



Re-use and Recycling European Union Social Enterprises

RREUSE Reaction to the Consultation paper on the Review of existing legislation on VAT reduced rates

RREUSE member organisations combine both social and environmental objectives by giving them an equal emphasis. Social economy favours a sustainable model where man and not profit is at the centre. Reuse and recycling activities provide work to an estimated 40,000 FTE (full time equivalent) in the social economy organisations. It reduces the hard core of unemployment as a majority of the workforce consists of groups at risk. Social economy organisations have been historically pioneers and innovators in waste management. This part of the waste sector is labour intensive and low profit and therefore of limited interest to the private sector. Today, the waste sector faces rapid and important changes with both opportunities and risks for social economy.

RREUSE is of the opinion that the two following adjustments on the legislation on VAT reduced rates should be made:

1) Category 18 should add, besides waste recycling services, introduce **'services leading to reuse'**, and

2) Shares the view that reduced rates on the selling of environmentally friendly goods should be added to Annex III, more specifically as indicated in the paper **re-used products (discarded or waste products repaired and sold for a low price)**.

Ad. 1. Category 18 should add, besides waste recycling services, introduce **'services leading to reuse'**

We were very pleased that the Commission proposes to make a technical adjustment for category 18 by introducing recycling to ensure that waste treatment services have more similar VAT rates around the EU and that the more environmentally friendly waste options can apply for a low VAT rate. **But we fear that by only introducing the term 'recycling' could lead to discrimination of reuse!** According to the EU waste legislation the term recycling excludes reuse while reuse is considered as a preferred environmental option according to the EU waste hierarchy. The recent voting in the European Parliament and the Council on the revision of the waste Framework Directive (WFD) confirm this as reuse is now officially recognized as the second step in the waste hierarchy (see Annex I).

Therefore we would plead for a modification to the proposed text of the Commission that will ensure that reuse and therefore the environment will be better protected, while at the same time it will encourage the development of social enterprises active in the field of waste management.

RREUSE vzw, rue Washington 40, B-1050 Bruxelles, Belgium
Tel/Fax + 32 2 647 99 95 E-mail info@rreuse.org www.rreuse.org

Founding members: R.U.S.Z. Austria - KVK/ RESsources Belgium – Emmaüs France / ENVIE France - BAG Arbeit - Idea Ambiente Italy - BKN The Netherlands – AERESS / AIRES Spain – CRN / CREATE / FRN / Recycle-IT UK – SEKY Finland – Oikologiki Etaireia Anakyklosis, Greece - Emmaüs International

The supply of services in connection with street cleaning, refuse collection and waste treatment or **reuse and** recycling other than the supply of such services by bodies referred to in Article 13.

We fully agree that the scope of this specific category was too narrowly defined with the result that services of a very similar nature are treated very differently as regards rates. The reduced rate was applicable to waste treatment, but not to recycling and therefore the proposed adjustment to remove this inconsistency by adding the words 'waste recycling' encourages the more environmentally friendly waste options.

Actually, the same reasoning actually applies for reuse. With the adjustment, the proposed text would say that the reduced rate may apply to waste treatment or waste recycling, but not to reuse while this is a preferred treatment option from the environmental point of view. RREUSE therefore pleads to take this inconsistency away as well and to add the word 'reuse'. This way, both reuse and recycling may profit from a reduced VAT rate and contributing to an improving environment.

Ad. 2. Shares the view that reduced rates on the selling of environmentally friendly goods should be added to Annex III, more specifically as indicated in the paper **re-used products (discarded or waste products repaired and sold for a low price)**

RREUSE welcomes the proposal of the Commission in its paper to add re-used products in the future Annex III of the VAT directive. The technical adjustment as described under point 1 would, according to the scope of the category, only be applicable for services leading to reuse. Reuse of products would be much more encouraged if the VAT rate on the selling of the reused goods would be reduced.

EU policy is looking to promote reuse (see 6th Environmental Action Programme which states that reuse should be encouraged). As mentioned, the EP environment committee, in the discussions on the revision of the WFD, just voted in second reading, confirms the common position by clearly putting reuse of products as a separate step in the waste hierarchy between prevention and recycling.

In this respect we would also like to recall the resolution on the communication of the Commission 'Towards a Thematic Strategy on the Prevention and Recycling of Waste', where the European Parliament proposes to introduce a separate category for 'reuse'. It also calls for the Commission to establish a network of accredited reuse and repair centers. Last but not least, the Commission is being asked to take measures to encourage reuse and therefore recommends that Member States apply a reduced VAT rate on products sold in reuse centers.

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