

VAT RATES IN EUROPE

Last update: August 2022

Firstly, **the role of the health and fitness sector** in providing opportunities for people to be more active is not always reflected in the taxation levels applied to the sector. Levels of physical inactivity worldwide have damaging implications for the general health of populations and particularly the levels of non-communicable diseases, such as cardiovascular disease, diabetes and cancer, and their risk factors such as raised blood pressure, and obesity.

Reduced VAT rates can help increase the number of people engaging in personal exercise and raise their activity levels. In Ireland for example, a reduction in VAT rates from 13.5% to 9% correlated with an increase in personal exercise in leisure centres and gyms from 11% to 13.8%. Furthermore, many European countries with higher levels of gym club members as a percentage of population, such as the Netherlands and Sweden, also have generally lower VAT rates on the use of sport facilities than other countries. Reduced rates of VAT can be relevant to encourage increased physical activity levels across the EU and promote the role of the health and fitness sector in providing opportunities to make more citizens more active more often.

Secondly, the **lack of neutrality of VAT systems** often impedes the proper functioning of the EU internal market. The 64,000 fitness centres located across Europe are roughly 50% privately owned and 50% municipally or publicly operated. Each model has its merits and challenges but, in all cases, offers a valuable service to the public in local areas and especially in improving the level of health in citizens. The asymmetrical application of VAT rates between private and public bodies has led to potential distortions of competition

between different companies and industries.

In the fitness sector in the UK, for example, while private operators and local authority running leisure centres are included at the higher standard rate of VAT (20%), facilities operated by charitable trusts but who are in direct competition, are tax-exempt. In Sweden, private fitness operators are charged at 6% VAT while public providers are tax exempt. Feedback from Germany, Denmark and several other jurisdictions also suggest that distortions of competition, due to asymmetrical application of VAT, are threatening the viability of private fitness businesses. There would be preferable to support the concept of fiscal neutrality whereby two suppliers of the same service should be charged at the same rate of VAT even if one is a public body which can enjoy some VAT exemptions. In accordance to **Directive 2006/112/EC**, states, regional and local government authorities and other bodies governed by public law “*shall be regarded as taxable persons in respect of those activities or transactions where their treatment as non-taxable persons would lead to significant distortions of competition*”. Member States should be encouraged to ensure that VAT is not taken into consideration in the tendering of public services.

Finally, the **lack of consistency of VAT levels in some European countries** impedes and disrupts business performance as well. In Portugal, for example, the VAT rate for all fitness related activities moved from 6% in December 2010 to 23% in March 2011. These changes caused confusion among business operators, significant levels of disruption and a reduction in the number of users of fitness clubs.

It has been understandable that rates of VAT would be re-assessed during the times of the COVID-19 pandemic, but equally measures should be taken to ensure that changes to VAT levels are consistent and do not have a disruptive impact on businesses.

EuropeActive's membership includes many stakeholders who are involved in the promotion of physical activity including operators of facilities, suppliers of exercise and activity equipment, and 26 national

associations, representing their respective physical activity sector, training providers, higher education and accreditation institutions. It tracks national VAT rates being applied to fitness club usage as illustrated in figure 1, which shows wide variations.

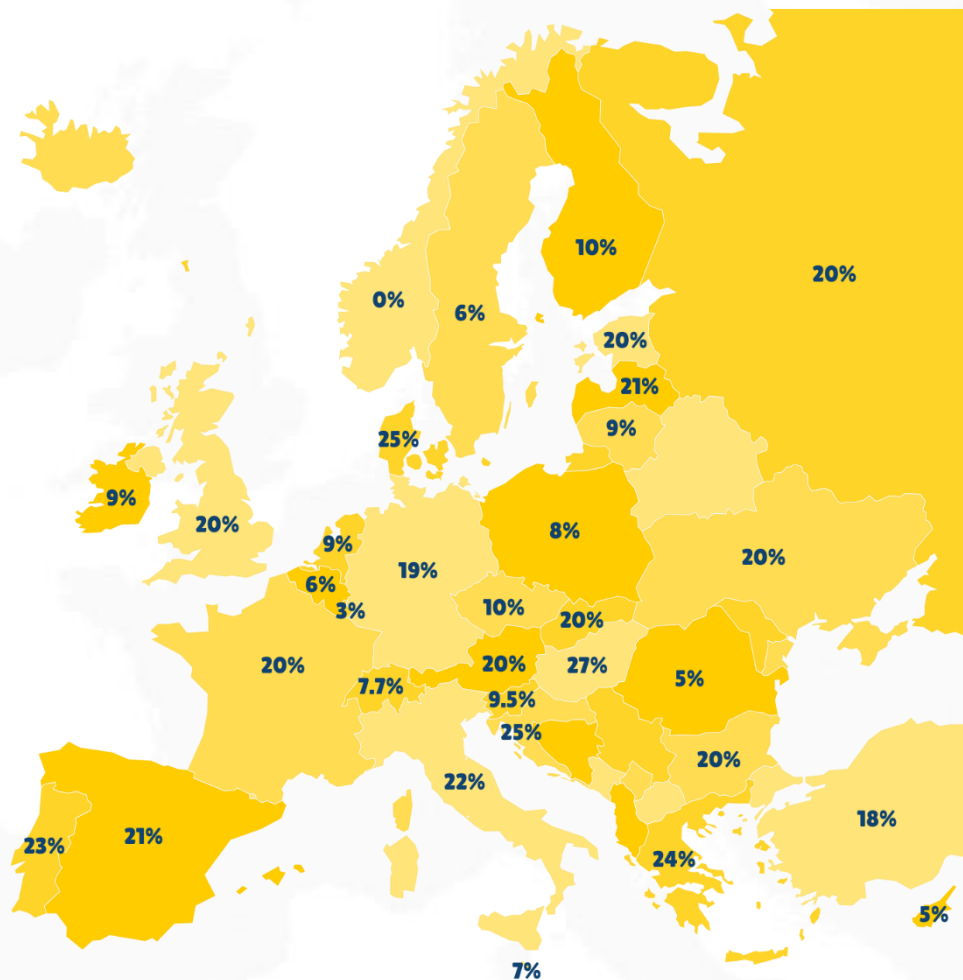


Figure 1: VAT rates being applied to fitness club usage fees August 2022**
 Source: European Commission, [VAT rates applied in EU Member States](#).

** These rates are for the use of fitness facilities, not other fitness related services. The calculation of the actual VAT rate is more complicated as it includes other costs such as coaching, nutrition, etc.