Opinion of the European Economic and Social Committee on the Proposal for a Council Directive amending Council Directive 2002/38/EC as regards the period of application of the value added tax arrangements applicable to radio and television broadcasting services and certain electronically supplied services

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(2006/C 325/02)

On 30 November 2006 the Council decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned proposal.

The Committee Bureau instructed the Section for Economic and Monetary Union and Economic and Social Cohesion to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr Burani as rapporteur-general at its 431st plenary session, held on 13-14 December 2006 (meeting of 13 December), and adopted the following opinion with 102 votes in favour, nem. con. and four abstentions.

1. **Introduction**

1.1 On 7 May 2002 the Council adopted Directive 2002/38/EC amending the existing Directive 77/388/EEC which set up the VAT arrangements. The directive amends the VAT arrangements applicable to radio and television broadcasting services and certain electronically supplied services; it contains a number of provisions which were due to expire on 30 June 2006 unless extended.

1.2 When the directive was enacted, the Council intended to review the provisions covering the place of supply of these services and certain facilitation measures for non-EU businesses within three years, i.e. before the directive expired. On 25 May 2006, the Commission issued a report stressing the effectiveness of the measures adopted and proposing that they be extended to 31 December 2008. However, the Council decided on an extension which runs only until 31 December 2006.

1.3 The Commission points out that the expiry of the measures laid down by the directive would have undesirable effects: in other words, in the absence of new proposals there would be a gap in the legislation on the matter. Moreover, in the Commission's view, the slow rate of legislative progress in the area of taxation would mean that new, replacement measures would not be in place by the end of 2006, and it therefore reiterates its original proposal that the directive be extended to 31 December 2008.

2. **The Committee's comments**

2.1 The Committee takes note of the rationale behind the Commission's proposal, and considers that for the moment it is not appropriate to go into the merits of the directive's provisions. Given the urgent need for legislation applicable to the sector to be in place, and confident that the Commission's assertions regarding the effectiveness of the directive are well-founded, the Committee **endorses** the proposal to extend it. Furthermore, in view of the lengthy nature of legislative procedures in the area of taxation, the Committee feels that a period of two years — i.e. until 31 December 2008 — is the strict minimum and may even be too short for new proposals to be drawn up on the matter.

Brussels, 13 December 2006

The President

of the European Economic and Social Committee

Dimitris DIMITRIADIS