



VAT alert

Belgium

Long awaited reform of EU VAT rates agreed by European Council

On 7 December 2021, the Council of the European Union agreed the text of a proposed directive on reforms to EU VAT rates that have long been debated. Under the new rules, member states would be able to apply reduced VAT rates and even a super-reduced or zero VAT rate from a renewed and extended list that would replace both the existing list (dating back to a directive from 1992) and derogations granted to individual member states. The proposals must be endorsed by the European Parliament before the Council can formally adopt the directive.

Key principles of the reforms

The draft amending directive would permit member states to apply up to four different VAT rates: a standard rate, a maximum of two reduced rates, and a super-reduced rate (i.e., a rate that is lower than 5%, including a zero rate).

Modernised list of supplies that can be subject to a reduced VAT rate

When member states decide to implement reduced VAT rates, they can choose up to 24 “points” (i.e., categories) from the new list (an amended Annex III) that covers all categories of supplies of goods and services on which a reduced rate may be applied.

The agreed list is essentially the same as the existing list but modernises some of the existing categories and adds some new types of goods and services. These include the demolition and reconstruction of dwellings, the rental of

private housing, the construction and renovation of public and other buildings used for activities in the public interest, children's clothing and footwear, live horses, bicycles, and legal services provided to unemployed people involved in labour court proceedings or provided under legal aid schemes, etc.

The new list also provides scope for the introduction of reduced VAT rates to support key European policies such as the EU4Health program and the European Green Deal. Environmentally friendly products and services are prominent additions to the list, including solar panels for private dwellings or public buildings, electric bicycles, the supply and installation of low emission heating systems such as heat pumps, and services to repair household appliances. Electricity and renewable gases remain on the list, but natural gas and firewood (as from 2030) and chemical pesticides and fertilisers (as from 2032) will be removed from the list.

The new list also reflects the digitalisation of the economy, by allowing the application of reduced rates for internet access services and access to livestreams of sporting or cultural events. Under the proposed directive, such livestreams would be taxed in the country where the participant is established, with the possibility to use the One Stop Shop scheme for reporting different member states' VAT rates.

Where a member state wishes to introduce a super-reduced or zero rate, the choice is even more limited, as these could apply only to a maximum of seven points from a shorter list that covers mainly basic necessities (foodstuffs, medicines, etc.) but also books, newspapers, and solar panels. Where member states currently apply super-reduced rates to more than seven points, a sunset clause has been agreed that would require them to reduce the number to seven points by 2032.

Comments

Although the legislation is not yet final, the agreement is welcome and represents a significant step, demonstrating political consensus on the future level of flexibility available to member states to determine their national VAT rates.

In that context, the Belgian Minister of Finance already has announced that the period of the temporary 6% VAT rate for the demolition and reconstruction of dwellings will be extended and that the VAT rate on the supply of bicycles (including electric bicycles) will be reduced to 6% in the near future. While it is not expected that many new reduced rates will be added, the new list provides scope for broader changes that support different federal or regional policies.

Contacts

If you have any questions concerning the items in this alert, please contact your usual tax consultant at our Deloitte office in Belgium or:

- Van Der Paal Johan | Deloitte Tax | jvanderpaal@deloitte.com | +32 2 600 66 39
- Ivan Massin | Deloitte Tax | imassin@deloitte.com | +32 2 600 66 52
- Heirman Joaquim | Deloitte Legal – *Lawyers* | jheirman@deloitte.com | +32 2 800 71 27
- Danny Stas | Deloitte Legal - *Lawyers* | dstas@deloitte.com | +32 2 800 70 11

For general inquiries, please contact:
bedeloittetax@deloitte.com, + 32 2 600 60 00

Be sure to visit us at our website:
[Deloitte Tax Belgium Home](#) | [Deloitte Legal Belgium Home](#)

Stay tuned with the latest developments:

[Deloitte Academy](#) | [Tax News and Insights](#) | [Legal News and Insights](#)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides industry leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175 plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s more than 345,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

Deloitte Legal - *Lawyers* BV/SRL in Belgium

Deloitte Legal - *Lawyers* BV/SRL is part of a privileged multidisciplinary cost-sharing association with Deloitte Belastingconsulenten BV/SRL.

© 2021 Deloitte Belgium

[Subscribe](#) | [Unsubscribe](#)