



To: Mr. Stephen Quest
Director General for Taxation and Customs Union
European Commission - DG TAXUD
Rue Joseph II 79, 1000 Brussels, Belgium

Subject: Insurance Europe urges quick legislative solution to allow a VAT exemption for CSGs in the financial sector

Brussels, 23 November 2018

Dear Mr. Quest,

On 9 March 2018, Insurance Europe wrote a letter to the European Commissioner for Economic and Financial Affairs, Taxation and Customs, M. Pierre Moscovici, to explain the consequences of the European Court of Justice (ECJ's) rulings related to the scope of Article 132(1)(f) of the Directive 2006/112/EC "Value Added Tax (VAT) Directive". Indeed, on 21 September 2017, in cases C-605/15 and C-326/15, the ECJ ruled that cost-sharing groups (CSGs) in the financial sector cannot benefit from a VAT exemption.

Before these rulings, it had been generally accepted that the financial sector falls under the scope of the exemption, as evidenced by the fact that Article 132(1)(f), which is a mandatory provision to be implemented in national legislation, had been interpreted in a broad sense by a large majority of EU member states and by the Commission itself. As financial undertakings carry out activities that are exempt from VAT, CSGs represent a very good solution for mitigating the cost of irrecoverable VAT.

In his response letter of 26 April 2018, Commissioner Moscovici stated that his services were carefully considering the implications of the judgments of the ECJ, as well as reflecting on the most suitable way forward. Insurance Europe believes that a European solution to this significant problem is needed as soon as possible and we were encouraged by Commissioner Moscovici's response and by recent discussions on this subject that took place at the ECOFIN Council meeting of 2 October. It is our understanding that, at that meeting, the Council and the Commission officially recognised the need to clarify VAT rules on independent groups of persons that pool their services and share costs between their members. Insurance Europe also understands that DG TAXUD's services are planning to shortly launch a study with a view to a possible legislative proposal under the current Commission.

In this context, I am writing to express the European insurance industry's strong support for a quick, targeted, amendment to the VAT Directive that would allow member states the option to exempt from VAT the supply of services by independent groups of persons (carrying out an activity which is exempt from VAT) that claim from their members exact reimbursement of their share of the joint expenses. This would provide member states with the legal basis needed to continue to allow a VAT exemption for CSGs in the financial sector, thereby avoiding an entirely unnecessary and potentially very damaging increase in the cost of irrecoverable VAT for European insurers.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "M. Koller".

Michaela Koller
Director General