

VAT: The Commission formally asks Ireland to amend its legislation on the reduced VAT rate for horses and greyhounds

The European Commission has given Ireland two months to amend its legislation applying a reduced rate of 4,8% to supplies of horses and greyhounds, because the measure has not been adopted for clearly defined social reasons.

The VAT Directive allows Member States the possibility to continue to apply exemptions or reduced rates (already applied at 1 January 1991) subject to the conditions that these are in accordance with Community law and must have been adopted for clearly defined social reasons and for the benefit of the final consumer.

The Irish law provides for the application of a reduced rate of VAT to the supply of live greyhounds and live horses, to the hire of horses and to the sale of nomination services in studs.

The Commission considers that the application of a reduced rate of 4,8% to these supplies does not fulfil the conditions that the reduced rate has been adopted for clearly defined social reasons. Further the Commission is questioning whether it is the final consumer who is benefiting from the measure.

It should be understood that those supplies which qualify under Annex III of the VAT Directive, as supply of foodstuffs for human and animal consumption as well as live animals, seeds, plants and ingredients normally intended for use in the preparation of foodstuffs (point 1) or as agricultural inputs (point 11) are not affected by these proceedings.

In October 2009 the Commission referred Austria, France, Germany and Luxembourg to the Court of Justice for similar national legislation (IP/09/1459). At an earlier stage the Commission had done the same in respect of the Netherlands (IP/08/1812).

Press releases on infringement proceedings in the field of taxation and the customs union can be consulted at:

http://ec.europa.eu/taxation_customs/common/infringements/infringement_cases/index_en.htm

The latest general information on infringement proceedings against Member States can be found at:

http://ec.europa.eu/community_law/eulaw/index_en.htm