

DECLARATION BY MR BURKE AT THE PRESS CONFERENCE ON THE VAT 6TH DIRECTIVE, 17 MAY 1977 IN BRUSSELS

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The Sixth VAT Directive marks a major step in the process of fiscal harmonisation within the Community. It will <sup>virtually</sup> complete the harmonisation of the structures of VAT, the foundations of which were laid by the first two directives of the Council of 1967. By this means an essential economic objective will be achieved: neutrality in international trade, as a result of the elimination of fiscal impediments and discriminations which distort competition.

To achieve this objective, the directive fixes common rules over the great majority of the VAT field. These rules will have the effect of applying to tax-payers, in no matter which Member State they are established, the same obligations and the same rights.

Supply of services

The progress achieved by the new directive is especially noticeable in the sector of the supply of services to which, until the present time, only limited common rules have applied. In future, detailed provisions will permit a total elimination of cases of double taxation as well as of non-taxation. This is an important factor for the development of activities which become ever more important in international trade. At the same time, the directive improves the competitive position of Community enterprises in this sector operating on the world market, in placing them in a situation comparable to that of their competitors in third countries. The directive provides in particular that a zero rate will apply to exports from the Community of banking and insurance services. That is to say, these services will benefit from repayment of VAT which fell on their inputs.

Still within the service sector, the directive will bring to an end an abnormal situation in permitting non-resident enterprises to benefit from the normal regime of deduction or of repayment of VAT previously incurred, for all their operations having taken place on the territory of a State other than that of their residence. A serious anomaly distorting competition between national and foreign enterprises will thus be eliminated. These provisions are of particular importance in the case of services requiring transfers of personnel or of means of production, such as transport.

### Agriculture

In the agricultural sector, the system established by the Sixth Directive also presents a marked advance along the road of fiscal harmonisation. From now on, Member States which wish to establish a flat-rate scheme for farmers must apply the special provisions laid down by the Sixth Directive, for determining the flat-rate repayment of the input tax which may be claimed by farmers.

Even if harmonisation in this field is not complete, these common provisions, together with the common method for calculating the uniform basis of assessment in agriculture for the purpose of the own resources, will allow:

- an improvement in the Community's knowledge of the agricultural situation in the Member States and in the possibilities of control;
- and, consequently, more efficiency in the working of the common agricultural policy.

### Exemptions

One aspect of the directive of immediate relevance to the lives of private citizens is that of exemptions. The directive establishes a common exemption list for essential services in the social, educational and cultural fields.

### Future developments

Although the Sixth Directive marks a very important step towards the harmonisation of VAT, it is by no means the end of the road.

First, on a number of points, the Council, whilst laying down the harmonisation principles, has put off until a later stage specification of the means of application. Such is the case with the provisions on costs excluded from the right of deductibility, on the terms for repayment to non-resident taxpayers of VAT incurred at earlier stages, on the system for taxing international passenger transport. The Commission will submit proposals on these points at the appropriate time.

Secondly, the Council has reserved for a later occasion the provisions to apply in certain areas. This is, for example, the case for the system to apply to second hand goods and to works of art, on which it has not proved possible to agree at present. Later this year the Commission will submit a new proposal on these points.

Finally, the Commission will continue its efforts to achieve, over time, the abolition of tax frontiers by bringing together the rates of VAT. As stated in the tax action programme of 1975, the Commission regards this as a long-term process which should evolve at a rate consistent with the progress achieved in the co-ordination and convergence of economic policies. The first decision which has to be taken here is to know whether, in deciding on the number of rates, the system should provide for one or more rates.