



Press Release

The EU Directive on VAT in postal services: a step towards a level-playing field in the EU postal market

Brussels, 6 May 2003 – The Free and Fair Post Initiative (FFPI) welcomed the proposal for a EU Directive as regards value added tax (VAT) on services provided in the postal sector adopted by the European Commission on 5 May.

The proposed Directive, which amends the Sixth VAT Directive, aims at making postal services subject to VAT while redressing a tax exemption that is no longer justified. Far from being fully liberalised, the European postal market is increasingly opened to competition and distinctions between public and private operators cannot be sustained further. The current situation has led to distortions, since services provided by public operators were exempted from VAT, while similar services offered by private providers were subject to VAT. In addition, some Member States such as Sweden and Finland, are already charging VAT on basic postal services, therefore, the Directive will bring uniformity not only between public and private suppliers but also among the different national public operators.

"Having a level-playing field in the EU market is the most important thing for users of postal services. This measure, along with the full implementation of the Postal Directive and the compliance with the EU competition rules, will reduce market distortions in Europe in the long run. 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", commented FFPI President Philippe Bodson. "

In particular, the FFPI has highlighted the importance of the Commission's proposal for a reduced VAT rate to be applied as a means to counterbalance the risk of price increases that might follow the introduction of the tax. *"I am glad to see that the Commission has sought to formulate its proposal in a way to avoid that the addition of VAT results in higher prices for individual private consumers by introducing a specific fiscal mechanism that addresses this crucial concern. It is fundamental that citizens are not penalised and that stamp prices remain fair and affordable, in particular in those Member States where stamp costs seem already unjustifiably high",* added Bodson.

Furthermore, the FFPI is also convinced that once public operators will be allowed to deduct VAT on their expenses such as for fuel, vehicles, equipment, etc., they will be able to pass on this benefit to their customers leading to possible cost reductions, to the advantage of postal users. This provision puts the public suppliers on an equal footing with the private operators, which could already deduct VAT in the past.

The Free and Fair Post Initiative (FFPI) is a unique European initiative that brings together users and competitors of the public postal operators who strongly believe in the benefit of a liberalised and more competitive postal market. Through its membership, the FFPI currently represents more than 7,1 million companies. The FFPI key objectives are to secure full liberalisation of postal services that should be in 2009 at the latest and a fair playing field in the postal sector to prevent public postal monopolies to turn into private ones.

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