

Case 9/70 Franz Grad v Finanzamt Traunstein [1970]

Facts: Different Council Decisions stated that Member States shall replace their system of turnover taxes by the common system of value-added tax to the carriage of goods, prohibiting to concurrently apply additional tax systems of a similar nature in trade between Member States. Mr Franz Grad brought a direct action before the Munich Finance Court against a tax the German customs office imposed him for the carriage of goods from Germany to Austria. In connection with these proceedings, the Munich Finance Court referred for a preliminary ruling whether Council Decisions produce direct effects as regards the legal relationship between Member States and individuals and whether these provisions create individual rights which Member States must protect.

Held: According to Article 189 EEC Treaty regulations are directly applicable and therefore capable of producing direct effects. However, it does not follow that other categories of legal measures mentioned in that article can never produce similar effects. It would be incompatible with the binding effect attributed to decisions to exclude in principle the possibility that persons affected may invoke before the courts the obligation imposed by a Decision. It must be ascertained whether the nature, background and wording of its provision are capable of producing direct effects in the legal relationships between its addressee and third parties. The obligation contained in the relevant Decisions is unconditional and sufficiently clear and precise to be capable of producing direct effects.