

## EU Import VAT Changes - Works of Art

**The EU art market is currently facing confusion owing to the implementation of a little known VAT directive.**

A VAT directive quietly adopted by the EU commission back in April 2022 has recently been causing uncertainty in the art world as the potential implications are realised.

The directive (council directive (EU) 2022/542) is part of a much wider EU VAT reform aimed at harmonising VAT rates in the EU and reducing distortion of competition within the single market.

The terms of the directive, which should be implemented by EU member states by 1 January 2025, sets import VAT on goods being imported into the EU, including works of art, at a flat rate of 20%.

However, as is often the case with VAT, all is not as it seems regarding uniformity as there is the option for individual member states to choose a restricted number of lower VAT rates within certain categories. Speculation is continuing as to how each country will use its reduced rate options

Prior to Brexit the UK had the lowest import VAT rate for works of art in the EU with its reduced rate of 5%. Post Brexit the lowest rate in the EU became France with its reduced rate of 5.5%, whilst the UK maintains 5%.

Indications earlier this year that France could apply the standard rate of 20% with effect from 1 January 2025 sent shockwaves through the art world, particularly in Paris.

Italy has recently indicated that it may choose to reduce its import VAT rate for works of art from the current rate of 10% to 5.5%. This could see Italy as the future chosen point of entry for imports into the EU instead of France.

In the meantime businesses who are involved in importing works of art into the EU or deal regularly with EU clients should be aware of this change and look out for further updates as the implementation date approaches.

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