



EUROPEAN COMMISSION
 DIRECTORATE-GENERAL
 TAXATION AND CUSTOMS UNION
 Indirect Taxation and Tax administration
Value added tax

Brussels, 17/02/2017
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Note of Meeting

Plymouth Brethren Christian Church – 16 February 2017

Attendees

<u>TAXUD</u>	Plymouth Brethren Christian Church
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Minutes

- Plymouth Brethren Christian Church ("the Church") requested a meeting with the Commission to raise awareness about the financial burdens that small religious communities in the EU face in the construction of religious buildings and inquire about the possibility of benefiting from a VAT exemption or reduced rate for such activity.
- During the meeting, the representatives of the Church briefly explained its history (conservative part of the Protestant Church; created in the late 1820s in Dublin; 50.000 followers in 90 countries worldwide; active in 9 Member States).
- They stressed that the Church receives no financial aid from the Member States where it is established.
- They emphasised that the cost of constructing a new church is huge, amounting to EUR 2.7-3 million for each church.
- They seemed to believe that the Commission could "*regulat[e] the applicable VAT to goods and services supplied for the construction of new religious buildings*" on the basis of the exemptions provided for in Article 132(1)(g), (k) and (l) of the VAT Directive, due to the "social wellbeing" and "religious nature" which characterise the Church.
- They referred to the Commission Communication COM(97)559 which, in their view, concludes that reduced VAT rate should be used only for particular social reasons, the construction of churches being one of them.

- Finally, they handed to the Commission representatives a document entitled 'Request for a review of the matter of VAT applied to goods supplied for new construction of religious buildings'. The document recommends raising the issue with the VAT Expert Group and the VAT Committee with a view to producing guidelines that recommend a 5% rate on goods and services supplied for the construction of religious buildings.
- The Commission explained that, although Member States are bound by the EU VAT legislation, they remain sovereign as regards setting their VAT rates. It made clear that the role of the Commission does not involve any kind of influence over Member States' decisions in this regard.
- Moreover, the Commission clarified that the exemptions provided for in Article 132(1)(g), (k) and (l) of the VAT Directive address the output VAT and not the input VAT side and therefore they cannot be applied to the case in question. It is only business that may deduct the input VAT and not final consumers such as the Church.
- The Commission also stated that the reduced rates may be applied only to supplies of goods and services referred to in Annex III of the VAT Directive. And emphasised that even for goods and services contained therein, Member States are not obliged but simply enabled to apply a reduced rate.
- The Commission added that the 2008 Proposal to amend the VAT Directive had suggested including *inter alia* "places of worship" to point 10a of Annex III but this was rejected by the Member States at Council level.
- Furthermore, the Commission referred to the Action Plan and the forthcoming Proposal on VAT rates reform, which envisages granting more flexibility to Member States in setting VAT rates. It invited the Church to participate in the ongoing open public consultation which will feed into the proposal.
- Last, the Commission clarified that the VAT Committee only deals with existing law and thus is not competent to address the issue in question. It suggested that the Church tries to raise awareness of their issues at Member State level in view of the Council discussions of the Proposal on VAT rates reform.

Prepared by: ██████████

16 February 2017