Glossary:Value added tax (VAT)

Statistics Explained

The **value added tax** , abbreviated as **VAT** , in the European Union (EU) is a general, broadly based consumption tax assessed on the value added to goods and services. It applies more or less to all goods and services bought and sold for use or consumption in the EU; goods sold for export or services sold to customers abroad are normally not subject to value-added tax. VAT is charged as a percentage of price, meaning that the actual tax burden is visible at each stage in the production and distribution chain.

EU Directive 2006/112/EC , in effect since 1 January 2007, is the main piece of EU legislation relating to VAT. It guarantees that the VAT contributed by each Member State to the Community's own resources can be calculated, while allowing Member States many possible exceptions and derogations from standard VAT coverage. Because the Directive only sets a minimum 15% fixed rate until 31 December 2010, rates vary between 15 % and 25 % in Member States. There are also several temporary derogations.

In National Accounts (Regulation 549/2013 ESA 2010 paragraph 4.17), value added type taxes (code D.211) are defined as taxes on goods or services collected in stages by enterprises and ultimately charged in full to the final purchaser.

Further information

- European Commission - Taxation and Customs Union - How VAT works

Related concepts

- Consumer price index (CPI)
- Value added

Statistical data

- Tax revenue statistics