
Editorial

EC Tax Policies under the Danish Presidency

Ole Stavad, Minister of Taxation of Denmark

1 January 1993 Denmark took over the Presidency of the European Community. In the fiscal area the Danish Presidency will differ considerably from the preceding Presidencies.

During the last couple of years the main priority has been the adoption of the EC Directives necessary to make the Single Market work. This has in all essentials been a success making way for the removal of the fiscal frontiers from 1 January 1993. This includes adoption of VAT directives and harmonization of excise duties on alcohol, tobacco and mineral oils. Besides a regulation regarding increased administrative cooperation has been adopted.

During the Danish Presidency great importance will be attached to the directives put forward by the Commission aimed at fiscal harmonization in the Community. In this connection emphasis will put on the decision of the European Council at the Edinburgh Summit in December 1992 to give the principle of subsidiarity a more prominent position in the decision process.

It means that only harmonization proposals which are necessary to make the Community work better in the fiscal area must be adopted. Beyond this future EC decisions must give as much scope as possible for national decisions.

If problems occur in connection with the newly established Single Market, the Danish Presidency will immediately bring up these matters.

The Danish Presidency will according to the plans primarily look at the combined CO₂/energy tax.

It is of vital importance that CO₂ emissions are limited. To make this happen in Europe the EC Member States must agree on a common CO₂ tax. We will continue the work that has already been started. Thus internationally the Community ought to take the lead in the environmental field and take the necessary steps to limit CO₂ emissions.

Accordingly the necessary steps will be taken on the basis of the conclusions which were reached by the Ministers of Finance and Economy in December 1992. In these conclusions the most important questions are identified. It is characteristic that many of these questions are intertwined. It is a technically complicated and very politically difficult complex of problems.

In this connection we will also take into account the industrial competitiveness. A solution to this problem was also a prerequisite when the Danish CO₂ tax was introduced. It could be argued, however, that when two Member States and the Nordic Countries have solitarily been able to introduce CO₂ taxes the problem of competitiveness in relation to the Third World must be even easier solved by a tax for the whole Community.

This does not reduce the need for other countries to take similar measures, but at the same time such a condition must not mean that the Community fails to take action and takes up a passive attitude.

The Council will in a special ad hoc committee consider the question if a negative effect on competitiveness can be neutralized by tax exemptions/remission. Furthermore the ECOFIN Council will consider a range of questions especially in relation to the tax structure. These will include the balance between the CO₂ tax and the energy tax, the taxation of electricity etcetera and the level of taxation.

For the Danish Government it is important that considerable progress is made in the area so that the Community can live up to the objective of stabilizing CO₂ emissions in the year 2000 at the 1990-level. Therefore the Danish Presidency will aim at a political agreement in the Council which includes the essential elements in the proposal from the Commission.

In the VAT area I consider it to be of utmost importance that the proposed VAT on second-hand goods, work of arts, collectors' items and antiques (the so-called 7th VAT

Directive) is adopted. It is regrettable that this proposal, which among other things concerns the intra-Community trade in second-hand goods, was not adopted in spite of an energetic effort by the British Presidency before the opening of the Single Market. Unfortunately, it must be noted that antique dealers and antique firms etcetera situated in a Member State which has no arrangement for VAT on second hand goods will be hit hard, now that the Single Market has opened. Therefore it is a matter of urgency to adopt common rules.

Besides, we will consider the range of proposals from the Commission regarding VAT.

Consequently we will deal with the so-called 18th VAT Directive. It will abolish certain derogations by the Member States that are upheld in the 6th VAT Directive. Some of the derogations could mean distortions of competition and therefore it would be desirable to abolish them.

Furthermore, we expect a proposal called Mattheaus Tax to be adopted during the Danish Presidency. It includes among other things exchange of Government officials in the area of indirect taxation. To make the Single Market work without the rules being evaded control authorities of the Member States must cooperate. Good contacts with authorities of the other Member States and thorough knowledge of the tax rules there are important factors in the future control work.

Moreover, we will deal with the proposal of a VAT arrangement for the small and medium-sized businesses, with the proposal of a special VAT arrangement for gold and we will examine if there is support for 9th VAT proposal regarding personal transport.

During our Presidency we will also raise the question of a rise in the allowances for travellers from third countries.

Today, travellers coming from third countries are only allowed to bring goods up to 45 ECU tax-free.

This is a very small amount which has not been regulated for years. There is a general agreement between the EC Member States that this allowance should be raised. There is also a wish to make a minor adjustment to the limits on sales by tax-free shops in the Community. I think that there is a common will to raise these limits during the Danish Presidency.

As far as direct taxes are concerned the Danish Presidency will continue the ongoing work, including in particular the political and technical clarification of the directive on a common arrangement for taxation of interest and royalty between the different Member States. I hope that this proposal can be adopted during the Danish Presidency.