

Chapter 2

Value added taxes: Rates and structure

This chapter describes the key features of VAT regimes in OECD countries, i.e. tax rates, exemptions, specific restrictions to input tax credit, registration and collection thresholds, VAT relief arrangements for goods imported by final consumers and special tax collection methods. It is complemented with a technical discussion of the rationale and impact of reduced VAT rates, based on recent OECD research.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Introduction

Although most VAT systems are built on the same core VAT principles (see Chapter 1), there is considerable diversity in the structure of VAT systems in OECD countries. This is notably illustrated by the variety of reduced rates, exemptions and other preferential treatments and special regimes that are widely used in OECD countries, often for equity or social objectives or for practical or historical reasons.

This chapter presents an overview of the VAT rate structures in OECD countries and their evolution between 1975 and 2014 (Section 2) and looks in some detail at the VAT exemptions that exist in these countries (Section 3). This is followed by an overview and analysis of the wide variety of special regimes used in OECD countries in the following areas: specific restrictions on the right to deduct VAT on specific inputs (Section 4), registration and collection thresholds (Section 5), VAT relief arrangements for goods imported by final consumers (Section 6) and special VAT collection methods (Section 7). The last section (Section 8) presents a further detailed technical discussion of the rationale and impact of reduced VAT rates, based on recent OECD research.

2. The evolution of standard rates and reduced rates

The evolution of VAT rates can be divided into three periods. During the first period between 1975 and 2000, when many countries first implemented their VAT system, many countries progressively raised their standard rates. Out of the 31 countries that had a VAT in 1995, 20 had raised their standard rate at least once since implementation. Between 1975 and 2000, the OECD average standard rate rose from 15.6% to 18%.

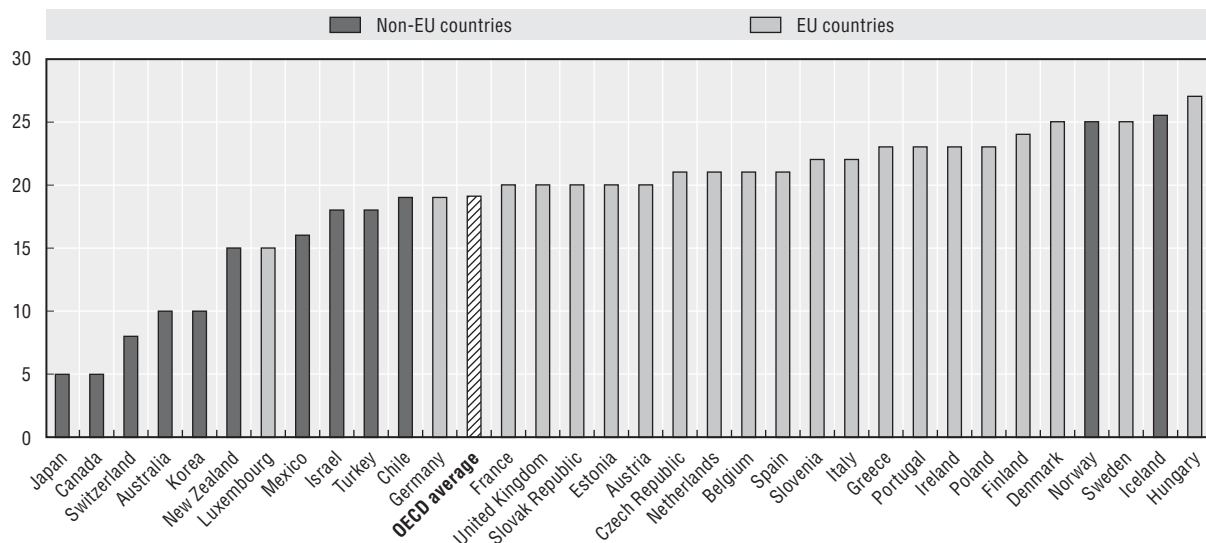
During a second period, between 2000 and 2009, the standard rate of VAT remained stable in most countries, with 22 out of 33 countries maintaining a rate between 15% and 22%. As of 1 January 2009, only 5 countries had a standard rate above 22% (Denmark, Finland, Iceland, Norway and Sweden). Between 2000 and 2009, the OECD average standard rate declined slightly from 18% to 17.6% (see Table 2.A2.1).

The third period, between 2009 and 2014, is marked by a strong increase in the standard VAT rate in many countries in response to financial consolidation pressures caused by the economic and financial crisis. During this short period, 21 countries raised their standard VAT rate at least once. These changes occurred principally in European Union countries (Czech Republic, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain and United Kingdom) but also in a few non-EU countries (Iceland, Israel, Japan, Mexico, New Zealand and Switzerland). Only two countries lowered their standard VAT rate temporarily and have raised it again (Ireland and the United Kingdom). This resulted in a hike of the unweighted OECD average standard VAT rate from 17.6% in January 2009 to 19.1% on 1 January 2014. Ten OECD countries now have a standard rate above 22% against only four in 2009. Since January 2014, Japan has raised its standard rate from 5% to 8% (on


1 April 2014) and a further increase to 10% is planned for October 2015. Luxembourg has also decided to raise its standard rate from 15% to 17% as of 1 January 2015.

While most OECD countries have increased their standard VAT rate at least once between 2009 and 2014, there are still major differences in standard rates among the OECD countries, with rates ranging from 5% in Canada (although most Canadian provinces levy sales taxes or Harmonised Sales Taxes alongside the Federal 5%) and 8% in Japan and Switzerland to 25% in Denmark, Norway and Sweden; 25.5% in Iceland and even 27% in Hungary (see Figure 2.1).

Figure 2.1. **Standard rates of VAT, 2014**



Source: Author's work based on country information.

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The average standard rate of the 21 OECD countries that are members of the European Union (21.7%) is significantly above the OECD average (19.1%). Member States of the European Union are bound by common rules regarding VAT rates (VAT Directive 2006/112/EC). These rules provide that supplies of goods and services are normally subject to a standard rate of at least 15%. Two reduced rates of not less than 5% may be applied to a restricted list of goods and services as well as to certain labour intensive services, but no rate can be higher than the standard rate. However, a multitude of derogations have been granted to many EU countries and, as a result, more than 40 different standard and reduced VAT rates apply in EU. Many reduced rates are also applied in other OECD countries but no one applies higher rates than the standard rate.

One of the important reasons why countries are increasingly looking towards the VAT as a source of additional revenue to consolidate public budgets is because VAT is widely seen as a relatively growth-friendly tax. Indeed, evidence suggests that VAT distorts saving, investment and work incentives to a lesser degree than income taxes. Many countries have therefore chosen to seek additional revenues from VAT rather than other taxes.

While standard rates of VAT have risen, the base to which these rates are applied has often remained unchanged and many OECD countries continue to apply a wide variety of VAT exemptions and reduced rates (see Tables 2.A2.2 and 2.A2.4). In the majority of the

OECD countries that increased their standard rate at least once since 2009 (15 out of 20), the reduced VAT rates were not increased (Iceland, Israel, Italy, Netherlands, New Zealand and the United Kingdom) or they were increased to a lesser extent (Finland, Hungary, Ireland, Portugal, Slovenia, Spain, Switzerland and the United Kingdom) than the standard rates. In a number of countries (France, Hungary, Ireland, Poland and Slovak Republic), new or additional reduced VAT rates were implemented to reduce the difference between reduced and standard VAT rates or to compensate for the rate increase on a number of products. In four countries (Czech Republic, Estonia, Norway and Poland) the difference was reduced as lower VAT rate(s) were increased more than the standard rate. None of the OECD countries abolished its reduced VAT rate(s).

The choice of raising additional revenues by increasing the standard VAT rate instead of limiting the use of reduced rates and exemptions may, however, have adverse effects. In particular, when the standard VAT rate is increased (other things remaining equal) the amount of revenue forgone due to the application of reduced rates and exemptions also increases. The OECD uses the “VAT Revenue Ratio” as an indicator of VAT performance. This ratio expresses the VAT that is actually collected in a country as a proportion of the revenue that would be raised if the standard rate were applied to all consumption. Across the OECD, the unweighted average VRR appears to be just 0.55, meaning that 45% of the potential VAT revenue is not collected (see Table 3.A3.1). Although the VRR should be interpreted with caution and erosion of the tax base may be caused by a variety of factors, it suggests that there is significant potential for raising additional revenues by improving the performance of VAT systems without having to increase the standard rate. An alternative and potentially less distorting way of raising VAT revenue would be to broaden the tax base so that goods and services that are now subject to zero and reduced rates would gradually be taxed at the standard rate.

In addition, while VAT preferential treatments are often used for equity and social objectives (basic essentials, health, education, etc.), evidence suggests that they are not an effective way of achieving such distributional objectives (OECD, 2014). Better-off households tend to benefit more in absolute terms from VAT reduced rates as their consumption of the tax-favoured goods and services is generally greater than that of poorer households. A more effective policy to achieve distributional objectives may be to remove reduced VAT rates and use measures that are directly targeted at increasing the real incomes of poorer households. However, the obstacles to implementing such a reform (in particular regarding its perceived distributional impact) may be considerable and many countries appear to have found it politically easier to increase their standard VAT rate than to broaden the tax base (see technical note on rationale and impact of reduced VAT rates under Section 8).

3. Exemptions

In addition to reduced rates, countries extensively use exemptions (see Table 2.A2.4). When a supply is VAT-exempt, this means that the supplier may not charge VAT and is unable to recover the related input tax. In some jurisdictions, exemption is referred to as “input taxation” to make it clear that the supply is not free of VAT but that there is a “hidden VAT” in the price of the exempt supply. Exemptions should therefore not be confused with the absence of taxation.

Although it is a significant departure from the basic concept of VAT, all OECD countries (with the exception of New Zealand and Turkey) apply a number of exemptions. Exemptions are often justified on practical ground – where the output is hard to define and therefore to tax (such as financial and insurance services) – and/or to pursue distributional objectives (such as agricultural and fuel exemptions and exemptions for basic health and education). A number of exemptions have their roots in tradition (letting of immovable property, supply of land and buildings) or relate to activities considered as public service (education, postal services). Certain sectors that are exempt from VAT may also be subject to other specific taxes (e.g. property, insurance, financial services).

Exemptions beyond these core items are numerous and cover a wide diversity of sectors such as culture, legal aid, passenger transport, public cemeteries, waste and recyclable material, water supply, precious metals and agriculture (see Table 2.A2.4).

The standard advice in VAT design is to have a short list of exemptions, limited to basic health, education and perhaps financial services (OECD, 2013). By not allowing the deduction of input tax, VAT exemptions create an important exception to the neutrality of VAT (see Chapter 1). The following paragraphs provide an overview of the main consequences of exemptions, which are complex and often adverse.

VAT exemptions introduce a cascading effect when applied in a B2B context. The business making an exempt supply can be expected to pass on the uncreditable input tax in the price of this supply, while this “hidden tax” cannot subsequently be credited by the recipient business. If the outputs of this recipient business are not also exempt, this hidden VAT will presumably be part of the price for the supplies on which it will charge output VAT. The result is a hidden tax at a variable rate depending on the number of production stages that are subject to the tax. This distorts businesses’ production decisions and choices of organisational form. The size of this cascading effect depends on where the exemption is applied in the supply chain. If the exemption is applied immediately prior to the final sale, there is no cascading effect and the consequence is simply a loss of tax revenue since the value added at the final stage escapes tax. If the exemption occurs at some intermediate stage, the consequence of the cascading effect may be an increase of net revenues in a non-transparent manner.

Exemptions create incentives for reducing tax liability by vertical integration (“self-supply”) and disincentives for outsourcing as firms have an incentive to produce their inputs internally rather than to purchase externally and incur irrecoverable VAT. This may lead to economic inefficiencies as from the resulting distortion of the structure of the supply chain. It can also initiate a dynamic whereby exemptions feed on each other resulting in “exemption creep”: once a sector receives an exemption, it has an incentive to lobby for exemptions for those from whom it buys its inputs in order to avoid paying hidden VAT on its inputs.

Exemptions generally lead to the under-taxation of supplies to consumers, who face a tax burden equal to the tax on inputs used by the businesses without its value-added, and an over-taxation of businesses who are unable to deduct the “hidden” tax embedded in their inputs. It also leads to the taxation of investments rather than consumption, which is in contradiction with the main purpose of the tax.

In the international context, exemptions compromise the destination principle for taxation of internationally traded goods and services. When an exporter uses exempt inputs, it is not possible to remove the irrecoverable VAT resulting from the exemption

applied at an earlier stage in the production chain. On the other hand, businesses that use exempt inputs have an incentive to import from countries where they are zero rated for export instead of purchasing them from exempt domestic providers. It has been suggested that managing exemptions also imposes increased administrative and compliance costs. As is the case for differentiated rate structures, it may often be difficult for businesses and tax administrations to distinguish between exempt and taxable supplies, in particular in complex areas such as financial services. Businesses that make both taxable and exempt supplies are often faced with complex allocation rules to determine the share which is attributable to taxed outputs and for which it is thus entitled to an input tax credit. However, there is little evidence on the quantitative extent to which exemptions increase administration and compliance costs (Bird and Gendron, 2007).

Some consideration was given recently to the theoretical and practical justification of exemptions (de la Feria, 2013) and to the widening of the tax base by reducing the scope of exemptions as a valid alternative to increasing VAT rates (European Commission, 2010).

4. Restrictions to the right to deduct VAT on specific inputs

Although the burden of VAT should not fall on businesses, the right to deduct input taxes is limited to the extent that those inputs are used for businesses' taxable purposes. The right of deduction is legitimately denied in cases where inputs are used to make onward supplies that are not taxable, i.e. exempt without refund (e.g. health care, financial services) or outside the scope of VAT (e.g. supplies for no consideration). Input tax credit is also denied when purchases are not (wholly) used for the furtherance of taxable business activity, for example, when they are used for the private needs of the business owner or its employees (i.e. final consumption). All these limitations to the right of deduction are justified by the use businesses make of the related inputs and are perfectly consistent with the VAT principle.

In addition to the rules described above, most OECD countries have legislation in place that provides for restrictions to input tax deduction on a number of goods and services because of their nature rather than because of their use by businesses, generally with a view to ensure (input) taxation of their *deemed* final consumption (see Table 2.A2.5). Examples include entertainment, restaurant meals and gifts offered to clients as part of the business activity. Only five countries (Israel, Japan, New Zealand, Sweden and Switzerland) have not implemented any such limitations to the right of deduction.

Amongst the other 28 countries, input tax restrictions on entertainment is the most widespread although the items included in that category may vary widely. Depending on countries, this concept may include restaurant meals; (alcoholic) beverages; reception costs; hotel accommodation; attendance at sporting or cultural events; and gifts and transport services. In addition, the VAT connected with the use of cars is also often non-deductible.

In a number of countries, the input VAT restriction is limited to a portion of the VAT incurred. For example, the right of deduction for the VAT incurred on the use of cars by the employees of a business is limited to a fixed percentage. In some countries for example, only 50% of the VAT incurred is deductible, even if the car is fully used for business purposes.

The key rationale behind those limitations is threefold: *first*, it avoids the administrative burden associated with the need to control the actual use of such goods and services, which may be easily used for dual business/private purposes due to their very nature; *second*, it is a way of reducing the risks of fraud; *third*, such commodities often contain an element of

“consumption”. This is the case of restaurant meals, for example. However, the third justification may be considered inconsistent with the main features of the VAT system. Indeed, businesses (or their employees) never “consume” goods and services within the meaning of the VAT when they are used in the furtherance of a taxable activity.

5. Registration and collection thresholds

Another kind of VAT exemption is applied to particular businesses based on their size. In many countries, small firms below a threshold are not required to charge and collect the tax (Table 2.A2.3). Most OECD countries that utilise a VAT (28 out of 33) allow small businesses to exempt their supplies on the condition that they do not deduct input tax. The consequences of such “individual” exemptions are equivalent to treating small businesses as non-taxable businesses. There are two kinds of thresholds: registration thresholds that relieve suppliers from both the requirement to register for VAT and to collect the tax; and collection thresholds for which taxpayers, even those below the threshold, are required to register for VAT, but are relieved from collecting the tax until they exceed the threshold. Relief from registration and/or collection may also be available to specific industries or certain types of firms (e.g. non-resident suppliers).

The levels of these thresholds vary significantly across OECD countries and may be split into three broad groups:

- Fourteen member countries have a relatively high threshold (more than USD 30 000): Australia, Austria, Czech Republic, France, Hungary, Ireland, Italy, Japan, New Zealand, Poland, Slovak Republic, Slovenia, Switzerland and the United Kingdom. Of these, France and the United Kingdom have a particularly high threshold (above USD 90 000).
- Fourteen member countries have a relatively low threshold (between USD 1 500 and 30 000): Belgium, Canada, Denmark, Estonia, Finland, Germany, Greece, Iceland, Israel, Korea, Luxembourg, Netherlands, Norway and Portugal.
- Five member countries have no general exemption threshold: Chile, Mexico, Spain, Sweden and Turkey.

There is no consensus amongst OECD countries on the need for, or the level of, thresholds. The main reasons for excluding “small” businesses (and this notion may vary considerably across countries) are that the costs for the tax administration are disproportionate to the VAT revenues from their activity and, similarly, the VAT compliance costs would be disproportionate for many small businesses. It is also assumed that smaller businesses may be less compliant. On the other hand, a high threshold may give an advantage to small businesses, distorting competition with larger companies. In addition, some businesses may see the threshold as a disincentive to grow or as an incentive to avoid VAT by splitting activities artificially. The level of the threshold is often the result of a trade-off between minimising compliance and administration costs and the need to avoid jeopardising revenue or distorting competition.

There have been varying trends regarding the implementation of registration/collection thresholds in OECD countries. Since 2006, thresholds have remained stable with no change or limited adjustment (increased by less than 20%) in half of the OECD countries: Canada, Chile (no threshold), Czech Republic, Denmark, Estonia, Finland, France, Germany, Israel, Japan, Mexico (no threshold), Netherlands, Norway, Slovak Republic, Spain (no threshold) and Turkey. A number of countries have increased their threshold by more than 20%: Australia (from AUD 50 000 to AUD 75 000), Austria (from EUR 22 000 to EUR 30 000),

Hungary (from HUF 4 000 000 to HUF 6 000 000), Iceland (from ISK 220 000 to ISK 1 000 000), Ireland (from EUR 51 000 to EUR 75 000), Luxembourg (from EUR 10 000 to EUR 25 000), New Zealand (from NZD 40 000 to NZD 60 000), Poland (from PLN 43 800 to PLN 150 000), Slovenia (from EUR 25 000 to EUR 50 000), Switzerland (from CHF 75 000 to CHF 100 000) and the United Kingdom (from GBP 58 000 to GBP 79 000). Four countries have introduced a threshold since 2006: Belgium, Italy, Korea and Portugal. Since 1 January 2014, two countries have further raised their threshold: Belgium (up to EUR 15 000) and the United Kingdom (up to GBP 81 000). Greece is the only country to have decreased its threshold (from EUR 10 000 to EUR 5 000) while Sweden has removed the threshold of SEK 30 000 (USD 3 400) introduced a few years ago.

6. VAT relief for goods imported by final consumers

6.1. Low Value Consignment Relief

Most OECD countries apply a VAT relief arrangement for low-value imports, sometimes known as “low value consignment relief”, to facilitate the transit of low value goods and reduce the cost of tax collection. On the other hand, high tax thresholds reduce revenues and may create competitive disadvantages for domestic retailers (see Chapter 1, Section 8.1.1).

Table 2.A2.8 shows that the thresholds vary widely across countries, from USD 9 in Denmark to USD 650 in Australia. In two thirds of OECD countries (21 out of 33), the threshold is between USD 20 and USD 50. However, 19 out of these 33 countries belong to the European Union where legislation¹ provides that Member States must exempt from VAT the import of goods whose value does not exceed EUR 10. Member States may grant an exemption for imported goods with a value of more than EUR 10 but not exceeding EUR 22. EU Member States may exclude from the low value import arrangements goods imported on mail order (France is the only EU country that makes use of this option). The exemption does not apply to alcoholic products, perfumes and toilet waters, tobacco or tobacco products. All EU Member States that are members of the OECD have opted for the higher threshold of EUR 22, except Denmark that applies the lower threshold of EUR 10. Two countries (Chile and Turkey) have no threshold at all and tax all imports of goods, regardless of their value (see Section 8.1.1 in Chapter 1 for more detail).

6.2. VAT Relief for Import/Export of Goods by Individuals

Table 2.A2.7 shows the thresholds for tax-free import of goods in the luggage of individual travellers. Again, differences exist between OECD countries, except within the European Union where common rules apply (although differences may appear when value is converted in USD due to the use of the Purchase Parity Power PPP exchange rates – see Annex A). Table 2.A2.7 also shows the thresholds for refunds of VAT on export to individual travellers.

7. Special VAT collection methods

Most countries allow or utilise specific VAT collection methods in special circumstances. The purpose of these methods is usually to simplify the collection process in order to reduce the administrative and compliance burden.

One of the most common methods is the reverse charge mechanism, which shifts the liability to pay the VAT from the supplier to the customer. Table 2.A2.6 shows the widespread use of this mechanism for cross-border supplies of services and intangible products between businesses (Japan is the only country that does not use it). It is also used

in the international trade in goods (including transactions within the framework of VAT warehouses) or when, for example, a foreign supplier installs or assembles goods in the country of the taxable customer. The main benefit of the mechanism is that the foreign supplier does not have to register and account for VAT in the customer's country. Concerns about the development of VAT fraud schemes have also prompted governments to extend the application of the reverse charge mechanism for domestic supplies in certain markets or circumstances (see Chapter 1).

Table 2.A2.6 also shows that more than 80% of OECD member countries that employ a VAT (27 of 33) have systems of taxing the margin between purchase and selling prices rather than the selling price. These systems apply mainly to gambling, travel agencies, second-hand goods (including antiques) and works of art. Many countries have also implemented simplified schemes to help minimise compliance costs for small businesses (e.g. hairdressers and farmers).

8. Technical note – Rationale and impact of reduced VAT rates

With the exceptions of Chile and Japan, all OECD countries have one or more reduced rates (including domestic zero rates, also called “GST-free supplies” or “exempt with right to deduct input tax” that should not be confused with the zero-rating of exports). Derogations from the application of the standard rate broadly fall within the following categories (see Table 2.A2.2):

- Basic essentials such as medical and hospital care, food, energy products and water supplies.
- Certain activities considered traditionally to be utilities (public transport, postal services, public television).
- Activities that are considered socially desirable (charitable services, culture and sport) or supporting employment (e.g. locally supplied labour intensive services).
- Geographic areas that are considered as deserving preferential treatment (islands, territories far away from metropolitan areas, border areas).

The reasons for the existence of reduced rates may be rooted in a country's socio-economic history and address issues that are considered as priority matters for a given society at a point in time.

One of the reasons for the introduction of a differentiated rate structure is the promotion of equity (ensuring a fairer distribution of aggregate income). Countries have generally considered it desirable to alleviate the tax burden on goods and services that form a larger share of expenditure of the poorest households (e.g. basic food, water). Countries have also tended not to want to tax medicine, health services and housing at high rates.

Reduced VAT rates are also used for stimulating consumption of “merit goods” (e.g. cultural products and education) and goods with positive externalities (e.g. energy-saving appliances). However, other reduced rates seem less targeted. Amongst these are admissions to cultural events, including circuses and cinemas, hotel accommodation and cut flowers.

To decide whether to implement or maintain a reduced VAT rate, the cost of the cost of the given reduced rate both in terms of revenue foregone (the tax expenditure) and compliance should be compared with its ability to produce the desired outcome at the lowest cost. In this regard, alternative measures, such as direct subsidies to certain

activities or population sub-groups should be considered where possible. The rationale for a number of reduced rates is discussed in more detail below.

8.1. Equity objectives

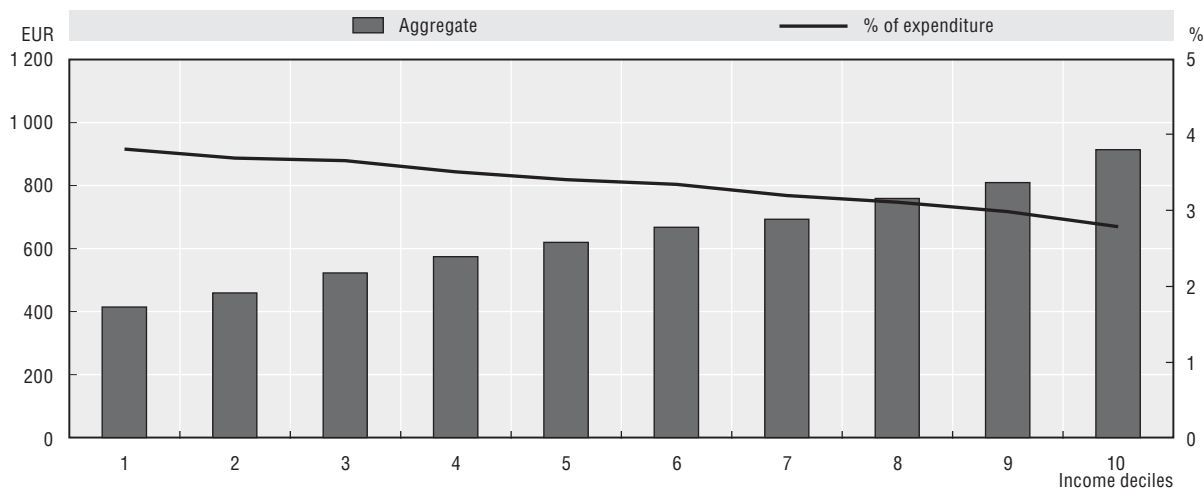
Most countries implement reduced VAT rates on necessities such as food and water in order to alleviate the tax burden on low-income households. The question is whether such reduced rates are an effective way of achieving distributional objectives. A recent OECD study (OECD, 2014 – hereafter “the study”) discusses the issue in detail. The study shows that most of the reduced rates that are introduced for the distinct purpose of supporting the poor, such as reduced rates on food, water, and on energy products, do have a progressive effect (when measured as a percentage of income or expenditure). However, it also shows that reduced rates are a poor tool for targeting support to those poor households. At best, rich households receive roughly as much benefit – in absolute value – from a reduced rate as do poor households. At worst, rich households benefit vastly more than poor households. This result is unsurprising as better off households can be expected to consume more, and often more expensive, products than poorer households. Thus, while poorer households may benefit from reduced VAT rates on “necessities” the wealthier gain even more. As a result, a disproportionate part of the tax expenditure (i.e. the difference between the tax actually collected and the tax that would have been collected if the tax base was subject to the standard rate) benefits those who are not targeted by the measure.

Overall, the distributional impact of all reduced rates (see Figure 2.2) indicates that the tax relief provided to the top income decile households is significantly higher in absolute terms than the relief provided to the bottom decile households. Out of a total annual tax expenditure of about EUR 6 400 per household on average in the 20 countries surveyed, the two higher income deciles get together about EUR 1 700 subsidy a year, i.e. 27% of the total tax expenditure, while the two lower income deciles barely get EUR 873 together, i.e. 13.6% of the total tax expenditure. More globally, 60% of the revenue foregone is spent on the richest half of the population. Nevertheless, measured as a proportion of their expenditure, poor households benefit more from reduced rates than rich households (see dotted line).

The situation will of course depend on the type of good or service considered. For example, in the 15 countries surveyed that have a reduced rate on food (see Figure 2.3), the reduced rate tends to provide a far more similar level of support to poor and rich households than was the case for all reduced rates. This is because poorer households spend a significantly greater proportion of their total expenditure on food than rich households do. Comparing Figures 2.1 and 2.3 shows that the vast majority of the total level of support provided to the poor through reduced VAT rates comes from the reduced rate on food – emphasising the importance of the reduced rate on food as a means of support for the poor in many current VAT systems. Despite this, as rich households still tend to spend more on food in absolute terms, the reduced rate on food can still be seen as a badly targeted means of supporting the poor.

In terms of targeting the poor, the performance of reduced VAT rates on pharmaceuticals is much worse. In the 15 countries surveyed that have a reduced rate on pharmaceuticals, higher income deciles tend to gain substantially more than lower deciles in absolute terms, even if, as a proportion of expenditure, the reduced rates on pharmaceuticals still tend to benefit lower more than higher income households. In absolute value, the 20% highest income households get 1.6 times as much tax relief as the 20% lowest income households

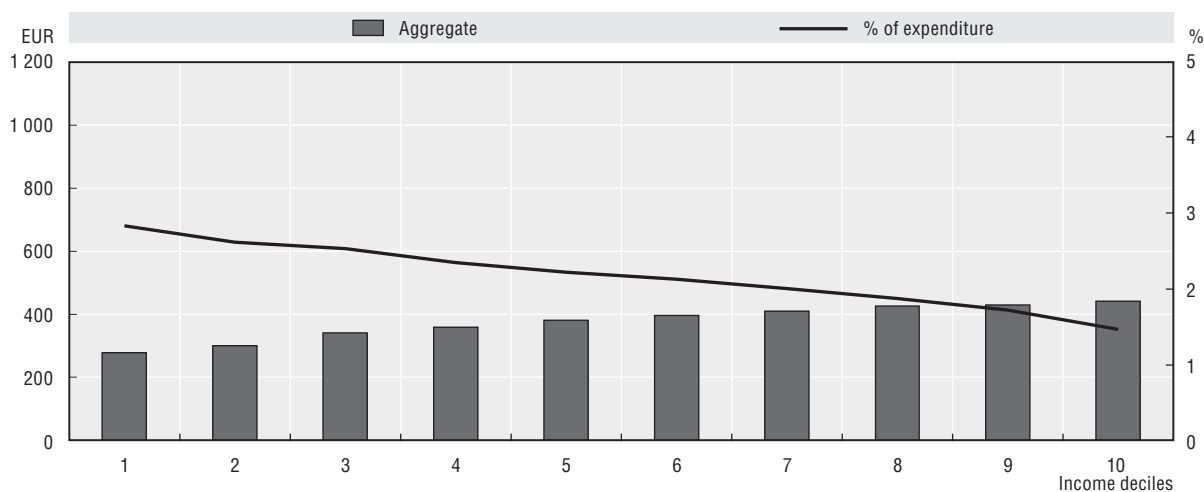
Figure 2.2. **All-country average of the average tax expenditure per household from all reduced rates (20 countries)**




Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

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Figure 2.3. **All-country average of the average tax expenditure per household from reduced rates on food (15 countries)**



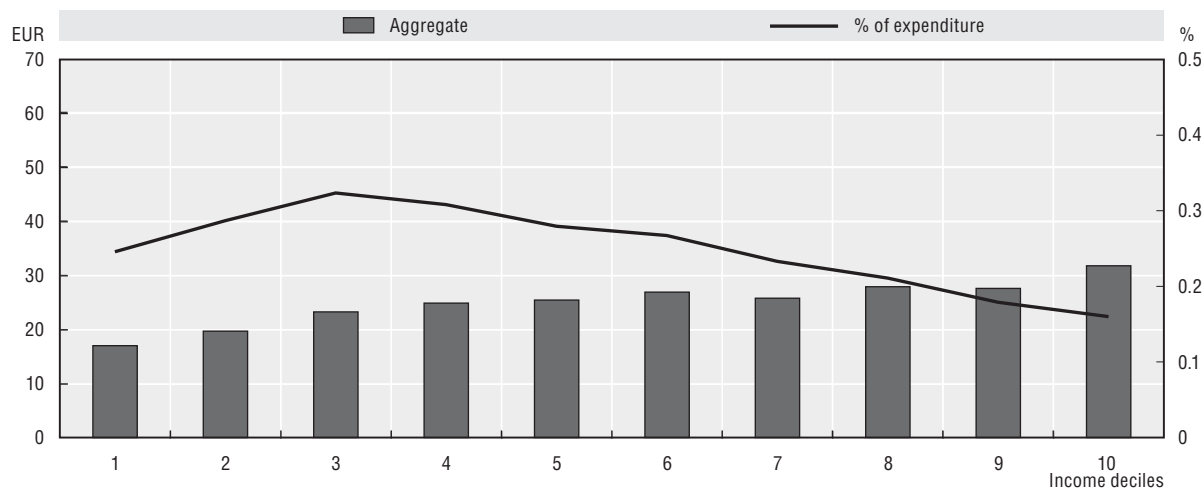
Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

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(Figure 2.4). In several countries surveyed, middle income households tend to benefit the most proportionally.

This raises the question of whether removing reduced VAT rates and using direct transfers to poorer households to achieve distributional objectives would be a more effective policy. Economic literature generally considers that direct lump-sum payments to households related only to their socio-economic characteristics are better in terms of both equity and efficiency. Transfers directly targeted to low-income households (including increased personal income tax allowances and state benefits) may also be more effective in enhancing equity than "scatter-gun" VAT provisions (OECD, 2010).

Figure 2.4. **All-country average of the average tax expenditure per household from reduced rates on pharmaceuticals (15 countries)**



Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

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In addition, it may well be difficult to define “necessities” in practice. For instance, a reduced rate may apply to all food including “luxury” items. Drawing distinctions tends to raise administrative costs (defining and monitoring) and compliance costs (identifying and understanding); and it encourages litigation to secure a reduced rate category for a wide selection of products. For example, how would the line be drawn between different types of potato products and between biscuits and cakes?

Finally, low income observed at a single point in time may often be temporary and need not reflect low living standards across a lifetime. While it is true that some people are persistently poor, many have variable earnings – and expenses – over their lifetime. Looking at the effect of taxes on lifetime income inequality may consequently produce a different picture to an analysis based on current income.²

Distributional arguments in favour of VAT rate differentiation may be more persuasive where countries do not have the administrative capacity to provide more direct transfers to poorer households (Heady and Smith, 1995). In low-income countries, significant and stable differences in consumption patterns between high- and low-income groups allow for an easier and more efficient alleviation of poverty through exemptions from consumption taxes or low rates. In these countries, low-income families purchase most of their goods from local small-scale producers whose output either may be exempted or escape taxation, while high-income families are likely to buy more factory-made or imported goods that can be taxed more effectively (Copenhagen Economics, 2007).

8.2. Other policy objectives

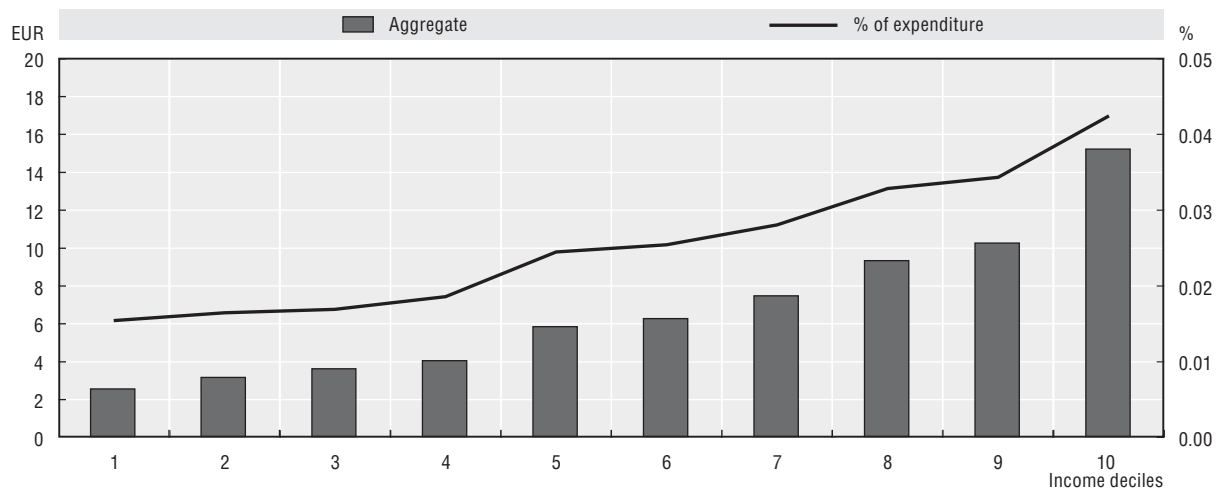
8.2.1. Supporting cultural objectives

A number of reduced VAT rates are not introduced specifically to support poor households. For example, reduced rates may be aimed at supporting cultural activities and social goods. However, these concessions may still have a significant impact on the income distribution if they favour some groups over others. In order to develop coherent economic policy, it is important to be able to quantify the distributional effects of such concessions


so that the impact on distributional goals can be weighed against the merits of supporting such cultural objectives or encouraging consumption of social goods.

The above-mentioned study presents results for the four most common categories of expenditure that are supported for broader social and cultural reasons (books; newspapers and periodicals; cinema, theatre and concerts; and museums and zoos). Reduced rates might have the unintended effect of subsidising the consumption of these goods and services by high-income households, who tend to consume more merit goods, rather than leading to an effective increase in consumption by lower-income households. For example, the study shows that reduced VAT rates on cinema, theatre and concerts provide substantially more benefit to high-income deciles than low-income deciles. In absolute value, from a total annual tax expenditure of EUR 67 per household on average, only EUR 6 a year go to the 20% lowest income and EUR 25 to the 20% higher income households and the highest income decile receives six times more than the lowest one. The reduced VAT rate also provides larger benefits to higher-income households as a proportion of expenditure, which means that it actually has a regressive impact. As mentioned above, such reduced rates may not have a distributional objective, but one should be conscious of the distributional impact of the choice of the VAT instrument to support the production of such merit services.

Figure 2.5. All-country average of the average tax expenditure per household from reduced rates on cinema, theatre and concerts (10 countries)



Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", OECD Tax Policy Studies, No. 22 (forthcoming), OECD Publishing, Paris.

StatLink  <http://dx.doi.org/10.1787/888933155109>

8.2.2. Promoting locally supplied labour-intensive activities

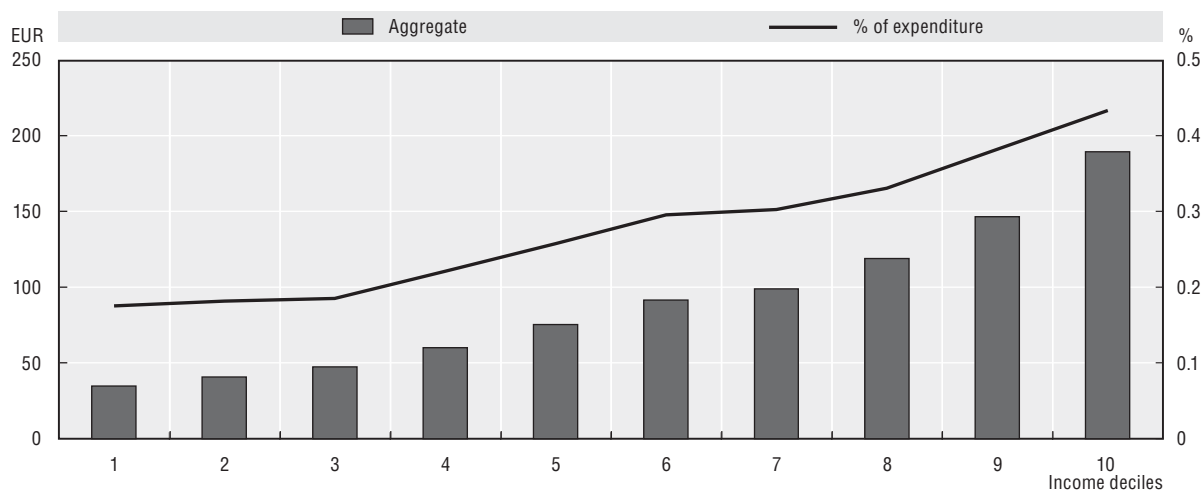
Efficiency considerations may also justify reduced VAT rates for specific labour-intensive activities. The low taxation of commodities that are close substitutes with self-supply or underground economy work (e.g. home improvement and repair services, gardening and hairdressing) may mitigate the disincentive to work in and purchase from the formal economy created by the tax system. The argument is that high tax wedges (high income tax, social security contributions and VAT rates) make it expensive to buy these services on the market and more attractive to self-supply or to buy these services in the informal sector (black economy). This may lead to inefficiencies for instance if high-skilled professionals end up spending time on low-skilled work at home. Numerical simulations

in Sorensen (1997) showed that the efficiency gains from reduced rates on these types of services could be significant.


On the other hand, this result may change (and administration costs will be reduced) when a broad-based single rate VAT (set at a reasonable rate) is combined with an appropriate VAT threshold and a well-targeted audit programme (OECD, 2010d). In addition, if the theoretical motivation for these reduced rates is to raise demand for low-skilled labour by boosting the demand for such services or increasing the profit margin in the sector to encourage social reform, other policy instruments such as labour market reforms (flexibility, administrative simplifications, etc.) could be more efficient in achieving this objective (Copenhagen Economics, 2007).

For example, reduced rates are often applied to expenditure in restaurants. Again, it is important to be able to quantify the distributional effects of such concessions in order to accurately weigh the benefits and costs of the concessions. Figure 2.6 presents the results of the abovementioned OECD study for reduced rates on expenditure in restaurants (food only). Once again, reduced rates provide substantially greater tax relief for high-income households than for low-income households. For restaurants, the difference is particularly significant as rich households spend far more money on restaurants than poor households. On average, 71% of the total tax expenditure from the reduced rate on restaurant food goes to the top five income deciles and, while households in the lower income deciles receive an annual tax subsidy of EUR 25, those in the highest deciles receive on average EUR 140 a year. As a share of expenditure, the reduced rate also provided more significant relief to richer households, highlighting the regressive nature of the reduced rate.

Figure 2.6. **All-country average of the average tax expenditure per household from reduced rates on restaurant food (11 countries)**



Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

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8.2.3. Correcting externalities

Finally, it is sometimes argued that correcting externalities might justify VAT rate differentiation; for example, higher rates on goods that generate pollution or reduced rates on energy-saving appliances. In these cases, rate differentiation may improve efficiency if it means that the private marginal costs of an activity are brought closer to the marginal

costs for society. However, VAT is a blunt instrument for correcting environmental externalities, as it may be hard to target the actual source of pollution. For example, reduced rates on energy-saving appliances, by reducing the private marginal cost of these goods, may boost demand for them and, therefore, stimulate consumption of these goods. The reduced VAT rate may give incentives to shift from more to less energy-consuming items (consumers might replace their old refrigerator with a new one, for instance). However, this may also lead to an increase in the purchase of energy-intensive products (i.e. consumers may replace their old refrigerator with a new refrigerator and a freezer) (Copenhagen Economics, 2007).

8.3. The application of reduced rates as part of wider tax policy

The OECD study confirms and provides evidence that most, if not all, of the reduced rates that are introduced for the purpose of supporting the poor, such as reduced rates on food and on energy products, do have the desired progressive effect. Nevertheless, it clearly shows that, despite this progressive effect, reduced VAT rates are a poor tool for targeting support to poor households. At best, rich households receive as much benefit from a reduced rate as do poor households. At worst, rich households benefit vastly more than poor households. In some cases, the benefit to rich households may be so large that the reduced VAT rate actually has a regressive effect – benefiting the rich more both in absolute terms, and as a proportion of expenditure. This is generally the case for most reduced rates introduced to address social, cultural and other non-distributional goals (OECD, 2014).

However, there are arguments for reduced rates. *First*, alternative ways for addressing equity issues may not be readily available, in particular in countries where the social or fiscal system is not developed enough for providing appropriate support to lower-income households. *Second*, it may not be socially and politically feasible to remove reduced VAT rates, especially when they have existed for a long time. *Third*, a sudden increase of VAT from a low, or zero, rate to the standard rate (especially if it is quite high) would involve higher prices that would hit poorer households harder and immediately, while appropriate compensating measures may have a delayed effect and may not be able to cover all these households. It is also true that in sectors where the elasticity of demand is high, the producers would not be able to reflect a significant and sudden increase in the VAT rate in their price, and this would therefore threaten the viability of the businesses. Nevertheless, the study does suggest the need for a careful, case-by-case reassessment of the relative merits of various reduced VAT rates in many countries.

Effective redistribution policy is not implemented through a tax in isolation, but by considering the entire tax and benefit systems. Addressing equity issues should be done by an appropriate mix of measures. The issue should be investigated further before concrete recommendations could be made on the ability of targeted cash transfers to compensate poor households for the removal of reduced VAT rates.

Notes

1. Article 143 paragraph 1 b) of Directive 2006/112/EC of 28 November 2006 in connection with Article 23 of Directive 2009/132/EC of 19 October 2009 (formerly article 22 of Directive 83/181/EEC of 28 March 1983).
2. See OECD (2014) for further discussion of analysis on the basis of current versus lifetime income in the VAT context.

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ANNEX 2.A2

Data on VAT-GST rates and structures

Table 2.A2.1. VAT/GST rates^a


Implemented	Standard rate																Reduced rates ^b	Specific regional rates	
	1975	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014			
Australia	2000	-	-	-	-	-	-	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.0	-
Austria*	1973	16.0	18.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	10.0/12.0	19.00
Belgium	1971	18.0	16.0	19.0	19.0	20.5	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	0.0/6.0/12.0	-
Canada*	1991	-	-	-	-	7.0	7.0	7.0	7.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	0.0	13.0/14.0/15.0
Chile	1975	20.0	20.0	20.0	16.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	-	-
Czech Republic	1993	-	-	-	-	22.0	22.0	19.0	19.0	19.0	19.0	20.0	20.0	20.0	21.0	21.0	21.0	15.0	-
Denmark	1967	15.0	22.0	22.0	22.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0	-
Estonia	1991	-	-	-	-	18.0	18.0	18.0	18.0	18.0	18.0	20.0	20.0	20.0	20.0	20.0	20.0	9.0	-
Finland	1994	-	-	-	-	22.0	22.0	22.0	22.0	22.0	22.0	22.0	23.0	23.0	24.0	24.0	24.0	0.0/10.0/14.0	-
France*	1968	20.0	17.6	18.6	18.6	20.6	20.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	20.0	20.0	2.1/5.5/10.0	0.9/2.1/10.0/13.0 & 1.05/1.75/2.1/8.5
Germany	1968	11.0	13.0	14.0	14.0	15.0	16.0	16.0	16.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	7.0	-
Greece*	1987	-	-	-	18.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0	23.0	23.0	23.0	23.0	23.0	6.5/13.0	5.0/ 9.0/16.0
Hungary	1988	-	-	-	25.0	25.0	25.0	25.0	20.0	20.0	20.0	20.0	25.0	25.0	27.0	27.0	27.0	5.0/18.0	-
Iceland	1990	-	-	-	22.0	24.5	24.5	24.5	24.5	24.5	24.5	25.5	25.5	25.5	25.5	25.5	25.5	7.0	-
Ireland	1972	19.5	25.0	23.0	23.0	21.0	21.0	21.0	21.0	21.0	21.5	21.0	21.0	23.0	23.0	23.0	23.0	0.0/4.8/9.0/13.5	-
Israel*	1976	-	12.0	15.0	15.0	17.0	17.0	17.0	16.5	15.5	15.5	15.5	16.0	16.0	16.0	18.0	18.0	0.0	-
Italy	1973	12.0	15.0	18.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	21.0	22.0	22.0	22.0	4.0/10.0	-
Japan*	1989	-	-	-	3.0	3.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	-	-
Korea	1977	-	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0	-
Luxembourg	1970	10.0	10.0	12.0	12.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	3.0/6.0/12.0	-
Mexico	1980	-	10.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0	0.0	-
Netherlands	1969	16.0	18.0	19.0	18.5	17.5	17.5	19.0	19.0	19.0	19.0	19.0	19.0	19.0	21.0	21.0	21.0	6.0	-
New Zealand	1986	-	-	-	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	15.0	15.0	15.0	15.0	15.0	0	-
Norway	1970	20.0	20.0	20.0	20.0	23.0	23.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0/8.0/15.0	-
Poland	1993	-	-	-	-	22.0	22.0	22.0	22.0	22.0	22.0	22.0	23.0	23.0	23.0	23.0	23.0	5.0/8.0	-
Portugal*	1986	-	-	-	17.0	17.0	17.0	19.0	21.0	21.0	21.0	20.0	20.0	23.0	23.0	23.0	23.0	6.0/13.0	5.0/10.0/18.0 & 5.0/12.0/22.0
Slovak Republic	1993	-	-	-	-	25.0	23.0	19.0	19.0	19.0	19.0	19.0	19.0	20.0	20.0	20.0	20.0	10	-
Slovenia	1999	-	-	-	-	-	19.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	22.0	9.5	-
Spain*	1986	-	-	-	12.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	18.0	18.0	21.0	21.0	4.0/10.0	2.0/5.0/9.0/13.0 & 4.0/5.0
Sweden	1969	17.65	23.46	23.46	23.46	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0/6.0/12.0	-
Switzerland	1995	-	-	-	-	6.5	7.5	7.6	7.6	7.6	7.6	7.6	8.0	8.0	8.0	8.0	8.0	0.0/2.5/3.8	-
Turkey	1985	-	-	10.0	10.0	15.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	1.0/8.0	-
United Kingdom	1973	8.0	15.0	15.0	15.0	17.5	17.5	17.5	17.5	17.5	17.5	15.0	17.5	20.0	20.0	20.0	20.0	0.0/5.0	-
Unweighted average		15.6	16.6	17.3	16.7	17.8	18.0	17.8	17.7	17.8	17.7	17.6	18.0	18.5	18.7	18.9	19.1		

* See Country Notes.

a) Yearly data: the rates shown in the table are rates applicable on 1 January of each year. Reduced rates and specific rates applicable in specific regions are those applicable as at 1 January 2014.

b) Reduced rates: reduced rates include zero-rates applicable to domestic supplies (i.e. an exemption with right to deduct input tax). This does not include zero-rated exports.

Source: National Delegates – Position as at 1 January 2014.

StatLink  <http://dx.doi.org/10.1787/888933155212>

Country notes to Table 2.A2.1.

Austria. A standard rate of 19% applies in Jungholz and Mittelberg.

Canada. The following provinces have harmonised their provincial sales taxes with the federal Goods and Services Tax, and therefore levy a rate of GST/HST of: New Brunswick, Newfoundland and Labrador, Ontario: 13%; Prince Edward Island: 14%; Nova Scotia 15%. Québec applies GST at a rate of 5% and Québec Sales Tax at a rate of 9.975% (applied on the same tax base as the GST). Other Canadian provinces, with the exception of Alberta, apply a provincial sales tax to certain goods and services.

France. Rates of 0.9%; 2.1%; 10.0%; 13.0%; 20.0% apply in Corsica; rates of 1.05%; 1.75%; 2.1%; 8.5% apply to overseas departments (DOM), excluding French Guyana and Mayotte.

Greece. Rates of 5.0%; 9.0% and 16.0% apply in the regions Lesbos, Chios, Samos, Dodecanese, Cyclades, Thassos, Northern Sporades, Samothrace and Skiros.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Japan. From 1 April 2014, the VAT rate is 8%.

Portugal. The standard VAT rate in the Islands of Azores is 18%. In the Islands of Madeira, the standard rate is 22%; reduced VAT rates in Azores are 5% and 10%. In Madeira, reduced rates are 5% and 12%.

Spain. Rates of 2.0%; 5.0%; 9.0%; 13.0% apply in the Canary Islands. Rates of 5% and 4% apply in Ceuta and Melilla.

Table 2.A2.2. Application of lower VAT/GST rates

Lower VAT/GST rates, including domestic zero rate – 0% ^a	
Australia	0%: Most food and beverages for human consumption (excl. prepared food); most health and medical; some education courses and students accommodation; some child care services; some religious services; some activities of charitable institutions; water (except supplied in, or transferred to, a container less than 100L); sewerage and drainage; sales of businesses as going concerns; precious metals (first supply after refinement); grants of freehold and similar interests by governments; farm land; cars for use by disabled people subject to a (general) threshold of AUD 57 466; supplies of accommodation and meals to residents of retirement villages by certain operators; certain government services; some telecommunication supplies made under arrangements for global roaming in Australia; international mail.
Austria	10%: food; water supply; pharmaceuticals; passenger transport; books; newspapers and periodicals; culture; art; agriculture; forestry; hotel accommodation; restaurants (except beverages); collection of domestic waste and street cleaning; sewage; dwelling; firewood; hospitals. 12%: supply of wine by farmers (12%); refuse (waste) collection; sewage; dwelling.
Belgium	0%: Cars for disabled persons; certain newspapers and periodicals, certain recovered materials and by-products. 6%: food; some beverages; water supply; pharmaceuticals; equipment for the disabled; passenger transport; books; newspapers and periodicals; culture; sport; works of art, collectors' items and antiques; works of art delivered by their authors/creators; agriculture; hotel accommodation and camping sites; renovation of dwellings over 5 years old; private homes and establishments for disabled; subsidised social housing; some labour intensive services (small repair services); reconstruction – subsequent to demolition works leading to the construction of new private housing (under strict conditions and specific limitations as to the amount); funeral services; cut flowers and plants; firewood. 12%: restaurants (except beverages); certain energy products (coal, coke; lignite).
Canada	0%: medicine, basic groceries; certain financial services provided by financial institutions (usually to non-residents); certain agricultural and fishing products; medical devices; international bridge or tunnel authorities (on certain purchases only); precious metals; sales of 25 cents or less made through mechanical coin-operated devices.
Chile	–
Czech Republic	15%: food; some beverages; water supply; pharmaceuticals; medical services (if not exempt); equipment and repair for the disabled; passenger transport; art; cultural services; books; newspapers and periodicals; construction of private dwellings and social housing; renovation and repair of private dwellings; collection and treatment of waste and waste water; hotel accommodation; health care and domestic care services; cleaning in households; funeral services; sport activities; agricultural products; cut flowers and plants; heating; firewood.
Denmark	0%: newspapers and periodicals; passenger transport. 5%: first time sale of products of artistic work valued over DKK 300 000 (the standard rate of 25% applies to 20% of the tax base resulting in an effective rate of 5%).
Estonia	0%: Passengers transport. 9%: pharmaceuticals; medical equipment or devices for disabled; books; newspapers and periodicals; hotel accommodation.
Finland	0%: printing services for certain membership publications; certain vessels. 10%: pharmaceuticals; passenger transport; books, subscribed newspapers and periodicals; hotel accommodation; admission to cultural, entertainment and sporting events and cinema performances; use of sports facilities; works of art supplied by their creators or imported; copyrights to literary and artistic works; TV licence fees. 14%: food; non-alcoholic drinks; animal food; restaurants (except alcoholic beverages); agricultural inputs.
France	2.1%: newspapers and periodicals; pharmaceuticals. 5.5%: most food products and beverages (except alcoholic beverages); water supply; equipment for the disabled; books; admission to cultural services; author's rights; work on dwellings over 2 years old under certain conditions; social housing; domestic care services; subscription fees to natural gas and electricity networks; district heating; supplies of works of art by their creators. 10%: passenger transport; admission to amusement parks; pay TV; domestic care services; restaurant services and catering (except alcoholic beverages); hotel accommodation; farm products; gardens, plants and flowers; treatment of waste; sewage; firewood.
Germany	7%: food; water supply; equipment for the disabled; medical services (if not exempt); books and newspapers; plants; flowers; certain cultural events; museums; zoos; circuses; charitable work if not exempt; author's rights; passenger transport by ship (only for passenger transport within a municipality or if the distance covered is not more than 50 km) and local public passenger transport; hotel accommodation; cut flowers and plants; works of art and collector's items; firewood.
Greece	6.5%: books; newspapers, journals and periodicals; hotel and similar accommodation; restaurant and similar services; medicaments and vaccines for human medicine. 13%: food (excluding beverages, alcoholic products, fruit and vegetable juices, aerated waters for human and animal consumption); live animals; seeds; plants and ingredients used in the preparation of food (excluding compound alcoholic preparations other than those based on odoriferous substances of a kind used for the manufacture of beverages); goods intended for use in agricultural production; water supply; medical equipment and other appliances for the disabled persons; medical services (if not exempt); passenger transport and their luggage; admission to shows, cultural and sporting events; admission to amusement parks; authors and artists and the rights related to them; social housing; funeral services and supplies of goods related thereto; collection and treatment of waste; some labour-intensive services (domestic care services, clothing, shoes and leather goods repair; bicycle's repair; domestic care services; electricity; natural gas; district heating; fertilisers; plants and flowers; renovation and repair of private dwellings; products used for contraception and sanitary protection; goods and services intended for use in agricultural production; charitable work (if not exempted); pharmaceuticals; firewood.

Table 2.A2.2. Application of lower VAT/GST rates (cont.)

Lower VAT/GST rates, including domestic zero rate – 0% ^a	
Hungary	5%: pharmaceuticals for humans; certain equipment for the blind; books, newspapers and sheet music; live pigs and carcasses of pig; district heating; services supplied by performing artists. 18%: milk and dairy products; products containing cereals, flour, starch or milk; provision of accommodation.
Iceland	0%: ship-building and maintenance of ships and aircraft; services to foreign fishing vessels related to landing and sale of fish in Iceland; direct payments to farmers. 7%: food and beverages (excluding alcohol); books including music books; audio recordings of books. CD's and similar media with text as well as electronic version of such books; magazines, newspapers and countryside- and district newspapers; periodicals; subscriptions to radio and TV; hotels; hot water, electricity and fuel oil used for the heating of houses and swimming pools; admission tolls to land transportation projects; CD disks, records, magnetic tapes and other similar means of music recordings, other than visual records. Electronic version of music other than visual; condoms; diapers for children.
Ireland	0%: books; children's clothing and footwear; oral medicine; certain medical equipment; food products; seeds; fertilisers; certain aircraft and sea-going vessels. 4.8%: livestock. 9%: newspapers and certain periodicals; admission to cinemas/certain musical performances and sporting facilities; recreational and sport services; certain nursery and garden centre; holiday accommodation; restaurant/hotel meals; agricultural services. 13.5%: waste disposal; energy for heating and light; fuel for certain purposes; gas; electricity; building services; immovable goods; repair services; tour guide services; photographic prints; works of art; short-term car and boat hire; driving instruction; veterinary services; plants and flowers; medical services (if not exempt); firewood.
Israel ^b	0%: hotel accommodation for foreign tourists; rental of a private motor vehicle to a tourist to drive himself; transportation of tourists in a private motor vehicle or a bus; sale of fruits and vegetables.
Italy	4%: certain food; medications and health products/services for the disabled; supply of construction for residential housing; books; newspapers; weekly magazines. 10%: water supply; pharmaceutical products; medical services (if not exempt); passenger transport; combustible gas for cooking; electricity; gas; urban waste; purification stations; livestock meat and fish; renewable-source energy; works of art; admission to shows and cultural events; letting of immovable property by building enterprises; renovation and maintenance work for residential housing; restaurants.
Japan	–
Korea	0%: supply of certain machinery and materials for agriculture; fishery; livestock and forestry; supply of mineral oil used for certain purposes in agriculture, fishery and forestry; certain equipment for the disabled.
Luxembourg	3%: food for human and animal consumption; water supply; pharmaceutical products; certain medical equipment; medical services (if not exempt); aids and other appliances normally intended to alleviate or treat disability; passenger transport; accommodation; books, newspapers and periodicals; admission to cultural and sporting events; use of sporting facilities; restaurant services; author's rights; agriculture; services supplied in connection with waste collection and treatment; children's clothing; construction of dwellings; renovation of dwellings over 20 years old; funeral services; firewood. 6%: certain labour intensive services; works of art delivered by their authors/creators of their heirs or imported; gas; electricity; flowers and plants. 12%: certain wines; certain fuels; washing and cleaning products; printed advertising; heat and air conditioning; certain financial services; electricity.
Mexico	0%: sale of non-industrialised animals (except dogs, cats and small species used as home pets) and vegetables (except rubber); patent medicines; milk; bottled water; juices, nectar and concentrated fruits and vegetables; ice; food (except sale of processed food in restaurants and food establishments, chewing gum, caviar, smoked salmon, foie gras, pet food and soft drinks); agricultural equipment; machinery and fishing boats; wholesale of gold; gold bullion (with a content of at least 80% of gold) and jewellery; some agricultural and fishing services; magazines, books and newspapers printed by the taxpayer himself; domestic water supply; hotel services provided to foreign tourists participating in congresses, conventions and trade shows; use of convention centres by event organisers who are residents abroad; call centre services for telephone calls originated abroad, as long as the services are contracted and paid a foreign resident without a permanent establishment in Mexico.
Netherlands	6%: food; catering; goods and services for the disabled; medicine; accommodation; agricultural inputs; books; lending of books; newspapers; magazines; passenger transport (except passenger transport by air); water supply; entrance fees for sports events; amusement; parks; museums; cinemas; zoos and circuses; cut flowers and plants; restaurant and hotel meals; aids for the visually disabled; use of sports accommodation; art and antiques; hotel and holiday accommodation; certain labour intensive services like some specific services for the maintenance, repair and isolation of dwellings; cleaning of dwellings and hairdressing.
New Zealand	0%: supply of taxable activity (business) as a going concern; supply of fine metal (gold, silver or platinum) from a refiner in fine metal to a dealer in fine metal; supply by local authorities of the local authorities petroleum tax; supply of financial services to registered GST businesses. Supply of land by and to a GST registered person when the recipient intends to use it to make taxable supplies and it is not intended to be used as a principal place of residence (this zero-rating between GST-registered persons is equivalent to the domestic reverse charge). Long-term stay in a commercial dwelling; certain services provided as part of the right to occupancy (taxed at the standard rate on 60% of the value of the supply).
Norway	0%: books; newspapers; certain periodicals and publications; electric power and energy supplied from alternative energy sources for household use in the counties of Finnmark, Troms and Nordland; electric motor vehicles; second-hand vehicles covered by re-registration tax; supply of certain ships, aircrafts and drilling platforms and hiring out such vessels; services that are directly related to the construction of embassy buildings (to final consumer); goods and services to specific international military forces and command units; supply of taxable activity (business) as a going concern; supply of human organs, blood; supply by funeral directors of services relating to the transportation of deceased persons. 8%: accommodation, passenger transport and transport of vehicles by ferries or other vessels in connection with the domestic road network; public broadcasting; admission to sporting events, museums, cinemas and amusement parks. 15%: food and non-alcoholic beverages.

Table 2.A2.2. Application of lower VAT/GST rates (cont.)

Lower VAT/GST rates, including domestic zero rate – 0% ^a	
Poland	5%: Certain food; certain beverages; certain books and periodicals. 8%: water supply; pharmaceutical products; certain goods for disabled; medical services (if not exempt); passenger transport; newspapers; reception of broadcasting services; admission to cultural and sporting events; author's rights; certain construction services; supply of housing; hotel accommodation; restaurant services; cemetery services; collection and treatment of waste; some labour intensive services; children footwear; animals; fodder and; basic agricultural means of production; certain agriculture services; firewood.
Portugal	6%: essential food; water supply; pharmaceutical products; devices for the disabled; medical services (if not exempt); books, newspapers and periodicals; passenger transport; hotels and similar services; social housing; some goods used in agriculture; certain agriculture products and certain agriculture services. 13%: some other food; still wine; diesel fuel for agriculture; machinery mainly used in agricultural production; admission to cultural events.
Slovak Republic	10%: certain food; radioactive elements and isotopes and compounds for health service; pharmaceutical products; diagnostic or laboratory reagents; certain medical and sanitarian means; printed books, brochures, leaflets and similar printed matter; music; orthopaedic appliances; contact and spectacle lenses; certain means for blind and partly blind persons, hard-of-hearing persons and hard health-disabled persons.
Slovenia	9.5%: food (for human and animal consumption); preparation of food; water; medicine, devices for the disabled; passenger transport; books on all physical means of support, newspapers and periodicals; admission to cultural and sporting events; author's rights; import and supply of certain works of art, collectors' items or antiques; social housing; renovation and maintenance work of residential housing not provided as part of a social policy; livestock and certain supplies in connection with agricultural production; hotel accommodation; restaurant (except beverages); use of sporting facilities, supplies by undertakers and cremation services; public hygiene services; window-cleaning and cleaning in private households; minor repairing of bicycles, shoes and leather goods; domestic care services, hairdressing; cut flowers and plants.
Spain	4%: food (for human and animal consumption); social accommodation; medicines and other medical devices (e.g. lenses); books, newspapers and periodicals; supply of new buildings for private and social housing. 10%: water supply; supplies to the disabled; passengers transport; minor work on private housing; cleaning; restaurants and catering; certain cultural and entertainment services; hotels; public amenities; agriculture and forestry products used as food; goods used in agricultural and forestry undertakings, including flowers and plants; waste treatment; cleaning of public sewage; burial services; cleaning and maintenance services.
Sweden	0%: commercial aircraft and ships and certain services related to these; aircraft fuel; prescribed medicine; printing of certain membership publications. 6%: passenger transport; books, newspapers and magazines; culture (theatre, cinema, etc.); author's rights; zoos; commercial sports events; commercial museums. 12%: food and restaurants services; accommodation; works of art owned by the originator; import of antiques, collector's items and works of art.
Switzerland	0%: Supply of services by travel agents and organisers of events, if they make use of supplies of goods and services by third parties that are provided abroad; certain supplies of goods and services to international airlines; state minted gold coins, fine gold for investment purposes and gold destined for refining or recovery. 2.5%: water supply, food, cattle, poultry, fish, grains, seeds, planting roots and bulbs, living plants, cuttings, scions and cut flowers and branches, animal feed, silage acids, scatterings for animals, fertilisers, pesticides, mulch, medication, books, newspapers, magazines, non-commercial services of radio and television companies, certain supplies in connection with agricultural production. Optional taxation of the following supplies exempt from the tax without credit: certain cultural services supplied directly to the public, considerations demanded for sporting events, cultural services and the supply of works by their creators. 3.8%, accommodation services.
Turkey	0%: supply of ships, aircraft, and rail transportation vehicles; supply of services related to the manufacture, repair, maintenance of such vehicles; supply of services to ships and aircraft at harbours or airports; supply of goods and services for the exploration, management and refining of gold, silver, platinum, and oil; supply of machinery and equipment to persons who have an investment incentive document; goods and construction works for the construction, restoration and enlargement of seaports and airports; some goods and services related to national security; international roaming services supplied in Turkey according to the reciprocity principle; supply of goods that are listed in the second list of excise duty tax law to the prime ministry central organisation; the first supply of product certificate that are drawn up according to agricultural product license warehousing law via commodity exchange market; exemption for delivery of equipment produced for the disabled. 1%: some agricultural products; second-hand cars; newspapers and periodicals; blood and blood component; funeral services; supply of residential housing under 150 m ² in cities other than metropolitan ones and in metropolitan cities if land value per m ² lower than TRY 500; lease of specified machinery and equipment; seeds. 8%: basic food; books; e-books and e-newspapers; cinema; theatre; opera and ballet tickets; private educational service; vaccines; some medical products and services; ambulance services; medicine; medical equipment; textile and confection products and custom manufacturing of them; accommodation services; meal services at non-luxury restaurants (excluding alcoholic beverages); services provided by orphanage and nursing homes; some constructional and agricultural machines; clothing; stationery goods; waste water services; supply of residential housing under 150 m ² in metropolitan cities and with land value per m ² is between TRY 500 and TRY 999.
United Kingdom	0%: food; certain services and goods supplied to charities; children's clothing; passenger transport; books; newspapers; domestic sewage and water; prescribed drugs; medicine; certain aids and services for disabled people; new housing, including the construction of new houses; residential and some charitable buildings. 5%: fuel and power for domestic and charity use; certain energy saving materials supplied together with fitting services to recipient of benefits; certain grant-funded installations of heating equipment; children car seats; certain pharmaceutical products.

Table 2.A2.2. **Application of lower VAT/GST rates (cont.)**Lower VAT/GST rates, including domestic zero rate – 0%^a

- a) In this context, zero rate supplies means that VAT/GST is not levied on the amount charged by the taxpayer but deduction of input tax is allowed. In some countries these supplies are called “exempt with right of deduction” and in others “GST Free Supplies”. Exports of goods, intangibles and services are generally zero rated in all OECD countries, however, the provision of goods and services for export, consumed outside the country or considered as taking place abroad are not listed in this table. Neither are some operations closely linked to exports such as international transport, customs regimes, duty-free shops or supplies to diplomatic missions and international organisations.
- b) **Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.3. **Annual turnover concessions for VAT/GST registration and collection (domestic businesses)**

	National currency	Registration/collection thresholds ^a						Registration/ collection allowed prior to exceeding threshold ^b	Minimum registration period ^c
		General threshold		Reduced threshold for suppliers of services only		Special threshold for non-profit and charitable sector			
		Nat. curr.	USD ^d	Nat. curr.	USD	Nat. curr.	USD		
Australia	AUD	75 000	48 731	See note		150 000	97 461	Yes	1 year
Austria	EUR	30 000	34 988					Yes	5 years
Belgium*	EUR	5 580	6 319					Yes	None
Canada	CAD	30 000	23 454			50 000	39 090	Yes	1 year
Chile*	CLP	None							
Czech Republic	CZK	1 000 000	67 708					Yes	1 year
Denmark	DKK	50 000	5 879					Yes	2 years
Estonia	EUR	16 000	25 582					Yes	None
Finland	EUR	8 500	8 589					Yes	None
France	EUR	82 200	93 551	32 900	37 443			Yes	2 years
Germany	EUR	17 500	21 298					Yes	5 years
Greece	EUR	5 000	6 678	5 000	6 678			Yes	5 years
Hungary*	HUF	6 000 000	42 328					Yes	1 year
Iceland	ISK	1 000 000	7 006					Yes	None
Ireland	EUR	75 000	78 844	37 500	39 422			Yes	None
Israel	IS	79 482	18 612						
Italy	EUR	30 000	35 991					Yes	None
Japan	JPY	10 000 000	88 240					Yes	2 years
Korea	KRW	24 000 000	26 239					Yes	None
Luxembourg	EUR	25 000	25 183					Yes	5 years
Mexico	MXN	None							
Netherlands*	EUR	1 345	1 537					No	None
New Zealand	NZD	60 000	38 134					Yes	None
Norway	NOK	50 000	5 182			140 000	14 509	Yes	2 years
Poland	PLN	150 000	77 747					Yes	None
Portugal*	EUR	10 000	14 318					Yes	None
Slovak Republic	EUR	49 790	86 991					Yes	1 year
Slovenia	EUR	50 000	74 142					Yes	5 years
Spain	EUR	None							
Sweden	SEK	None							
Switzerland	CHF	100 000	63 827			150 000	95 740	Yes	1 year
Turkey	TRY	None							
United Kingdom	GBP	79 000	102 851					Yes	None

* See Country Notes.

- a) Registration/collection thresholds identified in this table are general concessions that relieve domestic suppliers from the requirement to register and/or to collect for VAT/GST until such time as they exceed the turnover threshold. Except where specifically identified, registration thresholds also relieve suppliers from the requirement to charge and collect VAT/GST on supplies made within a particular jurisdiction. Relief from registration and collection may be available to specific industries or types of traders (for example, non-resident suppliers) under more detailed rules, or a specific industry or type of trader may be subject to more stringent registration and collection requirements. In countries marked by *, a collection threshold applies: all taxpayers are required to register for VAT/GST, but will not be required to charge and collect VAT/GST until they exceed the collection threshold. Thresholds shown in this table apply to businesses established in the country. In most countries, the registration threshold do not apply to foreign businesses, i.e. businesses having no seat, place of business, fixed establishment, domicile or habitual residence within the country.
- b) "Yes" means a supplier is allowed to voluntarily register and collect VAT/GST, where their total annual turnover is less than the registration threshold.
- c) Minimum registration/collection periods apply to general concessions. This period is the minimum term during which the concession is applied to taxpayers which have opted for it.
- d) Exchange rates for conversion into USD are Purchase Parity Rates (PPPs) for private consumption. Data is taken from OECD Dotstat: <http://stats.oecd.org/index.aspx?queryid=27286>, accessed on 11 March 2014. For further detail, see www.oecd.org/std/ppp.

Source: National Delegates – Position as at 1 January 2014.

StatLink  <http://dx.doi.org/10.1787/888933155222>

Country notes to Table 2.A2.3.

Australia. For taxi drivers, including chauffeur driven limousines and hire cars, there is no registration threshold.

Belgium. A higher threshold of EUR 10 000 is applicable as at 1 April 2014.

Canada. The registration threshold does not apply to certain selected listed financial institutions, non-residents who enter Canada to make taxable supplies of admissions to a place of amusement, a seminar, an activity or an event, and persons who carry on a taxi or limousine business. These persons are required to register and collect GST/HST. An alternative threshold applies to charities and public institutions. A charity or public institution is not required to register if either its revenue from worldwide taxable supplies was CAD 50 000 or less in a calendar quarter and over the last four consecutive calendar quarters, or its gross revenue in either of its two preceding fiscal years is CAD 250 000 or less.

Chile. Despite that all taxpayers are required to register and obtain a taxpayers' identification number that not only serves for VAT purposes but for all types of taxes, small businesses, craftsman and small service providers can be subject to a special regime in accordance to which they charge VAT for a fixed amount based on the average level of income for the last 12 months, provided they do not exceed the annual collection threshold of 20 Monthly Tax Unit (CLP\$ 818 700 or USD\$ 2 178 approx.). The collection threshold does not apply to legal entities but only to individuals. This system must be adopted for at least for 12 months after which the taxpayer can return back to the ordinary regime.

Czech Republic. The registration threshold does not apply to fixed establishments in the Czech Republic of non-resident businesses.

Denmark. A higher threshold of DKK 170 000 (EUR 22 840) applies to the blind, and a threshold of DKK 300 000 (EUR 40 300) applies to the first sale of works of art by their creator or his successors in title. For the purposes of the latter exemption, the threshold of DKK 300 000 must not have been exceeded in the current or preceding year.

France. Specific thresholds apply for certain activities. EUR 42 600 for lawyers, writers and artists.

Greece. The registration/collection thresholds do not apply to certain categories of taxable persons, such as freelancers, taxpayers whose annual turnover from B2B transactions is at least 60%, exporters, technicians who render services in relation to maintenance or repair of buildings and construction sites, such as painters, electricians and plumbers.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Italy. The micro-sized taxpayers scheme ("Regime dei contribuenti minimi") applies to self-employed that have an income lower than EUR 30 000. It involves exemption from both IRAP (Regional tax on productive activities) and VAT and a 5% tax rate for the personal income tax. As from 1 January 2012, such scheme is intended only for individuals who have started up new business activities as self-employed or enterprises since 31 December 2007. The normal duration of the scheme is 5 years. As for activities started up by young entrepreneurs or self-employed, they can continue to apply this tax regime until the age of 35. In any case, taxpayers benefitting from this regime are allowed to opt out of it.

Country notes to Table 2.A2.3. (cont.)

Japan. Businesses (companies and individuals) are not required to register and account for Consumption Tax (VAT) during the first two years of establishment, except for companies whose capital is of JPY 10 000 000 or more. From 1 April 2014, new companies whose capital is of less than JPY 10 000 000 but that were established by and invested more than 50% of their capital in a group of businesses whose taxable sales are more than JPY 500 000 000 are also excluded. In this case, they should be registered for Consumption Tax from the beginning. After this two years period, whether businesses should be registered as a taxable person is determined every year based on their annual taxable turnover for the accounting period/tax year two years before the current accounting period/tax year. If that turnover has exceeded JPY 10 000 000, the business should be registered. The businesses whose taxable sales (the amount of salary paid) are more than JPY 10 000 000 in the first half of the previous year or of the previous business year should be also registered. Businesses can opt for a voluntary registration for Consumption Tax, even if their turnover is below the threshold. In that case, the businesses have to remain registered for two years.

Netherlands. The amount of EUR 1 345 is based on the special scheme for small businesses. It is not a threshold based on turnover, but on net annual VAT due. If the net annual VAT due (VAT on outputs minus VAT on inputs) is EUR 1 345 or less, the taxpayer gets a full VAT rebate and no VAT is due to the Tax Authorities. In this case, and on request, the taxpayer has no obligation to file VAT returns (no charge of VAT and no deduction of input VAT). However, businesses under the small business scheme must still register as VAT taxpayers. In that sense, there is no threshold for registration for VAT purposes. If the net annual VAT due is more than EUR 1 345 but less than EUR 1 883, the taxpayer gets a partial VAT rebate. In this case, the taxpayer must file a VAT return.

Norway. A higher threshold of NOK 3 000 000 applies for admission to sporting events.

Portugal. The collection threshold does not apply to commercial legal entities. For small retailers that fulfil some specific conditions the collection threshold is EUR 12 500.

Slovenia. A higher threshold of EUR 50 000 is effective from 1 April 2013.

United Kingdom. A higher threshold of GBP 81 000 is effective from 1 April 2014.

Table 2.A2.4. VAT/GST Exemptions^a

	Exemptions	Taxation of "common exemptions" in the country ^b
Australia	Financial services; residential rent and residential premises (other than new residential premises); certain supplies of precious metals; school canteens operated by non-profit bodies (optional); certain fund raising events conducted by charitable institutions.	Domestic postal services; sporting services; cultural services excluding religious services (zero rate); insurance and reinsurance excluding health insurance (zero rate); gambling (including lottery tickets and betting); supplies of land and buildings (except certain supplies of farm land and supplies of going concerns – zero rate and existing residential premises – exempt).
Austria	Common exemptions. ^b	Letting (private housing)
Belgium	Common exemptions. ^b	–
Canada	Common exemptions; ^b legal aid; public transit; ferry, road and bridge tolls; child and personal care services; certain regulatory/administrative supplies by a government or a municipality.	Most betting, lotteries and gambling; supply and leasing of commercial land and buildings; sales of newly constructed or substantially renovated housing; domestic postal services; certain cultural and sporting services (e.g. adult programmes; and services provided by other than public sector bodies; most admissions to a place of amusement (e.g. admission to museums, films, professional performances and sporting events, etc.); human blood and certain biologicals (zero rate).
Chile	Used motor vehicles; goods provided by the employer to dependant employees; domestic raw materials used in the production, processing or manufacture of goods for export; some imports made by the Ministry of Defence, the Army and other related organisms; capital goods imported under a D.L 600 contract or similar; income received from tickets to shows and meetings; international freight, passenger transport; premiums and disbursements of reinsurance contracts; commissions earned by the Regional and Metropolitan Housing and Urbanisation Services and Social Security Institutions on mortgages; non-taxable income; income subject to additional income tax; income such as wages, salaries, pensions, income obtained by independent workers and directors fees if taxed with income tax; insertions and notices to be published and disseminated under the right of reply; certain insurance premiums; financial interests; commissions coming from guarantees issued by financial institutions; letting of immovable property; remunerations linked to exports; income obtained from services rendered to persons domiciled or resident abroad and qualified as exportable services by Customs; income obtained by hotels relating to services rendered to foreign tourists; fees paid for managing retirement savings earned by specific authorised institutions; income obtained by independent professionals, where the physical effort is more relevant than the capital or materials used; broadcasting and television enterprises excluding income from advertisement; news agencies; educational services; health services; health contributions paid to Private Health Insurance Companies; manufacturing of currency by "Casa de Moneda de Chile"; postal services rendered by "Servicio de Correos y Telégrafos de Chile"; interests, premiums, commissions or other forms of remunerations paid by "Polla Chilena de Beneficencia" and "Lotería de Concepción", to individual or legal entities for business services; other minor exemptions.	Income from artistic shows or plays not sponsored by the Ministry of Education; income from certain circus and sports events if certain requirements are not met.
Czech Republic	Common exemptions ^b ; public television and radio.	Certain cultural services (e.g. admission to theatres, cinemas, concerts, etc subject to reduced rates); sporting services provided by others than by non-profit making organisations; supply of construction land and of new buildings; option to tax letting of buildings.
Denmark	Hospital and medical care; dental care; social service; education; non-commercial activities of some non-profit making organisations; non-profit sport activities etc.; cultural services (some exceptions); literary and composing activities; creative artist; letting of immovable property; supply of immovable property; insurance and reinsurance; financial services; lotteries and gambling; postal service; stamps; transport of persons; funeral service; certain fund-raising events; charitable work.	Cultural services as radio, television broadcasting, cinema, theatre, concerts etc.; short term letting of immovable property; option to tax commercial letting; supply of new building and building land; some commercial postal service.
Estonia	Common exemptions. ^b	Immovable property, except dwellings (optional); financial services (optional); cultural services.
Finland	Common exemptions; ^b services of performers; copyright to literary and artistic works; certain transactions by blind people; public cemetery services; self-picked natural berries.	Cultural services; letting of commercial buildings in certain cases (optional).

Table 2.A2.4. VAT/GST Exemptions^a (cont.)

	Exemptions	Taxation of "common exemptions" in the country ^b
France	Common exemptions; ^b construction, improvement, repair and maintenance work on monuments; cemeteries and graves commemorating war victims undertaken for public authorities and non-profit bodies; Commodity futures transactions carried out on a regulated market; Services rendered by resource consortia to their members composed of natural or legal persons that are VAT exempt or not subject to VAT.	Letting of immovable property (full taxation for letting of developed immovable property and land for professional use; option to tax for letting of undeveloped immovable property for professional use in certain circumstances and letting of land and buildings for agricultural use); transport services for sick/injured persons in vehicles not specially equipped for this purpose and/or carried out by persons who do not have administrative certification; recreational and sporting services; cinemas, concerts and theatres.
Germany	Common exemptions. ^b	
Greece	Common exemptions; ^b Greek Post Office (EL.TA.) services and the supply of goods incidental thereto; national radio and TV activities other than those of commercial nature; hospital and medical care supplied by public or non-profit making organisations; medical and paramedical professions; welfare and social security works; supply of immovable property excluding that of new buildings; postage and other similar stamps not disposed to collectors; supply of goods used exclusively in an exempted activity excluded from VAT, which was not allowed to deduction.	Postal services not rendered by the Greek Post Office (EL.TA.); Cultural services (under conditions – admission to theatres, cinemas, concerts, etc.: lower rate); hospital and medical care supplied by profit organisations charitable work when provided by profit organisations; sporting services supplied by profit organisations; supply of new buildings; letting of immovable property for professional use (optional taxation).
Hungary	Common exemptions; ^b public radio and TV broadcasting (except for commercial activities).	Building land, supply of new buildings (taxation of further supplies and letting of immovable property is optional); certain cultural services (e.g. admission to theatres, cinemas, concerts), certain sporting services (e.g. swimming pool services, entrance tickets to sporting events).
Iceland	Common exemptions; ^b sports, passenger transport, authors, composers, burials and church-related services; medical and social services; cultural services; postal services; insurance activities; financial services; lotteries and betting pools.	
Ireland	Common exemptions; ^b passenger transport; broadcasting; supply of water by public authorities; admissions to sporting events; funeral undertaking.	Letting of commercial immovable property (subject to the option for taxation by the landlord); supply of undeveloped land and buildings that are not new; recreational and sporting services.
Israel ^c	Rentals for residential purposes for a period of not more than 25 years, the sale of that part of a building which was approved as a rental building, transactions of an exempt dealer, other than transactions that are sales of real estate, the sale of an asset, on which input tax in respect of its acquisition or importation could not be deducted lawfully at the time of its acquisition or importation, deposits of money by a dealer with a financial institution or extension of a loan by a dealer to a financial institution, goods whose import is tax exempt in certain cases.	
Italy	Common exemptions; ^b taxi; funeral services.	Supply and letting of land; supplies of buildings are taxed in the first five years when sold by building enterprises within five years from their construction or after five years if the latter has opted for non-exemption. This scheme applies in the case of commercial buildings, while for residential housing taxation only applies when let by building enterprises which have opted for non-exemption. Rates are 4% for non-luxury owner-occupied dwelling, 10% for other non-luxury houses and 22% for luxury housing. Medical care is exempt only if earmarked to elderly or poor people, or to people with AIDS.
Japan	Common exemptions; ^b social welfare services; sale of certain kinds of equipment for the disabled people; administrative services; alienation of securities, textbooks, tuition fees.	Postal services; supply of buildings; cultural and sporting services provided by others than non-profit organisations; letting of immovable property by business.
Korea	Common exemptions; ^b certain public transport; supply of water and certain coal; mineral oil used for certain purposes in agriculture and fishery; funeral undertaking; certain personal services similar to labour; books, newspapers and magazines; broadcasting services; supply of farm, marine and forest products.	Rental and supply of commercial buildings; commercial cultural services; gambling in licensed clubs.
Luxembourg	Common exemptions. ^b	–
Mexico	Common exemptions; ^b gold and silver coins; shares; foreign currency; retailing of gold bullion with a content of at least 99% gold; authors' rights; urban, suburban and metropolitan public transport of passengers by land (including by train); sale of used movable property (with exception of those sold by companies); professional medical services.	Postal services; insurance services (except life and agricultural insurance); transport of sick/injured persons; private hospital and medical care, sports services; financial services for consumer and personal credits; certain kinds of public spectacles like movie tickets; supplies of land and buildings (except housing) and certain fund raising events.

Table 2.A2.4. VAT/GST Exemptions^a (cont.)

	Exemptions	Taxation of "common exemptions" in the country ^b
Netherlands	Common exemptions; ^b burials; cremations; public broadcasting; sports clubs; the services of composers, writers and journalists.	Cultural services (mostly lower rate); letting of immovable property other than houses (only at combined request by letter and hirer); supply of immovable property (only at the combined request of supplier and purchaser); the use of sports accommodation; recreational and sporting services; admission to cinemas, concerts and theatres; sporting events; museums and zoological gardens.
New Zealand	Financial services; supply of residential accommodation in a dwelling; fine metal; supply by a non-profit body of donated goods and services.	Postal services; human blood, tissues and organs; hospital and medical care; transport of sick/injured persons; dental care; charitable work; certain fund raising events; education; non-commercial activities of non-profit making organisations (other than unconditional gifts); cultural services; sporting services; insurance and reinsurance (other than life insurance and reinsurance); letting of immovable property (other than residential accommodation); betting, lotteries and gambling; supply of land and buildings (other than land and buildings which have been used for the provision of residential accommodation for five years or more).
Norway	Common exemptions; ^b certain alternative treatments/fringe medicine; burials; stamps and coins for collection purposes; management services by a housing association to an affiliated housing co-operative; services in the form of membership of a board, supervisory board, committee, council or similar if the consideration is included in the employer's National Insurance contributions; services in the form of offsetting emission allowances.	Postal services; infrastructural services within the passenger transport sector; admission to sporting events, museums, cinemas and amusement parks; letting of commercial buildings (optional).
Poland	Common exemptions; ^b public radio and television.	Rental or tenancy of the dwelling buildings used for commercial purposes; supply of building land or land for development and buildings.
Portugal	Common exemptions. ^b	–
Slovak Republic	Common exemptions ^b ; public television and radio; services supplied to members; sale of postal and fiscal stamps.	Supply of a construction, including the supply of building land, on which the structure is constructed, provided that the supply is made within five years after the first approval of the building or a part thereof based on which the building or a part thereof was approved for use or within five years from the day when the building or a part thereof was put in use for the first time; option to tax supply and letting of immovable property; training, educational, sporting and cultural services provided by others than by non-profit making organisations.
Slovenia	Common exemptions; ^b public television and radio.	Supply of new buildings; admission to cultural and sporting events; educational, sporting and cultural services provided by profit making organisations; option to tax letting of immovable property.
Spain	Common exemptions; ^b copyright to literature and works of art.	Cultural and sporting services provided for taxable persons different from public bodies and non-profit making organisations; letting of commercial buildings; building land; supply of new buildings.
Sweden	Common exemptions; ^b public television and radio; public cemetery services; social services; creative artists.	Postal services; most cultural services; letting of commercial buildings in certain cases (optional).
Switzerland	Common exemptions; ^b cultural services and the supply of cultural works by their creators, such as authors, composers, film makers, painters, sculptors and services supplied by publishers and collecting societies in order to circulate these works; the supply of used movable goods, which were used exclusively for the provision of supplies exempt from the tax without credit; the sale of agricultural, forestry and market garden products cultivated in their own business by farmers, foresters or gardeners, the sale of cattle by cattle dealers, and the sale of milk by milk collection points to milk processing plants; publicity services, which charitable organisations provide for the benefit of third parties or third parties for the benefit of charitable organisations; the exercise of arbitration functions.	The dispensing of artificial limbs and orthopaedic equipment; renting of exhibition stands and individual rooms in exhibition and congress buildings.

Table 2.A2.4. VAT/GST Exemptions^a (cont.)

	Exemptions	Taxation of "common exemptions" in the country ^b
Turkey	Importation of goods for cultural and educational purposes or for social purposes; restoration project related to cultural object; delivery of goods and provision of services to military factories, shipyards and factory plants; exempted taxpayers according to Income Tax Law; mergers and transfer according to Corporate Tax Law; transactions on leasing of real properties not included in economic enterprises; banking and insurance transaction; transactions of the Mint House and the Stamp Printing House; supply of precious mine and waste; supply of water used in agriculture; services supplied in free trade area; transportation of foreign oil and gas by pipelines; supply of land and workplace for organised industrial zone; supply of goods within the scope of financial restructuring; the transactions of Savings Deposit Insurance Fund; news service provided to General Directorate of Press and Information; renting work place in customs area; delivery and leasing of immovable property by the Treasury; transfers and deliveries resulting from the sales of shares and real properties that have been included for at least two years in the assets of institutions; transfer of movable and immovable assets and intangible assets to the asset leasing company and the leasing of assets by asset leasing company; services provided by "Insurance Arbitration Commission" about settling disputes.	Private education; private cultural services and sporting services; private hospital and medical care and dental care; human blood; transport of sick/injured persons(lower rate); postal services; sale of commercial buildings; letting; radio and television broadcasting; betting, lotteries and gambling; financial services that made by financial corporation; supply of land and buildings included in economic enterprises (standard rate); public hospital and medical care and dental care; public education; public cultural services and sporting services; tissues and organs; certain charitable work that is made by public organization or certificated institution; insurance and reinsurance; letting of immovable property not included in economic enterprises (exemption); non-commercial activities of non-profit making organisations; certain fund-raising events(non-taxable).
United Kingdom	Common exemptions; ^d burials and cremations; sports competitions; certain luxury hospital care; works of art.	Standard rated: freehold sales of new commercial buildings (standard rated for three years from completion date) and "option to tax" for other ordinarily exempted supplies of commercial buildings; gaming machines and certain gambling in licensed clubs. Zero rated: New housing, including construction of new houses; residential and some charity buildings.

- a) Exemptions For the purposes of this table, "exemption" means supplies for which VAT/GST is not levied on the amount charged by the provider while the latter is not allowed to deduct related input tax. In some countries, such supplies are called "input taxed supplies".
- b) Common exemptions In this table, "Common exemptions" hereafter refer to exemptions generally applied in most OECD countries: postal services; transport of sick/injured persons; hospital and medical care; human blood, tissues and organs; dental care; charitable work; education; non-commercial activities of non-profit making organisations; sporting services; cultural services (except radio and television broadcasting); insurance and reinsurance; letting of immovable property; financial services; betting, lotteries and gambling; supply of land and buildings; certain fund-raising events.
- c) Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.5. **Restrictions to the right to deduct VAT/GST on specific inputs^a**

Inputs on which the right to deduct VAT/GST is denied or limited	
Australia	<p>Entertainment: recreational club leisure facility, entertainment, meal entertainment, family maintenance, relative's travel.</p> <p>Vehicles: the amount of GST recoverable on the acquisition of a car is limited to that applicable to the car depreciation limit for the income year, currently AUD 57 466.</p> <p>Others: penalties, non-compulsory uniforms.</p> <p>GST is not recoverable on the expenses above to the extent they are not eligible for a deduction under the income tax law.</p>
Austria	<p>Entertainment: restaurants and entertainment.</p> <p>Vehicles: vehicles, except used for commercial passenger transport, for leasing purposes or used at least 80% for driving schools.</p>
Belgium	<p>Entertainment: full input tax block for restaurant and hotel (with a number of strict exceptions), certain alcoholic beverages (with a number of strict exceptions) and reception and hospitality costs.</p> <p>Vehicles: Expenses relating to vehicles for transport of persons and/or goods by road. The right to deduct input tax may in principle not exceed 50% (with a number of strict exceptions).</p> <p>Others: supplies relating to special VAT scheme (e.g. margin scheme, special VAT scheme for tobacco).</p>
Canada	<p>Entertainment: deduction restrictions apply to memberships in dining, recreational or sporting facilities clubs; deduction for food, beverages, and entertainment expenses generally limited to 50% of the GST/HST payable. Food and beverage expenses for long-haul truck drivers are limited to 80%.</p> <p>Vehicles: deduction is limited on passenger vehicles acquired as capital property to the GST/HST payable on the capital cost value (CAD 30 000); deduction is limited on passenger vehicles leases to the GST/HST payable on CAD 800 monthly lease payments.</p> <p>Others: home office expenses; restriction to the extent that the consumption or use of a property or service of such quality, nature, or cost is unreasonable given the person's commercial activity.</p> <p>Local limitations: large businesses (generally those with annual taxable supplies in excess of CAD 10 million) that acquire certain property or services in the provinces of Ontario and Prince Edward Island that are subject to the 13% or 14% HST, respectively, are generally restricted to claiming only the 5% federal part of the HST on these acquisitions. These restrictions are to be phased out beginning in 2015 for Ontario and 2018 for Prince Edward Island.</p>
Chile	<p>Vehicles: automobiles, station wagons and similar vehicles as well its lubricants, spare parts, repairs or maintenance unless the regular business activity of the taxpayer is the sale, rental or lease of automobiles, station wagons and similar vehicles.</p> <p>Fuels: products or components that have any form of subsidy for end consumers.</p>
Czech Republic	<p>Entertainment: representation expenditures as defined in the income tax law for which there is no tax allowance according to the income tax law (except small gifts).</p>
Denmark	<p>Entertainment: expenses of entertainment, restaurant, hotel accommodation and presents.</p> <p>Vehicles: supply of vans with a weight of 3 000 kg or less used for both taxable and non-taxable purpose; cars with room for less than 10 persons; leased cars.</p> <p>Others: Employee telephones paid by employer; board of employees and owner of the company; other objects in favour of the employees.</p>
Estonia	<p>Entertainment: goods or services relating to the reception of guests or the provision of meals or accommodation for employees. This restriction is not applied to the deduction of input value added tax paid for accommodation services received during a business trip.</p>
Finland	<p>Entertainment: representation and entertainment expenses.</p> <p>Vehicles, boats and aircraft: used for sporting and leisure purposes, cars, motorcycles and caravans. However, any means of transport which are to be resold, rented out or used in professional passenger transport or in driving lessons as well as passenger cars used only for taxable transactions are deductible.</p> <p>Others: travelling costs of personnel between home and workplace; goods and services related to dwellings or buildings provided for the recreation of personnel.</p>
France	<p>Vehicles: vehicles or equipment, whatever their nature, designed to carry persons or mixed-use, except those for resale as new; leased, having in addition to the driver's seat more than eight seats used by companies to bring their staff on the workplace, assigned exclusively to the driving instruction, all type of road vehicles exclusively for the operation of ski lifts and ski areas, once they have been certified by the testing of lifts and guided transport under conditions set by decree, vehicles acquired by companies of public passenger transport and assigned exclusively to the realisation of such transport. Components, parts and accessories of vehicles and machines previously referred.</p> <p>Others: goods and services used by taxable persons for more than 90% for a non-business purpose; gifts above a certain value; goods or services linked to the free supply of housing to officers or employees of a company, except when it's for the security staff on construction sites or in company premises; goods or services used for advertising alcoholic beverages; supply of passenger transport and services ancillary to such transport, except those produced either on behalf of an enterprise of public passenger transport, or under a permanent contract of transport by companies to bring their staff on the workplace; most fuels not subsequently delivered or sold as is or as other petroleum products.</p> <p>Partial restrictions: The right to deduction is limited to 50% for gas oil and other hydrocarbons in gaseous state and kerosene used as fuel, when such products are used for vehicles and equipment mentioned above.</p> <p>The right to deduction is limited to 80% for gas oils and bio ethanol E 85 used as fuel for vehicles and equipment mentioned above, except those used for testing for the purposes of making engines or motorised equipment and insofar as they are not subsequently delivered or sold as is or as other petroleum products.</p>
Germany	<p>Entertainment: representation expenditures as defined in the income tax law for which there is no tax allowance according to the income tax law (e.g. gifts except small gifts, restaurant, catering, entertainment expenditure except appropriate ones, expenditures on hunting and fishing, sailing yacht or motor yachts and expenditures of similar nature).</p>

Table 2.A2.5. **Restrictions to the right to deduct VAT/GST on specific inputs^a** (cont.)

Inputs on which the right to deduct VAT/GST is denied or limited	
Greece	<p>Entertainment: receptions, recreation and hospitality in general; accommodation, food, drinks, transport and recreation for the personnel or members of a company.</p> <p>Means of transport: motor cars for the transport of up to 9 persons intended for private use; motorcycles, mopeds, vessels and aircrafts for private use, for pleasure or sports and the cost of fuel, repair, hiring and maintenance for such conveyances. The restriction does not apply to the acquisition of the above means of transport when they are purchased for sale, rental or transport of persons for consideration.</p> <p>Others: manufactured tobacco and spirituous or alcoholic beverages not to be used in taxable activities.</p>
Hungary	<p>Entertainment: services of restaurants and other public catering services; entertainment services; food and beverages.</p> <p>Vehicles: passenger cars (except hearses), motorcycles above 125 cubic centimetres; yachts and vessels.</p> <p>Others: supplies of motor fuels, other fuels, other goods used in connection with the operation or maintenance of passenger cars; residential properties, goods and services used for the construction or remodelling of residential properties; taxi services, parking services, highway toll services; 30% of input tax regarding fixed phone, mobile phone and VOIP service; 50% of input tax regarding the services used for the operation or maintenance of passenger cars.</p>
Iceland	<p>Entertainment: all expenses related to catering and food for the taxable person.</p> <p>Vehicles: supply and running of cars with a weight of 5 000 kg or less, unless used for specially regulated taxable purpose.</p> <p>Others: all expenses related to residential property for the owner and the employees of the taxable person. All expenses which come instead of salaries to the owner and the employees of the taxable person. All expenses related to summer houses and similar entertainment for the owner and the employees of the taxable person; presents.</p>
Ireland	<p>Entertainment: food, drink, accommodation (except for qualifying conferences), personal services, entertainment.</p> <p>Vehicles: purchase or hire of passenger vehicles (20% of the cost is allowed where the car meets certain conditions regarding business use and emission levels).</p> <p>Others: petrol.</p>
Israel ^b	None.
Italy	<p>Entertainment: entertainment expenses, food and beverages.</p> <p>Vehicles: means of transport and connected services (motor vehicles, aircraft and yachts); passenger transport.</p> <p>Other: luxury goods and connected services, buildings.</p>
Japan	None.
Korea	<p>Entertainment: entertainment expenses and similar expenditures.</p> <p>Vehicles: purchase and maintenance of non-business small automobiles.</p>
Luxembourg	Entertainment: luxuries, entertainment, amusements, tobacco.
Mexico	No restrictions list, the law establishes that deductions must come from goods and services "strictly indispensable" for the principal activity. The expenses deductible for VAT purposes must be deductible in terms of the Income Tax Law. The Income Tax Law has list of "Authorised deductions" for each type of regime.
Netherlands	Entertainment: restaurant services. Also certain representation and gift expenditures.
New Zealand	None.
Norway	<p>Entertainment: Catering and hiring of locations related to catering; entertainment expenses; the construction, maintenance, renting or operation of real property for accommodation or welfare needs.</p> <p>Vehicles: procurement, operation or maintenance of passenger vehicles.</p> <p>Others: works of art or antiques; accommodation of- and remuneration in kind to the owner, management, employees or pensioners of an enterprise; business gifts, goods and services for distribution for advertising purposes; cash payments above NOK 10 000 (USD 1 040).</p>
Poland	<p>Entertainment: restaurant services and accommodation.</p> <p>Vehicles: limitation to 60% of the right to deduct VAT on the purchase, intra-community acquisition, import, hire or lease of passenger cars and motor vehicles up to 3.5 t; up to a maximum of PLN 6 000 (from 1.04.2014, limitation to 50% of the right to deduct VAT on the purchase, intra-community acquisition, import, hire or lease of motor vehicles as well as VAT charged on expenditure related to those vehicles, where the vehicle is not entirely used for business purposes).</p> <p>Others: fuels for passenger cars.</p>
Portugal	<p>Entertainment: transport, accommodation or meals (except connected with conferences, seminars, fairs or exhibitions, which, under certain conditions, are deductible in 25% or 50%); luxury and entertainment expenses.</p> <p>Vehicles: acquisition or hiring of light vehicles deemed to be used for non-business purposes, as well as pleasure boats, helicopters, aircrafts and motorcycles (except if intended for sale or constitute the core of the business activity).</p> <p>Others: fuel used in motor vehicles (other than gas oil, liquefied petroleum gas and bio fuels, which are deductible at 50%; or fully deductible if used in certain heavy vehicles or tractors).</p>
Slovak Republic	<p>Entertainment: goods and services for the purposes of treat and entertainment.</p> <p>Others: suspense items (Suspense items means expenses paid on behalf and for the account of the purchaser or the customer, which the supplier charges to the purchaser or the customer).</p>

Table 2.A2.5. **Restrictions to the right to deduct VAT/GST on specific inputs^a** (cont.)

Inputs on which the right to deduct VAT/GST is denied or limited	
Slovenia	<p>Entertainment: entertainment expenses (where entertainment expenses shall include only the costs of entertainment and amusement during business or social contacts); meals (including drinks) and accommodation expenses, except expenses incurred by taxable person in connection with these supplies in the ordinary course of his business.</p> <p>Vehicles: yachts and boats intended for sport and recreation; aircrafts other than those used for transport of passengers and goods, leasing, renting and resale; passenger cars and motorcycles other than: vehicles used for transport of passengers and goods, leasing, renting and resale, vehicles used in driving schools for the provision of the driver's training program in accordance with the regulations in force and combined vehicles for carrying out an activity of a public line and special line transport, and special vehicles adapted exclusively for the transport of deceased people.</p> <p>Others: fuels, lubricants, spare parts and services which are closely linked to vehicles above.</p>
Spain	<p>Entertainment: access to shows and services of a recreational character; travel, accommodation and catering services, unless they are deductible as a cost in income taxes.</p> <p>Others: jewellery, gold and platinum objects, pearls, precious stones; food, drinks and tobacco; goods or services used as gifts to clients, employees or third parties.</p>
Sweden	None.
Switzerland	None.
Turkey	<p>Cars: purchases of cars except when used by car renting companies.</p> <p>Others: missing and stolen stocks (excluding those lost due to fire in places of compelling reason declared by Ministry of Finance).</p>
United Kingdom	<p>Entertainment: business entertainment; in general terms the free provision of any hospitality to business contacts is not recoverable. The exception is where the entertainment is provided to non UK customers; however, it is likely that if recovery is granted it would be off-set by a private use charge that would effectively cancel out any credit obtained.</p> <p>Vehicles: motor cars in general, except motor cars that are stock in trade (car dealers, etc.), tools of the trade (driving schools, etc.) or exclusively used for business purposes with no availability for private use (leasing companies, etc.); lease of a motor car (right to deduction is limited to 50%).</p>

- a) The table includes limitations of the right to deduct input VAT/GST on specific goods, services and intangibles because of their nature, generally with a view to ensure (input) taxation of their deemed final consumption. The table does not include input tax blockings related to the exemption of outputs (e.g. limited right of deduction for inputs used to provide financial and insurance services, medical care, education, etc. listed in Table 3.A3.1 on VAT/GST exemptions) or to inputs not connected with the taxable activity of the business.
- b) Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.6. **Special VAT/GST taxation methods**

	Usage of reverse charge system	Usage of margin schemes ^a
Australia	Imports of intangible supplies are reverse charged to the recipient (registered) business if they would not have been entitled to a full input tax credit for GST paid on that supply. In some circumstances, businesses can choose to reverse charge GST for supplies connected with Australia that are made by non-residents.	Margin scheme can be used on certain sales of new residential or commercial property. It is generally based on the difference between the tax inclusive sale price and the original purchase price. Special rules apply in certain cases, such as sales between associates or members of the same GST group. Gambling: GST applies to the gambling margin calculated based on the total amount wagered less total monetary prizes awarded. Second hand goods when second-hand dealers adopt a special "global" accounting method. It applies when: 1) second-hand goods are acquired from an unregistered supplier and are divided up for re-supply; and 2) the dealer exercises the option to apply the global method over a specified category of second-hand good.
Austria ^b	Several services delivered internationally and intra-community delivery of goods by an entrepreneur resident abroad. If customer is an entrepreneur or a legal person governed by public or private law, supplies of work and other services provided by an entrepreneur resident abroad. Supply of laptops, tablets and PCs; game consoles; mobile phones; and integrated circuit devices if the amount of the invoice is at least EUR 5 000. Supply of gas and energy to taxable dealers. Transfer of CO ₂ emissions certificates. Supply of certain metals. Supply of scrap and waste; supply of taxable investment gold. Construction services if the recipient is acting as general contractor or if he usually is rendering construction services; supply of goods provided as security by a VAT taxable person to another person in execution of that security; supply of goods following the cession of the reservation of ownership to an assignee and the exercising of this right by the assignee; the supply of immovable property sold by the judgment debtor in a compulsory sale procedure to another person.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Belgium ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); supplies of goods and services by traders not established in Belgium under several conditions; some supplies of investment gold; work on immovable property under several conditions; several transactions within the framework of a VAT warehouse.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Canada	A resident recipient of an imported taxable supply of intangible personal property or a service is required to self-assess tax in respect of the supply unless it is acquired for use, consumption or supply exclusively in the course of the commercial activities of the recipient. Certain purchasers of real property are required to self-assess (e.g. supplier is a non-resident; purchaser is registered for GST/HST, newly constructed residential complex for personal use of a builder). In certain circumstances, persons may be required to self-assess the provincial part of the HST when certain property or services are moved from one province to another.	–
Chile	Resident recipients of an imported taxable good (whether they import frequently or not, and whether they are individuals or businesses). Resident beneficiary of a cross border service provided the service provider is a non-resident (such services are subject to VAT when they are rendered in Chile and the payment is not subject to additional income tax). The tax authority may establish a reverse charge system through general rules under some circumstances dealing with intermediaries, difficult auditing situations (e.g. certain dealings in produce such as the sale of rice, berries, livestock, beans, wood, wild products, paper and cardboard and wheat).	–
Czech Republic ^b	Several services delivered internationally and intra-community delivery of goods, supplies of goods with assembly or installation; supplies of gas, electricity and certain other services by non-established traders to established taxable persons (EU Directive); delivery of taxable investment gold and gold material of purity equal to or greater than 333 thousandths, supply of designated categories of scrap and waste, transfers of CO ₂ emission allowances and supply of construction and assembly services) provided between taxable persons registered for Czech VAT.	Travel agencies; second-hand goods; works of art; collector's items and antiques (EU Directive)

Table 2.A2.6. **Special VAT/GST taxation methods (cont.)**

	Usage of reverse charge system	Usage of margin schemes ^a
Denmark ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); goods imported B2B into Denmark from a country outside the EU; leasing of means of transport from outside the EU to a taxable person in Denmark.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Estonia ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); immovable property and investment gold, where the supplier has opted for taxation; scrap metal; precious metals.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Finland ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive). If a foreign enterprise does not have a fixed establishment in Finland, the purchaser is usually liable for tax. A reverse charge procedure is applied to taxable investment gold as well as gold material and semi-manufactured gold products of purity equal to or greater than 325 thousandths. A reverse charge procedure is applied to emission permits and construction services supplied in Finland.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
France ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive).	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive); Real estate agents.
Germany ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); if customer is an entrepreneur or a legal person governed by public or private law: supplies of work and other services provided by an entrepreneur resident abroad (with the exception of certain services involving passenger transport) and supplies of pledged assets by the guarantor to the recipient of the security outside the framework of judicial liquidation; turnover covered by the Real Property Transfer Tax Law (in particular, transfers of real estate). If the customer is an entrepreneur: supplies of work or other services serving the construction, repair, maintenance, alteration or removal of structures (except for planning and supervision) and cleaning of buildings when the customer himself supplies such services; supplies of gas and electricity provided by an entrepreneur resident abroad and supplies of gas and electricity when the customer is a taxable dealer of gas and electricity; supply of gold (unwrought or semi-finished), of mobile devices or integrated circuits, of emissions allowances and of industrial scrap, ferrous and non-ferrous waste and other waste.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Greece ^b	Several services and goods delivered internationally (EU Directive); supply of recyclable waste materials; tradable greenhouse gas emission permits.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive); sales by public auction.

Table 2.A2.6. **Special VAT/GST taxation methods (cont.)**

	Usage of reverse charge system	Usage of margin schemes ^a
Hungary ^b	<p>Several services delivered internationally and intra-community delivery of goods (EU Directive). Domestic reverse charge applies to:</p> <ul style="list-style-type: none"> – the handing over of construction works regarded as a supply of goods; – construction or other alteration or repair activity qualifying as service, directed at the construction, expansion, rearrangement or other modification (including demolition) of immovable property and subject to acquiescence or authorisation by the building authority; – the hiring-out of employees and the supply of staff for the supply of goods or services mentioned before; – the supply of waste products; – the supply of a building and the land on which it stands or of an inbuilt plot of land (with certain exceptions) if the supplier opted for taxation; – in relation with debtors and creditors, the supply of goods that were pledged as collateral security to cover an overdue claim in execution of that security; – the specific supply of goods or services, if the supplier taxable person is adjudicated in liquidation proceedings or any similar insolvency proceedings; – the alienation of transferable rights to emit greenhouse gases (emission unit); – supply of certain specific agricultural products such as wheat and meslin, rye, barley, oats, maize, triticale, soya beans whether or not broken; rape and colza seeds whether or not broken; sunflower seeds whether or not broken. 	Travel agencies; second-hand goods; works of art, antiques, collectors' items (EU Directive).
Iceland	Several services delivered internationally for use in part or in full in the country.	–
Ireland ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); construction services supplied to principal contractors; supply of scrap metal, greenhouse gas emission allowances.	Optional margin scheme for antiques, works of art and second hand goods (EU Directive). Mandatory margin scheme for auctioneers and travel agents.
Israel ^c	<p>A person not liable for payment of the tax may, with the Director's consent and on conditions prescribed by him, take the payment upon himself, and after the date of that consent he shall be treated as the person liable for its payment.</p> <p>The tax levied on a buyer, if the buyer is a licensed dealer (i.e. a VAT registered enterprise) and has committed a real estate sale which is an occasional transaction.</p> <p>If a transaction is performed in Israel, and the seller or performer of the service is a foreign resident, then the obligation to pay the tax rests on the purchaser.</p> <p>Sale of metal debris.</p> <p>Import, including import of intangible goods – the owner of the goods is liable to pay the tax.</p> <p>If a dealer, non-profit organisation or financial institution received services of the types specified below from a person, whose main income is from wage, benefit or pension, then he must pay the tax in respect of that service, unless he received a tax invoice from the person who rendered the service; these are the services:</p> <ol style="list-style-type: none"> 1. Artistic performance, construction or preparation of stage sets; preparation, checking, conducting and supervising examinations; lectures, etc. 2. Services of the following professionals: agronomist, architect, practical engineer, private investigator, rabbinical pleader, technician, dental technician, organizational, management, scientific or tax consultant, economist, engineer, etc. 	<p>Sale art objects and used assets – other than dwellings – when they are sold by a person whose business is the sale of such assets.</p> <p>Sale of used vehicle, motorcycle or cross-country vehicle by a dealer whose business is a purchase and sale of used vehicles.</p> <p>Sale of dwellings by a real estate dealer, who acquired it from a person who is not a non-profit organisation, a financial institution or a dealer.</p> <p>Sale of coins, medals purchased from a non licensed dealer (i.e. not VAT registered business).</p> <p>Sale of postage stamps and revenue stamps by a person whose business is the sale of such stamps (deemed to be a service).</p> <p>Sale of securities or other negotiable instruments, including the acquisition of aforesaid securities and instruments in order to collect their redemption or retirement price, by persons whose business is the sale of such assets or the sale of foreign currency, then that sale or collection of redemption or retirement shall be deemed a brokerage service rendered by the dealer, between the person who sold them to him and the person who bought them from him or redeemed them or retired them.</p>
Italy ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); Investment gold: supply of semi-finished products, gold purity >0.325, so-called industrial gold, scrap iron; supplies carried out by subcontractors in the building sector; mobile telephones and integrated circuit devices under certain conditions.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Japan	–	–

Table 2.A2.6. **Special VAT/GST taxation methods (cont.)**

	Usage of reverse charge system	Usage of margin schemes ^a
Korea	Services which are provided by foreigners or foreign corporations that are not located in Korea, except in cases where the services received are used in taxable operations. Supply of gold and copper scrap between taxable persons.	–
Luxembourg ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive).	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Mexico	The obligation to withhold applies among others to corporations that: receive independent personal services from individuals or rent goods from them; acquire waste to be used by industry; and receive land motor transportation services of goods.	–
Netherlands ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive). As an anti-fraud measure, the reverse charge also applies to some specific domestic supplies such as the supply of greenhouse gas emission rights and certain consumer electronics, e.g. mobile phones; laptops; CPU's and tablet pc's.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
New Zealand	Residents are required to self-assess tax on the value of imported services, including imported intra-group cost allocations. A requirement to register for GST arises, absent of a taxable activity, if the value of any imported services exceeds NZD 60 000 in a twelve-month period.	–
Norway	Reverse charge applies to business-to-business transactions of international services (services capable of delivery from a remote location) and to domestic business-to-business transactions of tradable permits of CO ₂ emissions and gold.	Voluntary margin scheme for second hand goods, works of art, collectors' items and antiques.
Poland ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive), supply of metal scrap, metal waste and metal materials, and transfer of allowances to emit greenhouse gases.	Travel agencies; second-hand goods; works of art; collector's items and antiques (EU Directive).
Portugal ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive). On domestic supplies (where customer is a taxable person): scrap metal, work on immovable property, greenhouse gas emission allowances.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive) and fuel retailers.
Slovak Republic ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive). Supply of gold between taxable persons. Domestic supply of metal scrap and metal waste; supplies of goods with assembly or installation; domestic supply of CO ₂ emission tradable permit; gas, electricity and certain other services by non-established traders to established taxable persons. Domestic supplies of cereals and oil seeds, grains, straw and fodder crops (respectively under Chapter 10 and 12 of the Common Customs Tariff), which are not typically intended in the unaltered state for final consumption, if the taxable amount in the invoice for the supply of such goods is EUR 5 000 and more. Domestic supplies of iron and steel (under Chapter 7 of the Common Customs Tariff). Domestic supplies of mobile telephones, being devices made or adapted for use in connection with a licensed network and operated on specified frequencies, whether or not they have any other use, if the taxable amount in the invoice for the supply of mobile telephones is EUR 5 000 and more; domestic supplies of integrated circuit devices such as microprocessors and central processing units in a state prior to integration into end user products, if the taxable amount in the invoice for the supply of mobile telephones is EUR 5 000 and more.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Slovenia ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive). Reverse charge for certain transactions, supplied to taxable persons, identified for VAT in Slovenia, i.e. the supply of construction work (including repair, cleaning, maintenance, alteration and demolition services in relation to immovable property); the supply of staff engaged in the mentioned activities; the supply of certain immovable property, where the supplier has opted for taxation of the supply; the supply of certain waste, scrap, used material and services; the transfer of allowances to emit greenhouse gases.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).

Table 2.A2.6. **Special VAT/GST taxation methods (cont.)**

	Usage of reverse charge system	Usage of margin schemes ^a
Spain ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); domestic supply of CO ₂ emission tradable permit; domestic supply of metal scrap and metal waste; investment gold: supply of semi-finished products, gold purity >0.325; supplies carried out by subcontractors in the building sector; supply of buildings in certain situations.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Sweden ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive).	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Switzerland	The reverse charge system is applicable for: Supplies of services by businesses with their place of business abroad that are not entered in the Register of Taxable Persons, if the place of supply is situated on Swiss territory. The import of data storage media without market value with the services and rights included therein. Supplies of goods on Swiss territory by businesses with their place of business abroad that are not entered in the Register of Taxable Persons, if these supplies of goods are not subject to the import tax.	None, but deemed input tax deduction for used, individual, movable goods for supplies within the jurisdiction.
Turkey	If the taxpayer does not have a place of business, residence, legal or business centre in Turkey or if considered necessary by the Ministry of Finance; any of the people involved in a transaction subject to taxation may be held responsible for the payment of tax to cover the tax income.	Travel agencies (commission taken from tour sold abroad is exempt; commission taken from tour sold in Turkey is subject to tax).
United Kingdom ^b	Several services delivered internationally and intra-community delivery of goods (EU Directive); investment gold.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).

- a) **Margin scheme:** In this context, a margin scheme means a scheme where the tax base is calculated on the difference between the price paid by the taxpayer for an item and the price of resale rather than on the full selling price. The reseller is not allowed to deduct the input VAT embedded in the buying price of the items resold under the margin scheme.
- b) **EU Directive – Reverse charge:** within the European Union, the person liable to pay the tax is in principle the taxable person carrying out the supply of goods or services. Nevertheless, several operations give rise to payment of VAT by the person to whom the goods or services are supplied (Directive 2006/112/EC). This is mainly the case for the intra-community supply of goods between taxable persons and supply of services between taxable persons if the services are supplied by taxable person not established within the territory of a given Member State.
- c) **Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.7. **Import/export of goods by individuals**

Thresholds for tax-free import of goods by individual travellers				Refund for individuals upon export			
Country	Scheme	Max. threshold		Scheme	Min. value		
		Nat. curr.	USD		Nat. curr.	USD	
Australia	AUD 900 worth of general goods (or AUD 450 for people under the age of 18 and air and sea crew members); 2.25 litres of alcohol and 50 cigarettes or 50 g of cigars or tobacco products may be imported without individuals needing to be assessed for GST and customs duty. If the individuals have in excess of this amount, they need to declare goods and be assessed.	AUD 900	584	Tourist Refund Scheme (TRS): individuals may claim a refund of GST on purchases made over AUD 300 from a single business within 60 days of departure which is worn or taken as hand luggage. GST refunds are available when goods are shown with the necessary documentation, on departure from Australia. The TRS applies to both residents and non-residents (except to crew, sea and air).	AUD 300	195	
Austria	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430	500	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice amount EUR 75.	EUR 75	87	
		EUR 300	350				
Belgium	EU Scheme. ^a In air and sea traffic. In land traffic. Restrictions of these thresholds apply depending on the age of the passenger, the nature of the products (excise products) staff of the means of transport.	EUR 430	489	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 125.	EUR 125	142	
		EUR 300	341				

Table 2.A2.7. **Import/export of goods by individuals** (cont.)

Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export			
Scheme	Max. threshold		Scheme	Min. value		
	Nat. curr.	USD		Nat. curr.	USD	
Canada	<p>I. Goods acquired abroad and for personal or household use imported by Canadian residents, temporary residents or former residents returning to live in Canada:</p> <ul style="list-style-type: none"> – returning after an absence of not less than 24 hours, goods (except alcoholic beverages and tobacco products) valued at not more than CAD 200 and included in the baggage accompanying the person; – returning after an absence of not less than 48 hours, goods (including either wine not exceeding 1.5 litres, beer not exceeding 8.5 litres or liquor not exceeding 1.14 litres and tobacco not exceeding fifty cigars, two hundred cigarettes, two hundred tobacco sticks and two hundred grams of manufactured tobacco) valued at not more than CAD 800 and included in the baggage accompanying the resident; – returning after an absence of not less than seven days, goods (including either wine not exceeding 1.5 litres, beer not exceeding 8.5 litres or liquor not exceeding 1.14 litres and tobacco not exceeding fifty cigars, two hundred cigarettes, two hundred tobacco sticks and two hundred grams of manufactured tobacco) valued at not more than CAD 800 whether or not (except for alcoholic beverages and tobacco products) included in the baggage accompanying the person. <p>II. Goods that are zero-rated when supplied domestically (for example, basic groceries).</p> <p>III. Conveyances and baggage temporarily imported by non-residents for use in Canada.</p> <p>IV. Casual donations valued at CAD 60 or under sent by persons abroad to friends in Canada or imported personally by non-residents as gifts to friends in Canada (except advertising matter, tobacco or alcoholic beverages).</p> <p>V. Personal effects of seasonal residents.</p> <p>VI. Personal effects of returning former residents (resident in another country for at least one year) or residents who have been abroad for at least one year (goods must have been actually owned, possessed and used abroad by the individual for at least six months prior to the individual's return to Canada and accompany the individual upon return to Canada).</p> <p>VII. Personal effects of settlers.</p> <p>VIII. Personal effects of settlers acquired with blocked currencies.</p> <p>IX. Personal effects of deceased persons.</p> <p>X. Foreign conveyances temporarily imported by a Canadian resident to be used in the international non-commercial transportation of the individual and accompanying the individual using the conveyance.</p> <p>XI. Medals, trophies and other non-resalable prizes that are:</p> <ul style="list-style-type: none"> – won outside Canada or donated by persons outside Canada for heroic deeds, valour or distinction; – to be presented by the importer at awards ceremonies; or – bestowed or awarded abroad as marks of honour or distinction, won abroad in competitions, or won abroad in competitions and donated by persons abroad for bestowal or award in Canada. 	CAD 800	625	A rebate of up to 50% of the GST/HST paid is available to a non-resident individual who purchases an eligible tour package that includes short-term and/or camping accommodation. The total purchase amount before taxes must be at least CAD 200.	CAD 200	156

Table 2.A2.7. **Import/export of goods by individuals** (cont.)

Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export			
Scheme	Max. threshold		Scheme	Min. value		
	Nat. curr.	USD		Nat. curr.	USD	
Chile	<p>Goods acquired abroad and imported by:</p> <ul style="list-style-type: none"> – Passengers regarding “travel baggage” exempted under of Customs Duties limited to new and used goods for personal care and for gift; used goods exclusively intended to perform a profession or job; the quantity, not exceeding four hundred cigarettes, five hundred grams of tobacco, fifty cigars and 2.5 litres of alcoholic beverages; and some technological goods. The exemption excludes goods imported with commercial purpose. – Officers or employees of the Chilean Government who serve abroad and immigrants provided that the goods are personal effects, home appliances, tools and work equipment, provided these items do not require an import register. – Crew personnel of a ship, aircraft or another vehicle concerning travel baggage exempted of Customs Duties. – Travellers and Chilean residents from the First Region (Chile) under some circumstances. – Travellers regarding goods subject to the customs classifications (goods owned by travellers coming from the Chilean duty-free zone up to USD 1 218; goods acquired by passenger from abroad, in Chilean tax duty-free shop only, up to a value of USD 500; goods imported by Chilean residents of border places up to USD 150; home appliances of Chileans returning after an absence between six months and one year (up to USD 500); home appliances and work equipment of Chileans returning after an absence between one year and five years (up to USD 3 000); home appliances and work equipment of Chileans returning after an absence of not less than five years (up to USD 5 000); goods of foreign national with a temporary residence in Chile or with a job agreement not less than a one year term: home appliances (up to USD 5 000) and work equipment (up to USD 1 500). – National artists regarding their pieces of arts performed abroad under customs classification (drafts, painting, sculptures). – Travellers and temporal visitors regarding goods for personal use during their visiting to Chile, and vehicles for their private transportation. <p>Goods considered as:</p> <ul style="list-style-type: none"> – Cultural or sport prizes and trophies won abroad without commercial nature, and not commercial gifts occasionally awarded to individuals under customs classification (gifts cannot exceed the value of USD 50). – Prizes and gifts awarded to Chilean individuals, listed under the customs classification, who obtain highest distinction and under specific requirements. 			Non-resident individuals who leave the country through the Chacalluta border crossing (on the First Region) can obtain a refund of VAT paid on merchandise acquired in Arica and Parinacota (subject to daily caps), up to USD 319.	CLP 3 268	6

Table 2.A2.7. **Import/export of goods by individuals (cont.)**

Thresholds for tax-free import of goods by individual travellers				Refund for individuals upon export			
Scheme		Max. threshold		Scheme		Min. value	
		Nat. curr.	USD			Nat. curr.	USD
Czech Republic	EU Scheme. ^a In air and sea traffic.	EUR 430 (CZK 10 642)	721	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice CZK 2 000 for one seller on one day.	CZK 2 000	135	
	In land traffic.	EUR 300 (CZK 7 425)	503				
Denmark	EU Scheme. ^a In air and sea traffic.	EUR 430 (DKK 3 250)	382	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum value: DKK 300. Refund to travellers from Norway and the Åland Islands exporting goods in their personal luggage. Minimum value DKK 1 200.	DKK 1 200	141	
	In land traffic.	EUR 300 (DKK 2 250)	265				
Estonia	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430 EUR 300	682 476	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union.	EUR 38	60	
Finland	EU Scheme. ^a In air and sea traffic.	EUR 430	430	Refund to individuals exporting goods in their personal luggage to a destination outside the EU, minimum invoice EUR 40. Traveller from Norway and the Åland Islands can only get the refund if the value of the goods without VAT is at the minimum EUR 170.	EUR 40	40	
	In land traffic.	EUR 300	300				
France	EU Scheme. ^a In air and sea traffic.	EUR 430	489	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union. The total value of the purchases (including VAT) in a single shop on the same day must be over EUR 175.	EUR 175	213	
	In land traffic.	EUR 300	341				
Germany	EU Scheme. ^a In air and sea traffic.	EUR 430	524	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union. The goods have to be exported within three months following the month of purchase. There is no threshold as to the amount. The VAT exemption is only valid for non-commercial purposes (except for the equipment and supply of private means of transport e.g. car, motorboat, aeroplane, etc.).	-	-	
	In land traffic.	EUR 300	366				
Greece	EU Scheme. ^a In air and sea traffic.	EUR 430	573	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 120. Limitations: foodstuffs; alcoholic beverages; tobacco products; goods for the provisioning and the equipping of means of transport for private use (motor vehicles, aircrafts or sea-going vessels); goods having commercial character.	EUR 120	160	
	In land traffic.	EUR 300	400				
Hungary	EU Scheme. ^a In air and sea traffic.	EUR 430 (HUF 127 000)	900	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice HUF 42 000 Limitation: certain works of art, antiques and tobacco products.	EUR 175 (HUF 52 000)	366	
	In land traffic.	EUR 300 (HUF 88 000)	620				

Table 2.A2.7. **Import/export of goods by individuals (cont.)**

Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export			
Scheme	Max. threshold		Scheme	Min. value		
	Nat. curr.	USD		Nat. curr.	USD	
Iceland	Food: travelers may import duty-free up to 3 kg of food, including candy, not exceeding the value of ISK 25 000. Alcoholic beverages and tobaccos: in addition to goods referred to above, travelers can import duty-free alcoholic beverages and tobacco products as follows: – 1 liter spirits and 1 liter wine and 6 liters beer; or – 3 liters wine and 6 liters beer; or – 1 liter spirits and 9 liters beer; or – 1.5 liters wine and 9 liters beer; or – 12 liters beer. Spirits comprise alcoholic beverages containing more than 21% alcohol; wines comprise alcoholic beverages, other than beer, containing 21% alcohol or less. 200 cigarettes or 250 g of other tobacco products. Icelandic residents may bring duty free the luggage they brought with them abroad furthermore they can bring one or more items of duty free goods worth in total up to ISK 88 000.	ISK 25 000	175	Refund for individuals when leaving the country for goods worth more than ISK 4 000.	ISK 4 000	28
Ireland	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430	453	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. There is no threshold as to the amount.	–	–
		EUR 300	316			
Israel ^b	Import duty exemption: personal products, beverages and wines: liquor up to 1 litre and up to 2 litres of wine – for each entrant age 18. Alcoholic perfume – to ¼ litre per entrant. Tobacco- weight not exceeding 250 g. Products that do not exceed USD 200.		200	A refund will be given to the visitor, a non-citizen holding a foreign passport. The arrangement does not apply to purchases of tobacco products, food and beverages, (except wineries). Minimum purchase amount for VAT refund is: NIS 400 including VAT, purchase at the same time in one business transaction. Providing a refund is subject to the purchase in a registered business.	ILS 400	94
Italy	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430	518	Refund to individuals exporting goods in their personal luggage to a destination outside the EU.	EUR 155	187
		EUR 300	361			
Japan	1) Goods which total taxable value do not exceed JPY 10 000.	JPY 10 000	88	Foreign travellers are exempted from VAT for exported goods for daily use (except Non-Durable, such as food, etc.) only when they are acquired in Tax-free shops. The minimum threshold per transaction is JPY 10 000 (from October 2014, Non-Durable will be exempted from VAT on the condition that some preventive measures against misconducts are taken. The minimum threshold per transaction is JPY 5 000).	JPY 10 000	88
	Goods other than those in 1), which total taxable value do not exceed JPY 200 000.	JPY 200 000	1 765			
	Tax-free import of liquor, tobacco and perfume is limited to certain quantities.	–	–			

Table 2.A2.7. **Import/export of goods by individuals** (cont.)

Thresholds for tax-free import of goods by individual travellers				Refund for individuals upon export			
Scheme	Max. threshold		Scheme	Min. value			
	Nat. curr.	USD		Nat. curr.	USD		
Korea	Importation of the following duty-exempt goods under the Customs Law is exempted from value-added tax. Books, newspapers, and magazines. Duty-exempt goods of a small amount (USD 400) imported by a resident. 1 bottle of alcoholic beverage (not exceeding 1 litre and USD 400). 200 cigarettes and 50 cigars. Goods imported from moving, immigration, or inheritance. Personal effects of travellers, or goods arriving by separate post and mailed goods that are exempted from customs duties or chargeable by the simplified tariff rates.		KRW 304 800	333	Foreign travellers are exempted from VAT for exported goods when they are acquired in Tax-free shops only. Minimum invoice KRW 30 000.	KRW 30 000	33
Luxembourg	EU Scheme. ^a In air and sea traffic. In land traffic.		EUR 430	430	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 74.	EUR 74	75
			EUR 300	300			
Mexico	1. Administrative Rule No. 3.2.3 includes a list of items that may be introduced to Mexico as part of the baggage of international passengers residing abroad or in Mexico. 2. When arriving to Mexico by ships or aircrafts, it is possible to introduce tax-free good which value does not exceed USD 300 or its equivalent in national or foreign currency. 3. When arriving to Mexico in terrestrial means of transportation, such amount shall not exceed USD 75.			300	Foreign tourists leaving the country by airplane or ship may claim a refund on the VAT paid on the acquisition of goods in Mexico when, among other requirements, the amount paid for the goods in one single store is at least MXN 1 200.	MXN 1 200	131
Netherlands	EU Scheme. ^a In air and sea traffic. In land traffic.		EUR 430	494	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 136.	EUR 50	57
			EUR 300	345			

Table 2.A2.7. **Import/export of goods by individuals (cont.)**

Thresholds for tax-free import of goods by individual travellers				Refund for individuals upon export			
Scheme	Max. threshold		Scheme	Min. value			
	Nat. curr.	USD		Nat. curr.	USD		
New Zealand	When entering New Zealand, people are entitled to a personal goods concession which allows them to bring goods up to a total combined value of NZD 700 into the country, free of duty and GST. The personal goods concession applies to goods which accompany that person through Customs, are for that person's personal use or are intended as gifts, are not intended for sale of exchange, are not for use in their businesses or profession and are not imported for other persons at their request. On entering New Zealand, a person is entitled to bring, free of duty and GST, the following quantities: Tobacco: 200 cigarettes, or 250 g of tobacco, or 50 cigars, or a mixture of all three weighing not more than 250 g. Alcoholic Beverages: 4.5 litres of wine or 4.5 litres of beer – 3 bottles containing not more than 1 125 ml of spirits, liquor, or other spirituous beverages. Other concessions: personal effects: wearing apparel, footwear purchased while outside New Zealand for the intended use or wear of the traveller. Goods need to accompany the traveller when arriving in New Zealand. Gifts: if value is less than NZD 110 – free entry, if more than NZD 110 – GST and duty applies on the value in excess of NZD 110. Multiple gift allowances are permitted provide that the separate identity of each recipient can be established. Heirlooms: Items bequeathed to a person in New Zealand may be imported free of all Customs charges.		NZD 700	446	No refund scheme.	–	–
Norway	The threshold is NOK 6 000 for travel abroad for more than 24 hours. For travel abroad of less than 24 hours, the threshold is NOK 3 000. For alcohol and tobacco, special quantitative limits apply.		NOK 6 000	622	VAT refunds are available for tourists. For Nordic countries a higher value applies.	NOK 250	26
Poland	EU Scheme. ^a In air and sea traffic.	EUR 430 (PLN 1 894)	976	Refund to individuals exporting goods (excluding fuels) in their personal luggage to a destination outside the EU. Minimum invoice PLN 200.	PLN 200	104	
	In land traffic.	EUR 300 (PLN 1 322)	685				
Portugal	EU Scheme. ^a In air and sea traffic. In land traffic. Travellers under 15 years old.	EUR 430 EUR 300 EUR 150	614 429 214	Refund to individuals exporting goods (except equipment, fuelling and provisioning of private means of transport) in their personal luggage to a destination outside the EU. Minimum invoice EUR 50.	EUR 50	72	
Slovak Republic	EU Scheme. ^a In air and sea traffic. In land traffic. Travellers under 15 years old, regardless their means of transport.	EUR 430 EUR 300 EUR 150	754 526 263	For travellers without permanent or temporary address within the EU. The total amount including VAT of exported goods to one taxpayer in one day should exceed EUR 175 and goods should be exported within 3 months after the last day of the month where goods were purchased.	EUR 175	307	
Slovenia	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430 EUR 300	641 448	Refund to individuals exporting goods (except equipment, fuelling and provisioning of private means of transport) in their personal luggage to a destination outside the EU. Minimum invoice EUR 50.	EUR 50	75	

Table 2.A2.7. **Import/export of goods by individuals (cont.)**

Thresholds for tax-free import of goods by individual travellers				Refund for individuals upon export		
Scheme		Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
Spain	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430 EUR 300	558 390	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 90.	EUR 90	117
Sweden	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430 (SEK 3 841) EUR 300 (SEK 2 680)	422 295	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice SEK 200. Higher value for Norway and the Åland island.	SEK 200	22
Switzerland	Personal belongings; food and non-alcoholic beverages for the day of travel; meat and meat products: 1 kg; butter and cream: 1 litre or 1 kg; oil, grease, margarine for eating purposes 5 litres or 5 kg; alcoholic beverages: 5 litres up to 18°alc. plus 1 litre over 18° alc.; tobacco: 250 cigarettes or cigars or 250 g of other tobacco product; fuel imported in a spare canister. Personal belongings means what residents take with them when leaving the country and what non-residents will use during their stay and re-export when going home (clothing, personal-care products, sports equipment, personal computer, audio and video equipment, musical instruments, etc.).	CHF 300	191	There is no refund of VAT to any individuals by the Tax Administration. Goods for personal use or for gift purposes are tax free if they are exported by the non-resident purchaser within 30 days after delivery to the latter and if the export is confirmed. Minimum invoice: CHF 300. Selling goods by authorised stores to members of escorted tourist groups directly without VAT within Switzerland.	CHF 300	191
Turkey	–	–	–	VAT refund to passengers who do not reside in Turkey for the purchasing goods taken to abroad. Minimum invoice: TRY 100.	TRY 100	81
United Kingdom	EU Scheme. ^a In air and sea traffic. In land traffic.	EUR 430 (GBP 390) EUR 300 (GBP 270)	507 351	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Threshold on refunds set by retailer.	–	–
United States	The allowance is USD 800 per person for absences over 48 hours, every 30 days, including up to 1 litre of alcoholic beverages, 200 cigarettes and 100 cigars. The goods must be for personal or household use only, or <i>bona fide</i> gifts, and not for the account of any other person, nor may they be re-sold. The amount may be pooled with family members. A traveller who has already used the USD 800 monthly allowance still has available a USD 200 exemption per crossing. This amount may not be pooled with family members, and if the value of the goods exceeds USD 200, the exemption does not apply and duties are levied on the total value of the goods imported.	USD 800	800	No refund scheme.	–	–

- a) **European Union:** EU rules allow tax-free import of goods from outside the EU by individuals for non-commercial purposes in their personal luggage to the extent that the global value of the imported goods does not exceed EUR 430 for air and sea travellers and to EUR 300 for land and inland waterways travellers. Nevertheless, special quantitative limits by traveller may apply for the following high-duty goods: tobacco, cigarettes, cigars and alcoholic beverages. The supply of goods exported outside the EU in the personal luggage of non-EU travellers is exempted from VAT if their total value is more than EUR 175 including VAT. Member States can exempt a supply with a total value of less than EUR 175.
- b) **Israel:** the statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.


Table 2.A2.8. **VAT/GST relief for low value imports^a**

	Currency	Threshold in local currency ^b	Threshold in USD ^c
Australia	AUD	1 000	650
Austria	EUR	22	26
Belgium	EUR	22	25
Canada	CAD	20	16
Chile	CLP	0	0
Czech Republic	EUR	22	37
Denmark	EUR	11	9
Estonia	EUR	22	35
Finland	EUR	22	22
France*	EUR	22	25
Germany	EUR	22	27
Greece	EUR	22	29
Hungary	EUR	22	45
Iceland	ISK	2 000	14
Ireland	EUR	22	23
Israel*	USD	75	75
Italy	EUR	22	26
Japan	JPY	10 000	88
Korea*	KRW	150 000	164
Luxembourg	EUR	22	22
Mexico*	USD	300	300
Netherlands	EUR	22	25
New Zealand*	NZD	400	254
Norway	NOK	200	21
Poland*	EUR	22	47
Portugal	EUR	22	31
Slovak Republic	EUR	22	38
Slovenia	EUR	22	33
Spain	EUR	22	28
Sweden	EUR	22	21
Switzerland*	CHF	62	40
Turkey	TRY	0	0
United Kingdom*	GBP	15	20

* See Country Notes.

- a) This table shows VAT collection thresholds for low value import items dispatched by a foreign supplier to a buyer in the given country. It does not cover other import scenarios such as imports of goods exchanged between private individuals or imports of goods in the personal luggage of travellers (see Table 3.A3.1).
- b) Amounts in local currency: for Member States of the European Union, the threshold is mentioned in Euro (EUR) even for those that do not have the Euro as national currency (i.e. Czech Republic, Denmark, Hungary, Poland and Sweden), with the exception of the United Kingdom. Indeed, the threshold applied in EU countries is determined in EUR by common EU legislation (Directive 2009/132/EC states that Member States shall exempt the import of goods whose value does not exceed EUR 10. They may grant an exemption for goods whose value does not exceed EUR 22). The amount in EUR is converted into USD as follows: it is first converted into local currency at current market exchange rate and then into USD at PPP exchange rate. For Mexico, the threshold is not provided in local currency in national legislation but in USD only.
- c) Amounts are converted into USD at Purchase Parity Rates (PPPs). PPPs are the rates of currency conversion that equalise the purchasing power of different countries by eliminating differences in price levels between countries. They show the specified number of monetary units needed in each country to buy the same representative basket of consumer goods and services, which costs USD 1 in the United States. The currency conversion rates used in Consumption Tax Trends are the PPP rates for GDP. The PPPs are given in national currency unit per US dollar. Data is taken from OECD Dotstat (<http://stats.oecd.org/index.aspx?queryid=27286>) accessed on 11 March 2014. For further detail, see www.oecd.org/std/ppp.

Source: National Delegates – Position as at 1 January 2014.

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Country notes to Table 2.A2.8.

France. The threshold does not apply to goods imported on mail order.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. The threshold is given in USD only.

Korea. Postal parcels and express consignments are exempt if their value does not exceed KRW 150 000 and the quantity is such that the customs authorities recognise the goods as for personal use.

Mexico. The threshold is not provided in local currency but in USD by Mexican legislation.

New Zealand. The threshold is not based on the value of the goods but on the amount of tax. Customs duty and VAT are not levied if the amount of tax due is NZD 60 or less. For ease of comparison, the equivalent threshold under the standard GST rate without applicable customs duties is shown in the table above, i.e. NZD 400 x 15% GST = NZD 60.

Poland. The threshold does not apply to goods imported on mail order.

Switzerland. The threshold is not based on the value of the goods but on the amount of tax. VAT is not levied if the amount of tax due is CHF 5 or less per declaration. For ease of comparison, the equivalent threshold under the standard VAT rate is shown in the table above, i.e. CHF 62 x 8% VAT = CHF 5. For goods taxed under the reduced rate of 2,5 % (e.g. books) the value of the threshold would be max. CHF 200 till the tax amount of CHF 5 is reached.

United Kingdom. With effect from 1 April 2012, there is no LVCR on imports into the UK from the Channel Islands purchased as part of a mail order/distance sale transaction.



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