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VAT on tourism

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Summary

There has been a long-running campaign by the tourism industry for the UK to introduce a rate on VAT below the standard rate of 20% on services supplied to tourists. Proponents have argued that this would allow hotels, restaurants, pubs and visitor attractions to cut prices, boosting sales and employment in this sector, which in turn would encourage growth in the wider economy. European VAT law limits the discretion of any Member State, the UK included, to set lower VAT rates on individual goods and services. That said, there is dispensation for a lower rate on certain supplies associated with tourism: specifically, hotel accommodation, certain restaurant services, and some types of admission charge, including charges for entry to amusement parks.

Several Member States make use of this dispensation to charge lower rates of VAT – between 5% & 15% – on these supplies, including Ireland, which introduced a 9% rate in July 2011. In the past both Labour and Coalition Governments took the position that a reduced rate would not be well-targeted nor cost-effective.[1]

There have been concerns that the tourist industry in Northern Ireland has been particularly affected by the lower 9% VAT rate in Ireland which applies to a number of tourism related goods and services.[2] In the Autumn 2017 Budget the Government announced that it would "publish a call for evidence which will consider the impact of VAT and air passenger duty (APD) on tourism in Northern Ireland, to report at Budget 2018."[3] This consultation was launched on 13 March, and the deadline for responses is 5 June; this notes that responses to the consultation "will inform future policy development but the government has made no firm decisions about the issues set out in this document."[4]

This note gives a short introduction to the way VAT works, and the significance of EU VAT law for setting VAT rates, before discussing the campaign for a lower VAT rate on tourist services.

1 For example, see, HC Deb 1 December 2009 c605W; and, HC Deb 17 March 2015 cc238-241WH
2 For example, see, Northern Ireland Affairs Committee, *Promoting the tourism industry in Northern Ireland through the tax system*, HC 50 of 2016-17, 20 March 2018
3 *Autumn Budget 2017*, HC 587, November 2017 para 4.89
4 HMT, *VAT, Air Passenger Duty and tourism in Northern Ireland: call for evidence*, March 2018 para 1.8. see also, PQ136109, 23 April 2018.

1. VAT : structure, rates, reliefs, revenues

VAT is charged on the supply of all goods and services made in the course of a business by a taxable person, unless they are specifically exempt. All businesses must register for VAT if their annual turnover of taxable goods and/or services is above a given threshold – which is currently £85,000.[5]

VAT is charged on the additional value of each transaction, and is collected at each stage of production and distribution. A business pays VAT on its purchases - known as input tax, and charges VAT on its sales - known as output tax, settling up with HM Revenue & Customs for the difference between the two. In the end the cost of the tax is borne by the final consumer.

Most VAT law is consolidated in the *Value Added Tax Act (VATA) 1994*. VAT is charged either at the standard rate of 20% or the zero rate, though there is limited use of a reduced rate of 5%.

Zero-rated supplies include: food; construction of new dwellings; domestic and international passenger transport; books, newspapers and magazines; children's clothing and footwear; water and sewerage services; drugs and medicines on prescription; and certain supplies to charities.

Supplies liable to VAT at the 5% reduced rate include: the supply of domestic fuel and power, the installation of energy saving materials, women's sanitary products, children's car seats and certain types of construction work.[6]

The exemption of goods and services from VAT should be distinguished from their being charged a zero rate. In the latter case these supplies are technically taxable and though no actual tax is paid on them, they still count as part of a business' taxable turnover. VAT charged on inputs relating to zero-rated activities can be reclaimed, unlike the VAT incurred by a business in the course of an exempt activity; in effect, a business making exempt supplies has to absorb the VAT charged to it by its suppliers. Categories of exempt supplies include land, insurance, finance, education, health and welfare.[7]

HMRC publish estimates of the costs of the principal tax reliefs that are given, including the various zero and reduced VAT rates:[8]

5 With effect from 1 April 2017 (HMRC, *VAT registration thresholds*, April 2017)
6 For more details see, HMRC, *VAT rates on different goods and services*, May 2017
7 Zero-rated supplies are set out in schedule 8 to *VATA 1994*. Reduced-rate supplies are set out in schedule 7A. Exempt supplies are set out in schedule 9.
8 HMRC, *Estimated cost of principal tax reliefs,* January 2018

Estimated costs of principal tax reliefs

£m

Tax Expenditures	2013-14	2014-15	2015-16	2016-17	2017-18
Value added tax					
Zero-rating of:					
Food	16600	16800	16850	*16900*	*17800*
Construction of new dwellings (includes refunds to DIY builders)*	7200	9550	10800	*12750*	*13450*
Domestic passenger transport	4200	4600	4800	*4750*	*5050*
International passenger transport (UK portion)*	300	350	350	*350*	*400*
Books, newspapers and magazines	1550	1650	1550	*1550*	*1650*
Children's clothing	1750	1850	1850	*1850*	*1950*
Water and sewerage services	2100	2200	2200	*2250*	*2350*
Drugs and supplies on prescription*	3150	3300	3200	*3350*	*3550*
Supplies to charities*					
Certain ships and aircraft					
Vehicles and other supplies to disabled people*	850	900	950	*1050*	*1100*
Reduced rate for:					
Domestic fuel and power	4550	4650	4250	*4400*	*4650*
Certain residential conversions and renovations*					
Reduced rate of VAT on energy saving materials*	100	130	130	*50*	*50*

* These figures are particularly tentative and subject to a wide margin of error.

Notes: Some of these tax expenditures and reliefs are mandatory or permitted under the EC 6th VAT Directive and some are derogations from the Directive. All the cost estimates relating to VAT are based on the actual standard rate of VAT that applied in the relevant periods. The calculations for these estimates do not include any behavioural effects.

Construction of new dwellings: The increase in the cost of the zero rate between 2013-14 and 2014-15 is due to the fact that DCLG data on the number of completed constructions of new dwellings suggests that there was an acceleration in completions in 2014-15.

Vehicles and other supplies to disabled people: Costs exclude the zero-rating of items appearing elsewhere in the list.

Estimates for reduced rates: The figures for all reduced-rate items are estimates of the cost of the difference between the standard rate of VAT and the reduced rate of 5 per cent. The reduction in the cost of the reduced rate for domestic fuel and power from 2015-16 is the result of reductions in suppliers' prices.

VAT was introduced in the UK on 1 April 1973 at two rates: a standard rate of 10%, and a zero rate on selected goods and services (such as food, books, children's clothing, and certain supplies for charities). The main changes to the VAT structure since the introduction of the tax are:

- The standard rate was cut to 8% on 29 July 1974.
- A higher rate on selected goods and services was introduced on 18 November 1974, set at 25%. Initially this was applied to petrol only; it was extended to a list of other supplies from 1 May 1975. The higher rate was cut to 12.5% from 12 April 1976.
- The standard rate was increased to 15% on 18 June 1979; at this time, the higher rate of VAT was abolished.
- The standard rate was increased to 17.5% from 1 April 1991.
- Domestic supplies of fuel and power were charged VAT at a reduced rate of 8% from 1 December 1993. This was cut to 5% from 1 September 1997.
- The standard rate was cut to 15% from 1 December 2008 to 31 December 2009, then set back at 17.5% on 1 January 2010.
- The standard rate was increased to 20% from 4 January 2011.[9]

[9] HM Treasury, Tax Benefit Reference Manual 2009/10 ed. (Commons Library Deposited paper 2009-1987) pp100-102. The Coalition Government's decision to set a 20% standard rate is discussed in a second Library briefing (SN5620, 3 September 2013).

Over the last 25 years there have been a number of changes to the coverage of the zero rate, affecting individual supplies. In addition, since its introduction in September 1997, the coverage of the 5% reduced rate has been extended to a small number of other supplies, including the installation of energy-saving materials.

VAT is forecast to raise £126 billion in 2017/18. Only income tax and National Insurance contributions raise equivalent sums for the Exchequer.[10] Further statistics on VAT are collated in HMRC's *Value Added Tax Factsheet*, published on HMRC's UK Trade Info site.

10 OBR, *Economic & Fiscal Outlook*, Cm 9572, March 2018 (Table 4.6: current receipts). In 2017/18 income tax (gross of tax credits) and NICs are forecast to raise £182bn and £132bn respectively.

2. Cutting VAT rates – the role of EU VAT law

VAT law in this country, as in all Member States, is based on European VAT law. It has long been recognised that national sales taxes across EU need to interlock effectively for the Single Market to function. The first steps toward harmonising the VAT systems of Member States were taken in the late 1960s. However, it was the sixth VAT directive (77/388/EEC), adopted on 17 May 1977, which marked a turning point in the development of EU VAT law – as governments agreed on common criteria for the VAT base in all Member States (ie, specifying those goods and services which could be exempted from tax).

Initially the sixth directive focused on the VAT base rather than VAT rates, though it had implications for the UK's zero rates. Article 28(2) allowed Member States to maintain "reduced rates and exemptions... which are in force on 31 December 1975 and which satisfy the conditions stated in the last indent of Article 17 of the second council directive of 11 April 1967." Article 17 refers only to exemptions maintained for "clearly defined social reasons and for the benefit of the final consumer." As a result the UK was allowed to maintain its zero rates, *provided* they satisfied these criteria.[11]

Of course, all Member States are governed by these directives on decisions they take on the coverage of VAT, and - under the terms of later amendments to the sixth directive - on decisions taken about their VAT rates. Though the UK and Ireland are the only countries to use zero rates very much, there is considerable variety in VAT rates on certain goods and services across the EU.[12]

Agreement between Member States on harmonising the rates of VAT took much longer, but was reached in June 1991, and encompassed by directive 92/77/EEC, which came into effect on 1 January 1993.

In brief, all Member States:

- have had to apply a standard VAT rate of 15% or more from 1 January 1993.
- have the option of applying one or two reduced rates, no lower than 5% to certain specified goods and services, as listed in Annex H of the directive.
- may continue charging any lower rates, including zero rates, that had been in place on 1 January 1991 for the duration of the "transitional period", assuming these rates were in accordance with Community law.

In November 2006 the European Council of Finance Ministers adopted a new principal EC VAT directive (2006/112/EC), which revised or recast

[11] In June 1988 the European Court of Justice found that certain zero-rated supplies – including supplies of fuel and power to industry – did not meet these criteria. As a result the UK was required to standard-rate these supplies, which it did on 1 July 1990.

[12] European Commission, *VAT rates applied in the Member States of the European Community*, January 2018

both the first and the sixth EC VAT directives, to reorganise the provisions and set them out in a clearer way.[13] The new directive made no change to EC or UK VAT law.[14]

The UK secured a special right to bring any of its zero rates into a reduced rate band, even if they were not in Annex H. However, the UK would not be allowed to reintroduce a zero rate that had been in place on 1 January 1991 which it had then withdrawn. Naturally most attention in this country is paid to the aspects of the directive which directly affect the UK. Even so, it is worth noting one aspect of this agreement: no Member State can introduce a new zero rate.[15] In the absence of any new agreement, these 'transitional' arrangements may continue indefinitely – and this is what has happened, though there have been some minor additions to the list of supplies which may be charged a reduced rate.[16] It should be noted that any amendment to these rules – as with any VAT directive – must be agreed *unanimously* between the Member States.[17]

In January 2018 the European Commission published proposals to overhaul the EU rules on VAT rates, as part of a series of measures to reform the EU VAT system; if adopted this would, in effect, reverse the current approach to setting VAT rates:

> In addition to a standard VAT rate of minimum 15%, Member States would … be able to put in place:
>
> 1. two separate reduced rates of between 5% and the standard rate chosen by the Member State;
> 2. one exemption from VAT (or 'zero rate');
> 3. one reduced rate set at between 0% and the reduced rates.
>
> The current, complex list of goods and services to which reduced rates can be applied would be abolished and replaced by a new list of products (such as weapons, alcoholic beverages, gambling and tobacco) to which the standard rate of 15% or above would always be applied.
>
> To safeguard public revenues, Member States will also have to ensure that the weighted average VAT rate is at least 12%. The new regime also means that all goods currently enjoying rates different from the standard rate can continue to do so.[18]

However, there is no date set for when this legislation might be implemented. The Government's explanatory memorandum on the draft text notes, "previous discussions on VAT rates have shown that

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13 Council Directive 2006/112/EC of 28 November 2006 (OJ L 347, 11 December 2006). Annex H to the revoked sixth directive is now recast as Annex III to the new directive

14 Details of the existing EU legal framework for VAT, including the text of the principal VAT directive, are collated on the Commission's site.

15 There is limited provision for those countries whose standard rate was below 13% at 1 January 1991 to charge a rate below 5% on certain supplies

16 For more details see, *VAT : European law on VAT rates*, Commons Briefing paper CBP2683, 20 May 2016

17 The Treaty base for all proposals to harmonise excise duties and turnover taxes is Article 113, which requires unanimity.

18 European Commission press notice, *VAT: More flexibility on VAT rates, less red tape for small businesses*, 18 January 2018. Full details are on the Commission's site.

Member States hold a wide range of views and therefore, swift progress … is unlikely."[19]

Moreover there is considerable uncertainty as to the relevance of this body of EU VAT law for the UK's discretion in setting VAT rates, following the EU referendum in June 2016, and the Government's decision to trigger Article 50 – the two-year period for the UK to leave the EU – in March 2017.[20] In April this year the European Scrutiny Committee published a report on a series of proposals by the Commission for reforming the EU's VAT system, including the draft VAT rates directive. It noted that, to date, the Government has not published details of the implications of Brexit for the UK's VAT system.[21]

[19] HM Treasury, *Proposal for a Council Directive amending Directive 2006/112/EC as regards rates of VAT – explanatory memorandum,* 8 February 2018 para 32

[20] For details see, *Brexit timeline: events leading to the UK's exit from the European Union*, Commons Briefing paper CBP7960, 12 March 2018.

[21] *Value Added Tax: EU proposals for reform and the implications of Brexit*, HC 301 of 2017-19, 3 April 2018

3. The campaign to cut VAT on tourism

As noted, under EU VAT law Member States have the option, should they wish, to introduce a reduced rate of VAT on certain specified supplies. This list is set out in Annex III to the principal EC VAT directive (2006/112/EC). Three items on this list are of particular importance to the campaign there has been for a VAT cut on tourism:

- Item 7: admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities.
- Item 12 : accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites.
- Item 12a : restaurant and catering services, it being possible to exclude the supply of (alcoholic and/or non-alcoholic) beverages.

Some Member States take advantage of this dispensation to charge a lower rate of VAT on some or all of these supplies – an appendix to this note gives more details.

In July 2011 the Irish Government announced a new 9% VAT rate to apply to admissions, accommodation, restaurant services and some other supplies, all of which had previously been charged VAT at 13.5%. The Government anticipated that the 9% rate would be a temporary stimulus, to last until 31 December 2013, though the 9% rate has now been extended indefinitely.[22] In 2013 the Irish Finance Ministry published some analysis of the introduction of the 9% rate. This suggested that the degree to which traders passed on the VAT cut in lower prices varied between sectors, but that it was "likely that the VAT rate reduction on some of the categories acted as a temporary employment stimulus, either through direct pass through or by enabling the retention or expansion of labour demand without offsetting reductions in firm margins."[23]

In 2008 the British Hospitality Association published some analysis that it had commissioned which argued that cutting VAT on visitor accommodation & attractions would raise £600m a year, and create 23,000 new jobs.[24] The Irish Government's decision to introduce a 9% rate generated more interest in the campaign: 17 Members signed an Early Day Motion in June 2011 citing Ireland's 9% rate and arguing that the UK should introduce this type of targeted VAT reduction.[25] When

[22] The Irish revenue authorities publish details of the 9% VAT rate on their site. At present the standard rate of VAT in Ireland is 23%. Ret'd May 2018.

[23] Brendan O'Connor, Measuring the Impact of the Jobs Initiative: Was the VAT Reduction Passed On and Were Jobs Created?, Department of Finance (Economics Division), September 2013

[24] G.Wason & M.Nevin, *The impact of lower VAT rates on UK visitor attractions and accommodation*, British Association of Leisure Parks, Piers and Attractions/British Hospitality Association, February 2008. The report was the subject of an Early Day Motion (EDM 2209 of 2008-09, 2 November 2009) – which 36 Members signed.

[25] EDM 1972 of 2010-12, 22 June 2011

the BHA's work was first published, the Labour Government took the view that the case for a reduced rate on these supplies was unconvincing:

> **Mr. Liddell-Grainger**: To ask the Chancellor of the Exchequer whether his Department has made an assessment of the likely effect on the economy of applying a reduced rate of value added tax to visitor attractions, accommodation and restaurants.
>
> **Mr. Timms**: No such assessment has been made. VAT is a broad-based tax on consumer expenditure and reliefs from it have always been strictly limited. Where reduced rates are available, these are applied only where they provide the most well-targeted and cost-effective support for the Government's policy objectives, compared to other measures.[26]

Subsequently, in answer to a PQ in 2011, Treasury Minister David Gauke suggested that the BHA's analysis was flawed:

> **Mr Sanders**: To ask the Chancellor of the Exchequer what assessment he has made of the British Hospitality Association's proposals for the tax regime for the hospitality sector.
>
> **Mr Gauke**: Assessments of the impact of the BHA proposals predict a loss in revenue to the Exchequer of well in excess of £1 billion in the first year alone. The BHA argues that a reduction in VAT on tourism would pay for itself over time and increase growth and employment.
>
> Their case does not take account of the impact of such a cut on the economy as a whole, or the significant additional taxation or borrowing needed to fund the cut. Higher interest rates and falling international confidence would undermine the recovery and have an adverse impact on families and small businesses, including businesses in the tourism sector. [27]

Similarly, when asked about the Irish Government's 9% rate at Treasury Questions in September that year, Mr Gauke said, "we will of course keep all taxes under review, but we have to bear in mind the state of the public finances, our limited room for manoeuvre and concerns about adding complexity to our VAT system."[28]

In September 2012 the BHA, in association with other trade bodies and tourist businesses, launched a new campaign for a VAT cut,[29] underpinned by further research which suggested that over 10 years "the loss of fiscal income from the cut in VAT will more than be made good by additional income tax receipts, savings in social security payments, and an increase in profits, corporation tax payments and tax on dividends."[30]

The Campaign has a series of FAQs on its site, from which the following is taken:

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26 HC Deb 1 December 2009 c605W
27 HC Deb 28 November 2011 cc717-8W
28 HC Deb 6 September 2011 c159
29 Cut Tourism VAT Campaign press notice, *Parliamentary launch for Campaign for Reduced Tourism VAT*, 4 December 2012
30 Cut Tourism VAT Campaign, *The Impact of Reduced VAT Rates on British Visitor Accommodation, Attractions and the Wider Economy*, December 2012 para 11. See also, Cut Tourism VAT Campaign, Campaign Factsheet, October 2013.

> **So how would you summarise the impact of a VAT reduction?**
>
> In short, a reduced rate of VAT would:
>
> 1. Generate higher levels of employment, with increased wage levels and training. These benefits would occur throughout the age and socio-economic spectrum and throughout the UK.
>
> 2. Increase additional tax receipts as a result of this additional employment with consequential savings on social security payments.
>
> 3. Increase profits, corporation tax payments and shareholder dividends.
>
> 4. Lead to further investment in the industry, improving overall quality and therefore further improving the UK's competitiveness.
>
> 5. Feed through to higher expenditure in other sectors of the economy, which in turn will generate further tax receipts – the 'tourism multiplier'. Every additional £1 of tourism expenditure generates 70p of extra expenditure in other sectors of the economy,…
>
> **Doesn't reducing VAT just mean that operators will make more profits?**
>
> In a survey of BHA members in January 2012, over 95 per cent of over 200 respondents said that if a five per cent VAT rate was achieved some or all of it would be passed on. 82 per cent said they would invest more in their product/facilities, 67 per cent would employ more people, 57 per cent would invest more in training and just under half (48 per cent) would increase staff wages.
>
> Competition within the sector eventually compels operators to lower prices. [A study commissioned by the European Commission from a consultancy, Copenhagen Economics, published in 2007] analysed six case studies where a VAT rate reduction had occurred. The report concluded that: '…there is little doubt that permanently lowering the VAT rate on particular goods (or services) sooner or later will lead to a reduction in the price of the goods more or less corresponding to the monetary equivalent of the lower VAT rate … In economics jargon, there will be a strong tendency towards full pass-through.'
>
> ('Pass through' here means that the full impact of the reduction in VAT is reflected in lower prices equivalent to the reduction in VAT.)
>
> Similarly, there is little doubt, according to Copenhagen Economics, that the price cuts that result from a permanent lowering of VAT rate will lead to increased consumption and consequently to increased production and employment. Such increases will occur more rapidly and be more significant in sectors with high price elasticity, strong competition and labour-intensive sectors. Tourism displays all three of these characteristics. It can typically take two to three years for this full effect to be realised.[31]

The work cited by the Campaign was commissioned by the Commission with a view to concluding the vexed and protracted negotiations between Member+ States over the future of the EU VAT rules.

31 Cut VAT on Tourism Campaign, FAQs, undated (ret'd May 2018)

However, the report, which identified a number of sectors where there was a strong case for extending lower VAT rates – including 'some parts of the hospitality sector' – did not lead to a consensus for reform. Indeed Member States have only approved relatively minor amendments to these rules in recent years.

The report by Copenhagen Economics concluded that, "there is a strong general argument for having uniform VAT rates in the European Union. Uniform rates is a superior instrument to maintain a high degree of economic efficiency, to minimise otherwise substantial compliance costs and to smooth the functioning of the internal market." That said, "there are real and valid economic arguments for extending lower VAT rates to some very specific sectors in member states characterised by specific economic structures" – and recommended extending reduced VAT rates to "sectors whose services are easily substituted for do-it-yourself or underground work, e.g. locally supplied services and some parts of the hospitality sector."[32]

In its response to the report, the Commission raised some concerns about the use of reduced rates, notably those for tourist services, as there was the risk to creating distortions in the Single Market:

> From a job creation point of view, there is a theoretical but not an empirical argument for extending reduced VAT rates to sectors employing many low skill workers in order to boost low skill demand, e.g. hotels, restaurants and locally supplied services. However, there may be a case for a limited, supplementary role via carefully targeted reductions in the context of grander labour market reform.
>
> The theoretical argument is that reduced VAT rates, by boosting demand for such services, stimulate demand for low skill workers, and push up their wages such that employment becomes a more attractive option than unemployment. However, simulations indicate that the overall impact on demand for low skill workers is unimpressive because differences in low skill employment between industries are limited.
>
> From an Internal Market point of view, reduced VAT rates may have some limited implications, in particular through tourism. Services provided by restaurants and hotels are mainly directed at domestic consumption, but may also affect distribution of tourism between Member States and may have a non-negligible impact in border regions. Possible distortion as regards restaurant and hotel services is likely to be different in magnitude across Member States (stronger for smaller and/or tourist oriented areas) and the degree of possible substitution of holiday destinations plays an important role. As far as the business consumption of these services is concerned, the rules on VAT deductibility may also impact on the functioning of the internal market.[33]

Member States were invited to respond to this study; the UK made its submission in May 2008, and the European Scrutiny Committee reprinted the introduction of this document. In this, the Labour

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32 Copenhagen Economics, *Study on reduced VAT applied to goods and services in the Member States of the European Union*, 21 June 2007 pp 3-4

33 European Commission, *Communication on VAT reduced rates – Frequently Asked Questions MEMO/07/277*, 5 July 2007

Government made the case for using reduced VAT rates to address certain social policy objectives:

> Reduced VAT rates benefit consumers by reducing the price of certain essential goods and services. They can also reflect consensus among citizens within a Member State, such as the UK, that VAT should be chargeable on such essentials at the lowest rate possible ... VAT can also be effective when combined with other (economic and non-economic) measures and incentives, as a means of providing cost-effective, targeted support for social policy objectives, and as an immediate and effective means of increasing citizen access to 'merit' goods ...
>
> Reduced VAT rates can also address externalities. The consumption of goods with environmental benefits, such as energy-saving materials and the most energy-efficient electrical appliances, has a positive externality … VAT reductions have certain advantages when compared with alternative instruments such as direct subsidies or incentives. Using VAT reductions minimises burdens, administration and other inconveniences for both consumer and retailer, which should maximise take-up and benefit. By reducing the retail prices available to all customers, VAT reduced rates work in a transparent and effective way at the point of transaction.[34]

At this time the case *against* the use of reduced VAT rates was made by a paper, prepared as part of the 'Mirrlees Review' of the UK tax system commissioned by the Institute for Fiscal Studies. The authors argued that, "differential commodity taxation is a very blunt instrument for the pursuit of equity objectives, with the zero-rating of food and children's clothing in the U.K. being a classic example":

> Take food, for example. It is indeed the case that the less well-off spend a higher proportion of their income on food than do the better off. But this is not in itself a good reason—even on distributional grounds, leaving the need to raise revenue aside—for subjecting it to a differentially low rate of tax. This is for two reasons.
>
> First, looking only at a snapshot of spending and income patterns in the population at any moment may be misleading given the variability of income over a lifetime: those with low incomes now may be the young or elderly who will be, or have been, amongst the high income groups at other times. Put differently, a commodity tax looks regressive when assessed relative to current incomes in part because those with high incomes tend to have high savings, and so appear to escape the tax—but they will face it when they come to spend those savings.
>
> One way to address these issues is to relate food spending not to income in any period but to total spending, since the latter may be a better reflection of household's perceptions of their own long-run spending ability. Doing so, as Kay and Davis (1985)[35] show for items zero-rated in the U.K.—and as subsequent studies have shown for a range of taxes on particular commodities—tends to greatly dampen the apparent distributional case for tailoring commodity taxation to consumption patterns.

[34] European Scrutiny Committee, Twenty third report, 23 May 2008, HC16-xxiii of 2007-08 pp87-8

[35] Kay, John A. and Evan Davis (1985), "Extending the VAT base," *Fiscal Studies*, Vol. 6, pp.1-16.

> The second reason—perhaps potentially more persuasive to non-economists—is that even if the better off spend a smaller *proportion* of their current income on such items as food than do the less well-off, they are likely to spend a smaller *absolute* amount on them. If there were no other way of transferring resources to the poorest, setting a low tax rate on these items might be sensible policy. But it is unlikely to be so when, as in the U.K., there are a range of other instruments—not only the income tax, but tax credits and benefits—that could be targeted more directly upon them: it seems likely that, by such means, more than £11.50 of each £100 raised by eliminating the zero-rating could be channelled to the poorest, making that a better way of pursuing equity goals.
>
> Kay and Davis (1985) and Hemming and Kay (1981)[36] provided early illustrations of this point for the U.K., the latter showing for example that the distributional impact of eliminating zero-rating could be very largely offset by cutting the standard rate of income tax and increasing the tax threshold. We revisit this simple but crucial insight, using more recent data, [in a later section of the paper, not reproduced here] and show that it has lost no force over the years.[37]

The authors concluded that abolishing zero and reduced rates would "cut compliance and administration costs for business and government, interfere less with people's spending decisions, and raise enough revenue both to improve the living standards of poorer families and to cut other taxes by £11 billion." Commenting on the report, the then director of the IFS, Robert Chote, said, "the authors make a powerful case on efficiency, fairness and practical grounds for moving to a uniform rate of VAT, rather than the complex mix of full, zero and reduced rates and exemptions we have at the moment", before noting, "the main obstacle to such a reform appears to be a lack of political leadership, which is perhaps understandable when the public focus on individual elements of the tax system rather than on the whole."[38]

In the event there was little consensus between Member States for a major reform of these rules – and in March 2009 European Finance Ministers agreed to some minor changes to the list of supplies that may be charged a reduced rate. Indeed it was at this time that "restaurant and catering services" were added to this list.[39]

Turning back to the case made in this country for cutting VAT on tourism, in May 2013 twenty two Members signed an EDM supporting the campaign, and arguing that a reduced VAT rate would "encourage growth in the wider economy, support job creation and generate

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36 Hemming, Richard, and John A. Kay, 1981, "The United Kingdom," pp. 75-89 in Henry J. Aaron (ed) *The Value-Added Tax: Lessons from Europe* (Washington DC: Brookings Institution).

37 Ian Crawford, Michael Keen & Stephen Smith, Value-Added Tax and Excises, IFS July 2008 pp 9-10.

38 IFS press notice, *Simplify VAT to cut costs, raise revenue and help the poor, says study prepared for the Mirrlees Review*, 31 July 2008. The final report of the review also makes the case for removing nearly all zero & reduced rates: Chapter 9: Broadening the VAT base, *Tax by design*, September 2011.

39 With effect from 1 June 2009, under Directive 2009/47/EC of 5 May 2009.

investment in local businesses",[40] while the Coalition Government reiterated its opposition to such a reform in answer to PQs.[41] Several Members made the case for a lower rate of VAT in a Westminster Hall debate in February 2014. The debate was initiated by Ms Margaret Ritchie MP, who summarised the case as follows:

> As a labour-intensive industry, the tourism sector is a leading employer. In particular, it offers younger people entry-level jobs at the start of their careers, and more than 44% of people employed in the sector are less than 30 years old. We face a youth unemployment crisis, with more than one in four young people out of work, and the Government's lack of support for the tourism sector is clearly impairing job creation. A cut in the rate of VAT would create demand, which would spur job creation and go some way towards reducing youth unemployment. In Ireland, the VAT cut for tourism has produced an extra 10,000 jobs in just over a year. A prominent report on the subject published by Deloitte produced evidence that a similar tourist VAT cut in the UK would create some 80,000 jobs.[42]

Although most Members who spoke on this occasion argued for a cut in VAT, Shabana Mahmood, then Shadow Exchequer Secretary, said that the Opposition could not make a commitment to do this as "an incoming Labour Government in 2015 will inherit a difficult financial situation." In turn Treasury Minister David Gauke reiterated the Government's position:

> The Cut Tourism VAT … campaign's analysis assumes that the revenue shortfall associated with a VAT cut should be met by increasing Government borrowing, but the latest figures from the Office for National Statistics suggest that reducing VAT to 5% for all catering services provided by restaurants, pubs, cafes and canteens would cost the Exchequer between £9 billion and £10 billion a year. Cutting VAT to 5% for accommodation would cost the Exchequer an estimated £2 billion a year …
>
> The conclusion that we reached, therefore, which I announced in Parliament last year, is that a VAT cut would not produce sufficient economic growth to outweigh the revenue shortfall. I have not seen any new evidence since then that has led me to revisit that conclusion, so, at present, the Government have no plans to introduce a VAT cut for the sector ...
>
> A more targeted VAT cut, on a regional basis, is not possible under EU VAT law, because a single rate of VAT for a particular good or service must apply throughout a member state. A reduced rate for Northern Ireland is not possible, and it is also not possible to distinguish between tourists, locals and people on business who use a restaurant or hotel. However, I reassure hon. Members that we recognise the importance of the tourism industry and remain committed to a wide range of measures to support the sector.[43]

The issue was the subject of a second Westminster Hall debate in March 2015. Mark Williams, who had initiated the debate, noted that the UK

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40 EDM 78 of 2013/14, 14 May 2013 see also EDM40 of 2014/15, 4 June 2014, EDM102 of 2014/15, 16 June 2014 & "Cut hotel VAT to halt Ukip's seaside surge, Osborne told", *Financial Times*, 20 October 2014

41 For example, HC Deb 12 March 2013 c140W; HC Deb 8 October 2013 c161W

42 HC Deb 11 February 2014 c192WH

43 HC Deb 11 February 2014 c212WH; cc213-4WH

was one of only three Member States without a lower rate of VAT to encourage tourism:

> As the Minister is aware—this is the root of this debate—differential rates of VAT can be introduced due to EU legislation, and all but three countries in the EU have a reduced rate of VAT on the tourism sector. Only the UK, Denmark—which has no reduced rates for goods or services—and Slovakia have not reduced rates. Lithuania used to have no reduced rate, but in January, they lowered their rate of VAT on hotel accommodation to 9%.
>
> Looking at the Irish experience—perhaps pre-empting comments from friends from Northern Ireland today—according to the review of the policy in Eire by the Irish Government, who cut tourism VAT in 2011, they have seen employment increase by 20,000 people directly in the tourism sector. Operators have passed VAT reductions down to customers and as a result, we have seen a sustained growth in tourists and earnings, meaning that what was a temporary measure is now to become a permanent one.[44]

Shabana Mahmood reiterated that the Opposition could not commit "a VAT cut of the nature called by the campaign":

> We return to the fact that if we cut VAT in that way, the most recent Office for National Statistics data from 2012 suggest an annual cost to the Exchequer of £11 billion to £12 billion. Those sums would have to be found elsewhere, and we as an incoming Labour Government would not be in a position to make that choice … Tourism is a hugely important sector to the UK … it is in everybody's interests to ensure that the sector grows, thrives and continues to provide the jobs necessary for UK plc … [and] there are other policy levers that can be pulled, without the cost implications that a VAT cut on tourism would entail, which would still be of real benefit to the sector.[45]

Similarly Treasury Minister David Gauke cited the substantial cost to cutting VAT, while arguing that the existence of lower VAT rates in other countries was not sufficient proof that this would be an effective form of subsidy:

> This Government are yet to find any conclusive evidence of a causal link between VAT rates and tourism activity. Comparisons with other countries tend not to take into account the significant VAT reliefs that the UK already provides for cultural attractions and public transport, nor the other tourist taxes that other member states choose to levy.
>
> …The case has been made that in the Republic of Ireland there has been an increase in the number of tourists in recent years, since there was a reduction of VAT on the tourism sector there. However, we have seen a very similar increase in the number of tourists in the United Kingdom. So, we should not jump to the conclusion that there is necessarily a causal link …
>
> VAT raises more than £100 billion a year, which has been critical in enabling us to manage the UK economy through tough economic times, and the latest figures from the Office for National Statistics suggest that reducing the rate of VAT to 5%

[44] HC Deb 17 March 2015 cc222-3WH

[45] *op.cit.* c237WH

for catering services, such as the supply of meals, snacks and drinks sold by restaurants, pubs, cafés and canteens, would cost the Exchequer £10 billion per year. Similarly, a cut in VAT to 5% for accommodation would have an estimated cost of around £2 billion a year to the Exchequer.

I do not have to remind hon. Members that those costs would have to be met either by increasing other taxes, which may well have an adverse effect on growth and jobs elsewhere in the economy, or by increasing borrowing. That would risk raising interest rates, which would undermine our hard-won recovery and would have an adverse impact on families and small businesses.[46]

46 *op.cit.* cc239-40WH

4. Recent developments

Members have continued to raise the issue,[47] while the Government has reiterated its opposition to doing this,[48] often citing the comments made by Treasury Minister David Gauke in the Westminster Hall debate in March 2015, mentioned above.[49]

Following the outcome of the EU referendum, many commentators have noted that outside the EU, the UK would no longer be constrained by this body of law, and it is clear many stakeholders have made representation to the Treasury about the possibilities for lower VAT rates on individual goods and services without the Government making any specific commitments in this area.[50] Moreover, substantial reductions in VAT following Brexit seem highly unlikely, as noted in the *Tax Journal* after the referendum:

> Realistically … given the tax revenues that VAT generates for the UK (roughly a fifth of UK tax revenue), there is little practical likelihood that VAT will be abolished by the UK following Brexit. It is not even the case that it would be necessary to take significant legislative steps to preserve VAT in the UK, given that the EU VAT rules have been mainly implemented by UK legislation.
>
> In the longer term, a UK-only VAT system, freed from the constraints of compliance with EU, might begin to diverge from the VAT system in place today. UK governments would have greater flexibility to use changes to the VAT system to further political objectives (eg, by widening zero-rate, exemption rules or the use of lower rates.)[51]

In June 2017 the Conservative Party reached a Confidence and Supply Agreement with the Democratic Unionist Party, following the General Election in which it was returned as the largest party in the Commons but without a working majority.[52] Alongside the Confidence and Supply Agreement the Government published a note on the extra financial support to be given to Northern Ireland which noted, "a detailed consultative report will be commissioned into the impact of VAT and APD on tourism in Northern Ireland to recommend how best to build upon the growing success of that sector."[53]

In addition to VAT, the UK tourist industry has had a long campaign over the impact of air passenger duty (APD), the tax charged on passenger flights from UK airports.[54] Notably the tax is not charged on *long haul* flights from Northern Ireland airports.[55]

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47 20 Members signed an EDM calling for a cut in VAT tabled in October 2015 (EDM 533 of 2015-16, 19 October 2015).
48 For example, PQ31959, 30 March 2016
49 For example, PQ20409, 16 January 2016
50 For example see, PQHL2763, 10 December 2016. The potential implications of Brexit for taxes are discussed in a short Library note: *UK tax after the EU referendum*, CBP7630, 7 July 2017.
51 "Brexit: the tax issues at stake", *Tax Journal*, 17 June 2016
52 For details see, *The 2017 Government at Westminster: Governing as a minority*, Commons Briefing paper CBP8103, 5 October 2017.
53 Prime Minister's Office, *UK government financial support for Northern Ireland – policy paper*, 26 June 2017
54 For more details see, *Air passenger duty : recent debates & reform*, Commons Briefing paper CBP5094, 12 January 2016.
55 Duty rates are set out in, HMRC, *Excise duty – air passenger duty*, May 2018

In July 2011 the Northern Ireland Affairs Committee had recommended that the tax should be abolished for flights both to and from airports in Northern Ireland, because of competition from airports in the Republic and the threat this posed to one particular transatlantic route.[56] In September that year the Coalition Government announced that the rate of APD on direct long-haul flights from airports in Northern Ireland would be cut to the short-haul rate, and that it would consult on devolving aspects of APD.[57] In February 2012 the Government confirmed that provision in the upcoming Finance Bill would devolve APD to the Northern Ireland Assembly,[58] and in autumn 2012 the Northern Ireland Executive introduced legislation to abolish APD on direct long haul flights from 1 January 2013.[59] Notably the Irish Government abolished Ireland's version of APD – the 'Air Travel Tax' – the next year.[60]

In March 2017 the Northern Ireland Affairs Committee recommended that the Government consider scrapping APD on all flights using Northern Ireland airports, and introducing a lower rate of VAT on tourist services just in Northern Ireland. In the latter case, the Committee argued that Brexit presented an opportunity for the introduction of regional variations in VAT rates – something that is contrary to the current EU VAT rules. An extract is given below:

> Subject to the forthcoming negotiations with the EU, [leaving the EU] potentially opens the door to the implementation of a lower rate of tourism VAT in Northern Ireland, without necessitating a more expensive reduction in other parts of the country which do not share the same competitive pressures …
>
> There is no consensus between industry and government on the true cost or benefit of reducing tourism VAT across the UK. Industry groups are accused of using out of date figures and making unverifiable assumptions, while the Treasury is criticised for focusing too closely on the direct tax cost, and placing insufficient emphasis on the indirect benefits. It is clear further analysis is required from the Government, Executive and tourism industry to build greater consensus around the true cost, or benefit, to the Exchequer of reducing tourism VAT.[61]

The Committee's report was published just before the 2017 General Election, and in a short response published in November, Treasury Minister Mel Stride noted the Government would "look again at the impact of VAT and APD … in line with the … Confidence and Supply agreement."[62]

In his Budget statement to the House on 22 November 2017 the Chancellor Philip Hammond confirmed the Government's plans to "review the effect of VAT and air passenger duty on tourism in

56 *Second report: Air Passenger Duty*, 8 July 2011, HC 1227 of 2010-12 paras 5, 18-19
57 HM Treasury press notice 107/11, 27 September 2011
58 HC Deb 21 February 2012 c71WS. Provision to this effect was made by s190 & schedule 23 of *Finance Act 2012*. Consequential changes were made by Order (SI 2012/3017).
59 Under the *Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012*. Details on the scrutiny of this legislation by the Assembly is on its site.
60 Revenue Ireland, Air Travel Tax, June 2017
61 *Second report: Promoting the tourism industry in Northern Ireland through the tax system*, HC 50 of 2016-17, 20 March 2018 pp33-34
62 Northern Ireland Affairs Committee, *Government Response to the Committee's Second Report of Session 2016–17*, 7 November 2017

Northern Ireland, reporting at next year's Budget."[63] The consultation was launched on 13 March, and the deadline for responses is 5 June.[64] Three extracts from the consultation are reproduced below.

First, respondents are asked for views on the importance of several features of VAT for the tourist sector:

> In the UK, the standard rate of VAT therefore applies to many tourism related activities, such as hotel accommodation and restaurant meals.
>
> While the government is aware of concerns that applying the standard rate of VAT to these activities may put UK tourism at a disadvantage, the UK VAT system has several features that may benefit the tourism industry, including:
>
> - the highest VAT registration threshold in the EU and the OECD, meaning many small businesses providing goods and services to tourists across the UK do not have to charge VAT at all
> - several wide-ranging zero-rates of VAT, including for certain foodstuffs, public transport, books and magazines
> - an exemption on admission to cultural attractions managed by public bodies or not-for-profit organisations, this includes museums, galleries, art exhibitions and zoos
> - a VAT refund scheme for museums and galleries, allowing national and university museums and galleries to claim back VAT incurred on most goods and services purchased in order to grant free rights of admission to their collections
> - the Tour Operators Margin Scheme (TOMS), which simplifies VAT accounting on travel supplies so businesses do not have to register and account for tax in each Member State where the services and goods are enjoyed
>
> The government wants to understand whether these features of the VAT system significantly benefit tourism in Northern Ireland.[65]

Second, the paper seeks views on the impact of three tax changes affecting the industry: the abolition of long-haul APD in Northern Ireland, as well as the Irish Government's introduction of the 9% VAT rate, and scrappage of Air Travel Tax:

> The power to set the APD rates on direct long-haul flights departing Northern Ireland was devolved to the Northern Ireland Assembly and from 1 January 2013 the rates were set at £0. Currently, there are very few long-haul flights departing Northern Ireland. The government is interested to explore why, given a £0 tax rate, airline operators have not invested more long-haul services in Northern Ireland …
>
> Ireland temporarily reduced the rate of VAT on several tourism related activities from 13.5% to 9% in May 2011, as part of a package intended to support the tourism industry …
>
> In 2016, overseas tourist visits to Ireland and overseas tourist spend rose by 9%, while in Northern Ireland overseas tourist visits

63 HC Deb 22 November 2017 c1052; see also, *Autumn Budget 2017*, HC 587, November 2017 para 4.89

64 HMT, *VAT, Air Passenger Duty and tourism in Northern Ireland: call for evidence*, March 2018.

65 *op.cit.* para 2.28-30

> and overseas visitor spend rose by 12% and 13% respectively. However, Indecon's 2017 report, 'Impact of the VAT reduction on Irish Tourism and Tourism Employment', found that perceived value for money has significantly improved in Ireland following VAT reductions. In 2016, positive views outnumbered negative by 7:1. This shift towards 'good/very good' value for money was seen by tourists from various locations, including the US, the UK and mainland Europe.
>
> The government is interested in how changes to the VAT rate and the abolition of Air Travel Tax in Ireland have impacted the demand for tourism there and in Northern Ireland. Equally, it is interested in the impact other countries have seen after changing their tax treatment of tourism related activities.[66]

Third, it asks for views on the potential costs and impacts of cutting VAT, and the extent to which tax cuts would lead to lower prices for consumers – that is, the level of 'pass through':

> Modelling in the Cut Tourism VAT campaign's February 2017 report, 'Full fiscal and employment impact of reduced VAT on visitor accommodation and visitor attractions in the UK', assumes a pass-through level of 75%.
>
> Similarly, the 2013 Deloitte report for Fáilte Ireland, 'Analysis of the Impact of the VAT Reduction on Irish Tourism and Employment', found that following the VAT rate reduction from 13.5% to 9% in Ireland in May 2011, pass through to prices was around 50%, and that this was 'readily apparent in all sectors with the exception of the accommodation sector where the evidence is inconclusive.'
>
> Some evidence from international experiences outlined below suggests that the likely pass through level following VAT changes has been more modest. The impact and efficiency of reduced VAT rates aimed at supporting labour-intensive activities has previously been reviewed following changes in Finland, Sweden and France.
>
> - in Finland, 2013 research by the VATT Institute for Economic Research considering the VAT rate reduction for restaurants in 2010 from 22% to 13% was found to have resulted in limited pass-through to prices and to have had no significant impact on restaurants' turnover and wage bill
> - in Sweden, the National Institute of Economic Research found that a cut in 2012 for VAT on restaurants and catering services from 25% to 12% had a modest positive impact on employment in the sector, but the impact on economy-wide employment was estimated to be very small, and the efficiency of the measure was considered questionable given the revenue foregone
> - in France, the Conseil des Prélèvements Obligatoires (Council of Mandatory Contributions) (CPO) evaluated the 2009 cut in VAT on restaurants from 19.6% to 5.5% and estimated that although this had raised employment, the cost per new job was very high when compared with other policy measures. The CPO also noted that the VAT cut had had little effect on prices, and had made the tax system more regressive
>
> The level of pass-through following tax changes directly affects the benefits experienced by consumers. Therefore, the

[66] *op.cit.* para 3.10. 3.12, 3.14-6

> government is interested in further evidence on the likely level of pass-through in Northern Ireland.[67]

Finally, as noted, the document underlines that responses to the consultation "will inform future policy development but the government has made no firm decisions about the issues set out in this document."[68]

[67] *op.cit.* para 5.9-12
[68] *op.cit.* para 1.8

5. Appendix: Use of reduced VAT rates across EU Member States

The following two pages reproduce one table from the European Commission's survey of the rates of VAT charged across all Member States; this charts the use, in selected countries, of the dispensation to charge a reduced rate of VAT on specific goods and services, as listed in Annex III to the principal EC VAT directive.

Source: VAT rates applied in the Member States of the European Community, January 2018 (Table II, pp4-5).

II. Application of reduced VAT rates by the member states to the categories of goods and services contained in Annex III of VAT Directive 2006/112/EC

0 = zero rate (exemption with refund of tax paid at preceding stage); [ex] = exemption; N/A = not applicable

	Category	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
1	Foodstuffs	6 12 21	20	10 15	25	7 19	20	0 4,8 9 13,5 23	13 24	4 10	2,1 5,5 10 20	5 13 25	4 5 10	5 19	5 12 21	21	3	5 18 27	0	6 21	10	5 8 23	6 13 23	9	9,5	10 20	14	12 25	0 20
2	Water supplies	6	20	15	25	7	20	[ex] 23	[ex] 13 24	10	5,5	13 25	10	5	21	21	3	27	[ex]	6	10	8	6	9	9,5	20	24	25	0
3	Pharmaceutical products	6 21	20	10 15	25	19	9 20	0 13,5 23	6 13 24	4 10 21	2,1 5,5 10 20	5 25	10 22	5	12	5 21	3 17	5 27	0	6 21	10	8	6 23	9	9,5	10 20	10	0 25	0 20
4	Medical equipment for disabled persons	6 21	20	15	25	7 19	9 20	0 23	13 24	4 10	5,5	5 25	4 22	5	12	5	3 17	5 27	5	6 21	20	8	6	9	9,5	10 20	[ex] 24	[ex] 25	0 5
	Children's car seats	21	20	15	25	19	20	13,5	24	21	20	13	22	5	21	21	17	27	18	21	20	8	6	19	22	20	24	25	5
5	Transport of passengers	0 6	20	[ex] 15	[ex] 25	7 19	0 20	[ex]	0 24	10	10	25	[ex] 5 10	5 9 19	[ex] 12	9 21	[ex] 3	27	0	[ex] 6 21	10 13	8	6	19	9,5	0 20	10	0 6	0
6	Books	[ex] 6 21	20	10 15 21	25	7 19	9	0	6 24	4 21	5,5 20	5 25	4 22	5	12	9	3 17	5	5	6	10	5 8 23	6 23	5	9,5	10	10	6	0
	Books on other physical means of support	21	20	21	25	7 19	20	23	24	4	5,5 20	5	4 22	19	21	21	3 17	5	5	6	20	5 23	6 23	5	9,5	10	24	6 25	0 20
	Newspapers	0 6 21	20	10 21	0 25	7 19	9	9	6 24	4 21	2,1 20	5 13 25	4 22	5	12	9	3	5	5	6	10	8 23	6 23	5	9,5	20	10 24	6	0
	Periodicals	0 6 21	20	10 21	25	7 19	9	9	6 24	4 21	2,1 20	5 13 25	4 22	5	12	9	3 17	5	5	6	10	5 8 23	6 23	5	9,5	20	10 24	0 6	0
7	Admission to cultural services (shows, cinema, theatre)	[ex] 6	[ex] 20	15	[ex] 25	[ex] 7	20	[ex] 9	6 24	[ex] 21	2,1 5,5 10 20	5 13 25	10	[ex] 5	[ex] 21	[ex] 21	3	18	5 27	6	[ex] 13	8	[ex] 13 23	5	9,5	[ex] 20	10	6 25	20
	Admission to amusement parks	6	20	15	25	19	20	9	24	21	10 20	25	22	5	21	21	3	27	18	6	13	8	23	19	9,5	20	10	25	20
8	Pay TV/ cable TV	21	20	[ex] 21	25	19	20	23	[ex] 24	21	10	[ex] 25	22	19	21	21	3 17	[ex] 27	18	21	10	8 23	23	19	22	[ex] 20	24	25	20
	TV licence	[-]	20	[ex] 21	25	[-]	20	[ex]	[-]	21	2,1	N/A	4	N/A	[-]	21	N/A	[ex] 27	[ex]	[ex]	10	23	6	19	[ex] 22	[ex] 20	10	[ex]	[ex]
9	Writers, composers etc.	[ex] 6 21	20	15	[ex]	7	20	23	24	21	10	[ex] 25	[ex] 22	5	[ex]	21	3 17	5 27	18	[ex] 6	13 20	[ex] 8	[ex] 23	19	9,5	20	[ex] 10	6	20
10	Social housing	6 12	20	15	25	19	20	13,5	[ex] 24	4 10	5,5 10 20	25	4 10	N/A	21	21	N/A	5 27	[ex] 5	21	20	8	[ex] 6	5	9,5	20	24	[ex] 25	0 5 20
10a	Renovation and repairing of private dwellings (*)	6 21	20	15	25	19	20	13,5	24	10	5,5 10 20	25	10	5	21	21	N/A	27	18	6 21	20	8 23	6	19	9,5	20	24	25	5
10b	Window cleaning and cleaning in private households	21	20	15	25	19	20	13,5	24	21	10 20	25	22	19	21	21	8	27	18	6 21	20	23	23	19	9,5	20	24	25	20
11	Agricultural inputs	6 12 21	20	15 21	25	7	20	0 4,8 13,5 23	13 24	10	10 20	13 25	4 10 22	5 19	21	21	3 17	27	18	N/A	10 13	5 8 23	6 13 23	9 19	9,5	20	24 14	25	20
12	Hotel accommodation	6	9	15	25	7 19	9	9	13	10	10	13	10	9	12	9	3	18	7	6	13	8	6	9	9,5	20	10	12	20

	Category	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
12a	Restaurant and catering services	12 21	20	15 21	25	19	20	9 [ex]	24	10	5,5 10	25	10	9	21	21	3 17	5 27	18	6	10	8 23	13	9	9,5 22	20	14	12	20
13	Admission to sporting events	[ex] 6	20	15	[ex] 25	7 19	20	[ex]	24	10 21	5,5	25	10 22	5	21	21	[ex] 3	27	18	6	13	8	23	5	9,5	20	[ex] 10	[ex] 6	20
14	Use of sporting facilities	[ex] 6 21	20	15	[ex] 25	[ex] 19	20	9	24	[ex] 21	20	[ex] 25	22	5	21	[ex] 21	3	27	7	[ex] 6	[ex]	8	[ex] 23	19	9,5	[ex] 20	10	[ex] 6	20
15	Social services in so far as those transactions are not exempt pursuant to Articles 132, 135 and 136 of the Directive 2006/112/EC	6 21	20	[ex] 15	[ex] 25	7	[ex]	[ex]	[ex] 13 24	[ex] 4 10	20	25	[ex] 5 22	[ex]	[ex]	[ex]	17	[ex]	[ex]	[ex] 21	[ex] 10	23	6 23	19	[ex] 22	[ex] 20	[ex]	[ex] 25	[ex] 5
16	Supplies by undertakers and cremation services	6 21	20	15	[ex]	19	20	[ex]	24	21	20	13 25	[ex]	19 5	21	21	3	27	18	[ex]	20	8	[ex]	19	9,5	20	[ex]	[ex] 25	[ex]
17	Medical and dental care in so far as those services are not exempt pursuant to points (b) to (e) of Article 132(1) of the Directive 2006/112/EC	[ex] 21	[ex] 20	[ex] 15	[ex]	[ex] 7	[ex]	[ex] 13,5	[ex] 24	[ex] 21	[ex]	25	[ex]	[ex]	[ex]	[ex] 21	17	[ex]	[ex]	[ex] 21	20	23	[ex] 6	19	[ex]	[ex]	[ex]	[ex]	[ex]
18	Collection of domestic waste and street cleaning, other than the supply of such services by bodies referred to in Article 13 of the Directive 2006/112/EC	21	20	15 21	25	[-] 19	20	13,5	[-] 24	10	10 20	13 25	10	5	21	21	3	27	18	21	10	8	6	19	9,5	20	24	25	0 20
19	Minor repairing (including mending and alteration) of:																												
	Bicycles	6	20	21	25	19	20	13,5	24	21	20	25	22	19	21	21	8	27	5	6	20	8	6	19	9,5	20	24	12	20
	Shoes and leather goods	6	20	21	25	19	20	13,5	24	21	20	25	22	19	21	21	8	27	5	6	20	8	23	19	9,5	20	24	12	20
	Clothing and household linen	6	20	21	25	19	20	13,5	24	21	20	25	22	19	21	21	8	27	5	6	20	8	23	19	9,5	20	24	12	20
20	Domestic care services (**)	21	20	15	25	[ex] 19	20	[ex]	13	21	5,5 10	25	[ex]	19	21	21	[ex] 17	[ex] 27	5	[ex]	20	[ex] 23	6	19	9,5	20	24	25	20
21	Hairdressing	21	20	21	25	19	20	9	24	21	20	25	22	5	21	21	8	27	18	6	20	8	23	19	9,5	20	24	25	20

(*) excluding materials which form a significant part of the value of the supply
(**) e.g. home help and care of the young, elderly, sick or disabled

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