

General VAT Issues

Introduction

1. This paper reviews VAT issues under three headings:
 1. VAT rating and structure, and scope for change (page 1);
 2. Current issues concerning VAT at domestic level (page 4);
 3. Some developments at EU level (page 7).

Annual VAT Revenue

2. VAT remained the largest source of revenue within the Irish tax system during 2008. It will however fall below Income Tax/Levy in 2009. As VAT is a transaction tax the yield greatly depends on the level of economic activity and consumer spending from which it derives. In 2008, VAT accounted for approximately €13,432 million or 33% of the overall tax yield to the Exchequer. The current estimate for the VAT yield in 2009 is €10,580 million.

1. VAT Rating and Structure, and Scope for Change

VAT Rates and Structure

3. The structure and scope under which Member States can apply VAT to goods and services are determined by EU law. Ireland operates three rates of VAT¹:

- **Zero-rate** which generally applies to most food, childrens' clothes and shoes, and oral medicines accounts for **10%** of goods and services subject to VAT. While it is possible to retain the zero rating for goods and services that were in place on 1 January 1991, the zero-rate cannot be applied to any new items.
- **Reduced rate** of 13.5% applies mainly to residential housing, labour intensive services and general repairs and maintenance. Member States may have up to two reduced VAT rates of not less than 5% for a specified number of goods or services which are set out in Annex III of the EU VAT Directive (see Appendix A).
- Member States also have the option of maintaining, at a reduced rate of not less than 12%, any items not listed in Annex III, provided they carried a reduced rate on 1 January 1991. These items are considered to be **parked** and Ireland's parked rate equates to our reduced rate of 13.5%. Fuel used for heat or light, and commercial construction are examples of parked items. All the items reduce rated or parked at the 13.5% rate account for **39%** of goods and services subject to VAT.
- **Standard rate** of 21.5% applies to the remainder of goods and services accounting for **51%** of all goods and services, including cars, petrol, diesel, alcohol, tobacco, electrical equipment and CD/DVDs. Under the VAT Directive Member States may set the standard

¹ Ireland also applies a VAT rate of 4.8% but this is limited to livestock sold by VAT registered persons/firms. Unregistered farmers are also allowed to apply an addition of 5.2% to the sale price of all agricultural produces to VAT registered persons/firms. This reduces administrative burden on small farmers.

VAT rate not lower than 15% - there is political agreement that the standard rate of VAT applying in each Member State does not exceed 25%.

4. Services provided by charities, non profit organisations and certain financial services are **exempt** from VAT, as are schools and hospitals etc. In general, Government services and local authorities are outside the scope of VAT, unless they provide services that compete with private operators (see later). Exempt suppliers do not generally charge VAT on the services they provide and cannot reclaim VAT incurred on the goods and services they purchase.

Recent Changes to the VAT Rates

5. In Budget 2009, the standard rate was increased from 21% to 21.5% as a revenue raising measure. Previously, in Budget 2001, the standard rate was reduced from 21% to 20%, but was restored to 21% in Budget 2002.

6. The reduced VAT rate of 13.5% has remained in place since Budget 2003 when it was increased to this level from 12.5%.

Options for changes to VAT Structure and Rates

7. While the Commission on Taxation reviewed the VAT structure, it did not make any recommendations in regard to changing the VAT structure or rates. The following are five options that could be considered should one wish to change the VAT structure and/or rates.

Option 1: Increasing/Decreasing the VAT rates

8. The effect of increasing or decreasing the reduced and standard VAT rates by 1%, including their inflationary impact, is outlined in the following table. These figures would be lower in the first year because of the pattern of payments.

| Rate | 1% increase | CPI effect* | 1% decrease | CPI effect* |
|------------------|--------------------|--------------------|--------------------|--------------------|
| Reduced- 13.5%** | + €253m | + 0.13% | - €253m | - 0.13% |
| Standard – 21.5% | + €334m | + 0.36% | - €334m | - 0.36% |

* Where passed on in full to the customer.

** The reduce-rate costings include parked-rate items.

9. Experience has shown that when a VAT rate is increased, some retailers use this opportunity to further increase prices above budget day increase, which would add to the effect on inflation. Increases in indirect taxes can also act as a motivation for shadow economy activity and the creation of VAT avoidance schemes.

10. An increase in the standard rate would make Ireland one of the countries with the highest standard rate in the EU. We currently have the sixth highest standard rate among Member States, with Poland and Finland at 22% and Sweden, Denmark and Hungary at 25% (see Appendix B). This would also further widen the differential between the standard rate of VAT in the UK and Ireland.

11. As indicated above, in October 2008, Ireland's standard VAT rate was increased in Budget 2009 from 21% to 21.5%. In December 2008, the UK announced a temporary reduction in their standard rate from 17.5% to 15% up until December 2009. Much attention has been drawn to

this VAT differential and on calls for a similar reduction to 15% in our standard VAT rate. If the temporary nature of the UK change holds to be the case, then the differential would be reduced to 4 percentage points by end 2009.

12. Ireland's reduced rate of 13.5% is the third highest in the EU; considerably higher than many other Member States. This is due in large part to the extensive range and higher proportion of goods and services to which we apply the reduced rate, relative to other countries.

13. With regard to reducing VAT rates, it is not clear that any reduction would be passed on to customers, thus diminishing the possible beneficial inflation effect. The standard rate of VAT was reduced from 21% to 20% in the 2001 Budget. This decision was reversed the following year due mainly to the lack of price movement arising from the original cut. Retailers chose not to pass on the effect of the VAT reduction to the consumer.

14. It is argued that reducing VAT rates would create some buoyancy and encourage additional consumer spending. However, it should be noted that with the notable exception of the UK, EU Member States have generally not opted for VAT rate cuts as a way to boost consumer spending. In contrast some Member States have increased VAT rates, curtailed the scope of exemptions and of reduced rates, to help cover the budgetary shortfall generated by the slump. Indeed it is understood that some Member States are now considering increasing their VAT rate as a part of the ongoing response to the general fiscal crisis.

15. It must also be pointed out that items at the "parked" rate of VAT cannot be reduced below 12%.

Option 2: Moving Zero-Rated items to the Higher Rates

16. Under EU rules we can retain the zero rating of items which were zero rated on 1 January 1991 but cannot introduce any new zero rates. Ireland's zero rates apply in the main to most foods, children's clothes and shoes, books and oral medicines. With the exception of children's clothes and shoes, which would have to be standard rated at 21.5%, the remainder of the zero rated items could be subject to the existing reduced rate. The yield to the Exchequer from such a change would be in the region of €1 billion. However, once moved, it would not be possible to revert them to the zero rate.

17. The positive rating of food, oral medicines and children's clothes and shoes would fall disproportionately on the less well off. In addition, applying the 13.5% rate to existing zero rated goods and 21.5% to children's clothes and shoes would increase the CPI by 4.16%.

Option 3: Restructuring the VAT system on a Revenue-Neutral Basis

18. It is possible to restructure the VAT system on a revenue neutral basis. If the VAT system were to be restructured on this basis so that all goods and services currently subject to VAT at the zero, 13.5% and 21.5% rates were at a single rate this would imply a rate on all goods and services of 16.1%. Such a change would result in a CPI increase of roughly 3.3% as the impact of different goods on inflation can vary considerably.

19. It would also be possible to restructure the VAT system on a revenue neutral basis leaving aside items currently at the zero rate. If the VAT system were to be restructured in such a manner the VAT rate for goods and services currently subject to the reduced and standard rates of VAT would be re-aligned to a rate of 18.1% which would effect a CPI decrease of -0.64%.

20. It is argued that restructuring the VAT system would be more user-friendly and to an extent more equitable. However, re-aligning the VAT rate structure into just one rate would be regressive, giving rise to increases in the cost of most foods and reductions in more expensive items such as cars, etc.

21. Even where only the 13.5% and 21.5% rates are re-aligned, this would affect most services, and would, for example, increase VAT on new homes and domestic fuels which would fall disproportionately on the less well off. It should be noted that the structure of the VAT system in Ireland is somewhat unique in that we apply the reduced (including parked items) rate of VAT to a high proportion (39%) of goods and services. A policy change in relation to items at the zero and parked rates would not be possible to reverse.

Option 4: Applying the Reduced VAT Rate to all items listed in Annex III

22. It is only possible to introduce new reduced rates in respect of those goods and services listed in Annex III of the VAT Directive. However, we have already taken advantage of options in Annex III to introduce a reduced rate in respect of some goods and services, while others have been retained at the standard rate. Some of the standard-rated goods and services that could be applied at the reduced rate are certain more-luxury type foodstuffs, non-oral medicines and periodicals.

23. If the items which are currently at the standard rate but listed in Annex III were reduced from 21.5% to 13.5%, it would cost €143.6m in a full year of which foodstuffs would account for €103.1m; pharmaceuticals (i.e. non oral medicines) €35.7m; and periodicals €4.8m.

Option 5: Introduction of a Second Reduced VAT Rate

24. The VAT Directive allows Member States to operate up to two reduced VAT rates – Ireland, along with most other Member States, operates only one reduced rate of VAT. Were a second reduced rate to be introduced, it would have to apply only to those goods and services listed in Annex III and the VAT Directive requires that any second reduced rate has to be a minimum of 5 per cent. The cost of introducing a second reduced rate would depend on the level of the rate and on what goods and services are applied to that rate.

25. The introduction of a second reduced rate would render a system that is complex, even more so. Were a new lower reduced VAT rate to be introduced, there would be calls for all goods and services that currently apply at the 13.5% rate to be charged at the new lower rate. It is worth noting that construction, which makes up 18% of VAT revenue, is subject to the reduced rate.

2. Current VAT issues at domestic level

26. A number of VAT issues arise at domestic level. These are mainly:
- VAT treatment of Public Bodies, including local authorities – arising from a Judgement of the European Court of Justice in a case taken by the European Commission against Ireland;
 - New Margin Scheme for Second-hand Cars;
 - Recommendation of the Commission on Taxation’s Report on energy efficient goods;
 - Place of Supply Rules Changes;

- Consolidation of the VAT Act.

VAT treatment of Public Bodies following European Court of Justice decision

27. The European Court of Justice delivered its Judgement on 16 July 2009 on a VAT case taken by the European Commission against Ireland. The case challenged Ireland's general VAT exemption for services supplied by public bodies including state, local authorities and other non-commercial public bodies governed by public law. Ireland strongly defended its position at all stages of the infringement process which was instigated by the European Commission in 2004. The Court ruled that Ireland had not correctly transposed the EU VAT Directive in that regard.

28. In response to the Judgement of the Court, it is planned that any necessary VAT changes will be introduced through the 2010 Finance Bill. An analysis of the Judgement is currently being undertaken by the Department of Finance in conjunction with the Revenue Commissioners and the Office of the Attorney General and the relevant Departments.

29. However, it is likely that VAT may have to be applied more widely to services provided for a charge by public bodies and especially by local authorities, than has been the case to date, where competition arises with private sector providers who have to apply VAT. The most notable examples of services on which VAT may need to be applied include:

- Waste services – collection and landfill services at the reduced rate (13.5%);
- Car-parking services (off-street) at the standard rate (21.5%);
- Toll-roads/bridges at the standard rate (21.5%).

Depending on the specific service involved, it may continue to be exempt, or VAT could apply at the reduced rate of 13.5% or at the standard rate of 21.5%.

30. The Judgement will not impact on the provision of services, such as education, health and passenger transport services, which are otherwise exempt from VAT for both private and public providers. Commercial state bodies already charge VAT on their supply of goods and services.

31. VAT being applied on some of the services mentioned above is not a new phenomenon in Ireland. Such services are currently subject to VAT where they are provided by private operators. For example, in the case of bin collections, private operators are already the sole providers in many local authority areas while, in almost all other areas, private operators are competing with local authority collection services. For car-parking and toll roads, privately operated facilities include VAT on their tariffs.

32. If VAT has to be applied to a service provided by local authorities and other public bodies, then these bodies would benefit from an entitlement to recover the VAT they incur in delivering these services, which up to now they have had to absorb. For consumers, this should ensure that the increase in the price of a service should be less than the headline VAT rate applying to a service.

33. Businesses that are registered for VAT, are entitled to recover VAT incurred on their business inputs. Consequently, any extension of VAT to other local authority provided services will have no impact on those businesses.

34. Those that will be adversely affected, on the assumption that the VAT is passed on to the customer, are private households and persons, and sectors and organisations who are either VAT exempt or cannot register for VAT purposes.

VAT Margin Scheme for Second-hand Cars

35. The Minister for Finance confirmed on 14 September 2009 the introduction of a Margin Scheme on 1 January 2010 governing the VAT treatment of second-hand cars, which was initially announced in the Supplementary Budget of April 2009. Under the Margin Scheme, dealers will account for VAT on their profit margin, that is, on the difference between the cost of acquiring a car and its selling price. The introduction of the Margin Scheme, and changing from the current Special Scheme, will bring Ireland into line with the other 25 EU Member States who apply the scheme, which was introduced under the EU VAT Directive in 1994. As of 1 January 2010 only Denmark will continue to operate a Special Scheme. The Margin Scheme will also apply in respect of second-hand agricultural machinery. Appropriate transitional arrangements will be introduced and the necessary legislation to underpin these new arrangements will be brought forward in the context of Budget and Finance Bill 2010.

Report of Commission on Taxation Recommendation on energy efficient goods

36. The Commission on Taxation recommends that Ireland should support amendments to the EU VAT Directive that would allow the implementation of lower VAT rates for energy-efficient goods and services.

37. The scope for changing VAT rate applicable to any good or service is determined by EU law. Only those goods and services listed in Annex III of the VAT Directive can have the reduced VAT rate applied to them. In addition, it is not possible under EU VAT law to introduce measures that would create a distortion of competition between similar goods or services based on an environmental benefit.

38. The UK and France in particular have called for VAT law to be changed so that a lower rate of VAT could be applied to environmentally friendly products and have called on the EU Commission to undertake a study and bring forward proposals in that regard. Ireland has supported such calls at EU level. The EU Commission recently undertook a study of the possibility of using reduced VAT rates as a tool to support the climate change agenda. The study was not supportive of using VAT in that regard, favouring instead the use of other measures, if considered necessary, e.g. grants/subsidies. At a recent Council of Finance Ministers meeting the Ministers noted that reduced VAT rates as a tool for achieving environmental policy objectives are relevant only to a certain extent. Consequently, any Commission proposals in that regard are likely to be limited and will face difficulty being adopted.

Place of Supply Rules Changes

39. In December 2003, the European Commission presented a proposal to change the VAT place of supply rules in relation to cross-border business-to-business (B2B) transactions. The principle of taxing cross-border services in the Member State of the consumer and not in the Member State of the supplier, as under existing rules, underpins the proposal. The ECOFIN Council on 12 February 2008 adopted a revised proposal in that regard as part of a package of VAT measures (referred to as the VAT Package) designed to streamline the VAT arrangements for cross-border B2B and certain business-to-consumer (B2C) services. The new B2B rules will take effect from 1 January 2010, as will a new online VAT refund facility for cross-border traders. The new B2C rules for telecoms, radio and television broadcasting and electronically supplied

services are deferred until 2015. These changes will be introduced in Ireland by means of a Regulation to be made by the Minister for Finance.

Consolidation of the VAT Act

40. In the interest of better regulation and in line with consolidation of legislation relating to Income & Corporation Tax (1997), Stamp Duties (1999) and Capital Acquisitions Tax (2003), it is considered that VAT legislation should now be consolidated. The provisions of the new VAT Act will be remodeled as far as possible on the recodified EU VAT Directive 2006/112/EC in order to facilitate better alignment and thereby easier reference to the Directive. In particular, it is intended to reorder the Schedules to the new VAT Act in order to reflect the origins of exemptions or reduced rates under the Directive. Revenue are currently drafting the VAT Consolidation Bill and are planning to conduct a short public consultation.

3. Some VAT Developments at EU Level

Overview

41. At EU level, the following developments are of particular interest:

- Council agreement on Reduced VAT rates
- VAT on Postal Services – discussion on possible resumption of negotiations
- VAT on Insurance and Financial Services
- Proposals to fight VAT Fraud

Council Agreement on Reduced VAT Rates

42. In May 2009, EU Council Minister's adopted a proposal to slightly expand the list of goods and services to which a reduced rate can apply under Annex III of the EU VAT Directive. The proposal primarily concerned reduced VAT rates for locally supplied labour intensive services (which were previously available only on a temporary basis), and including restaurant and catering services.

43. The Council's Directive has little impact on Ireland as the majority of services being added to Annex III, such as restaurant/catering services, housing renovation/repair services and other labour intensive services including hairdressing, small repair services and domestic care services were already subject to the reduced rate in Ireland on the basis that they were reduced rated on 1 January 1991 i.e. such items were "parked" in Ireland and subject to a VAT rate no lower than 12%.

VAT on Postal Services

44. On 16 July 2009, the Swedish Presidency sought Member States views on the possible resumption of negotiations on EU Commission proposals on VAT and Postal Services introduced in 2003 and revised in 2004. The proposal would remove the existing VAT exemption for public postal services in favour of taxing all postal services. The 2003 proposal became deadlocked at an early stage. It was last discussed in June 2004 during the Irish Presidency. Progress was not possible. The 2003 proposal sought to apply the standard rate of VAT to all postal services with an option for Member States to apply a reduced rate of VAT to letters/parcels under a certain threshold, 2kg in this case. The revised 2004 proposal raised the threshold to 10kg thereby increasing the range of services to which a reduced rate could optionally be applied by Member States.

45. In Ireland, the postal market has been progressively liberalised in accordance with the Postal Directive resulting in private operators entering certain segments of the market in direct competition with An Post, primarily courier services, which are subject to VAT even when provided by An Post. However, public postal services operated by An Post as the universal service provider remain exempt from VAT, a position we wish to protect.

46. The question of resuming negotiations comes against the background of full liberalisation of the EU postal market by 1 January 2011 as required under the Third Postal Directive. The taxing of postal services remains a sensitive issue for a number Member States. The recent discussion confirmed continuing deep divisions on the matter and, to date, there have been no further developments.

VAT on Insurance and Financial Services

47. The proposals on VAT on insurance and financial services presented by the Commission in December 2007 include a proposal for a Directive and an associated Regulation. The overall objective is to modernise and simplify the rules for financial and insurance services under the EU VAT Directive. Discussions on the proposals commenced in January 2008.

48. Insurance and financial services are normally exempt from VAT which means that while VAT is not charged on most of these services, suppliers are not entitled to recover VAT costs incurred in the delivery of these services. In an increasingly competitive and complex financial services environment, operators have for sometime been concerned about this so-called “trapped” VAT, or non-deductible VAT, and also the uncertainty regarding the VAT treatment of new services not envisaged under existing VAT rules.

49. The objectives of the proposals are to provide legal certainty for economic operators and tax administrations on the scope of the VAT exemption generally applying to insurance and financial services; and, reduce the impact of VAT costs embedded/trapped in the cost structures of insurance and financial services providers. The need for modernisation arises as a result of the failure of the VAT Directive to keep pace with developments in the insurance/financial services sectors. This has led to inconsistent treatment of these sectors and the development by the European Court of Justice (ECJ) of extensive jurisprudence on the scope of the VAT exemption.

50. The proposal for a Directive sets out three measures to modernise the VAT rules for financial and insurance services including:

- (i) clarification of the scope of the VAT exemption applying to insurance and financial services;
- (ii) broadening of the existing option to tax these services which would provide an opportunity for operators to recover VAT costs; and,
- (iii) the introduction of a cost-sharing group which would allow companies to pool investments and re-distribute the costs for these investments exempt from VAT from the group to its members.

51. This is a complex dossier and work to date has focused primarily on defining the scope of the VAT exemption in terms of the various services provided within the financial and insurance sector. While there is broad agreement on the majority of services and their positioning within or without the VAT exemption, a number of important issues remain, including the treatment of financial derivatives and the scope of the definition of investment funds. Close liaison is being

maintained with the sector's representative bodies during the negotiations.

Proposals on VAT Fraud

52. Work at EU level in relation to VAT fraud continues. Three current proposals are of interest here, i.e. proposal concerning new VAT rules for importation of goods; the recast of the VAT mutual assistance regulation (1798/2003) governing information exchange between Member States; and proposal on VAT rules on invoicing.

53. The proposal on **VAT on Importation and other cross-border transactions** is designed to combat VAT fraud involving cross-border transaction through enhanced information exchange between Member States. Cross-border transactions are attractive vehicles for fraudsters since goods leaving one Member State for another are zero-rated for VAT purposes, the VAT only becoming due in the Member State of destination of the goods. In June 2009, the ECOFIN Council adopted a Directive on one measure dealing with the additional reporting obligations on traders importing goods. It clarifies that importers must now provide documentary evidence that the importation of the goods involved is followed by an intra-Community supply or transfer of the goods to another Member State. The Directive comes into force on 1 January 2011 and will be transposed in Finance Act 2010. In the case of a second measure, which concerns joint and several liability of suppliers/customers for VAT losses as a result of the supplier failing to meet reporting obligations, the Council noted that it required further consideration by the Council working party.

54. The Commission recently published its proposal for a **recast of the existing Regulation on administrative co-operation** introduced in 2003. Central to the proposal is again the objective of delivering an effective means of combating cross-border VAT fraud through enhanced information exchange between Member States in respect of cross-border transactions. Ireland broadly welcomes the proposal but has concerns regarding the proposed direct online access by other national tax authorities to taxpayer records held on Revenue databases. This raises significant data privacy and data protection issues.

55. The proposal on **VAT Rules on invoicing**, presented by the Commission on 28 January 2009, is a complex technical proposal designed to create a harmonised framework for invoicing. The proposal aims to simplify the invoicing requirements for business and to provide tax administrations with an effective means of ensuring tax is paid. A key underlying principle is the removal of the wide ranging options currently available to Member States in the interest of delivering a simplified and harmonised invoicing environment and particularly for those engaged in cross-border business-to-business (B2B) transactions.

56. Ireland broadly welcomes the proposal and particularly the potential of reducing burdens/obligations on business. However, new obligations on business in terms of additional information to be provided on invoices need to be carefully analysed. Ireland has raised concerns in this regard.

September 2009

Annex III of the VAT Directive
UPDATED MAY 2009

**LIST OF SUPPLIES OF GOODS AND SERVICES TO WHICH THE REDUCED RATES
REFERRED TO IN ARTICLE 98 MAY BE APPLIED**

- (1) Foodstuffs (including beverages but excluding alcoholic beverages) for human and animal consumption; live animals, seeds, plants and ingredients normally intended for use in the preparation of foodstuffs; products normally used to supplement foodstuffs or as a substitute for foodstuffs;
- (2) supply of water;
- (3) pharmaceutical products of a kind normally used for health care, prevention of illnesses and as treatment for medical and veterinary purposes, including products used for contraception and sanitary protection;
- (4) medical equipment, aids and other appliances normally intended to alleviate or treat disability, for the exclusive personal use of the disabled, including the repair of such goods, and supply of children's car seats;
- (5) transport of passengers and their accompanying luggage;
- (6) supply, including on loan by libraries, of books on all physical means of support (including brochures, leaflets and similar printed matter, children's picture, drawing or colouring books, music printed or in manuscript form, maps and hydrographic or similar charts), newspapers and periodicals, other than material wholly or predominantly devoted to advertising;';
- (7) admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities;
- (8) reception of radio and television broadcasting services;
- (9) supply of services by writers, composers and performing artists, or of the royalties due to them;
- (10) provision, construction, renovation and alteration of housing, as part of a social policy;
- (10a) renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied;
- (10b) window-cleaning and cleaning in private households;
- (11) supply of goods and services of a kind normally intended for use in agricultural production but excluding capital goods such as machinery or buildings;
- (12) accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites;

(12a) restaurant and catering services, it being possible to exclude the supply of (alcoholic and/or non-alcoholic) beverages;

(13) admission to sporting events;

(14) use of sporting facilities;

(15) supply of goods and services by organisations recognised as being devoted to social wellbeing by Member States and engaged in welfare or social security work, in so far as those transactions are not exempt pursuant to Articles 132, 135 and 136;

(16) supply of services by undertakers and cremation services, and the supply of goods related thereto;

(17) provision of medical and dental care and thermal treatment in so far as those services are not exempt pursuant to points (b) to (e) of Article 132(1);

(18) supply of services provided in connection with street cleaning, refuse collection and waste treatment, other than the supply of such services by bodies referred to in Article 13.

(19) minor repairing of bicycles, shoes and leather goods, clothing and household linen (including mending and alteration);

(20) domestic care services such as home help and care of young, elderly, sick or disabled;

(21) hairdressing.

List of VAT Rates applied in the Member States
(1 January 2009)

| Member States | Zero | Super | Reduced | Standard | Parked |
|----------------------|-------------|--------------|------------------|-----------------|---------------|
| Belgium | 0 | - | 6 / 12 | 21 | 12 |
| Bulgaria | - | - | 7 | 20 | - |
| Czech Republic | 0 | - | 9 | 19 | - |
| Denmark | 0 | - | - | 25 | - |
| Germany | - | - | 7 | 19 | - |
| Estonia | | 0 - | 5 | 18 | - |
| Greece | - | 4.5 | 9 | 19 | - |
| Spain | - | 4 | 7 | 16 | - |
| France | - | 2.1 | 5.5 | 19.6 | - |
| Ireland | 0 | 4.8 | 13.5 | 21.5 | 13.5 |
| Italy | 0 | 4 | 10 | 20 | - |
| Cyprus | 0 | - | 5 / 8 | 15 | - |
| Latvia | - | - | 10 | 21 | - |
| Lithuania | - | - | 5 / 9 | 19 | - |
| Luxembourg | - | 3 | 6 / 12 | 15 | 12 |
| Hungary | - | - | 5 / 18 | 25 | - |
| Malta | 0 | - | 5 | 18 | - |
| Netherlands | - | - | 6 | 19 | - |
| Austria | - | - | 10 | 20 | 12 |
| Poland | 0 | 3 | 7 | 22 | - |
| Portugal | - | - | 5 / 12 | 20 | 12 |
| Romania | - | - | 9 | 19 | |
| Slovenia | - | - | 8.5 | 20 | - |
| Slovakia | - | - | 10 | 19 | - |
| Finland | 0 | - | 8 / 17 | 22 | - |
| Sweden | 0 | - | 6 / 12 | 25 | - |
| United Kingdom | 0 | - | 5 | 15* | - |
| Average | | | 7.3 / 9.4 | 19.7 | |

* Will revert to 17.5% in January 2010.