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Contents Page

1.1 VAT Rates and Structure 4

2. Recent Developments 6

2.1 Recent VAT changes 6

3. International Comparisons 7

3.1 Ireland's VAT Rates in comparison with EU/UK 7

4. Options: Reform of the VAT structure and rates 8

4.1 Option 1: Increasing or decreasing VAT rates 8
4.2 Option 2: Moving zero rated items to higher rates 8
4.3 Option 3: Restructuring the VAT system on a revenue-neutral basis 9
4.4 Option 4: Streamlining VAT rates 9
4.5 Concerns regarding changes to VAT rates 9

5. Options: Assisting Small to Medium Businesses 10

5.1 Increasing the cash receipts basis threshold 10
5.2 VAT registration thresholds 10
5.3 Extension of the 9% VAT rate for Tourism and Hospitality 11

6. Cost of Living 12

6.1 Current VAT rates on non-discretionary spending 12
6.2 Domestic energy supplies 12

7. Brexit (Margin Scheme) 14

8. VAT Developments at EU Level 16

8.1 Overview 16
8.2 Modernisation of VAT on e-commerce - Implementing Regulations 16
8.3 Outstanding Proposals 17
8.3.1 Definitive System 17
8.3.2 VAT Committee 18

9. New Framework for VAT rates 19

9.1 Process 19
9.2 Expanded Annex III 19
9.3 New limits in application of reduced rates 20
9.4 Exemptions without deductibility 20
9.5 Parked rates 20
9.6 New Policy Options 22
9.6.1 Zero Rate for Non Oral Medicines 22
9.6.2 Zero Rate for Non Oral Animal Medicine / Vaccines 22
9.6.3 Expanded Zero Rate for Medical Equipment 23

9.6.4 Expanded zero rate for period products 24
9.6.5 Zero or reduced rate for solar panels and for other retrofitting materials 24
9.6.6 Other products 25
10. Gender and Equality Implications 26
Appendix 1 27
Appendix 2 28
Appendix 3 36
Appendix 4 40

Appendix 1 - VAT Rates in Europe 27
Appendix 2 – Revised Annex III of the VAT Directive 28
Appendix 3 – Zero rates within the new VAT Framework 36
Appendix 4 – Reduced rates within the new VAT Framework 40

SELECTED VAT ISSUES

1. Introduction

This paper reviews the Value-Added Tax (VAT) rates and structures, provides options for change and looks at VAT developments at EU and domestic level.
In 2021, VAT accounted for €15.4 billion or approximately 22.5% of the overall tax yield to the Exchequer. This represents a significant increase of €3 billion (or 24%) in comparison to the figures for 2020 reflecting the recovery in consumer spending. This is projected to increase again in 2022 as the economy regains productivity. In this context the Budget 2021 estimate for the VAT yield in 2022 is €17.8 billion.

The figures used in this paper are broad estimates, as it can be difficult to model how behaviour could change in response to tax changes. Furthermore, the effect of social distancing requirements, necessitated by public health objectives, altered and continues to alter consumption behaviour.

1.1 VAT Rates and Structure

The following VAT rates apply in Ireland:

- Standard rate of 23% applies to approximately 50% of activity and represents approximately 70% of VAT receipts. It includes cars, petrol, diesel, alcohol, tobacco, electrical equipment and CD/DVDs.

- Reduced rate of 13.5% applies to approximately 28% of activity and represents approximately 23% of VAT receipts. It includes fuel used for heat or light - home heating oil and solid fuels, construction, housing, labour intensive services and general repairs and maintenance.

- Reduced rate of 9% applies to approximately 11% of activity and represents approximately 6% of VAT receipts. It includes, holiday accommodation, restaurants, digital and print newspapers and periodicals, and sporting facilities. It also includes the supply of gas and electricity from 1 May 2022 to 31 October 2022.

- Super-reduced 4.8% rate applies to livestock by registered farmers.

- Zero rate accounts for 10.8% of activity and applies to most food, books, children's clothes and shoes, and oral medicines.

- Exempt services include transport services, supply of water, provision of education, financial services, medical services and services provided by charities, etc.

Irish VAT law must comply with the EU VAT Directive, which directs that Member States must apply a standard VAT rate of 15% or more, and can apply up to two reduced VAT rates of 5% or more. Ireland applies the 23%, 13.5% and 9% VAT rates in this context. Following a final agreement at ECOFIN in April 2022 new rules for VAT rates came into force on 6 April 2022 giving greater flexibilty for applying reduced rates and the zero rate of VAT to a limited number of supplies. Further details are set out in Section 9 of this paper.

2. Recent Developments

2.1 Recent VAT changes

Recent changes to the VAT rates and thresholds include:

- Budget 2014: increase in cash receipts basis threshold from €1.25 million to €2 million; flat-rate farmer addition increased from 4.8% to 5%; retention of 9% VAT rate.
- Budget 2015: flat-rate farmer addition increased to 5.2%; telecoms, broadcasting and electronic services charged to VAT in the Member State of the consumer from 1 January 2015 following changes to the VAT Directive.
- Budget 2017: flat-rate farmer addition increased to 5.4%.
- Budget 2018: VAT rate on sunbed use increased from 13.5% to 23%; VAT Compensation Scheme for Charities announced.
- Budget 2019: Services and goods applying at the 9% VAT rate increased to 13.5%, with the exception of newspapers and periodicals and sporting facilities. This includes restaurants, tourist accommodation, cinemas, theatres, museums, historic houses, open farms, amusement parks, hairdressing and horses and greyhounds.
- Budget 2020: VAT on Food Supplement products set at 13.5%.
- July Stimulus Package 2020: Standard Rate of VAT Temporarily reduced by 2% to 21% from 1 September 2020 to end February 2021.
- Budget 2021: Tourism, including accommodation and food services, reduced to the second reduced VAT Rate of 9%; flat-rate farmer addition increased to 5.6%.
- Budget 2022: flat-rate farmer addition decreased to 5.5%.
- 1 May 2022 - VAT rate on gas and electricity moved from 13.5% to 9% on a temporary basis for 6 months, to end October.
- Finance (Covid-19 and Miscellaneous Provisions) Act 2022 - VAT reduction for tourism and hospitality sectors extended to end February 2023.

3. International Comparisons

3.1 Ireland's VAT Rates in comparison with EU/UK

As of 1 January 2022, 22 of the 27 EU Member States have a standard VAT rate of 20% or higher and the average standard rate in the EU is 21.5%. Ireland has the joint 4th highest standard rate of VAT in the EU, at 23%. The standard rate VAT differential between Ireland and the UK has narrowed from a high of 6.5 percentage points in 2009 to 3 percentage points since January 2012, with the current Irish and UK standard VAT rates standing at 23% and 20% respectively.

At 13.5%, Ireland has the 4th highest reduced VAT rate in Europe. However, we apply reduced rates to an extensive range of activity relative to other Member States. In addition, Ireland applies a zero rate to a sizable proportion of economic activity.

The second reduced VAT rate of 9% is the second highest second reduced VAT rate in Europe although only 18 Member States use a second reduced VAT rate. While this rate currently applies to only 11% of economic activity it is expected that as pandemic restrictions have ended it will account for a greater share in 2022. This rate will only apply to hospitality and tourism sectors until 28 February 2023. The UK had previously applied a reduced VAT rate of 5% to these sectors but it has reverted to the standard rate of 20% from 1 April 2022.

4. Options: Reform of the VAT structure and rates

This section presents options for increasing or decreasing VAT rates, as well as options for restructuring or streamlining the VAT rates. The EU Commission, the OECD and others have, on an ongoing basis, recommended broadening the VAT base and narrowing the scope of reduced rates to stabilise VAT revenues.

The estimates below are based in the Revenue Commissioner's ready reckoner and are based on economic activity in 2021 when public health restrictions were in place.

4.1 Option 1: Increasing or decreasing VAT rates

The cost of increasing or decreasing the VAT rates by 1% is outlined as follows. These are full year figures and would be 1/6th lower in the first year (assuming the change is introduced from 1stJanuary) as VAT is paid two months in arrears.

Rate	1% increase/decrease
9% Reduced rate	+/- €126m
13.5% Reduced rate	+/- €308m
23% Standard rate	+/- €542m

4.2 Option 2: Moving zero rated items to higher rates

The following illustrates the estimated yield to the Exchequer where goods at the zero rate are charged to VAT at various rates. However, once moved, it would not be possible under EU VAT law to revert them back to the zero rate unless provided for under Annex III of the EU VAT Directive. The VAT Directive only allows for two reduced rates so in the event that a 5% rate was used it would impact on what other rates Ireland was able to retain.

Zero rate increased	Yield
0% to 5%	€593m
0% to 9%	€1,067m
0% to 13.5%	€1,600m
0% to 23%	€2,726m

4.3 Option 3: Restructuring the VAT system on a revenue-neutral basis

Restructuring the VAT system on a revenue-neutral basis would result in the following composite VAT rates:

Rates being merged	Revenue neutral rate
0%, 9%, 13.5% and 23%	16.3%
9%, 13.5% and 23%	18.2%

4.4 Option 4: Streamlining VAT rates

Streamlining the VAT rates structure along the lines of the scenarios below would yield the following:

New Streamlined Rates	Yield	Change
0%, 5%, 15% and 25%	€1,042m	items at 0% stay at 0% items at 9% to 5% items at 13.5% to 15% items at 23% to 25%
5%, 15% and 25%	€2,894m	items at 0% to 5% items at 9/13.5% to 15% items at 23% to 25%

4.5 Concerns regarding changes to VAT rates

In summary, increasing VAT rates may negatively affect inflation, employment, the less well-off and impact on cross-border trade.

5. Options: Assisting Small to Medium Businesses

In addition to the options for complying with the structure and rating of the Irish VAT system, the following sets out options which have been considered or implemented to assist small to medium enterprises.

5.1 Increasing the cash receipts basis threshold

At present, businesses with an annual turnover of €2 million or less can opt to account for VAT on a cash receipts basis, where VAT is not required to be paid until payment for the supply is received. Currently, a total of 167,000, or 67% of all active businesses, are benefitting from the scheme. The threshold was increased from €1 million to €2 million in Budgets 2013 and 2014.

The VAT SME package that will enter into force on 1 January 2025, under Article 167a of the EU VAT Directive, sets up a maximum threshold of €2 million for annual turnover. As any increase introduced would have to be reversed to comply with Article 167a, no change is proposed to the cash receipts basis threshold.

5.2 VAT registration thresholds

Small businesses with a low turnover are not obliged to register for VAT, thereby avoiding the administrative burden that VAT registration entails. The current thresholds are €37,500 for services and €75,000 for goods, in a 12 month period.

The Department of Enterprise, Trade and Employment has suggested that given the current inflationary pressures prevalent in the economy that the VAT registration thresholds should be raised.

While costing such a measure is difficult, the Department of Enterprise, Trade and Employment have estimated that the last upward adjustment in VAT thresholds in 2008, which saw the thresholds for services and goods move from €35,000 to €37,500 and €70,000 to €75,000 respectively, removed 2,700 companies from the VAT net and cost €20.5 million in a full year. On this basis they suggest that a move to approximately €40,000 and €80,000 for services and goods respectively would cost a similar amount.

It is important to note that Ireland's current registration thresholds are some of the most generous thresholds in the EU. Some Member States do not operate any VAT registration threshold, requiring all businesses to register. As an administrative practice, Revenue allow

businesses that are approaching the threshold to take account of the VAT element of their Purchases-for-Resale in calculating turnover. This avoids a 'cliff-face' effect when approaching the threshold. There is no data available to suggest a bunching effect below the threshold. For most SMEs operating close to the registration threshold the registration for VAT allows them to also reclaim VAT which can be a significant advantage for a business.

In setting registration thresholds levels, the objective is to strike an appropriate balance between the desirability of reducing the administrative burden on small businesses and the Revenue authorities and the need to avoid undermining tax compliance or causing competitive distortions relative to registered firms. However every business keeps records and the vast majority of businesses keep these records electronically. Therefore, there is not that much additional administration involved in being registered for VAT beyond submitting VAT returns and, for small businesses, this might only entail an annual VAT return.

It should also be noted that the VAT SME Package will enter into force on 1 January 2025. The amendments to the Directive under this package will introduce an upper registration threshold limit of €85,000 for Member States.

5.3 Extension of the 9% VAT rate for Tourism and Hospitality

The 9% rate for these industries was reintroduced in Budget 2021 from 1 November 2020 to 31 December 2021 at an estimated cost of €401m. This measure was initially extended in Budget 2022 to 31 August 2022 at a further estimated cost of €251m. The Government agreed on 10 May 2022 to extend the 9% VAT rate that currently applies to the tourism and hospitality sectors for a further six months. The 9% VAT rate will therefore remain for these sectors until 28 February 2023 at an additional estimated cost of €250m. No further extension to this measure is envisaged so the 13.5% rate will apply to these sectors from 1 March 2023.

This extension will cover the same goods and services as the original measure, i.e. restaurant supplies, tourist accommodation, cinemas, theatres, museums, historic houses, open farms, amusement parks, and hairdressing, as well as certain printed matter such as brochures, leaflets, programmes and catalogues.

The Government decision reflects the fact that the tourism and hospitality sectors were among those most impacted by the public health restrictions put in place throughout the pandemic. This measure will provide further support to the tourism and hospitality sectors over the November/December period and into the early New Year.

6. Cost of Living

6.1 Current VAT rates on non-discretionary spending

As Ireland already applies a zero rate to most foodstuffs, a zero rate to oral medicines, exemption on transport, a zero rate to children's clothes, a reduced rate to fuel, gas, etc. there is little scope in the VAT space to provide further targeted interventions for cost of living issues.

6.2 Domestic energy supplies

With regard to domestic energy, Ireland has applied a reduced rate to the supply of fuel, gas, oil and electricity services on the basis of a historic derogation from the VAT Directive. This derogation was a 'parked rate', permitted so long as the applicable rate is no lower than 12%.

Following recent amendments to the VAT Directive and in particular the expansion of Annex III of the Directive, both gas and electricity are now included within the scope of Annex III. This means that they can now have a rate lower than 12% applied.

In recognition of the ongoing difficulties experienced by households and businesses with the increased cost of energy, the Government decided to introduce a temporary six-month reduction in VAT on the supply of gas and electricity from 13.5% to 9% from 1 May to 31 October 2022.

The estimated cost of the measure is €46 million.

The reduction does not cover solid fuels or home heating oil as they continue to be provided for by way of historical derogation. It is not possible under the Directive to reduce these items to 9%. A reduction to 12% for solid fuels such as coal or home heating oil such as kerosene would be possible however, the savings for consumers would be very small – approximately €20 per 1000 litres, whilst the additional cost to the Exchequer would be significant - in the region of €216m to the end of October. This is because Ireland would also have to reduce all other areas currently subject to the 13.5% rate to this level (about 27% of economic activity) as we are only allowed have two reduced VAT rates under EU law. In addition, it is important to note this rate change may not be passed on to consumers in the form of price reductions.

6.3 Housing

While most Member states apply the standard rate to construction services, Ireland applies a 13.5% reduced rate of VAT to all construction services under a derogation from the EU VAT Directive. It is possible for Ireland to apply the 9% reduced VAT rate to the supply and construction of housing, as part of a social policy and to the repair and renovation of residential housing. However, it is not possible to apply the 9% rate to non-residential construction.

Applying a 9% VAT rate to the construction of new residential properties would involve having two separate VAT rates applying to different construction services. This would be very difficult to administer and could lead to accidental or fraudulent underpayments of VAT, where an underpayment of VAT may arise in the construction of an apartment block. The apartment block may for instance be classed as purely residential in order to avail of a reduced rate of 9% and then subsequently become a mixed-use block with a commercial/retail element on the ground floor. Policing the measure would be difficult and could result in fraudulent behavior.

If this incentive was introduced as a temporary measure, this would add an administrative burden and confusion in terms of the implementation timeline and which properties would qualify during the period in question. In addition, there could be no guarantee that the reduced rate would be passed onto consumers.

It should be noted that there is no provision under the EU VAT Directive which allows for different VAT rates to be charged on residential construction depending on the region in which the activity takes place. It is also not permissible to differentiate between the supply of different types of residential property, such as apartments and housing, for the purpose of applying VAT rates.

7. Brexit (Margin Scheme)

VAT is normally chargeable on the full value of goods sold by a VAT registered person but under the EU VAT Directive, special rules may be applied to the sale of second-hand goods, including motor vehicles. Under the Margin Scheme, a car dealer simply accounts for VAT on his or her gross profit margin on the sale of a used car, i.e. on the difference in the trade in and resale prices. This is an efficient means of applying VAT to cars, both for Tax Administrations and for dealers and consumers.

With effect from 31 December 2020, the EU VAT Margin Scheme for car sales between Great Britain and the EU and between GB and Northern Ireland no longer applies. Imports of GB cars into the State and Northern Ireland are liable to VAT at import based on the customs value of the car i.e. the cost price of the car plus any shipping costs and customs duty payable. The VAT may be recovered by a dealer through the VAT system, but the dealer must charge VAT on the total sale price when the car is resold. Under the Protocol, Northern Ireland is part of the EU VAT system for goods and is therefore excluded from the UK Margin Scheme and this was reflected in the rules applied by the UK prior to the announcement

Where a person has purchased a vehicle that was registered in Northern Ireland or registered to a person resident in Northern Ireland before 1 January 2021, this vehicle may be registered in the State, on payment of Vehicle Registration Tax (VRT), without any checks on its customs status. Furthermore, where a GB registered vehicle, irrespective of being re-registered in Northern Ireland, was brought into Northern Ireland before 1 January 2021, and which has remained there since, it can also be registered in the State with no customs obligations. However, proof of the vehicle's status in Northern Ireland prior to 1 January 2021 will be required. Vehicles first registered in Great Britain and subsequently registered in or brought into Northern Ireland after 1 January 2021 may be liable to customs duty, if applicable, and are liable to VAT at import if they are subsequently imported into the State.

Where the customs formalities have been completed in Northern Ireland and the person registering the car in Ireland provides a copy of the Northern Ireland import declaration that clearly identifies the vehicle, then no further customs formalities apply in Ireland. However, VAT at import must be paid or accounted for. If there is no copy of an import declaration then both customs duty (if applicable) and VAT must be paid. The VAT registered dealer will account for the VAT at import in their normal VAT return and take a simultaneous input VAT deduction. When the vehicle is sold the dealer must charge VAT at 23% on the full value of the sale (excluding VRT), not their margin. For all vehicles imported or routed through Northern Ireland, a Supplementary Import Declaration – VAT at Import declaration (SIDVID) is required to show that VAT on import has been both filed and paid in the State prior to registration fVRT.

The UK Government have announced a ‘second-hand motor vehicle export refund scheme.’ This will be a new scheme that the UK Government intends to introduce on 1 October 2022. It will replace the VAT margin scheme for second-hand vehicles that are bought in Britain, move to Northern Ireland and then are resold in the EU.

This scheme should be available to car dealers in the EU however no details of this scheme, or the legislation to underpin it, have yet been announced. Once the details are announced the European Commission will have to examine it to ensure that it is in line with the protocol and to ensure that it does not undermine the single market.

8. VAT Developments at EU Level

8.1 Overview

The Tax Action Plan published by the Commission on 15 July 2020, set out 15 actions with regard to VAT. These proposals are aimed towards facilitating compliance, easing administrative burden, and increasing the competitive power of the EU.

The first of these proposals was published in December 2020 and relates to the VAT Advisory Committee. The Tax Action Plan also highlighted agreement on the VAT Rates proposal as a key action which was agreed in April 2022.

The EU Commission have indicated that they expect to publish a proposal before the end of 2022 in relation to VAT in the Digital Age. This proposal will include the following aspects:

- Modernising VAT reporting obligations and further expanding e-invoicing.
- Adapt the VAT framework to the platform economy
- Moving towards a single EU VAT registration, with which tax payers would be able to provide services and/or sell goods anywhere in the Union.

Other proposals outlined in the Tax Action Plan include:

- Reinforcement of verifications of cross-border transactions.
- Boosting cross-border investigations on cross-border transactions.
- Closer dialogue/agreements with international partners (3rd countries).
- Dispute prevention and resolution for VAT.
- Revise the VAT special scheme for travel agents.
- Greener taxation of the passenger transport sector.

As these proposals are published, detailed discussions will begin between Member States and the EU Commission.

8.2 Modernisation of VAT on e-commerce - Implementing Regulations

In December 2017, the Commission adopted the VAT on e-commerce package, which changes how VAT is collected on certain e-commerce transactions within the EU. The package was introduced to tackle e-commerce VAT fraud and does so via the expansion of the VAT Mini One Stop Shop (MOSS) to the VAT One Stop Shop (OSS) and the introduction of the Import One Stop Shop (IOSS). It further abolishes the €22 VAT low value consignment relief for third-country imports and makes online platforms and marketplaces liable for the VAT

due on certain 3rd country imports where the supply is facilitated through their online portal and where the intrinsic value of the consignment does not exceed €150.

Implementing Proposals were published on 10 December 2018 that lay down detailed rules needed to support the VAT on e-commerce package, including defining when sales of goods are facilitated by a platform or marketplace, and the introduction of practical measures to make the new operation run smoothly. The file was adopted by Council at March 2019 ECOFIN but in the context of the COVID-19 pandemic, agreement was reached at Council to delay the introduction of the new measures until 1 July 2021.

These measures were introduced across the EU, including in Ireland, on 1 July 2021 and their impact is being monitored by the Commission and Member States.

8.3 Outstanding Proposals

8.3.1 Definitive System

The Commission's proposal on a Detailed Definitive System for VAT was published in tandem with the Rates proposal in 2018. The proposal would have made a number of major changes, including changing the place of supply of business-to-business cross-border goods from the Member State of the supplier to the Member State of the consumer. This would better support the single market by ensuring that the consumer was always charged the same VAT regardless of where the supplies of goods came from.

Included in the definitive proposal is a measure to remove the transitional VAT system that has applied since 1992. This includes the removal of all VAT derogations that were not already removed by the VAT Rates proposal. This is significant for Ireland as we apply derogated VAT rates to a wide range of economic activity.

Discussions on this proposal at EU level have been slow and agreement is not expected in the medium term.

8.3.2 VAT Committee

The first of the proposals on the Commission's Tax Action Plan was published in December 2020 and relates to the VAT committee. As it is an advisory committee, the VAT Committee can currently only agree non-binding guidelines on the application of the VAT Directive.

The Commission's proposal was to establish the committee on a comitology basis, which would confer implementing powers on it on the basis of qualified majority voting (QMV). This would move away from the current treatment of VAT files, which are subject to agreement by unanimity. A significant number of Member States expressed concern over the proposal, highlighting that it was not in line with the principle of proportionality. It was suggested that the use of Council implementing regulations would be the best way to achieve any necessary clarity in respect of provisions in the VAT Directive.

Given the conflicting approaches between many Member States and the Commission any further discussions on this file will have to focus on the use of Council implementing regulations, which are subject to unanimity, over the proposed change to the VAT Committee from an advisory to comitology committee.

9. New Framework for VAT rates

9.1 Process

In January 2018 an initial proposal to amend the VAT Directive in respect of VAT rates was brought forward by the Commission. Negotiations continued through a number of Presidencies. Significant progress was made during the Portuguese Presidency before the Slovenian Presidency presented a compromise text that all Member States could agree to in December 2021. The final legal text was agreed by Ministers at ECOFIN in April 2022 and the amendment came into effect on 6 April 2022.

In discussions on the VAT Rates proposal Ireland argued consistently for greater flexibility for all Member States and for Member States to retain all exemptions and reduced rates available from historical derogations insofar as possible.

Concerns relating to parked rates were shared by many Member States and on that basis their retention has been incorporated into the VAT Rates Directive.

A majority of Member States expressed concern over the lack of a budget safeguard within the proposal. These Member States argued that an overly flexible approach could have negative ramifications for the revenue base. This concern was addressed through the introduction of new limits on the application of zero rates and reduced rates permitted under Annex III.

One of the goals of the Commission was to align VAT rates to the Green Deal where possible. This has included specifically phasing out reduced rates for fossil fuels, such as coal, peat, natural gas, etc., by 2030 and on pesticides and chemical fertilisers by 2032.

9.2 Expanded Annex III

Annex III of the VAT Directive lists those goods and services to which a reduced rate may be applied. The 24 items of Annex III are to be expanded to 33. Some of the original categories have also been amended. Appendix 2 sets out the text of the new Annex III alongside the previous Annex III for comparison purposes.

9.3 New limits in application of reduced rates

The VAT Directive now includes two new limitations on the use of Annex III by Member States. The first limits Member States to using a maximum of 7 categories that a zero or super-reduced rate of VAT (rates lower than 5%) can be applied to. The second limits Member States to using a maximum of 24 categories that a reduced rate can be applied to. The 7 category limit is exclusive of the 24 category limit but in Ireland's case it is important to note that in most of the categories where we currently apply a zero rate, we also apply a reduced rate.

9.4 Exemptions without deductibility

The adopted text makes no changes to the VAT Directive that would impact on the use of exemptions without deductibility. Such exemptions have the effect of removing these categories from the VAT system for practical purposes.

The Directive allows Member States to maintain historic VAT treatment under certain conditions and Ireland has retained the application of a VAT exemption without deductibility to four categories:

1. passenger transport,
2. water,
3. admission to sporting events, and
4. funeral services

The new agreement on VAT rates permits Ireland to continue to apply these exemptions. If the exemptions were to be removed, VAT would have to be charged to the final customer in some cases and even where a zero rate of VAT would be permitted there would be a cost to the Exchequer of allowing VAT deductibility for the provision of transport or water services.

9.5 Parked rates

Many Member States make use of what are referred to as 'Parked Rates'. Certain supplies do not appear in Annex III but can have a reduced rate applied to them so long as that rate does not drop below 12%. These are rates that were applicable at a point in time (1991) that Member States are entitled to retain.

The parked rate currently applied in Ireland is 13.5% and is applied to the following:

Parked Rates applied in Ireland	
1	The supply of live horses other than horses normally intended for use in - (a) the preparation of foodstuffs, or (b) agricultural production. non-residential immovable goods.
2	The hire of horses
3	The supply of live greyhounds
4	The supply of insemination services for greyhounds
5	The supply of insemination services for horses other than horses normally intended for use in - (a) the preparation of foodstuffs, or (b) agricultural production
6	The supply of horse semen from horses other than horses normally intended for use in - (a) the preparation of foodstuffs, or (b) agricultural production
7	Supply of non-residential immovable goods.
8	Development of and work on non-residential immovable goods.
9	Routine cleaning of non-residential immovable goods.
10	Supply of pourable concrete and concrete blocks.
11	Energy for heating and light - Coal, peat, other solid fuels, electricity, gas, heating oil.
12	Supplies relating to photography.
13	Short-term hire (less than 5 weeks) of: - motor vehicles designed for the conveyance of persons by road, - ships, boats and other vessels not exceeding 15 tonnes gross designed for the conveyance of passengers, - sports and pleasure craft, - caravans, mobile homes, tents and trailer tents.
14	Repair and maintenance of movable goods.
15	Services relating to the care of the human body – including services provided in the course of a health studio business or similar, but excluding hairdressing, sunbed services, and exempt activities.
16	Services supplied in the course of their profession by jockeys
17	Professional services supplied by veterinary surgeons
18	Tour guide services
19	Driving instruction

Parked rates are to be left in place by the proposal and Ireland will be in a position to maintain all of the parked rates listed above. In some cases they will be incorporated into the new Annex III and in others will be maintained under a new provision in the compromise text, Article 105a.

However, in line with the principle of equal treatment each Member State will be given an opportunity to mirror the application of parked rates in other Member States. It should be noted that Ireland already has more parked rates than any other Member State.

9.6 New Policy Options

With the revised Annex III of the VAT Directive a number of new policy options are now available to Government that they may wish to consider.

9.6.1 Zero Rate for Non Oral Medicines

Ireland can now expand the zero rate that currently applies to certain oral medicines to cover non oral medicines. This would include but is not limited to injections, infusions, liniments, ointments and transdermal patches. The Department of Health have suggested that all non-oral medications on the HSE's formal reimbursement list benefit from a zero VAT rate.

The Department of Health notes that this would be in line with the Programme for Government which contains a commitment 'to reduce the cost of medicines, including via generic prescription, where appropriate, and to set a fair price for drug reimbursement'.

The Department of Health also notes that Ireland's national tobacco control policy, Tobacco Free Ireland, contains a recommendation to advocate for the removal of VAT on Nicotine Replacement Therapy.

The estimated cost of this measure is approximately €145 million per annum.

9.6.2 Zero Rate for Non Oral Animal Medicine / Vaccines

The Department of Agriculture and Food have suggested that animal medicines would also benefit from the application of a zero rate to non-oral medicines. They have highlighted that the variation in the VAT treatment for some non-oral medicines for animals is problematic for a number of reasons.

- Oral vaccines are generally administered through feed, treating an entire flock rather than an individual animal. In contrast non-oral vaccines allow for greater selectivity of the animal to be treated.
- Some vaccines are only available in injectable form e.g., vaccines for leptospira in cattle and pigs with the added cost associated with the VAT acting as a deterrent to usage.

- Oral vaccines involve greater risk from a health and safety perspective as it is necessary to restrain the animal to administer the dose. The higher VAT rate on the injectable i.e., non-oral, form can act as a deterrent to its use over the oral form in these circumstances.
- In some instances, oral vaccines can induce immunity quicker e.g., oral IBR vaccine v injectable in calves resulting in improved herd health.

The Department of Agriculture and Food notes that farm organisations have called in recent Budget Submissions for a 0% VAT rate on non-oral animal medicines and vaccines to increase uptake. The position of the Department of Agriculture and Food is that a zero rate of VAT on non-oral medicines such as vaccines would increase use, optimise animal health, improve food safety, food security, farm profitability and help mitigate the impact of the agricultural sector on climate change, effectively delivering a public good for all of society.

It is not possible to estimate a cost for this measure as traders are not required to separately identify the VAT generated from the sale or supply of specific products or services in their VAT returns. However, as oral medicines currently have a zero rate of VAT applied it is not expected that extending a zero rate to non-oral medicines will have a significant impact on the Exchequer.

9.6.3 Expanded Zero Rate for Medical Equipment

The category within Annex III dealing with medical equipment has been amended to widen its scope and a zero rate can now be applied to medical equipment not previously covered by Ireland's historical derogation in this area.

This would allow Ireland to apply a zero rate to defibrillator machines. The Department of Health have noted a need for greater need for automated external defibrillators (AEDs) to be made publicly accessible and registered so that any member of the public can be directed to the nearest machine and instructed how to use it.

This strategy notes that Ireland has one of the highest By-Stander CPR rates in the world at circa 84% however our "pads on chest" using an AED is much lower at circa 7%. Therefore, the OHCA Strategy Implementation Steering Group have prioritised the purchase, installation and registry of AEDs. The average cost of an AED with kit bag is circa €1,500 ranging from €900 to €4,000. The Department of Health have indicated that a zero rate of VAT would increase their availability to the public.

It is not possible to estimate a cost for this measure as traders are not required to separately identify the VAT generated from the sale or supply of specific products or services in their VAT returns.

9.6.4 Expanded zero rate for period products

Following the recommendations of the Period Poverty Working Group led by the Department of Health in conjunction with the National Strategy for Women and Girls the VAT rate on newer period products was previously reduced to 13.5%. The option now exists to apply a zero rate to these newer period products which include menstrual pants, menstrual sponges and menstrual cups.

It is not possible to estimate a cost for this measure as traders are not required to separately identify the VAT generated from the sale or supply of specific products or services in their VAT returns. However, the cost to such a measure is likely to be negligible.

9.6.5 Zero or reduced rate for solar panels and for other retrofitting materials

The Minister for Environment and Climate Change has suggested that the rate of VAT applying to materials, equipment and devices used in the process of retrofitting buildings to improve their energy efficiency such as insulation materials, heat pumps, solar panels and batteries, solar thermal panels be reduced. Currently a number of different rates apply to these products. For instance, a standard rate of VAT applies to the supply of solar panels at present, whilst a reduced rate of 13.5% applies to heat pumps and property insulation. Under the amended Annex III of the VAT Directive, it is possible to apply a reduced rate when the supply of solar panels is for on and adjacent to public and other buildings used for activities in the public interest, or on housing and private dwellings. The lowest rate that can be applied for the supply of such products is a zero rate.

It is important to note that the VAT rate for the installation of fixtures and fittings is 13.5%, including where the supply itself would be subject to the standard rate of VAT as with solar panels. It is possible for Ireland to apply the 9% reduced VAT rate to the supply and construction of housing, as part of a social policy and to the repair and renovation of residential housing. As noted in Section 6.3 above, having two separate VAT rates applying to construction services could introduce significant complexity to the sector and risks possible underpayments of VAT.

The Minister for Environment and Climate Change suggests that these actions will help to stimulate the decarbonization of the residential development sector and reduce energy costs for households. The Minister noted that the energy efficiency of a home will result in a permanent reduction in the property's energy needs. In addition, he suggests that a VAT reduction could also ease inflationary pressures which are particularly acute in the energy and construction sectors, highlighting that the UK government has already taken measures to reduce the VAT on the installation of energy-saving materials and heating equipment.

It is not possible to estimate a cost for this measure as traders are not required to separately identify the VAT generated from the sale or supply of specific products or services in their VAT returns.

9.6.6 Other products

Representations have also been received in relation to other products and services. A number of representations have been received seeking to apply a reduced VAT rate for bicyles, which currently have a standard VAT rate applied. The estimated cost of reducing the VAT rate on bicycles to 13.5% is €6 million.

Representations have also been received requesting that the reduced rate applying to newspapers and periodicals have a zero rate applied, reduced from the current reduced rate of 9%. The estimated cost of a applying a zero rate of VAT to newspapers and periodicals is €41 million.

10. Gender and Equality Implications

Gender

Gender-specific measures can be difficult to enact in the VAT system, as the principle of fiscal neutrality dictates that similar products must be treated similarly – except in the cases of historical derogations, or where the EU has agreed specified discretion in the setting of VAT rates.

As outlined above it is now possible to apply a zero rate to newer period products such as period pants, menstrual sponges, and menstrual cups. These remain a tiny fraction of period products sold and a zero rate already applies to most period products such as tampons and sanitary pads.

Equality

In general, changes to VAT rates must be considered alongside the awareness that indirect taxes tend to be more regressive than others. Those in lower income deciles tend to spend proportionately more of their income via indirect taxes than those in higher income deciles. Ireland's VAT rate structure reflects efforts to compensate for this with more products having a zero rate of VAT applied in Ireland than in other Member States.

July 2022

Appendix 1

LIST OF VAT RATES APPLIED IN THE MEMBER STATES (1 January 2022)

Member States	Zero	Super	Reduced	Standard	Parked
Austria	-	-	10 / 13	20	13
Belgium	0	-	6 / 12	21	12
Bulgaria	-	-	9	20	-
Cyprus	0	-	5 / 9	19	-
Czechia	-	-	10/15	21	-
Germany	-	-	7	19	-
Denmark	0	-	-	25	-
Estonia	0	-	9	20	-
Greece	0	-	6 / 13	24	-
Spain	-	4	10	21	-
Finland	0	-	10 / 14	24	-
France	0	2.1	5.5 / 10	20	-
Croatia	-	-	5 / 13	25	-
Hungary	0	-	5 / 18	27	-
Ireland	**0**	**4.8**	**9 / 13.5**	**23**	**13.5**
Italy	0	4	5 / 10	22	-
Lithuania	-	-	5 / 9	21	-
Luxembourg	-	3	8	17	14
Latvia	0	-	5/12	21	-
Malta	0	-	5 / 7	18	-
Netherlands	0	-	9	21	-
Poland	0	-	5 / 8	23	-
Portugal	-	-	6 / 13	23	13
Romania	-	-	5 / 9	19	-
Sweden	0	-	6/12	25	-
Slovenia	0	-	9.5	22	-
Slovak Republic	-	-	10	20	-
Average		**3.6**	**6.3/ 10.8**	**21.5**	**13.1**

Appendix 2

Revised Annex III of the VAT Directive

	Previous Annex III	Revised Annex III
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;	No change
2	Supply of water;	No change
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;	Pharmaceutical products used for medical and veterinary purposes, including products used for contraception and female sanitary protection, and absorbent hygiene products;

	Previous Annex III	**Revised Annex III**
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;	Medical equipment, appliances, devices, items, aids and protective gear, including health protection masks, normally intended for use in health care or for the use of the disabled, goods essential to compensate and overcome disability, as well as the adaptation, repair, rental and leasing of such goods;
5	Transport of passengers and their accompanying luggage;	Transport of passengers and the transport of goods accompanying them, such as luggage, bicycles, including electric bicycles, motor or other vehicles, or the supply of services relating to the transport of passengers;
6	Supply, including on loan by libraries, of books, newspapers and periodicals either on physical means of support or supplied electronically or both (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), other than publications wholly or predominantly devoted to advertising and other than publications wholly or predominantly consisting of video content or audible music;	Supply, including on loan by libraries, of books, newspapers and periodicals either on physical means of support or supplied electronically or both (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), other than publications wholly or predominantly devoted to advertising and other than publications wholly or predominantly consisting of video content or audible music; production of publications of non-profit-making organisations and services related to such production;

	Previous Annex III	**Revised Annex III**
7	Admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities;	Admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities, and access to the live streaming of these events or visits;
8	Reception of radio and television broadcasting services;	Reception of radio and television broadcasting services and webcasting of the same programmes provided by a media service provider; internet access services provided as part of digitalisation policy, defined by Member States
9	Supply of services by writers, composers and performing artists, or of the royalties due to them;	No change
10	Provision, construction, renovation and alteration of housing, as part of a social policy;	Supply and construction of housing, as part of a social policy, as defined by the Member States; renovation and alteration, including demolition and reconstruction, and repairing of housing and private dwellings; letting of immovable property for residential use;

	Previous Annex III	**Revised Annex III**
10a	Renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied;	Construction and renovation of public and other buildings used for activities in the public interest;
10b	Window-cleaning and cleaning in private households;	No change
10c	Not previously in text of Annex III	Supply and installation of solar panels on and adjacent to public and other buildings used for activities in the public interest, housing and private dwellings referred to in point 10;
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;	Supply of goods and services of a kind normally intended for use in agricultural production but excluding capital goods such as machinery or buildings; [and, until 1 January 2032] supply of chemical pesticides and chemical fertilisers
11a	Not previously in text of Annex III	Live equines and the supply of services related to live equines;
12	Accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites;	No change

	Previous Annex III	**Revised Annex III**
12a	Restaurant and catering services, it being possible to exclude the supply of (alcoholic and/or non-alcoholic) beverages;	No change
13	Admission to sporting events;	Admission to sporting events, and access to the live streaming of these events; use of sporting facilities, and the supply of sport or physical exercise classes also when live streamed;
14	Use of sporting facilities;	To be deleted
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;	Supply of goods and services by organisations engaged in welfare or social security work as defined by Member States and recognised as being devoted to social wellbeing by Member States, 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;	No change

	Previous Annex III	**Revised Annex III**
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);	No change
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.	Supply of services provided in connection with sewage, street cleaning, refuse collection and waste treatment or waste recycling, other than the supply of such services by bodies referred to in Article 13;
19	Minor repairing of bicycles, shoes and leather goods, clothing and household linen (including mending and alteration);	Supply of repairing services of household appliances, shoes and leather goods, clothing and household linen (including mending and alteration);
20	Domestic care services such as home help and care of young, elderly, sick or disabled;	No change
21	Hairdressing;	No change

	Previous Annex III	Revised Annex III
22	Not previously in text of Annex III	Supply of electricity, district heating and district cooling, and biogas produced by the feedstock listed in Part A of Annex IX to Directive 2018/2001; supply and installation of highly efficient low emissions heating systems meeting the emission (PM) benchmarks laid down in Annex V of Commission Regulation (EU) 2015/1189 and in Annex V of Commission Regulation (EU) 2015/1185 respectively and having been attributed an EU energy label to show that the criterion referred to in Article 7(2) of Regulation (EU) 2017/1369 is met; and, until 1 January 2030, natural gas and wood used as firewood;
23	Not previously in text of Annex III	Live plants and other floricultural products, including bulbs, cotton, roots and the like, cut flowers and ornamental foliage;
24	Not previously in text of Annex III	Children's clothing and footwear; supply of children's car seats;
25	Not previously in text of Annex III. Elements appeared as part of point 19	Supply of bicycles, including electric bicycles; rental and repairing services of such bicycles;
26	Not previously in text of Annex III	Supply of works of art, collectors' items and antiques listed in Annex IX, Parts A, B and C;
27	Not previously in text of Annex III	Legal services supplied to people under a work contract and unemployed people in labour court proceedings, and legal services supplied under the legal aid scheme, as defined by Member States

	Previous Annex III	**Revised Annex III**
28	Not previously in text of Annex III	Tools and other equipment of a kind normally intended for use in rescue or first aid services when supplied to public bodies or non-profit-making organisations active in civil or community protection;
29	Not previously in text of Annex III	Supply of services in connection with the operation of lightships, lighthouses or other navigational aids and life-saving services including the organisation and maintenance of the lifeboat service;

Appendix 3

Zero rates within the new VAT Framework

Category	Original Annex III	Proposed Expanded Annex III	Zero Rate Limits	
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;	No change	Ireland currently applies a zero rate, a reduced rate and the standard rate to this category. Ireland can maintain a zero rate on this category under the adopted framework as one of our seven categories.	1/7
2	Supply of water;	No change	Ireland applies an exemption without deductibility to this category without reference to Annex III. This can be maintained without counting towards Ireland's seven category limit.	N/A
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;	Pharmaceutical products used for medical and veterinary purposes, including products used for contraception and female sanitary protection, and absorbent hygiene products;	Some parts of category are currently zero rated in Ireland. Other parts have a reduced rate applied. Ireland can maintain a zero rate on this category under the adopted framework as one of our seven categories.	2/7

Category	Original Annex III	Proposed Expanded Annex III	Zero Rate Limits	Category
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;	Medical equipment, appliances, devices, items, aids and protective gear, including health protection masks, normally intended for use in health care or for the use of the disabled, goods essential to compensate and overcome disability, as well as the adaptation, repair, rental and leasing of such goods;	Some parts of category are currently zero rated in Ireland. Other parts have a reduced rate applied. Ireland can maintain a zero rate on this category under the adopted framework as one of our seven categories.	3/7
5	Transport of passengers and their accompanying luggage;	Transport of passengers and the transport of goods accompanying them, such as luggage, bicycles, including electric bicycles, motor or other vehicles, or the supply of services relating to the transport of passengers;	Ireland applies an exemption without deductibility to this category without reference to Annex III. This can be maintained without counting towards Ireland's seven category limit.	N/A

Category	Original Annex III	Proposed Expanded Annex III	Zero Rate Limits	Category
6	Supply, including on loan by libraries, of books, newspapers and periodicals either on physical means of support or supplied electronically or both (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), other than publications wholly or predominantly devoted to advertising and other than publications wholly or predominantly consisting of video content or audible music;	Supply, including on loan by libraries, of books, newspapers and periodicals either on physical means of support or supplied electronically or both (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), other than publications wholly or predominantly devoted to advertising and other than publications wholly or predominantly consisting of video content or audible music; production of publications of non-profit-making organisations and services related to such production;	Some parts of category are currently zero rated in Ireland. Other parts have a reduced rate applied. Ireland can maintain a zero rate on this category under the adopted framework as one of our seven categories.	4/7
10c	Not previously in text of Annex III	Supply and installation of solar panels on and adjacent to public and other buildings used for activities in the public interest, housing and private dwellings referred to in point 10;	A reduced rate is currently applied to some items covered in this category (i.e. installation of solar panels).	

Category	Original Annex III	Proposed Expanded Annex III	Zero Rate Limits	Category
24	Not previously in text of Annex III	Children's clothing and footwear; supply of children's car seats;	Children's clothing and shoes are currently zero rated in Ireland. Children's car seats have a reduced rate. Ireland can maintain a zero rate on the items in this category that currently have a zero rate under the adopted framework as one of our seven categories.	5/7
29	Not previously in text of Annex III	Supply of services in connection with the operation of lightships, lighthouses or other navigational aids and life-saving services including the organisation and maintenance of the lifeboat service;	Currently zero rated in Ireland. Ireland can maintain a zero rate on this category under the adopted framework as one of our seven categories.	6/7

Appendix 4

Reduced rates within the new VAT Framework

Revised Annex III of the VAT Directive		Limits	Comment
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;	1/7 1/24	Ireland currently applies a zero rate, a reduced rate and the standard rate to this category. Ireland can maintain a zero rate on this category under the adopted framework as one of our 7 categories. This also counts as one of our 24 categories.
2	Supply of water;	N/A	Ireland applies an exemption without deductibility to this category without reference to Annex III. This can be maintained without counting towards Ireland's 7 or 24 category limit.
3	Pharmaceutical products used for medical and veterinary purposes, including products used for contraception and female sanitary protection, and absorbent hygiene products;	2/7 2/24	Some parts of category are currently zero rated in Ireland. Other parts have a reduced rate applied. Ireland can maintain a zero rate on this category under the adopted framework as one of our 7 categories. This also counts as one of our 24 categories.
4	Medical equipment, appliances, devices, items, aids and protective gear, including health protection masks, normally intended for use in health care or for the use of the disabled, goods essential to compensate and overcome disability, as well as the adaptation, repair, rental and leasing of such goods;	3/7 3/24	Some parts of category are currently zero rated in Ireland. Other parts have a reduced rate applied. Ireland can maintain a zero rate on this category under the adopted framework as one of our 7 categories. This also counts as one of our 24 categories.

	Revised Annex III of the VAT Directive	Limits	Comment
5	Transport of passengers and the transport of goods accompanying them, such as luggage, bicycles, including electric bicycles, motor or other vehicles, or the supply of services relating to the transport of passengers;	N/A	Ireland applies an exemption without deductibility to this category without reference to Annex III. This can be maintained without counting towards Ireland's 7 or 24 category limit.
6	Supply, including on loan by libraries, of books, newspapers and periodicals either on physical means of support or supplied electronically or both (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), other than publications wholly or predominantly devoted to advertising and other than publications wholly or predominantly consisting of video content or audible music; production of publications of non-profit-making organisations and services related to such production;	4/7 4/24	Some parts of category are currently zero rated in Ireland. Other parts have a reduced rate applied. Ireland can maintain a zero rate on this category under the adopted framework as one of our 7 categories. This also counts as one of our 24 categories.
7	Admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities, and access to the live streaming of these events or visits;	5/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
8	Reception of radio and television broadcasting services and webcasting of the same programmes provided by a media service provider; internet access services provided as part of digitalisation policy, defined by Member States		Not currently applied in Ireland

	Revised Annex III of the VAT Directive	Limits	Comment
9	Supply of services by writers, composers and performing artists, or of the royalties due to them;		Not currently applied in Ireland
10	Supply and construction of housing, as part of a social policy, as defined by the Member States; renovation and alteration, including demolition and reconstruction, and repairing of housing and private dwellings; letting of immovable property for residential use;	6/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
10a	Construction and renovation of public and other buildings used for activities in the public interest;		Not currently applied in Ireland
10b	Window-cleaning and cleaning in private households;	7/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
10c	Supply and installation of solar panels on and adjacent to public and other buildings used for activities in the public interest, housing and private dwellings referred to in point 10;	8/24	A reduced rate is currently applied to items covered in this category which can be maintained within Ireland's 24 category limit.
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; [and, until 1 January 2032] supply of chemical pesticides and chemical fertilisers	9/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
11a	Live equines and the supply of services related to live equines;	10/24	A reduced rate is currently applied to items covered in this category which can be maintained within Ireland's 24 category limit.

	Revised Annex III of the VAT Directive	Limits	Comment
12	Accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites;	11/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
12a	Restaurant and catering services, it being possible to exclude the supply of (alcoholic and/or non-alcoholic) beverages;	12/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
13	Admission to sporting events, and access to the live streaming of these events; use of sporting facilities, and the supply of sport or physical exercise classes also when live streamed;	13/24	Ireland applies an exemption without deductibility to the use of sporting facilities without reference to Annex III. This can be maintained without counting towards Ireland's 7 or 24 category limit. Other aspects of the category have a reduced rate applied which can be maintained and will count towards Ireland's 24 category limit.
14	Deleted		
15	Supply of goods and services by organisations engaged in welfare or social security work as defined by Member States and recognised as being devoted to social wellbeing by Member States, in so far as those transactions are not exempt pursuant to Articles 132, 135 and 136;		Not currently applied in Ireland
16	Supply of services by undertakers and cremation services, and the supply of goods related thereto;	N/A	Ireland applies an exemption without deductibility to funeral services without reference to Annex III. This can be maintained without counting towards Ireland's 7 or 24 category limit.

	Revised Annex III of the VAT Directive	Limits	Comment
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);		Not currently applied in Ireland However, a reduced rate is currently applied to services consisting of care of the human body (yoga, fitness and aerobics classes, etc), which are not exempted pursuant to Article 132 points (b) to (e) – VATCA 2010 Schedule 3 paragraph 21 (1) (a) refers. This reduced rate is applied due to a historic derogation.
18	Supply of services provided in connection with sewage, street cleaning, refuse collection and waste treatment or waste recycling, other than the supply of such services by bodies referred to in Article 13;	14/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
19	Supply of repairing services of household appliances, shoes and leather goods, clothing and household linen (including mending and alteration);	15/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
20	Domestic care services such as home help and care of young, elderly, sick or disabled;		Not currently applied in Ireland
21	Hairdressing.	16/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.

	Revised Annex III of the VAT Directive	**Limits**	**Comment**
22	Supply of electricity, district heating and district cooling, and biogas produced by the feedstock listed in Part A of Annex IX to Directive 2018/2001; supply and installation of highly efficient low emissions heating systems meeting the emission (PM) benchmarks laid down in Annex V of Commission Regulation (EU) 2015/1189 and in Annex V of Commission Regulation (EU) 2015/1185 respectively and having been attributed an EU energy label to show that the criterion referred to in Article 7(2) of Regulation (EU) 2017/1369 is met; and, until 1 January 2030, natural gas and wood used as firewood;	17/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit. Note that some supplies within this category that Ireland currently applies a reduced rate to must be phased out by 1 January 2030.
23	Live plants and other floricultural products, including bulbs, cotton, roots and the like, cut flowers and ornamental foliage;	18/24	A reduced rate is currently applied in this category which can be maintained within Ireland's 24 category limit.
24	Children’s clothing and footwear; supply of children's car seats;	5/7 19/24	Children's clothing and shoes are currently zero rated in Ireland. Children's car seats have a reduced rate. Ireland can maintain a zero rate on this category under the adopted framework as one of our 7 categories. This also counts as one of our 24 categories.
25	Supply of bicycles, including electric bicycles; rental and repairing services of such bicycles;	20/24	Ireland currently applies a reduced rate to repair of bicycles. This can be maintained as one of our 24 categories

	Revised Annex III of the VAT Directive	**Limits**	**Comment**
26	Supply of works of art, collectors' items and antiques listed in Annex IX, Parts A, B and C;	21/24	Ireland currently applies a reduced rate to works of art. This can be maintained as one of our 24 categories
27	Legal services supplied to people under a work contract and unemployed people in labour court proceedings, and legal services supplied under the legal aid scheme, as defined by Member States		Not currently applied in Ireland
28	Tools and other equipment of a kind normally intended for use in rescue or first aid services when supplied to public bodies or non-profit-making organisations active in civil or community protection;		Not currently applied in Ireland
29	Supply of services in connection with the operation of lightships, lighthouses or other navigational aids and life-saving services including the organisation and maintenance of the lifeboat service;	6/7	Currently zero rated in Ireland. No reduced rate is applied in Ireland. Ireland can maintain a zero rate on this category under the adopted framework as one of our seven categories. As no reduced rate is applied it does not count as one of our 24 categories.

An Roinn Airgeadais
Department of Finance

Tithe an Rialtas. Sráid Mhuirfean Uacht,
Baile Átha Cliath 2, D02 R583, Éire
Government Buildings, Upper Merrion Street,
Dublin 2, D02 R583, Ireland

T:+353 1 676 7571
@IRLDeptFinance
www.gov.ie/finance