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Press release

After 17 years, finally a revision of the VAT rate system for restaurant services!

Brussels, 10 March 2009

For 17 years, HOTREC* has been asking for a revision of the EU VAT rate system applicable to restaurant services. HOTREC therefore applauds the political agreement reached today by the 27 Finance Ministers of the EU to give to all Member States the option to apply reduced VAT rates to restaurant services (currently only 11 Member States have this possibility, a situation described as “*unfair*” by Commissioner Kovács, in charge of taxation).

“*This change in the EU VAT rate system is particularly welcome in this time of heavy economic crisis*”, said the President of HOTREC, Mr. Kent Nyström. He invites “*the governments of all Member States to make use as soon as possible of the option given today*”. For years, HOTREC has been advocating reduced VAT rates for restaurant services on the basis of the following arguments: restaurant services are labour-intensive; they are provided directly to final consumers; they are provided locally, with no risks of distortion of competition; and, above all, the lower prices resulting from the rate reduction will induce increase in demand and employment.

This political agreement should be submitted to the European Council, which is meeting on 19-20 March 2009. Three countries still have to carry out domestic consultations, before they can confirm officially their support to the agreement reached today (apparently they encountered problems with the scope of their negotiating mandates).

* HOTREC represents the hotel, restaurant and café industry at European level. It counts 1.6 million businesses, with 92% of them being micro enterprises employing less than 10 people. The micro and small enterprises (having less than 50 employees) in the hospitality industry representing 99% of businesses make up some 62% of value added. The industry provides some 9 million jobs in the EU alone. HOTREC brings together 40 National Associations representing the interest of the industry in 25 different European countries.