



**COUNCIL OF  
THE EUROPEAN UNION**



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6136/06 (Presse 41)

## **Council extends the validity of reduced VAT rates for labour-intensive services until 2010**

The Council adopted today<sup>1</sup>, following an agreement reached at its meeting on 24 January, a directive enabling the member states to (continue to) apply reduced rates of value-added tax for certain labour-intensive services until 2010 (5916/06).

The main features of the directive, which is based on directive 77/388/EEC, are as follows:

- In order to prolong the experiment, launched in 1999, of reduced VAT rates for certain locally-provided labour-intensive services, the validity of annex K to directive 77/388/EEC is extended as from 1 January 2006 until 31 December 2010. All member states may opt for the application of annex K, on condition that they apply for authorisation to do so by 31 March 2006;

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<sup>1</sup> The decision was taken by the Economic and Financial Affairs Council, without discussion.

# **P R E S S**

- Member states are authorised to apply a reduced rate to supplies of district heating, provided that this doesn't create a distortion of competition;
- The Council invites the Commission to present, by the end of 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.

In December, the Council adopted a directive extending the 15% minimum VAT standard rate applied by the member states until 2010. As a derogation to this general rule, permanent reduced VAT rates for a number of goods and services are allowed for under annex H of 77/388/EEC.

Annex K, which is applied on a temporary basis and expired on 31 December, allows for reduced rates for a further list of services including small repair services, the renovation of private dwellings, window cleaning and private household cleaning, domestic care services and hairdressing.

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