

Brussels, 25 June 2009

## **VAT: The European Commission requests the United Kingdom to modify its legislation regarding the exemption for aircraft**

*The European Commission has formally requested the United Kingdom to amend its legislation governing the VAT exemption for transactions related to aircraft, since it is based on criteria different from, and inconsistent with, those employed in the VAT Directive. The request is communicated in the form of a 'reasoned opinion' (second step of the infringement procedure provided for in Article 226 of the EC Treaty). If, within two months, the relevant national rules are not amended in order to comply with the reasoned opinion, the Commission may decide to refer the matter to the European Court of Justice.*

Article 148 of the VAT Directive exempts from VAT certain supplies of goods and services related to aircraft. The essential condition for those exemptions to apply is that the aircraft must be "used by an airline operating for reward chiefly on international routes". In Case C-382/02 the European Court of Justice ruled that the exemptions apply even for an aircraft operating on domestic routes, as long as it is used by such an airline.

However, the United Kingdom applies the exemptions according to different criteria, those of the weight of the aircraft and of its design. Any aircraft under 8.000 kg is not exempted even where it is used by an airline meeting the relevant conditions. Conversely, aircraft of a weight over 8.000 kg and not designed nor adapted for private pleasure flying is exempted, and that even where the aircraft is not used by an airline operating for reward chiefly on international routes.

In view of the above, the Commission has formally requested the United Kingdom to change its national rules.

The Commission's reference number is 2007/2502.

For press releases on infringement cases in the taxation or customs field see:

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