



Plenary sitting

A9-0034/2019

19.11.2019

REPORT

on the proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax and Directive 2008/118/EC concerning the general arrangements for excise duty as regards defence effort within the Union framework
(COM(2019)0192 – C9-0003/2019 – 2019/0096(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Paul Tang

(Simplified procedure – Rule 52(2) of the Rules of Procedure)

Symbols for procedures

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ***■*** symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax and Directive 2008/118/EC concerning the general arrangements for excise duty as regards defence effort within the Union framework (COM(2019)0192 – C9-0003/2019 – 2019/0096(CNS))

(Special legislative procedure – consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2019)0192),
 - having regard to Article 113 of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C9-0003/2019),
 - having regard to Rule 82 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0034/2019),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a directive

Recital 4

Text proposed by the Commission

(4) Defence effort carried out for the implementation of a Union activity under the CSDP covers military missions ***and operations***, activities of battlegroups, mutual assistance, permanent structured cooperation (PESCO) projects ***and***

Amendment

(4) Defence effort carried out for the implementation of a Union activity under the CSDP covers military missions, activities of battlegroups ***and of other multinational formations or structures established by Member States operating***

activities of the European Defence Agency (EDA). It should however not cover activities under the solidarity clause established in Article 222 of the Treaty on the Functioning of the European Union or any other bilateral or multilateral activities between Member States that do not relate to defence effort carried out for the implementation of a Union activity under the CSDP.

within the framework of CSDP, mutual assistance, permanent structured cooperation (PESCO) projects, activities of the European Defence Agency (EDA) **and activities aiming at the progressive framing of a common Union defence policy**. It should however not cover activities under the solidarity clause established in Article 222 of the Treaty on the Functioning of the European Union or any other bilateral or multilateral activities between Member States that do not relate to defence effort carried out for the implementation of a Union activity under the CSDP. **The Commission should keep a record of any defence effort carried out for the implementation of a Union activity under the CSDP in respect of which exemptions apply.**

Amendment 2

Proposal for a directive Recital 8

Text proposed by the Commission

(8) Similarly to the exemption for NATO defence effort, the **exemption** for the defence effort carried out for the implementation of a Union activity under the CSDP should be limited in scope. **Only expenses incurred in respect of** tasks directly linked to a defence effort **should be eligible for exemption**. Tasks performed exclusively by civilian staff or performed exclusively by using civilian capabilities should not be **covered by the exemption**. Nor should the **exemption** cover **items such as spare parts to military equipment or transport** services that the armed forces of a Member State acquire for use within that Member State **or extend to the construction of transport or communication and information systems infrastructures**.

Amendment

(8) Similarly to the exemption **from VAT and excise duty** for NATO defence effort, the **exemptions** for the defence effort carried out for the implementation of a Union activity under the CSDP should be limited in scope. **The exemptions should apply only to situations where armed forces carry out** tasks directly linked to a defence effort **under the CSDP. Those exemptions should not cover civilian missions under the CSDP. Goods or services supplied for the use of civilian staff could therefore only be covered by the exemptions when the civilian staff is accompanying armed forces carrying out tasks directly linked to a defence effort under the CSDP outside their Member State**. Tasks performed exclusively by civilian staff or performed exclusively by using civilian capabilities should not be

considered to be a defence effort. Nor should the *exemptions in any circumstance* cover *goods or* services that the armed forces acquire for *the* use *of the forces or the civilian staff accompanying them* within *their own* Member State.

EXPLANATORY STATEMENT

The VAT Directive does not provide for any general exemption for the supply of goods or services for security and defence purposes. The Directive however does provide for an exemption for supplies to the armed forces of any state party to the North Atlantic Treaty that are taking part in a common defence effort outside their own state.

The Excise Directive provides for a similar exemption from excise duty for movements of excise goods to the armed forces of any North Atlantic Treaty Organisation (NATO) member. While NATO defence effort has been covered by the VAT Directive since 1977 and the Excise Directive since 1993, neither of the exemptions covers supplies linked to the common defence effort within the Union framework, because there is as yet no common Union defence policy. However, the common security and defence policy (CSDP), which was established as the European security and defence policy (ESDP) in 2000, is a key instrument for external action and includes the progressive framing of a common Union defence policy.

In March 2018, the Commission and the High Representative presented a Joint Communication on the action plan on military mobility. The action plan recognises the need for equal treatment of defence efforts with a view to reducing administrative burden and thus delays and costs in military mobility, and providing Member States with an incentive to cooperate. It requires the Commission to assess the feasibility of aligning the VAT treatment of defence efforts in the EU framework and under the NATO umbrella.

The objective of this proposal is to align the VAT treatment of defence efforts in the EU and NATO frameworks as far as is feasible. Similarly, the arrangements for exemptions from excise duties, as provided for in the Excise Directive, should be aligned in the same way.

The Rapporteur fully supports the Commission's proposal.

He however suggests to amend the definition of defence effort within the Union framework notably to ensure that all actions, military formations or structures carried out under Article 42 TEU which defines the scope of CSDP are covered.

PROCEDURE – COMMITTEE RESPONSIBLE

Title	Proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax and Directive 2008/118/EC concerning the general arrangements for excise duty as regards defence effort within the Union framework
References	COM(2019)0192 – C9-0003/2019 – 2019/0096(CNS)
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Rapporteurs Date appointed	Paul Tang 18.7.2019
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