



EUROPEAN COMMISSION
 DIRECTORATE-GENERAL
 TAXATION AND CUSTOMS UNION
 The Director-General

Brussels
 TAXUD/SQ/VHR/idlfm
 taxud.c.2(2020)2614339

Subject: Impact of the COVID-19 crisis on the EU Wine sector – CEEV analysis and “Wine Package”

Dear Dr Sánchez Recarte,

Regarding your recent letter of 17 April 2020, I would like to thank you for your detailed brief describing the effect of the crisis on the wine sector and the first set of recommendations for both emergency and recovery measures.

COVID-19 is a severe public health emergency for our citizens, societies and economies with infections in all Member States. It is also a major economic shock to the EU. The Commission will use all the instruments at its disposal to mitigate the socio-economic impact of the COVID-19 outbreak.

Regarding the specific tax related elements of your ‘wine package’, we would like to provide you with the following feedback:

Temporary reduced VAT

The current EU rules for VAT allow Member States to apply a reduced rate to foodstuffs “including beverages but excluding alcoholic beverages” (point 1 of Annex III to the VAT Directive¹). Restaurant and catering services are eligible for reduced rates, “it being possible to exclude the supply of (alcoholic and/or non-alcoholic) beverages” (point 12a of Annex III to the VAT Directive). Thus, as you rightly point out, Member States already have the discretion to allow a reduced VAT rate for the on-trade consumption of wine.

Moreover, three Member States are allowed to apply a so-called ‘parking rate’ to wine, under certain conditions. This historical rate of between 12% and that country’s standard VAT rate forms part of temporary derogations granted to those Member States, on the basis that such rate was in force at 1 January 1991 for goods not listed in Annex III, such as wine, and is limited to the supplies to which it was applied at the time². The

¹ Council Directive 2006/112/EC of 28.11.2006 on the common system of VAT – OJ 347, 11.12.06, p.1.

² See Article 118 para 1 of the VAT Directive.

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application of such derogations is strictly limited to the Member States to which they have been granted by the Council.

The exceptional measures in relation to VAT rates taken recently by the Commission concern exclusively goods needed to combat the effects of the COVID-19 pandemic.

It is relevant to mention that the Commission services contacted Member States and suggested them to show flexibility when it comes to VAT obligations of businesses during the COVID-19 crisis. These relates in particular to VAT payments, the late payment penalties and sanctions, areas which fall largely under the remit of Member States.

Distance selling

Ending unjustified cross-border barriers, protection of online customer rights and promoting cross border access to online content are cornerstones of the Digital Single Market Strategy. In this regard, DG TAXUD has launched a workstream on the distance-selling project for excise goods and despite the current difficult circumstances, this initiative will follow the normal Better Regulation process. At the same time, new VAT rules on distance sales of goods will enter into force in 2021. According to these rules, the extended One Stop Shop (OSS) will allow the suppliers of intra-EU distance sales of goods to account for VAT due in other Member States without being obliged to register for VAT in these countries. Intra-EU distance sales of excise products (including wine) can be included in the VAT OSS as from 2021.

Regarding the proposed short-term solution of a single webpage with all Member States national procedures concerning distance selling of excise goods, this could be facilitated. Currently DG TAXUD's website provides links to each website of the national tax authorities. This link is, in many cases, to the homepage of the national tax authority. If Member States are willing to provide updated links to their national procedures in English, DG TAXUD's website could be updated accordingly.

Finally, let me reiterate that the Commission determined to work together with all stakeholders to address the extreme challenges the pandemic is causing.

Yours sincerely,

(e-signed)
Stephen QUEST

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