

The need for a VAT Reduction on Internet Access Services

- **Promoting Balanced Regional Development, Supporting Economic Opportunities, and Tackling Digital Exclusion**

Digitalisation

- Digitalisation will enable Ireland to tackle big challenges – climate, integration, and inclusivity, balanced regional development, productivity, and innovation.
- World class gigabit networks are necessary to achieve both Ireland and Europe’s digital vision.
- While network rollout continues, more needs to be done to increase the take up of high-speed broadband. According to the DESI Index, only 50% of households availed of at least 100Mbps broadband, below the EU average 55%. With 1 Gbps, take-up is 7.47% vs. the EU average of 13.7%.

Fibre Ireland

- Only 30% of homes serviced by the National Broadband Plan (NBP) are connected– as of March '24, 232,000 homes were passed by NBI, yet only 75,000 homes had taken up services.
- Legacy broadband infrastructure, which uses copper wire, will be retired in the coming years, meaning demand must be stimulated so people make the switch to faster, more reliable fibre.
- We must ensure Irish homes in those areas take up service – the alternative is that they are locked out of the digital society and the value created by State investment is not maximised.

VAT Reduction – The Lever

- EU Council Directive (2006/112/EC - April 2022) allows EU Member States to apply a reduced rate of VAT to internet access services with a view to promoting their development.
- The Government commissioned EY Report on the NBP identified *“how increasingly essential broadband is to our daily lives”*, however, internet access is VAT rated at 23%, not reflective of its essential nature. Other essential services like gas and electricity are charged at 13.5%, while VAT on newspapers and digital subscriptions was cut to 0% to support their “critical role”.
- Reducing VAT to 13.5% would be a cost-of-living relief for households and will ensure all citizens can enjoy the benefits of digital technologies, through the creation of new job opportunities and new ways of working; greater and more equitable access to personal, social and civic opportunities; and improved accessible government services for everyone.
- A VAT reduction would be a strong signal from Ireland’s political leadership that Ireland stands ready to prioritise, encourage and realise our digital opportunity to improve the lives of all.

Economic Rationale

- Reducing VAT will allow the continued deployment of digital infrastructure and the greater accessibility of services and support more balanced regional and economic development.
- As a cost-of-living measure that would directly impact Irish households, it would also be more effective than the Remote Working Relief, saving the Exchequer €2.4 million every year.
- As per the Digital Strategy, *“All groups will be supported and empowered to benefit from digital opportunities including businesses small and large, communities urban and rural, and people young and old; leveraging Ireland’s strengths to bridge the digital divide across enterprise and wider society.”* A VAT reduction could be that support.

Investment

- A VAT reduction would also safeguard telecommunications investment.
- Industry invests c.€700m p/a in network infrastructure. Vodafone alone invests c.€100m p/a to meet customer demand, with data traffic on fixed and mobile growing at double digits annually.
- This investment can only be justified in the context of long-term financial returns, but the reality is that our industry is one of the worst performing in Europe, meaning there is a growing disjoint between the financial health of our sector versus the increasing criticality of our services.