

VAT: European Commission calls on France to change its legislation on the exemption of certain transactions involving vessels.

The Commission has given France two months to amend its legislation granting VAT exemption for certain transactions involving vessels. It considers that the French measures are broader than the exemptions authorised by the VAT Directive.

The VAT Directive lists the transactions that are exempt from VAT. These are exceptions to the general principle whereby any supply of goods or services effected for consideration by a taxable person is subject to VAT.

The list includes certain transactions involving vessels (Article 148 of the VAT Directive) under certain conditions indicated in the Directive.

The Commission considers that French legislation in this area is not in line with the VAT Directive, as it unduly extends eligibility for exemption. In particular, the wording of the French law does not stipulate use for navigation "on the high seas" as a condition for the exemption of vessels carrying passengers for reward or used for the purpose of commercial activities.

Background:

This request was made in the form of a reasoned opinion, which is the second stage of infringement proceedings, as provided for in the first paragraph of Article 258 of the Treaty on the Functioning of the European Union. If France does not amend its legislation within the specified time limit, the Commission may decide to refer the matter to the Court of Justice.

The Commission's case reference number is 2008/2287.

Press releases on infringement proceedings in the field of taxation or customs can be consulted at:

http://ec.europa.eu/taxation_customs/common/infringements/infringement_cases/index_en.htm

For the latest general information on infringement proceedings against Member States, see:

http://ec.europa.eu/community_law/index_en.htm