



## Reduced VAT for reused goods by non-profit organisations

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About 40.000 persons in the EU work in *social enterprises* and *not for profit organisations* with both social and environmental goals.

These enterprises operate in the waste management through a number of collection of used goods, such as end of life *clothing, furniture, computers and domestic appliances*, they are engaged in repairing to recover them in order to sell or, in the case where this is not possible, to recycle materials.

Moreover, these projects of social economy are connected to plan of professional education and working and social insertion of disadvantaged persons belonging to groups of people "at risk".

To achieve this double goal social organisations realize in concrete some European policy that provide to reuse end of life goods<sup>1</sup>.

The work 's quality of these not for profit organisations consists to produce goods of quality to low prices to wider part of population, through certification system of the process and guarantee on the goods refurbished following EU standards.

The Sustainability and Development of these experiences of social business can be sustained by a incentive of retailing of this kind of goods that could be a **reduction of VAT rate**.

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<sup>1</sup> For instance it can be taken in considerations the importance given to the term of reuse respect other ways of recovery in the Directive 2002/96/CE of the 27th jannuary 2003 on the Waste of Electric and Electronic (WEEE).

## ***Proposal to the European Commission to amend the Directive on the reduced rate on the value added tax (77/388/EEC)***

The commission adopted a proposal to amend the already indicated Directive at the end of July.

The objective of the proposal is to have for all Members States the same opportunities in the application of the reduced rate in certain sectors.

The second goal of this proposal is to list the great quantity of derogations (a value added tax of the 5%) granted to Members States.

### ***Content of the proposal***

The basic rules on the VAT are very simple: the supply of goods and services liable to VAT is liable to standard tax of 15% at least. The Directive allows Members State to apply some reduced rates on VAT, which can be inferior to 5% and can be enforced only for a reduced list of goods and services, present in the **Annex H** of the Directive.

The European Commission suggests a review of **Annex H**. The Commission want to clarify the category of the street cleaning, the waste management, etc. (category 19).

This category is defined in a too restrictive way so that similar services are considered with very different rates. Reference to waste and sewerage recycling were introduced in the document. Therefore it is now stated more clearly that Member State are allowed to apply a reduced rate of VAT for the services of waste management.

### ***Debate will be re-opened***

The Ministers of Finances have rejected the Commission's proposal twice because they failed to reach agreement on which sectors should be subject to reduced rates.

Thursday 15 January it became clear that France has asked the European Commission to re-open the VAT debate *at the meeting of the Financial and Economic Council*, which will take place on *Tuesday 20 January in Brussels*.

### **Helping the activity of Reuse and Refurbishment centres**

Ministers of Finance will take the decision on the future rules of the reduced VAT rate.

Annex H present categories of goods and services proposed by the Commission on which the Member States would have the possibility to introduce a reduced VAT rate.

The current proposal on Reduced VAT rates could make a difference for our members. Currently, section 19 of Annex H gives Member States the possibility to apply a reduced VAT rate for refuse collection and waste treatment. The recovery of waste is not included. This category has been changed in the proposal to ensure that waste treatment services have more similar VAT rates around the EU and that the more environmentally friendly waste options can apply for a low VAT rate. Therefore, the words 'waste recycling' have been introduced. **But by only introducing the term 'recycling' could lead to discrimination of reuse!** According to the EU waste legislation the term recycling excludes reuse while reuse is considered as a preferred environmental option according to the EU waste hierarchy.

Therefore we would plead for a modification to the proposed text of the Commission that will ensure that reuse and therefore the environment will be better protected, while at the same time it will encourage the development of social enterprises active in the field of waste management.

19	The supply of services in connection with sewage, street cleaning, refuse collection and waste treatment or waste <i>reuse and</i> recycling other than the supply of such services by bodies referred to in Article 4(5).
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## .... And Fair Trade

The same Story is to give incentive for Fair Trade.

Annex H already anticipates that the reduced rate of VAT could be enforced to "*assignment of goods and supply of services form organisation recognized as social organisation by Member State and which are engaged in activities of assistance and social security...*"

It is necessary to specify better reference to no alimentary goods of the Fair Trade, because point 1 of the proposal already extends the possibility to enforce reduced rate of VAT on the food stuff.

15	Assignment of goods and supply of services from organisations recognized as social organisation by Member State and which are engaged in activities of assistance and social security <b><i>or in the distribution of the no alimentary goods in the Fair Trade</i></b> , which are not tax exempt following the article 13.
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