



**The European Association
for Traditional Ships
in Operation**

Avec le patronage de l'agence
européenne pour la culture
(UNESCO)

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European Commission
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turnover taxes . Unit TAXUD/D1
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Andijk, 9th May 2008

Ladies and gentlemen,

We thank you very much for your kind invitation to submit our
comments on the existing legislation on VAT reduced rates. After a
short introduction, we will answer some of the questions in your
consultation paper. And finally we will use this opportunity to propose
an amendment on the text of Annex III of the VAT Directive.

EMH is the European Association for Traditional Ships in Operation.
More information can be found on the website www.european-maritime-heritage.org

A rough estimate shows that over 10.000 traditional ships are in
operation round Europe. The majority of these ships are owned by
private owners (60%), associations and foundations (30%) and only
a small part by museums (10%)

All these ships together represent a tremendous cultural value,
epitomising both the regional differences in Europe and connections
by sea transport.

The importance of the maritime heritage is acknowledged in the
Recommendation No 1468 (2000) of the Parliamentary Assembly of
the Council of Europe:

*xv. support and encourage public and private bodies and voluntary associations
which preserve historic vessels, or life size or large scale replicas, in working order;*

*xvi. encourage the display and use of these vessels for the education and
enjoyment of the general public*

*xvii. encourage further development of a system of mutual acceptability by the
maritime authorities of nation states of standards for the safe operation of
traditional vessels in European waters*

At the same time, maritime heritage is a significant economic factor.
More then 20 million spectators attend 500 maritime events, where
they can be expected to spend " 25 per day and thus together
generate " 500 million income for local tourism every year.
Around 10.000 ships in operation spending " 10.000 per ship in
maintenance and operating costs generate at least " 100 million
turnover for related craftsmen and suppliers every year.

The importance of the maritime heritage for society is acknowledged in the Green Paper that launched the new maritime policy of your Commission and served as a building stone for the Blue Paper, and the subsequent Lisbon European Council endorsement of a European Maritime Policy Action Programme in December 2007.

Based on the above mentioned policy initiative EMH is now in dialogue with the Commission (DG MARE) on how European maritime heritage can be put at better use for current and future maritime activities in Europe.

In your consultation paper you have put 19 questions. EMH does not consider itself an expert in this field, especially because VAT reduction for maritime heritage is not yet in the scope of the guideline and EMH does not have an overview on the results of VAT reduction in the states of the national EMH-members.

But in relation to questions 11 and 12, we would very much like to support an extension to ~~the~~ list of requests of new sectors to be added to the future ANNEX III of the VAT Directive next to the seventh bullet on buildings:

The repair, restoration and maintenance of cultural heritage and historical monuments, *including the moveable maritime heritage.*

Article 107 of the VAT Directive 2006/112ECⁱ summarizes the circumstances when VAT reduction is allowed.

The repair, restoration and maintenance of maritime heritage is:

- labour intensive, because such vessels are all non-industrial one-of-a kind creations handmade by local craftsmen or small ship-yards;
- largely provided direct to final consumers because 90% of traditional ships are owned by such final consumers (private persons or associations);
- carried out mainly without distortion of competition or impact on the proper functioning of the internal market, because the ships are mainly products of regional identity and can only be repaired, restored or maintained by local craftsmen trained in specific local techniques of ship- and boatbuilding.

Complementary arguments supporting VAT reduction on the repair, restoration and maintenance of maritime heritage are:

- It will create more work for small shipyards. Such shipyards, especially those for wooden ships, are suffering from the consequences of enforcing scrapping policies on the fishing fleet and in maintaining such ships as traditional ships, not only the maritime heritage can be saved, but also those small shipyards with the specialized knowledge and craftsmanship required to maintain such vessels.
- The budget of the private owner of a traditional ship is usually limited and forms a part of the family budget or the association budget. Such limitation of the budget can only be compensated for by do-it-yourself (DIY) activities. Lower VAT rates will shift DIY activities to the formal economy, and raise standards of care and upkeep through professionalisation of the sector.
- The majority of traditional ships are sailing ships. By their nature they are environmentally friendly. But even if steam and motor ships are included, the traditional fleet demonstrates long-term sustainability. Many such vessels survive in use after more than 100 years. The maintenance itself is very much labour- and crafts-intensive, without the use of much modern technology and energy. The pleasure of sailing is a contribution to CO₂ reduction at the same time.

We very much hope for a positive reaction on this initiative.

With our regards,
The Executive Committee of EMH,

Hendrik Boland
Vice-President

ⁱ The services referred to in Article 106 must meet the following conditions:

- (a) they must be labour-intensive;
- (b) they must largely be provided direct to final consumers;
- (c) they must be mainly local and not likely to cause distortion of competition.

There must also be a close link between the decrease in prices resulting from the rate reduction and the foreseeable increase in demand and employment. Application of a reduced rate must not prejudice the smooth functioning of the internal market.