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NOTE

From:	General Secretariat of the Council
To:	Delegations
No. prev. doc.:	13759/26
Subject:	Draft Council Implementing Decision amending Implementing Decision (EU) 2021/512 as regards an extension of the authorisation for the United Kingdom to apply, in respect of Northern Ireland, a special measure derogating from Articles 16 and 168 of Directive 2006/112/EC on the common system of value added tax - Presidency compromise proposal

Delegations will find attached a Presidency proposal with changes marked as **bold underline** and strikethrough as compared to the original Commission proposal set out in document ST 13759/26 INIT.

2026/0291 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Implementing Decision (EU) 2021/512 as regards an extension of the authorisation for the United Kingdom to apply, in respect of Northern Ireland, a special measure derogating from Articles 16 and 168 of Directive 2006/112/EC on the common system of value added tax

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax[1], and in particular Article 395(1), first subparagraph, thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) Council Implementing Decision (EU) 2021/512[2] authorises the United Kingdom to apply, in respect of Northern Ireland, until 31 December 2026, a special measure derogating from Articles 16 and 168 of Directive 2006/112/EC in order to fix, on a flat-rate basis, the proportion of value added tax (VAT) relating to expenditure on fuel used for private purposes in business cars (the 'special measure').

[1] OJ L 347, 11.12.2006, p. 1, ELI: http://data.europa.eu/eli/dir/2006/112/oj.

[2] Council Implementing Decision (EU) 2021/512 of 22 March 2021 authorising the United Kingdom to apply, in respect of Northern Ireland, a special measure derogating from Articles 16 and 168 of Directive 2006/112/EC on the common system of value added tax (OJ L 103, 24.3.2021, p. 4, ELI: http://data.europa.eu/eli/dec_impl/2021/512/oj).

(2) **Article 168 of Directive 2006/112/EC provides that a taxable person is entitled to deduct VAT charged on purchases made for the purposes of taxed transactions. However, Article 16 of that Directive requires the application by taxable persons of goods forming part of their business assets for their private use or for that of their staff to be treated as a supply of goods for consideration, where the VAT on those goods or the component parts thereof was wholly or partly deductible. This system allows for the recovery of initially deducted VAT in relation to the private use.**

(**3**~~2~~) By letter registered with the Commission on 25 March 2026, the United Kingdom requested authorisation to continue to apply, in respect of Northern Ireland, the special measure beyond 31 December 2026.

(**4**~~3~~) Pursuant to Article 395(2), second subparagraph, of Directive 2006/112/EC, by letters dated 24 July 2026, the Commission transmitted the request submitted by the United Kingdom to the Member States. By letter dated 29 July 2026, the Commission notified the United Kingdom that it had all the information necessary to consider the request.

(**5**~~4~~) According to the information provided by the United Kingdom in its request, the special and, for taxable persons, optional measure has provided an efficient simplified procedure for collecting VAT in relation to expenditure on fuel for business cars partly used for private purposes, for both taxable persons and the tax authority. According to the United Kingdom, the factual situation that justifies the application of the special measure has not fundamentally changed.

(**6**~~5~~) It is therefore appropriate to extend the application of the special measure. That extension should be limited in time to allow for a proper monitoring, by the United Kingdom, of whether the proportion of VAT, fixed on a flat-rate basis, still correctly reflects expenditure on fuel for business cars used for private purposes. The authorisation of the special measure should therefore expire on 31 December 2029.

(7~~6~~) If the United Kingdom seeks a further extension of the special measure beyond 31 December 2029, it should submit a request, accompanied by a report, to the Commission by 31 March 2029.

(8~~7~~) In accordance with Article 8, second paragraph, of the Protocol on Ireland/Northern Ireland (now referred to as the Windsor Framework[3]) to the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community[4], revenues resulting from transactions that are taxable in Northern Ireland are not to be remitted to the Union. Therefore, the special measure will have no adverse impact on the Union's own resources accruing from VAT.

(9~~8~~) Implementing Decision (EU) 2021/512 should therefore be amended accordingly,

HAS ADOPTED THIS DECISION:

Article 1

Article 1 of Implementing Decision (EU) 2021/512 is replaced by the following:

‘Article 1

By way of derogation from Articles 16 and 168 of Directive 2006/112/EC, the United Kingdom is authorised, until 31 December 2029, to fix, in respect of Northern Ireland, on a flat-rate basis, the proportion of VAT relating to expenditure on fuel used for private purposes in business cars.

[3] OJ L 102, 17.4.2023, p. 87.
[4] OJ L 29, 31.1.2020, p. 7, ELI: http://data.europa.eu/eli/treaty/withd_2020/sign.

Any request for an extension of the measure provided for in this Decision shall be submitted to the Commission by 31 March 2029 and shall be accompanied by a report which demonstrates the effectiveness of the special measure and the achievement of its objectives. The report shall include an assessment of whether the proportion of VAT still correctly reflects the expenditure on fuel for business cars used for private purposes.'.

Article 2

This Decision shall take effect on the ~~day~~ **date** of its notification.

Article 3

This Decision is addressed to the United Kingdom of Great Britain and Northern Ireland, in respect of Northern Ireland.

Done at Brussels,

For the Council
The President