

Reduced VAT: a "well done, but ..." from the construction industry.

FIEC congratulates the ECOFIN Council, the Czech Presidency and the European Commission for their contributions leading to this unanimous political agreement on reduced VAT, making permanent the application of reduced VAT rates, not only to social housing, but also to renovation and repairing of private dwellings.

“This is very good news for all enterprises who have been worried by the prospect of losing reduced VAT and its proven benefits for jobs and energy efficiency. This political agreement now ends the uncertainty and provides a reliable and permanent basis beyond 2010”, says, FIEC President Dirk Cordeel, “On the other hand, we regret that the Council has not accepted the Commission's proposal to extend the scope to the whole housing sector. Due to this limitation, the positive effects of reduced VAT on job creation and fighting undeclared labour will be less than they could have been. A missed opportunity!”

Some more details:

For many years, FIEC, its national Member Federations and their members have been fighting together for the introduction of reduced VAT for works on private housing, succeeding, for example, in bringing about the last-minute agreement on the extension of the interim-scheme in February 2006.

A study carried out by FIEC in March 2005 (available on the FIEC website) as well as independent research have clearly demonstrated the positive effects of reduced rates of VAT on job creation and fighting undeclared work.

FIEC's main arguments, based on practical experience in some EU countries, concern the fight against undeclared labour; the positive impact on employment, the positive impact on consumer prices, the contribution to energy efficiency and the absence of distorting effects on the Internal Market.

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FIEC is the European Construction Industry Federation, representing via its 33 national Member Federations in 28 countries (26 EU & EFTA, Croatia and Turkey) construction enterprises of all sizes, i.e. small and medium-sized enterprises as well as “global players”, carrying out all forms of building and civil engineering activities.

Previous FIEC position papers and studies are available from www.fiec.eu

(Themes → Economic and Legal → reduced VAT rate).