

Council Directive 2006/112/EC of 28 November
2006 on the common system of value added tax

TITLE I

SUBJECT MATTER AND SCOPE

Article 1

1 This Directive establishes the common system of value added tax (VAT).

2 The principle of the common system of VAT entails the application to goods and services of a general tax on consumption exactly proportional to the price of the goods and services, however many transactions take place in the production and distribution process before the stage at which the tax is charged.

On each transaction, VAT, calculated on the price of the goods or services at the rate applicable to such goods or services, shall be chargeable after deduction of the amount of VAT borne directly by the various cost components.

The common system of VAT shall be applied up to and including the retail trade stage.