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Dear Honourable Member,

I would like to thank you and your co-signatories for your letter of 25 June 2020 regarding the impact of COVID-19 on the European hospitality sector.

COVID-19 is a severe public health emergency for our citizens and societies, with infections in all the Member States. It is also a major economic shock to the EU. The Commission is fully aware of the negative economic impact the COVID-19 pandemic has had and will use all the instruments at its disposal to mitigate the socio-economic impact of the COVID-19 pandemic. We share your analysis that small and medium size enterprises (SMEs) and the hospitality sector are amongst the hardest hit by the crisis.

Regarding the various points raised in your email, we would like to provide you with the following feedback:

At the beginning of crisis, the Commission set in motion a range of emergency measures to provide immediate liquidity to SMEs and to make it possible for national governments to better support national economies. With emergency support in place, on 27 May the Commission proposed a crisis recovery plan Next Generation EU and a revamped Multiannual Financial Framework (MFF) for 2021 – 2027. The recovery plan included, amongst others, grants-based REACT EU instrument that offers unprecedented flexibility for the EU countries to support their most hit sectors, companies and people. On 21 July, the EU leaders reached an agreement on the recovery plan and the revised MFF with a total financing capacity of EUR 1.8 trillion. It is now urgent that the European Parliament and national parliaments approve this financing package, so that the money, including EUR 47.5 billion of REACT EU, can start to flow.

The Commission services have already suggested that Member States show flexibility when it comes to VAT obligations of businesses during the COVID-19 pandemic. This relates, in particular, to VAT payments, in the area of late payment penalties and sanctions, which fall

largely under the remit of Member States. In this context, it should be noted that certain Member States have adopted urgent measures specifically aimed at supporting the hospitality sector.

As regards VAT rates, 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, Member States already have the discretion to allow a reduced VAT rate for the on-trade consumption of alcohol.

As you rightly note, the current rules for excise duties on alcohol (Council Directive 92/83/EEC²) allow Member States to apply reduced rates of excise duties to support the brewing industry. This includes, for example, reduced rates of excise duty on up to 200,000 hectolitres of beer per annum produced by small independent brewers. We understand that currently 13 Member States have adopted the maximum threshold allowed and a further 10 Member States apply the reduced rates to a lower threshold.

Since the beginning of the COVID-19 crisis, the Commission has been following the situation and had taken a number of emergency relief measures to support businesses and jobs. An overview of these measures may be found at the Commission’s Coronavirus dedicated website: https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response_en.

Finally, let me reiterate that the Commission remains in close contact with Member States. The Commission is determined to address the extreme challenges the COVID-19 pandemic is causing and we welcome your support in this regard.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'V. Dombrovskis', with a long horizontal flourish extending to the right.

Valdis Dombrovskis

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

² Council Directive 92/93/EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages OJ L 316, 31.10.1992, p. 21–27