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European Council adopts a temporary 'buy and donate' VAT exemption

The Council of the European Union adopted an amendment to the VAT directive introducing a temporary VAT exemption on importations and on certain supplies in response to the COVID-19 pandemic. The 'buy and donate' directive will make it easier for the Commission and EU agencies to buy goods and services to distribute them free of charge to member states in the context of the ongoing public health crisis.

https://blogs.pwc.de/de/german-tax-and-legal-news/article/230038/

Through this update, purchases of goods and services by an EU body on behalf of member states to respond to the emergency posed by the COVID-19 pandemic are temporarily added to the list of exempted transactions in the VAT directive. The new exemption will allow for more donations to member states and their institutions, as it will relieve the EU bodies of the budgetary and administrative burdens that hampered the process.

Thanks to this amendment, the Commission and the EU agencies will be able to make the best possible use of the EU budget in addressing the consequences of the COVID-19 pandemic. Once this crisis is overcome, the applicable VAT rates will be restored.

Background and next steps

The Commission presented its proposal on 12 April 2021 to address the fact that VAT exemptions on purchases made by an EU body were limited to those made for the official use of that EU body. The exemptions did not apply to purchases for donations to member states or, for example, to health authorities or hospitals, as this was not considered official use. This VAT exemption will expand the available resources for the provision of goods and services to member states in the context of the COVID-19 pandemic.

To cover the measures addressing the effects of the pandemic that are already underway, this directive will apply retroactively from 1 January 2021.

Source:

Council of the EU, **Press release** of 13 July 2021

Schlagwörter

Coronavirus (COVID-19), buy and donate, temporary VAT exemption

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