

To: Taxation Working Group

European Commission launches public consultation on review of the VAT rules for financial and insurance services

On 08 February the European Commission has opened a [public consultation](#) seeking feedback on the review of the VAT rules for financial and insurance services.

On 23 October 2020, the Commission launched a consultation on a roadmap to collect feedback on this issue and on 19 November 2020, Insurance Europe [provided its feedback](#) on the roadmap.

Current VAT rules for financial and insurance services are criticised for being complex, difficult to apply and not having kept pace with the development of new services in the sector. The initiative focuses on addressing these issues through modernisation of the VAT treatment of financial and insurance services.

In the impact assessment of the initiative two problems are highlighted:

- The lack of VAT neutrality: an exemption regime removes a right of deduction for inputs used for non-taxed activities. This results in reduction of efficiency, influences business structures and produces competitive disadvantage compared to businesses supplying similar non-exempt services or to businesses operating outside the scope of VAT in third countries
- Legal uncertainty and regulatory complexity: legal uncertainty and regulatory complexity are closely related and linked to instability in the regulatory framework, gaps and a lack of clarity.

The objective of this public consultation is to obtain the views of stakeholders on the current VAT rules on financial and insurance services and their functioning as well as on possible changes to these rules. The answers provided through the questionnaire available, will feed into the review of the relevant provisions of the [VAT Directive \(Council Directive 2006/112/EC\)](#) and will contribute to a possible future legislative proposal.

Next steps

- The secretariat will follow up with members on developing a response to the consultation.
- 04 May: deadline to provide feedback on the consultation.
- The Commission aims to adopt a directive on Q4 2021

For more info

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