NEW RULES FOR VAT RATES

Current rules
System based on exceptions
No uniform application of rules.

New rules
System based on general rules
Uniform application across the EU.

Example
Under the new rules, every country will be able to apply a reduced VAT rate to children’s clothes.

Some EU countries apply reduced VAT rates for children’s clothes of below 5%, while others are not allowed to do so.
The new rules will give **ALL EU** countries flexibility to apply the following **reduced rates** to products and services:

<table>
<thead>
<tr>
<th>2 separate rates to be set between</th>
<th>1 rate to be set between</th>
<th>1 rate of</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% and the standard rate</td>
<td>0% and the reduced rates</td>
<td>0%</td>
</tr>
</tbody>
</table>

This means that all goods currently enjoying rates different from the standard rate can continue to do so.

Selected items from the list of goods and services to which **reduced VAT rates cannot be applied**, according to the new rules:

- Precious metals
- Alcoholic beverages
- Gambling
- Smartphones
- Petrol & diesel passenger vehicles
- Fuel
- Weapons
- Tobacco products
- Household appliances
- Consumer electronics