

**Joint contribution on  
the Consultation on  
Review of existing legislation on VAT reduced rates  
(TAXUD/CI)**

**Europa Nostra\***

Interest Representative Register ID number: 832617510389-12

**The European Historic Houses Association\***

Interest Representative Register ID number: 18291557598-08

**European Landowners' Organisation\***

Interest Representative Register ID number: 36063991244-88

Conscious of the key role of the building stock in solutions to numbers of important challenges related to resource efficiency, the European Historic Houses Association, Europa Nostra and the European Landowners' Organization wish to highlight the particular merits of applying reduced VAT rates to the repair, maintenance and renovation of buildings, and in particular historic buildings. They are available to discuss further these issues with the European Commission after this consultation.

In addition to cultural and social value, historic houses have also great economic value as they are often SME themselves and/or assist various local SME activities hereby creating many jobs and attracting tourists. These buildings contribute to the economy by attracting tourism and investment and providing a focus for successful regeneration. *European cultural heritage is of exceptional economic importance for the tourism industry, generating an estimated annual revenue of € 335 billion, and many of the 9 million jobs in the tourism sector are linked to it directly or indirectly. Moreover, the market for conservation of this heritage is estimated at some € 5 billion per year<sup>1</sup>.*

The European Commission document introduces a debate on the merits of removing or reducing the scope in future for reduced rates of VAT in the EU. The relevant section for the above European NGOs signatories is that on Housing.

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<sup>1</sup> Doc 117022/10 COUNCIL OF THE EUROPEAN UNION 3035th COMPETITIVENESS Council meeting , Luxembourg, 12 October 2010

**We welcome the opportunity to comment the Commission's document consultation. Our main concerns are on question 5**

Q5. In your view, how can the reduced VAT rate for housing be best applied in order to take the resource efficiency element into account, and how should/can this be achieved with a minimum of increase in the administrative burden for businesses, in particular SME's, providing supplies of goods and services in the housing sector?

Amongst other things the 2009 EU Amending Directive allows, but does not require, member states to introduce a reduce rate of VAT, down to 5%, on the restoration of residential housing more than five years old, on the basis that that would stimulate the use of skilled labour.

Some member states have invoked this option, which cannot be applied solely to historic buildings; others, such as the UK, have not.

The EU document puts the point of view that the option has not been successful in boosting the legitimate economy and that it undermines the objective of other EU legislation to improve the resource efficiency of the economy (by providing a market distortion in favour of work that does not necessarily increase resource efficiency in the house construction industry). However, there has yet to be a full and proper debate on the wider benefits of reduced VAT, in terms of promoting growth, particularly through the tourism sector and tax revenues. That debate should be held before decisions are taken.

Just as important, the EU document ignores the fact that restoration work on residential buildings contributes to resource efficiency, by encouraging energy efficiency. National governments already recognise the importance of maintaining older residential buildings by operating the VAT reduction, and where they do not generally do this, they may still operate a VAT reduction for explicitly energy-saving work, such as installing insulation.

The signatories believe that it is particularly important to encourage VAT reduced rates for the repair, maintenance and renovation of historic buildings. The option for a reduced rate of VAT on more general restoration work of residential buildings, including historic buildings, should be maintained, because repairs and restoration should be encouraged, not only because they promote local employment and often lead to ripple effects for the surroundings (tourism, social and economic regeneration, cultural activities, etc. which can generate VAT revenues that far exceed the –modest-revenue reduction due to a lower VAT rate on renovation of buildings), but also because they keep up the standard of accommodation for the future **AND** because renovating an existing property obviates the need for construction of a new house, which would be likely to entail the consumption of more resources and the release of more CO2 into the atmosphere. This reason goes beyond the case for explicitly energy-saving work.

The environmental benefits of maintaining the existing stock of housing, in preference to the alternative of demolition and re-build, have not been considered in the EU's approach, and should be.

Existing building stock, including non listed buildings with historical value, would better adapt to the requirements of the Energy Performance of Buildings Directive (EPBD) and the Energy Efficiency Directive (EED) with appropriate reduced VAT rates.

Moreover, the annual rate of new build makes total replacement of a member state's entire housing stock unrealistic so members states will need to incentivise the improvement of existing dwellings.

The recent report *Responsible Retrofitting*<sup>2</sup> (Sustainable Traditional Buildings Alliance 2012) is plenty of evidence to demonstrate that

- Traditional buildings can contribute to significantly reducing energy demand without placing these buildings or their occupants at undue risk.
- Traditional buildings often perform better in terms of heat loss through fabric than as stated in standard models and assessment methods.

We therefore recommend that this option be retained in Annex III. If this option were to be removed, it would conflict with the five EU priorities for 2020 policy the third of which relates to climate change / energy, with the target being to reduce greenhouse gas emissions by 20% (or even 30%, if the conditions are right) lower than 1990 and a 20% increase in energy efficiency.

We consider that priority should be given to research to demonstrate which supports the first of the 2020 priorities which is that 3% of the EU's GDP should be invested in R&D.

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<sup>2</sup> [http://www.sdfoundation.org.uk/downloads/RESPONSIBLE-RETROFIT\\_FINAL\\_20\\_SEPT\\_2012.pdf](http://www.sdfoundation.org.uk/downloads/RESPONSIBLE-RETROFIT_FINAL_20_SEPT_2012.pdf)

## **About the signatories to these joint position**

\* **Europa Nostra** represents a rapidly growing citizens' movement for the safeguarding of Europe's cultural and natural heritage. Our pan-European network is composed of 250 member organisations (heritage associations and foundations with a combined membership of more than 5 million people), 150 associated organisations (governmental bodies, local authorities and corporations) and also 1500 individual members who directly support our mission.

Together, we form an important lobby for cultural heritage in Europe; we celebrate excellence through the European Heritage Awards organised by Europa Nostra in partnership with the European Union; and we campaign to save Europe's endangered historic monuments, sites and cultural landscapes.

We are the Voice of Cultural Heritage in Europe.

[www.europanostra.org](http://www.europanostra.org)

\* The **European Historic Houses Association** is a European association, based in Brussels, voicing the interests of historic houses owners which are most of the time SME's. It aims its work towards major issues linked to culture heritage such as fiscal issues, the energy efficiency issue (implementation of the EPB Directive) and security issues (keeping and illicit trafficking of cultural goods). The Association brings together 18 national members and represents more than 50,000 historic houses in Europe.

[www.europanhistorichouses.org](http://www.europanhistorichouses.org)

\* The **European Landowners' Organization** (ELO), its partner is a federation representing the landowners' and rural entrepreneurs' interests at the European level. It targets its actions on land use and housing, via seven major areas of European importance: environment, renewable energy, agriculture and rural development, status of private property and companies, forest, enlargement and trade.

[www.elo.org](http://www.elo.org)