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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

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Subject: Proposal for a Council Directive amending Directive 2006/112/EC, as regards rates of value added tax applied to books, newspapers and periodicals
– General approach

I. BACKGROUND

1. On 1 December 2016, the Commission adopted a proposal for a Council Directive amending Directive 2006/112/EC, as regards rates of value added tax applied to books, newspapers and periodicals. The objective of the proposal is to grant all Member States the possibility to apply non-standard VAT rates to electronically supplied publications.
2. This proposal was discussed under the Maltese Presidency at the meetings of the Working Party on Tax Questions (WPTQ) of 26 January 2017, 8 February 2017, 8 March 2017 and 4 April 2017.
3. During the discussions held at technical level, a large number of delegations expressed broad support towards the Commission proposal, that was seen as a targeted instrument to enhance the Digital Single Market. Some Member States have expressed difficulties in accepting the proposal or requested to broaden the scope of the proposal.

4. On 21 March 2017, the Council (ECOFIN) held an orientation debate. During those discussions, most delegations confirmed the approach that Member States should be authorised to open reduced rates to publications supplied electronically. It was also noted that such authorisation should only be opened, as regards super-reduced and zero rates on electronic publications, to Member States that are already authorised to apply those super-reduced and zero rates to certain publications, and within the existing limits. Some delegations still expressed reservations as regards the proposal. It was also recalled that Member States should maintain their discretion to set VAT rates for publications and restrict the scope of VAT reduced rates including, subject to objective justification, where digital publications offer the same reading content.
5. In line with that discussion, the Presidency has proposed a new compromise text (8076/17), which was discussed in the Working Party on Tax Questions on 4 April 2017, and by Coreper at its meeting on 26 April 2017.
6. Four delegations have expressed reservations as regards the compatibility of the compromise text with the principle of equal treatment. Upon request, the Legal Service presented its opinion on the compatibility of the proposal with the principle of equal treatment. That oral opinion was confirmed in writing on 28 April 2017.
7. In the light of the above, the Presidency is of the view that technical discussions on the proposal have reached a final stage, and hence wishes to bring the proposal to Coreper and Council for a general approach.
8. The European Parliament issued its opinion on 1 June 2017. The opinion of the European Economic and Social Committee is expected to be issued soon.

II. WAY FORWARD

9. Against this background, the Committee of Permanent Representatives is invited to suggest that the Council, at a forthcoming meeting, reach a general approach on the Directive, on the basis of a compromise text set out in 8076/17 FISC 76 ECOFIN 272, with a view to its later adoption subject to legal-linguistic revision.