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Consultation paper

Review of existing legislation on VAT reduced rates

Note

This document is being circulated for consultation to all parties concerned by the plan to launch a first legislative proposal on reduced VAT rates.

The sole purpose of this consultation is to contribute to the debate, collect relevant information and help the Commission develop its thinking in this area.

This document does not necessarily reflect the views of the Commission of the European Communities, and should not be interpreted as a commitment by the Commission to any official initiative in this area.

The parties concerned are invited to submit their comments no later than 12 May 2008.

Comments may be sent by letter, fax or electronic mail to

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1. INTRODUCTION AND BACKGROUND

In 2003, the Commission tabled a proposal concerning the review of reduced VAT rates¹, resulting in Council Directive 2006/18/EC of 14 February 2006. This Directive foresees the third prolongation of the experiment on reduced rates for labour-intensive services² until the end of 2010, and a possibility to apply a reduced rate to district heating under the same procedure as currently provided for in the Directive for natural gas and electricity. It also included a mandate from the Council to the Commission to present to the European Parliament and to the Council, by the end of June 2007, an overall assessment report on the impact of reduced rates applied to locally supplied services, including restaurant services, in terms notably of job creation, economic growth and the internal market. This report was to be based on a study carried out by an independent economic think-tank.

Subsequently, and in response to the Council mandate, the Commission presented on 5 July 2007 a Communication to the Council and European Parliament on VAT rates other than standard VAT rates³. The underlying study had been conducted by Copenhagen Economics⁴.

In its Communication, the Commission considers that a new legal framework for reduced VAT rates should lead to the rationalization and simplification of the present system, without prejudice to the possibility to give Member States more flexibility to adopt reduced rates, in particular concerning locally supplied services. To obtain a precise orientation on the possible content of a future legislative proposal, the Commission suggested a political debate, taking into account the study conclusions.

The Commission considers that launching a broad debate in the Council, the European Parliament and with other stakeholders to obtain all relevant views before initiating a more far reaching proposal on reduced rates is the most effective approach to develop a sustainable and well balanced proposal in the medium term.

The debate is ongoing and it is too early to come to conclusions on the fundamental questions as regards simplification and rationalisation of the overall framework. To allow for a calm debate in parallel with this general discussion, the Council adopted on 20 December 2007 the Directive 2007/75/EC prolonging most of the temporary provisions with respect to VAT rates granted to Member States which joined the EU after the 1 January 1995, until 31 December 2010⁵.

The Council however has not yet reached clear views on the way forward concerning the use and efficiency of reduced rates and, during the ECOFIN meeting of 4 December, *adopted* the following conclusions (*included in doc 15671/2/07 REV 2/FISC 162*), whereby (*in summary*) it:

- *"INVITES the COREPER and the Working Group on Tax Questions to prepare a Council discussion on the economic impact of the application of reduced rates and whether or not reduced VAT rates are an appropriate instrument to achieve sector political aims;*
- *will return to those points in 2008;*

1 COM(2003) 397 final

2 See: http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/labour_intensive_services/index_en.htm

3 COM (2007)380 final

See: http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/rates/index_en.htm

4 See: http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/rates/index_en.htm

5 COM (2007)381 final See

- *TAKES NOTE of the Commission intention to present a proposal on reduced rates in 2008."*

In the meantime the Commission is confronted with some urgent questions regarding the adoption of new possibilities to apply reduced VAT rates, which should be addressed in the short term and/or for which it is felt there are sufficient elements to already include them in a legislative proposal. However, for some other issues, such as those relating to reduced rates for environmentally friendly goods, energy efficient and energy saving goods there is a need for further in-depth analysis before conclusions can be drawn as to the effectiveness of the reduced rates tool. In Annex 1 to this document an overview of goods and services which gave rise to requests for the possibility to apply reduced rates is presented.

It is against this background that it has been decided to launch a first limited proposal in 2008, most likely during the summer. This proposal would not include an in depth review of the current VAT structure: in particular the current basic rules (one standard rate of at least 15% and 2 optional reduced rates of minimum 5% to a limited list of goods and services) would not be modified. Moreover, only issues requiring immediate action, e.g. because of precise deadlines, and/or for which generally speaking sufficient elements to assess the broad economic impacts are already available, will be included. Some purely technical clarifications might additionally be included. Further action would be left for a later stage, when the in depth debate currently ongoing will have been finalised.

The first objective of this consultation is thus to gain the view and opinion from the public and business community on the possible content of this first limited Proposal, which will be clarified in chapters 3, 4 and 5 and essentially focuses on reduced rates for locally supplied services, in particular labour-intensive services, restaurant services and services linked to the housing sector. In this case, the general policy objectives refer to economic growth and employment on a sustainable basis and the proper functioning of the internal market. The second objective of this consultation is to obtain a response from the public in respect of other issues in the field of reduced rates which will have to be addressed at a later stage.

2. CURRENT COMMUNITY LEGISLATIVE FRAMEWORK

The VAT Directive 2006/112/EC of 28 November 2006 (Official Journal L 347, 11.12.2006, p.1) provides in Articles 93 to 130 and Annex III and IV a legal framework for the application of VAT rates in Member States. Member States have made and continue to make wide use of the possibilities offered within this framework; as a result, the situation is in practice disparate and complex. For ease of commenting, the two relevant lists included in annexes III and IV to the VAT Directive are reproduced in annex.

The basic rules are simple (one standard rate of at least 15% and 1 or 2 optional reduced rates of minimum 5% to a limited list of goods and services), but they are complicated by a multitude of derogations granted to certain Member States and in some instances to a majority of Member States. Overall, such derogations prevent a coherent system of VAT rates in the EU from being applied and do not give equal opportunities to all Member States.

3. LABOUR-INTENSIVE SERVICES

In 1999 the Council adopted Directive 1999/85/EC concerning VAT on **labour-intensive services** which allowed the application of a reduced VAT rate to certain specified labour-intensive services,

but only for an experimental period of three years so as to test its impact, in terms of job creation and in combating the 'black' economy. This temporary provision was prolonged several times and is now valid until the end of 2010⁶.

The list of categories to which specific Member States were authorised to apply a reduced rate was⁷:

- Minor repairing of:
 - bicycles
 - shoes and leather goods
 - clothing and household linen (including mending and alteration);
- Renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied;
- Window-cleaning and cleaning in private households;
- Domestic care services such as home help and care of the young, elderly, sick or disabled;
- Hairdressing.

Member States may only apply reduced rates to a maximum of three of those categories.

Today 18 Member States (Belgium, Czech Republic, Greece, Spain, France, Italy, Cyprus, Latvia, Luxemburg, Hungary, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Finland, United Kingdom) are allowed to apply reduced VAT rates to specified labour-intensive services until 31 December 2010. Reference is made to point VII of the document "VAT rates applied in the Member States of the European Community"⁸ for an overview of the application of the measure concerned.

The obvious first question – in view of the 2010 deadline - is whether this temporary provision should be made wholly or partially permanent or should be abolished after a long period of continuous extension. The services mentioned are by their very nature not only labour-intensive; they are largely provided directly to final consumers, mainly locally, and the possibility for Member States to apply reduced rates to these services would be unlikely to distort competition in the internal market.

4. OTHER LOCALLY SUPPLIED SERVICES

Furthermore, the question arises whether the possibility for Member States to apply reduced rates should be extended to similar services not listed above, where there is no impact on the proper functioning of the internal market. In general terms these services are referred to as locally supplied services. Their basic characteristic is that they cannot be supplied from a remote location and are largely directed to the local market.

Regarding these two questions, the above-mentioned Copenhagen Economics study concludes as follows:

First, in respect of the effects of temporary reduced rates measures, it states that:

6 For an overview, see http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/labour_intensive_services/index_en.htm

7 See annex IV to the VAT Directive (Council Directive 2006/112/EC)

8 See http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf

- To be effective reduced rate measures need to be definitive: producers are unlikely to respond strongly to VAT rate changes if they are perceived to be only temporary.

Moreover, among other things, the study states that:

- Reduced rates are most effective where the goods/services are supplied directly to private consumers.
- If production is labour-intensive there seems to be a stronger production and employment response to lower VAT rates in the industries affected. In sectors with limited competition, pass-through to prices may be less than full, and thus the impact on production and employment may be weaker.
- If the sector is characterised by capital intensive technology or if the labour market is very strict or rigid, it may take some time before firms are able to adjust to the new market situation.
- Lower VAT rates can increase overall productivity and GDP in a Member State if they can induce consumers to spend fewer hours on do-it-yourself (DIY) activities and more hours on their ordinary job and thus shift activities from DIY to the formal economy. A trained worker is typically more productive in his job than a person doing DIY. In addition tax revenue is likely to increase. Locally supplied services are industries where households have considerable scope for carrying out DIY (or buying from the black economy). There is a sound economic argument for (substantially) lowering VAT rates on locally supplied services (and restaurants) as the shift from DIY to formal activity is likely to lead to significantly higher overall productivity and higher tax revenue. The argument is significantly stronger in Member States with higher marginal income taxes and larger initial VAT rates. The productivity argument is, in particular, strong for activities with limited need for formal training and specialised machinery. There may be arguments for targeted reductions in VAT rates on carefully selected parts of locally supplied services. The same productivity argument holds, albeit to a lesser degree, if lower VAT rates can induce consumers to spend less money in the black economy. Similar gains in tax revenue can be expected.
- However, overall effects on employment for low-skilled workers seem to be very small.
- As regards the consequences for the internal market, it is difficult to see any concern related to differences in VAT rates on purely locally supplied services.

On the basis of these arguments, it would appear justified to include in the 2008 Commission proposal a definitive provision enabling Member States to apply reduced rates, at the level provided for in the current Community legislation, to a limited list of labour-intensive services and other locally supplied services to be defined.

Examples of what other locally supplied services could be are:

- Gardening, landscaping and maintenance of gardens and parks for private households and public authorities;
- Renovation, alteration, repair, maintenance and cleaning of places of worship, schools, or other non commercial buildings;
- Other personal care services than hairdressing;
- Tolls for bridges, tunnels, etc.

5. RESTAURANTS

Currently, for restaurant services, 11 (Greece, Spain, Ireland, Italy, Cyprus, Luxemburg, Netherlands Austria, Poland, Portugal, Slovenia) out of the 27 Member States are allowed to apply a reduced rate whilst 16 Member States do not have this possibility. This situation derives from the particular derogations granted to some Member States. Some of these derogations will come to an end by 31 December 2010.

The conclusions of the Copenhagen Economics study mentioned in chapter 4 are equally valid for restaurant services. However, as to the consequences for the internal market of differences in VAT rates applied to restaurant services the study indicates that services provided by restaurants and hotels are somewhere in between, because they 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 distortions as regards restaurant and hotel services are 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.

In view of the arguments of the study and the widespread application of reduced rates in the Union, it would appear justified to include in the 2008 Commission proposal a definitive provision enabling all Member States to apply reduced rates to restaurant services, at the level provided for in the current Community legislation. It is to be noted however, that in this case there might be a limited impact on the internal market. However, the experience with hotel services (which are already in Annex III) does not seem to have created such impact.

6. HOUSING

Currently, Member States are allowed to apply a reduced rate to the "*provision, construction, renovation and alteration of housing, as part of a social policy*". Moreover, some Member States can apply a reduced rate to the "renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied" (see chapter 3).

However, experience has shown that given their different fundamental approaches, in the housing sector, the current limitation of the scope of the reduced rate to "social" housing has been interpreted in very different ways by Member States.

Moreover, a number of Member States (Czech Republic, Spain, Ireland, Italy, Poland, Portugal, Slovenia and United Kingdom) were granted derogations and apply reduced rates (or a zero rate) to supplies related to buildings other than social housing. Some of these derogations will expire at the end of 2010.

It might thus be justified to allow reduced rates more generally for this sector and add the whole *housing sector* to the list of goods and services eligible for a reduced rate.

It is to be noted that differences in VAT rates between Member States will normally not impact on the functioning of the internal market, as these supplies will always be subject to the VAT rate applicable in the country of location of the immovable property.

In conclusion, in the 2008 Commission proposal it might be important to restate that, in principle, the reduced rate mainly applies to social housing. However, the possibility to apply reduced rates in the housing sector, at the level currently laid down in the Community legislation, could be extended as follows:

- "*provision, construction, renovation and alteration of housing*, as part of a social policy; Member States may also provide for a reduced rate to these activities relating to housing not provided as part of a social policy "
- "*small renovation, repair, maintenance and cleaning of housing*": These services are in fact already covered by the labour-intensive or "locally supplied services" dealt with in chapters 3 and 4.

7. SOME POTENTIAL TECHNICAL ADJUSTMENTS

Some adjustments for technical reasons and for the sake of coherence and clarity may also be addressed in the 2008 Commission proposal. This might, for example, be the case for audio books and baby nappies. In the former, an ISBN (the International Standard Book Number) identification number marks any book unmistakably and should audio books be assigned a code similar to the identification number for the paper format, they could equally be considered as books and be eligible for reduced rates. In the latter, Community language versions of the relevant text (item 3 of Annex III) differ, leaving it unclear if baby nappies are covered or not.

In addition, some technical improvements which were envisaged by the 2003 proposal are still necessary and could perhaps be reintroduced in the 2008 proposal. For example, the adjustments concerning apparatus and other equipment designed or specially adapted for disabled persons (category 4); or sewage and waste-recycling services which are currently not covered by categories 2 (supply of water) nor 18 (services provided in connection with street cleaning, refuse collection and waste treatment). In practice, all these services are very similar to the services specifically mentioned in those categories.

8. QUESTIONS SUBMITTED TO THE PUBLIC AND ALL PARTIES INTERESTED

As part of this consultation, the Commission would be particularly interested in receiving contributions from the public and all parties interested in response to the following points:

8.1. In the context of the first limited Commission proposal 2008

Locally supplied services including labour intensive services

- 1) Regarding the application of reduced rates for labour-intensive services, locally supplied services, the housing sector and restaurants, what kind of effects, if any, have you experienced? Do you have any figures regarding the impact on prices, demand, employment, administrative or compliance costs for business, environment or any other effect?
- 2) Have you encountered problems with the application of different VAT rates, within your Member State or other Member States where you are not established? If so, which?
- 3) Does the current differentiation of VAT reduced rates restrict the potential development of your economic activity in other Member States? Explain why?
- 4) Do you see any possible problems for the functioning of the internal market? Have you experienced problems of this kind?

- 5) What is your view on the reasoning developed under chapters 3 to 6 regarding labour intensive services, locally supplied services, housing and restaurants and the possible extension of the possibility to apply reduced rates to all these services?
- 6) Are there any additional arguments in favour or against the measure of reduced rates in this respect?
- 7) Are you aware of specific cross-border distortions in trade due to the different VAT rates applied in two different Member States to restaurant services? Do you have any information on the impact of reduced VAT rates in this sector on the behaviour of the consumers? For instance, does a reduced VAT rate applied to restaurant services influence the choice of a holiday package or travel destination in general?
- 8) Concerning the housing sector, is it advisable to keep a reduced rate limited only to housing which is part of a social policy when there is no uniform definition of what that policy is in the EU? What do you understand by social policy in that sector, and would you be able to suggest a definition?
- 9) What would, in your view, constitute locally supplied services as envisaged in chapter 4, i.e. where the internal market is not affected? What concrete services could correspond to this notion of locally supplied services?
- 10) Are you aware of domestic distortions between similar types of services or even between different sectors due to the application of a reduced VAT rates? Does a reduced VAT applied in a sector have a direct or indirect impact on other sectors not subject to reduced rates?

Other issues

- 11) Do you have other comments or suggestions in relation to chapter 7? There might be a need for a modification of the list of categories of goods and products to which reduced rates may be applied in the Member States (Annex III to the VAT Directive) for technical reasons and for the sake of clarity. Do you agree with the cases already identified? Do you have any other suggestions which you could justify?

8.2. In the context of a more global revision of the reduced rates scope

Environmentally friendly and energy-saving goods/services

- 12) In your view, what are the relevant arguments either in favour or against applying reduced VAT rates to environmentally friendly products (such as water saving appliances), energy efficient products (such as computers, cars, white goods consuming substantially less energy than other similar goods) or energy saving goods (such as solar panels, specific IT equipment)? Which – necessary – criteria to differentiate products/services would you recommend? What kind of goods/services should be eligible for reduced rates in these cases?

Energy products

- 13) What is your opinion on the reduced rate currently allowed for electricity and natural gas? Do you consider they create distortions of competition with other energy products, such as heating oil?
- 14) What is your view on the removal of reduced rates on some energy products? Indeed, a reduced VAT rate on energy will have the incentive of generating more consumption whilst, at the same time, a decrease of such consumption is sought by promoting energy saving materials and energy efficient products.

Deletion from the list of certain categories currently eligible for a reduced rate
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- 15) Should some reduced rates currently in force be abolished where they concern environmentally damaging products (such as chemical fertilizers, pesticides etc. see Annex 2)?
- 16) Would you recommend adding or deleting any other item to or from the list of goods and services eligible for a reduced VAT rate under EU VAT legislation? Why?

Efficiency and effectiveness of reduced VAT rates

- 17) The main purpose of VAT is to enable Member States to raise revenue and allocate these according to the budgetary and fiscal policies chosen. Also, reduced VAT rates are considered to be ill-targeted, e.g. a reduced rate on electricity might benefit the central heating of a house but would also benefit the heating of a luxurious swimming pool – wealthier final consumers benefit just as much as the target group of the less wealthy. Many economists therefore consider more targeted direct aids to final consumers with low revenue (e.g.: specific allowance for children's education, a specific rebate for heating or to have housing insulation installed, etc.) a superior instrument. What is your view on this?
- 18) There is an economic school of thought which advocates, in general terms, the shift from direct taxation to indirect taxation as a major source of finance for state budgets and as a means to create a more employment-friendly tax system. Would you, in this context, agree that lowering labour taxation and social costs while at the same time increasing indirect taxation will help promote growth and create jobs? Would you accept that, generally speaking, reducing VAT rates runs against this policy approach? Even if such a general policy were not pursued, would you consider that targeted reductions of social contributions, direct taxes, etc. would be a more suitable or even better tool than reduced VAT rates? Please substantiate your answers.

Other issues

- 19) Are you aware of distortion of competition due to the VAT rate differences in the field of reception of information, depending on the technical means of reception (radio and television broadcasting services or internet connection)?

9. FINAL OBSERVATIONS

Your contribution to this consultation should be sent to TAXUD-D1-RATES@EC.EUROPA.EU by 12 May 2008.

It is important for contributors to clearly identify: name, address, e-mail, activity, other information and, in the event of representative organisations, the level of representation.

Your contributions will be acknowledged collectively and published on the website of DG TAXUD. The results will be summarised in a report to be published on the same website. Feedback will also be presented in the impact assessment report and explanatory memorandum relating to a future Proposal for a Directive on reduced VAT rates.

ANNEX 1: LIST OF REQUESTS OF NEW SECTORS TO BE ADDED TO THE FUTURE ANNEX III OF THE VAT DIRECTIVE

ANNEX 2: LIST OF POSSIBLE DELETIONS OF ITEMS FROM THE SCOPE OF REDUCED RATES

ANNEX 3: ANNEX III OF THE VAT DIRECTIVE (2006/112/EC)

ANNEX 4: ANNEX IV OF THE VAT DIRECTIVE (2006/112/EC)

List of requests of new sectors to be added to the future ANNEX III of the VAT Directive

SERVICES

- **Current Annex III; +**
- **Labour-intensive services of Annex IV:**
 - (1) Minor repairing of:
 - (a) bicycles;
 - (b) shoes and leather goods;
 - (c) clothing and household linen (including mending and alteration);
 - (2) Renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied;
 - (3) Window-cleaning and cleaning in private households;
 - (4) Domestic care services such as home help and care of the young, elderly, sick or disabled;
 - (5) Hairdressing.
- **Other Locally supplied services (to be defined) as:**
 - Landscaping and maintenance of parks and gardens
 - Services of removers and storage;
 - Security guards and services of surveillance;
 - Textile and clothing care, laundry, dry-cleaning;
 - Services of producers and organizers of entertainment, shows and similar performance;
 - Repair and maintenance of movable property;
 - Services to the person, other than hairdressing (e.g. Aesthetician and beautician services)
- **Social services:**
 - Category (15) of Annex III
 - Domestic care services category (4) of Annex IV;
 - Care of the elderly;
 - Education and related matters;
 - Provision of babysitting services at children play and development centres.
- **Restaurant services (HORECA - HOtels - REstaurants – CAFés) ;**
- **Housing:**
 - Supply of construction work for residential housing not provided as part of a social policy;
 - Repair and renovation of housing;
 - Other services linked to the housing sector.
- **Other buildings:**

- Construction, renovation and maintenance of **school** buildings;
- **Commercial** buildings;
- Repair of **churches** and other **places of worship**;
- Repair, restoration and maintenance of **cultural heritage and historical monuments**;
- **Tolls on domestic road bridges.**
- **Supply of services by all artists** not only writers, composers and performing artists;
- **Services of lawyers**;
- **All supplies linked to recycling and refuse collection** (e. g. waste-recycling and re-use services and not only waste treatment); Supply of sewage and water treatment;
- **Music on line**;
- **Press-on-line.**
- **Services of driving schools.**

GOODS

- **Current Annex III; +**
- **Heat energy**
 - **Natural gas, electricity and district heating and cooling**;
 - **Coal, firewood** (partly present derogation in Art 122 of VAT Directive)
 - **Mineral oil**
- **LPG**;
- **Gas cylinder**;
- **Energy saving materials /goods/products/equipments**;
- **Equipments enabling the use of alternative energies**;
- **Cut flowers and plants** (partly present derogation in Art 122 of VAT Directive);
- **Works of art**: importation/supplies by creators (present Art 103 of VAT Directive);
- **Agricultural equipment** and machinery;
- **Helmets** for the protection of the motorcyclists and cyclists;
- **Computers** (hardware) supplied **to students or to universities, training schools and other professional schools**;
- **Disks and CD's (music) /phonograms of musical and literal pieces**;
- **Apparatus** and electrical, electronic or other **equipment**, excluding means of transport, designed or specially adapted **for the disabled**;
- **Means of transport for the disabled**;
- **Children's clothing**;
- **Children's footwear**;
- **School uniforms and bags**;
- **Baby nappies** and incontinence **diapers** for adults;
- **Re-used products** (discarded or waste products repaired and sold for a low price)
- **Wines**;

- **Laundry soap and detergents.**

ANNEX 2

List of possible deletions of items from the scope of reduced rates

DELETION IN ANNEX III

- (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) supply of **children's car seats**;
- international transport of passengers and their accompanying luggage;
- (8) reception of **radio and television** broadcasting services;
- (10) provision, construction, renovation and alteration of **housing, as part of a social policy**;
- (11) **pesticides**
- (12) accommodation provided in **hotels** and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites;
- (16) supply of **services by undertakers and cremation services**, and the supply of goods related thereto;
- (17) **thermal treatment** in so far as those services are not exempt pursuant to points (b) to (e) of Article 132(1);

DELETION OF ANNEX IV (EXCEPT CATEGORY (4) DOMESTIC CARE SERVICES)

DELETION OF REDUCED RATE FOR NATURAL GAS, ELECTRICITY AND DISTRICT HEATING

ANNEX III OF THE VAT DIRECTIVE (2006/112/EC)**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 (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;
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;
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.

ANNEX IV of the VAT Directive (2006/112/EC)
LIST OF THE SERVICES REFERRED TO IN ARTICLE 106

1. Minor repairing of:
 - (a) bicycles;
 - (b) shoes and leather goods;
 - (c) clothing and household linen (including mending and alteration);
2. Renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied;
3. Window-cleaning and cleaning in private households;
4. Domestic care services such as home help and care of the young, elderly, sick or disabled;
5. Hairdressing.