Consumption Tax Trends 2016 - the United Kingdom

VAT rates 2016

The United Kingdom's standard VAT rate is 20.0%, which is above the OECD average. The average VAT/GST¹ standard rate in the OECD was 19.2% as of 1 January 2016, up from 17.7% on 1 January 2009. The United Kingdom applies reduced VAT rates of 0% and 5% to a number of goods and services. Since 2009, 22 of the 34 OECD countries that have a VAT have raised their standard VAT/GST rate at least once. In line with this trend, the United Kingdom, after a reduction in 2009, raised their standard VAT rate in 2009 and 2011.

The VAT Revenue Ratio (VRR) for the United Kingdom was 0.44 in 2014, below the OECD average of 0.56. The VRR is a measure of the revenue raising performance of a VAT system. A ratio of 1 would reflect a VAT system that applies a single VAT rate to a comprehensive base of all expenditure on goods and services consumed in an economy - with perfect enforcement of the tax.


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¹ VAT refers to value added tax and goods and services tax (GST)