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EU proposes stamping VAT on postal services.

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BRUSSELS, May 6 (Reuters) - Postage stamps in the European Union would be subject to value-added tax (VAT) under legislation proposed by the European Commission on Tuesday aimed at making life fairer for private postal firms.

The move cheered private companies that currently have to charge VAT on postal services but annoyed defenders of national postal monopolies.

"The proposal would make the VAT system fairer and level the playing field for all operators, leading to improved postal services to everyone," the EU's Internal Market Commissioner Frits Bolkestein said in a statement.

He said the change would not increase the price of stamps because postal firms, once denied their VAT exempt status, would be able to claim back VAT on their own costs such as vehicles and fuel and pass on the savings for customers.

Post operators would also be able to charge a reduced rate of VAT for letters and other items up to two kilograms that are not sent express. All other postal services would be subject to the standard VAT rate which varies from country to country and tends to be around 20 percent.

The Free and Fair Post Initiative, which represents providers and users of private post services said the bill would reduce market distortions.

"By imposing the same rule on all postal operators including the incumbents, and, therefore, having a truly competitive market for postal services, users and consumers will ultimately enjoy more choice, higher quality and better services", said FFPI President Philippe Bodson.

The bill, which requires unanimous support from EU governments, has already been criticised by some politicians who fear the impact on consumers.

"There is no need for this proposed EU tax increase," British Conservative European Parliament member Theresa Villiers said. "This would be another damaging blow to our hard-pressed postal services."
