards a Common Consolidated Corporate Tax Base (CCCTB)**

In April the Commission adopted a Communication on the progress made towards a CCCTB<sup>1</sup>. This reported on progress in the Working Group with Member State experts, established and chaired by the Commission Services, to assist the Commission in its work on the CCCTB. It highlighted some of the technical issues discussed in the sub-groups and in particular identified some of the major points to be resolved. It also indicated the Commission's current views on some of the major general points concluding that the CCCTB should be inspired by, rather than explicitly linked to International Financial Reporting Standards, should be optional for companies and should be consolidated. The current working methods and the work programme were endorsed and the commitment to make a legislative proposal in 2008 - which will be an important step towards implementing the Community Lisbon Programme and removing tax obstacles to companies operating cross-border in the Internal Market - was reaffirmed. Work to be carried out during 2007 and leading up to the proposal was also described. Member States were also reminded of the need to commit the necessary resources to this important project.

During 2006 the Working Group met four times and more detailed technical work was carried out in a number of sub-groups. The subgroup on taxable income completed its initial work and the subgroup concentrating on international aspects continued to develop its work on this particularly demanding aspect of the CCCTB. A new sub-group on group taxation met twice to consider how consolidation should be implemented and in December 2006 it was decided to form a new sub-group dedicated to work on the sharing mechanism.

In December 2005 and December 2006 the main Working Group met in extended format, including representatives from business and academia, to discuss progress, concentrating on some of the issues which are particularly technically demanding such as the methodology for calculating the base, the treatment of local taxes, the treatment of foreign income and the definition of a group. In June an extended meeting was held where representatives from the financial sector attended to assist in the discussions of how to deal with this sector in the CCCTB.

---

<sup>1</sup> COM(2006) 157 final of 5 April 2006



During the year the dedicated CCCTB web-pages were maintained and these include all the working papers presented to the Working Group and summary records of the Working Group Meetings, including the extended meetings: [http://ec.europa.eu/taxation\\_customs/taxation/company\\_tax/common\\_tax\\_base/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/company_tax/common_tax_base/index_en.htm)

## **1.2. Communication on a coordination of Member States tax systems**

On December 19th 2006 the Commission adopted a Communication<sup>2</sup> announcing a series of initiatives to promote better co-ordination of national direct tax systems in the EU. The aim is to ensure that national tax systems comply with Community law and interact coherently with each other.

The main objectives of a coherent and coordinated tax approach are to:

- Remove discrimination and double taxation,
- Prevent unintended non-taxation and abuse, and
- Reduce the compliance costs associated with being subject to more than one tax system.

Under EU law Member States are largely free to design their direct tax systems so as to meet their domestic policy objectives and requirements. However, national tax rules designed solely or primarily with the domestic situation in mind may give rise to incoherent tax treatment when applied in a cross-border context. An individual or corporate taxpayer who is in a cross-border situation may suffer discrimination or double taxation or face additional compliance costs.

The sharp increase in litigation by taxpayers in national courts and the European Court of Justice over the last few years highlights the need for improved cooperation and better coordination between Member States. The purpose of this initiative is to promote solutions to the common problems posed by the interaction of multiple tax systems in the context of the Internal Market.

By coming forward with this initiative, the European Commission demonstrates its willingness to assist Member States in developing the principles for coordinated solutions and in improving the practical arrangements for administrative cooperation.

The framework communication on co-ordination was accompanied by two others on exit taxation and cross-border loss relief, which provide the first two examples of specific areas where Member States could benefit from a co-ordinated approach. In addition to specific areas covered by the two accompanying communications, the Communication also identifies other areas of direct taxation (withholding taxes, anti-avoidance rules, inheritance taxes) where the Commission considers there is a need for coordinating activities.

---

<sup>2</sup> COM(2006) 823 final



### **1.2.1. Communication on Exit taxation and the need for co-ordination of Member States' tax policies**

The Communication on exit taxation<sup>3</sup> explores the implications of recent judgments of the ECJ [in particular the de Lasteyrie<sup>4</sup> case and the N case<sup>5</sup>] in respect of exit taxes. Exit taxes are levied by many Member States on accrued capital gains when taxpayers move their residence or transfer individual assets to another Member State. Many EU Member States have rules which provide for immediate taxation of unrealised gains when a taxpayer moves his residence or transfers assets to another Member State, where in domestic situations no taxation would take place. The European Court of Justice has ruled that such rules violate the principle of freedom of establishment. The Communication examines how Member States' exit tax rules on individuals and companies can be brought in line with the requirements of EC law. It gives guidance on how to make such national rules compatible with each other with a view to removing double taxation or unintended non-taxation and preventing abuse and tax base erosion.

### **1.2.2. Communication on the tax treatment of losses in cross-border situations**

In its Communication on the tax treatment of losses in cross-border situations<sup>6</sup> the European Commission invites Member States to explore ways of allowing companies to set off losses incurred in other Member States. In most Member States, domestic losses may be set-off against other profits in the same Member State. However, there is only limited availability for such relief for losses incurred in other Member States. The lack of cross-border relief for losses creates a barrier to entering other markets (a problem which is of particular importance for SMEs) and therefore undermines the international competitiveness of European companies. Building on recent case law of the European Court of Justice, in particular the judgment in the Marks & Spencer case, the Communication examines several solutions and suggests ways in which Member States may allow the cross-border relief of losses which are sustained either: .

- within a company (i.e. losses incurred by a branch or "permanent establishment" of the company situated in another Member State);
- within a group of companies (i.e. losses incurred by a group member in another Member State).

In seeking to find a proper balance between the interests of the internal market and the need to prevent abuse of erosion of tax base, it promotes a minimum standard for cross-border loss relief involving relief for losses of subsidiaries at the level of the parent company (so-called vertical upward relief).

The Communication was accompanied by a Staff Working Document<sup>7</sup> containing technical annexes.

---

<sup>3</sup> COM(2006) 825 final

<sup>4</sup> Case C-9/02 Hughes de Lasteyrie du Saillant v. Ministère de l'Économie, des Finances et de l'Industrie, OJ C 94, 17.04.2004, p. 5.

<sup>5</sup> Case C-470/04 N v Inspecteur van de Belastingdienst Oost / kantoor Almelo, 7 September 2006, OJ C 261, 28.10.2006, p. 2

<sup>6</sup> COM(2006) 824 final

<sup>7</sup> SEC(2006) 1690



### 1.3. Taxation of savings

Following debate held at technical level on the basis of the Commission's staff working document (SEC (2006) 917) issued in July 2006 and distributed to the Council as Council document 11335/06 FISC 100<sup>8</sup>, the Council of Ministers of the European Union, at its meeting of 23 October 2006, adopted conclusions<sup>9</sup> inviting the Commission, in close conjunction with the Presidency of the Council, to start exploratory talks with Singapore, Hong Kong and Macao with a view to looking at the possibility of promoting the adoption by those jurisdictions of equivalent measures to those applied as from 1 July 2005 within the European Union in the field of savings taxation. The three jurisdictions have been officially informed by the Mr László Kovács, Commissioner for Taxation and Customs Union about these conclusions.

The nature of the contacts will be purely exploratory and depending on the outcome of these discussions with the three Asian financial centres, the Commission could request the Council to provide it with negotiating directives with a view to concluding formal agreements on savings taxation.

### 1.4. Good Governance in the Tax Area

In 2006 the Commission adopted a number of Communications that include references to the promotion of good governance in the tax area (such as transparency, exchange of information, and fair tax competition). A joint statement by the Council, the representatives of the Member States, the European Parliament and the European Commission on "The European Consensus on Development"<sup>10</sup> was made on 24.02.06. The Commission adopted a Communication on Governance in the European Consensus on Development<sup>11</sup>, which confirms this policy line in the area of development policy. Various appropriate further references to good governance in the tax area were made in two Communications adopted concerning the Pacific<sup>12</sup> and the Caribbean regions<sup>13</sup>, in a Communication on trade policy in the context of the Lisbon Strategy<sup>14</sup> and in another one defining the perspectives for cooperation between Hong Kong, Macao and the EU between 2007- 2013<sup>15</sup>.

---

<sup>8</sup> <http://register.consilium.europa.eu/pdf/en/06/st11/st11335.en06.pdf>

<sup>9</sup> <http://register.consilium.europa.eu/pdf/en/06/st12/st12776.en06.pdf>

<sup>10</sup> See the Joint Statement by the Council, the EP and the Commission on European Union Development Policy: "The European Consensus", OJEU of 24.02.2006, C 46/1, in its point 87.

<sup>11</sup> See the Commission Communication of 30/08/2006 "Governance in the European Consensus on Development – Towards a harmonised approach within the European Union", COM (2006) 421 final, notably in points 2.2. and 3.1.

<sup>12</sup> See the Commission Communication of 29/05/2006 "EU-Relations with the Pacific Islands – A Strategy for a Strengthened Development in its point 3.2.1., COM (2006) 248 final

<sup>13</sup> See the Commission Communication of 02/03/2006 " An EU-Caribbean Partnership for Growth, Stability and Development" in point 4, COM(2006) 86 final

<sup>14</sup> See the Commission Communication of 4/10/2006 "Global Europe – Competing in the World", COM (2006) 567 final in point 4.2. ii) on the inclusion of related provisions in future Free Trade Agreements and the Commission Communication of 26/10/2006 "The European Union, Hong Kong and Macao: possibilities for cooperation 2007-2013", COM(2006) 648 final.

<sup>15</sup> See the Commission Communication of 26/10/2006 "The European Union, Hong Kong and Macao: possibilities for cooperation 2007-2013", COM (2006) 648 final.



As regards External Relations Policy, the latest statements on the state of play of the European Neighbourhood Policy in 2006 provide indications on the importance attached to good governance in the tax area<sup>16</sup> as well as specific country reports on the achievements with regard to the national actions plans in the annexes.

### **1.5. Communication on the more effective use of tax incentives in favour of R&D tax incentives**

The European Commission adopted a Communication<sup>17</sup> on the more effective use of tax incentives in favour of R&D in order to boost R&D investments and enhance job creation and economic growth in Europe. The Communication clarifies the legal conditions arising from EU case law and sets out some basic principles and good practices for the design of tax incentives for R&D. It encourages Member States to improve the use and coordination of tax incentives on specific R&D issues.

Currently, tax incentives have grown to become one of the major instruments used by many Member States to increase business R&D. In parallel, industry is embracing the open innovation model and cooperation across borders is becoming common place, in particular in the high tech sector. However, the diversity of schemes introduced has resulted in an increasingly complex landscape for R&D tax treatment in Europe hindering trans-European collaboration. The Commission therefore clarifies that tax incentives which restrict their benefits to activities performed domestically are incompatible with the EC Treaty. It is also important to realise that R&D tax incentives which target a specific group or sector may constitute State Aid and therefore must be made compatible with the Community State Aid rules. It is therefore particularly important for Member States to note that the new State Aid Framework for Research and Innovation, which has been adopted in parallel<sup>18</sup>, may have a direct effect on their tax incentives for R&D.

In the accompanying Staff Working document<sup>19</sup> the Commission also offers guidance on the main design options, features and relevant factors which Member States may wish to follow when designing or updating their R&D tax incentive schemes.

The Commission also invites Member States to work together when considering the tax treatment of a number of issues of common interest – in particular the funding for large-scale trans-national R&D projects; the growth of young innovative enterprises; the cross-border mobility of researchers and the treatment of philanthropic funding of research. The Communication provides concrete recommendations in these fields.

---

<sup>16</sup> See the Commission Communication of 04/12/2006 "On Strengthening the European Neighbourhood Policy" in its point 3.1., COM (2006), 726 final

<sup>17</sup> COM(2006) 728 of 22 November 2006

<sup>18</sup>

[http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1600&format=HTML&age\\_d=0&language=EN&guiLanguage=en](http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1600&format=HTML&age_d=0&language=EN&guiLanguage=en)

<sup>19</sup> SEC(2006) 1515



## 1.6. Transfer pricing issues

The Council on 27th June 2006 adopted a Code of Conduct<sup>20</sup> on transfer pricing documentation for associated enterprises in the European Union (EUTPD) which was part of a Communication of the European Commission adopted on 10 November 2005. This Code of Conduct will standardise the documentation that multinationals must provide to tax authorities on their pricing of cross-border intra-group transactions ('transfer pricing' documentation).

Work of the Joint Transfer Pricing Forum (JTPF) continued with four meetings in 2006. After having examined during its first mandate how to make effective the elimination of double taxation related to transfer pricing the JTPF focussed in particular in 2006 on the issue of avoidance and resolution of disputes procedures in the area of transfer pricing, and consequently adopted a report mainly identifying possible best practices for advance pricing agreements (APAs). On the basis of the identified best practices the Commission is drafting Guidelines for APAs within the EU in order to promote the use of this procedure that should lead to less double taxations and thus encourage cross-border transactions.

On 22 December 2006 the Commission adopted a Decision<sup>21</sup> for the renewal of the JTPF and the Commission launched a call for applications to become a representative of the private sector in the JTPF. The number of experts from the private sector has been increased from 10 to 15 to take into consideration the accession of the new Member states.

---

<sup>20</sup> This Code was published in OJ C 176, 28/07/2006, p.1. see: <http://register.consilium.europa.eu/pdf/en/06/st09/st09738.en06.pdf>

<sup>21</sup> Decision C(2006) 2826 of 22/12/2006





## **2. VALUE ADDED TAX (VAT)**

### **2.1. Reduced rates of VAT on labour intensive services**

The Council adopted on 7 November 2006 a decision<sup>22</sup> authorising certain Member States to (continue to) apply reduced rates of value-added tax (minimum 5%) for certain labour-intensive services until 31 December 2010.

The decision implements the provisions of a Directive on reduced VAT rates<sup>23</sup> adopted on 14 February 2006 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.

In accordance with the directive, Member States may now also apply a reduced rate to district heating once they have the agreement of the Commission. Member States may also apply a reduced rate to 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.

Finally, the Directive invites the Commission to present, by June 2007, a report providing an assessment of the impact of reduced rates applied to locally-provided services, including restaurant services, in terms notably of job creation, economic growth and the internal market, on the basis of a study to be carried out by an independent economic think-tank.

On November 28<sup>th</sup> 2006, the Commission made a proposal for a Council Decision<sup>24</sup> authorising Romania to apply a reduced rate of VAT to certain labour-intensive services.

### **2.2. Electronically supplied services**

On the basis of a Commission's proposal<sup>25</sup>, the Council adopted a Directive extending the period of application of VAT arrangements for radio and television broadcasting services and certain electronically supplied services until 31 December 2008.

Without this extension, the rules for electronically supplied services would have reverted on 31<sup>st</sup> December 2006 to those prevailing prior to 1<sup>st</sup> July 2003. This would have meant that EU suppliers would have been subject to VAT even for services supplied to clients outside the EU and they would have faced competition within the EU from suppliers in third countries that would not be subject to VAT at all.

---

<sup>22</sup> Decision 2006/774/CE JO L 314 of 15 November 2006, p. 28

<sup>23</sup> Council Directive 2006/18/EC of 14 February 2006

<sup>24</sup> COM (2006) 736 of 28 November 2006

<sup>25</sup> COM (2006) 739 of 24 November 2006



### **2.3. Recast of the Sixth VAT Directive**

The adoption of Directive 2006/112/EC<sup>26</sup> by the Council on 28 November 2006 is the culmination of an exercise which delivers better regulation and transparency of EU legislation. It is a good example of the objectives the Commission is seeking to achieve by its policy of pursuing simpler and better legislation.

From 1 January 2007, the Sixth VAT Directive (which was the heart of Community VAT legislation) is replaced by this new Directive with the objective to codify the text without changing existing legislation. Changes made to the structure and presentation of the text aim only to improve its quality. Those are not changes which affect the substance of the text.

### **2.4. Reverse charge mechanism and anti-fraud avoidance**

Austria, Germany and the United Kingdom made derogation requests to introduce the use of the reverse charge mechanism in order to tackle the phenomenon of businesses disappearing without paying their VAT liabilities.

On 19th July 2006, the Commission produced a Communication<sup>27</sup> to the Council objecting the German and Austrian requests that were introducing a generalised use of the reverse charge mechanism. On September 28<sup>th</sup> 2006, the Commission made a proposal for a Council Decision<sup>28</sup> authorising the United Kingdom to introduce the use of the reverse charge mechanism on a small range of goods identified as being the object of most cases of VAT fraud.

The reason why the Commission objected the German and Austrian requests is that they did not respect the conditions laid down in Article 27 of the Sixth VAT Directive. This Article provides for derogation from the harmonised general rules of VAT if those derogations are targeted, restricted and proportionate. The introduction of a generalised use of the reverse charge mechanism did not respect these conditions.

The only way to introduce very broad measures to change the VAT system would be by amending the VAT Directive under Article 93 of the EC Treaty (which requires consultation of the European Parliament and the European Economic and Social Committee).

---

<sup>26</sup> <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2006:347:SOM:en:HTML>

<sup>27</sup> COM (2006) 404

<sup>28</sup> COM (2006) 555



## **2.5. Directive to simplify the procedure for charging VAT and to assist in countering tax evasion or avoidance, and repealing certain Decisions granting derogations**

On 24 July 2006, the Council adopted a Directive<sup>29</sup> introducing more effective and transparent simplification and anti-evasion rules.

In order to combat tax evasion or avoidance and to simplify the procedure for charging value added tax, certain derogations covering similar problems were granted under varying terms to individual Member States. The Directive incorporates a solution to the said problems that is available to all Member States. Given that the Member States have different needs, that incorporation is limited to extending the option of adopting the rules concerned to all Member States, as and when the need arises.

This will enable administrations to respond quickly to revenue threats and move to protect compliant businesses from unfair competitive advantages gained by tax avoiders.

The new Directive permits Member States to:

- re-value certain supplies made between connected parties under clearly defined circumstances
- apply a "reverse charge" to account for VAT in a number of sectors which have proved to be difficult to control for Member States, including supplies of land and buildings, waste, and building construction, maintenance and demolition services
- combat avoidance involving the use of rules on VAT Groupings and "Transfers of a going concern".

At the same time, 21 existing derogations were repealed (in one case part repealed) - either specifically or automatically by virtue of the Directive coming into force.

## **2.6. Exemption of tax on small consignments**

The Council adopted on 5 October 2006 a Directive<sup>30</sup> on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries (codified version).

The directive codifies and repeals Directive 78/1035/EEC of 19 December 1978, substituting the various acts incorporated in it by bringing them together with only such amendments as are required by the codification exercise itself.

The limits within which the exemption is to be applied are, for practical reasons, as far as possible the same as those laid down for the Community arrangements for exemption from customs duties in Council Regulation (EEC) No 918/83 of 28 March 1983 setting up a Community system of relief from customs duty.

---

<sup>29</sup> Council Directive 2006/69/EC of 24 July 2006

<sup>30</sup> Council Directive 2006/79/EC of 5 October 2006



## **2.7. Legislation adopted to take into account the accession of Bulgaria and Romania**

- Commission Directive 2006/84/EC of 23 October 2006 adapting Directive 2002/94/EC laying down detailed rules for implementing certain provisions of Council Directive 76/308/EEC on mutual assistance for the recovery of claims relating to certain levies, duties, taxes and other measures, by reason of the accession of Bulgaria and Romania was published in OJ L 362, 20.12.2006, p. 99.
- Council Regulation (EC) No 1791/2006 of 20 November 2006 adapting certain Regulations and Decisions in the fields of free movement of goods, freedom of movement of persons, company law, competition policy, agriculture (including veterinary and phytosanitary legislation), transport policy, taxation, statistics, energy, environment, cooperation in the fields of justice and home affairs, customs union, external relations, common foreign and security policy and institutions, by reason of the accession of Bulgaria and Romania was published in OJ L 363, 20.12.2006, p. 1.
- Council Directive 2006/98/EC of 20 November 2006 adapting certain Directives in the field of taxation, by reason of the accession of Bulgaria and Romania was published in OJ L 363, 20.12.2006, p. 129.

## **2.8. VAT derogations: Council decisions concerning individual Member States**

On the basis of Article 27 of the Sixth VAT Directive, Member States may be authorised to derogate from the common VAT rules to simplify the procedure for charging the tax or to prevent certain types of tax evasion or avoidance. Such derogations have been authorised under the following different procedures:

- Council Decisions authorised by the Council under the procedure provided for in Article 27(2) and Article 27(3);
- Council Decisions tacitly approved under the former Article 27(4);
- Special measures that were applied by the Member States before 1st January 1977 and that were notified to the Commission before 1st January 1978, under Article 27 (5).

The list reflecting the present state of play concerning the derogations applicable is available on the Europa website<sup>31</sup>.

## **2.9. List of all remaining decisions and proposals made in the VAT area in 2006**

Not all decisions by the Council and proposals made by the Commission can be described in this report. In Appendix, you will find a list of all remaining decisions in the VAT area in 2006.

---

31

[http://ec.europa.eu/taxation\\_customs/resources/documents/vat\\_index\\_derogations\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/vat_index_derogations_en.pdf)



### **3. EXCISE DUTIES AND OTHER INDIRECT TAXES**

#### **3.1. Traveller's allowances**

On 22 February 2006 the Commission made a proposal for a Council Directive on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries<sup>32</sup>.

The proposal aims at renewing the provisions on travellers' allowances. Traveller's allowances are the monetary thresholds or the quantitative limits which travellers entering the EU from third countries are allowed to import duty free. For the citizen, this proposal will not only provide benefits in terms of increased monetary thresholds but will also avoid inconvenience in declaring goods of relatively limited value. At the same time, it will reduce the administrative burdens for Member States in collecting relatively small amounts of duty.

The Council reached political agreement on the proposal on 28 November 2006. The main changes under the agreement:

- the value limit on duty-free allowances is increased from EUR 175 to EUR 430 for air and sea travellers, and from EUR 175 to EUR 300 for travellers by land (including by inland waterways);
- abolition of the current quantitative limits on perfume, coffee and tea;
- introduction of a new quantitative limit on beer, which is currently the only alcoholic beverage without such a limit;
- Member States may apply different quantitative limits for duty-free imports of tobacco products (cigarettes, cigarillos, cigars, smoking tobacco) depending on whether they enter the EU by air (higher limit) or by land or water crossing (lower limit).

The directive will enter into force at the same time as proposed equivalent customs provisions enter into force. The date has still to be determined but it will not be before 2008.

#### **3.2. Alcohol**

On 8 September 2006 the Commission made a proposal for a Council Directive amending Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages (COM(2006) 486).

The proposal aims at increasing the minimum rates of excise duty on alcohol and alcoholic beverages agreed in 1992, from 1 January 2008. Considering the need to avoid the EU system of minimum rates becoming meaningless and in line with the request of the Finance Ministers of the Member States' to come forward with this proposal, the Commission proposes to increase the minimum rates taking into account the inflation since 1992 and, therefore, restore their real value. The majority of Member States are unaffected by this proposal as their national rates already exceed the

---

<sup>32</sup> COM (2006) 76



proposed new minimum rates. However, for those Member States that will have difficulties to increase their national rates immediately transition periods, up to 2010, are proposed. Although the inflation rate is 31%, the economic and social impact of the proposal can be considered as minimal. For example, for beer, the biggest required increase in national excise duty would be of the order of € 0.01 (one eurocent) on half a litre of beer, at the latest by 1 January 2010.

### **3.3. Expiry of derogations in the Energy Tax Directive**

On 30 June 2006, the Commission adopted a Communication<sup>33</sup> in which it reviewed more than one hundred derogations in the Energy Tax Directive (Council Directive 2003/96/EC) that were due to expire by the end of 2006.

The review concluded that most of the derogations were no longer needed as the tax measure could continue to be applied on the basis of the optional provisions foreseen for such purpose by the Energy Tax Directive.

For those that after 2006 could not be applied unless a new derogation was granted by the Council, the Communication indicated the Commission's view and anticipated possible next steps. Several Member States used the opportunity contained in the Directive and submitted requests for derogation before the end of the year that would allow them to continue to apply the measures in question following the expiry of the original derogations. The Commission assessed them on the basis of the arguments presented and in line with the procedure laid down in the Directive, taking into account inter alia the proper functioning of the Internal Market, the need to ensure fair competition as well as Community environment, energy and transport policies.

In December 2006, the Commission adopted several Communications<sup>34</sup> to the Council rejecting some of the Member States' requests.

### **3.4 Proposal for a recast of the Capital Duty Directive**

On December 4th 2006, the European Commission presented a proposal for a recast of the Capital Duty Directive<sup>35</sup> (Council Directive 69/335/EEC of 17 July 1969 concerning indirect taxes on the raising of capital). The purpose of the recast is to simplify a complicated piece of Community legislation, to phase out capital duty and to reinforce the prohibition on creating or levying similar taxes. The recast proposes a limit of 0,5% on the rate of capital duty by 2008 and a phasing out of the duty by 2010. Since 1985, the trend has been towards an elimination of capital duty and most Member States have actually abolished the duty. Thus, only 7 (Greece, Spain, Cyprus, Luxembourg, Austria, Poland and Portugal) of the 27 Member States continue to levy it.

---

<sup>33</sup> COM(2006) 342 of 30 June 2006

<sup>34</sup> COM (2006) 741, COM(2006) 742 and COM(2006) 743 of 30 November 2006, COM(2006) 768 of 5 December 2006, COM(2006) 794 and COM(2006) 795 of 12 December 2006.

<sup>35</sup> COM (2006) 760 final



### **3.5. Fiscal marker for gas oils and kerosene**

On 22 June 2006, the Commission decided<sup>36</sup> to extend till 31 December 2011 the use of Solvent Yellow 124 as the common fiscal marker for marking of gas oils and kerosene in the framework of the proper functioning of the internal market and, in particular, the prevention of fraudulent use of mineral oils exempt from or subject to a reduced rate of excise duty.

## **4. TAX ADMINISTRATION, TAX AVOIDANCE AND EVASION MEASURES**

### **4.1. Fiscalis 2013 Programme**

In line with its Communication of 6 April 2005, the Commission has adopted this year a proposal to renew the Fiscalis 2007 programme. The new Programme – called Fiscalis 2013 - should be operational as of 1 January 2008 and thus guarantee continuity between the programme activities of the current and future programmes. It will continue to stimulate cooperation between tax authorities and assist them in developing an appropriate balance between efficiency of controls and burdens on taxable persons.

The main objectives of Fiscalis 2013 will be:

- Enhancing the fight against tax fraud, in particular against "VAT carousel fraud";
- Reducing the administrative burden on administrations and taxable persons;
- Ensuring a performing exchange of information between national tax administrations as well as with traders through e.g. trans-European tax IT systems.

As such, the main stakeholders of the Programme will continue to be the national tax administrations and their officials, working in all areas of taxation (direct and indirect).

At an operational level, the new programme would in particular:

- Boost the effectiveness of the tax administrations via the automation of audit tools;
- Enhance the existing trans-European tax IT systems (in particular VIES<sup>37</sup>);
- Support the implementation of the Excise Movement Control System (e.g. allowing reduced time for discharge of excise movements of goods to traders);
- Support the development of training tools available to all tax administrations.

---

<sup>36</sup> Notified under document number C(2006) 2383) (2006/428/EC), published in OJ L 172, 24.6.2006, p. 15

<sup>37</sup> VIES : IT system enabling to receive on internet confirmation of the validity of the VAT identification number of a taxable person and enabling Member States to obtain VAT information on intra-Community transactions.



#### **4.2. Communication on the need for an anti-fraud strategy at EU level**

The Commission adopted on the 31<sup>st</sup> of May a communication on the need of anti-fraud strategy at EU level. The objective of this communication - presented within the wider context of the Lisbon strategy - is to launch a debate with all stakeholders (EP, Council, businesses) on the different elements to be taken into account in an "anti-fraud" strategy at EU level. The Communication therefore sets out - for discussion - a whole range of pragmatic and realistic ideas that would contribute to the improvement of the current situation.

A first package of measures aims at improving and reinforcing administrative cooperation between Member States. In this context new instruments such as granting other Member States direct access to databases where basic information is available are needed. A quicker and/or more detailed exchange of information between Member States is also suggested within this context.

The Communication also goes into the debate on the need to modify or not the Common VAT system, an issue that the Commission is prepared to consider. In this context, the ideas of a generalised use of the reverse charge mechanism and of the taxation of intra-Community supplies are put forward for discussion. For the Commission the main conditions to be respected are related to the functioning of the internal market and the reduced risk of fraud.

At its meeting of 28 November, the Council recognized the urgent need to establish an anti-fraud strategy at Community level that complements national efforts to combat tax fraud. It invited therefore the Commission to prepare the elements of such a strategy in close co-operation with the Member States and indicated some priority areas for further work to be carried out.

The Council requested the Commission to report to the Council on the progress made on these aspects and to present an outline of an anti-fraud strategy at EU level at its meeting in June 2007.

The Council has also examined possible legal changes to the VAT system for dealing with the most costly forms of VAT fraud. So far this discussion has not been conclusive and has not allowed for an orientation to be agreed on. The Council will continue its work in this respect with all these legislative measures in order to define orientations to the Commission at its meeting in June 2007 at the latest.

#### **5. PUBLIC CONSULTATIONS**

*Open dialogue involving the European Commission, stakeholders and interested parties helps ensure that existing rules and proposals for new rules are designed to keep pace with the reality of rapid change. This dialogue helps to achieve the regulatory efficiency we need to foster best administrative and legislative practice tailored to meet the needs of business in the European Union in the third millenium. The Commission is responding to ever-wider use of the Internet by making greater use of [Interactive Policy Making \(IPM\)](#) and similar Internet-based tools as an additional means of evaluating existing EU policies and of conducting consultations on new initiatives. We hope that businesses, consumers and citizens will use these tools wherever possible, to help us to respond faster and more accurately to their needs.*





Information on the following consultations as well as their results reports can be found at [http://ec.europa.eu/taxation\\_customs/common/consultations/tax/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/consultations/tax/index_en.htm)

- VAT: Public consultation on the possible review of Community Legislation on the VAT treatment of financial services
- VAT: Public consultation on the possible review of Community Legislation on the VAT treatment of vouchers
- Excise duties/ Commercial diesel: Public consultation on the possible review of Community legislation on excise duty for commercial diesel
- Excise duties: Public consultation on the possible review of Community excise Legislation (Directive 92/12/EEC)

## **6. FISCAL STATE AID DECISIONS**

*The State aid provisions of the EC Treaty provisions apply when a tax measure is discriminatory and provides an advantage only to certain enterprises, or certain activities.*

*The Commission has been given the exclusive power under the Treaty to take decisions on whether or not aid granted by Member States is compatible with the Treaty.*

*The Commission may require that illegally granted aid be repaid by recipients to the public authorities which granted it. The Member State must recover the aid immediately in accordance with domestic procedures. Commission decisions can be challenged before the European Court of Justice. On application by a Member State, the Council may, acting unanimously, decide that aid which that State is granting or intends to grant shall be considered compatible with the common market, if such a decision is justified by exceptional circumstances.*

DG TAXUD is consulted on all fiscal state aid cases.

For decisions on fiscal state aid cases see the state aid register on the website of the Directorate General for Competition of the European Commission at:

[http://ec.europa.eu/comm/competition/state\\_aid/register/ii/#by\\_instrument](http://ec.europa.eu/comm/competition/state_aid/register/ii/#by_instrument)



## 7. INFRINGEMENTS PROCEEDINGS LAUNCHED BY THE COMMISSION

*The Commission is the 'guardian of the Community Treaties'. It monitors the Member States' application and implementation of primary and secondary Community legislation, institutes infringement proceedings in the event of any violation of Community law (Article 226 EC) and, if necessary, refers the matter to the Court of Justice. Over the last few years, efforts to prevent abuse of Community rules have become a major part of the Commission's work.*

The XXIIIrd Annual Report on monitoring the application of Community law (2005) was published in 2006<sup>38</sup>.

See also the press releases on infringements included in the "infringement" pages of the website of the Directorate General for Taxation and the Customs Union. They are presented by policy area<sup>39</sup> and by country<sup>40</sup>.

DG Taxud opened 113 new infringement cases in 2006, whereby 57 were related to indirect taxes (VAT: 43; Excise duties: 3; Car, energy and environmental taxation: 11) and 56 were related to direct taxes; that is, DG Taxud has launched an "article 226 CE" infringement and sent the Member States concerned a letter of formal notice, the first stage of the infringement procedure, inviting them to submit their observations within two months.

At the date of 19 December 2006, 191 infringement cases, for which such a procedure was applied, were still ongoing (101 were related to indirect taxes (VAT: 65; Excise duties: 13; Car, energy and environmental taxation: 23) and 90 to direct taxes).

## 8. EUROPEAN COURT OF JUSTICE JUDGEMENTS

For judgements of the European Court in 2006 in the tax field see the website of the ECJ at <http://curia.europa.eu/en/index.htm>

Ad hoc Press releases are published at <http://curia.europa.eu/en/actu/communiqués/index.htm>

See also website of the Directorate General for Taxation and the Customs Union at [http://ec.europa.eu/taxation\\_customs/common/legislation/case\\_law/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/legislation/case_law/index_en.htm)

This section provides a catalogue of the case law in direct taxation, in indirect taxation (e.g. VAT, car taxation and excise duties) and the latest lists of Court cases in the area of customs.

---

<sup>38</sup>

[http://ec.europa.eu/community\\_law/eulaw/pdf/XXIII\\_rapport\\_annuel/23\\_rapport\\_annuel\\_en.htm](http://ec.europa.eu/community_law/eulaw/pdf/XXIII_rapport_annuel/23_rapport_annuel_en.htm)

<sup>39</sup>

[http://ec.europa.eu/taxation\\_customs/common/infringements/infringement\\_cases/bypolicy/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/infringements/infringement_cases/bypolicy/index_en.htm)

<sup>40</sup>

[http://ec.europa.eu/taxation\\_customs/common/infringements/infringement\\_cases/bycountry/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/infringements/infringement_cases/bycountry/index_en.htm)



## **9. ACTIVITIES OF THE EUROPEAN PARLIAMENT**

*Like all parliaments, the European Parliament has three fundamental powers: legislative power, budgetary power and supervisory power. The European Constitution confirms and reinforces this triple role. In the ordinary legislative procedure the European Parliament and the Council of Ministers together adopt legislation proposed by the Commission. Parliament therefore has to give its final agreement. In the tax field, however, the European Parliament provides its opinion on Commission proposals in the tax field but the proposal is not adopted unless there is unanimous agreement by the EU's Council of Ministers. Second, the European Parliament and the Council are the two arms of the budgetary authority. Parliament exercises democratic oversight of all Community activities. In this context, it can set up committees of enquiry, table questions on Commission proposals and it plays a central role in appointing the Commission.*

The Opinions delivered in 2005 on tax issues by the Parliament's Committee for Economic and Monetary Affairs and by the Committee for Legal Affairs and the Internal Market, and parliamentary questions and answers on tax subjects, are to be found on the Parliament's website at [http://www.europarl.europa.eu/news/public/default\\_en.htm](http://www.europarl.europa.eu/news/public/default_en.htm)

## **10. ACTIVITIES OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE (ECOSOC)**

This Committee is also required to provide its opinion on Commission proposals in the tax field. It can also provide opinions in the taxation field at its own initiative. See website at: [http://www.eesc.europa.eu/index\\_en.asp](http://www.eesc.europa.eu/index_en.asp)

## **11. ACTIVITIES OF THE COMMITTEE OF THE REGIONS**

The Committee of the Regions adopts opinions on tax proposals that have regional implications. See website at <http://www.cor.europa.eu/>



## 12. TAX PUBLICATIONS OF THE EUROPEAN COMMISSION IN 2006

### 12.1 Speeches.

See: [http://ec.europa.eu/taxation\\_customs/common/about/speeches/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/about/speeches/index_en.htm)

### 12.2 Publications produced by or on behalf of the Directorate-General for Taxation & the Customs Union or by officials of the Directorate-General

#### 12.2.1 Taxation papers series.

*Taxation Papers*<sup>41</sup> are written by the Staff of the European Commission's Directorate-General for Taxation and Customs Union, or by experts working in association with them. Taxation Papers are intended to increase awareness of the work being done by the staff and to seek comments and suggestions for further analyses. Responsibility for "Taxation papers" rests solely with the authors and, in this regard, they do not necessarily represent the position of the European Commission.

**Taxation Paper published in 2006:** Taxation Paper No 9 - 'The Delineation and Apportionment of an EU Consolidated Tax Base for Multi-jurisdictional Corporate Income Taxation: a Review of Issues and Options'. Written by Ana Agúndez-García.

This paper<sup>42</sup> systematically addresses some of the fundamental questions that arise when considering the design of a "consolidation + apportionment" system for the taxation of income of EU multi-jurisdictional groups.

The first part of the paper deals with a number of key issues necessary to delineate the groups' Consolidated Tax Bases (CTBs): the definition of the consolidated group, the share of lower-tier affiliates' profits that will be accrued to the group's CTB, the distinction between apportionable and non-apportionable elements of the tax base, the territorial scope of the profits subject to apportionment (the "water's edge" principle), etc.

The second part analyses the fundamental issues that arise with the apportionment of groups' CTBs between the relevant EU Member States. A choice between the different apportioning mechanisms should be based on traditional *equity* and *efficiency* tax principles, which are stated in the paper as regards apportionment. In the light of these tax principles, three apportioning alternatives are systematically reviewed. Multinational groups' tax bases could be shared out at *macro* level (using factors aggregated at Member State level) or at *micro* level (using factors calculated at individual company level). At micro level, the paper analyses two alternatives: a *traditional formula-based system* (with three potential factors: payroll, property and sales by destination) and a *value-added key*. Detailed analysis of these apportioning methods shows that there are equity-efficiency trade-offs between them, and thus the choice of an 'optimal' system depends heavily on the basic priorities sought from its outcome.

---

<sup>41</sup>

[http://ec.europa.eu/taxation\\_customs/taxation/gen\\_info/economic\\_analysis/tax\\_papers/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/gen_info/economic_analysis/tax_papers/index_en.htm)

<sup>42</sup>

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/gen\\_info/economic\\_analysis/tax\\_papers/taxation\\_paper\\_09\\_complete\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_09_complete_en.pdf)



### **12.2.2 Other publications**

#### *Report "Structures of the Taxation Systems in the European Union"*

This annual report<sup>43</sup> contains statistics and an economic analysis of the tax systems of the European Union Member States. It is published by the Commission's Taxation and Customs Union Directorate-General and Eurostat, the EU's statistical office. The tax systems of each of the 25 Member States (plus Norway) are compared within a unified statistical framework (the ESA95 harmonised system of national and regional accounts), at different levels of aggregation and classification of tax revenues. The framework utilised makes it possible to assess heterogeneous national taxation systems on a comparable basis. The standard classifications of tax revenues (by major type of tax or levels of government) presented in most international tax revenue statistics often do not cover the EU's new Member States; in addition, this publication is unique in supplying a classification of tax revenues according to economic functions (i.e. by labour, consumption and capital) as well as indicators on the average effective tax burden falling on labour, consumption and capital. The report covers the period 1995-2005.

#### *Study on the implementation of the Interest and Royalties Directive*

The Commission has made an independent study<sup>44</sup> through the International Bureau of Fiscal Documentation on the implementation in 20 Member States of the 2003 Interest and Royalties Directive, which provides for relief from withholding taxes on intra-group interest and royalty payments. The study also covers that part of the savings agreement between the EU and Switzerland which provides for an equivalent form of relief for interest and royalty payments between EU companies and their Swiss affiliates.

The study shows that implementation of the Directive has generally taken place within the deadline; but that differences exist between Member States in the way they interpret key provisions of the Directive. The same applies with regard to the provisions on interest and royalty payments in the savings agreement with Switzerland.

Concerning the practical implications of the Directive, the study notes that many Member States do not currently levy any withholding taxes on outbound interest payments, and that some also extend that exemption to royalties.

The study is part of the preparation of a report from the Commission to the Council on the functioning of the 2003 Interest and Royalties Directive.

---

43

[http://ec.europa.eu/taxation\\_customs/taxation/gen\\_info/economic\\_analysis/tax\\_structures/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/gen_info/economic_analysis/tax_structures/index_en.htm)

44 [http://ec.europa.eu/taxation\\_customs/common/publications/studies/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/publications/studies/index_en.htm)



#### VAT- gold coins

The list of gold coins<sup>45</sup> whose supply will be exempt from VAT in 2007 was published in the EU Official Journal (OJ C 291, 30.11.2006, p. 21)

#### VAT rates in Member States

The list of VAT rates applied in the Member States is available at this web link: [http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/how\\_vat\\_works/rates/vat\\_rates\\_2006\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_2006_en.pdf)

#### Consultations of the VAT Committee by Member States

Certain provisions of the VAT require Member States to consult the VAT Committee before they introduce national legislation.

The latest list reflecting the consultations made is available at this web link [http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/key\\_documents/vat\\_committee/Consultations\\_VAT\\_Committee\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/key_documents/vat_committee/Consultations_VAT_Committee_en.pdf)

### 13. CONFERENCES AND SEMINARS ON TAX ISSUES ORGANISED BY THE EUROPEAN COMMISSION

- On May 11th 2006, the Commission hosted a Conference on 'Modernising the VAT rules for financial services and insurances' in Brussels.
- Fiscalis Seminars (Co-operation between tax administrations under the Fiscalis programmes). *These seminars constitute a good framework for the exchange of ideas on particular topics between officials of the national administrations, Commission representatives and other experts, if necessary. From the seminars suggestions may emerge for improving the legal instruments in force or facilitating co-operation between administrations.*
  - On 6 – 8 November 2006, a seminar took place in Portugal on the scope and application of the alcohol excise duty exemptions.
  - On 29 -31 May 2006, a seminar took place in Prague on "transfer pricing and intangible property"
  - On 5 – 6 October 2006, a seminar took place in Malta on "Tax treaties and EC law"
  - For further information on Fiscalis seminars see: [http://ec.europa.eu/taxation\\_customs/taxation/tax\\_cooperation/fiscalis\\_programme/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/tax_cooperation/fiscalis_programme/index_en.htm)

<sup>45</sup> <http://europa.eu.int/eur-lex/lex/JOhtml.do?uri=OJ:C:2006:291:SOM:en:HTML>



## **APPENDIX**

### **1. OTHER COUNCIL'S DECISIONS IN THE VAT AREA**

- Council Decision of 14 February 2006 amending Decisions 98/161/EC, 2004/228/EC and 2004/295/EC, as regards the extension of measures to prevent evasion of value added tax in the waste sector was published in OJ L 51, 22.2.2006, p. 17.
- Council Decision of 27 February 2006 authorising the Kingdom of the Netherlands to apply a measure derogating from Article 11 of the Sixth Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes was published in OJ L 65, 7.3.2006, p. 45.
- Council Decision (2006/387/EC) of 15 May 2006 authorising the Kingdom of Spain to apply a measure derogating from Article 11 and Article 28e of the Sixth Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes was published in OJ L 150, 3.6.2006, p. 11.
- Council Decision (2006/388/EC) of 15 May 2006 authorising the Republic of Lithuania to apply a measure derogating from Article 21 of the Sixth Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes was published in OJ L 150, 3.6.2006, p. 13.
- Council Decision (2006/389/EC) of 15 May 2006 authorising the Republic of Lithuania to apply a measure derogating from Article 11 and Article 28e of the Sixth Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes was published in OJ L 150, 3.6.2006, p. 15.
- Commission Decision of 13 September 2006 concerning a request from the Republic of Lithuania to apply a reduced rate of VAT to the supply of district heating was published in OJ L 261, 22.9.2006, p. 35.
- Council Decision of 25 September 2006 authorising the United Kingdom to introduce a special measure derogating from Articles 5(6) and 11(A)(1)(b) of Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes was published in OJ L 272, 3.10.2006, p. 15.

### **2. OTHER COMMISSION'S PROPOSALS IN THE VAT AREA**

- On January 17th 2006, the Commission made a proposal for a Council Decision Authorising Lithuania to apply a measure derogating from Article 21 of the Sixth Council Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes (COM(2005) 704).
- On June 2nd 2006, the Commission made a proposal for a Council Decision authorising Greece and Portugal to introduce special measures derogating from Article 21(1) of Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes (COM (2006) 263).



- On June 8th 2006, the Commission made a proposal for a Council Decision authorising the United Kingdom to introduce a special measure derogating from Articles 5(6) and 11(A)(1)(b) of Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes (COM (2006) 280).
- On July 24th 2006, the Commission made a proposal for a Council Decision authorising certain Member States to apply a reduced rate of VAT to certain labour-intensive services in accordance with the procedure provided for in Article 28(6) of Directive 77/388/EEC (COM (2006) 410).
- On September 22nd 2006, the Commission made a proposal for a Council Directive adapting certain directives in the field of taxation, by reason of the accession of the Republic of Bulgaria and Romania (COM (2006) 522).
- On October 19th 2006, the Commission made a proposal for a Council Directive on mutual assistance for the recovery of claims relating to certain levies, duties, taxes and other measures (COM (2006) 605).
- On November 28th 2006, the Commission made a proposal for a Council Decision authorising Romania to apply a reduced rate of VAT to certain labour-intensive services referred to in Article 28(6) of Directive 77/388/EEC (COM (2006) 736).
- On December 14th 2006, the Commission made a proposal for a Council Decision authorising Estonia, Slovenia, Sweden and the United Kingdom to apply a special measure derogating from Article 17(1) of the Sixth Council Directive 77/388/EEC on the harmonization of the laws of the Member States relating to turnover taxes (COM (2006) 802).
- On December 15th 2006, the Commission made a Proposal for a Council Decision extending the application of Decision 2000/91/EC authorising the Kingdom of Denmark and the Kingdom of Sweden to apply a measure derogating from Article 17 of the Sixth Council Directive (77/388/EEC) on the harmonisation of the laws of the Member States relating to turnover taxes (COM (2006) 796).