



# New VAT rules removing the cost of VAT from Union measures in the public interest

Increasing the Union capacity for crisis response

*Council WPTQ  
14 April 2021*

# Proposal to amend Council Directive 2006/112/EC as regards exemptions on importations and on certain supplies, in respect of Union measures in the public interest

- Adopted by the Commission on 12 April 2021  
(COM(2021) 181 final)
- Complements temporary measures responding to the COVID-19 pandemic:
  - VAT and customs relief for vital goods needed to combat the COVID-19 outbreak (Commission Decision (EU) 2020/491 of 3 April 2020)
  - VAT reduced/zero rate for COVID-19 vaccines and testing kits (Council Directive (EU) No 2020/2020 of 7 December 2020)

# Why did the Commission have to act now?

- Ongoing COVID-19 pandemic has demonstrated the importance of being able to provide an immediate and coherent response at Union level
- Experience has revealed shortcomings that need to be addressed quickly (Commission e.g. purchased transport service for passengers, Remdesivir medicine, rapid antigen tests, masks, disinfection robots)
- Emergency response measures are costly and available Union funds to finance them are limited and not infinitely scalable
- Certain cases have shown that VAT as a cost factor scales down the Union capacity to support Member States as it shrinks the funds
- VAT exemptions in place do not always apply, particularly if the Commission doesn't acquire goods for its own official use (especially goods are distributed to Member States)

# What is the objective of the proposal?

- **Enhance** the fight against the COVID-19 pandemic
- **Increase the efficiency** of Union measures in response to exceptional situations such as current/future emergencies, crises and disasters
- **Eliminate VAT** as a cost factor, particularly where the Union executes a mandate to acquire goods and services to be distributed free of charge to Member States according to their emergency needs
- Establish a **broad-based and future-proof solution** that is not restricted to certain policy fields or scenarios, which might not be predictable today
- **Facilitate the application** in practice by adapting the use of the exemption certificate to the requirements of the digital age

# There is urgent need for action

- The COVID-19 pandemic is far from over.
- Although the proposal aims at facilitating measures taken under various scenarios, it is **particularly urgent in view of the COVID-19 pandemic**.
- Some measures that could fall under the exemptions introduced by this proposal are already underway (e.g. purchase of disinfection robots).
- It is indispensable and in the public interest to ensure making best use of the precious Union budget.
- The Commission therefore takes the view that the exemptions introduced by this proposal should **apply from 1 January 2021 retroactively**.

# Which transactions are covered?

**Importation  
of goods**

**Supply  
of goods or services**

- **No limitation** to specific goods or services
- Exemption covers broad range of goods/services that can help Member States, national authorities and citizens to deal with emergencies and crises

# Which transactions are covered?

## Examples for goods:

- diagnostic testing materials
- laboratory equipment
- personal protective equipment (PPE) such as masks, gloves
- disinfection robots and equipment
- tents, camp beds
- clothing and food
- search and rescue equipment for earthquake regions
- sandbags, life jackets and inflatable boats for flood regions
- radiation measuring devices or iodine tablets for nuclear accidents

## Examples for services:

- development and production of necessary products
- research and innovation activities
- management of stockpiling
- pharmaceutical licences
- application of therapeutics
- hosting of patients
- exchange of medical experts
- provision of quarantine facilities
- clinical trials
- scientific validation of medical products
- disinfection of premises

# Who is the eligible importer or recipient of the exempt supply?

**European  
Commission**

**EU Agencies**

e.g. European Medicines Agency (EMA),  
European Centre for Disease Prevention  
and Control (ECDC)

**Other EU bodies**

e.g. EU public-private partnerships  
such as  
IMI 2 Joint Undertaking advancing the  
development of medicines

**Established under Union law**



# What may the goods/services be used for?

**European  
Commission**

**EU Agencies**

**Other EU bodies**



**acquire the goods/services**

**in fulfilment of a mandate conferred on them by Union law**

Example: Member States have delegated to the Commission or an EU agency or body the task to buy goods and services on behalf of the whole EU

**in the public interest**

Example: goods/services must be of benefit for the EU population, not for personal use of staff

# Examples for eligible use of goods/services

- Distribution free of charge to Member States
- Distribution free of charge to third parties such as:
  - hospitals
  - national health or disaster response authorities
  - private companies to which civil protection tasks have been assigned
  - aid organisations involved in crisis management (e.g. Red Cross)
- Other purposes  
(Example: Commission Medical Service treats citizens with purchased medicines in own premises and with own staff)

# Improving the practical applicability of the VAT exemption

- Current exemption certificate is a paper form (Annex II of Council Implementing Regulation (EU) No 282/2011)
- Proposal will help Member States to cope better with the challenges of the digital age and to reduce administrative burden stemming from the use of the paper version of the certificate
- Commission shall specify, by means of implementing acts, technical details and specifications regarding the **new exemption certificate** and the electronic transmission of information
- Implementing acts to be adopted in SCAC (Article 58 of Council Regulation (EU) No 904/2010)

# Thank you

**DG TAXUD UNIT C1**