



**ADDRESSEES:**

Mr Peer Steinbrück, German Federal Minister of Finance  
The Permanent Representatives to the EU

Brussels, the 9<sup>th</sup> of February, 2007

**PLACE OF SUPPLY TREATMENT FOR LEASING AND AUTOMOTIVE RENTAL ACTIVITIES:  
NECESSITY FOR A STATUS QUO**

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In 2005, the Commission presented an amended proposal for a Council Directive aimed at modifying current rules for determining the place of supply of services to taxable and non-taxable persons under the 6<sup>th</sup> VAT Directive<sup>1</sup>. This text forms part of the so-called VAT Package, currently under discussion in the ECOFIN Council.

However, as you are undoubtedly aware, certain concerns, notably with the various options available to combat indirect taxation fraud, have led to the VAT Package being blocked in its entirety for the time being. The ECOFIN Council has agreed to aim for a “comprehensive solution” by June 2007, under the German Presidency.

As the trade association representing European lessors and automotive renters, Leaseurope has a particular interest in the place of supply treatment for leasing and rental activities and would like to take this opportunity to convey two important messages to the German Presidency and the ECOFIN Council.

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<sup>1</sup> COM(2005) 334

Firstly, we would like to highlight the general necessity of the VAT Package which, once approved and implemented, will contribute to facilitating cross border business by reducing the administrative burden associated with current VAT obligations for European firms. In this context, we call upon ECOFIN to adhere to its commitment to reach agreement on the Package by June 2007 and welcome Mr Steinbrück’s expressed wish “to be more conciliatory” in this area.

The second and most important point we wish to make involves the place of supply treatment for leasing and hiring activities.

We understand that there is currently tacit agreement among ECOFIN members on the place of supply treatments for the leasing, long term and short term hire<sup>2</sup> of means of transport as summarised in the following table:

Lease or Hire of Means of Transport	Customer Type	Current State of Council Discussions on the Proposed Place of Supply Directive
Long Term Hire & Leasing	B2B	Place of establishment of customer
Short Term Hire	B2B	Place where the means of transport is put at the disposal of the customer
Long Term Hire & Leasing	B2C	Until 31/12/2009 - Place of establishment of supplier From 01/01/2010 - Place of establishment of customer
Short Term Hire	B2C	Place where the means of transport is put at the disposal of the customer

This proposal is fully supported by our industry as the place of supply is identical whether the transaction is made to a taxable or non-taxable person. Furthermore, by making the place of supply the *place of establishment of the customer* (for long term hire and leasing) or the place where the means of transport is *put at the disposal of the customer* (for short term hire), it achieves the intended effect of VAT as a consumption tax in a simple manner. Lastly, this system takes into account industry’s argument on distortion of competition that if the place of supply were to be linked to the establishment of the *supplier*, leasing and rental businesses would relocate to Member States applying lower VAT rates.

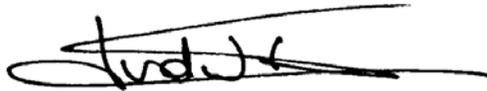
We therefore urge the Ministers of ECOFIN to maintain a status quo in relation to the above treatment, regardless of discussions on other aspects of the VAT Package. It would be unfortunate for considerations on the merits of reverse charge mechanisms or other

<sup>2</sup> The proposal for a Directive defines leasing and long term hire as “an agreement granting continuous possession or use for a period of more than 30 days”; short term hire is therefore an agreement for use for a period of 30 days or less.

VAT collection systems to have an (unintended) adverse impact on the determination of place of supply for the leasing and rental sectors.

We thank you for bearing in mind our position in your future discussions on the VAT Package and remain at your disposal for further information. Any enquiries may be addressed directly to Jacqueline Mills, Leaseurope Advisor, at [j.mills@leaseurope.org](mailto:j.mills@leaseurope.org) or +32 2 778 05 66.

Yours sincerely,



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LEASEUROPE DIRECTOR GENERAL

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#### **ABOUT LEASEUROPE**

**Leaseurope, the European Federation of Leasing Company Associations**, was founded in 1972. The Federation is the umbrella body of both the leasing and rental industries in Europe, and is composed of 48 Member Associations in 34 countries. The countries represented by the Federation are: Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Cyprus Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Morocco, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia & Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine and the United Kingdom.

Leaseurope's 2005 Annual Statistics of the European Leasing Market reveal that the new leasing business of its leasing Member Associations having taken part in the survey amounts to 263 billion euros. The Federation estimates that this represents around 97% of its market. The total Leaseurope market for 2005 is thus forecasted to be around 270 billion euros, making its market the largest leasing market in the world. The 1,300 or so leasing companies represented via Leaseurope's members account for more than 90% of all European leasing.