



Mr Jean-Claude Juncker  
President of the European Commission

cc Mr Frans Timmermans  
Mr Pierre Moscovici

Brussels

15<sup>th</sup> February 2016

Dear President,

### **Reduced rate of VAT for the preservation of cultural heritage, a strategic resource for a sustainable Europe**

As signatories to this letter, we represent the majority of the owners, managers, trustees and charities that protect and maintain the rich diversity of historic buildings (classified, in the national architectural inventory, etc.) that give Europe's rural and urban landscapes their distinctive appearance and cultural significance. Our built heritage represents a unique and non-renewable resource for Europe, and our sector currently faces all the challenges, including those arising from rapid technological change, that impact our society, economy, environment and cultural life, and our future is under threat.

We see this opportunity, with the imminent European debate on a new VAT policy for Member States, to draw our concern to your attention and to propose how a change in tax policy could be an effective measure to help secure our heritage as an economic force and valuable contributor to the quality of life in Europe for future generations.

### **Background**

The range and depth of Europe's cultural heritage is a unique asset, distinguishing it from every other region of the world. Heritage-related tourism represents a major economic activity in many member states, but our shared heritage also represents a binding force within Europe itself and as such may be seen as a significant component of the European project.

But we face increasing financial difficulties maintaining and repairing our historic buildings and meeting the standards expected by the public at large and also imposed at an official level, for example, in the areas of access for those with impaired mobility, health and safety and working at the required standards with traditional materials and methods. These pressures arise, of course, in a period of worldwide economic recession, where many private owners, who are responsible for 66% of the buildings in question, face higher personal and business national taxes and other charges, while grants and subsidies have, in too many cases, been withdrawn. Furthermore, repairs of public monuments and movable goods are also subject to important



VAT rates and we argue that a VAT reduction would bring a very significant aid to the economy of public administration involved in cultural goods.

Tax policies at the European level could encourage our members to plan and carry out repair and restoration projects to the historic buildings under their control, thus enhancing for the longer term Europe's competitive advantage in heritage tourism, which, as mentioned above, is a vital economic, cultural and social force in our urban and rural societies. In its **Conclusions on cultural heritage as a strategic resource for a sustainable Europe**, published on 20<sup>th</sup> May 2014, the Council of European Union recognised the great value cultural heritage brings *"to society from a cultural, environmental, social and economic point of view"*. The European Parliament's Resolution adopted on 8<sup>th</sup> September 2015 in response to the Commission's Communication entitled **"Towards an integrated approach for cultural heritage for Europe"** ( COM(2014) 477 final, 22<sup>nd</sup> July 2014), revived the debate, marking an important step towards the better preservation of EU cultural heritage. The Resolution refers explicitly to fiscal policies, highlighting the potential of a reduction in VAT or other taxes and, incidentally, noting that a large part of Europe's cultural heritage is managed by private bodies.

## Proposal

We ask that you consider taking action to:

1. Encourage Member States to apply a reduced rate of VAT on expenditure connected with the repair of privately-owned heritage buildings;
2. Achieve that objective by including a reduced rate of VAT for services related to heritage conservation work in Annex III of Directive 2006/112/EC as originally suggested by the Commission in 2008.

## How will this proposal benefit the European Union as a whole?

A reduced rate of VAT on heritage restoration works should be supported for the following reasons:

1. It will give a clear incentive for the preservation of Europe's unique heritage, at the same time creating and enhancing social capital and promoting cultural wealth and diversity;
2. It will foster economic development and generate diverse types of employment, including in the area of traditional and otherwise threatened specialist skills, and produce beneficial effects for tourism and social and cultural activity in the community as a whole;
3. It will increase VAT revenues at the standard rate on other goods and services provided around the increased economic activity stimulated by the targeted lower rate that we



propose and, incidentally, bring pressure to bear on the black market in the provision of building services generally;

4. It will have a positive effect at the environmental level, with owners of heritage properties being encouraged to invest in energy efficiency and landscape preservation.

In the annexes to this letter, we expand the case for this proposal and the benefits it will bring in more detail. We also attach the recent EU-funded report: **Cultural Heritage Counts for Europe**”, a review of the value of heritage to the EU. At the launch of the report, **Tibor Navracsics**, European Commissioner for Education, Culture, Youth and Sport said: *“All available evidence confirms that heritage is a strategic resource for a sustainable Europe. We need to enhance our policy action at all levels. It is time to develop a truly integrated approach to heritage, maximising the impact of heritage policies on the local economy and society. This is one of my priorities.”*

## Conclusion

The pressure for greater access to heritage buildings from an increasing number of tourists, combined with public expectations for higher standards of conservation and interpretation, augments the burden of responsibility and financial pressure on the shoulders of the few that preserve the heritage for the benefit of us all.

A reduced rate of VAT for heritage conservation works will enhance the economic and social value of the heritage sector and contribute tangibly to sustainable growth in the EU. It is the most effective immediate and integrated approach that can be taken at the European level and will have the maximum impact on heritage desired by Mr Tibor Navracsics; it is also aligned with the European Commission’s reference to the potential to use fiscal and tax policies in **“Towards an integrated approach to cultural heritage for Europe”** for the benefit of heritage. It will, furthermore, realise the vision set out in Article 151 of the Treaty of the European Communities, support SME’s and the Lisbon process (by reducing the black economy) and help promote sustainable regeneration in line with the Kyoto Agreement on climate change.

We therefore ask the European Commission to include a reduced rate of VAT for services related to heritage works in Annex III of Directive 2006/112/EC.



Kind regards

Denis de Kergorlay,  
Executive President  
**Europa Nostra**

Olivier de Rohan-Chabot,  
President  
**Future for Religious Heritage**

Rodolphe de Looz-Corswarem,  
Executive President  
**European Historic Houses Association**

Thierry de l'Escaille,  
Secretary General  
**European Landowners**

Stratos Paradias,  
President  
**International Union of Property Owners**

John R Frederiksen,  
President  
**European Property Federation**



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

### **Europa Nostra**

EUROPA NOSTRA is the European federation of heritage NGO's. Covering 40 countries in Europe, the organisation is the voice of civil society committed to safeguarding and promoting Europe's cultural and natural heritage. We campaign to save Europe's endangered monuments, sites and landscapes, in particular through "the 7 Most Endangered" programme, run in partnership with the European Investment Bank Institute. We also celebrate excellence through the EU Prize for Cultural Heritage / Europa Nostra Awards and we contribute to mainstreaming heritage in European and national policies and actions. Founded in 1963, Europa Nostra is today recognised as the most representative and influential heritage network in Europe.

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

EU Transparency Register: 832617510389-12

### **Future for Religious Heritage**

FRH is a Brussels based, non-faith, association that brings together all those who work to protect Europe's religious heritage and are concerned by its future. Religious heritage is under particular threat due to the decline in religious observance and reduced government spending. FRH seeks to stimulate a Europe-wide debate as to how best to adapt these buildings to the needs of the 21st century.

[www.frh-europe.org](http://www.frh-europe.org)

EU Transparency Register: 256812113944-37

### **European Historic Houses Association**

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 and security issues (keeping and illicit trafficking of cultural goods). The association brings together 23 national members and represents more than 50.000 historic houses in Europe.

[www.europeanhistorichouses.eu](http://www.europeanhistorichouses.eu)

EU Transparency Register: 18291557598-08

### **European Landowners' Organization**

The European Landowners' Organization (ELO), created in 1972, is a unique federation of national associations from the 28 EU Member States and beyond, which represents the interests of landowners, land managers and rural entrepreneurs at the European political level. Independent and non-profit making, the ELO is the only organization able to stand for all rural



entrepreneurs. The ELO promotes a prosperous countryside through private property dynamism. Its Secretariat is based in Brussels.

<http://www.europeanlandowners.org/>

EU Transparency Register: 36063991244-88

### **International Union of Property Owners**

UIPI is a pan-European not-for-profit association comprising of 30 organisations from 28 countries. Jointly, they represent more than 5 million private property owners and some 20 to 25 million dwellings. Founded in 1923, the UIPI aims to protect and promote the interests, needs and concerns of private landlords and owner-occupiers at national, European and international levels.

[www.uipi.com](http://www.uipi.com)

EU Transparency Register: 57946843667-42

### **European Property Federation**

Founded in Brussels in 1997, EPF represents all aspects of property ownership and investment: residential landlords, housing companies, commercial property investment and development companies, shopping centres and the property interests of the institutional investors (banks, insurance companies, pension funds). Its members own property assets valued at € 1.5 trillion, providing and managing buildings for the residential or service and industry tenants that occupy them.

[www.epf-fepi.com](http://www.epf-fepi.com)

EU Transparency Register: 36120303854-92



## Annexes

### **Annex I:**

#### **Cultural Heritage Counts for Europe**

**European Commission Communication of 22 July 2014 towards an integrated approach to cultural heritage for Europe (COM(2014) 477 final)**

**European Parliament resolution of 8 September 2015 towards an integrated approach to cultural heritage for Europe (2014/2149(INI))**

**The Economic and Social Contribution of Independently Owned Historic Houses and Gardens: Key Findings Summary**



## Annex II:

### Current reduced-rate VAT position

In 2007, the Copenhagen Economics Study<sup>1</sup> stated there may be specific economic benefits from operating a reduced VAT rate in carefully-targeted sectors. In 2008, the Commission allowed member States to apply reduced rates in the construction and significant renovation and alteration of some non-commercial buildings such as places of worship, cultural heritage and historical monuments. That extension was unlikely to distort competition in the internal market as the place of taxation of services relating to immovable property is always at the place where the property is located.

But the Council considerably restricted the original scope of the Commission's reduced-rates VAT proposal by only retaining the current category of services, which relate to housing which comes in the social policy category, adding that *“renovation and repairing of private dwellings, excluding materials which accounts for a significant part of the value of the service supplied”*.

### Economic Growth and Employment

A strong cultural and heritage sector is a source of employment, its major impact in economic terms. The number of employees in the sector in the EU amounts to 306,000, and indirectly created jobs are the equivalent of 7.8 million person years.<sup>2</sup>

The sector is estimated to produce up to 26.7 indirect jobs for every direct job, while the automotive industry produces only 6.3 per direct job.<sup>3</sup> High quality conservation works directly stimulate long-term quality employment in associated SME craft industries. Recent experience of reduced rates of VAT in France has demonstrated that a reduction in VAT both increases the amount of work undertaken and reduces the work undertaken in the black economy; according to the European Construction Industry Federation, renovation and maintenance represented 27.5% of the value of Europe's construction industry.<sup>4</sup>

Heritage tourism provides an important source of employment and revenue for Member States. The European Parliament, in its resolution dating from September 2015<sup>5</sup>, points out that cultural tourism, which is 40% of European tourism as a whole, is a key sector with potential for growth and employment. 3.4 million tourism businesses account for 15.2 million jobs, mostly directly or indirectly linked to heritage. Based on the independent research results of the UK Historic Houses Association, there were an estimated 24 million visits to houses,

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<sup>1</sup> Copenhagen Economics, *Study on reduced VAT applied to goods and services in the Member States of the European Union*, 2007.

<sup>2</sup> CHCfE Consortium (2015), *Cultural Heritage Counts for Europe*, International Cultural Centre, Krakow.

<sup>3</sup> *Ibidem*.

<sup>4</sup> European Construction Industry Federation (2015), *Key Figures activity 2014: Construction in Europe*, Brussels. [PDF] Available at: <http://www.fiec.eu/en/library-619/key-figures.aspx>

<sup>5</sup> European Parliament Resolution, *Towards an integrated approach to cultural heritage for Europe* (2014/2149(INI)), 8 September 2015.



gardens and parks in 2014 in the UK, leading to a gross visitor spend of £1 billion—see attached **Key Findings Summary** report by DC Research, Carlisle from October 2015<sup>6</sup>. It goes without saying that historic buildings must be repaired and maintained if this success is to be sustained.

### Taxation Revenue

Although cultural renovation work charged at standard VAT rates can generate significant tax income, fewer works are undertaken on grounds of cost. If a lower rate is available, more work will be done and more tax will be generated from secondary and tertiary activities from, for example, professional fees, employment-related charges, greater visitor income and taxes from sales to visitors for goods and services such as souvenirs and catering. The European Commission Communication states that the historic environment can offer a high return on investment; in the UK, each £1 invested generates up to £1.6 of additional economic activity over ten years.<sup>7</sup>

Similarly, the Cultural Heritage Counts for Europe study reported that in the Netherlands each \$1 given in restoration grant aid by the government produced a \$0.74 return from tax on people employed and VAT on materials used. Furthermore, the macroeconomic effect, which includes the indirect effects of that investment, was to return \$1.10 in tax receipts. A macroeconomic study of heritage work in Belgium found that the revenue from indirect taxation arising from heritage maintenance work was clearly more significant than that arising direct from VAT.<sup>8</sup>

Any move that discourages owners from using the black market to provide labour for heritage works will be beneficial from the revenue point of view.

### Cultural/Social impact

Well maintained and accessible historic buildings not only give aesthetic pleasure, but they also provide a link between the diverse histories and cultures of each Member State: such intercultural dialogue can act as a catalyst for co-operation. It is a powerful instrument giving a sense of belonging between European citizens.

Since its inception, the Union has recognised the importance of culture as a way of helping to establish a community's identity. Article 3.3 of the Treaty of the European Union provides that the "*EU...shall respect its rich cultural and linguistic diversity and shall ensure that Europe's cultural heritage is safeguarded and enhanced*". In that regard, heritage has great capacity to promote social cohesion and integration, often through regeneration of neglected areas, the creation of locally-based jobs and the promotion of a shared understanding and sense of community. The sector offers educational and volunteering opportunities for young and older people and promotes dialogue between different cultures and generations.

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<sup>6</sup> *The Economic and Social Contribution of Independently Owned Historic Houses and Gardens: Key Findings Summary*, October 2015.

<sup>7</sup> European Commission Communication, *Towards an integrated approach to cultural heritage for Europe*, COM(2014) 477 final, 22 July 2014.

<sup>8</sup> Marc Rosiers, BVBA, *Le fisc et le patrimoine immobilier*, 12 May 2000, p. 37.



Furthermore, our heritage is an irreplaceable repository of knowledge, a source of inspiration for writers and artists and a driver for our cultural and creative industries. (The recent British television series, “Downton Abbey”, filmed on sets at English historic houses, was watched by a worldwide audience of 200 million). Our cultural heritage and the way we preserve and promote it are major factors in defining Europe’s place in the world and its attraction as a place to live, work and visit.

### **Environmental benefits**

The owners of historic buildings will invest in sustainable ways if renovation works are easier to afford. The last position consultation: “**Green Paper on the future of VAT: towards a simpler and more robust VAT system**” stated that “the use of reduced rates as a policy instrument is often advocated notably for health, cultural and environmental reasons to provide (...) incentives for eco-innovation and knowledge-based resource-efficient growth”.

Replacement will almost always be more environmentally costly than refurbishment, so there are clear environmental benefits from reusing and repairing existing building stock, with increasing evidence that the level of energy efficiency of pre-1890 public buildings at least matches and sometimes exceeds that of the most sophisticated modern buildings. Renovating an old house obviates the need to build a new one, which would entail the consumption of more resources and the release of more CO2 into the atmosphere.

Finally, historic houses and their surrounding environment are of meaningful importance in the preservation of Europe’s green heritage and its culturally-significant landscapes. Gardens and parks play a crucial role in the protection of biodiversity and preservation of ecosystems whilst giving great pleasure to those who visit them. Owners and managers of historic houses, gardens and parks care for them with sustainable management practices, which preserve their diverse flora and fauna, whether in a rural or urban situation.