

Inventarisatie toepassing EU btw-regelgeving op hoveniersdiensten

Governments can stimulate citizens to contribute to ecological, social and economic goals. By using a reduced VAT-rate for private gardening services the government can easily pursue their own aims.

Gardeners provide a green infrastructure which contributes to an improvement of biodiversity and quality of the living environment. Due to the effects of the economic crisis there is a lack of investment in layout and maintenance of gardens. This can be stimulated by including private gardening services in the VAT Directive as a service for which a member state can apply a reduced VAT-rate.

European VAT Directive 2006/112/EG includes a list of goods and services for which the Member States may permanently apply a reduced VAT-rate, such as labour-intensive services. Gardeners are not included, in contrast to similar labour-intensive professions such as barbers and window cleaners.

If gardeners would be included in the list, individual Member States could decide if they want to apply a permanent reduced VAT-rate for private gardening services. Gardening enterprises are mainly owner managed companies of the Small and Medium-sized Enterprises (SME) segment. The services of landscape contractors for the most part have a local character only and therefore are not causing any supra-regional distortions of competition at all.

Effects of a reduced VAT-rates for private gardening services

Green infrastructure and quality of the living environment

Gardeners contribute to a green infrastructure by layout and maintenance of private gardens and public green. It contributes to the quality of the living environment, because social cohesion and the sense of security increase due to green infrastructure. Aggression and violence are less common in a green setting. Besides, green infrastructures compensate carbon emissions and contribute to the EU 2020 strategy for a low-carbon economy. Citizens rate their health higher in a green living environment. This applies to urban areas as well, because the amount of green has a larger impact on health than the degree of urbanisation of the living environment.

The European Commission acknowledges the importance of nature-based solutions and a green and sustainable infrastructure. In 2013 it launched the strategy *Green Infrastructure – Enhancing Europe’s Natural Capital*. This strategy aims at stimulating governments to use natural resources for ecological, economic and social goals, both in rural and urban areas. This can result in a green infrastructure with sustainable private and public green.

Green infrastructures stimulate biodiversity and contribute to the EU 2020 strategy for biodiversity. European Commissioner Potočnik for Environment describes the importance of biodiversity as follows: *‘Conserving biodiversity is not just about protecting species and habitats for their own sake. It is also about maintaining nature’s capacity to deliver the goods and services that we all need, and whose loss comes at a high price’*.

A green infrastructure is essential for biodiversity and sustainability. The members of the European Landscape Contractors Association (ELCA) are willing to take action for the Green Infrastructure strategy. Gardeners step up for sustainable layout and maintenance of private gardeners and public green. By reducing VAT-rates for gardening services the demand will rise and the green infrastructure and quality of the living environment will improve.

Citizens for a green infrastructure

Citizens are important for the realisation of a green infrastructure. In the Netherlands this is acknowledged in the Green Deal on Living and Sustainable Infrastructure, an agreement between the Dutch Landscaping and Gardening Contractors Association (VHG), NL Green Label and the Ministries of Economic Affairs and Infrastructure and the Environment. The Green Deal contains concrete actions for greening private and public space and stimulating biodiversity. The Dutch concept of The Living Garden is central to this Green Deal.

The Living Garden is an accessible concept which gardeners and their clients can use to make an informed decision about the layout of the garden. The Living Garden describes concrete examples of layouts that contribute to sustainability, such as water storage or biodiversity. The Living Garden concept could be integrated in European, national or regional policies, in order to increase the impact of private and public green on reaching sustainability goals. Reduce the VAT-rate for private gardening services accelerates this process by that stimulate citizens to maintain and invest in their share of the green infrastructure.

Economic growth

From March 2013 till at least January 2015 The Netherlands implement a reduced VAT-rate for labour costs of gardeners in the layout and maintenance of gardens. This makes The Netherlands a great experimental garden for monitoring the effects of a reduced VAT-rate.

Gardeners have € 212,8 million extra revenue and 2.400 people still have a job because of the reduced VAT-rate. The first results of an effect study show that the reduced VAT-rate resulted in:

- prevention of dismissal in 30% of the enterprises and fewer dismissals in 7% of the enterprises;
- 10% of the enterprises using sustainable components more often;
- an important or even decisive incentive for 22-35% of home owners to hire a gardener.

A reduced VAT-rate contributes to economic growth, employment and a green infrastructure. It is to be expected that reducing VAT-rates leads to lower prices and a smaller price difference with unregistered gardeners, whom in many cases don't declare taxes. By consequence, the number of unregistered gardeners may decrease and the governments tax revenue will rise.

Stimulate SMEs

99% of all European enterprises are SMEs: independent companies with fewer than 250 employees. Gardening enterprises are predominantly SMEs. Attractive European and national policies for SMEs contribute to an accessible internal market for SMEs and, in this case of gardening enterprise, to a green environment.

In the Small Business Act for Europe the European Commission stresses the importance of SMEs for the economy. This initiative aims to better connect European policies with the needs of SMEs. The Council of the European Union, formed by the ministers of the Members States, supports this initiative since the start in 2008.

Conclusion

Private gardening services contribute to the realisation of goals for sustainability and improvement of the quality of the living environment. To unleash this potential gardeners should be included in the list of labour-intensive services of the VAT Directive, for which Member States can apply a reduced VAT-rate.

Appendix: Country report VAT regulation

Belgium

Gardening services have been a growing sector in Belgium with a turnover of more than €1 billion a year. Currently this sector consists of 7.800 enterprises and 8.000 FTE. Unfortunately the market for private gardening services is burdened with a lot of regulation and unfair competition. The VAT-rate for plants is for example 6% for clients who buy it in the store, but a gardener who buys plants for his client has to send a bill to his client with 21 % VAT on the same plant. Unfair competition is shown particularly in public tenders which result in unrealistic prices that don't reflect labour costs. As a consequence employment in the gardening sector stagnates and doesn't result in economic growth. Gardeners in Belgium predicate that they don't invest in innovation at the moment, because of the low prices for their services. Low VAT-rate for gardening services is the instrument to stimulate economic growth, fair and realistic competition, and innovation to tackle environmental challenges.

Czech Republic

For private gardening services in the Czech Republic a 21% VAT-rate applies. In the past there have been lower VAT-rates of, among others, 5% and 10%. It is noteworthy that a reduced VAT-rate doesn't apply in these years where the effects of the economic crisis are still severe. A reduced VAT-rate of 15% for private gardening services would increase the demand and result in a rise of employment and economic growth. Gardeners in the Czech Republic experience a continuous demand from clients for lower prices for private gardening services. Due to this competition unrealistic prices are common. Besides, a part of the gardeners is not registered as an enterprise and doesn't charge VAT to their clients. Legally registered gardeners can't compete with the low prices of non-registered competitors. To reduce the shadow economy of non-registered gardeners and to stimulate economic growth a reduced VAT-rate is recommendable. To really counter the shadow economy it is advisable to apply a full compensation of VAT for private gardening services, by income tax at the end of the fiscal year. Clients will be stimulated to choose legal gardeners, pay realistic prices and thus stimulate economic growth.

Denmark

The gardening services sector in Denmark still feels the effects of the economic crisis. The demand for private gardening services is much lower than in 2008. Denmark chose to apply one standard VAT-rate for all goods and services, with a particularly high rate of 25%. Denmark is the only member state of the European Union who doesn't apply a reduced VAT-rate. If Denmark wants to stimulate economic growth it can wield a low VAT-rate for private gardening services. This will result in a higher demand for gardening services, economic growth and a rise in employment.

Finland

Private gardening services are important for the economy in Finland. The regulation in Finland shows that this importance is noticed by the government. In particular by the reduction for tax for households which have had a gardener or landscaper for maintenance of their garden or to rebuild their garden. This tax reduction only applies to labour costs. It might be more effective if a reduced VAT-rate of 10% is applied. If instead of a reduced VAT-rate the reduction in tax for households remains, than it would be easier for clients to administrate if the material costs were also eligible for tax reduction. Besides this administrative burden private gardening services would be more attractive to households if the reduction would also apply to material costs and therefore the tax reduction was higher. This would result in economic growth and a rise in employment.

France

Since January 1¹ the VAT-rate in France is increased to 20%. Till the end of last year a lower VAT-rate applied. Gardeners had to charge their clients 19,6% VAT for the lay out of their garden. And till the end of June of last year they had to charge 7% for the maintenance of their garden. The economic crisis had a severe impact on the economy, but the demand for garden maintenance was high. Between 2008 en 2012 more than 8.000 jobs were created for gardeners. The current permanent high VAT-rate can stimulate a shadow economy with gardeners who don't charge tax to their clients. The registered gardeners have to compete and can't grow and invest in new methods. A permanent reduced VAT-rate would stimulate economic growth in France.

Germany

In Germany the sector of gardening services has a turnover of €6 billion a year. Nearly 60% of this is generated by private gardening services. This sector is an important part of the German economy. It can ensure a large part of economic growth and employment. Which are particularly important in these years where the

¹ EC (2014) VAT Rates Applied in the Member States of the European Union

economic crisis still has a severe impact on the economy. Therefore almost any sector which can bring economic growth, should be stimulated. Germany can choose to wield the low VAT-rate of 7% for private gardening services, and thus stimulate economic growth and employment.

Greece

Greece applies a reduced VAT-rate of 13% for the private gardening services for old private houses. It is important that the government continues to apply this reduced VAT-rate. Especially in these years where the effects of the economic crisis are still severe. This VAT-rate takes care of a certain demand and stimulates transparency, realistic prices and fair competition. Therefore there is still enough employment in the private gardening sector. Next to the national problems, the private gardening sector can improve the image of Greece in Europe. Greece gets a lot of criticism, because of the financial support it receives from the EU. By using a reduced VAT-rate for private gardening services and thus stimulating economic growth in Greece, Greece shows a great national action for economic stability in the EU.

Hungary

In Hungary the VAT-rate of 27% applies to private gardening services. This high rate is noteworthy since a reduced VAT-rate can stimulate economic growth and employment, which is highly preferable in these years where the effects of the economic crisis are still severe. The current permanent high VAT-rate can stimulate a shadow economy with gardeners who don't charge tax to their clients. The registered gardeners have to compete and can't grow and invest in new methods. A permanently reduced VAT-rate would increase the demand and stimulate economic growth. The sector of private gardening services is very important for the economy in Hungary. Therefore the government should consider a reduced VAT-rate of 5 or 18%.

Ireland

The economic crisis still has a severe impact on the economy in Ireland. According to the gardeners in Ireland their turnover and the employment in the sector are down by more than 50% since the start of the recession in 2008. Aside from the economic crisis this is due to a shadow economy. A part of the gardeners is not registered as an enterprise and doesn't charge tax to their clients. Legally registered gardeners can't compete with the low prices of non-registered competitors. The Irish government stimulates economic growth by a VAT reduction for private gardening services. Home owners can reclaim their 13,5 % VAT on any construction or landscaping of their garden between the price range of €5000 - €30.000. This Home Renovation Incentive scheme applies in 2014 and 2015. Irish gardeners already notice a significant increase in demand for gardening services. This shows the importance of a lower VAT-rate. For economic growth and a significant rise in employment the Irish government should apply this regulation permanently or wield a lower VAT-rate for private gardener services.

Luxembourg

In Luxembourg a VAT-rate of 15% applies to private gardening services. It is noteworthy that the high VAT-rate is chosen. The private gardening sector offers a lot of jobs and is very important for employment in Luxembourg. If Luxembourg wants to stimulate economic growth it should wield a lower VAT-rate for private gardening services. This will result in a higher demand for gardening services, economic growth and a rise in employment. Therefore it would be recommendable to apply a reduced VAT-rate of 6 or 12%.

Malta

The sector of private gardening services in Malta has, as other sectors, been hit by the recession. The economic crisis has had a significant effect on the demand for private gardening services. Private gardening services in Malta used to have a 15% VAT-rate. The current 18% VAT, the common rate in Malta, increases the prices of gardening services. This doesn't stimulate economic growth and employment. Malta can choose to use private gardening services as an instrument to reach economic growth. Therefore Malta can apply a reduced rate of 5% or 7% to private gardening services, so the demand will increase and employment will rise.

Poland

Poland applies a permanently reduced VAT-rate of 8% to private gardening services. Hundreds of gardening enterprises exist in Poland and each year new gardening enterprises get started because of the low VAT-rate and the high demand. The private gardening sector offers a lot of jobs and is very important for employment in Poland. It is of great importance that the government continues to wield a permanently reduced VAT-rate for private gardening services, because this sector helps to reduce the effects of the economic crisis and has a positive effect on economic growth of Poland.

Portugal

Portugal applies the high VAT-rate of 23% to private gardening services. The change from a 16% Vat-rate to a 23% VAT-rate resulted in a lower demand for gardeners. Private gardening services are now experienced as a luxury, while it's actually a necessity for a great living environment and important for the environment itself. This resulted in a shadow economy with gardeners who do not charge tax to their clients. Many gardener enterprises had to reduce their workforce or even close down. This had a huge effect on the sector, which exists for 95% out of businesses with just a few employees. In addition to this a part of the gardeners doesn't have a diploma, which makes it hard to find another job. If a permanent low VAT-rate was applied, this would be a great impulse for the economy.

Spain

Spain chose to apply a VAT-rate of 21% for private gardening services. This high rate is noteworthy since a reduced VAT-rate can stimulate economic growth and employment, which is highly preferable in these years where the effects of the economic crisis are still severe. Gardeners in Spain experience a continuous request from clients to lower their prices for private gardening services. Due to unrealistic low prices the number of gardening enterprises decreases. A permanent low VAT-rate would increase the demand and stimulate transparency, realistic prices and fair competition. Economic growth and a rise in employment are very important for Spain. Therefore it would be recommendable to apply a reduced VAT-rate of 4% or 10% for private gardening services.

Sweden

For private gardening services in Sweden the common VAT-rate of 25% applies. A reduced VAT-rate of 6% or 12% for private gardening services would increase the demand and result in a rise of employment and economic growth. In Sweden a regulation for 50% tax reduction exists for clients who hire a worker for domestic services, like private gardening services. This reduction only applies to labour costs. It might be more effective if it is also applied to material costs, such as plants. So, if instead of a reduced VAT-rate the tax reduction for labour costs of domestic services remains, than it would be easier for clients to administrate if the material costs were also eligible for reduction for tax. Besides this administrative burden private gardening services would be more attractive to clients if the reduction would also apply to material costs and thus the tax reduction was higher. This would result in economic growth and a rise in employment.

United Kingdom

In Britain the VAT-rate of 20% applies to private gardening services. Registered gardeners feel the effects of competition with gardeners that are not registered. They don't charge tax to their clients and can easily compete with registered gardeners. The British Association of Landscape Industries asked their members about their expectations for business in case of a permanently low VAT-rate. Their members anticipate a higher demand and up to 30% increase in business.