

VAT Rates applicable to heating options in EU

Introduction

This short report aims to highlight, compare, and **analyze the VAT rates in the European countries, UK, and Switzerland. The main focuses are the VAT rates related to solar thermal equipment with the supply of energy as a service, for both electricity and gas. Furthermore, other equipment options for heating, such as heat pumps, are also included.**

Methodology

The study includes a representation of the VAT rates in EU MS, and a survey conducted by Solar Heat Europe, filled by 12 national associations representing solar and renewable industry around Europe. **This survey took place in May 2021.**

General VAT rates across EU

VAT rates are characterized by three main categories: standard, reduced and super-reduced. The specific percentages for each VAT rate depend on MS and there are important differences.

Standard rate:

The **EU has standard rules on VAT, but these rules may be applied differently in each EU country. However, this rate cannot be less than 15%.**

Reduced rate:

One or two reduced rates can be applied to supply specific goods and services (Annex III of the VAT Directive¹) but not on electronically supplied services. It cannot be less than 5%.

Super Reduced rate:

This rate is applied to the sales of a limited list of goods and services in certain EU countries.

Parking VAT rate:

This rate is not relevant for our survey. applied to the goods and services not included in the Annex III of the VAT **Directive in certain EU countries. The countries have been allowed to continue**

¹ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax

applying reduces VAT rates on these supplies, instead of the standard rate, provided that these rates are not less than 12%.

Taking as main reference the standard rate, the differences between the percentages applied in the EU member states are represented below in the figure below:

VAT Rates in Europe

Standard Value-Added Tax (VAT) Rates in European Union Member States and the United Kingdom, as of January 2021

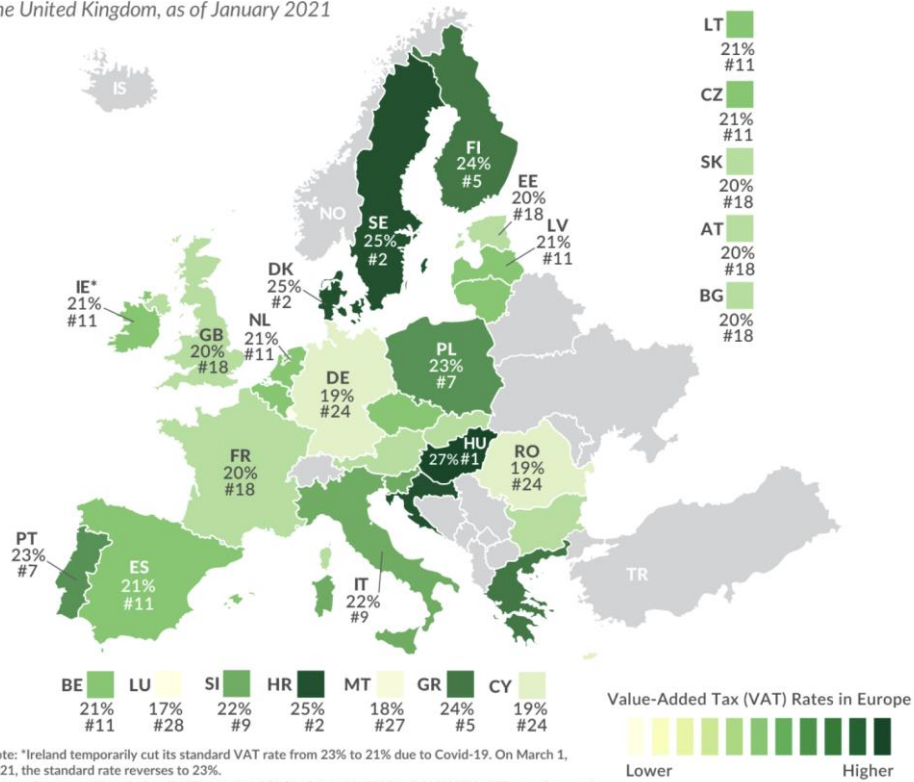


Figure 1: Standard VAT rates in EU²

² [https://taxfoundation.org/value-added-tax-2021-vat-rates-in-europe/#:~:text=The%20EU%20countries%20with%20the,\(all%20at%2019%20percent\)](https://taxfoundation.org/value-added-tax-2021-vat-rates-in-europe/#:~:text=The%20EU%20countries%20with%20the,(all%20at%2019%20percent))

The following table provides a more detailed overview of the percentages applied per VAT rate in the EU Member States:

Table 1: VAT rates in European MS and the UK as of January 2021³

Country	Super-reduced VAT Rate (%)	Reduced VAT Rate (%)	Parking VAT Rate (%)	Standard VAT Rate (%)
Austria (AT)	–	10-13	13%	20%
Belgium (BE)	–	6-12	12%	21%
Bulgaria (BG)	–	9	–	20%
Croatia (HR)	–	5-13	–	25%
Cyprus (CY)	–	5-9	–	19%
Czech Republic (CZ)	–	10-15	–	21%
Denmark (DK)	–	–	–	25%
Estonia (EE)	–	9	–	20%
Finland (FI)	–	10-14	–	24%
France (FR)	2%	5.5-10	–	20%
Germany (DE)	–	7	–	19%
Greece (GR)	–	6-13	–	24%
Hungary (HU)	–	5-18	–	27%
Ireland (IE)*	5%	9-13.5	14%	21%
Italy (IT)	4%	5-10	–	22%
Latvia (LV)	–	5-12	–	21%
Lithuania (LT)	–	5-9	–	21%
Luxembourg (LU)	3%	8	14%	17%
Malta (MT)	–	5-7	–	18%
Netherlands (NL)	–	9	–	21%
Poland (PL)	–	5-8	–	23%
Portugal (PT)	–	6-13	13%	23%
Romania (RO)	–	5-9	–	19%
Slovakia (SK)	–	10	–	20%
Slovenia (SI)	–	5-9.5	–	22%
Spain (ES)	4%	10	–	21%
Sweden (SE)	–	6-12	–	25%
United Kingdom (GB)	–	5	–	20%

*Ireland temporarily cut its standard VAT rate from 23% to 21% due to COVID-19. On or after March 1, 2021, the standard rate reverts to 23%.

When one of the major EU VAT directives was adopted in 1991, some EU countries were applying reduced, super-reduced, or zero rates to goods and services that were not specified by the new regulations as falling within the zero-rate or reduced-rate categories. To ease the transition to a standard rate on these goods and services, a so-called “parking rate” was permitted. Although it was intended to be phased out, some countries still apply it.

³ Source: European Commission, “VAT rates; and Richard Asquith, “2021 global VAT & GST rate changes,” Avalara, Jan. 1, 2021

VAT rates for heating sources - Survey Results:

A general survey was conducted to evaluate the VAT rates **for renewable heating equipment (solar thermal or other options, such as heat pumps) and for services (supply of electricity and gas) in different member states. For simplification and to align with the way the rates are referred in different countries, the rates are identified as follows: High (Standard), Intermediate (Reduced) and Low (Super-reduced).**

The applied VAT rates identified on the survey are represented in the table below:

Country	VAT rate applicable on solar thermal equipment	VAT rate applicable on Gas	VAT rate applicable on electricity	VAT rate applicable on other Equipment (heat pumps..)
Belgium	High	High	High	High
Spain	High	High	High	High
Greece	High	Low	Low	High
Austria	High	High	High	High
Switzerland	High	High	High	High
Germany	Intermediate	Low	High	Intermediate
Cyprus	High	High	High	High
Netherlands	High	High	High	High
Poland	High	High	High	High

Analysis

Most of the countries have high VAT rates in solar thermal, gas, electricity, and other equipment. In contrast to Germany, which has low VAT for gas, **intermediate VAT rate for renewables and high rate for electricity. There is an unfair situation in Greece, where renewable equipment is taxed at high rates, while low rates are applied to the supply of gas and electricity. These countries are the exceptions among the countries represented. In the other countries there is the same VAT rate for the energy supply and for the acquisition of renewable systems.**

It must be noted that the European VAT framework **allows for Members States to apply different VAT rates. Therefore, a closer look on the subject is needed as there is room for**

improvement, by promoting lower VAT rates for equipment providing renewable energy, such as solar thermal heat.