



VAT Guide



VAT Guide

11th Edition

**Revenue Legislation Services
Indirect Taxes Division**

This guide which sets out the current practice at the date of its issue is intended for guidance only and does not purport to be a definitive legal interpretation of the provisions of the Value-Added Tax Act 1972 (as amended).

July 2008

Revenue 
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Foreword

The purpose of this Guide is to explain in general terms the principal features of the Irish VAT system and to update traders on all new developments and changes to that system since publication of the last Guide in January 2003.

The latest version of the Guide aims to give a broad overview of the VAT system and focuses on those issues which are likely to be of interest to the majority of VAT-registered traders and to traders who are registering for VAT for the first time.

Issues of special interest are dealt with in detail in a range of VAT Information Leaflets which are listed at Appendix N and which are referred to throughout the Guide. Details of the new VAT on Property regime and transitional measures are published in the new VAT on Property Guide.

Copies of those items and also this Guide are available on the Revenue website at www.revenue.ie.

This Guide is not, and does not purport to be, a statement of the law relating to VAT. The relevant law is contained in the Value-Added Tax Act, 1972, as amended by the various Finance Acts from 1973 to 2008 inclusive, referred to in this Guide as the VAT Act, and in various Regulations and Orders.

Indirect Taxes Division
Dublin Castle
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Chapter 1

General explanation of VAT

This Chapter sets out the basic principles of VAT. It describes how VAT works and indicates briefly who must register for VAT and what obligations this entails as regards accounting for the tax, record keeping etc. More detail is contained in later Chapters.

1.1 What is VAT?

VAT is a tax on consumer spending. It is collected by VAT-registered traders on their supplies of goods and services effected within the State for consideration to their customers. Each such trader in the chain of supply from manufacturer through to retailer charges VAT on his or her sales and is entitled to deduct from this amount the VAT paid on his or her purchases. The effect of offsetting VAT on purchases against VAT on sales is to impose the tax on the added value at each stage of production - hence Value-Added Tax. The final consumer, who is not registered for VAT, absorbs VAT as part of the purchase price. The following example illustrates how this works:

	Purchase Transactions				Sale Transactions				
	Price Paid (Ex. VAT) €	VAT €	Total Purchase Price €	Value Added €	Price Charged (Ex. VAT) €	VAT @ 21% €	Total Sale Price €	Credit for VAT Paid €	Net to Collector General €
Manufacturer	-	-	-	100	100	21	121	0	21
Wholesaler	100	21	121	100	200	42	242	21	21
Distributor	200	42	242	100	300	63	363	42	21
Retailer	300	63	363	200	500	105	605	63	42
Consumer	500	105	605	-	-	-	-	-	-
					500				105

As may be seen from the above example, the consumer pays a total of €605 for the finished product, of which €105 is VAT.

1.2 Rates

The standard rate of VAT is 21%. There is a reduced rate of 13.5% and a zero rate. There is also a special rate of 4.8% on the sale of livestock (i.e. live cattle, horses, sheep, goats, pigs and deer) as well as on the sale of greyhounds and the hire of horses. Further details on these rates are contained in Appendices B, C, D, G and H to this Guide. A list of the rates applicable to a large range of goods and services is available on the Revenue website at www.revenue.ie.

1.3 Taxable person and accountable person - redefinitions

A taxable person is any person who independently carries out any business in the State. It includes persons who are exempt from VAT as well as flat-rate farmers.

VAT law provides that VAT is chargeable on the supply of goods and services effected within the State for consideration by a taxable person acting as such, other than in the course or furtherance of an exempted activity. A person who is required to charge VAT is referred to as an accountable person.

An accountable person is, therefore, a taxable person (an individual, partnership, company etc.) who supplies taxable goods or services in the State and who is, or is required to be, registered for VAT. Persons who are involved in the taxable supply of property and persons whose annual turnover from supplies of taxable goods and services in the State, or the value of whose acquisitions of goods from other EU Member States, exceed or are likely to exceed certain limits are obliged to register for VAT. While persons whose turnover from taxable activities does not exceed these limits are not obliged to register, they may register for VAT if they so wish. This subject is dealt with in greater detail in Chapter 2.

Additionally, persons who are in receipt of Fourth Schedule, or cultural, artistic, entertainment or similar services are accountable persons (see paragraphs 4.7 to 4.10). However, persons who do not have an establishment in the State but who either supply and install goods in the State or who supply gas through the natural gas distribution network or electricity in the State are not accountable persons. A sub-contractor not established in the State who provides construction services in the State to principal contractors will not be regarded as an accountable person with effect from 1 September 2008, but may apply to become one in order to claim repayment of input VAT.

1.4 Exemptions

A person who makes exempt supplies, comes within the scope of the term 'taxable person' but this has no bearing on his/her VAT status. Goods and services of the kind listed in Appendix A are exempt from VAT and suppliers of such goods and services are not obliged, nor indeed are they entitled, to register for VAT unless they also make taxable supplies. These persons may be required to register and account for VAT in respect of intra-Community acquisitions, Fourth Schedule services or goods and services received by them (see paragraphs 2.1 and 2.2). For special provisions relating to property please see the VAT on Property Guide.

1.5 Non-taxable entities

State bodies (such as Government Departments, local authorities, health boards etc.), educational establishments (such as schools, universities, VECs etc.), public hospitals, charities, sports bodies and church bodies are, with some exceptions, not considered to be engaged in economic activities. They are not generally, therefore, obliged or entitled to register and account for VAT on income from supplies made by them and they must bear VAT on their purchases of goods and services.

VAT law provides that State bodies or any non-profit making body engaged in the provision of facilities for taking part in sporting activities may be required to register for VAT in certain circumstances. Third level educational establishments may be required to register for VAT in respect of certain research services.

1.6 Flat-rate farmers

Farmers who do not register for VAT are compensated for the VAT they are charged on their purchases by means of a 5.2% flat-rate addition to the prices at which they sell their agricultural produce and agricultural services to VAT-registered persons. These farmers are known in the VAT system as 'flat-rate' farmers (see paragraph 2.26).

A farmer may nonetheless be obliged to register in respect of the intra-Community acquisition of goods, certain services received from abroad and certain other supplies. (See paragraph 2.26).

1.7 Registration

Revenue will issue a VAT registration number to a person on being satisfied that the person is carrying on a taxable business in the State. The procedure for registration is outlined in Chapter 2.

1.8 Reverse charge/Self-accounting

VAT is normally charged and accounted for by the supplier of goods or services. However, in certain limited circumstances the recipient of goods or services, rather than the supplier, is obliged to account for the VAT due. This applies:

- on the intra-Community acquisition of goods from another Member State (see Chapter 6),
- on receipt from abroad of Fourth Schedule services (see paragraph 4.8), or cultural, artistic or entertainment services received by a promoter from persons not established in the State (see paragraph 4.7),
- valuation, repair or contract work carried out on movable goods in another State in certain circumstances (see paragraph 4.11),
- where goods are installed or assembled for certain designated persons in the State by a supplier who is not established in the State (see paragraph 3.2),

- intra-Community transport and ancillary services supplied by a non-established person to an accountable person in the State (see paragraph 4.6),
- with effect from 1 September 2008, construction services supplied to a principal contractor by a sub-contractor, whether or not the sub-contractor is established in the State (see paragraph 2.11),
- on the receipt of gas through the natural gas distribution system, or electricity, from a person not established in the State by certain categories of persons in the State (see paragraph 3.2).

1.9 VAT returns

A VAT-registered person normally accounts for VAT on a two-monthly basis (January/February, March/April etc.). Please see paragraph 11.5 for persons who may file monthly VAT returns.

The return made on the form VAT 3 together with a payment for any VAT due should be furnished to the Collector-General on or before the 19th of the month following the end of the taxable period. For example, a return for the VAT period May/June 2008 is due by 19 July 2008. The VAT 3 return includes a Bank Giro slip for payment of the tax due to the Collector-General (see Chapter 11). Traders are encouraged to submit their VAT returns using the Revenue Online Service (ROS) (see www.revenue.ie).

From 1 July 2007, the frequency of filing VAT returns was reduced for certain accountable persons to the following:

- For businesses with a yearly VAT liability of €3,000 or less the option of filing returns on a six month basis is available.
- For businesses with a yearly liability of between €3,001 and €14,400 the option of filing returns every four months is available.

1.10 Amount on which VAT is chargeable

The amount on which VAT is chargeable is the total sum the person supplying the goods or services becomes entitled to receive, including all taxes, commissions, costs and charges whatsoever but not including the VAT chargeable in respect of the transaction (see paragraph 9.1).

1.11 Basis of accounting

Registered persons normally account for VAT on the invoice ('sales') basis. This means that they become liable for VAT by reference to invoices issued and sales made by them irrespective of whether payment has actually been received (see Chapter 14). However, certain persons may opt to account for VAT on the moneys received ('cash') basis i.e. by reference to payments actually received by them (see Chapter 12).

1.12 Right to deduct VAT

In computing the amount of VAT payable in respect of a taxable period, a registered person may deduct the VAT charged on most goods and services which are used for the purposes of the taxable business. No deduction may be made, however, for the VAT on goods and services used for any other purpose. Non-established sub-contractors providing construction services that are subject to reverse charge may register for VAT if they wish to claim a refund. (see paragraph 2.11 and Chapter 13).

1.13 Records to be kept

A VAT-registered person must keep full and true records of all business transactions which affect his or her liability to VAT. The records must be kept up to date and must be sufficiently detailed to enable that person to accurately calculate liability or repayment and to enable the Revenue to check the calculation, if necessary. Records must normally be retained for six years from the date of the latest transactions to which they refer (see Chapter 15).

1.14 Trade between different EU Member States

In the European Single Market, VAT is accounted for on sales of goods between traders in different EU Member States by a system of intra-Community supplies and acquisitions of goods (see Chapter 6). The supplies are zero-rated in the EU Member State of origin and VAT is accounted for by the VAT-registered recipient in the EU Member State of destination (see Chapters 5 and 6).

1.15 Imports (non-EU)

For VAT purposes imports are goods brought into Ireland from non-EU countries. As a general rule, imported goods are liable to VAT at the point of entry into the State, at the same rate as applies to the sale within the State of similar goods (see Chapter 7).

1.16 Exports (non-EU)

For VAT purposes exports are goods supplied subject to a condition that they are to be transported to a place outside the EU. The zero rate of VAT applies to exports (see Chapter 8).

1.17 Repayment of VAT to foreign businesses

In general, persons who are engaged in business outside the State but who are not engaged in business in the State are able to claim a refund from Revenue under the terms of the EU 8th and 13th VAT Directives of VAT charged to them in respect of services and goods supplied to them in the State for business purposes, where the VAT would be deductible by them if they were accountable persons in

the State (see paragraph 10.6). VAT may not be reclaimed in respect of goods or services supplied within the State (other than certain services for which the person who receives them self-accounts for the VAT due) or in respect of motor vehicles of a kind referred to in paragraph 10.9 for hiring out for utilisation within the State. Applications for refunds of input VAT should be made to **VAT Repayments (Unregistered), River House, Charlotte's Quay, Limerick**.

1.18 Repayments to unregistered persons

There are special provisions for repayment of VAT incurred by unregistered persons in certain cases e.g. on farm buildings by unregistered farmers, on supplies to unregistered sea-fishermen, on certain supplies to disabled persons and to diplomats etc. Please see VAT Information Leaflet 'Repayments to Unregistered Persons'.

1.19 Appeals

A person has the right to appeal against Section 22 estimates or Section 23 assessments (see paragraph 11.7) or against a determination made by Revenue in relation to the rate of VAT chargeable and in relation to whether an activity is an exempt activity. A person also has the right of appeal in relation to charges made in accordance with regulations, for example, in connection with an application for de-registration, and in relation to all claims for repayment. Any question of fact or law may be brought before the Appeal Commissioners, and the taxpayer if dissatisfied with the decision of the Appeal Commissioners may have the appeal re-heard by the Circuit Court. Both the taxpayer and Revenue may appeal to the High Court on a point of law and from there to the Supreme Court. Because VAT is governed by EU law, the Appeal Commissioners or any of the courts may refer the case to the European Court of Justice (ECJ).

Matters which may be appealed also include:

- a charge to tax in connection with the issue of an incorrect invoice or the issue of an invoice showing tax by a non-registered person,
- compulsory group registration, refusal to allow group registration and the cancellation of an existing group registration,
- a determination in relation to certain sports and leisure activities,
- a determination of open market value in relation to certain supplies between connected persons,
- the refusal by Revenue to authorise a person to operate as a refunding agent for the VAT Retail Export Scheme,
- the treatment of a person who allows supplies to be made on land owned, occupied or controlled by him/her, as jointly and severally liable with another person,
- a charge to tax in accordance with regulations,
- a claim for repayment of VAT,
- a refusal by Revenue to treat a person as an accountable person,
- a refusal by Revenue to accept that an expression of doubt is genuine (see paragraph 1.20 below).

1.20 Letter of expression of doubt

VAT law provides that where a person is in doubt about the application of VAT law to a transaction, including the rate of VAT, he/she may lodge a letter of expression of doubt with Revenue. If the expression of doubt is accepted by Revenue as genuine, interest will not apply to any tax payable until the matter in doubt is resolved.

In the event that Revenue refuses to accept that the expression of doubt is genuine, it is open to the taxpayer to have such refusal referred to the Appeal Commissioners. Please see VAT Information Leaflet 'Expression of Doubt'.

1.21 Internal Review procedures

Where a taxpayer wishes to seek a review of Revenue's handling of his/her tax affairs, or a decision made by a Revenue official, he/she can ask for an internal review to be carried out either:

- by a senior Revenue official who was not involved in the original decision, or
- jointly by an External Reviewer and the Revenue official mentioned above.

Requests for an internal review can be made to the Internal Review Unit, Revenue Commissioners, Dublin Castle, Dublin 2.

1.22 Revenue website

The Revenue website carries a broad range of important information on all taxes and duties. All Revenue forms, guides, and information leaflets mentioned in this Guide are available on the Revenue website at www.revenue.ie.

1.23 Revenue on-line Service (ROS)

ROS is a secure on-line service that enables taxpayers and individuals to interact electronically with Revenue. It offers taxpayers a quick, secure and cost effective method to manage their tax affairs on-line. ROS enables a taxpayer to view his/her own current position with Revenue for various taxes and levies, to file tax returns, including the VAT 3 returns and annual Return of Trading Details (RTD) and to make payments online in a variety of methods. Traders can register for ROS by accessing the ROS website through www.revenue.ie.

1.24 VAT 13A Scheme

This scheme provides that an accountable person who derives not less than 75% of his/her annual turnover from exports or intra-Community supplies of goods out of the State, can apply to have most goods and services supplied to him or her and intra-Community acquisitions and imports made by him or her zero-rated. The zero rating does not apply to supplies of goods or services which in the normal course would not be deductible. Therefore, the supply or hire of any passenger motor vehicles, the supply of petrol, the provision of services consisting of the supply of food, drink, accommodation (other than in connection with a qualifying conference (see paragraph 10.7)), entertainment or other personal services and other non-deductible purchases do not qualify for the zero rate. A VAT-registered person who thinks he/she might qualify under this scheme should make application to the Revenue District responsible for his/her tax affairs. Please see VAT Information Leaflet 'Section 13A-Zero rating of Goods and Services'.

1.25 Property transactions

New VAT on Property rules were introduced in the Finance Act 2008 and are effective from 1 July 2008. The new rules introduce a simpler and more rational basis for applying VAT to property transactions. The main features are:

- The first supply of newly developed property is taxable for a period of five years from completion,
- The second and subsequent supply is taxable for a period of two years following occupation,
- There is an option to tax the supply of properties where the supply would otherwise be exempt,
- Lettings are exempt but where the letting is between unconnected parties there is an option to tax the rents. The option to tax also applies where the parties are connected but the lessee is entitled to deduct over 90% of the VAT charged on the rent,
- A Capital Goods Scheme which ensures that the amount of VAT deductible on acquisition or development of a property will correspond with the use of the property over a period of 20 years (10 years in the case of refurbishment work),
- There are transitional rules to ensure that properties that have been developed under the old system will pass into the new system with a minimum of disruption.

The new system is described in detail in the VAT on Property Guide.

Chapter 2

VAT Registration

This Chapter deals with the rules relating to registration for VAT purposes. It describes who is obliged to register, who may or may not register, procedures for registration etc. The treatment of non-established suppliers is also set out in VAT Information Leaflet 'Foreign Suppliers Doing Business in Ireland'.

2.1 Accountable persons

An accountable person is one who independently:

- (a) supplies taxable goods or services in the State,
- (b) makes intra-Community acquisitions of goods in the State, (see Chapter 6)
- (c) receives taxable Fourth Schedule services (i.e. listed in the Fourth Schedule to the VAT Act, (Appendix E to this Guide) from abroad, (see paragraphs 4.8 to 4.10),
- (d) receives cultural, artistic, entertainment or similar services provided by a person not established in the State (see paragraph 4.7),
- (e) is involved in property transactions in the State and is obliged to register for VAT in the State (see however subparagraph (g) below for certain construction services and please also refer to the VAT on Property Guide),
- (f) receives goods for installation or assembly in the State from a person not established in the State,
- (g) is, from 1 September 2008, in receipt, as a principal contractor, of construction services in the State from a sub-contractor including a non-established sub-contractor (see paragraph 2.11 for details),
- (h) is in receipt of supplies of gas through the natural gas distribution system or electricity from a person not established in the State.

Accountable persons are obliged to comply with all necessary requirements arising from such registration (in particular, see Chapters 11, 14 and 15) if any of the appropriate thresholds outlined below are exceeded, or are likely to be exceeded, in any twelve-month period.

See paragraph 2.26 for an outline of the VAT obligations of farmers.

2.2 Thresholds

In the case of supplies in the State and intra-Community acquisitions, registration is obligatory where certain turnover thresholds are exceeded or are likely to be exceeded in any twelve-month period. However, it should be noted that in relation to Distance Selling at 2.2 (c) below, the threshold is based on a calendar year. The principal thresholds applicable are as follows-

- (a) €37,500 in the case of persons supplying services,
- (b) €37,500 for persons supplying goods liable at the 13.5% or 21% rates which they have manufactured or produced from zero-rated materials,
- (c) €35,000 for persons making mail-order or distance sales into the State,
- (d) €41,000 for persons making intra-Community acquisitions,
- (e) €75,000 for persons supplying goods,
- (f) €75,000 for persons supplying both goods and services where 90% or more of the turnover is derived from supplies of goods (other than of the kind referred to at (b) above),
- (g) a non-established person supplying taxable goods or services in the State is obliged to register and account for VAT irrespective of the level of turnover (see paragraphs 2.1 (e), (f) and (h) and paragraph 2.11),
- (h) a non-EU business supplying electronic services to private consumers in the State is obliged to register and account for VAT irrespective of the level of turnover. However, an optional scheme is available to enable the supplier to register in one EU Member State,
- (i) a nil threshold for persons in receipt of Fourth Schedule or cultural, artistic etc. services from abroad.

An accountable person established in the State is not required to register for VAT if his or her turnover does not reach the appropriate threshold above. However, they may elect to register for VAT. A nil threshold applies for accounting for VAT on the receipt of Fourth Schedule services for business purposes. There is no threshold for taxable property transactions. For further details please refer to the VAT on Property Guide.

2.3 How is the threshold determined?

For the purposes only of deciding if a person is obliged to register for VAT, the actual turnover may be reduced by an amount equivalent to the VAT borne on purchases of stock for re-sale. For example, a trader whose annual purchases of stock for re-sale are, say, €60,000 [€49,587 plus €10,413 VAT at 21%] and whose actual turnover is, say, €80,000 inclusive of VAT, is not obliged to register. This is because the trader's turnover, after deduction of the €10,413 VAT charged to him or her on purchases of stock, is below the registration limit of €75,000.

2.4 Exceptions

In the case of taxable Fourth Schedule services received from abroad (see paragraphs 4.8 and 4.9) or cultural etc. services received from a person not established in the State (see paragraph 4.7 for further details) no threshold applies and all such services are liable to VAT. Special rules also apply in the case of farmers and fishermen in receipt of Fourth Schedule services (please see VAT Information Leaflet 'Fourth Schedule Services').

The turnover thresholds set out in paragraph 2.2 do not apply to persons who are not established in the State. Where such persons supply taxable goods or services in the State in the course or furtherance of business, they are obliged to register and account for VAT in respect of all such supplies (but see paragraphs 2.7 to 2.11). Persons who make no taxable supplies in the State are neither obliged nor entitled to register for VAT in the State. (Please see VAT Information Leaflet 'Foreign Suppliers Doing Business in Ireland').

2.5 Exempt persons and non-taxable entities acquiring goods within the EU

Exempt persons (see paragraph 1.4) and non-taxable entities (see paragraph 1.5) who acquire or are likely to acquire more than €41,000 worth of goods from other Member States in any period of twelve months are obliged to register for VAT in respect of those intra-Community acquisitions. Exempt persons and non-taxable entities below this threshold may elect to register in respect of such acquisitions if they so wish. It should be noted that exempt persons and non-taxable entities acquiring new means of transport or excisable goods must register for VAT irrespective of the value. It should be further noted that registration by exempt and non-taxable persons for receipt of intra-Community acquisitions does not give VAT deduction rights (see Chapters 6 and 10).

2.6 Fourth Schedule services

Persons who receive from abroad for business purposes any of the taxable Fourth Schedule services mentioned in paragraphs 4.8 and 4.9 are obliged to register for and pay VAT by reverse charge in respect of all such services. For VAT purposes, the recipient of such services is regarded as the supplier of the services to himself or herself. Traders should note that no registration threshold applies in these cases.

2.7 Supplies of natural gas through the natural gas distribution system or of electricity

Persons not established in the State who supply natural gas through the natural gas distribution system or electricity to a recipient in the State where that recipient is:

- (i) an accountable person,
- (ii) a Department of State,
- (iii) a body established by Statute,

are not required or entitled to register for VAT. VAT is accounted for by the recipient.

2.8 Electronic services supplied by non-EU suppliers to private individuals in the EU

Where a non-EU business supplies electronic services to a private consumer in any EU Member State, the place of supply is the place where the consumer normally resides. The main effect of this is that suppliers of these services are obliged to register and account for VAT in every EU Member State where they have private customers. However, an optional special scheme is available, which allows such non-EU businesses to opt to register in one EU Member State only.

The special scheme enables the non-EU supplier to choose an EU Member State in which to register for and pay VAT, regardless of the EU Member State in which the supplier's private consumer resides. Once registered, the supplier makes VAT returns to that EU Member State, declaring the VAT due on all the on-line sales to consumers within the EU. The rate of VAT is the standard rate in the country in which the consumer resides. A special on-line return form for suppliers who wish to register for VAT in the State is provided under which the supplier must provide a breakdown of all electronic supplies to customers in each EU Member State. Payment is made to a designated account in the EU Member State of registration. That EU Member State re-distributes the VAT receipts to other EU Member States in accordance with the amounts due as declared by the supplier.

Revenue have set up a register of non-EU suppliers who opt to register in the State under the scheme. Registration is only accessible through the Revenue on-line Service (ROS) at www.revenue.ie. Suppliers must furnish certain details to ROS in order to register under the scheme. A section of the ROS website, especially for non-EU suppliers, facilitates applicants in the registration process.

A supplier registered under the scheme is allocated an identification number (the special VAT number for electronic services) and a digital certificate by ROS. Suppliers on the Irish register use their digital certificates to access the system via ROS. Suppliers must submit special VAT returns and pay Revenue the VAT due in respect of their supplies in all EU Member States including Ireland by the 19th day of the month following the end of each calendar quarter. Payment must be made in euro to a bank account designated by Revenue. Please see VAT Information Leaflet 'e-Services and Broadcasting'.

2.9 Cultural, artistic, entertainment or similar services

Where a person not established in the State provides cultural, artistic, entertainment or similar services in the State, the promoter, agent or other person, who receives these services for business purposes, must register and account for VAT thereon by reverse charge. There is no turnover threshold for the receipt of these services (see also paragraph 4.7).

2.10 Goods for installation or assembly by a non-established supplier

Where a non-established supplier supplies goods in the State which are installed or assembled, with or without a trial run, by or on behalf of that person and where the recipient of those goods in the State is a taxable person, a Government Department, a local authority, or a body established by statute, then the non-established supplier is not entitled to register for VAT.

In such circumstances the customer must register and account by reverse charge for the VAT due. A person registered for output VAT in the normal course may claim a VAT credit for such self-accounting subject to the normal rules. Typical examples of qualifying supplies are the supply, installation and assembly of exhibition stands, movable shop counters, computer systems or electrical generators.

2.11 Construction operators

With effect from 1 September 2008 sub-contractors not established in the State who provide construction services to principal contractors which are within the scope of Relevant Contracts Tax (RCT) (as defined in section 530 of the Taxes Consolidation Act 1997) are not required to register for VAT. VAT must be accounted for by the principal as if he or she had supplied the service. Such sub-contractors may, however, register for VAT in order to claim credit for input VAT incurred.

VAT must also be accounted for by a principal contractor in respect of construction services received from a sub-contractor established in the State. However, a sub-contractor established in the State is obliged to register for VAT, subject to the normal rules.

Supplies by established and non-established contractors to persons other than those in the construction industry will continue to be treated under the existing system. For example, a builder who builds an extension for a private individual or an electrician who installs a new alarm system in a shop will charge and account for VAT on the supply. The reverse charge will not apply to these supplies.

2.12 Two-Thirds rule

With effect from 1 September 2008 the two-thirds rule (see paragraph 4.2) does not apply where the reverse charge applies for construction services. It applies, however, to other circumstances involving the supply of movable or immovable goods under an agreement for the supply of services.

2.13 Non-established suppliers supplying goods/services in Ireland

Non-established suppliers supplying taxable goods or services in the State are generally obliged to register and account for Irish VAT (but see paragraphs 2.7 to 2.11). The turnover thresholds for VAT registration which apply to Irish suppliers do not apply and non-established suppliers must generally register regardless of the level of their turnover.

Non-established taxable suppliers will be required to register where they:

- supply goods within the State (however, see paragraphs 2.7 to 2.11);
- supply goods on board vessels, aircraft or trains leaving the State for another EU Member State;
- engage in distance selling of excisable goods to a person who is not a taxable person in the State;
- engage in the transport of goods or ancillary transport activities within the State (other than intra-Community transport services supplied to VAT-registered persons), and intra-Community transport services beginning in the State for a customer who is not registered for VAT;

- engage in cultural, artistic, sporting, scientific, entertainment or similar services in the State (however see paragraph 2.9 above in relation to cultural, artistic and entertainment services supplied to a person acting other than in a private capacity, an agent or promoter);
- engage in the valuation of movable goods, including contract work within the State;
- engage (in the case of suppliers established outside the EU), in the hire of movable goods for effective use within the State;
- engage in the supply of telecommunications services or telephone cards, or radio or television broadcasting services from outside the EU to a private individual in the State in certain circumstances;
- engage in the supply of telecommunications services or of telephone cards from an establishment in the State to a private individual outside the EU;
- engage in the supply of electronic services from outside the EU to private individuals whose usual place of residence is in the State. These services include the following:
 - website supply, web-hosting, distance maintenance of programmes and equipment,
 - supply of software and the updating of it,
 - supply of images, text and information, and making databases available,
 - supply of music, films and games, including games of chance and gambling games and of political, cultural, artistic, sporting, scientific and entertainment broadcasts and events.

Please refer to paragraph 2.8 for details of the special scheme for e-Services.

2.14 Non-established suppliers making distance sales to Ireland

Distance sales covers mail-order sales and phone or tele-sales made to persons in the State who are not accountable persons, by a supplier registered in another EU Member State where the supplier is responsible for delivery of the goods.

Where the value of distance sales to the State by a supplier in another EU Member State exceeds €35,000 in a calendar year that supplier must register for VAT in the State and must account for VAT at the appropriate Irish rates. If the threshold is not exceeded, the supplier may opt to register and account for VAT in the State on his or her distance sales (see paragraphs 3.2 and 5.11).

Non-established suppliers making distance sales of excisable goods (spirits, tobacco etc.) to the State are obliged to register for VAT irrespective of the level of turnover.

A list of the thresholds applying for Distance Sales in Member States of the EU is at Appendix J.

2.15 Electing to register

A person established in the State whose turnover from supplies in the State or whose intra-Community acquisitions do not exceed the appropriate thresholds may elect to become registered but only from a current date. The procedures for those electing for VAT registration are the same as those for traders who are obliged to register and a person who elects to become registered is subject to the same obligations as other registered traders (but see paragraph 2.16).

2.16 Registration procedures

Every applicant for VAT registration must complete either a form TR1 or TR2, each of which is obtainable from the Revenue District responsible for the persons tax affairs or from the Revenue website. Registration is effective from the beginning of the next taxable period of two months after the date on which the completed application is received, or from such earlier date as may be agreed between the Revenue District and the applicant. In the case of a person not obliged to register but who is electing to do so, the effective date will be not earlier than the beginning of the taxable period during which the application is made.

A hard copy of the completed form, signed and dated should be sent to the local Revenue District where the taxpayer is established. Non-established persons should address the completed form to IRDS, Dublin City Centre Revenue District, 9-10 Upper O'Connell Street, Dublin 1.

Applications for sole traders, trusts and partnerships should be made on form TR1 while form TR2 applies to limited companies.

Any change in the particulars supplied by a trader for the purposes of registration (for example, a sole trader becoming a limited company or the cessation of a partnership) must be notified to the appropriate Revenue District within 30 days of the change.

2.17 Registration of new business

A person who is setting up a business but who has not yet commenced supplying taxable goods or services may register for VAT as soon as it is clear that he or she will become an accountable person. This will enable that person to obtain credit for VAT on purchases made before trading actually commences.

In general, farmers are not obliged to register for VAT in respect of their farming activities. However, special rules apply to farmers who, for example, supply bovine semen, agricultural contracting services and who retail horticultural products. Please see VAT Information Leaflets 'Agricultural Services' and 'Horticultural Retailers'.

2.18 Cancellation of registration

A person who has elected to register for VAT may cancel his or her registration by arrangement with the relevant Revenue District. It is a condition of such cancellation that he/she pays to Revenue any excess of VAT refunded to him/her over the tax paid for the taxable periods during which the election had effect or three years prior to the date of application for cancellation, whichever is the lesser. A person whose turnover has fallen below the appropriate turnover threshold may have the registration cancelled. Where a farmer who would not otherwise be an accountable person has elected to register for VAT and wishes to cancel that election then the review period is also the period for which the election had effect or three years, whichever is the lesser. For the purposes of calculating any excess of VAT refunded to him/her over VAT repayable to him/her, the amount of tax paid by him/her should be increased by an amount equal to the flat-rate addition and the amount refunded to him should be reduced by the amount of VAT which would have been repayable to him/her under SI No. 266 of 1993 (Repayments to unregistered farmers of VAT incurred on farm buildings and structures). A person ceasing to trade should notify the appropriate Revenue District of this fact in order that the VAT registration number may be cancelled promptly. This is important to note, otherwise return forms and demands for estimated VAT liability will continue to issue automatically.

Revenue will also cancel a person's VAT registration if he or she has been registered in error, or he or she has ceased to be an accountable person. In certain circumstances a cancellation of registration will give rise to recovery by Revenue of net VAT repaid to the person during the period of election.

2.19 Cancellation of a 'Holiday Home' election

Persons who elect to register for VAT in respect of the letting out of holiday accommodation must, in certain circumstances, pay a 'cancellation amount' to Revenue when they cancel their election to register. The cancellation amount is calculated on the basis of the amount of VAT deductible on the property used for the holiday lettings and the length of time for which the property was let before the cancellation. No cancellation amount is payable if the length of time involved exceeds 10 years. The rule is confined to persons who let out holiday accommodation and incur capital development costs on which the VAT can be claimed back, and have an annual turnover from the lettings of less than €37,500 and elect to register for VAT. The rule is confined to persons who elect to register for VAT in respect of the letting of holiday accommodation because they have an annual turnover of less than €37,500 and they reclaim the VAT incurred on the cost of capital development of the holiday accommodation,

The formula for calculating the adjustment amount is as follows:

$$\frac{A \times (10 - B)}{10}$$

where

- **A** is the tax deductible (or which would have been deductible but for the operation of the transfer of business rules) on the immovable property, and
- **B** is the number of full years it was let.

Persons who cancel their election after short periods of time are liable to repay proportionately more VAT than those who cancel after long periods.

Where the investor transfers the holiday property before the 10 years are up the person to whom the property is transferred is liable for the cancellation amount where applicable.

In respect of holiday homes acquired on or after 1 July 2008, the scheme will not apply.

2.20 Relief for stock-in-trade for newly registered traders

A person who has become liable for VAT may claim a credit, if any, for VAT suffered on the stock-in-trade (i.e. goods for re-sale but not capital goods, tools etc.) held at the beginning of the first taxable period for which he or she is registered. Where the rates actually charged at the time of purchase of the goods differ from the rates applying at the time the relief is being sought, the local Revenue District should be consulted in relation to the exact amount of VAT which can be reclaimed. No relief is available in respect of VAT on goods purchased prior to registration by a person supplying services.

2.21 Group registration

Where Revenue are satisfied that it is in the interest of efficient administration and that no loss of VAT is involved, they may treat a group of persons established in the State, at least one of whom is an accountable person, such as a number of companies which are closely bound by financial, economic and organisational links, as a single accountable person. An arrangement of this nature generally removes the necessity of issuing VAT invoices in respect of inter-group transactions (except in the case of certain property transactions). While one person or company in the group will be responsible for compliance with all VAT requirements for the whole group, including lodgment of VAT returns/payments etc. with the Collector-General, each person or company in the group will be jointly and severally liable in the event that such compliance is not achieved. It is not a condition that every member of the group has to be an accountable person. Holding companies are permitted to be part of a group. Any group wishing to adopt such an arrangement should apply to the local Revenue District. If, subsequent to the approval of a group registration, a new company is to be included in the group, permission for inclusion in the group registration must be obtained from the local Revenue District.

2.22 Who may not register in respect of supplies of goods or services?

A person carrying on only exempt activities or a person carrying on activities otherwise than in the course or furtherance of business may not register for VAT. However, a person carrying on exempt activities may be required to register in respect of intra-Community acquisitions of goods, Fourth Schedule services received from abroad and cultural, artistic, entertainment and similar services received from persons not established in the State (see paragraphs 2.6 to 2.9). There is no provision for deductibility of VAT on purchases of goods and services by such persons. There are circumstances where the State, local

authorities and bodies established by statute may be required to register and account for VAT on received supplies including construction services by a sub-contractor, Fourth Schedule services, supplies of natural gas and electricity and goods received for installation or assembly by a non-established supplier. (See paragraphs 2.6 to 2.11).

2.23 Premises provided to mobile traders

Where a 'premises provider' allows a mobile trader, not established in the State, to supply goods on the premises for a period of less than seven days, he or she must provide details to the local Revenue District, including the following information, not later than fourteen days before the trader intends to trade on the land:

- the name and address of the trader,
- the dates on which the trader intends to trade on the premises provider's land, and
- the address of the land.

If these details are not provided the 'premises provider' may be made jointly and severally liable for the VAT due by that mobile trader.

2.24 Option to tax (lettings)

The letting of property is exempt from VAT. However, the landlord may opt to tax the letting. The option to tax, unlike the position under the old waiver system, is letting specific. In other words, the landlord has the right to opt (or not to opt) to tax each letting. The option to tax does not apply to a letting of residential property or a letting between connected parties. Please refer to the VAT on Property Guide.

2.25 Liquidators and Receivers

Where the assets, including immovable goods, of a taxable person are disposed of by a liquidator, receiver or any other person (such as a mortgagee) in or towards the satisfaction of a debt owed by the accountable person or in the course of the, voluntary or otherwise, winding up of a company, the liquidator, receiver etc. must register and account for VAT on such disposals.

2.26 Farmers

A farmer who engages in agricultural production, and whose turnover from non-agricultural activities does not exceed the appropriate threshold is not obliged to register for VAT in respect of his/her farming activities.

For VAT purposes a farmer means a person who engages in at least one of the agricultural production activities in the State listed in Appendix F and whose supplies consist exclusively of either or both:

1. agricultural produce (other than bovine semen and nursery stock), or
2. agricultural services (other than agricultural contracting services).

A person is still regarded as a farmer if, in addition to the above, he/she also makes supplies of the following:

- machinery, plant or equipment which he/she has used for his/her farming activity;
- racehorse training. In the case of a farmer who carries on racehorse training 90% of receipts are deemed to be in respect of farming activities. Therefore, there is an effective threshold of €375,000 in any continuous period of 12 months. If a farmer registers in respect of racehorse training this registration may be ring-fenced and he/she is not required to register in respect of his/her farming activities.

A farmer does not have to register in respect of goods (for which the turnover in any continuous period of 12 months does not exceed and is not likely to exceed €75,000), or services (for which the turnover in any continuous period of 12 months does not exceed and is not likely to exceed €37,500). A flat-rate farmer is a farmer who is not registered for VAT in respect of his/her farming activities. In order to compensate for VAT paid on supplies to him/her, such a farmer is entitled to a flat-rate addition (currently 5.2%) to the prices at which his/her agricultural produce or agricultural services are supplied to VAT-registered persons including marts, agricultural co-operatives and meat factories etc. Persons registered for VAT in another Member State or businesses established outside the EU who pay the flat-rate addition are entitled to recover this 5.2% flat-rate addition from VAT Repayments, Unregistered Section, River House, Charlotte's Quay, Limerick, under the terms of the EU 8th or 13th VAT Directives.

A flat-rate farmer is also entitled to reclaim VAT incurred in respect of the construction, extension, alteration or reconstruction of farm buildings, and the fencing, drainage or reclamation of farmland, from the VAT Repayments (Unregistered) Section, Limerick.

Flat-rate farmers have no Irish VAT liability in respect of purchases from other EU Member States provided the €41,000 threshold for intra-Community acquisitions is not exceeded. Instead, VAT is charged in the EU Member State of purchase at the rate applicable there. Farmers who exceed the acquisitions threshold are liable to Irish VAT regardless of whether or not they have paid VAT in the EU Member State of purchase. Therefore, to avoid double taxation, farmers whose purchases from other EU Member States exceed or are likely to exceed €41,000 in any 12 month period should register and account for VAT in the State.

A farmer is obliged to register where:

1. his/her turnover in any continuous period of 12 months from agricultural contracting activities other than insemination services, stock minding and stock rearing exceeds or is likely to exceed €37,500;
2. his/her turnover in any continuous period of 12 months from sales of bovine semen other than to other farmers licensed as an A.I. centre or supplies to a person over whom the farmer exercises control, exceeds or is likely to exceed €75,000;
3. his/her turnover in any continuous period of 12 months from retail sales of horticultural products and nursery stock exceeds or is likely to exceed €75,000;
4. he/she is in receipt of Fourth Schedule services from abroad;
5. his/her turnover in any continuous period of 12 months from intra-Community acquisitions exceeds or is likely to exceed €41,000;
6. his/her turnover in any continuous period of 12 months from taxable goods or services, other than any exclusions mentioned above exceeds or is likely to exceed the appropriate thresholds.

If a farmer is obliged to register under paragraph 4 and 5 above such registration is effectively 'ring-fenced' to the intra-Community acquisitions or the Fourth Schedule services. He/she is not obliged to register in respect of his/her farming activities.

A farmer may elect to register for VAT and, in this regard, should contact his/her local Revenue District. For further information please see VAT Information Leaflet 'Farmers & Intra-EU Transactions'.

Chapter 3

Supply of Goods

This Chapter describes the various ways in which supplies of goods for VAT purposes are made, and outlines the VAT treatment appropriate to each type of supply.

3.1 Taxable supplies of goods

A taxable supply of goods means the normal transfer of ownership of goods by one person to another and includes the supply of goods liable to VAT at the zero rate.

It means:

- (a) the transfer of ownership of goods by agreement,
- (b) the sale of movable goods on a commission basis by an auctioneer or agent acting in his or her own name but on the instructions of another person,
- (c) the handing over of goods under a hire-purchase contract,
- (d) the handing over by a person to another person of immovable goods (property) which have been developed,
- (e) the seizure of goods by a sheriff or other person acting under statutory authority,
- (f) the application by an accountable person of movable goods to some private or exempt use,
- (g) the appropriation by an accountable person of goods other than for the purposes of his/her business,
- (h) the provision of electricity, gas and any form of power, heat, refrigeration or ventilation,
- (i) with some exceptions, the transfer of goods from a business in the State by a taxable person to the territory of another EU Member State for the purposes of the business (see Chapter 5).

3.2 Place of supply of goods

The place of supply of goods rules determine whether a supply is subject to VAT in the State. The basic rule is that supplies of goods in the State are subject to VAT in the State. However, problems can arise in the context of supplies that involve the movement of goods across frontiers.

The following is a summary of the place of supply rules, with examples:

- Where goods are not dispatched or transported, the place of supply is deemed to be the place where the goods are at the time of their supply.

Example 1

A French tourist on a visit to Ireland buys a sweater from a retailer in the State. Irish VAT arises on the purchase, as the place of supply is where the goods are when the purchase takes place.

- Where goods are installed or assembled, the place of supply is the place where the goods are installed or assembled.

Example 2

A VAT-registered Irish company engages an EU-based company to supply and install a machine in its premises in the State. The place of supply is the State. There is no obligation on the non-established supplier to register for VAT in Ireland as the recipient is one of those classes of persons who must account for the output VAT arising on the supply. If the goods have been bought for the purposes of its taxable business, a simultaneous input credit may be taken by the buyer thus making the transaction VAT neutral.

- Where goods are supplied on board vessels, aircraft and trains during intra-EU transport, the place of supply is the place where the transport begins.

Example 3

A private individual living in the EU buys some goods while travelling on the Dublin/ Belfast train which leaves from Dublin. As the place of supply for VAT purposes is the place where the transport begins, Irish VAT arises on the supply in this instance.

Distance Sales

Distance sales refer to goods other than new means of transport which are (a) either transported or dispatched to unregistered persons in the State from another EU Member State or from outside the EU through another EU Member State or (b) transported or dispatched to unregistered persons in another EU Member State from this State.

Distance sales into Ireland

The concept of distance sales made to this State by non-established suppliers is covered in paragraph 2.14. The place of supply of such goods is Ireland as the transportation or dispatch ends here where the supplier has exceeded the Irish registration threshold or has opted to register here. Where the supplier has not exceeded the Irish registration threshold or has not opted to register for VAT in Ireland the place of supply is where the transportation or dispatch begins.

Example 4

A VAT-registered UK trader supplies goods by means of mail-order to a private individual in the State. As this trader sells goods by mail-order of more than €35,000 in a calendar year to private individuals in the State, the place of supply is where the transportation ends, in this case the State. This trader is obliged to register for VAT in the State and to account for Irish VAT on the goods.

Distance sales out of Ireland

In the case of distance sales made from Ireland the place of supply of such goods is the Member State where the transport or dispatch ends where the supplier has either exceeded the registration threshold in the other Member State or has opted to register in that Member State. Where a supplier has not opted to register for VAT in that Member State the place of supply is Ireland i.e. where the transportation or dispatch begins.

Example 5

A VAT-registered Irish trader supplies goods by means of mail-order to a private individual in the UK. If the seller's level of trade to private individuals in the UK is below the Distance Sales threshold of £100,000 as applied in the UK and the trader has not elected to register for VAT in the UK, the place of supply is the State and, therefore, the trader has an obligation to account for Irish VAT on the goods.

Details of the thresholds applying to Distance Sales in the Member States of the EU is at Appendix J.

- Where natural gas or electricity is supplied to a taxable dealer the place of supply is the place where the taxable dealer has his or her business. In the case of supplies of natural gas and electricity to a customer other than a taxable dealer, the place of supply is where the customer uses and consumes it. Effectively this is the place where the metre is located. If the natural gas or electricity is not fully consumed by the customer he/she is deemed for VAT purposes to have consumed it.

A special leaflet dealing with the supply of electricity across borders under the Single Electricity Market is available. For full details please see VAT Information Leaflet 'Electricity Market'.

3.3 Self-supplies

A 'self-supply' of goods occurs when an accountable person diverts to private or exempt use, goods in respect of which he or she is entitled to a VAT deduction.

Examples of self-supplies:

Example 6

A jeweller takes a watch from stock-in-trade for his/her own personal use in May 2008:

Cost of watch VAT-inclusive	€1,210
VAT element (21%)	€210

This is a diversion to private use of goods for which the jeweller was entitled to a VAT deduction. Therefore, the jeweller is obliged to account for the self-supply by increasing his/her 'VAT on sales' figure (T1 box on VAT 3 form) by an amount of €210 in the May/June 2008 VAT return.

Example 7

A builder uses building materials to refurbish/repair his/her private house to the value of €3,630 in June 2008:

Cost of materials VAT-inclusive	€3,630
VAT element (21%)	€630

This is a diversion to private use of goods for which the builder was entitled to a VAT deduction. Therefore, the builder is obliged to account for VAT on the self-supply by increasing his/her 'VAT on sales' figure (T1 box on VAT 3 form) by an amount of €630 in the May/June 2008 VAT return.

In both of these examples, the supplier becomes the final customer and he or she must, therefore, suffer the VAT on those supplies, in the same way as every other final customer does. Traders do this by accounting for VAT on the cost to themselves of the goods, exclusive of VAT.

An example of a self-supply to an exempt business use is as follows:

Example 8

A car dealer diverts a car from stock-in-trade for use in his/her taxi business in April 2008:

Cost of vehicle VAT-inclusive	€28,000
VAT credit claimed on purchase as stock	€4,858

This is a diversion to exempt use of goods for which the car dealer was entitled to a VAT deduction. Therefore, the car dealer is obliged to account for VAT on the self-supply by increasing his/her 'VAT on sales' figure (T1 box on VAT 3 form) by an amount of €4,858 in the March/April 2008 VAT return.

For details of self-supplies in relation to property please refer to the VAT on Property Guide.

3.4 Gifts

With some exceptions, gifts of taxable goods made in the course or furtherance of business are liable to VAT unless their cost to the donor, excluding VAT, is €20 or less. Where gifts are taxable, the chargeable amount is their cost to the donor, excluding VAT. In the case of gifts costing more than €20 excluding VAT, no allowance is made for the amount below which gifts are not taxable. Accordingly, the person who makes a gift of goods costing €20 excluding VAT, has no liability, while the same person making a gift of goods costing more than €20 excluding VAT, must account for VAT on the full amount. The rate of VAT depends on the goods involved.

3.5 Advertising goods and industrial samples

Advertising goods and industrial samples given free to customers in reasonable quantities, in a form not ordinarily available for sale to the public, are not taxable, even where the €20 limit is exceeded.

3.6 Replacement goods

Replacement goods supplied free of charge in accordance with warranties or guarantees on the original goods are not taxable.

3.7 Supply of goods and services in exchange for vouchers, tokens etc.

The sale of gift vouchers etc. (other than vouchers sold to and by intermediaries) is not liable to tax except where, and to the extent that, the amount charged exceeds the value shown on the voucher.

3.8 Prepaid telephone cards

Prepaid telephone cards are not vouchers for VAT purposes, even when they have an amount stated on them. They are taxable at the time of sale at the rate of 21%. However, please refer to the 'VAT on Telecommunications Services' leaflet for details of a special arrangement for accounting for VAT on sales of prepaid telephone cards in certain circumstances.

3.9 Deposits/Payments received in advance deemed to be supplies

Where a deposit or payment on account or other payment is received by an accountable person before he or she has made or completed a supply of goods or services, a supply is deemed to have taken place at the time of the receipt of the payment to the value of such payment. Tax is chargeable on that deposit or payment.

Where, however, a deposit is retained by a supplier in the event of cancellation of the whole transaction by the customer the supplier may reduce his or her liability for the period in which the deposit is forfeit by an amount equal to the amount accounted for on the deposit.

There are a number of conditions for this to apply:

- the supply does not take place because the customer has cancelled it,
- the cancellation is recorded as such in the books and records of the supplier,
- the deposit is not refunded to the customer, and
- no other consideration, benefit or supply is provided to the customer by any person in lieu of that amount.

See paragraph 14.11 for details on the issue of invoices and credit notes in respect of these deposits.

3.10 Services taxable at the rate of goods (the two-thirds rule)

With the exception of contract work, a transaction which may appear to be the supply of a service, is nevertheless taxable as a supply of goods, if the VAT exclusive cost of the goods to the supplier exceeds two-thirds of the total charge to the customer excluding VAT (see paragraph 4.2).

With effect from 1 September 2008, the two-thirds rule will not apply in circumstances where a principal contractor self accounts for VAT in respect of construction services received from sub-contractors.

3.11 Auction and agency Sales

The sale of movable goods by agents or auctioneers who conclude agreements in their own name but on the instructions of another person are treated as supplies of goods, at the appropriate rates, at the time that the agents or auctioneers make the sale.

Please see VAT Information Leaflet 'Auctioneering'.

3.12 Chain of traders

Where there is a chain of buyers and sellers in any transaction and the goods which are the subject of the transaction are delivered by agreement directly by the first seller in the chain to the last buyer, each seller in the chain is deemed for the purposes of VAT to have made a supply of the goods to the next buyer. However, see paragraph 5.8 dealing with Triangular transactions - Triangulation.

3.13 Non-taxable supplies of goods

Liability to VAT does not arise where there is a change of ownership of goods as security for a loan or debt or where a business is transferred in whole or part from one accountable person to another. Goods supplied free of charge under warranty or guarantee are not liable to VAT but goods given away free of charge in other circumstances are, in general, taxable unless they are €20 or less in value (see paragraph 3.4).

3.14 Transfer of a business or part thereof

The transfer of the totality of the assets of a business or part thereof to an accountable person is deemed not to be a supply of goods. The transfer of goodwill or other intangible assets in such circumstances is not a supply of services.

In order to qualify for the transfer of business rules, the transfer must be made to an accountable person in circumstances where that person intends to apply those goods or services for the purposes of a business and where that amalgam of assets constitutes an undertaking or part of an undertaking capable of being operated on an independent basis. It is not a requirement of Irish VAT law that the transfer must constitute a transfer of a business as a going concern.

In practice, a person who transfers a business or part of a business to another person where all or part of the assets are intended to be used:

- (a) to carry on the same or a similar business,
- (b) for the purposes of the acquirer's own business, following the cessation of the transferor's business,
or
- (c) to carry on a different business in the premises using the assets acquired,

is not required to account for VAT on the transfer of such a business or part of a business. (See VAT Information Leaflet 'Transfer of a Business or part thereof').

Chapter 4

Supply of Services

This Chapter describes the various categories of services supplied for VAT purposes and outlines the VAT treatment appropriate to each type of supply.

4.1 What is a service?

For VAT purposes a service is any commercial activity other than a supply of goods. Typical services include the services of caterers, mechanics, plumbers, accountants, solicitors, consultants, etc. and the hiring (other than hire-purchase) or leasing of goods. Electronically supplied services, including digitised goods delivered online and the physical supply of customised software are supplies of services for VAT purposes. Services also include refraining from doing something and the granting and surrendering of a right. Contract work, that is the handing over by a contractor to a customer of movable goods made or assembled by him or her from goods entrusted to him or her by the customer, is also regarded as a service.

4.2 Services taxable at the rate of goods (the two-thirds rule)

A transaction which may appear to be a supply of a service is nevertheless taxable as a supply of goods if the value of the goods, that is their cost excluding VAT, to the service contractor used in carrying out the work exceeds two-thirds of the total charge, exclusive of VAT. For example, where the cost to the repairer of materials used in the repair of a washing machine is €120 exclusive of VAT, and the total charge for the repair work is €150, the 21% rate applicable to the materials applies, rather than the 13.5% rate which normally applies to repair services.

Example 9

Piano repair job, quoted price	€300 plus VAT
Made up as follows:	
Cost of materials at 21% (ex. VAT)	€220
Labour, overheads, profit	€ 80
Total	€300

Cost of materials €220 (ex. VAT) exceeds 2/3rds of full price (ex. VAT)

Tax chargeable €300 @ 21% = €63 VAT

Example 10

Repair and decoration of a house – contract price	€2,000 plus VAT
Cost of materials (ex. VAT @ 13.5% VAT rate)	€800
Cost of materials (ex. VAT @ 21% VAT rate)	€300
Labour etc.	<u>€900</u>
Total	€2,000

Cost of materials (ex. VAT) does not exceed 2/3rds of full price (ex. VAT)

Therefore, VAT chargeable is: €2,000 @ 13.5% = €270

Example 11

Repair and decoration of a house – contract price	€3,000 plus VAT
Cost of materials (ex. VAT @ 13.5% VAT rate)	€1,400
Cost of materials (ex. VAT @ 21% VAT rate)	€800
Labour etc.	<u>€800</u>
Total	€3,000

Cost of materials exceeds 2/3rds of full price (ex. VAT)

Therefore, VAT chargeable is:

€1,400 X €3,000 @ 13.5% = €257.70
€2,200

and

€800 X €3,000 @ 21% = €229.06
€2,200
Total VAT chargeable €486.76

In each example above the gross tax payable by the contractor is shown. The contractor is of course entitled to deduct the tax suffered on the materials and pays the net amount to Revenue in his/her next return.

It should be noted that the repair and maintenance of motor vehicles and agricultural machinery is not subject to the two-thirds rule. It should also be noted that from 1 September 2008, when principal contractors account for VAT on the receipt of construction services from sub-contractors, the two-thirds rule will not apply for the purposes of these specific supplies in these circumstances. The rule will continue to operate for other supplies.

4.3 Services of Agents/Intermediaries

Agents/Intermediaries other than agents selling movable goods who conclude agreements in their own name but on the instructions of and for the account of another person, are deemed to be supplying services and are obliged to register and account for VAT, generally at the 21% rate, in respect of their supplies of agency services subject to the €37,500 turnover limit (see also paragraph 3.11 Auction and agency sales).

Travel agents, insurance agents, banking agents and certain related agents (see paragraph (ix) of Appendix A) are exempt from VAT.

4.4 Place of supply of services - general rule

The general rule in relation to the place of supply of services is that services are taxable at the place where the supplier has established his or her business. For most services there is little difficulty in determining the place of their supply. For example, the services of cinemas, restaurants, hairdressing salons etc. are supplied where the business is situated. The exceptions to this rule are dealt with in paragraphs 4.5 to 4.11 below.

4.5 Property (immovable goods)

The place where services connected with immovable goods are supplied is the place where the property is situated. Services supplied in connection with property situated outside the State are not therefore liable to Irish VAT. These services may, however, be liable to VAT in the other country. For example, the design of an office premises in the UK by an architect established in the State is not liable to Irish VAT but may be liable to VAT in the UK.

4.6 Transport and related ancillary services

These services, whether in relation to goods or passengers, are in most cases treated as being supplied where the transport takes place. However, special rules relate to the transport of goods between EU Member States and these are dealt with in paragraph 5.13.

4.7 Cultural, artistic, sporting, scientific, educational or entertainment services

The place where these services are supplied for VAT purposes is the place where they are physically performed. For example, fees received by an entertainer in respect of a concert given in Ireland are liable to Irish VAT. Similarly, an Irish based entertainer performing in the UK is outside the scope of Irish VAT.

However, it should be noted that where a person not established in the State, including an entertainer, supplies a service of a cultural, artistic or entertainment nature to a person in the State for business purposes, e.g. to a promoter, the recipient of the service is required to register and account for VAT on the service on the reverse charge basis.

Where the owner of a premises allows a promoter not established in the State to supply services of a cultural, artistic or entertainment nature on these premises he/she must, not later than fourteen days before the event or performance is scheduled to begin, notify **the Revenue District responsible for the tax affairs of the owner of the premises** of the name and address of the promoter and details of the performance. Where these details are not furnished to the Revenue District, the premises provider may be made jointly and severally liable with the promoter for the VAT due.

It should be noted that an owner of a premises must also notify the local Revenue District of any non-established traders who intend to supply goods or services on his/her premises.

A VAT Information Leaflet entitled 'Theatrical and Musical Events' is available.

4.8 Fourth Schedule (or 'received') services

A number of services, all of which are listed in the Fourth Schedule to the VAT Act are deemed to be supplied in the place where the customer is located, provided that they are supplied for business purposes within the EU, or for any purpose outside the EU. Supplies of these services to private individuals for non-business purposes within the EU are taxable under the general rule (see paragraph 4.4).

The services affected are:

- transfers and assignments of copyrights, patents, licences, trade marks and similar rights,
- hiring out of movable goods other than means of transport,
- advertising services,
- services of consultants, engineers, consultancy bureaux, lawyers, accountants and other similar services, data processing and provision of information (**but excluding services connected with immovable goods**),
- telecommunications services,
- radio and television broadcasting services,
- electronically supplied services,
- the provision of access to, and of transport or transmission through, natural gas and electricity distribution systems and the provision of other directly linked services,
- acceptance of any obligation to refrain from pursuing or exercising in whole or in part, any business activity or any such rights as are referred to in the first bullet point above,
- banking, financial and insurance services (including re-insurance and financial fund management functions, but not including the provision of safe deposit facilities),
- the provision of staff,
- the services of intermediaries who act in the name and for the account of a principal when procuring for him or her any services specified above.

Please see VAT Information Leaflet 'Fourth Schedule Services'.

4.9 Electronically supplied services

The Fourth Schedule includes electronically supplied services. An electronically supplied service is one that is delivered over the Internet (or an electronic network which is reliant on the Internet or similar network for its provision) and is heavily dependent on information technology for its supply – i.e. the service is essentially automated, involving minimal human intervention and in the absence of information technology does not have viability. An indicative list of such services is, as follows:

- digitised products, (such as software and changes to or upgrades of software),
- services which provide or support a business or personal presence on an electronic network (for example, a web site),
- services automatically generated from computer, via the Internet or an electronic network, in response to specific data input by the customer,
- other services which are automated and dependent on the Internet or an electronic network for their provision.

In general, the use of the Internet or other electronic networks by parties to communicate in respect of transactions or to facilitate trading does not, any more than the use of a phone or fax, affect the normal VAT rules that apply. For example, where parties simply use the Internet to convey information in the course of a business transaction (e.g. e-mail), or uses electronic means to provide an administration service this does not change the nature of that transaction. This differs from a supply that is completely dependent on the Internet in order to be carried out (e.g. searching and retrieving information from a database with no human intervention).

4.10 Fourth Schedule services – summary table

A summary of the VAT treatment of such services is set out in tabular form as follows:

Country of establishment of supplier	Country in which customer established	Status of customer	Place of supply	Person liable to pay Irish VAT
Ireland	Ireland	Business or Private	Ireland	Supplier
Ireland	Other EU State	Business	Other EU State	No Irish VAT
Ireland	Other EU State	Private	Ireland	Supplier
Ireland	Outside EU	Business or Private	Outside EU	No Irish VAT *
Other EU State	Ireland	Business	Ireland	Customer
Other EU State	Ireland	Private	Other EU State	No Irish VAT
Outside EU	Ireland	Business	Ireland	Customer
Outside EU	Ireland	Private	Outside EU	No Irish VAT *

* However, where telecommunications services are supplied to a private customer and the effective use and enjoyment of these services takes place within the State, the place of taxation is Ireland and VAT registration by the supplier is required. An Information Leaflet entitled 'VAT on Telecommunications Services' is available.

A business to consumer place of supply rule exists for electronic services. It provides that where a non-EU business supplies such services to a private consumer in any Member State, the place of supply is where the consumer normally resides. Please refer to VAT information leaflet entitled 'e-Services and Broadcasting' for more details.

The above table does not relate in general to property related services. See VAT Information Leaflet 'Property – Services re Foreign Property' for more details. It should be noted that financial services supplied by a supplier in the State to a private individual from outside the EU, who avails of them here, are deemed to be supplied in the State.

Exempt persons and flat-rate farmers are obliged to register and account for VAT in respect of received Fourth Schedule services irrespective of the value. Non-taxable entities such as Government Departments and local authorities who receive Fourth Schedule services in circumstances where EU VAT is not chargeable are also obliged to register and account for VAT in the State.

For further information please see VAT Information Leaflets 'VAT on Telecommunications Services' and 'e-Services and Broadcasting'.

4.11 Repair, valuation and contract work

In general, work on movable goods such as repair, maintenance and contract work is deemed to be supplied where the work is physically performed. This also applies to the valuation of movable goods.

However, in circumstances where the goods are dispatched or transported out of the Member State where the valuation of, or work on, movable goods, including contract work, was physically carried out for a VAT-registered customer in another EU Member State, such work is taxed by reverse charge by the VAT-registered customer by reference to the place where he/she is located. Where such work is carried out in the State for a non-established customer, then the conditions for the application of the reverse charge are as follows:

- the customer must prove that he/she is registered for VAT in another EU Member State;
- the customer must confirm that he/she does not supply goods or services in Ireland;
- the supplier must show the customer's VAT number on the invoice and endorse the invoice to the effect that the supplier has not charged VAT on the supply and an indication that the reverse charge to VAT will apply.

Table 1A – VAT treatment of contract work (Stage 1 - handing over goods for processing)

Customer	Processor	VAT Treatment
1. Ireland	Ireland	No supply
2. Ireland	OMS	No taxable transfer from Ireland provided goods, once work on them is complete, are returned to the same customer in Ireland. (If not returned to the same customer in Ireland then customer makes a taxable transfer to OMS and may have to register there. The transfer should be entered in the VIES.)
3.OMS	Ireland	No ICA by customer provided the goods once work on them in complete, are returned to the same customer in the MS from which they originally came. If not returned to the same customer then customer makes an ICA in Ireland and must register here.

Table 1B – VAT treatment of contract work (Stage 2 – after work is completed)

Processor	Customer	VAT Treatment
1. Ireland	Ireland	Supply of services. Processor liable at rate applicable to the supply of finished goods.
2. OMS	Ireland	Supply of services. Customer liable in Ireland if Irish VAT number quoted and the goods are dispatched out of the MS where the work is carried out. VAT payable at rate applicable to the supply of finished goods. If Irish VAT number is not used or if goods remain in OMS then processor is liable for VAT in OMS.
3. Ireland	OMS	Supply of services. Customer liable in OMS under a reverse charge mechanism if goods are dispatched out of Ireland and customer quotes own OMS VAT number. If goods remain in Ireland or if OMS VAT number not quoted, then processor liable in Ireland at rate applicable to the supply of goods in their finished state.

**Table 2A – VAT treatment of valuation/work on movable goods (other than contract work)
– (Stage 1 – handing over of goods to have a service carried out on them).**

Customer	'Repairer' etc.	VAT Treatment
1. Ireland	Ireland	No supply
2. Ireland	OMS	No taxable transfer from Ireland provided the goods, once work on them is complete, are returned to the same customer in Ireland. If not returned to the same customer in Ireland then the customer makes a taxable transfer to OMS and may have to register there. Included in VIES.
3. OMS	Ireland	No ICA by customer provided the goods, once work on them is complete, are returned to the same customer in the MS from which they originally came. If not returned to the same customer then the customer makes an ICA in Ireland and must register here.

**Table 2B – VAT treatment of valuation/work on movable goods (other than contract work)
– (Stage 2 – after service is completed).**

'Repairer' etc.	Customer	VAT Treatment
1. Ireland	Ireland	Supply of services. VAT charged at rate applicable to the supply of services.
2. OMS	Ireland	Customer liable in Ireland under a reverse charge mechanism if Irish VAT number quoted and if goods are dispatched out of the MS where the work was carried out. If Irish VAT number is not used or if goods remain in the OMS then the repairer is liable for the VAT in OMS.
3. Ireland	OMS	Customer liable in OMS under a reverse charge mechanism if goods are dispatched out of Ireland and the customer quotes his/her OMS VAT number. If goods remain in Ireland or if OMS VAT number is not quoted, then the 'repairer' is liable in Ireland.

Abbreviations:

OMS – Other Member State

VIIES – VAT Information Exchange System

The supply of services consisting of work on movable goods acquired or imported for the purpose of undergoing such work within the Community and dispatched or transported out of the Community by or on behalf of the person providing the services is zero-rated for VAT.

4.12 International leasing of means of transport

Where a lessor in one EU Member State hires or leases vehicles to customers in another EU Member State, the place of supply is the EU Member State where the lessor has established his or her business. Where, for example, a lessor in one EU Member State provides vehicles to customers in the State from a fixed establishment in the State and has his or her own staff or a structure here, adequate in terms of human and technical resources to supply the services in question, he/she is deemed to have the establishment most concerned with the supply in the State and the services are regarded as supplied in the State and the lessor is liable to Irish VAT. For further information please see VAT Information Leaflet 'Leasing (International) of Means of Transport'.

4.13 Self-supplies

Self-supply of services subject to VAT are catering services and the private use of business assets. Although other self-supplies of services are not at present taxable, VAT must be accounted for on the goods used in supplying such self-services. For example, a painter who uses €500 worth of paint from stock to paint his private house is liable to account for VAT on €500 at the 21% rate (€105). There is no liability, however, on the value of the labour supplied. Please also refer to paragraph 9.3.

Where VAT deductibility is claimed by an accountable person on the acquisition or development of property, then the private or non-business use of that property is a taxable supply of services (i.e. a self-supply). Tax is chargeable during a period of 20 years from the date of acquisition or development of that property and is payable in respect of each taxable period in which that self-supply occurs.

To calculate the amount on which tax is chargeable for each taxable period the accountable person divides the amount incurred by him or her on the acquisition or development costs,

- by 20 to get an annual figure, and
- by 6 to get an amount for each taxable period.

The relevant proportion of this amount (i.e. the proportion of the property that is used for private or non-business purposes) is taxed at the standard rate (currently 21%). The example below will clarify this.

Example 12

Mrs. A acquires a property for €1m (including VAT of €118,942). She intends to use the premises as a restaurant and to live over the restaurant. She claims a VAT deduction of €118,942. The living quarters comprise 20% of the property.

The amount on which VAT is chargeable for each taxable period is calculated as follows:
Amount on which VAT was chargeable on acquisition of the part of the premises used for private purposes: $€881,058 \times 20\% = €176,211$
Amount on which VAT chargeable for each VAT period = $€176,211 \times 1/20 \times 1/6 = €1,468$.

VAT of €308 (21% of €1,468) is chargeable and this amount is payable in respect of each taxable period in which Mrs. A uses 20% of the property for private or non-business purposes.

If the proportion of the private or non-business use changes during the 20 years then the amount of VAT due will change to reflect the appropriate proportion.

Chapter 5

Intra-Community supplies

This Chapter outlines the procedures to be followed when conducting trade between different EU Member States. It refers in particular to supplies made by VAT-registered traders in the State to customers in other EU Member States. It should be read in conjunction with VAT Information Leaflet 'EU Intra-Community Supplies'.

5.1 Single Market

Following the introduction of the Single Market on 1 January 1993, the way in which VAT was charged on goods moving between EU Member States was changed. The concept of export and import was abolished for such trade and replaced by a system of intra-Community supply and acquisition of goods. The VAT treatment of most services supplied to traders in other EU Member States did not change, however there were important changes relating to intra-Community goods transport and related services (see paragraph 5.13 below). A list of the VAT Territories of the EU appears in Appendix L.

5.2 Supplies of goods to other EU Member States

The supply of goods by a VAT-registered trader in one EU Member State to a VAT-registered trader in another EU Member State normally qualifies as an intra-Community supply. A VAT-registered trader in the State may zero-rate the supply of goods to a customer in another EU Member State if:

- the customer is registered for VAT in that other EU Member State,
- the customer's VAT registration number (including country prefix) is obtained and retained in the supplier's records,
- this number, together with the supplier's VAT registration number, is quoted on the sales invoice,
- the goods are dispatched or transported to that other EU Member State.

Please note, a VAT-registered trader in the State making any zero-rated intra-Community supply of goods must submit the relevant periodic VIES statement to the VIMA office in Dundalk (see paragraph 5.14 below).

If the four conditions listed above are not met the supplier is liable for VAT at the appropriate Irish rate. If the supplier is not able to satisfy the Inspector of Taxes that a particular consignment of goods has been sold and delivered to a VAT-registered person in another EU Member State, the supplier becomes liable for the payment of Irish VAT on the transaction. **Where any of the above four conditions are not satisfied the seller should charge Irish VAT.** If the conditions for zero-rating are subsequently established the customer is entitled to recover the VAT paid from the supplier. The supplier can then make an adjustment in his/her VAT return for the period.

Sales of goods by Irish-registered traders to unregistered persons in other EU Member States are liable to Irish VAT. There are, however, a number of exceptions e.g. new means of transport, distance selling (including mail-order), and sales of excisable goods. These are described in paragraphs 5.6, 5.11 and 5.12 below.

5.3 Evidence of dispatch to another Member State and removal of the goods from the State

The precise commercial documentation required to confirm dispatch and removal of the goods from the State depends on the particular circumstances involved.

In many cases a supplier arranges transportation of the goods and the normal commercial documentation related to the supply and transportation of the goods is available (e.g. order document, delivery docket, supplier's invoice, transport document/bill of lading, evidence of transfer of foreign currency for payment etc.). In such cases the supplier should retain this documentation.

Where transport of the goods is arranged by the customer, or the goods are taken away by the customer using his or her own transport, the supplier needs to be satisfied that the goods are dispatched or transported to another EU Member State. The normal documentary evidence should be retained in relation to the sale itself but, in addition, the supplier should obtain and retain documentary evidence from the customer that the goods were received in another EU Member State. The type of documentation acceptable includes transport documents, copies of warehouse receipts, delivery dockets etc. It might also be prudent for the supplier to record details of the means of transport (e.g. vehicle registration number) used by the customer.

Special care should be taken by the supplier to ensure that the four conditions outlined in paragraph 5.2 are met for sales and deliveries of goods to other EU Member States. Some examples of where a doubt can arise are where the:

- customer is not previously known to the supplier,
- customer arranges to collect and transport the goods,
- customer's transport arrives at supplier's premises without advance notice or correspondence,
- payment is made in cash,
- type or quantity of goods being purchased are not consistent with commercial practice bearing in mind the purported destination of the goods.

Cases where one or more of these various factors combine together must be treated with particular caution. Where a doubt arises, the supplier should charge Irish VAT. If the conditions for zero-rating are subsequently established the customer is entitled to recover the VAT paid from the supplier.

5.4 Certain transfers are not supplies

For VAT purposes, certain transfers to other EU Member States are not treated as intra-Community supplies. These include goods for installation or assembly by the supplier (in this case the customer must register for VAT in the EU Member State in which the goods are installed or assembled), transfer of goods for the purpose of having contract work carried out and transfer with a view to their temporary use in another EU Member State.

5.5 Branch to branch transfers of goods

For VAT purposes, branch to branch (with some exceptions) and similar transfers of goods between business persons in different EU Member States are treated as being intra-Community supplies.

5.6 Sale of new means of transport to persons in other EU Member States

Sales of new means of transport i.e. motor vehicles, boats, aircraft etc. are excluded from the distance selling arrangements. These sales are always intra-Community supplies and any person acquiring a new means of transport must always pay VAT in the EU Member State of arrival.

For a dealer selling a new means of transport to a person registered for VAT in another EU Member State, the VAT treatment is the same as that which applies to goods generally (see paragraph 5.2).

In the case of the sale of a new means of transport, for example, to a private individual in another EU Member State, VAT is ultimately payable in the EU Member State of arrival. If the private individual collects the new means of transport in the State, VAT should be charged by the dealer. However, once the customer satisfies the dealer that VAT has been paid in his or her own EU Member State, the dealer should refund the VAT charged to the customer and adjust the VAT liability accordingly. The dealer should retain documentary proof. The normal level of proof required is a copy of the receipt of VAT payment along with proof of registration of the vehicle in the other EU Member State.

5.7 What is a new means of transport?

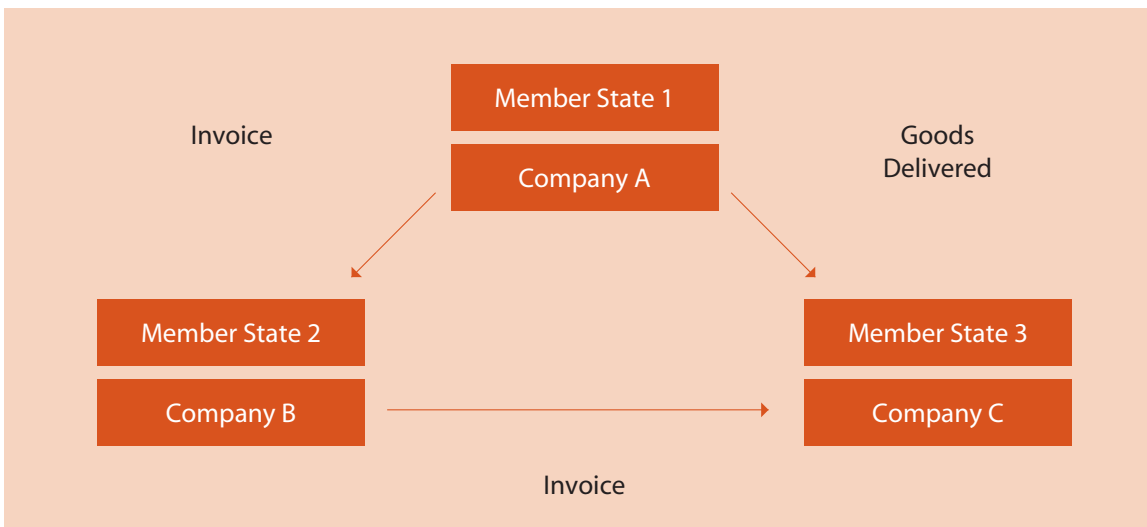
The following table sets out what is regarded as being a 'new means of transport' for VAT purposes:

Means of Transport	Specification	'New'
Motor Vehicle	over 48cc or over 7.2kw power	6 months old or less or travelled 6,000km or less
Marine Vessel	Over 7.5metres in length	3 months old or less or sailed for 100 hours or less
Aircraft	Over 1,550kg take-off weight	3 months old or less or flown for 40 hours or less

5.8 Triangular transactions - Triangulation

Triangulation in the Single Market involves two supplies of goods between three VAT-registered traders with full deductibility in three different EU Member States e.g. where a trader in one Member State orders goods from a trader in a second Member State, to be delivered to a trader in a third Member State. To reduce the administrative and compliance burdens on traders and the relevant tax authorities with regard to registration and accounting, a simplification measure is in operation in such cases.

The following chart shows two supplies of goods between three companies in three different Member States in which the goods are delivered directly from company A to company C as follows:



Simplification measure

Basically the simplification measure involves:

- the zero-rated intra-Community supply from company A to company B,
- the supply is listed (in the VIES return) by company A to company B,
- as company B has quoted its VAT number, it has made an intra-Community acquisition and accounts for this in its VAT return,
- company B makes a 'VAT-free supply' to company C who accounts for this transaction in its VAT return as a 'received' supply.

In this way company C is deemed to have accounted for company B's VAT liability in Member State 3. Obviously if company C has full deductibility it takes a simultaneous credit for this transaction.

Transactions involving more than three companies

The simplification measure can only operate in a classic triangulation situation set out above. If there are more than three companies involved (e.g. successive sales between companies in Member State 2), the strict legal position will have to be respected and registration may be required in at least one other Member State depending on the precise circumstances.

5.9 Verification of customers' VAT numbers

For zero-rating to apply to a supply of goods to a person in another EU Member State that person must be registered for VAT. The fiscal authorities in each EU Member State have put in place a computerised system that makes it possible for traders to verify the VAT numbers of their customers in other EU Member States. However, use of the verification system is not obligatory and traders who are familiar with their customers and are aware of their bona fides from trading with them over a period of time are not expected or required to use the verification system. Instead they are advised to contact their EU customers and ask them to confirm in writing their VAT registration numbers.

An Irish trader who has doubts about the validity of a VAT number quoted may use the verification system to establish whether or not a particular number is valid. The system is primarily intended to be used in such circumstances and is not intended for routine checks. Verification of foreign customers' VAT numbers is dealt with by the VIMA Office, Government Offices, Millenium Centre, Dundalk, Co. Louth - Phone number (042) 9353700 or LoCall 1890 251010, or by email to vimahelp@revenue.ie.

5.10 EU Commission database of VAT numbers

It is possible to verify the format only of any given VAT number in the EU by accessing the EU Commission database at http://ec.europa.ec/taxation_customs/vies/vieshome.do.

5.11 Mail-order and distance selling

Distance selling in the Single Market occurs when a supplier in one EU Member State sells goods to a person in another EU Member State who is not registered for VAT and the supplier is responsible for the delivery of the goods. It includes mail-order sales and phone or telesales but does not include sales of new means of transport (see paragraphs 5.6 and 5.7 above) or excisable goods (see paragraph 5.12 below).

An Irish supplier who makes distance sales to customers in other EU Member States who are not registered for VAT, is liable to Irish VAT on such sales until the value of the sales reaches the threshold applying in that other EU Member State (see Appendix J). Once the value of the supplier's sales exceeds the threshold in a calendar year in the other EU Member State, the supplier will be obliged to register in that EU Member State and account for VAT at the rates applicable there. If the appropriate threshold is not exceeded, the supplier may, nevertheless, opt to account for VAT in the EU Member State to which the distance sales are made. Please see VAT Information Leaflet 'Distance Sales in the Single Market'.

Example 13

- Irish company making mail-order sales to Belgium of €20,000. Taxed where transport begins viz Ireland.
- Irish company making mail-order sales to Belgium of €40,000. Taxed where transport ends viz Belgium since the threshold in Belgium is €35,000 in a calendar year.
- Belgian company making mail-order sales to Ireland of €20,000. Taxed where transport begins viz Belgium.
- Belgian company making mail-order sales to Ireland of €40,000. Taxed where transport ends viz Ireland. Registration required since the threshold in Ireland is €35,000.

5.12 Excisable goods

Any supplier who makes distance sales of excisable goods to another EU Member State must register in that EU Member State because distance sales of excisable goods will always be subject to VAT in the EU Member State of arrival.

5.13 Intra-Community goods transport services

There are special rules relating to the VAT treatment of intra-Community goods transport services. In practice, these rules mean that an Irish VAT-registered transporter supplying intra-Community goods transport services to an Irish VAT-registered customer charges Irish VAT. An Irish VAT-registered transporter supplying intra-Community goods transport services to a person registered for VAT in another EU Member State does not charge VAT and the customer accounts for VAT on the service in that other EU Member State through his or her VAT return.

Goods transport services supplied to a person who is not registered for VAT in any EU Member State (e.g. a private individual) are taxed where the transport begins. Similar arrangements apply for related ancillary services e.g. loading, unloading, handling etc. subject to certain conditions.

Please see VAT Information Leaflet 'Goods Transport and Ancillary Services within the EU'.

5.14 VIES returns

When an Irish VAT-registered person makes zero-rated supplies of goods to a VAT-registered person in another EU Member State, summary details of those supplies must be returned to Revenue on a quarterly or monthly basis or on request in certain circumstances, on an annual basis. This return, known as the VIES return, is to enable the authorities in each EU Member State to ensure that intra-Community transactions are properly recorded and accounted for.

5.15 INTRASTAT returns

Traders engaged in intra-Community trade are also obliged to make a periodic INTRASTAT return, for statistical purposes, where the value of goods acquired by them from other EU Member States exceeds €191,000 per annum or the value of goods supplied by them to other EU Member States exceeds €635,000 per annum.

Further information on the VIES and INTRASTAT returns is available from the VIMA Office, Government Offices, Millenium Centre, Dundalk, Co. Louth. – Phone number (042) 9353700 or LoCall 1890 251010, or by email to vimahelp@revenue.ie.

Chapter 6

Acquisitions from other EU Member States

As well as Chapter 5, this Chapter outlines the procedures to be followed when conducting trade between different EU Member States. This Chapter, however, refers in particular to supplies made by traders from other EU Member States to customers in the State. It should be read in conjunction with VAT Information Leaflet 'EU Intra-Community Acquisitions'

6.1 Acquisitions from other EU Member States

As already indicated in Chapter 5, the system of intra-Community acquisition of goods is the means by which VAT is accounted for on the acquisition of goods from another EU Member State. VAT is not payable on such acquisitions at the point of entry to the State but is accounted for under the system of postponed accounting. Under this system:

- the supply is zero-rated in the EU Member State of dispatch as an EU intra-Community supply,
- the purchaser becomes liable for VAT on the acquisition of the goods at the rate appropriate to the goods in his/her EU Member State,
- as a VAT-registered person, he/she declares a liability for VAT in the VAT return for the period in which the acquisition took place,
- if the accountable person is entitled to full deductibility (input credit), the VAT payable on the intra-Community acquisition is deducted in the same VAT period, thus effectively cancelling out the VAT liability, and
- the accountable person accounts for VAT on any subsequent supply of the goods in the appropriate VAT return.

All persons, other than private individuals, but including exempt persons, the State and bodies established by statute as well as accountable persons, must register and account for VAT on intra-Community acquisitions, subject to the threshold. Persons who are registered for VAT in the normal course of their business, must account for VAT on all intra-Community acquisitions (ICA).

The mechanism by which a person in the State accounts for the VAT charge arising in respect of goods acquired from another EU Member State is termed 'Postponed Accounting'. VAT becomes due on the fifteenth day of the month following the acquisition, or if the supplier in the other EU Member State issued an invoice before that date, the date when the invoice was issued. VAT is payable with the VAT return for the period appropriate to the date when VAT becomes due. VAT is assessed on the price charged for the goods. If the supplier's invoice is in a foreign currency the rate of exchange applicable when the tax becomes due should be used (see paragraph 14.14).

The VAT 3 return requires the taxable person to declare summary VAT details. It includes two statistical boxes in respect of intra-Community transactions that must be completed (E1 and E2). The annual Return of Trading Details (RTD) is a more comprehensive document which requires a breakdown of the annual trading figures according to VAT rate.

Example 14

A trader runs a TV shop in Dublin and is VAT-registered.

The trader buys 20 TV sets at €250 each from a German manufacturer.

The German company ships the goods to Dublin from its depot in Frankfurt.

The German company invoices the trader for €5,000 and does not charge German VAT if it gets the trader's Irish VAT number.

The trader makes an intra-Community acquisition of the TV's in Ireland and, therefore, must charge himself/herself VAT at 21% (i.e. €1,050 being €5,000 @ 21%)

The trader will include the €1,050 with his/her output VAT (T1 box on VAT 3 return).

As the goods were purchased for the purposes of his/her taxable supplies s/he will also be entitled to claim an input credit for the €1,050 by including it in his/her input VAT (T2 box on VAT 3 return) on the same return.

When he/she sells the TV's s/he charges 21% VAT to his/her customers and pays this over in the relevant VAT periods.

Two taxable events occur viz;

The intra-Community supply at zero per cent for which the supplier in Germany is responsible and the intra-Community acquisition at the appropriate rate in Ireland for which the acquirer is responsible.

6.2 Postponed Accounting with full deductibility

A person registered for VAT in the State can buy goods in another EU Member State at the zero rate provided the goods are dispatched or transported to him/her in the State. The accountable person is required to account for VAT in his/her VAT return for the period on any intra-Community acquisition of

goods in the State, at the appropriate Irish VAT rate. Where the taxable person is entitled to full deductibility, a simultaneous input credit may be taken thus cancelling the liability. The treatment of taxable persons who are not entitled to full deductibility is dealt with in paragraphs 6.4 and 6.5 below.

Example 15

Assume the trader in Example 14 has the following transactions as well as acquiring the goods in question in September 2008.

September/October 2008 VAT return including ICA

<ul style="list-style-type: none"> • Sales of €28,571 @ 21% (€6,000). The trader accounts to Revenue their Sept/Oct 2008 VAT return for VAT on sales of €7,050 i.e. €6,000 VAT charged on own sales plus €1,050 ICA VAT. • Purchases of €9,524 plus VAT of €2,000. The trader can claim additional input VAT of €1,050 i.e. €5,000 @ 21%. • Traders liability for Sept/Oct 2008 is €4,000. 		<p>Please complete below, detach and return ↓</p> <table border="1"> <tr> <td>T1</td> <td>VAT on Sales</td> <td>7 0 5 0 .00</td> </tr> <tr> <td>T2</td> <td>VAT on Purchases</td> <td>3 0 5 0 .00</td> </tr> <tr> <td>T3</td> <td>Excess of T1 over T2 (Payable)</td> <td>4 0 0 0 .00</td> </tr> <tr> <td>or</td> <td>Excess of T2 over T1 (Repayable)</td> <td>.00</td> </tr> <tr> <td>T4</td> <td>Amount of Payment</td> <td>4 0 0 0 .00</td> </tr> </table>	T1	VAT on Sales	7 0 5 0 .00	T2	VAT on Purchases	3 0 5 0 .00	T3	Excess of T1 over T2 (Payable)	4 0 0 0 .00	or	Excess of T2 over T1 (Repayable)	.00	T4	Amount of Payment	4 0 0 0 .00
T1	VAT on Sales	7 0 5 0 .00															
T2	VAT on Purchases	3 0 5 0 .00															
T3	Excess of T1 over T2 (Payable)	4 0 0 0 .00															
or	Excess of T2 over T1 (Repayable)	.00															
T4	Amount of Payment	4 0 0 0 .00															
E1	Value of Goods Sent to other EU Countries	.00															
E2	Value of Goods Received from other EU Countries	5 0 0 0 .00															

I declare that this is a correct return of Value Added Tax for the period specified.
Signed:- _____ Date:- _____

VAT3
B

In such circumstances the trader has no additional liability, in respect of the VAT on the ICA.

6.3 Liability for onward supply

If the goods acquired are subsequently supplied, liability on that supply will arise in the normal way in the period in which the supply is made.

6.4 Partially exempt persons

As outlined above, accountable persons with full deductibility can take a simultaneous credit for any VAT liability on intra-Community acquisitions. However, a number of accountable persons are registered for VAT but do not have full input tax deductibility e.g. a bank primarily involved in exempt activities but which also carries on a taxable activity such as leasing of movable goods. Where such persons acquire goods in another EU Member State, they are liable to VAT on the acquisition of these goods but may not be entitled to full or even partial deductibility. This will be governed by the accountable persons' existing apportionment arrangements or whether the goods can be directly attributed to the person's taxable or exempt business. The making of intra-Community acquisitions does not affect the person's existing input tax deductibility entitlements. The accountable person is required to account for VAT on any intra-Community acquisition, at the appropriate Irish VAT rate, for the period in which the goods were acquired. However, the extent to which this VAT may be simultaneously deducted varies.

6.5 Deductibility and apportionment

A full deduction of the VAT on the intra-Community acquisition arises if the goods are wholly attributable to a person's taxable activities. No deduction of the VAT is allowed if the intra-Community acquisition relates to a person's exempt activities. If the intra-Community acquisition is used for both types of activity i.e. dual-use inputs, the tax should be deducted in accordance with the taxable person's existing apportionment arrangements (see Guide to Apportionment of Input Tax).

Example 16

Assume the bank has the following transactions as well as acquiring goods from a Spanish manufacturer to the value of €5,000 in September 2008 which are to be used for dual-use purposes. The bank has a 10% deductibility for dual-use goods.

September/October 2008 VAT return including ICA

<ul style="list-style-type: none"> Exempt sales €900,000, Taxable sales €100,000 @ 21% (€21,000). The bank accounts to Revenue in their Sept/Oct 2008 VAT return for VAT on sales €22,050 i.e. €21,000 VAT charged on own sales plus €1,050 ICA VAT. Purchases of €23,810 plus VAT of €5,000. The bank can only claim additional VAT of €105 (i.e. €1,050 X 10/100) @ 21%. The bank's liability for Sept/Oct 2008 is €16,945. 	<p>Please complete below, detach and return ↓</p> <table border="1"> <tr> <td>T1</td> <td>VAT on Sales</td> <td>2 2 0 5 0 .00</td> </tr> <tr> <td>T2</td> <td>VAT on Purchases</td> <td>5 1 0 5 .00</td> </tr> <tr> <td>T3</td> <td>Excess of T1 over T2 (Payable)</td> <td>1 6 9 4 5 .00</td> </tr> <tr> <td>T4</td> <td>Excess of T2 over T1 (Repayable)</td> <td>.00</td> </tr> <tr> <td></td> <td>Amount of Payment</td> <td>1 6 9 4 5 .00</td> </tr> </table> <p>E1 Value of Goods Received from other EU Countries .00</p> <p>E2 5 0 0 0 .00</p> <p>Signed:- Date:-</p> <p>VAT3 B</p>	T1	VAT on Sales	2 2 0 5 0 .00	T2	VAT on Purchases	5 1 0 5 .00	T3	Excess of T1 over T2 (Payable)	1 6 9 4 5 .00	T4	Excess of T2 over T1 (Repayable)	.00		Amount of Payment	1 6 9 4 5 .00
T1	VAT on Sales	2 2 0 5 0 .00														
T2	VAT on Purchases	5 1 0 5 .00														
T3	Excess of T1 over T2 (Payable)	1 6 9 4 5 .00														
T4	Excess of T2 over T1 (Repayable)	.00														
	Amount of Payment	1 6 9 4 5 .00														

In such circumstances the bank has an additional liability of €945, owing to the VAT on the ICA.

6.6 Transfers

For VAT purposes, branch to branch (with some exceptions) and similar transfers of goods between business persons in different EU Member States are also treated as being intra-Community acquisitions.

The transfer of goods to another EU Member State for the purposes of having contract work, repair or valuation work carried out on them and which are subsequently returned to the State are not treated as intra-Community acquisitions (see paragraph 4.11).

6.7 Calculation of VAT due on intra-Community acquisitions

VAT becomes due on the date of issue of the invoice or, if no invoice issues, on the fifteenth day of the month following the acquisition. In general the rate of VAT applicable is the rate that applies to the supply of similar goods in the State (The one exception to this is in the case of the intra-Community acquisition of certain goods listed in the Eight Schedule to the VAT Act, (see Appendix G). The VAT is assessed on the price charged for the goods. If the supplier's invoice is in a foreign currency, the rate of exchange applicable when the VAT becomes due should be used (see also paragraph 14.14).

6.8 Persons required to register solely because of intra-Community acquisitions

Wholly exempt businesses (e.g. insurance companies, building societies etc.) and entities whose supplies are outside the scope of VAT (e.g. public authorities, hospitals, charities etc.) are required to register for VAT in respect of their intra-Community acquisitions where the value of these exceeds or is likely to exceed €41,000 in any continuous period of twelve months. Such bodies must account for VAT on their EU intra-Community acquisitions through their VAT returns, at the appropriate rate. They are not entitled to any deduction in relation to the intra-Community acquisition or any other VAT that they have paid on purchases or imports.

Example 17

A County Council already VAT-registered for ICAs again acquires goods from a French company to the value of €5,000 for its own use in September 2008.

September/October 2008 VAT return including ICA

<ul style="list-style-type: none"> The County Council accounts to Revenue in its Sept/Oct 2008 VAT return on sales of €1,050 i.e. the ICA VAT. The County Council cannot claim any input VAT. The County Council's liability for Sept/Oct is €1,050. 	Please complete below, detach and return	
	T1	VAT on Sales 1 0 5 0 .00
	T2	VAT on Purchases 0 0 0 .00
	T3	Excess of T1 over T2 (Payable) 1 0 5 0 .00
	T4	Excess of T2 over T1 (Repayable) 0 0 0 .00
		Amount of Payment 1 0 5 0 .00
Amount <input type="text"/> .00 Please debit my account with the amount specified.		
E1	Value of Goods Sent to other EU Countries 0 0 0 .00	I declare that this is a correct return of Value Added Tax for the period specified. Signed:- _____ Date:- _____
E2	Value of Goods Received from other EU Countries 5 0 0 0 .00	
		VAT3 B

In such circumstances the County Council has a liability of €1,050, in respect of the VAT on the ICA.

6.9 Rates of VAT

Traders who calculate their VAT liability using a retail scheme should specifically ensure that goods for resale acquired in another EU Member State are always accounted for at the correct rate and that they include the intra-Community acquisition at the correct VAT rate in the scheme workings as purchases for resale (see paragraph 12.12). The VAT rate applicable to an intra-Community acquisition is always that which applies to the supply of the same goods here.

6.10 Intra-Community acquisitions by farmers

Farmers are also obliged to register for VAT where their intra-Community acquisitions exceed or are likely to exceed €41,000 in any continuous period of twelve months. However, farmers registered in respect of acquisitions may opt to retain their flat-rate status for the purpose of obtaining the 5.2% flat-rate addition on their agricultural supplies to VAT-registered persons.

6.11 Racehorse trainers

A flat-rate farmer who is registered for VAT in respect of racehorse training, is obliged to account for VAT on intra-Community acquisitions where they exceed €41,000 in any continuous period of twelve months. The farmer retains flat-rate farmer status for all agricultural purposes, other than racehorse training.

6.12 Acquisitions of new means of transport

The purchase of new means of transport in other EU Member States by private individuals and accountable persons is subject to VAT in the country of arrival. Details of what is regarded as a 'new' means of transport for VAT purposes are set out in the table in paragraph 5.7. Please see VAT Information Leaflet 'Motor Vehicles'.

6.13 Time when VAT becomes payable on new means of transport

In the case of private individuals and other persons who are not entitled to a VAT deduction, VAT on the acquisition of a new motor vehicle is normally payable with the Vehicle Registration Tax (VRT) or, if no VRT is payable, not later than the 15th day of the month following that in which the intra-Community acquisition occurs. In the case of new vessels and aircraft, VAT becomes payable to the local Customs office not later than three days after the date of arrival in the State. **Accountable persons who are entitled to a VAT deduction on the acquisition of a new means of transport must account for the VAT through their VAT return.**

6.14 Intra-Community transport of goods

The special arrangements relating to the intra-Community transport of goods are dealt with in paragraph 5.13. Please see VAT Information Leaflet 'Goods Transport and Ancillary Services within the EU'.

6.15 INTRASTAT returns

Traders acquiring more than €191,000 worth of goods per annum or supplying goods in excess of €635,000 per annum to other Member States are required to make periodic INTRASTAT returns (see paragraph 5.15).

Chapter 7

Imports

This Chapter outlines the procedures to be followed when importing goods and services from outside the EU.

7.1 General

For VAT purposes, imports are goods arriving from non-EU countries. In this context it should be noted that certain other territories, (for example the Canary Islands, the Channel Islands, overseas Departments of the French Republic, Mount Athos (Greece) and the Åland Islands (Finland)) are regarded as not being part of the EU for VAT purposes. A full list of the VAT territories of the EU is available at Appendix L. As a general rule, imported goods are liable to VAT at the same rate as that which applies to the sale within the State of similar goods. (The one exception to this is in the case of the importation of certain goods listed in Appendix G e.g. works of art, antiques etc). Accordingly, goods which are liable to VAT at a positive rate on sale within the State (most goods) are liable to VAT at a positive rate at importation and goods which are zero-rated on sale within the State (for example, most food, children's clothing, books etc.) are zero-rated at importation. VAT and Customs Duty is normally payable at the point of importation unless the deferred VAT system is availed of (see paragraph 7.7).

7.2 When is VAT not payable on goods at importation?

Where goods are imported and placed, without payment of customs duty:

- in a free zone (see paragraphs 7.14 and 7.15 for further details regarding Shannon and Ringaskiddy),
- under Customs warehousing arrangements, processing under customs control or inward processing (suspension) arrangements,
- under temporary importation arrangements (e.g. temporary import of a motor vehicle from outside the EU, goods imported for exhibitions, professional equipment imported by non-residents etc.), or
- under external transit arrangements or transshipment arrangements.

VAT is not payable in the case of certain importations where the goods qualify for permanent admission without payment of customs duty. Examples include used personal and household effects imported on transfer of residence, wedding presents not exceeding a unit value of €1,000 on transfer of residence on marriage, goods within travellers' personal luggage allowances etc. (More detailed information on the temporary and permanent admission of goods without payment of import duty is available in the Customs & Excise sections of the Revenue website).

VAT at importation is not payable in respect of imported alcohol products placed under an excise duty suspension regime (e.g. excise warehouse) provided the goods are subsequently supplied while held under that regime. A detailed VAT Information Leaflet entitled 'Alcohol Products', dealing with the special arrangements applying to the supply of alcohol products held under excise duty suspension arrangements is available.

7.3 VAT 13A Scheme

A trader who derives 75% or more of annual turnover from zero-rated intra-Community supplies of goods or from exports of goods may apply to have most goods and services received by him or her and intra-Community acquisitions and imports made by him or her zero-rated (see also paragraph 16.3). A detailed VAT Information Leaflet 'Section 13A – Zero rating of Goods and Services' is available.

7.4 VAT-free importation of goods destined for another EU Member State

Where goods are imported from outside the EU into Ireland and at the time of importation are already consigned to another EU Member State, the zero rate of VAT may apply. The onward movement of the goods from Ireland to the other EU Member State is a zero-rated supply for VAT purposes and the goods are treated as an intra-Community acquisition on arrival in that other EU Member State. The application of the zero rate on import applies only where:

- Revenue are satisfied as to the bona fides in any particular case, and
- the importer is registered for VAT in this State and the customer is registered for VAT in the other EU Member State, and
- the importer or his or her agent completes an appropriate declaration regarding the consignment and undertakes to comply with the necessary requirements (VIES etc.) regarding the onward supply to the other EU Member State, and
- the goods are dispatched to the other EU Member State within one month of clearance.

7.5 Valuation for VAT purposes

The value of imported goods for the purpose of Value-Added Tax is their value for Customs purposes increased by:

- the amount of any duty or other tax (but not including Value-Added Tax) payable in relation to their importation,
- any transport, handling and insurance costs between the place of introduction into the EU and the State, and
- onward transportation costs to the place of final destination, if known, at the time of importation.

7.6 Customs value declared in a foreign currency

When the customs value of imported goods is expressed in a foreign currency, the amount in question is converted to euro in accordance with EU rules. The rate of exchange to be used is the rate determined on a calendar month basis under the monthly rates of exchange system for customs valuation purposes.

Information regarding monthly rates of exchange is available from any Revenue District.

7.7 Deferred payment

A general provision exists under the deferred payment scheme for deferment of payment of VAT to the 15th day of the month following the month in which VAT becomes due. It is a direct debit system and requires the lodgment of a guarantee and compliance with the conditions of the scheme.

Importers and agents wishing to participate in the deferred payment scheme must make application to Revenue, AEP Bureau, using the appropriate forms as set out in the Revenue AEP Information Leaflet on Payment Methods. Approved traders/agents are assigned an AEP trader identification number. For further information see the aforesaid Information Leaflet on Payment Methods which, together with the application forms, can be downloaded from the Revenue website or contact the AEP Bureau, 6th Floor, Apollo House, Tara Street, Dublin 2. Phone (01) 6330600/0680/0617 or e-mail: aepbureau@revenue.ie.

7.8 Clearing taxable goods through Customs

Whether or not an importer qualifies for the deferred payment facility (in his/her own right or through an agent) an import declaration must be made either on a hard copy of the Single Administrative Document (SAD), supported by an invoice and any other documents required, or electronically by Direct Trader Input (DTI), before imported goods can be released. If the importer is not entitled to the deferred payment facility, VAT must be paid before the goods are released. If the importer is entitled to the deferred payment facility or is availing of the agent's entitlement in this regard, the relevant authorisation number should be quoted.

7.9 The importance of quoting VAT numbers correctly

It is of the utmost importance that an importer (or agent on his or her behalf) should quote his or her VAT number correctly on the SAD. Where an importer is using the services of an agent, the importer's VAT number, not the agent's VAT number, should be quoted on the SAD. Even if imported goods are not liable to VAT, the importer's VAT number must be quoted on the SAD.

Where a group registration exists and associated companies or branches of companies are separately registered for VAT, the number of the importing company or branch should always be used, not the number of the remitter.

7.10 Credit in VAT return for VAT on imported goods

A VAT-registered trader is entitled to take credit in the VAT 3 return for VAT paid in respect of goods imported for the purposes of his or her business in the taxable period concerned subject to the normal restrictions (see paragraphs 10.5 and 10.6). For example, a VAT-registered trader who qualifies for the deferred payment facility and who imports goods in, say, January and February will pay the VAT due on the January imports on 15 February and the VAT due on the February imports on 15 March while claiming a credit for such VAT in the January/February VAT return. A trader must retain evidence of VAT paid e.g. a copy of the SAD or the customs clearance slip.

7.11 Parcel post importations of taxable goods

VAT is not payable at the time of importation by a VAT-registered trader on parcel post importations of taxable goods for the purposes of his or her business provided the value of each such consignment is €260 or less. However, VAT must be accounted for by the trader in box T1 of the VAT 3 return for the period. A trader entitled to input credit will be able to set off against this amount in box T2 of the return any VAT deductible in respect of the parcel (see Chapter 10). Importers of taxable goods should advise their foreign suppliers to quote the importer's VAT registration number on the customs declaration form or on the wrappers of green label packets.

7.12 VAT on parcel post importations of goods exceeding €260 in value or of alcohol or tobacco products

Where the value of taxable goods imported in any one consignment exceeds €260 tax is chargeable at import. Where consignments are valued in excess of €260 but under €650 a customs docket will be attached to the parcel detailing the amount of import charges owing. An Post will collect this charge including their handling fee (currently €5) on delivery of the package. For consignments or parcels valued at €650 or over a customs declaration is required.

It is important for the purposes of reconciliation of traders' VAT returns and official records, especially in relation to repayments, that VAT numbers be fully and accurately quoted on the customs declaration to Revenue.

The provisions of paragraphs 7.11 and 7.12 do not apply to tobacco products, alcohol, perfume or toilet waters containing undenatured spirits. In such cases, VAT and Excise Duty will be assessed in the normal manner.

7.13 Import and export services

The zero-rating for services related to the import and export of goods (see paragraph (iv), Appendix B) is regarded as covering such items as shipping from outside the EU, quay rent, demurrage and storage rent on imported goods in an approved bonded transit shed or area, labour charges for stripping or stuffing groupage containers for customs clearance or for sampling or examining cargo and payment for customs attendance and harbour dues.

7.14 Shannon Customs-Free Airport

Goods brought into the Shannon customs-free zone from outside the State by a VAT-registered trader are zero-rated.

Goods supplied subject to a condition that they are to be transported to a VAT-registered trader who is trading within the customs-free airport by a VAT-registered trader from outside the airport qualify for zero-rating. Proof of delivery will be required. Goods supplied by a VAT-registered trader who is trading within the customs-free airport to another VAT-registered trader who is trading within the airport also qualify for zero-rating.

Taxable goods supplied outside the customs-free airport by a VAT-registered trader trading in the customs-free airport are always liable to VAT. VAT-registered traders within the customs-free area are liable to account for VAT on non-deductible goods acquired free of VAT (see paragraph 10.7).

Goods brought into another part of the State from the customs-free airport will not be liable to VAT if they have already been taxed. Goods will already have been taxed if they are supplied by a VAT-registered trader trading in the customs-free airport to anyone other than another VAT-registered trader trading in that area.

Firms operating within the duty-free area are regarded as taxable persons and are required to register and to make returns for VAT in the usual way. They are entitled to have goods supplied to them within the customs-free area at the zero rate by quoting their registration numbers and declaring that they are trading within the duty-free zone. In the case of goods such as cars and petrol, the VAT on which is generally not deductible, these firms are liable to account for VAT on any such goods acquired free of VAT (see paragraph 10.7).

7.15 Ringaskiddy Free Port

Goods imported by a VAT-registered trader may be delivered directly to Ringaskiddy free port without payment of VAT chargeable at importation provided that:

- the VAT-registered trader is a person who has been granted a licence under the Free Port Act to carry on a trade, business or manufacture within the free port, and
- the goods are being imported for the purpose of that trade, business or manufacture in the free port.

The non-payment of VAT does not extend to food, drink, motor vehicles or petrol, unless the import VAT would, if it were paid, be fully deductible. It should be noted that goods imported free of VAT under these free port provisions may not be subsequently removed from the free port except as a result of a supply to an unconnected party (unless Revenue otherwise permits). The supply of goods by a registered person in Ringaskiddy to another registered person in Ringaskiddy qualifies for the zero rate.

Chapter 8

Exports

This Chapter describes exports and outlines the requirements to be complied with by VAT-registered persons when goods are sent outside the EU.

8.1 What are exports?

For VAT purposes, exports are goods directly dispatched to a destination outside the EU. In this context, it should be noted that, for VAT purposes, certain territories (for example, the Canary Islands and the Channel Islands) are regarded as outside the EU. The zero rate of VAT applies to **all** supplies of goods which are transported directly by or on behalf of the supplier to a place outside the EU.

The supply of goods subject to a condition that they are to be dispatched or transported directly outside the EU by or on behalf of the purchaser of the goods, where that purchaser is established outside the State also qualifies for the zero rate. A number of other export type transactions and related services are also zero-rated, as are supplies of goods to VAT-registered traders in the Shannon Customs-free airport and Ringaskiddy free port. Please refer to paragraph (i) of Appendix B.

8.2 Purchases of goods by visitors and other travellers - Retail Export Scheme

Foreign visitors who reside permanently outside the EU, or EU residents who are going to a place outside the EU for a continuous period of not less than twelve months, are entitled to relief from VAT on purchases of most goods (but not services) taken away by them, or consigned to non-EU destinations.

The main conditions for relief are:

- the goods must be exported within three months from the end of the month of purchase in the personal baggage of the visitor/purchaser,
- an invoice showing full particulars of the transaction must be drawn up by the supplier, certified by the Customs authority at the final place of departure from the EU and returned to the supplier by the purchaser,
- the supplier must be registered for VAT and must satisfy himself or herself that the purchaser is entitled to relief under this scheme.

Putting the supplier in possession of the Customs certified documents is an essential part of the scheme. The scheme operates in two principal ways. Either the visitor pays the tax when making purchases and subsequently gets a refund from the relevant retailer or refund agency on return of the certified documents or, in certain retail outlets the visitor receives the goods VAT-free from the retailer and subsequently returns the certified documents to the relevant retailer.

In the latter case, the retailer will be liable for the appropriate VAT if the documentation is not returned.

At the standard rate of VAT, this scheme represents a reduction of 17.36% on the normal sale price of goods.

It should be noted that goods sold under the Margin Scheme do not qualify for relief from VAT under the Retail Export Scheme. Please see VAT Information Leaflet 'Retail Export Scheme'.

8.3 Exporters – VAT credits

A VAT-registered trader who exports goods is entitled to an input credit for VAT invoiced to him or her on purchases, subject to the normal rules.

Traders who by virtue of the level of their exports are in a permanent repayment position may arrange with the local Revenue District to submit monthly returns to facilitate earlier repayment of input VAT.

8.4 Records etc. required in connection with exports

As a general rule, each transaction needs to be supported by the commercial documents ordinarily issued in connection with the purchase/sale of goods (orders, correspondence, copy invoices, dispatch notes, delivery notes, receipts etc.), together with evidence that the goods have left the EU (see paragraph 8.5 and Chapters 14 and 15). These records, documents etc. should be held for production to Revenue officers as necessary. They should not accompany a trader's VAT 3 return.

8.5 Evidence of export of goods

The following will be regarded as evidence that goods have left the EU:

- in the case of goods exported by the supplier, i.e. where the supplier uses his or her own vehicles to transport goods outside the EU and ownership is transferred to the purchaser there, the third copy of the export declaration form (SAD) certified by Customs will normally suffice,
- in the case of goods exported by sea by a carrier acting on behalf of a supplier, the supplier should ensure that he or she obtains from the shipping company a copy bill of lading or certificate of shipment or shipping advice, as appropriate,

- in the case of goods exported by air by a carrier acting on behalf of a supplier, the supplier should ensure that he or she obtains from the airline concerned a signed copy of the waybill, with flight details added,
- in the case of goods exported by post the supplier should obtain certificates of posting from the post office of dispatch. If it is a trader's practice to use a post book the trader should have it properly stamped by the post office of dispatch. In all cases the full name and full address of the consignee must be clearly shown.

8.6 Exports by purchasers

Goods exported by carriers acting on behalf of purchasers established in Ireland do not qualify for zero-rating. Goods exported outside the EU by or on behalf of the purchaser who is established outside the State qualify for zero-rating. The required evidence in this case is that indicated in the second and third examples in paragraph 8.5 above. Please refer to paragraph (i) (aa) of Appendix B.

8.7 Humanitarian goods

Philanthropic organisations may reclaim VAT paid on the supply or importation into the State of goods which are exported or re-exported for use in the organisations' humanitarian, charitable or teaching activities abroad.

Application for repayment should be made on Form 73 – Claim for Refund of Value-Added Tax (VAT) on Humanitarian Goods for Export under the Value-Added Tax (Refund of Tax) (No.21) Order, 1987. The completed form should be sent to VAT Repayments (Unregistered) Section, Revenue, River House, Charlotte's Quay, Limerick.

Chapter 9

Amount on which VAT is chargeable

This Chapter sets out in detail how the amount on which VAT is chargeable is determined in various different circumstances.

9.1 General rule

In the case of the supply of goods or services and the intra-Community acquisition of goods, the amount on which VAT is chargeable is normally the total sum paid or payable to the person supplying the goods or services including all taxes, commissions, costs and charges whatsoever but not including the VAT chargeable in respect of the transaction. VAT on imports is charged on the Customs value of the goods (see Chapter 7).

Example 18

The amount on which VAT is chargeable, therefore, is not only the charge for the goods or services supplied but incidental charges incurred by the supplier which are passed on to the customer. For example, a consultant's expenses for providing a consultancy service might include his/her own professional fee, travel, hotel accommodation, postage & stationary, and photocopying, as follows:

	€
Professional Fee	4,000
Travel	2,000
Hotel accommodation	700
Postage & Stationary	100
Photocopying	<u>50</u>
Total	6,850
Amount on which VAT is chargeable	6,850.00
VAT @ 21%	<u>1,438.50</u>
Total chargeable	8,288.50

9.2 Consideration not in money

Where goods or services are supplied otherwise than for money, for example, where a customer agrees to pay the supplier in kind, or to release him or her from an obligation, the amount on which VAT is chargeable is the open market or arm's length value of the goods or services supplied.

9.3 Accounting for VAT on 'cost'

The amount on which VAT is chargeable in relation to the following shall be the cost excluding VAT to the person supplying the goods or services: -

- goods seized by a person acting under statutory authority,
- movable goods applied from a taxable to an exempt area of a business,
- goods appropriated for purposes other than the taxable business,
- goods disposed of free of charge.
- certain services i.e. catering services and private use of business assets.

For further information on the taxation treatment of self-supplies please see paragraphs 3.3 and 4.13.

9.4 Connected persons

In the case of supplies between connected persons, an officer of Revenue may determine that the value on which tax is chargeable in relation to certain transactions is the open market value. Open market value is determined in terms of what a person would reasonably be expected to pay for the goods or services. Where there is no comparable supply then the open market value is at least the cost price. The supplier of the goods or services may appeal the determination.

9.5 Credit card transactions

In the case of credit card transactions the taxable amount is the total amount actually charged to the customer by the supplier. Amounts withheld by the credit card companies from their settlements with the traders concerned form part of the taxable amount.

9.6 Rate of exchange

In the case of amounts invoiced in foreign currency, the rate of exchange applicable when the VAT becomes due should normally be used. Alternatively, agreement may be reached with the local Revenue District if some other method is to be used (see paragraph 14.14).

9.7 Margin Scheme and Special Auction Scheme

Special schemes operate in relation to the sale by dealers and auctioneers of second-hand movable goods, works of art, collector's items and antiques. The principal feature of the schemes is that dealers and auctioneers effectively pay VAT only on their margin in certain circumstances. VAT Information Leaflets entitled 'Margin Scheme – Second-Hand Goods' and 'Auctioneering' are available.

Special schemes also operates in relation to the VAT treatment of second-hand motor vehicles and agricultural machinery. They provide for the right to deduct residual VAT in respect of the purchase of a qualifying second-hand vehicle and agricultural machinery (including by way of trade-in).

9.8 New motor vehicles

The amount on which VAT is chargeable on the supply of a new motor vehicle by an authorised dealer is normally the price of the vehicle before Vehicle Registration Tax is applied. Where a dealer chooses to register a vehicle on his/her own behalf, it is regarded as taken out of stock-in-trade and a self-supply on the cost of the vehicle arises. When the vehicle is sold, the dealer is deemed to have taken the vehicle back into stock-in-trade and is entitled to deductibility on a residual VAT basis subject to certain restrictions. A VAT Information Leaflet on the subject of 'Motor Vehicles' is available.

9.9 Certain services received from abroad

The amount on which VAT is chargeable in relation to Fourth Schedule services (see paragraph 4.8) and intra-Community goods transport services (see paragraph 5.13) received from abroad will normally be the amount payable in respect of those services.

9.10 Packing and containers

When goods are supplied packed for sale and no separate charge is made for the packages in which the goods are contained, the rate of VAT chargeable is that applying to the goods. If containers are charged for separately from the goods, the transaction is regarded as consisting of separate sales of goods and of packages and each such separate sale is chargeable at the appropriate rate.

Where containers are returnable and a separate charge in the nature of a deposit is raised for them on an invoice, the containers are regarded as the property of the supplier and they are not subject to VAT at the time of the handing over. VAT at the appropriate rate is, however, payable on the value of containers which are not returned to the supplier. This VAT should be accounted for at the time when the containers account is being balanced and a charge is being raised by the supplier against the customer for the value of containers not returned.

9.11 Postage and insurance - reimbursement

Where amounts are charged separately for postage and insurance and paid over in their entirety to An Post or to the insurer on behalf of customers, suppliers may treat such charges as not being subject to VAT. If, for example, a trader charges an extra €5 for posting an order and such amount of postage is actually paid over to An Post, the €5 may be treated as exempt. Similarly, if a car hire company charges €50 for motor insurance and that amount is actually paid over in full to insurers the €50 is treated as exempt. However, if a charge is made for posting and/or insurance, and a lesser amount is paid over by the supplier to An Post or to the relevant insurance company, the charge made to the customer is regarded as part of the total price of the goods/service supplied, and is subject to the VAT rate applicable to the goods/service in question.

9.12 Treatment of mixed transactions

There are special rules (which replaced what was known as the 'package rule') on how the supply of a package comprising two or more elements, each potentially attracting VAT at different rates, is treated for VAT purposes. In general, these rules provide that the consideration payable in respect of goods or services supplied as a package in what is known as a multiple supply is to be apportioned between each of the individual elements in the supply. VAT applies to these elements at the rate that would apply to them if they were each sold separately. However, in relation to certain categories of supplies referred to as composite supplies, VAT is chargeable at the rate applicable to the principal element in the supply. See VAT Information Leaflet 'Goods and Services Sold Together'.

9.13 Multiple Supply

A multiple supply is where each of the items being sold together for one consideration is capable of being supplied independently in its own right. This means that each part of the supply is physically and economically dissociable from the other parts of the supply. The appropriate rate of VAT should be applied to each individual part.

Where a trader has facilities at point of sale to segregate the consideration received between the 21% and the 13.5% rates, the trader should account for VAT on the individual components of the transaction at the appropriate rates. The concessionary practice of allowing the application of a composite rate is not permitted in such circumstances.

The following are examples of multiple supply:

Example 19

A fast food meal made up of a burger and chips together with a soft drink is sold for a single price. The burger and chips are liable to VAT at the rate of 13.5% whereas the soft drink is liable at the 21% rate. Such a meal is taxed as a multiple supply as the two parts of the meal are physically and economically dissociable from each other. Accordingly, the total consideration should be apportioned to reflect the fact that the food element is taxed at the 13.5% rate and the drink element is taxed at the 21% rate.

Example 20

The supply of a show house made up of an immovable good (house) and white goods/fittings is sold for a single price. The immovable good is liable to VAT at the rate of 13.5% whereas the white goods/fittings are liable to VAT at 21%. Such a supply is taxed as a multiple supply as the two elements of the supply are physically and economically dissociable from each other.

Accordingly, the total consideration should be apportioned so as to reflect the taxable amount applicable to the house (immovable good) at the 13.5% rate and the white goods/fittings at the 21% rate.

Total cost of showhouse (VAT-inclusive)	€350,000
Cost of house including profit (VAT-inclusive)	€330,000
Cost of white goods/fittings (VAT-inclusive)	€20,000
VAT @ 13.5%	€39,251
VAT @ 21%	<u>€3,471</u>
Total VAT chargeable	€42,722

Example 21

The sale of food hampers which contain goods which if sold separately would be taxable at the zero, 13.5 or 21 per cent rates. Each of the differently rated elements is taxed as an individual supply at the rate appropriate to it. The consideration must be apportioned so as to reflect the taxable amount applicable to each VAT rate.

Example 22

A meal made up of food together with a soft drink or wine is sold for a single price. The food is liable to VAT at the rate of 13.5% whereas the soft drink or wine is liable at the 21% rate. Such a meal is taxed as a multiple supply as each of the parts of the meal are physically and economically dissociable from one another. Accordingly, the total consideration payable should be apportioned so that the food element is taxed at the 13.5% rate and the drink element is taxed at the 21% .

	€
The total cost of a meal (including VAT)	20
Price of food	15
Price of beverage	5
VAT @ 13.5% included in food	1. 78
VAT @ 21% included in beverage	<u>0. 86</u>
Total VAT due in €20 charge	2. 64

9.14 Composite Supply

A composite supply is where there is a predominant element as well as an ancillary element or elements in the supply and the ancillary elements would not generally be sold on their own without the principal element. Such ancillary elements are not physically or economically dissociable from the principal supply. The VAT rate applicable to the total consideration is the VAT rate applicable to the principal supply.

The following are examples of a composite supply:

Example 23

The supply of a mobile phone (21% VAT) with an instruction booklet (0% VAT). The instruction booklet is clearly for the better enjoyment of the mobile phone and is ancillary to it. The rate applicable to the principal supply is 21% and this rate applies to the entire supply regardless of how the consideration is allocated by the supplier.

Example 24

The purchase or lease of computers programmed to perform a specific function coupled with specific training on how to operate and access the system as an integral part of the overall supply. The purchase or leasing of the equipment (21% VAT) is the principal supply and the provision of the training (exempt from VAT) is ancillary. Accordingly, the 21% rate will apply to the overall transaction.

9.15 Returned goods, discounts, bad debts etc.

Where, after a supply, there is an adjustment in the consideration, e.g. because goods have been returned, or discounts or other price adjustments have been allowed, the VAT is correspondingly adjusted. This adjustment is also allowed, subject to the agreement of the appropriate local Revenue District, where bad debts have been written off after VAT has been accounted for on the supply. This adjustment is not allowed in respect of property transactions.

Where any price reduction has been allowed by one VAT-registered person to another after the issue of an invoice showing VAT, and a corresponding VAT adjustment is actually made, the person who has issued the invoice is required to issue a credit note showing the amount of VAT by which the liability has been reduced. The reason for this requirement is that, in a transaction between registered persons, the VAT charged by the seller may normally be offset by the purchaser against his or her own liability.

In practice it is unnecessary to issue credit notes for VAT and to adjust VAT liability because of discounts or other price allowances if both parties are registered for VAT and the discounts or price allowances are applied only to the price of the goods and not to the VAT element. If this is done, the seller's VAT liability and the purchaser's VAT credit are unaltered. Such a procedure is permissible provided both parties agree. However, even with both parties' agreement, it is not permissible if the seller is a person authorised to account for VAT by reference to the cash receipts basis (see Chapter 12). See also paragraph 3.9 for information regarding cancelled deposits.

9.16 Transfer of business goods abroad

The amount on which tax is chargeable in relation to goods transferred by a person from his/her business in Ireland to another EU Member State for the purpose of his/her business is the cost to the person making the supply or in the absence of such a cost, the cost price of similar goods in the State at the date of transfer.

9.17 Dances

The amount on which VAT is chargeable is the total consideration receivable in connection with the dance. This includes the amounts paid by those admitted to the dance together with any other consideration receivable in connection with the dance. Where, however, persons are admitted to dances for amounts less than the face-value of the ticket, or where no admission is charged (complimentary tickets), the normal VAT rules apply i.e. VAT is accounted for on the amount actually received.

Please see VAT Information Leaflet 'Dances'

In the case of admission charges to dances on licensed premises the obligation to account for the VAT is the responsibility of the licensee, notwithstanding that such admission charges may be received or receivable by a promoter or another person.

9.18 Gift Vouchers, Tokens etc.

The sale of gift vouchers etc. (other than vouchers sold to any intermediaries) is not liable to tax except where, and to the extent that, the amount charged exceeds the value shown on the voucher. The supply of goods or services in exchange for such vouchers, tokens etc. is liable at the rate appropriate to the goods or services supplied. Generally, the chargeable amount is the consideration received by the provider of the goods and services either from the purchaser or the person who honours the voucher.

Where vouchers and tokens having a face value are supplied to an intermediary with a view to their ultimate re-sale to private customers, such vouchers and tokens become liable to VAT at that time on the consideration received. VAT is also chargeable on the re-sale of the vouchers and tokens by the intermediary to the private customer, again on the consideration received. VAT does not arise when these vouchers and tokens are redeemed for goods.

However, a different tax treatment arises in the case of discounted vouchers sold to a company which buys them in bulk to give them to staff as an incentive. Where a supplier of goods sells a voucher at a discount to a buyer, and promises to subsequently accept that voucher at its face value in full or part payment against goods purchased by a customer who was not the buyer of the voucher, then subject to conditions, the amount attributable to the voucher is the sum of money obtained by the supplier of the goods from the discounted sale of the voucher. The initial transaction involving the sale of the voucher is not a taxable transaction and VAT becomes chargeable only when the voucher is presented in exchange for goods. The relief is only permitted in cases where a proper audit trail is maintained by the trader to the satisfaction of his/her local Inspector of Taxes.

9.19 Service charges, tips etc.

Where a hotel, restaurant etc. presents a bill for a meal or any other service, then all charges included in the bill presented to the customer are liable to VAT. This includes any amount or percentage in respect of service or similar charges. Voluntary payments (such as tips) made by customers and not included in the bill are outside the scope of VAT.

Please note: A Revenue concession allowing service charges included in the bill to remain outside the scope of VAT is withdrawn with effect from 1 September 2008, following a decision of the European Court. From that date, the treatment set out in the above paragraph will apply to all service charges. For further details, please see VAT Information Leaflet 'Service Charges in Hotels and Restaurants'.

Chapter 10

VAT due and VAT deductible

This Chapter describes the tax point i.e. the point in a transaction when VAT becomes due, or when a liability for VAT arises, and it also outlines the circumstances under which VAT is deductible by the accountable person. Accounting for VAT is a separate matter which is dealt with in Chapter 11.

10.1 General rule on when VAT becomes chargeable

The general rule is that VAT becomes chargeable at the time when a supply of goods or services is made (see paragraph 10.2).

The basis on which the trader is required to account for VAT is dealt with in Chapters 11 and 12.

10.2 How the tax point is determined

The general rule outlined in paragraph 10.1 is subject to the following qualifications:

- in dealings with taxable persons, VAT becomes due on the date of issue of the invoice, or on the date on which the invoice should have been issued, if the issue has been delayed (see Chapter 14),
and
- where payment in whole or in part in respect of a transaction is received before the date on which the VAT would normally be due, VAT is due on the payment received by reference to the date of receipt of the payment.

The exceptions to this rule are as follows:

- VAT is normally due on intra-Community acquisitions on the date of issue of the invoice but at the latest on the 15th day of the month following the month in which the goods arrive,
- VAT is due in respect of intra-Community acquisitions of new motor vehicles other than by a person entitled to deductibility (see paragraph 10.5) normally at the time of payment of Vehicle Registration Tax (VRT) or, if no VRT is payable, not later than the fifteenth day of the month following that in which the intra-Community acquisition occurs,
- In the case of continuous supplies of utilities (gas, electricity and telecommunications) to non-business customers, VAT is due when the utility company issues the bill to the customer, provided that it issues a bill at least once every three months. The effect of this is that the rate to apply is the rate in force at the date the bill issues to the consumer. This is the case even in the event of advance payments by those customers. In the case of VAT-registered customers' utility bills, VAT is due also by reference to the date of issue of the bill,
- VAT is due in respect of intra-Community acquisitions of new aircraft and boats (other than by a person entitled to deductibility) within three days of arrival in the State and is payable to the relevant Collector of Customs and Excise,
- VAT is due in respect of goods imported from non-EU countries at the point of entry (see Chapter 7),
- VAT is due as an intra-Community acquisition in the case of excisable goods by reference to the time when the excise duty becomes payable (however, see paragraph 10.3 below),
- In the case of goods imported under a duty suspension arrangement, VAT is payable when those goods leave the suspension arrangement,
- With effect from 1 September 2008 a principal contractor in receipt of construction services from a sub-contractor (subject to RCT), will account for VAT by reference to the date on which the service is completed or payment is made, whichever is earlier.

10.3 Alcohol products

Special provisions exist for alcohol products which are held under a duty suspension arrangement (i.e. under bond). VAT is generally due with the excise at the time of removal of the alcohol from the duty suspension arrangement unless the alcohol is dispatched from the State by way of intra-Community supply, export or sale in a duty-free outlet to a person departing the EU. In these situations excise duty is not normally due in the State but the supply is deemed to take place here for VAT purposes and the general rules regarding VAT invoices etc. apply. A VAT information leaflet entitled 'Alcohol Products' is available.

10.4 Self-supplies

VAT in respect of 'self-supplies' (see paragraphs 3.3 and 4.13) becomes due in all cases at the time when the goods are appropriated or withdrawn from business stock or when the catering services are supplied.

10.5 Right to deduct VAT - general rule

In computing the amount of VAT payable in respect of a taxable period, an accountable person may deduct the VAT charged on most goods and services which are used for the purposes of his or her taxable business. No deduction may be made for the VAT on goods and services used for any other purpose, such as VAT exempt activities, (but see paragraph 10.10 below). To be entitled to the deduction the trader must have a proper VAT invoice or relevant Customs receipt as appropriate. Persons required to register for VAT in respect of intra- Community acquisitions only are not entitled to a deduction in respect of that VAT.

While a deduction of VAT is allowable only on purchases which are for the purposes of a taxable business, a situation may arise where a portion of a trader's purchases may be for the purposes of the taxable business and the remaining portion for the trader's private use, for example, electricity, telephone charges, heating expenses etc. where the business is carried on from the trader's private residence. It may also arise that inputs may be used for both taxable and non-taxable activities. In such cases, only the amount of VAT which is appropriate to the taxable business is deductible. Similarly where a person engages in both taxable and exempt activities (dual-use inputs) it is necessary to apportion the credit between the inputs used for taxable and exempt activities. Paragraph 10.10 below deals with the deduction of VAT for businesses engaged in both taxable and exempt activities and gives direction in relation to property transactions.

10.6 Qualifying activities

As an exception to this general rule, input VAT is deductible subject to the normal restrictions (see paragraph 10.7 below) by persons carrying on the following qualifying activities:

- transport outside the State of passengers and their accompanying baggage,
- certain financial and insurance services supplied outside the EU or directly in connection with the export of goods to a place outside the EU,
- supplies of goods and services outside the State which would be taxable supplies if made in the State, apart from passenger motor vehicles as outlined in paragraph 10.8 for hiring out for utilisation within the State.

VAT incurred on costs associated with the issue of new stocks, new shares, new debentures and other new securities made to raise capital are deductible to the extent that the person making the issue is entitled to deductibility on his or her business supplies. Full entitlement to deductibility on these costs applies if the accountable person's business activities are fully taxable. Apportionment applies if the accountable person's business includes both taxable and exempt activities. No entitlement applies if

the person's business includes only exempt or outside the scope activities. VAT included on costs relating to trading in shares or securities or costs relating to the issue of bonus shares or the issue of shares in the context of mergers or acquisitions are not deductible.

10.7 VAT not deductible

An accountable person may not deduct VAT on any of the following, even when the goods and services in question are acquired or used for the purposes of a taxable business:

- expenditure incurred by him/her on food or drink, or other personal services for him/her, his/her agents or employees, except to the extent, if any, that such expenditure is incurred in relation to a supply of services in respect of which he/she is accountable for tax,
- expenditure incurred by him/her on accommodation other than qualifying accommodation in connection with attendance at a qualifying conference as defined in the legislation. (Please see VAT Information Leaflet entitled 'Conferences – VAT deductability'),
- expenditure incurred by the accountable person on food or drink, or accommodation or other entertainment services, where such expenditure forms all or part of the cost of providing an advertising service in respect of which tax is due and payable by the accountable person,
- entertainment expenses incurred by the accountable person, his/her agents or his/her employees,
- the purchase, hiring, intra-Community acquisition or importation of passenger motor vehicles generally (category A for VRT purposes), (other than motor vehicles held as stock-in-trade, or for the purposes of the sale of those motor vehicles by a financial institution in the context of a hire-purchase agreement, or for the purpose of a business of the hiring of motor vehicles, or for use in a driving school business),
- the purchase, intra-Community acquisition or importation of petrol otherwise than as stock-in-trade,
- contract work involving the handing over of goods when such goods are themselves not deductible.

10.8 Definition of non-deductible motor vehicles for VAT purposes

For VAT purposes the term 'motor vehicle' in paragraph 10.7 includes;

- cars generally,
- sports motor vehicles,
- estate cars,
- station wagons, and
- motor cycles, motor scooters, mopeds and autocycles.

The definition also includes single person vehicles but does not include vehicles designed and constructed for the carriage of more than 16 persons (inclusive of the driver) and vans, lorries or invalid vehicles. Any question as to whether a particular vehicle is or is not a passenger motor vehicle, as

defined, should be submitted for decision to the appropriate Revenue District responsible, together with the manufacturer's literature etc.

VAT on the intra-Community acquisition, import, outright purchase, hire-purchase, hiring, leasing or otherwise, of passenger motor vehicles is deductible only in the circumstances where they are stock-in-trade, or for use in a vehicle-hire business or a driving school business.

10.9 Sale of goods on which no deduction is allowed on purchase

As a general rule, if registered persons are not entitled to a credit on the purchase of goods for use in their business, they are not liable for VAT on the sale of such goods (see also paragraph 10.12 for special provisions relating to motor dealers). If they are entitled to any credit on the purchase, they are liable to VAT on the sale.

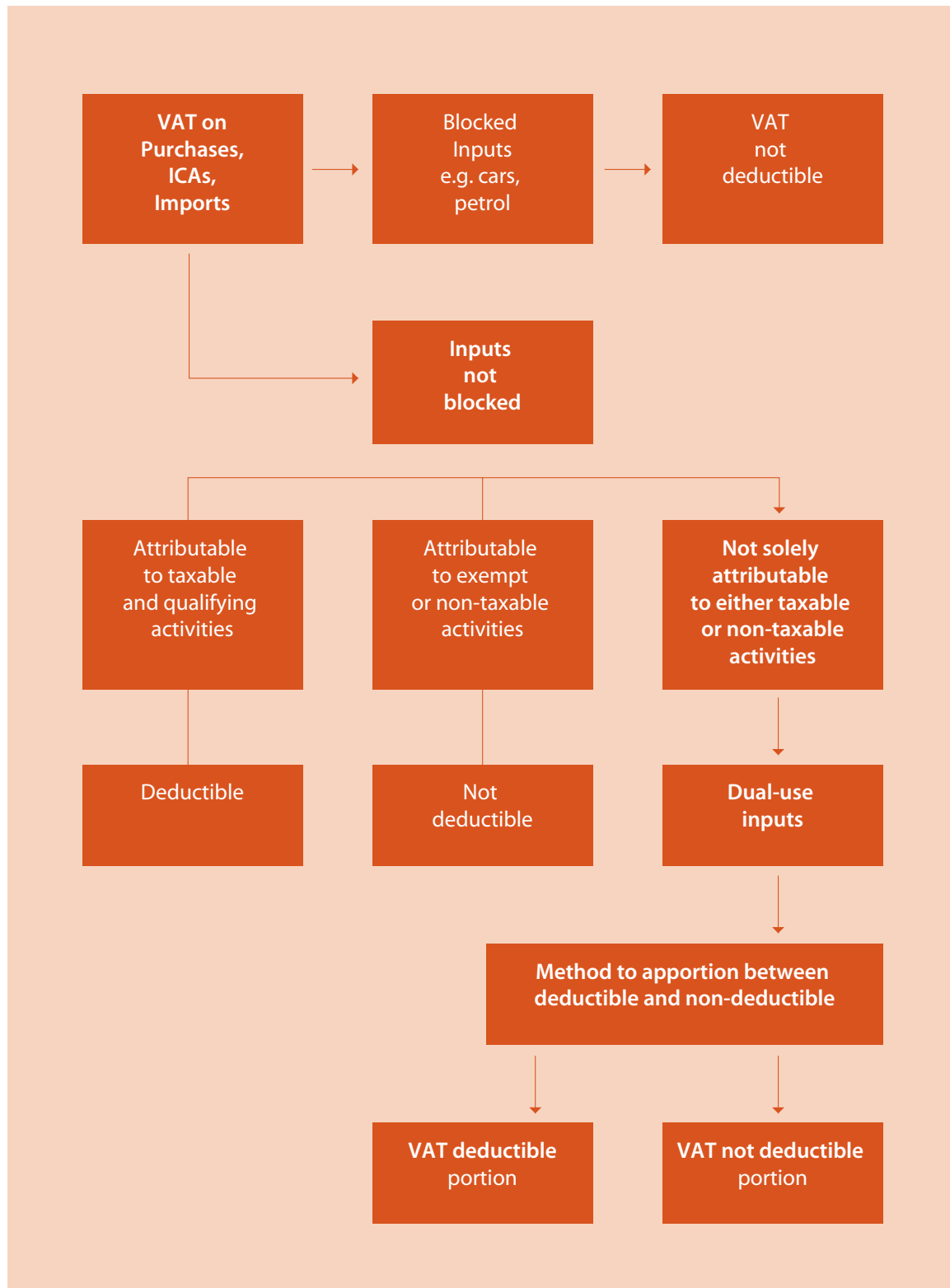
10.10 Businesses engaged in both taxable and exempt activities

As stated in paragraph 10.5 a deduction of VAT is allowable on purchases for the purposes of a taxable business. If a person carries on both a taxable and exempt business, only the VAT appropriate to the taxable business is deductible. Where dual-use inputs* are used e.g. goods/services used for both a taxable and an exempt activity, a proportion of the VAT may be deducted on the basis of a method of apportionment between taxable and exempt supplies. VAT law provides that an accountable person has the right to deduct a proportion of tax deductible which correctly reflects the extent to which the dual-use inputs are used for the purposes of that person's taxable supplies or activities and has due regard to the range of that person's total supplies and activities. For further details please refer to the Revenue Guide to Apportionment of Input Tax.

From 1 July 2008, the Capital Goods Scheme for property will be used to apportion VAT inputs for immovable goods acquired or developed on or after that date for a business which is not fully taxable. The Capital Goods Scheme will also be used for this purpose for property acquired or developed prior to 1 July 2008 which has not been subject to a Section 12(4) review. Other properties will continue to use the standard 12(4) apportionment provisions. Please refer to the VAT on Property Guide.

* With effect from 1 July 2008 dual-use inputs means movable goods and services.

Flowchart



10.11 VAT credits or deductions on purchases from unregistered farmers

Registered persons are entitled to claim in their VAT returns a credit or deduction equal to the flat-rate addition (currently 5.2%) which they have paid to unregistered (flat-rate) farmers in respect of purchases of agricultural produce or agricultural services. A settlement voucher specifying the net purchase price and the 5.2% flat-rate addition as well as the total price must be prepared and retained by the purchaser and a copy given to the farmer. The settlement voucher should issue within fifteen days from the end of the month in which the purchase took place. If there is a subsequent adjustment in the price, the appropriate VAT adjustment must also be made and documented. Persons registered for VAT in other EU Member States and persons engaged in business outside the EU are entitled to claim a repayment of such flat-rate addition paid by them to Irish unregistered farmers from VAT Repayments (Unregistered) Section, River House, Charlotte's Quay, Limerick.

The 5.2% flat-rate addition does not apply to the purchase of fish (except from freshwater fishermen or fish farms), or the purchase of greyhounds. Neither does it apply to the purchase of agricultural produce or services supplied by unregistered farmers from other EU Member States.

10.12 VAT deductions by motor dealers

In addition to the ordinary VAT deductions to which a dealer in motor vehicles is entitled, a deduction of the residual VAT included in the purchase price of a second-hand motor vehicle (including by way of trade-in) is allowed when a dealer purchases such a vehicle from certain sources. The trader has a liability for VAT in the ordinary way on the onward supply of the vehicle. She/he cannot however issue an ordinary VAT invoice on which the customer might claim input credit. The invoice must include the following endorsement:

'Special scheme – this invoice does not give the right to an input credit of VAT'

Example 25

A motor dealer purchases a vehicle VAT-free from a private individual or an accountable person who was not entitled to a VAT credit on his/her acquisition of the vehicle. The current VAT rate is 21%. The residual VAT is calculated as follows:

Purchase price = €10,000

Residual VAT = $(€10,000 \times 21) \div 121 = €1,736$

Example 26

A vehicle is bought from a private individual in the UK or a business there operating the special scheme for second-hand motor vehicles. The residual VAT is based on the UK VAT rate, currently 17.5%, as follows:

Euro equivalent of sterling purchase price = €10,000

Residual VAT = $(€10,000 \times 17.5) \div 117.5 = €1,489$

A VAT Information Leaflet 'Motor Vehicles' is available.

10.13 VAT deductions by dealers in agricultural machinery

A taxable dealer who purchases agricultural machinery from a flat-rate farmer is, subject to certain conditions, similarly entitled to deduct residual VAT included in the purchase price. Again, please see VAT Information Leaflet 'Motor Vehicles'.

10.14 Time limit

The time limit for claiming a repayment of VAT is normally 4 years. 8th and 13th Directive claims must be submitted within 6 months from the end of the year in which the transaction took place.

10.15 Construction services

With effect from 1 September 2008, when a principal contractor is obliged to self account on construction services received from a sub-contractor, he/she is generally entitled to deductibility as if he/she had received a VAT invoice for the service. Please see Chapter 13.

Chapter 11

Accounting for VAT

This Chapter outlines when VAT becomes payable to the Collector-General, as distinct from when VAT becomes due, as was dealt with in Chapter 10. It also describes how VAT should be accounted for and what types of returns are required from a VAT-registered trader.

11.1 When VAT becomes payable

The general rule is that every accountable person must, by the 19th day of the month following the end of each two-monthly taxable period (i.e. January/February, March/April and so on), furnish to the Collector-General on the prescribed form (VAT 3 Return Form) a true and correct return for the period showing the amount of VAT due by him or her and the amount of VAT deductible by him or her.

Accountable persons with an annual liability of €3,000 or less may be authorized to submit a return for a six-monthly period and where the liability is between €3,001 and €14,400 accountable persons may submit a four-monthly return.

In addition, accountable persons are also required to complete a Return of Trading Details (RTD) Form annually. This form is issued along with the VAT 3 Return Form for the period in which the accountable persons' accounting year ends. The RTD Form details purchases and sales for the year, broken down by VAT rate.

A sample copy of the VAT 3 Return Form and RTD Form is at Appendix K.

Accountable persons are encouraged to use the ROS facility to file their VAT returns electronically.

Further information is available at www.revenue.ie.

11.2 VAT 3 return form

A VAT 3 form is issued to each VAT-registered person towards the end of each taxable period. The name, address and registration number of the person and the period to be covered by the return are computer-printed on the form. **It is most important that the VAT 3 form issued to a person in respect of a particular taxable period should not be used for any other taxable period, nor should it be used to cover more than one taxable period.** Any misuse of the VAT return form in this way can lead to confusion and may result in a payment or claim for repayment not being recorded for the correct taxable period. In no circumstances should a trader (or an accountant/agent acting on a person's behalf) use a VAT return form which was issued in the name of a different trader.

11.3 Payment by direct debit

An accountable person may pay VAT by direct debit in monthly instalments. If a business is seasonal, a person can vary the amounts paid each month to reflect cash flow. Persons should ensure that the amounts of VAT paid by direct debit are sufficient to cover ongoing liability. Where necessary, a person should adjust the direct debit amounts to ensure the payments are adequate. At the end of the year, if a shortfall arises, the balance should be included when submitting the end-of-year VAT 3 Return. Where insufficient amounts are paid by direct debit and, as a result, the balance of tax payable with the return is more than 20% of the annual liability for VAT, a trader will be liable to an interest charge back-dated to the mid-point of the year. The relevant application form is available from the Revenue District responsible for the person's tax affairs or from the Revenue website at www.revenue.ie.

11.4 Revenue On-Line Service (ROS)

ROS is a secure service that enables accountable persons to interact electronically with Revenue, to view their own current position for various taxes and levies, file tax returns and forms (including VAT 3 returns and annual Return of Trading Details), and make payments for these taxes online in a variety of methods. Traders can register for ROS by accessing the ROS website at www.revenue.ie.

11.5 Completion of the VAT 3 return

If the total VAT due exceeds the total VAT deductible, the difference is the amount of VAT payable, and a remittance for this amount together with the completed and signed VAT 3 form should be sent to the Office of the Collector-General. Cheques should be crossed and made payable to the 'Collector-General'. Payment may also be made by Bank Giro and direct debit.

If the deductible VAT exceeds the VAT due, the excess shown on the VAT return will be repaid to the registered trader by the Collector-General. This will normally take about ten working days from the date of receipt by the Collector-General of the VAT return form properly completed and signed. It should be noted that ROS offers speedier dealings with Revenue including repayments of VAT. All traders must arrange to have repayments made directly into an account in a financial institution. Repayments may

be withheld by the Collector-General if VAT returns for other taxable periods are outstanding. Repayments may be offset against outstanding tax liabilities of a trader and, therefore, persons should ensure that all their taxes are paid. Traders in a permanent repayment position may be permitted to furnish monthly returns by contacting the Revenue District responsible for the person's tax affairs.

If an accountable person is entitled to a repayment of VAT, and a connected business has failed to make VAT returns or to remit VAT due, Revenue may compulsorily group the businesses to ensure that no refund is made where an outstanding liability exists in respect of one or more of the group members.

For guidance on how to complete the VAT 3 return please see Appendix K.

11.6 Interest

VAT law provides for payment of interest on refunds of VAT to a claimant in two circumstances i.e. where there is a mistaken assumption in the operation of the tax made by Revenue or where there is a delay of more than six months in processing a fully completed claim. The rate of interest is 0.011% per day. Please also refer to Chapter 17.

Where VAT becomes payable by an accountable person but is not paid, simple interest is chargeable at the rate of 0.0322% per day, or part of a day during which the amount remains unpaid.

11.7 Estimates, assessments and appeals

When a person fails to make a VAT return, Revenue has power to make an estimate of the VAT due. An appeal may be lodged against an estimate by the person concerned only on the grounds that he or she is not an accountable person.

Estimates can be issued for a higher amount where the amount of the first estimate is found by Revenue to be insufficient on the basis of new information becoming available.

When a trader makes a VAT return but understates the liability, Revenue may make an assessment for any further VAT due. Similarly, Revenue may make an assessment on a trader who obtains a greater refund of VAT than that to which he or she is entitled. Where an assessment is made by Revenue, an appeal may be made on the grounds that the assessment is excessive.

Formal notices of both estimates and assessments are given. The amount of the estimate or assessment is payable unless it is successfully appealed or when properly completed VAT returns are submitted with the corresponding payment, if appropriate.

An appeal against an estimate must be submitted in writing to the Revenue District responsible for the taxpayer's affairs within 14 days of service of the formal notice. An appeal against an assessment must be similarly submitted in writing within 21 days (see also paragraph 16.10).

Payment of an estimate or assessment does not relieve a trader of the obligation to furnish a VAT return. Failure to furnish a return leaves a trader liable to prosecution.

The time limit for raising estimates and assessments is normally 4 years. However, different time limits apply in a case where estimates and assessments are required in respect of the tax liability of a deceased person. There is no time limit in cases of fraud or neglect.

11.8 When VAT on new means of transport and excisable goods is payable

VAT in respect of intra-Community acquisitions of certain new means of transport, where the VAT due is not deductible (see paragraphs 6.12 and 10.7), is payable with the VRT. VAT due in respect of excisable goods is normally payable at the time of payment of the excise duty (see paragraph 10.1). Special arrangements apply to the supply of alcohol products held under a duty suspension arrangement. (Please see VAT Information Leaflet 'Alcohol Products' for further details.)

11.9 VAT as a preferential debt

VAT is a preferential debt in bankruptcy and in the liquidation of a limited company. VAT payable in respect of the twelve-month period prior to the commencement of proceedings in bankruptcy or liquidation ranks equally with most other taxes and certain other preferential debts in priority to all other debts.

11.10 Overpayment of VAT/Unjust enrichment

Where an overpayment of VAT arises (for example, as a result of a VAT-registered person incorrectly applying a higher VAT rate on goods or services supplied) the person may, in the normal course, claim a refund of the overpaid VAT from the Collector-General. Such a repayment can be refused where this would lead to the unjust enrichment of the person in question. Unjust enrichment occurs where a person would get a windfall gain if refunded tax which was paid in error. This happens where the cost of the tax overcharged was actually passed on to the person's customers in the price of the goods or services. Revenue will not normally refund tax which has been charged to the customer. However, where a person can establish to the satisfaction of Revenue that a loss of business occurred, the person may apply for a refund of that part of the overpaid tax which would compensate for any associated loss of profits.

Where a person undertakes to reimburse his or her customers, the VAT claimed will be refunded, subject to the person having made adequate arrangements to reimburse those customers. Any person who does not reimburse his or her customers within 30 days of receiving a refund must pay back the amount refunded.

Chapter 12

Moneys received basis of accounting & Special Schemes for Retailers

This Chapter sets out which VAT-registered persons may opt to account for VAT on the basis of moneys received from their customers instead of the normal method based on the issue of invoices to their customers, and how such persons may apply to operate this scheme. It also deals with special schemes for estimation of sales for each VAT rate by retailers. The Chapter should be read in conjunction with VAT information leaflets 'Moneys received basis of Accounting' and 'Special Schemes for Retailers'.

12.1 Description of moneys received basis

The normal invoice/sales basis of accounting is where VAT-registered persons become liable for VAT at the time of issue of invoices to their customers for sales made by them, regardless of whether or not they have received payment from those customers. Under the moneys received or cash received basis of accounting, persons do not become liable for VAT until they have actually received payment for the goods and services supplied.

12.2 Persons who may opt for moneys received basis

The persons who may opt to account for VAT in this way are:

- VAT-registered persons whose supplies of goods or services are almost exclusively (at least 90%) made to unregistered persons or to persons who are not entitled to claim a full deduction of the tax chargeable on the supply to them. This option would apply in practice mainly to retail outlets, public houses, restaurants, hairdressers and any similar type of business, but could include consultants doing work for exempt bodies or the State, or
- VAT-registered persons whose annual turnover does not exceed or is not likely to exceed €1,000,000.

It should be noted that the use of this basis of accounting in no way removes from a VAT-registered person his or her obligations as regards the issue of invoices, credit notes and other documents, the maintenance of records, lodgement of returns etc.

12.3 Excluded transactions

Transactions between connected persons are excluded from the moneys received basis of accounting. VAT on any transactions between such persons should be accounted for by reference to the normal invoice/sales basis. VAT due on certain transactions e.g. where the consideration does not consist wholly of money, certain property transactions and construction services provided by a sub-contractor to a principal contractor etc. is also excluded from the moneys received basis of accounting.

12.4 Procedure

Any VAT-registered person who is eligible to use this basis of accounting may apply in writing to the relevant Revenue District for authority to do so giving certain details (please refer to VAT Information Leaflet 'Moneys Received basis of Accounting'). Persons may not change from the invoice/sales basis of accounting to the moneys received basis, or vice versa, without such authority.

Persons who are applying for VAT registration for the first time, and find that they are eligible for this basis of accounting should indicate in the appropriate box on the application form (TR1 or TR2) whether or not they wish to use the moneys received basis.

12.5 VAT liability on moneys received

A trader who has been authorized to account on the moneys received basis is liable for VAT at the rate applicable at the time the goods or services are supplied and not at the rate applicable when payment is received.

Moneys received by a VAT-registered person include any sums:

- lodged or credited to the person's account in a bank, building society or other financial concern, received by another person e.g. a solicitor on the trader's behalf, or
- deducted as Professional Services Withholding Tax by an accountable person, or deducted as Relevant Contract Tax by a principal contractor or sub-contractor, or
- paid to Revenue by a third party to the person's account in accordance with Revenue's power of attachment.

A VAT-registered person is also deemed to have received money if liability in respect of a business transaction is settled by setting off against it a credit due in respect of some other transaction. Care must be taken when money is received through an agent that any amount withheld by the agent to cover fees, expenses etc. is included in the taxable amount. The date of the offset is deemed to be the date of receipt.

12.6 Withholding Tax – Professional Services (PSWT)

Income Tax withheld from payments for professional services is deemed, for VAT purposes, to be part of the consideration received by the trader. If, for example, €200 of an amount due to a solicitor is withheld for Income Tax from a gross fee of €1,210 [€1,000 + €210 VAT] and the amount paid is €1,010 [€200 (20% of the amount net of VAT) withheld for Income Tax], the solicitor is deemed for VAT purposes to have received €1,210 and must, therefore, account for VAT on the full €1,210.

12.7 Withholding tax – Relevant Contract Tax (RCT)

Until 31 August 2008 Income Tax withheld from payments to sub-contractors is deemed to be part of the consideration received by the sub-contractor on which he/she must account for VAT. If, for example, €397 of an amount due to a sub-contractor is withheld because of Income Tax from €1,135 [€1,000 + €135 VAT] and the amount actually paid is €738 [€397 (35% of the gross amount) withheld for Income Tax] the sub-contractor is deemed for VAT purposes to have received €1,135 and must, therefore, account for VAT on the full amount of €1,135.

With effect from 1 September 2008 VAT on construction services supplied by a sub-contractor should be accounted for on a reverse charge basis by the principal contractor. The sub-contractor will be paid only on a VAT-exclusive basis. The principal contractor will account for VAT on the full consideration charged by the sub-contractor, including RCT withheld. RCT should be assessed on the VAT-exclusive consideration.

12.8 Credit card transactions

As indicated in paragraph 9.5, in the case of credit card transactions the taxable amount is the total amount actually charged to the customer by the supplier. Amounts withheld by credit card companies from their settlements with suppliers are part of the supplier's taxable amount. This applies also where a trader accounts for VAT on the moneys received basis.

12.9 Changing from invoice/sales basis to moneys received basis

Where a VAT-registered person already accounting for VAT on the invoice basis obtains permission to change to the moneys received basis, that trader is liable for VAT on any moneys received on and after the approved date of the change, excluding any payments on which VAT has already been accounted for in respect of goods and services supplied while accounting on the invoice basis.

12.10 Changing from moneys received basis to invoice/sales basis

Where a VAT-registered person already accounting for VAT on the moneys received basis changes to the invoice basis, or ceases to be a taxable person, liability for VAT on outstanding debtors at the time of the change must be paid.

The adjustment for the VAT due is made by reference to the VAT due on outstanding debtors.

The adjustment is based on the amount due to the taxable person in respect of taxable supplies at the date of cessation (*i.e. the outstanding debtors*). The outstanding debtors should be apportioned between the VAT rates in the same ratio as that of supplies at each rate for the last 12 months that the cash basis applied (or for the period of authorisation if this is less).

12.11 Credit notes

VAT-registered persons accounting for VAT on the basis of moneys received must issue to a VAT-registered customer or other person entitled to a VAT invoice, a credit note showing VAT if there is a discount or price reduction allowed subsequent to the issue of an invoice. The effect of the credit note is to reduce any VAT deduction available to the customer on the basis of the original invoice. This has no effect on the liability of the person issuing the credit note since he or she is calculating liability by reference to the moneys actually received. However, where a supplier fails to issue a VAT credit note, the moneys received basis of accounting is considered not to have applied to the amount for which the credit note should have been issued.

12.12 Special schemes for estimation of sales by retailers

Some retailers who account for VAT on a cash receipts basis may encounter difficulty in determining the amounts of their sales of goods at different rates of tax. Where all sales are inclusive of tax and the retailer has no facility at check-out point for dividing the receipts from the sales of goods at the different rates of VAT, special schemes are available to assist the retailer in segregating his or her total receipts for the purpose of calculating the VAT due.

The schemes cater for different classes of retailers with small to large turnovers and relate to retail sales of goods chargeable at the zero, 13.5% and 21% VAT rates.

In order to calculate the tax due in a taxable period a retailer must know the amount of purchases at the different rates of VAT and the total retail sales for the respective period. The retailer uses this information to apportion the trading receipts to calculate the VAT due on sales.

There are three different Schemes for Retailers plus a Special Scheme for Chemists. The types of business and the appropriate and alternative Schemes are as follows:

Annual Turnover (VAT-inclusive)	Appropriate Scheme	Alternative Scheme
Under €500,000	Scheme 1	Scheme 2, 3
€500,000 to €1,500,000	Scheme 2	Scheme 3
Over €1,500,000	Scheme 3	No alternative

The schemes may be used only by retailers who:

- sell goods chargeable at two or more VAT rates, and
- do not have facilities for segregating receipts at point of sale into the different rates and cannot reasonably be expected to do so (see paragraph 12.13), and
- sell goods in the form in which they buy them i.e. without applying any further process in their production/manufacture.

The use of schemes by retailers is not obligatory. Retailers should check and ensure that over a number of taxable periods the estimated sales figures at each rate of tax indicate a realistic mark-up when compared to the purchases at each rate over the same period. Schemes 2 and 3 involve the calculation of an average or weighted mark-up for each VAT rate. As part of an audit, the Revenue Auditor will check that the VAT returns reflect the mark-ups and product mix of the retailer and may raise assessments where it appears that the returns do not do so accurately. Retailers should retain copies of the calculations in this regard.

The schemes **may not be used** in the following circumstances:

- Where a retailer uses Electronic point of sale (EPOS) equipment capable of accurately recording sales at the various applicable VAT rates.
- Where a retailer is selling second-hand goods under the Margin Scheme (see VAT Information Leaflet 'Margin Scheme – Second-Hand Goods').
- Where a retailer has receipts from the provision of services. Where a retailer has combined receipts from services and the sale of goods, the receipts and inputs in respect of the services should be separated out. The balance of the receipts from retail sales should then be segregated between the various VAT rates by using the appropriate scheme.
- Where a retailer is selling goods that the retailer has processed. For example, the purchase of materials for making sandwiches where such an activity forms part of, say, a supermarket cafe business. The purchases and receipts from such sales should be treated separately,
- Where a retailer is supplying hot take-away food. The retailer must exclude purchases of zero-rated food that are chargeable to VAT at the 13.5% rate on the onward supply. The receipts from sales of this food must also be excluded from the total receipts for the purposes of the appropriate retailers scheme,
- Where a retailer has agreed an otherwise acceptable method of segregating sales at each VAT rate with the local Revenue District.

12.13 Electronic point of sale/Scanning equipment (EPOS)

Persons whose point of sale equipment (typically by means of scanning bar codes) is capable of accurately recording sales at the various VAT rates should use the data produced by the system when completing their VAT returns.

VAT analysis based on till readings, which require the operator of the till to identify the VAT rate applicable and to segregate sales into different VAT rates, is not normally acceptable. In such circumstances the traders concerned should use the appropriate Retail Scheme as set out in the VAT Information Leaflet 'Special Schemes for Retailers'.

Chapter 13

Reverse Charge for Construction Services

New VAT rules for principal contractors and sub-contractors from 1 September 2008.

From 1 September 2008, there are major changes in how principal contractors and sub-contractors in the construction industry account for VAT.

13.1 Who is affected?

The new system applies to principal contractors and sub-contractors involved in construction operations to which Relevant Contracts Tax (RCT) applies (but excluding haulage for hire).

RCT applies when a principal contractor is obliged to deduct tax @35% from payments to a sub-contractor or would have to do so but for the fact that the principal contractor holds a Relevant Payments Card (RCT 47) for that sub-contractor. Public bodies, including local authorities, who receive construction services are principal contractors for RCT purposes and the person who contracts to provide such services to a public body is regarded as a sub-contractor.

13.2 What is the change?

Prior to 1 September 2008 the charge that a sub-contractor makes to a principal contractor includes VAT on that service. The principal pays the sub-contractor and the sub-contractor passes on the VAT to the Revenue Commissioners.

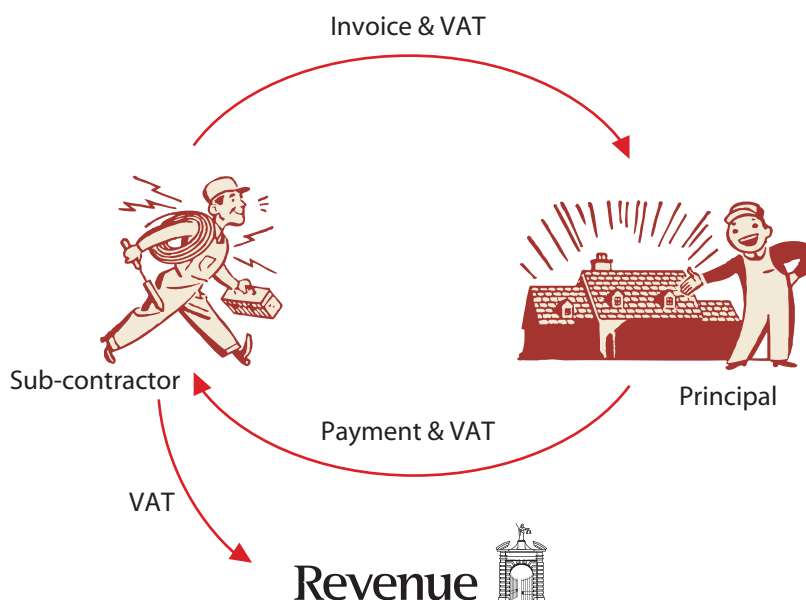
From 1 September 2008 the charge the sub-contractor makes to a principal contractor does not include VAT. Instead the principal contractor calculates the VAT on the amount charged by the sub-contractor and pays the VAT directly to the Revenue Commissioners through his/her VAT return.

13.3 Does the new system apply to all services supplied by a sub-contractor?

No. VAT on construction services that are not subject to RCT will continue to be taxed under the normal VAT system. For example, a builder who builds an extension for a private individual, or an electrician who installs a new alarm system in a shop should charge and account for VAT on the supply. The reverse charge does not apply to these supplies.

As many construction service providers are involved in different types of contracts (e.g. a builder may be acting as principal in one contract, as a sub-contractor in another and supplying services that are not subject to RCT under another contract) it is important to be aware of how the system operates.

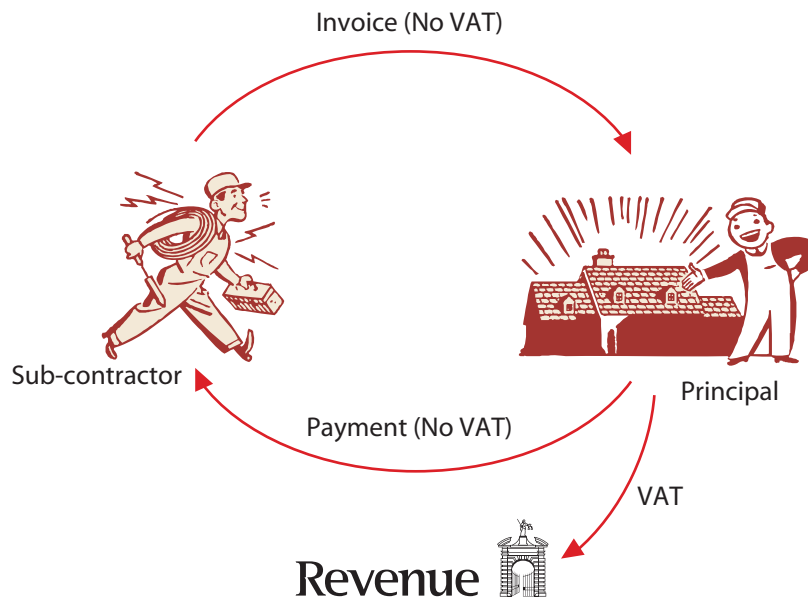
System before 1 September 2008



The position up to 1 September 2008 is as follows:

- A VAT-registered sub-contractor invoices the principal contractor for construction services provided.
- The invoice shows the consideration plus the VAT rate(s) and the amount of VAT at the relevant rate(s).
- The principal contractor pays the sub-contractor for the services. This payment includes VAT.
- Unless the principal contractor holds a Relevant Payments Card for the sub-contractor, the principal contractor deducts RCT @ 35% from the full payment including VAT.
- The sub-contractor includes the VAT on the construction services in his/her VAT return to Revenue.
- Where entitled to do so the principal claims an input credit for the VAT incurred in his/her VAT return.

System on or after 1 September 2008



From the 1 September 2008 the principal accounts for the VAT on services received from a sub-contractor under what is known as the reverse charge.

- The charge for services by the sub-contractor does not include VAT on the services.
- The VAT registered sub-contractor issues an invoice to the principal, which shows all the same information as appears on a VAT invoice, except the VAT rate and VAT amount. The invoice should include the VAT registration number of the sub-contractor.
- The invoice should also contain the statement 'VAT ON THIS SUPPLY TO BE ACCOUNTED FOR BY THE PRINCIPAL CONTRACTOR'¹
- The principal contractor pays the sub-contractor for the services. This payment should not include VAT.
- If RCT is to be deducted, it should be calculated on the VAT-exclusive amount.
- The principal contractor should include the VAT on the services received from the sub-contractor in his/her VAT return for the period in which the supply is made as VAT on Sales (T1).²
- Where entitled to do so, the principal can claim a simultaneous input credit in his/her VAT return for the period.³

¹ If agreed by both the principal contractor and the sub-contractor the principal may issue the invoice.

² In the case of a payment in advance of completion of the supply, the principal will include the VAT on the payment in his/her VAT return for the period in which the payment is made.

³ Principal contractor for RCT purposes includes local authorities, Government Departments and boards established by or under statute. Many of these bodies would not be entitled to VAT input credit.

13.4 Examples

The following examples illustrate the effects of the change. The services in question are invoiced in September/October 2008.

Example 27

A Ltd is renovating a factory building for a manufacturing company. A Ltd invoices the manufacturing company in October 2008 as follows:

Construction services	€740,740
VAT @13.5%	€100,000
Total	€840,740

These services do not come within the reverse charge since A Ltd is not a sub-contractor to the manufacturing company for RCT purposes.

B, a building contractor, supplies services to A Ltd. A Ltd is the principal contractor and B is the sub-contractor. A Ltd does not hold a Relevant Payments Card for B.

B incurred €13,000 VAT on purchases in September/October 2008 for the purposes of his business.

B charges A Ltd €600,000 in September 2008 for the building services. B does not charge any VAT on this amount. A Ltd accounts for the VAT on the construction services from B. VAT chargeable on the services @13.5% = €81,000.

As the construction services provided by the sub-contractor to the principal were invoiced during September/October 2008 the VAT on these services is accounted for by reverse charge.

September/October 2008 VAT Return - A Ltd - Principal contractor

<p>Bank Details - to be completed if Payment is being made by bank (do not complete this section if a repayment is being made)</p> <p>Branch Sort Code</p> <p>Account Number</p> <p>Debit Amount</p> <p>Please debit my account</p> <p>Value of Goods</p> <p>E1</p> <p>Value of Goods</p> <p>E2</p>	<ul style="list-style-type: none"> In its September /October 2008 VAT return A Ltd includes VAT €181,000 as VAT on Sales (i.e. VAT on its own sales of €100,000 plus reverse charge VAT €81,000 on services received from B). A Ltd can claim input credit for €81,000 reverse charge VAT in the same return. A Ltd should pay Revenue €100,000. A Ltd would deduct RCT from the payment due to B (amount deducted €600,000 @ 35% = €210,000) 	<p>Case complete below, detach and return</p> <p>VAT on Sales: 1 8 1 0 0 0 .00</p> <p>VAT on Purchases: 8 1 0 0 0 .00</p> <p>Excess of T1 over T2 (Payable): 1 0 0 0 0 0 .00</p> <p>Excess of T2 over T1 (Repayable): .00</p> <p>Amount of Payment: 1 0 0 0 0 0 .00</p> <p>I declare that this is a correct return of Value Added Tax for the period specified.</p> <p>Date: -</p> <p>VAT3 B</p>
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September/October 2008 VAT Return - B, Sub-contractor.

<p>Bank Details - to be completed if Payment is being made by bank (do not complete this section if a repayment is being made)</p> <p>Branch Sort Code</p> <p>Account Number</p> <p>Debit Amount</p> <p>Please debit my account</p> <p>Value of Goods</p> <p>E1</p> <p>Value of Goods Received from other EU Countries</p> <p>E2</p>	<ul style="list-style-type: none"> B does not account for VAT on the services supplied to A Ltd. As B only does work for a principal contractor his VAT on sales figure is nil. B is entitled to his input credit of €13,000. He is entitled to a repayment of €13,000. 	<p>Case complete below, detach and return</p> <p>VAT on Sales: 0 .00</p> <p>VAT on Purchases: 1 3 0 0 0 .00</p> <p>Excess of T1 over T2 (Payable): .00</p> <p>Excess of T2 over T1 (Repayable): 1 3 0 0 0 .00</p> <p>Amount of Payment: .00</p> <p>I declare that this is a correct return of Value Added Tax for the period specified.</p> <p>Signed: - Date: -</p> <p>VAT3 B</p>
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Example 28

The facts are as in Example 27 but B also does building work for private householders in September/October 2008. RCT does not apply to this work. He accounts for VAT €70,000 in respect of these supplies.

C is a sub-contractor, who has his own electrical business, but who does occasional work for B. C's only supplies in this period are made to B. C is registered for VAT. He charges B €48,000. C has incurred VAT of €1,000 for which he is entitled to input credit.

B is a principal contractor in respect of the electrical services he receives from C. (For A Ltd see Example 27).

B, Building Contractor

<p>Bank Details - to be s Payment is being made (do not complete this section) ⇒ A repayment is being</p> <p>Branch Sort Code</p> <p>Account Number</p> <p>Debit Amount</p> <p>Please debit my account</p> <p>Value of Goods E1</p> <p>Value of Goods E2</p>	<ul style="list-style-type: none"> • B accounts to Revenue in his September/October 2008 VAT return for VAT on Sales €76,480 (i.e. €70,000 VAT charged to private householders plus €6,480 reverse charge VAT on services received from C). • B does not charge VAT on supplies to A Ltd, his principal contractor, as A Ltd accounts for VAT on these supplies on the reverse charge basis. See Example 27. • B can claim input credit of €19,480 (i.e. €6,480 (48,000 @13.5%) in respect of the reverse charge VAT on supplies from C and also other input credit of €13,000. • B has a VAT liability of €57,000 	<p>Case complete below, detach and return ↓</p> <table border="1"> <tr> <td>VAT on Sales</td> <td>7 6 4 8 0 .00</td> </tr> <tr> <td>VAT on Purchases</td> <td>1 9 4 8 0 .00</td> </tr> <tr> <td>Excess of T1 over T2 (Payable)</td> <td>5 7 0 0 0 .00</td> </tr> <tr> <td>Excess of T2 over T1 (Repayable)</td> <td>.00</td> </tr> <tr> <td>Amount of Payment</td> <td>5 7 0 0 0 .00</td> </tr> </table> <p>This is a correct return of Value Added Tax for the period specified.</p> <p>Date:-</p> <p>VAT3 B</p>	VAT on Sales	7 6 4 8 0 .00	VAT on Purchases	1 9 4 8 0 .00	Excess of T1 over T2 (Payable)	5 7 0 0 0 .00	Excess of T2 over T1 (Repayable)	.00	Amount of Payment	5 7 0 0 0 .00
VAT on Sales	7 6 4 8 0 .00											
VAT on Purchases	1 9 4 8 0 .00											
Excess of T1 over T2 (Payable)	5 7 0 0 0 .00											
Excess of T2 over T1 (Repayable)	.00											
Amount of Payment	5 7 0 0 0 .00											

C, Electrical Contractor

VAT RETURN (FORM B) (PAYSLIP)		Please complete below, detach and return ↓	
<p>Bank Details - to be supplied by the payee Payment is being made by the payee (do not complete this section) ⇒ A repayment is being made by the payee</p> <p>Branch Sort Code</p> <p>Account Number</p> <p>Debit Amount</p> <p>Please debit my account</p>		<p>VAT on Sales T1 0 .00</p> <p>VAT on Purchases T2 1 0 0 0 .00</p> <p>Excess of T1 over T2 (Payable) T3 .00</p> <p>Excess of T2 over T1 (Repayable) T4 1 0 0 0 .00</p> <p>Amount of Payment .00</p>	
<p>E1 Value of Goods Sent to other EU Countries .00</p> <p>E2 Value of Goods Received from other EU Countries .00</p>		<p>I declare that this is a correct return of Value Added Tax for the period specified.</p> <p>Signed:- _____ Date:- _____</p> <p style="text-align: right;">VAT3 B</p>	

- C will not account for VAT on any supplies as C only provided services to a principal contractor. VAT on Sales is nil.
- C can claim input credit for VAT incurred of €1,000.
- C is due a repayment of €1,000.

13.5 Government Departments, local authorities and public bodies

From 1 September 2008 Government Departments, local authorities and public bodies who are principal contractors for the purposes of RCT and who receive construction services must be registered for VAT. They should no longer pay any VAT over to sub-contractors and instead should account for the VAT on services received from sub-contractors directly to Revenue through their VAT return. As these bodies are generally not carrying on any taxable activities they would not normally be entitled to claim any deduction for VAT incurred.

Example 29

A County Council contracts for the building of a road with D Ltd which charges €1,000,000 for its services in September/October 2008. For RCT purposes the County Council is a principal contractor and the construction company is a sub-contractor.

September/October 2008 VAT Return - County Council

The image shows a VAT return form with several fields filled in. Red arrows point from text boxes to specific fields on the form:

- An arrow points from the text box describing the construction company's invoice to the 'VAT on Sales' field (T1), which contains '1 3 5 0 0 0 .00'.
- An arrow points from the text box describing the County Council's VAT calculation to the 'VAT on Purchases' field (T2), which contains '0 .00'.
- An arrow points from the text box stating no VAT deductibility to the 'Excess of T1 over T2 (Payable)' field (T3), which contains '1 3 5 0 0 0 .00'.
- An arrow points from the text box stating the VAT payment to Revenue to the 'Amount of Payment' field (T4), which contains '1 3 5 0 0 0 .00'.

The form also includes sections for 'Bank Details', 'Value of Goods', and a date field.

13.6 Two-Thirds rule

Where the VAT exclusive cost of goods supplied in the course of providing a service exceeds two-thirds of the total VAT exclusive charge for the supply, the rate of VAT applicable is the rate that applies to the goods.

The two-thirds rule does not apply where the reverse charge applies.

13.7 Supply of goods only

The reverse charge will not apply to a supply of goods where that supply is not part of a construction service that is subject to RCT.

13.8 Commencement

The new system will apply with effect from 1 September 2008. It will not apply to any invoice that is issued before that date or that should have been issued before that date.

13.9 Records

Both principal contractors and sub-contractors should ensure that their records and accounting systems can deal with the new system.

13.10 Sub-contractors established outside the State

A sub-contractor who is established outside the State, and whose only supplies in the State are to principals, is no longer required to be VAT registered in the State. He/she will however need to register for VAT for the purposes of claiming any refund of VAT. A sub-contractor who is established outside the State but who also provides construction services to customers other than principal contractors must register for VAT irrespective of the level of his/her turnover.

13.11 Further information

Further information is also available on the Revenue website (www.revenue.ie).

Chapter 14

Invoices, credit notes etc.

This Chapter sets out the rules relating to the issue of invoices, credit notes and other documents and outlines the importance of these documents in the operation of the VAT system. It should be read in conjunction with VAT Information Leaflet 'Invoicing'.

14.1 Importance of invoices and credit notes

The information given on invoices and credit notes normally establishes the VAT liability of the supplier of goods or services and the entitlement of the customer to a deduction, where applicable, for the VAT charged. Accountable persons are legally obliged to issue and carefully retain these documents. The checking of these documents forms a most important part of the periodic examination which Revenue makes of a trader's VAT position. VAT law lays down specific requirements for the issue and retention of invoices, credit notes and related documents.

Persons who issue invoices and credit notes, and persons to whom these documents are issued, should ensure that the documents accurately represent the transactions to which they refer. Failure to do so may have serious consequences for all parties concerned. If, for example, a wholesaler issues an invoice to a retailer describing as zero-rated goods which are in reality taxable at the standard rate (currently 21%), the wholesaler is nonetheless liable for VAT at the 21% rate and also by his or her action, open to prosecution. The retailer is likewise liable at the 21% rate on the subsequent supply, despite the misleading description and is open to prosecution should he or she account at the incorrect rate. In the same way, invoices must accurately represent a supplier's charge whether the supply is an outright sale, a hire-purchase or any other transaction.

In the case of hire-purchase transactions a finance house is deemed to buy and sell the goods. Accordingly, it must issue a VAT invoice where the supply is to an accountable person or other person entitled to a VAT invoice. An accountable person is entitled to claim a VAT deduction on the strength of the invoice from a finance house setting out the VAT payable subject to the normal VAT deductibility rules.

14.2 Who is obliged to issue a VAT invoice?

An accountable person who supplies taxable goods or services is obliged to issue a VAT invoice where it is issued to the following:

- Another accountable person,
- A Department of State,
- A local authority,
- A body established by Statute,
- A person who carries on an exempt activity,
- A person other than a private individual in another EU Member State,
- An unregistered person in another EU Member State under distance selling rules,
- A person in another EU Member State where a reverse charge to VAT applies in the hands of the customer,
- If requested in writing, to an unregistered person in the State, who is entitled to a repayment of such VAT.

With effect from 1 September 2008 where a sub-contractor registered for VAT in the State or a non-established sub-contractor supplies construction services to a principal contractor involved in construction operations in the State, as defined by Section 530 of the Taxes Consolidation Act 1997, VAT is accounted for on a reverse charge basis by the principal contractor (please refer to paragraph 2.11). In such circumstances, such a sub-contractor is obliged to raise a document in respect of the supply which must indicate that the principal contractor is liable to account for the VAT chargeable on the supply. Alternatively, the principal, by agreement with the sub-contractor, may issue a settlement voucher in respect of the supply (see Chapter 13).

14.3 Form of VAT invoice

An accountable person who supplies taxable goods or services to an accountable person or other person mentioned at paragraph 14.2 above, is obliged to issue a VAT invoice showing the following particulars:

- (a) the date of issue of the invoice,
- (b) a sequential number, based on one or more series, which uniquely identifies the invoice,
- (c) the full name, address and the registration number of the person who supplied the goods or services to which the invoice relates,
- (d) the full name and address of the person to whom the goods or services were supplied,
- (e) in the case of a reverse charge supply the Value-Added Tax identification number of the person to whom the supply was made and an indication that a reverse charge applies,
- (f) in the case of a supply of goods, other than a reverse charge supply, to a person registered for value-added tax in another EU Member State, the person's Value-Added Tax identification number in that EU Member State and an indication that the invoice relates to an intra-Community supply of goods,

- (g) the quantity and nature of the goods supplied or the extent and nature of the services rendered,
- (h) the date on which the goods or services were supplied or, in the case of early payment prior to the completion of the supply, the date on which the payment on account was made, in so far as that date differs from the date of issue of the invoice,
- (i) in respect of the goods or services supplied:
 - (i) the unit price exclusive of tax,
 - (ii) any discounts or price reductions not included in the unit price, and
 - (iii) the consideration exclusive of tax,
- (j) in respect of the goods or services supplied, other than reverse charge supplies:
 - (i) the consideration exclusive of tax per rate of tax, and
 - (ii) the rate of tax chargeable,
- (k) the tax payable in respect of the supply of the goods or services, except:
 - (i) in the case of a reverse charge supply, or
 - (ii) in the case of margin scheme goods, goods supplied under the special scheme for auctioneers or means of transport supplied under that special scheme,
- (l) in the case where a tax representative is liable to pay the VAT in another EU Member State, the full name and address and the Value-Added Tax identification number of that representative.

It should be noted that an accountable person is required if requested in writing to issue a VAT invoice in respect of a transaction with an unregistered person in the State who is entitled to a repayment of the VAT. An accountable person is not required to issue a VAT invoice to an unregistered person otherwise, but may do so if he or she so wishes.

Sample standard invoice

INVOICE	
VAT No IE4513111R	No. of Invoice 130 Date of Invoice 19/3/2007 Date of Supply 10/3/2007
<u>From</u> J.Brown & Co. 268 Cork St, Dublin.	<u>To</u> L.White & Co. 826 Dublin St, Cork.
12 Mahogany tables at €400 each	€4,800
VAT at 21%	<u>€1,008</u>
Total payable	€5,808

14.4 Increase in invoiced amounts – Supplementary invoices

Because the amount of VAT shown on an invoice affects the VAT liability of both the VAT-registered supplier and the VAT-registered customer, any change in the amount of VAT payable or deductible on an invoice must be properly vouched.

If, subsequent to the issue of an invoice, the amount charged is increased, a supplementary invoice must be issued by the supplier on which the increase in the charge and the appropriate VAT must be shown.

14.5 Decrease in invoiced amounts – Credit notes

When the amount of VAT payable as shown on an invoice is reduced because of an allowance or discount or similar adjustment, the person who issues the VAT invoice must issue a credit note stating the amount of the reduction in the price and the appropriate VAT. The trader (supplier) may then reduce his or her liability by the amount on the credit note in the taxable period in which the credit note is issued, and the recipient must increase his or her liability by the same amount. All credit notes must contain a reference to the corresponding invoices.

Where the supplier is accounting for VAT on the moneys received basis, a credit note showing VAT must always be issued. The VAT deduction or credit available to the customer on the basis of the original invoice is reduced as a result of the issue of the credit note. Where a supplier fails to issue a VAT credit note, the moneys received basis of accounting is deemed not to apply to the discounted amount in the circumstances.

14.6 Where a credit note is not required

Where the VAT-registered supplier on the invoice/sales basis and VAT-registered customer agree in respect of a transaction not to make any change in the VAT shown on the original invoice, even though the price charged may subsequently be reduced, there is no obligation to issue a credit note in respect of the VAT. If a discount, for example, is taken by the purchaser on the VAT as well as on the price, a credit note must be issued by the seller and, if the seller is accounting for VAT on the sales or invoice basis, the seller must then adjust his or her VAT liability downwards and the customer must adjust his or her VAT liability upwards. Where the discount is taken only on the goods, and the amount of VAT originally invoiced is allowed to stand, no adjustment for VAT is necessary and a VAT credit note is not required.

14.7 Settlement vouchers and debit notes

Where settlement vouchers and debit notes are used instead of invoices and credit notes, as is often the case with commercial transactions, these documents must contain also the VAT registration number, if any, of the person issuing them and the VAT registration number of the supplier, in addition to all the other details required to be shown by an accountable person on invoices and credit notes. (See however, paragraph 2.11 for the position of principal contractors on or after 1 September 2008). It is a condition that the supplier of goods or services be prepared to accept such documents for VAT purposes. If accepted, the supplier is subject to the same obligations as if he or she had issued an invoice or credit note.

14.8 Time limit for issuing VAT invoices and credit notes

If a VAT invoice is required to be issued, it must be issued within fifteen days of the end of the month in which goods or services are supplied. **Failure to issue a VAT invoice in time leaves a supplier open to prosecution.**

14.9 Outsourcing of invoices etc.

The issuing of invoices etc. may be outsourced by an accountable person provided the invoice is issued by a person who acts in the name and on behalf of the supplier and all conditions imposed by VAT law in relation to the form, content and issue of the invoice are met.

14.10 Incorrect rate of VAT charged – Credit note and revised invoice required

Where a person issues a VAT invoice that shows a rate of VAT which is subsequently found to be higher than the rate correctly applicable, the person must issue a credit note cancelling the invoice and must then issue a revised invoice. This may arise, for example, in relation to an intra-Community supply where the supplier charges VAT initially (e.g. because of being unsure that the goods will leave the State) and subsequently is satisfied that the goods should have been zero-rated. However, the rule is not confined to intra-Community supplies; it is equally applicable in the case of internal supplies where tax is charged at the standard rate when a reduced rate is in fact applicable.

A VAT-registered trader who issues an invoice showing a greater amount of VAT than is correct for the transaction is liable for the whole amount of VAT invoiced. If the trader issues a credit note showing a lesser amount of VAT than is correct, he or she is liable for the deficiency. **In either case the trader may also be liable to penalties. (See Chapter 17 for details).**

14.11 Payments received in advance

Where payment in full or by instalments for goods or services supplied to a VAT-registered person is made before the completion of the supply, the person receiving payment must issue an invoice in the proper form not later than the 15th day of the month following that during which each such payment was received. This does not apply in the case of intra-Community supplies of goods.

As outlined in paragraph 3.9 where a supplier retains a deposit in the event of cancellation of the whole transaction by the customer the supplier may reduce his or her liability by an amount equal to the amount accounted for on the deposit. In these circumstances the supplier is required to issue to the customer a document which is to be treated as a credit note. Where the customer is an accountable person and was entitled to a credit for the VAT charged on the deposit then he or she is required to adjust his or her VAT liability by the amount on the document.

14.12 Invoices issued by unregistered persons

Where an invoice showing an amount of VAT is issued by a person who is not registered for VAT, that person is liable for the VAT shown on the invoice **and is also liable to prosecution.** (See Chapter 17).

14.13 Invoices, credit notes etc. issued in foreign currency

Invoices issued for VAT purposes in amounts expressed in foreign (non-euro denominated) currency must contain the corresponding figures in euro. The copy of the invoice which is required to be retained must show the same figures. This applies also to credit notes etc.

14.14 Converting foreign currency invoices

The selling rate recorded by the Central Bank at the time the VAT becomes due should be used when converting foreign currency invoices. In practice the Central Bank rates for most major currencies appear on a daily basis in the newspapers. It is possible, by agreement with Revenue, to use an alternative method of determining the exchange rate e.g. the rate determined on a calendar month basis under the monthly rate of exchange system for Customs valuation purposes, subject to the condition that the agreed method must be used in respect of all the person's foreign currency transactions. Traders who wish to avail themselves of this facility should write to their local Revenue District indicating the exchange rate method they propose to use.

14.15 Simplified invoicing

Simplified arrangements for issuing invoices, credit notes, settlement vouchers or debit notes may be agreed with Revenue:

- when commercial, technical or administrative practices in a particular business sector make it difficult to comply with general invoicing requirements, or
- if the amount of the invoice is minor.

Under a simplified arrangement the relevant documents must include the following details:

- the date of issue,
- the identification of the supplier, including the supplier's VAT number,
- the identification of the types of goods or services supplied, and
- the tax due or the information needed to calculate the tax due.

Applications for approval of simplified invoicing arrangements should be made to VAT Interpretation Branch, Indirect Taxes Division, Revenue Commissioners, via the applicant's Revenue District.

14.16 Electronic (paperless) invoicing

It is open to accountable persons to operate an electronic invoicing system provided the particulars to be contained in such invoices or other documents are recorded, retained and transmitted electronically by a system that ensures the integrity of those particulars and the authenticity of their origin.

Invoices etc. may be transmitted between trading partners using either an electronic data interchange (EDI) system, or an advanced electronic signature (AES) and associated system, which satisfy the requirements set out below. An accountable person may also use a different electronic system to the EDI or AES systems, provided the requirements in question are met and the person notifies Revenue accordingly.

The electronic system in use must be capable of:

- producing, retaining and storing, and making available to a Revenue officer on request, electronic records and messages in such form and containing such particulars as are required for VAT purposes,
- reproducing paper copies of such records or messages,
- allocating a unique identification number for each message transmitted, and
- maintaining the electronic records in such manner as allows their retrieval by reference to a trading partner or the unique identification number of the message.

The system in use must also:

- preclude the repeated transmission of a message and the omission of a message from the electronic record,
- verify the origin or receipt of a message from a trading partner, and
- guarantee the integrity of the contents of a message or an electronic record related to that message during transmission and during the period for the retention of records for VAT purposes.

14.17 Construction services supplied to a principal contractor

From 1 September 2008 a principal contractor receiving construction services from a sub-contractor must account for the VAT on a reverse charge basis. The VAT registered sub-contractor will issue a document to the principal, which will show all the same information as required on an invoice, except the VAT rate and VAT amount. The document will also contain a statement to the effect that the VAT is to be accounted for by the principal on the reverse charge basis. The principal will pay the sub-contractor the VAT-exclusive amount, less RCT (if relevant) calculated on the VAT-exclusive amount. The principal will account for the VAT in the relevant VAT return on the RCT inclusive basis and claim a simultaneous input credit in that period, where the principal is entitled to input credit. See Chapter 13.

Chapter 15

Records to be kept

This Chapter sets out the VAT record-keeping requirements that must be complied with by all VAT-registered persons.

15.1 General

A VAT-registered person must keep full and true records of all business transactions which affect or may affect his or her liability to VAT and entitlement to deductibility. The records must be kept up to date and must be sufficiently detailed to enable a trader to accurately calculate liability or repayment and also to enable Revenue to verify the veracity of the underlying transactions if necessary. Advice on record-keeping is available from the local Revenue District. (See Appendix O for list of Revenue District Addresses).

15.2 Records of purchases

The records of purchases should distinguish between purchases of goods intended for re-sale and goods or services not intended for re-sale in the ordinary course of business. The records should show the date of the purchase invoice and a consecutive number (in the order in which the invoices are filed), the name of the supplier, the cost exclusive of VAT and amount of VAT shown. Purchases at each rate must be recorded separately. The same information should be recorded in respect of imports and intra-Community acquisitions.

15.3 Sales records

In general, the record of sales must include the amount charged in respect of every sale to a VAT-registered person and a daily entry of the total amount charged in respect of sales to unregistered persons, (but see, however, paragraph 12.12 dealing with Special Schemes for Retailers) distinguishing in all cases between taxable transactions liable at each different rate of VAT (including the zero rate) and exempt transactions. All such entries should be cross-referenced to relevant invoices, sales docket, cash register tally rolls, delivery notes etc. A balanced cash book is essential for VAT. Persons who are authorised to account for VAT on the basis of moneys received are not relieved of the obligation to retain all documents they issue for the purposes of their business.

Persons involved in intra-Community trade also have requirements in relation to retention of records as regards certain transfers of goods to other EU Member States (see Chapter 5 for further information).

15.4 Discounts and price reductions

Discounts or reductions made or received, and affecting the amount charged, should be recorded in the same manner as purchases and sales.

15.5 Retention of records by accountable persons

An accountable person must retain all books, records and documents relevant to the business, including invoices, credit and debit notes, receipts, accounts, cash register tally rolls, vouchers, VIES and Intrastat returns, stamped copies of SAD's and other import documents and bank statements. These business records must be preserved in their original form for six years from the date of the latest transaction to which they refer unless the written permission of the relevant Revenue District has been obtained for their retention for a shorter period.

Invoices that have been issued in paper form must be retained in paper form. Electronic retention of invoices is only accepted where they were originally issued electronically. Copies of original invoices produced by microfilming or other copying process are not acceptable.

Records not stored electronically in accordance with SI No. 504 of 2004 and Section 887 of the Taxes Consolidation Act 1997 i.e. paper records, must be stored within the State unless Revenue agrees otherwise, subject to conditions.

15.6 Conferences – Retention of records

An accountable person who claims deductibility in respect of qualifying accommodation in connection with a qualifying conference must retain full and true records in relation to the attendance by that person, or his or her representative, at the qualifying conference.

The organizer of a qualifying conference is obliged to issue to the accountable person details of the conference organized as well as retaining such details in his/her possession.

For further details please see VAT Information Leaflet 'Conferences – VAT Deductibility'.

15.7 Retention of records by taxable persons

Persons who carry on business, even though they may not be accountable persons, must for VAT purposes keep all invoices issued to them in connection with the business and copies of customs entries in respect of goods imported.

15.8 Electronic invoicing and storage

A person who issues or receives electronic invoices etc. must retain and store them and related electronic records. In addition they must store details such as the form of encryption, electronic signature and details of the format in which they can be accessed.

15.9 Inspection of records

Authorised Revenue officers have extensive powers in regard to the inspection of records and failure by accountable persons or their employees or associates to co-operate with the officers is an offence. These officers will have proof of their identity. They may check the person's VAT returns against their records and they may cross-check invoices against the suppliers' and customers' records. Returns for VAT may also be checked against the trading accounts submitted for other taxes including Income and Corporation tax. Failure to produce records on request by an authorized Revenue officer is an offence.

15.10 Property transactions

Under the new VAT on Property system, records are required to be kept e.g. for the Capital Goods Scheme, the landlords option to tax lettings and the joint option to tax sales.

Chapter 16

VAT rates

This Chapter outlines the different rates of VAT currently applicable and describes the circumstances under which such rates apply. A detailed listing of the rates applicable to an extensive listing of goods and services is available on the Revenue website at www.revenue.ie.

16.1 Goods and services attracting VAT at the standard rate, currently 21%

All goods and services other than those specified as being exempt or liable at the zero or 13.5% rates (see Appendices A to C and Appendix G in certain circumstances) are liable to VAT at the standard 21% rate. The only exceptions are livestock, greyhounds and the hire of horses which are currently liable at 4.8%.

It would not be feasible to compile a definitive list of the coverage of the 21% rate but an indication of its scope is given at Appendix D.

16.2 Goods and services attracting VAT at the zero rate

Goods and services which attract the zero rate of VAT include exports, intra-Community supplies of goods to VAT-registered persons in other EU Member States (see Chapter 5), certain food and drink, oral medicine, certain books and booklets, certain animal feeding stuffs, certain fertilisers, seeds and plants used to produce food, clothing and footwear appropriate to children under 11 years of age and supplies to VAT-registered persons authorised by Revenue under the VAT 13A Scheme (see paragraph 16.3 below). Full details are contained in Appendix B.

16.3 Zero-rating under the VAT 13A Scheme

This scheme provides that an accountable person who derives not less than 75% of his annual turnover from supplies of goods out of the State, can apply to have most goods and services supplied to him or her and intra-Community acquisitions and imports made by him or her zero-rated. The zero-rating does not apply to supplies of goods or services which would not in the normal course be deductible. Therefore, the supply or hire of any passenger motor vehicles, the supply of petrol, and the provision of services consisting of the supply of food, drink, accommodation (other than in connection with a qualifying conference (see paragraph 10.7)), entertainment or other personal services and other non-deductible purchases. A VAT-registered trader who thinks that he or she might qualify under this scheme should make application to the Revenue District responsible for his/her tax affairs.

A VAT-registered group (i.e. where a number of companies are treated as a single taxable person for VAT purposes) may only be authorised under Section 13A of the VAT Act where at least 75% of the group's total annual turnover is derived from zero-rated intra-Community supplies of goods or exports and certain supplies of contract work. Sales between individual group members are ignored for this purpose. The turnover from sales outside the group, which involve the subsequent leaseback by any member of the group, of the goods sold, is also excluded for the purposes of determining whether the group qualifies for the scheme. Individual members of VAT groups may not obtain section 13A authorisations unless the group as a whole is a qualifying person. (See also paragraph 2.21).

Please see VAT Information Leaflet 'Section 13A – Zero rating of Goods and Services'.

16.4 Goods and services attracting VAT at the 13.5% rate

Goods and services which attract VAT at 13.5% include certain fuels, building services, newspapers, magazines and periodicals, repair, cleaning and maintenance services generally, holiday accommodation, certain photographic supplies, restaurant services, and provision of commercial sporting facilities. Full details are contained in Appendix C. The 13.5% rate also applies to goods listed in Appendix G supplied in circumstances specified in section 11 (1AA) of the VAT Act.

16.5 Exemptions

The goods and services which are exempted from VAT are listed in Appendix A. Exempt goods and services consist principally of financial, medical and educational activities as well as admissions to and promotion of certain live theatrical and musical performances. Exemption from VAT means that the persons engaged in the exempt activities are not liable for VAT on their receipts and are not entitled to a credit or deduction for VAT borne on their purchases. **It is emphasised that exempt persons are not entitled to receive taxable goods or services free of VAT, simply because they are exempt from charging VAT on their supplies.**

The position of a business with both exempt and taxable activities is explained in paragraph 10.10.

16.6 Difference between exemption and zero-rating

These terms appear to have the same meaning, but only to the extent that both exempt and zero-rated supplies do not attract what is referred to as a positive rate of VAT. They are different however to the extent that a VAT-registered person making zero-rated supplies (for example, a book shop or food store) is entitled to a refund of VAT on the business purchases (for example, shop fittings, wrapping materials, cash registers etc.) while normally a VAT exempt trader is not entitled to any refund of VAT on purchases in respect of the business.

16.7 Repayments

There are special provisions for repayment of VAT to unregistered persons in certain cases i.e. on farm buildings by unregistered farmers, on certain purchases by foreign traders in the State, on certain supplies to unregistered sea-fishermen, disabled persons, diplomats etc. A VAT Information Leaflet entitled 'Repayments to Unregistered Persons' is available.

16.8 Intra-Community acquisitions and imports

VAT is chargeable on intra-Community acquisitions of goods, imports of goods and certain services received from abroad, including Fourth Schedule services, at the rates which apply to supplies of similar goods and services within the State. Please see VAT Information Leaflets 'EU intra-Community Acquisitions', 'EU intra-Community Supplies', 'Fourth Schedule Services', 'Margin Scheme – Second-Hand Goods', 'VAT on Telecommunications Services' and 'VAT on e-Services and Broadcasting'.

16.9 Formal determination of rate

On the request in writing from an accountable person, Revenue will formally determine:

- (i) whether or not any particular activity is an exempted activity, and
- (ii) the rate at which VAT is chargeable in relation to the supply of goods of any kind, the supply of goods in any particular circumstances or the supply of services of any kind.

The purpose of a determination is to clarify areas of genuine doubt. Revenue may refuse to make a determination in certain circumstances. For example, they will not make one if a previous determination has been published in regard to the matter or if, in their opinion, the matter is sufficiently free from doubt.

The determination will be notified to the person who requested it. It may also be published in *Iris Oifigiúil*. A determination takes effect from the date specified for the purpose in the determination. The person concerned, or, where the determination is published in *Iris Oifigiúil*, any accountable person who in the course or furtherance of business supplies goods or services of a kind or in the circumstances specified in the determination, may, if aggrieved by the determination, appeal against it by giving notice in writing to Revenue within twenty-one days. The arrangements for hearing appeals are described in paragraph 16.10 below.

16.10 Appeals against formal determinations

The Appeal Commissioners are the first court of appeal against formal determinations. The Appeal Commissioners are separate from and independent of Revenue. They sit at various centres throughout the country and hear arguments from the appellants and Revenue on the points at issue. An appellant may present his or her case personally or may engage a professional representative such as an accountant, solicitor or barrister. If the appellant is dissatisfied with the Appeal Commissioner's ruling, he or she may appeal to the Circuit Court. Both the taxpayer and the Inspector of Taxes may appeal to the High Court on a point of law and, if necessary in turn to the Supreme Court (see also paragraph 1.19).

16.11 Letter of expression of doubt

VAT law provides that where a person is in doubt about the application of VAT law to a transaction, including the rate of VAT, he or she may lodge a letter of expression of doubt with Revenue. If the expression of doubt is accepted by Revenue as genuine, interest is not applied to any tax payable on the resolution of the matter in doubt.

In the event that Revenue refuses to accept that the expression of doubt is genuine, the taxpayer may have such refusal referred to the Appeal Commissioners. Please see VAT Information Leaflet 'Expression of Doubt'.

Chapter 17

Interest and Penalties

This Chapter sets out the rates of interest chargeable in certain circumstances. It also sets out the various penalties which can be imposed in various circumstances.

17.1 Interest on late payment of VAT and on overpayment of a VAT refund

Where VAT becomes payable by an accountable person but is not paid, simple interest is charged at a rate of 0.0322% per day, or part of a day, during which the amount remains unpaid.

Simple interest on a daily basis at that rate is also charged in cases where a VAT refund had been made but either:

1. no amount of VAT was properly refundable, or
2. the amount of VAT refunded was greater than the amount which was properly refundable.

It should be noted that if an expression of doubt is accepted by Revenue as genuine, interest is not applied to any tax payable on the resolution of the matter in doubt (see paragraph 16.11).

17.2 Interest on underpayment in direct debit scheme

Simple interest of 0.0322% on a daily basis is also charged on any balance of VAT which has been underpaid following the making of VAT payments under the direct debit scheme where more than 20% of the accountable person's actual liability for that accounting period has been underpaid. For the purposes of calculating and charging interest, the balance will be deemed to have been payable on a day which is 6 months prior to the final day for making the annual VAT return.

17.3 Interest on estimates and assessments

VAT recoverable by Revenue by means of an estimate issued under the terms of Section 22 of the VAT Act for failing to make a VAT return is regarded as falling due for the taxable period to which the notice or estimate relates. Interest at a daily rate of 0.0322% is calculated from the date on which the amount becomes payable.

VAT recoverable by Revenue by means of an assessment issued under Section 23 of the VAT Act for an underpayment by or an overpayment to an accountable person is regarded as falling due for the taxable period (or later/latest taxable periods if there is more than one) to which the notice of the assessment relates. This applies whether a notice of appeal under Section 23 has been received. Interest is, therefore, calculated from the date on which the amount becomes payable and is chargeable at a daily rate of 0.0322%, during which the amount remains unpaid.

17.4 Interest on refunds of tax by Revenue

Revenue may pay interest on refunds of VAT to a claimant in two circumstances i.e. where there is a mistaken assumption in the operation of the tax made by Revenue or where there is a delay of more than 93 days in processing a fully completed claim. Simple interest is calculated from the date on which the amount becomes payable and is chargeable at a rate of 0.011% per day, or part of a day, during which the amount remains unpaid. Interest will not be paid where it amounts to less than €10 or where any interest is paid due to the provisions of other legislation.

- Mistaken assumption in the operation of the tax

Where a mistaken assumption in the operation of the tax by Revenue results in a refundable amount of VAT being due to a claimant, interest on that amount is payable to the taxpayer. 'Mistaken assumptions in the operation of the tax' cover situations where there is a re-interpretation of an existing provision. This could arise, for example, from a decision by the Irish courts or by the European Court of Justice. It could also arise from a change in interpretation made by Revenue.

Where a mistaken assumption in the operation of the tax is made, the interest is calculated from:

- (a) in the case of an overpaid amount, from the date of receipt of that amount, and
- (b) in the case of any other refundable amount, either from
 - (i) the 19th of the month following the taxable period in which the claimant would have been entitled to receive the amount, or
 - (ii) where a VAT return is required, from the date of its receipt,to the date the amount is repaid by Revenue.

- Administrative delays

Revenue is also obliged to pay interest if a VAT repayment has not been made after the expiry of 93 days from the date of receipt of a valid claim for repayment. The claimant must provide Revenue with whatever details or records they request to validate the claim. Interest will be paid from the date of expiry of the 93 days up to the date the repayment is made, excluding the time correspondence is ongoing with the taxable person concerning the claim. It should be noted that the provision does not cover simple arithmetical errors or cases where Revenue withhold a refund pending the filing of an outstanding tax return by the taxpayer.

17.5 Penalties generally

Penalties shall be imposed for the following:

- failure to register as an accountable person..... €1,520
- failure by a flat-rate farmer to issue an invoice showing the flat-rate addition..... €1,520
- failure to keep proper books and records..... €1,520
- failure to comply with invoicing requirements..... €1,520
- failure to charge the tax and pay the tax over to Revenue..... €1,520
- failure to furnish a quarterly statement of intra-Community supplies (VIES return) to the Revenue Commissioners..... €1,520
- issue of a VAT invoice by a non-registered person..... €950
- unauthorised charge of a flat-rate addition..... €950
- in the case where the failures or acts referred to above are carried out by a body of persons the secretary of the body is liable for the payment of a separate penalty..... €950
- wilfully obstructing or delaying an officer authorized by the Revenue Commissioners in exercising his/her powers..... €1,265
- preventing or obstructing a person authorized by the Revenue Commissioners to inspect property for the purposes of valuing the property for VAT purposes..... €1,265
- supplying taxable goods and services in contravention of the requirement of security for the protection of the Revenue (Section 23A bond) in respect of each such supply..... €1,520
- assisting in making incorrect returns, invoices, credit notes etc..... €950

17.6 Fraud or neglect

In addition to the penalties mentioned above, VAT law also provides for penalties for fraud or neglect in regard to the furnishing of returns, the keeping of accounts and the use of false invoices or other false documents in connection with the tax. The amount of the penalty depends on the amount of tax evaded and on whether the evasion was by means of fraud or merely neglect. Higher penalties are prescribed for a body of persons such as a company or society, and in such a case the secretary is liable for a separate penalty. Penalties are also prescribed for a person who avoids tax on importation by means of false representation in regard to his/her registration or the nature of his/her business.

'Neglect' is interpreted as referring to a deliberate neglect of a statutory duty, for example the duty to take proper care in completing the two-monthly return. A mistake through mere inadvertence would not make a taxpayer liable to penalties unless at a later stage he/she became aware of the mistake and failed to rectify it within a reasonable time.

17.7 Penalties for fraud or neglect

Where a person fraudulently or negligently furnishes an incorrect return, or makes use of incorrect invoices, credit notes or other documents in connection with the tax, the amount of the penalty is €125 plus an amount equal to the tax, which had been evaded through the fraudulent or negligent act.

Where a person fails to submit a return as a result of fraud or neglect, the penalty provided for is €125 plus an amount equal to the tax due. The tax due in this context is the difference between the amount of tax properly payable if the correct return had been made and the amount of tax (if any) paid in respect of the taxable period.

If the person guilty of fraud or neglect is a body of persons e.g. a company or society, the fixed portion of the penalty is increased from €125 to €630 (€1,265 in the case of fraud) and there is a separate penalty of €125 (€250 in the case of fraud) on the secretary of the body.

Where a person innocently makes use of or submits any return, invoice etc. which is in fact incorrect and that person or their personal representative, subsequently discovers the error, he/she (or his/her personal representative) is bound to remedy the error without unreasonable delay. If, in such circumstances, the error is not remedied, it will be deemed that the return, invoice etc. in question was made or submitted negligently and he/she shall be liable to pay the penalty of €125 plus an amount equal to the tax which had been evaded.

A penalty of €630 is provided for in the case where a person improperly procures the importation of goods without payment of tax in circumstances in which tax is chargeable. The person must also pay to Revenue the amount of tax that should have been paid on the importation of the goods. Penalties for breach of Customs law may also apply.

Where a person uses his or her registration number after it has been cancelled to acquire goods from another Member State at the zero rate, that person is liable to a penalty of €630 plus an amount equal to the VAT which would have been payable if the supply had been subject to Irish VAT.

When an excess of tax is shown on an invoice or credit note notwithstanding that the excess may be recovered in accordance with other provisions of VAT law, the person who issues the document is subject to a penalty of €125 plus the amount of the excess tax shown on the invoice, or the deficiency of tax shown on the credit note.

17.8 Time limit

The time limits for recovering penalties (normally six years) do not apply to proceedings for fraud or neglect.

17.9 Goods for export

Where tax on the supply of goods has been remitted or repaid on the basis that the goods have been or are to be exported and those goods are later found within the State without having been so authorised they will become liable to the general Customs powers of seizure and forfeiture which apply in relation to smuggled goods.

17.10 Forfeiture of goods

VAT law provides for the seizure and forfeiture of goods in certain cases, including the illicit circulation of zero-rated goods in the Community. Goods which are being supplied by an accountable person who has not applied to be registered for VAT, are also liable to seizure and forfeiture. Where the goods have

been seized or detained a decision must be made within two months of the date of the seizure or detention as to whether the goods are liable to forfeiture and if they are not they must be released.

Where the purchaser is not entitled to a VAT credit and fails to account for VAT in the State, forfeiture provisions apply to the intra-Community acquisition of new means of transport, including cars, yachts and boats when such goods are purchased VAT-free in another EU Member State (on the basis they are subject to VAT in the State).

17.11 Customs Acts Provisions

The provisions of the Customs Acts regarding forfeiture and condemnation of goods apply to goods liable to forfeiture under VAT law.

17.12 Arrest

VAT law provides that an officer specially authorized by the Revenue Commissioners for the purpose, or a member of An Garda Síochána, may arrest a person where they have reasonable grounds that a criminal offence in relation to tax (under the provisions of Section 1078 of the Taxes Consolidation Act 1997) has been committed by a person who is not established in the State or whom he believes is likely to leave the State.

17.13 Fraudulent claims

There are severe penalties for making fraudulent claims including:

- a person making fraudulent claims for zero-rating may be penalised by seizure and forfeiture of zero-rated goods which have not been dispatched or transported outside the State,
- a person who acquires goods VAT-free in another EU Member State as a result of making a declaration of an incorrect VAT registration number shall be liable to a penalty of €630 plus an amount equal to the amount of tax which would have been chargeable,
- a person suspected of a criminal offence who is not established in the State, or whom an authorised Revenue officer or a Garda has reason to believe may leave the State is liable to arrest,
- civil and criminal penalties, up to €126,970 and imprisonment for a period of up to five years.

Chapter 18

Changes in rates of VAT

This Chapter explains the procedures to be followed by VAT-registered traders when increases or reductions in VAT rates take place.

18.1 Which VAT rate must the trader apply?

Persons accounting for VAT on the sales or invoice basis must apply the rate of VAT in force at the time they issue or are obliged to issue an invoice in the case of transactions with other VAT-registered persons. In the case of transactions with persons who are not registered for VAT, accountable persons must apply the rate in force at the time of the supply.

Persons accounting for VAT on the basis of moneys received, must apply the rate of VAT in force at the time of the supply.

18.2 Invoices

VAT invoices issued by a VAT-registered person to another VAT-registered person **on or after** the date of a change in VAT rates (upwards or downwards) should show VAT at the new rates. This is so, even if the goods or services were supplied before the date of the change.

VAT liability in respect of goods or services supplied by a VAT-registered person to an unregistered person is normally determined by the date of supply and not the date of issue of the invoice, if any. Goods or services which are actually supplied to unregistered persons prior to the date of a change in VAT rates are taxable at the rate in force when they are supplied even though they may be invoiced on or after the date of the change.

18.3 Credit notes

Any credit note relating to a supply of goods or services which contains a VAT adjustment and which is issued to a VAT-registered person on or after the date of a change, must show VAT at the new rate even if the original invoice showed VAT at the old rate.

Any credit note relating to a supply of goods or services which is issued to an unregistered person on or after the date of a change should show or include VAT at the rate in force at the time of the supply.

18.4 Payments in advance

Payments, including deposits, received from VAT-registered persons before the date of a change in rate in respect of goods or services not supplied until on or after that date are, in the case of persons on the invoice basis of accounting, subject to VAT by reference to the rate in force at the time the invoice relating to the payment is issued or ought to have been issued, whichever is the earlier. In the case of persons operating on the moneys received basis, the rate appropriate to the supply is by reference to the rate in force at the time of the advance payment. An advance payment received from an unregistered person is subject to VAT by reference to the rate in force at the time of the advance payment.

18.5 Contracts existing at time of a change in VAT rates

VAT is generally due on supplies at the rate in force at the time of the supply, or at the time of issue of the invoice relating to the supply.

In a situation where a contract has been entered into at a particular rate of VAT, and that rate changes before the contract is fulfilled, an adjustment to account for the change in the rate may be necessary.

Where

- (a) a contract to supply goods or services is entered into before the date of a change in a VAT rate, and
- (b) the contract is not completed until after that date,

then the agreed price is subject to an appropriate adjustment on account of the change in the VAT rate, unless there is agreement to the contrary between the contracting parties.

If, for example,

- (a) a builder were to contract in January to build a house for €300,000, and
- (b) the rate of VAT was increased with effect from 1 March,

then, in the absence of an agreement, the builder could increase the agreed price to include the extra VAT, assuming the house had not been completed or paid for before 1 March. The builder would, of course, be liable to VAT at the increased rate on the supply.

Fixed interval payments becoming due before the date of a rate change in respect of a period of time spanning that date (for example, advance quarterly rentals on office equipment due and payable, say, one month before the date of a change) may be treated, for the purposes of transition only, as being taxable at the old rates if invoiced before the date of the change.

18.6 Utilities

In the case of continuous supplies of utilities (i.e. gas, electricity, telecommunications) to non-business and other unregistered customers the rate applicable is the rate in force at the time the bill issues to the consumer, provided that the company issues a bill at least every three months. If the company does not issue a bill at least every three months then the rate is that applicable at the time of supply. In the case of VAT-registered customers the appropriate rate of VAT is the rate applicable when the bill issues.

18.7 Budget account sales, hire-purchase sales and other credit sales

These sales are chargeable to VAT as follows:

- at the rate in force at the time of the sale by the finance house, in the case of sales to unregistered persons, or
- at the rate in force at the time of issue of the invoice by the finance house or the time the invoice ought to have been issued, if earlier, in the case of sales to VAT-registered traders.

18.8 Stock on hands on the date of a change

Persons who are registered for VAT on the date of a change of VAT rates must account for VAT at the new rates even though they may have been invoiced with VAT at the old rates. Such persons will already have been entitled to a credit for VAT on the purchase of that stock, subject to the usual conditions.

Appendix A

Exempted Activities

An extensive list of over 2,500 VAT ratings is available on the Revenue website at www.revenue.ie.

The VAT Act defines 'exempted activities' as supplies of certain immovable goods (property) which are not chargeable to VAT, or supplies declared by the Minister by order to be an exempted activity, and supplies of goods and services listed in the First Schedule to the Act as set out hereunder.

- (i) Financial services consisting of:
 - (a) the issue, other than the issue of new stocks, new shares, new debentures or new securities made to raise capital, the transfer or receipt of, or any dealing in, stocks, shares, debentures and other securities, other than documents establishing title to goods,
 - (b) the arranging for, or the underwriting of, an issue of stocks, shares, debentures and other securities, other than documents establishing title to goods,
 - (c) the operation of any current, deposit or savings account and the negotiation of, or any dealings in, payments, transfers, debts, cheques and other negotiable instruments excluding debt collection and factoring,
 - (d) the issue, transfer or receipt of, or any dealing in, currency, bank notes and metal coins, in use as legal tender in any country, excluding such bank notes and coins when supplied as investment goods or as collectors' pieces,
 - (e) the granting and the negotiation of credit and the management of credit by the person granting it,
 - (f) the granting of, or any dealing in, credit guarantees or any other security for money and the management of credit guarantees by the person who granted the credit,
 - (g) the management of an undertaking specified in one of the following clauses, and such management may comprise any of the three functions listed in Annex II to Directive 2001/107/EC of the European Parliament and Council (being the functions included in the activity of collective portfolio management) where those functions are supplied by the person with responsibility for the provision of the functions concerned in respect of the undertaking, and which is:
 - (l) a collective investment undertaking as defined in section 172A of the Taxes Consolidation Act 1997 (as amended by section 59 of the Finance Act 2000), or
 - (la) a special investment scheme within the meaning of section 737 of the Taxes Consolidation Act, 1997, or

- (II) administered by the holder of an authorisation granted pursuant to the European Communities (Life Assurance) Regulations, 1984 (SI No 57 of 1984), or by a person who is deemed, pursuant to Article 6 of those regulations, to be such a holder, the criteria in relation to which are the criteria specified in relation to an arrangement administered by the holder of a licence under the Insurance Act, 1936, in section 9(2) of the Unit Trusts Act, 1990, or
 - (III) a unit trust scheme established solely for the purpose of superannuation fund schemes or charities, or
 - (IV) determined by the Minister for Finance to be a collective investment undertaking to which the provisions of this subparagraph apply, or
 - (V) an undertaking which is a qualifying company for the purposes of section 110 of the Taxes Consolidation Act 1997;
- (gg) ..;
- (h) services supplied to a person under arrangements which provide for the reimbursement of the person in respect of the supply by him of goods or services in accordance with a credit card, charge card or similar card scheme;
- (ii) children's or young people's education, school or university education, and vocational training or retraining (including the supply of goods and services incidental thereto, other than the supply of research services), provided by educational establishments recognised by the State, and education, training or retraining of a similar kind, excluding instruction in the driving of mechanically propelled road vehicles other than vehicles designed or constructed for the conveyance of goods with a capacity of 1.5 tonnes or more, provided by other persons;
 - (iii) professional services of a medical nature, other than services specified in paragraph (iiib), but excluding such services supplied in the course of carrying on a business which consists in whole or in part of selling goods;
 - (iiia) supply by dental technicians of services of a dental nature and of dentures or other dental prostheses;
 - (iiib) professional services of a dental or optical nature;
 - (iv) letting of immovable goods (which does not include the service of allowing a person use a toll road or a toll bridge) with the exception of--
 - (a) letting of machinery or business installations when let separately from any other immovable goods of which such machinery or installations form part;
 - (b) letting of the kind to which paragraph (xiii) of Appendix C or paragraph (ii) of the Third Schedule refers;
 - (bi) provision of facilities of the kind to which paragraph (viiia) of Appendix C refers;
 - (c) provision of parking accommodation for vehicles by the operators of car parks; and
 - (d) hire of safes;
 - (v) hospital and medical care or treatment provided by a hospital, nursing home, clinic or similar establishment;

- (va) services closely related to medical care covered by section 61 or 61A of the Health Act 1970 which are undertaken by or on behalf of the Health Services Executive or by home care providers duly recognized by that Executive under section 61A of that Act;
The Health Services Executive has introduced a process, in line with legislation, which will allow home care providers to notify their LOCAL HEALTH OFFICE AREA that they are providing services closely related to medical care covered by Section 61/61A of the Health Act 1970 (as amended).
The Health Services Executive can only issue a certificate in a certain format and the certificate will issue from the local health office directly to the homecare provider who will make the necessary arrangements to provide the relevant Revenue Office with a copy, if required to do so.
- (vi) services for the protection or care of children and young persons, and the provision of goods closely related thereto, provided otherwise than for profit and the supply of services for the protection or care of children and young persons, and the provision of goods closely related thereto, provided by persons whose activities may be regulated by regulations made under Part VII or Part VIII of the Child Care Act 1991;
- (vii) supply of goods and services closely related to welfare and social security by non-profit making organizations;
- [(viii) promotion of and admissions to live theatrical or musical performances, including circuses, but not including-
 - (a) dances, or
 - (b) performances in conjunction with which facilities are available for the consumption of food or drink during all or part of the performance by persons attending the performance; *See VAT Information Leaflet 'Theatrical and Musical Events'.*
- (viiiia) supply of cultural services and of goods closely linked thereto by any cultural body, whether established by or under statute or otherwise, which is recognised as such a body by the Revenue Commissioners for the purposes of this paragraph, not being services to which paragraph (viii) relates;
- (ix) agency services in regard to-
 - (a) the arrangement of passenger transport or accommodation for persons, and
 - ...
 - ...
 - (d) services specified in paragraph (i), excluding management and safekeeping services in regard to the services specified in paragraph (i)(a), not being services specified in subparagraph (g) of paragraph (i);
- (x).....

- (xi) insurance and reinsurance transactions, including related services performed by insurance brokers and insurance agents and, for the purposes of this paragraph, 'related services' includes the collection of insurance premiums, the sale of insurance, and claims handling and claims settlement services where the supplier of the insurance services delegates the authority to an agent and is bound by the decision of that agent in relation to that claim;
- (xia) public postal services (including the supply of goods and services incidental thereto) supplied by An Post including postmasters, or by persons licensed in accordance with section 73 or subsection (1) of section 111 of the Postal and Telecommunications Services Act, 1983;
- (xii) ...
- (xiii) the national broadcasting and television services, excluding advertising;
- (xiv) transport of passengers and their accompanying baggage;
- (xv) the acceptance of bets subject to excise duty imposed by section 67 of the Finance Act 2002 and of bets exempted from excise duty by section 68 of the Finance Act 2002;
- (xvi) issue of tickets or coupons for the purpose of a lottery;
- (xvii) promotion of (other than in the course of the provision of facilities of the kind specified in paragraph (viiia) of Appendix C), or the admission of spectators to, sporting events;
- (xviii) collection, storage, supply, intra-Community acquisition or importation of human organs, human blood and human milk;
- (xviiiia) supply, intra-Community acquisition and importation of investment gold (within the meaning of section 6A) other than supplies of investment gold to the Central Bank of Ireland;
- (xviiiib) supply of services of an intermediary (as defined in section 6A) acting in that capacity;
- (xix) funeral undertaking;
- (xx) ...
- (xxi) ...
- (xxii) supply of services and of goods closely related thereto for the benefit of their members by non-profit making organisations whose aims are primarily of a political, trade union, religious, patriotic, philosophical, philanthropic or civic nature where such supply is made without payment other than the payment of any membership subscription;

- (xxiia) supply of services by an independent group of persons (being a group which is an independent entity established for the purpose of administrative convenience by persons whose activities are exempt from or are not subject to tax) for the purpose of rendering its members the services directly necessary for the exercise of their activities and where the group only recovers from its members the exact reimbursement of each member's share of the joint expenses;
- (xxiii) provision of facilities for taking part in sporting and physical education activities, and services closely related thereto, provided ... by non-profit making organisations with the exception of facilities to which paragraph (viib) or (viic) of Appendix C refers;
- (xxiv) supply of goods other than a supply of immovable goods or a supply of goods of a kind specified in section 3(1)(g), by a person being goods-
 - (a) which were used by him for the purposes of a business carried on by him,
 - (b) in relation to the acquisition or application of which he had borne tax, and
 - (c) which are of such a kind or were used in such circumstances that no part of the said tax was deductible under section 12;
- (xxv) catering services supplied-
 - (a) to patients of a hospital or nursing home in the hospital or nursing home, and
 - (b) to students of a school in the school;
- (xxvi) the importation of gas through the natural gas distribution system, or the importation of electricity.

Appendix B

Goods and Services Chargeable at the Zero Rate

An extensive list of over 2,500 VAT ratings is available on the Revenue website at www.revenue.ie.

- (i) The supply of goods-
 - (a) subject to a condition that they are to be transported directly by or on behalf of the person making the supply-
 - (I) outside the Community: Provided that this subparagraph shall not apply to a supply of goods to a traveller (within the meaning assigned by section 13(3B)) which such traveller exports on behalf of the supplier and such supply shall be deemed to be a supply of the type referred to in subparagraph (f), or a 15(1)
 - (II) to a registered person within the customs-free airport,
 - (aa) subject to a condition that they are to be dispatched or transported directly outside the Community by or on behalf of the purchaser of the goods where that purchaser is established outside the State,
 - (b) dispatched or transported from the State to a person registered for value added tax in another Member State,
 - (c) being new means of transport dispatched or transported directly by or on behalf of the supplier to a person in the territory of another Member State,
 - (cc) being excisable products dispatched or transported from the State to a person in another Member State when the movement of the goods is subject to the provisions of Chapter II of Part II of the Finance Act, 1992, and any other enactment which is to be construed together with that Chapter, which implement the arrangements specified in paragraph 4 and 5 of Article 7, or Article 16, of Council Directive No. 92/12/EEC of 25 February 1992,

- (d) by a registered person within a free port to another registered person within a free port,
 - (e) by a registered person within the customs-free airport to another registered person within the customs-free airport or a free port; *The term free port means the land declared to be a free port for the purposes of the Free Ports Act, 1986, by order made under section 2 of that Act. At the time of this publication the only order made is that relating to Ringaskiddy free port.*
 - (f) which are a traveller's qualifying goods (within the meaning assigned by subsection (3B) of section 13), provided that the provisions of subsection (1A) of that section and regulations (if any) made thereunder are complied with;
- (ia) subject to such conditions and in such amounts as may be specified in regulations,--
 - (a) the supply of goods, in a tax-free shop approved by the Revenue Commissioners, to travellers departing the State for a place outside the Community, or
 - (b) the supply, other than by means of a vending machine, of food, drink and tobacco products on board a vessel or aircraft to passengers departing the State for another Member State, for consumption on board that vessel or aircraft;
 - (ii) ...;
 - (iii) the carriage of goods in the State by or on behalf of a person in execution of a contract to transfer the goods to a place outside the Community;
 - (iia) intra-Community transport services involving the carriage of goods to and from the Azores or Madeira;
 - (iib) subject to and in accordance with regulations, the importation of goods which, at the time of the said importation, are consigned to another Member State (Article 143(d))
 - (iic) the supply of goods or services to international bodies recognized as such by the public authorities of the host Member State, and to members of such bodies, within the limits and under the conditions laid down by the international conventions establishing the bodies or by the agreements between the headquarters of those bodies and the host Member State of the headquarters
 - (iv) the provision of docking, landing, loading or unloading facilities, including customs clearance, directly in connection with the disembarkation or embarkation of passengers or the importation or exportation of goods;
 - (v) the supply, modification, repair, maintenance chartering and hiring of--
 - (a) sea-going vessels of a gross tonnage of more than 15 tons being vessels used or to be used-
 - (I) for the carriage of passengers for reward,
 - (II) for the purposes of a sea fishing business,
 - (III) for other commercial or industrial purposes, or
 - (IV) for rescue or assistance at sea, or

- (b) aircraft used or to be used by a transport undertaking operating for reward chiefly on international routes;
- (va) the supply repair, maintenance and hiring of equipment incorporated or used in aircraft to which subparagraph (b) of paragraph (v) relates;
- (vaa) subject to and in accordance with regulations, if any, the supply, hiring, repair and maintenance of equipment incorporated or for use in sea-going vessels to which subparagraph (a) of paragraph (v) relates;
- (vb) the supply of goods for the fuelling and provisioning of sea-going vessels and aircraft of the kind specified in paragraph (v) but not including goods for supply on board such vessels or aircraft to passengers for the purpose of those goods being carried off such vessels or aircraft;
- (vc) the supply of navigation services by the Irish Aviation Authority to meet the needs of aircraft used by a transport undertaking operating for reward chiefly on international routes;
- (vi) services, supplied by an agent acting in the name and on behalf of another person, in procuring-
 - (a) the export of goods;
 - (b) services specified in paragraphs (iii), (iiia) (iv), (v) or (x), or
 - (c) the supply of goods or services outside the Community;
- (via) subject to and in accordance with section 13A, the supply of qualifying goods and qualifying services to, or the intra-Community acquisition or importation of qualifying goods by, an authorised person in accordance with that section, excluding supplies of goods within the meaning of paragraph (e) or (f) of subsection (1) of section 3; *This applies the zero rate to supplies of goods and services to authorised persons.*
- (vib) the supply of services in procuring a repayment of tax due on the supply of a traveller's qualifying goods (within the meaning assigned by subsection (3B) of section 13) or the application of the provisions of subparagraph (i)(f) of this Appendix to that supply of goods, provided that the provisions of subsection (1A) of that section and regulations (if any) made thereunder are complied with;] (vii) animal feeding stuff, excluding feeding stuff which is packaged, sold or otherwise designated for the use of dogs, cats, cage birds or domestic pets;
- (viii) fertiliser (within the meaning of the Fertilisers, Feeding Stuffs and Mineral Mixtures Act, 1955) which is supplied in units of not less than 10 kilograms and the sale or manufacture for sale of which is not prohibited under section 4 or 6 of the said Act;
- (ix) services provided by the Commissioners of Irish Lights in connection with the operation of lightships, lighthouses or other navigational aids;
- (x) gold supplied to the Central Bank of Ireland;

- (xi) life saving services provided by the Royal National Lifeboat Institution including the organisation and maintenance of the lifeboat service;

- (xii) food and drink of a kind used for human consumption, other than the supply thereof specified in paragraph (iv) of Appendix C, excluding-
 - (a) beverages chargeable with any duty of excise specifically charged on spirits, beer, wine, cider, perry or Irish wine, and preparations thereof,
 - (b) other beverages, including drinking water, juice extracted from and other drinking products derived from fruit juices or vegetables, water and syrups, concentrates, essences, powders, crystals or other products for the preparation of beverages, but not including-
 - (I) tea and preparations thereof,
 - (II) cocoa, coffee and chicory and other roasted coffee substitutes, and preparations and extracts thereof,
 - (III) milk and preparations and extracts thereof, or
 - (IV) preparations and extracts of meat, yeast, or egg;
 - (c) ice cream, ice lollipops, water ices, frozen desserts, frozen yoghurts and similar frozen products, and prepared mixes and powders for making any such product or such similar product;
 - (d)
 - (I) chocolates, sweets and similar confectionery (including ..., glacé or crystallized fruits), biscuits, crackers and wafers of all kinds, and all other confectionery and bakery products, whether cooked or uncooked, excluding bread,
 - (II) in this subparagraph 'bread' means food for human consumption manufactured by baking dough composed exclusively of a mixture of cereal flour and any one or more of the ingredients mentioned in the following subclauses in quantities not exceeding the limitation, if any, specified for each ingredient--
 - (1) yeast or other leavening or aerating agent, salt, malt extract, milk, water, gluten,
 - (2) fat, sugar and bread improver, subject to the limitation that the weight of any ingredient specified in this subclause shall not exceed 2 per cent of the weight of flour included in the dough,
 - (3) dried fruit, subject to the limitation that the weight thereof shall not exceed 10 per cent of the weight of flour included in the dough,

other than food packaged for sale as a unit (not being a unit designated as containing only food specifically for babies) containing two or more slices, segments, sections or other similar pieces, having a crust over substantially the whole of their outside surfaces, being a crust formed in the course of baking, or frying or toasting, and
 - (e) any of the following when supplied for human consumption without further preparation, namely-
 - (I) potato crisps, potato sticks, potato puffs and similar products made from potato, or from potato flour or from potato starch,

- (II) savoury products made from cereal or grain, or from flour or starch derived from cereal or grain, pork scratchings, and similar products,
- (III) popcorn, and
- (IV) salted or roasted nuts whether or not in shells;

A VAT information leaflet 'Food & Drink' is available.

- (xiii) medicine of a kind used for human oral consumption;
To qualify for the zero-rating the medicine must be of a type that is taken through the mouth and swallowed. Such items as lozenges and pastilles are subject to the zero rate only if they are packaged and designated specifically for the treatment of a medical condition or the alleviation of discomfort arising from such a condition, and Revenue are satisfied that their use is entirely medicinal. In the case of items such as lozenges and pastilles being sold at the zero rate traders should, in their own interest, satisfy themselves that Revenue have agreed with the manufacturer or distributor that the zero rate properly applies. The zero-rating does not cover medicines for injection, gases for use in the treatment of patients, and similar products - these are liable at 21%. This rate also applies to diabetic sweets and to manufactured beverages, including fruit juices and invalid wines. Chocolate, or chocolate substitute, covered biscuits as consumed by diabetics are also liable to VAT at 21%.
- (xiv) medicine of a kind used for animal oral consumption, excluding medicine which is packaged, sold or otherwise designated for the use of dogs, cats, cage birds or domestic pets;
- (xv) seeds, plants, trees, spores, bulbs, tubers, tuberous roots, corms, crowns and rhizomes, of a kind used for sowing in order to produce food;
This category includes, for example, all vegetable seeds and fruit trees but does not include flower seeds or shrubs.
- (xva) printed books and booklets including atlases but excluding-
 - (a) newspapers, periodicals, brochures, catalogues, directories and programmes,
 - (b) books of stationery, cheque books and the like,
 - (c) diaries, organisers, yearbooks, planners and the like the total area of whose pages consist of 25 per cent or more of blank spaces for the recording of information,
 - (d) albums and the like, and
 - (e) books of stamps, of tickets or of coupons.*For more information refer to VAT Information Leaflet 'Printing and Printed Matter.'*
- (xvi) the supply of services consisting of work on movable goods acquired or imported for the purpose of undergoing such work within the Community and dispatched or transported out of the Community by or on behalf of the person providing the services
- (xvia) the supply of transport services relating to the importation of goods where the value of such services is included in the taxable amount in accordance with section 15(3) (of the VAT Act);

- (xvii) articles of children's personal clothing of sizes which do not exceed the sizes of those articles appropriate to children of average build of 10 years of age (a child whose age is 10 years or 10 years and a fraction of a year being taken for the purposes of this paragraph to be a child of 10 years of age), but excluding-
- (a) articles of clothing made wholly or partly of fur skin other than garments merely trimmed with fur skin, unless the trimming has an area greater than one-fifth of the area of the outside material, and
 - (b) articles of clothing which are not described, labelled, marked or marketed on the basis of age or size;

Broadly speaking, clothing specifically designed for the use of children in sizes up to and including 32" chest or 26" waist as appropriate qualify for the zero rate. Other sizes are liable at 21%. The hiring of all clothing is liable at 21%. Adults' clothing, irrespective of size, is liable also at 21%. Cleaning and repair is liable at 13.5%.

- (xviii) sanitary towels and sanitary tampons;

- (xix) articles of children's personal footwear of sizes which do not exceed the size appropriate to children of average foot size of 10 years of age (a child whose age is 10 years or 10 years and a fraction of a year being taken for the purposes of this paragraph to be child of 10 years of age), but excluding footwear which is not described, labelled, marked or marketed on the basis of age or size;

Broadly speaking, children's footwear that is footwear designed specifically for the use of children up to and including sizes 5½ (38 continental) qualifies for the zero rate. Other sizes are liable at 21% as is all adult footwear. However, styles which are not designed specifically for children and which are manufactured in the full range of sizes from the smallest children's sizes to large adult-sizes qualify concessionally for the zero rate in sizes up to and including size 5½. A VAT Information Leaflet 'Footwear' is available on request. The hiring of all footwear is liable at 21%. The repair of all footwear is liable at 13.5%. The term 'footwear' should be understood as meaning shoes, boots, slippers etc. including fur footwear but not socks, stockings etc.

- (xixa) medical equipment and appliances being-

- (a) invalid carriages, and other vehicles (excluding mechanically propelled road vehicles), of a kind designed for use by invalids or infirm persons,
- (b) orthopaedic appliances, surgical belts, trusses and the like, deaf aids, and artificial limbs and other artificial parts of the body excluding artificial teeth, corrective spectacles and contact lenses,
- (c) walking frames and crutches,
- (d) parts or accessories suitable for use solely or principally with any of the goods specified in subparagraphs (a), (b) and (c) of this paragraph;

- (xx)

- (a) ...,
- (b) wax candles and night-lights which are white and cylindrical, excluding candles and night-lights which are decorated, spiralled, tapered or perfumed.

Appendix C

Goods and Services Chargeable at 13.5%

An extensive list of over 2,500 VAT ratings is available on the Revenue website at www.revenue.ie

(i)

- (a) Coal, peat and other solid substances held out for sale solely as fuel,
This category includes coke, turf and firewood but not other kinds of timber. Mineralised and power methylated spirits are regarded as qualifying for the 13.5% rate, but not industrial methylated spirits.
- (b) electricity:
Provided that this subparagraph shall not apply to the distribution of any electricity where such distribution is wholly or mainly in connection with the distribution of communications signals,
- (c) gas of a kind used for domestic or industrial heating or lighting, whether in gaseous or liquid form, but not including motor vehicle gas within the meaning of section 42(1) of the Finance Act, 1976, gas of a kind normally used for welding and cutting metals or gas sold as lighter fuel,
- (d) hydrocarbon oil of a kind used for domestic or industrial heating, excluding gas oil (within the meaning of the Hydrocarbon (Heavy) Oil Regulations, 1989 (SI No 121 of 1989)), other than gas oil which has been duly marked in accordance with Regulation 6(2) of the said Regulations;

Hydrocarbon oils of a kind used for domestic or industrial heating are liable at the 13.5% rate, as are marked gas oil, paraffin, kerosene jet fuel, marine diesel and tractor diesel.

Petrol, road diesel, industrial methylated spirits, other gas oils and LPG motor gas are liable at the 21% rate.

- (ii) the provision of food and drink of a kind specified in paragraph (xii) of Appendix B in a form suitable for human consumption without further preparation--
 - (a) by means of a vending machine,
 - (b) in the course of operating a hotel, restaurant, cafe, refreshment house, canteen, establishment licensed for the sale for consumption on the premises of intoxicating liquor, catering business or similar business, or
 - (c) in the course of operating any other business in connection with the carrying on of which facilities are provided for the consumption of the food or drink supplied;

- (iii) the supply, in the course of the provision of a meal, of goods of a kind specified in subparagraph (c), (d) or (e) of paragraph (xii) of Appendix B, and fruit juices other than fruit juices chargeable with a duty of excise--
 - (a) in the course of operating a hotel, restaurant, cafe, refreshment house, canteen, establishment licensed for the sale for consumption on the premises of intoxicating liquor, catering business or similar business, or
 - (b) in the course of operating any other business in connection with the carrying on of which facilities are provided for the consumption of the food or drink supplied;

- (iv) the supply of food (other than bread as defined in subparagraph (d), of paragraph (xii) of Appendix B and drink (other than beverages specified in subparagraph (a) or (b) of paragraph (xii) of Appendix B) which is, or includes, food and drink which--
 - (a) has been heated, enabling it to be consumed at a temperature above the ambient air temperature, or
 - (b) has been retained heated after cooking, enabling it to be consumed at a temperature above the ambient air temperature, or
 - (c) is supplied, while still warm after cooking, ... enabling it to be consumed at a temperature above the ambient air temperature, and is above the ambient air temperature [at the time it is provided to the customer;

All supplies of hot take-away food, including cooked chickens, are liable at the reduced rate of VAT (13.5%). However, the supply of freshly baked bread which may have retained some heat after baking (but has not been maintained heated) qualifies for the zero rate of VAT.

- (v) promotion of and admissions to cinematographic performances;

- (vi) promotion of and admissions to live theatrical or musical performances, excluding--
 - (a) dances, and
 - (b) performances specified in paragraph (viii) of Appendix A;

- (vii) amusement services of the kind normally supplied in fairgrounds or amusement parks:

Provided that this paragraph shall not apply to-

 - (I) services consisting of dances,
 - (II) services consisting of circuses,
 - (III) services consisting of gaming, as defined in section 2 of the Gaming and Lotteries Act, 1956 (including services provided by means of a gaming machine of the kind referred to in section 43 of the Finance Act, 1975), or

- (IV) services provided by means of an amusement machine of the kind referred to in section 120 of the Finance Act 1992;
- (vii a) the provision by a person other than a non-profit making organisation of facilities for taking part in sporting activities;
- (vii b) the provision by a member-owned golf club of facilities for taking part in golf to any person, other than an individual whose membership subscription to that club at the time the facilities are used by that individual entitles that individual to use such facilities without further charge on at least 200 days (including the day on which such facilities are used by that individual) in a continuous period of twelve months, where the total consideration received by that club for the provision of such facilities has exceeded or is likely to exceed EUR 37,500 in any continuous period of twelve months and, for the purposes of this paragraph, the provision of facilities for taking part in golf shall not include the provision of facilities for taking part in pitch and putt;
- (vii c) the provision by a non-profit making organisation, other than an organisation referred to in paragraph (vii b), of facilities for taking part in golf to any person where the total consideration received by that organisation for the provision of such facilities has exceeded or is likely to exceed EUR 37,500 in any continuous period of twelve months and, for the purposes of this paragraph, the provision of facilities for taking part in golf shall not include the provision of facilities for taking part in pitch and putt;
- (viii) services consisting of the acceptance for disposal of waste material;
- (ix) admissions to exhibitions, of the kind normally held in museums and art galleries, of objects of historical, cultural, artistic or scientific interest, not being services of the kind specified in paragraph (viii a) of Appendix A;
- (x) services of a kind supplied in the course of their profession by veterinary surgeons;
- (xi) agricultural services consisting of--
 - (a) field work, reaping, mowing, threshing, baling, harvesting, sowing and planting,
 - (ai) stock-minding, stock-rearing, farm relief services and farm advisory services [(other than farm accountancy or farm management services)
 - (b) disinfecting and ensilage of agricultural products,
 - (c) destruction of weeds and pests and dusting and spraying of crops and land,
 - [(d) lopping, tree felling and similar forestry services;
- (xia) nursery or garden centre stock consisting of live plants, live trees, live shrubs, bulbs, roots and the like, not being of a type specified in paragraph (xv) of Appendix B, and cut flowers and ornamental foliage not being artificial or dried flowers or foliage;
- (xib) animal insemination services;

- (xic) livestock semen;
- (xid) live poultry and live ostriches;
- (xie) miscanthus rhizomes, seeds, bulbs, roots and similar goods used for the agricultural production of bio-fuels;
- (xii) printed matter consisting of:
 - (a) newspapers and periodicals;
 - (b) brochures, leaflets and programmes;
 - (c) catalogues, including directories, and similar printed matter;
 - (d) maps, hydrographic and similar charts;
 - (e) printed music other than in book or booklet form; but excluding:
 - (i) other printed matter wholly or substantially devoted to advertising,
 - (ii) the goods specified in subparagraphs (b) to (e) of paragraph (xva) of Appendix B, and
 - (iii) any other printed matter;
- (xiii) subject to and in accordance with regulations, if any--
 - (a) the letting of immovable goods (other than in the course of the provision of facilities of the kind specified in paragraph (viiia))--
 - (I) in the hotel or guesthouse sector, or
 - (II) being a letting of all or part of a house, apartment or other similar establishment when that letting is provided in the short-term guest sector or holiday sector, or
 - (III) in a caravan park, camping site or other similar establishment,

or

 - (b) the provision of holiday accommodation;
- (xiv) tour guide services;
- (xv) the hiring (in this paragraph referred to as '**the current hiring**') to a person of--
 - (a) a vehicle designed and constructed, or adapted, for the conveyance of persons by road,
 - (b) a ship, boat or other vessel designed and constructed for the conveyance of passengers and not exceeding 15 tonnes gross,
 - (c) a sports or pleasure boat of any description, or
 - (d) a caravan, mobile home, tent or trailer tent,

under an agreement, other than an agreement of the kind referred to in section 3(1)(b), for any term or part of a term which, when added to the term of any such hiring (whether of the same goods or of other goods of the same kind) to the same person during the period of 12 months ending on the date of the commencement of the current hiring, does not exceed 5 weeks;

- (xva) children's car safety seats;
- (xvi) a work of art being-
 - (a) a painting, drawing or pastel, or any combination thereof, executed entirely by hand, excluding hand-decorated manufactured articles and plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes,
 - (b) an original lithograph, engraving, or print, or any combination thereof, produced directly from lithographic stones, plates or other engraved surfaces, which are executed entirely by hand, or
 - (c) an original sculpture or statuary, excluding mass-produced reproductions and works of craftsmanship of a commercial character,

but excluding the supply of such work of art by a taxable dealer in accordance with the provisions of subsection (3) or (8) of section 10A or by an auctioneer within the meaning of section 10B and in accordance with the provisions of subsection (3) of section 10B;

- (xvia) antiques being, subject to and in accordance with regulations, articles of furniture, silver, glass or porcelain, whether hand-decorated or not, specified in the said regulations, which are shown to the satisfaction of the Revenue Commissioners to be more than 100 years old, other than goods specified in paragraph (xvi), but excluding the supply of such antiques by a taxable dealer in accordance with the provisions of subsection (3) or (8) of section 10A or by an auctioneer within the meaning of section 10B and in accordance with the provisions of subsection (3) of section 10B;
- (xvii) literary manuscripts certified by the Director of the National Library as being of major national importance and of either cultural or artistic importance;
- (xviii) services consisting of-
 - (a) the repair or maintenance of movable goods, or
 - (b) the alteration of used movable goods, other than contract work or such services specified in paragraph (v), (va) or (xvi) of Appendix B, but excluding the provision in the course of any such repair, maintenance or alteration service of--
 - (I) accessories, attachments or batteries, or
 - (II) tyres, tyre cases, interchangeable tyre treads, inner tubes and tyre flaps, for wheels of all kinds;
- (xix) services consisting of the care of the human body, excluding such services specified in Appendix A, but including services supplied in the course of a health studio business or similar business;
- (xixa) non-oral contraceptive products;
- (xx) services supplied in the course of their profession by jockeys;

- (xxa) greyhound feeding stuff, which is packaged, advertised or held out for sale solely as greyhound feeding stuff, and which is supplied in units of not less than 10 kilograms;
- (xxi) the supply to a person of photographic prints (other than goods produced by means of a photocopying process), slides or negatives, which have been produced from goods provided by that person;
- (xxii) goods being-
 - (a) photographic prints (other than goods produced by means of a photocopying process), mounted or unmounted, but unframed,
 - (b) slides and negatives, and
 - (c) cinematographic and video film,

which record particular persons, objects or events, supplied under an agreement to photograph those persons, objects or events;
- (xxiii) the supply by a photographer of-
 - (a) negatives which have been produced from film exposed for the purpose of his business, and
 - (b) film which has been exposed for the purposes of his business;
- (xxiv) photographic prints produced by means of a vending machine which incorporates a camera and developing and printing equipment;
- (xxv) services consisting of-
 - (a) the editing of photographic, cinematographic and video film, and
 - (b) microfilming;
- (xxvi) agency services in regard to a supply specified in paragraph (xxi);
- (xxvii) instruction in the driving of mechanically propelled road vehicles, not being education, training or retraining of the kinds specified in paragraph (ii) of Appendix A;
- (xxviii) immovable goods;
- (xxix) services consisting of the development of immovable goods and work on immovable goods including the installation of fixtures, where the value of movable goods (if any) provided in pursuance of an agreement in relation to such services does not exceed two-thirds of the total amount on which tax is chargeable in respect of the agreement;
- (xxx) services consisting of the routine cleaning of immovable goods;

- (xxxi) food of a kind used for human consumption, other than that included in paragraph (xii) of Appendix B, being flour or egg based bakery products including cakes, crackers, wafers and biscuits, but excluding-
 - (a) wafers and biscuits wholly or partly covered or decorated with chocolate or some other product similar in taste and appearance,
 - (b) food of a kind specified in subparagraph (c) or (e)(II) of paragraph (xii) of Appendix B, and
 - (c) chocolates, sweets and similar confectionery;

- (xxxii) concrete ready to pour but excluding the supply of such goods by a taxable dealer in accordance with the provisions of subsection (3) or (8) of section 10A or by an auctioneer within the meaning of section 10B and in accordance with the provisions of subsection (3) of section 10B;

- (xxxiii) blocks, of concrete, of a kind which comply with the specification contained in the Standard Specification (Concrete Building Blocks, Part 1, Normal Density Blocks) Declaration, 1987 (Irish Standard 20:Part 1: 1987) but excluding the supply of such goods by a taxable dealer in accordance with the provisions of subsection (3) or (8) of section 10A or by an auctioneer within the meaning of section 10B and in accordance with the provisions of subsection (3) of section 10B.

Concrete bricks, other bricks, paving slabs etc. are not included here. These are liable at 21%.

Appendix D

Goods and Services Chargeable at 21%

All goods and services which are not specified in Appendices A, B, C, G and H as being exempt or liable at the zero per cent, 10% or 13.5% rates are liable at 21%. The only exceptions are live cattle, sheep, goats, pigs, deer and horses which are liable at 4.8%. It is virtually impossible to compile a comprehensive list of all goods and services the supply of which is liable at 21%.

The following are examples of the coverage of this rate.

An extensive list of over 2,500 VAT ratings is available on the Revenue website at www.revenue.ie

Accountancy	Building materials (most)
Adhesives	Buttons
Agricultural machinery	Calendars
Aircraft (certain)	Cameras
Alcoholic drinks	Camping equipment (short-term hire of tents 13.5%)
Animals (excl. live cattle, sheep, goats, pigs, deer, horses and greyhounds)	Car parts and accessories (other than child car safety seats)
Artificial flowers	Cars (short-term hire 13.5%)
Audio/visual equipment	Caravans (short-term hire 13.5%)
Auto LPG	Carpets
Bathroom fittings	Cassettes (blank and recorded)
Bicycles (short-term hire 13.5%)	Chemicals (certain)
Binoculars	Clocks and watches
Boats (short-term hire 13.5%)	Compact discs (inc. players)
Buckets	

Computers and calculators	Ornaments
Consultancy	Packaging material
Contact lenses	Paper
Cookers	Paper serviettes etc.
Copy books	Pens, pencils etc.
Cosmetics	Pet food (excl. certain greyhound feeding stuff)
Cutlery	Petrol
Dances	Photocopying
Delph and glassware	Polishes
Detergents	Radios
Diaries	Records
Diesel (unmarked)	Record players
Disinfectants	Sacks
Drawing materials	Safes
Educational supplies (excl. books)	Savoury snack products
Electrical goods	Scissors
Fridges	Soap
Frozen desserts	Soft drinks
Frozen yoghurts	Spectacles
Fruit juice	Stationery
Fur clothing	Tapes (blank and recorded)
Furniture and furnishings	Tobacco
Generators	Toll charges (roads/bridges)
Handbags	Tools
Hardware	Toothpaste
Heaters	Toys
Hiring of lawnmowers, tools etc.	Travel goods
Jewellery	TV sets
Kitchen equipment and utensils (incl. fridges and washing machines)	Twine
Ladders	Umbrellas
Lawnmowers	Video recorders and tapes
Light fittings	Walking sticks
Machinery	Wallpaper
Medicine (non-oral)	Washing machines
Microscopes	Water
Mobile homes (short-term hire 13.5%)	Wrapping materials
Musical Instruments	Writing pads
Note books	Zips
Office equipment	
Ointments	
Optical goods	

Appendix E

Fourth Schedule to the VAT Act

Services that, where taxable, are taxed where received

- (i) Transfers and assignments of copyright, patents, licences, trade marks and similar rights;
- (ia) hiring out of movable goods other than means of transport;
- (ii) advertising services;
- (iii) services of consultants, engineers, consultancy bureaux, lawyers, accountants and other similar services, data processing and provision of information (but excluding services connected with immovable goods);
- (iiia) telecommunications services;
- (iiib) radio and television broadcasting services;
- (iiic) electronically supplied services;
- (iiid) the provision of access to, and of transport or transmission through, natural gas and electricity distribution systems and the provision of other directly linked-services;
- (iv) acceptance of any obligation to refrain from pursuing or exercising in whole or in part, any business activity or any such rights as are referred to in paragraph (i);
- (v) banking, financial and insurance services (including re-insurance and financial fund management functions, but not including the provision of safe deposit facilities);
- (vi) the provision of staff;
- (vii) the services of intermediaries who act in the name and for the account of a principal when procuring for him any services specified in paragraphs (i) to (vi).

Appendix F

Fifth Schedule to the VAT Act

Agricultural production activities and services

PART 1 Article 295(1) and Annex VII of Council Directive No. 2006/112/EC of 28 November 2006

LIST OF AGRICULTURAL PRODUCTION ACTIVITIES

I. CROP PRODUCTION

1. General agriculture, including viticulture
2. Growing of fruit (including olives) and of vegetables, flowers and ornamental plants, both in the open and under glass
3. Production of mushrooms, spices, seeds and propagating materials; nurseries

II. STOCK FARMING TOGETHER WITH CULTIVATION

1. General stock farming
2. Poultry farming
3. Rabbit farming
4. Beekeeping
5. Silkworm farming
6. Snail farming

III. FORESTRY

IV. FISHERIES

1. Fresh-water fishing
2. Fish farming
3. Breeding of mussels, oysters and other molluscs and crustaceans
4. Frog farming

- V. Where a farmer processes, using means normally employed in an agricultural, forestry or fisheries undertaking, products deriving essentially from his agricultural production, such processing shall also be regarded as agricultural production.

PART II Article 295(1) and Annex VIII of Council Directive No. 2006/112/EC of 28 November 2006

LIST OF AGRICULTURAL SERVICES

Supplies of agricultural services which normally play a part in agricultural production shall be considered the supply of agricultural services and include the following in particular:

- field work, reaping and mowing, threshing, baling, collecting, harvesting, sowing and planting
- packing and preparation for market, for example drying, cleaning, grinding, disinfecting and ensilage of agricultural products
- storage of agricultural products
- stock minding, rearing and fattening
- hiring out, for agricultural purposes, of equipment normally used in agricultural, forestry or fisheries undertakings
- technical assistance
- destruction of weeds and pests, dusting and spraying of crops and land
- operation of irrigation and drainage equipment
- lopping, tree felling and other forestry services.

Appendix G

Eighth Schedule to the VAT Act

Works of art, collectors' items and antiques chargeable at 13.5% in the circumstances specified in section 11 (1AA) of the VAT Act

- (i) Works of art:
Every work of art being-
 - (a) a picture (other than a painting, drawing or pastel specified in paragraph (xvi) of the Sixth Schedule), collage or similar decorative plaque, executed entirely by hand by an artist, other than-
 - (I) plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes,
 - (II) hand-decorated manufactured articles, and
 - (III) theatrical scenery, studio back cloths or the like of painted canvas,
 - (b) a sculpture cast the production of which is limited to eight copies and supervised by the artist or by the artist's successors in title provided that, in the case of a statutory cast produced before the 1st day of January, 1989, the limit of eight copies may be exceeded where so determined by the Revenue Commissioners,
 - (c) a tapestry or wall textile made by hand from original designs provided by an artist, provided that there are not more than eight copies of each,
 - (d) individual pieces of ceramics executed entirely by an artist and signed by the artist,
 - (e) enamels on copper, executed entirely by hand, limited to eight numbered copies bearing the signature of the artist or the studio, excluding articles of jewellery, goldsmiths' wares and silversmiths' wares, or
 - (f) a photograph taken by an artist, printed by the artist or under the artist's supervision, signed and numbered and limited to 30 copies, all sizes and mounts included, other than photographs specified in paragraph (xxii)(a) of the Sixth Schedule;

- (ii) Collectors' items:
Every collectors' item being one or more-
 - (a) postage or revenue stamps, postmarks, first-day covers, pre-stamped stationery and the like, franked, or if unfranked not being of legal tender and not being intended for use as legal tender, or
 - (b) collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, palaeontological, ethnographic or numismatic interest;

- (iii) Antiques:
Every antique being, subject to and in accordance with regulations, one or more goods which are shown to the satisfaction of the Revenue Commissioners to be more than 100 years old, other than goods specified in paragraph (xvi), (xvia) or (xxii)(a) of Appendix C or in paragraph (i) or (ii) of this Appendix.

Appendix H

VAT Rates and Registration Thresholds

VAT Rates [See Table next page for rates prior to 2007]

Date Effective From	General rates (%)	Livestock rate (%)	Farmers' flat-rate addition (%)
1 January 2007	Zero, 10, 13.5, 21	4.8	5.2

VAT Registration Thresholds in euro [See Table and next page for Thresholds prior to 2008]

Date Effective From	Goods	Services	ICAs ¹	Distance Sales ²	Foreign Traders ³	Fourth Schedule ⁴
1 May 2008	€75,000	€37,500	€41,000	€35,000	Nil	Nil

A nil threshold means that registration is required regardless of the level of turnover

¹ Intra-Community acquisitions of goods for business purposes by a person in the State

² Distance sales of goods by a foreign trader to non-registered customers in the State

³ Traders not established in the State but supplying goods and services here

⁴ Receipt of services set out in the Fourth Schedule for business purposes by a person in the State

Table of Historic VAT Registration Thresholds [1972 to 2007] in Irish Pounds with euro equivalent up to 2002 and euro alone thereafter

Date Effective From	Thresholds			
	Services £	€	Goods £	€
1 November 1972 *	1,800	2,285	6,000	7,618
<i>(Second goods threshold)</i>			12,000	15,236
1 November 1979 *	3,000	3,809	9,000	11,427
<i>(Second goods threshold)</i>			18,000	22,855
20 November 1981	15,000	19,046	30,000	38,092
1 July 1983	12,000	15,232	25,000	31,743
24 May 1989	15,000	19,046	32,000	40,631
1 July 1994	20,000	25,394	40,000	50,789
1 January 2002 **		25,500		51,000
1 May 2006		27,500		55,000
1 March 2007		35,000		70,000

* Thresholds apply to six consecutive two-monthly periods

** Finance Act 2001 replaced Irish Pound amounts with standardised euro equivalents.

Table of Historic VAT Rates [1972 to 2007]

Date Effective From	General Rates (per cent)	Farmers' flat-rate addition and livestock rate (per cent)
1 November 1972	Zero, 5.25, 16.37, 30.26	1
3 September 1973	Zero, 6.75, 19.5, 36.75	1
1 March 1975	Zero, 6.75, 19.5, 36.75	Suspended in relation to live cattle
1 March 1976	Zero, 10, 20, 35, 40	Discontinued
1 March 1979	Zero, 10, 20	1
1 May 1980	Zero, 10, 25	1
1 September 1981	Zero, 15, 25	1.5
1 May 1982	Zero, 18, 30	1.8
1 March 1983	Zero, 23, 35	2.3
1 May 1983	Zero, 5, 18, 23, 35	2.3
1 July 1983	Zero, 5, 18, 23, 35	2
1 May 1984	Zero, 5, 8, 18, 23, 35	2
1 March 1985	Zero, 10, 23	2.2

1 March 1986	Zero, 10, 25	2.4
1 May 1987	Zero, 10, 25	1.7
1 March 1988	Zero, 10, 25, (electricity 5)	1.4
1 March 1989	Zero, 10, 25, (electricity 5)	2
1 March 1990	Zero, 10, 23	2.3
1 March 1991	Zero, 10, 12.5, 21	2.3
1 March 1992	Zero, 10, 12.5, 16, 21	2.7
1 March 1993	Zero, 10, 12.5, 21	2.5
1 March 1996	Zero, 10, 12.5, 21	2.8
1 March 1997	Zero, 10, 12.5, 21	3.3
1 March 1998	Zero, 10, 12.5, 21	3.6
1 March 1999	Zero, 10, 12.5, 21	4.0
1 March 2000	Zero, 10, 12.5, 21	4.2
1 January 2001	Zero, 10, 12.5, 20	4.3
1 March 2002	Zero, 10, 12.5, 21	4.3
1 January 2003	Zero, 10, 13.5, 21	4.3
1 January 2004	Zero, 10, 13.5, 21	4.4
1 January 2005	Zero, 10, 13.5, 21	4.8
1 January 2007	Zero, 10, 13.5, 21	4.8
		5.2 (flat-rate addition)

Appendix J

Distance sales thresholds for EU Member States

Austria	€ 100,000	Latvia	€ 35,000
Belgium	€ 35,000	Lithuania	€ 35,000
Bulgaria	€ 35,000	Luxembourg	€ 100,000
Cyprus	€ 35,000	Malta	€ 35,000
Czech Republic	€ 35,000	Netherlands	€ 100,000
Denmark	€ 35,000	Poland	€ 35,000
Estonia	€ 35,000	Portugal	€ 35,000
Finland	€ 35,000	Romania	€ 35,000
France	€ 100,000	Slovakia	€ 35,000
Germany	€ 100,000	Slovenia	€ 35,000
Greece	€ 35,000	Spain	€ 35,000
Hungary	€ 35,000	Sweden	€ 35,000
Ireland	€ 35,000	UK	€ 100,000
Italy	€ 35,000		

Thresholds are based on sales for a calendar year.

Appendix K

VAT 3 Return Form and RTD Form

In all correspondence please quote:

Registration No: **IE**
 Notice No:
 Period:

Collector-General
 Sansfield House
 Francis Street
 Limerick

Enquiries: 1890 203070

to

Payment due by:

VAT 3 RETURN

Please complete and sign the return below. The return should then be detached and forwarded (with payment or debit instructions, if liability arises) in the prepaid envelope enclosed, to arrive no later than the due date as shown above. **Guidelines on the correct completion of the return are shown overleaf.**

IMPORTANCE OF PROMPT PAYMENTS
 Make sure that you allow sufficient time - at least three working days - for your payment to reach the Collector-General.
 Late payment of tax carries an interest penalty.
 Failure to pay a tax liability, or to pay on time, can result in enforced collection through the Sheriff, Court proceedings or Attachment.
Enforcement gives rise to costs in addition to any interest penalty charged.


METHOD OF PAYMENT
Single Debit Authority: If you want your payment to be debited directly from your bank account, complete the bank details on the left of the return below, ensuring that the amount of the payment you wish to make is entered in the Debit Amount box.
Please note that the account must be in a bank within the Republic of Ireland and must be a current account.

- Simply provide your bank details and the amount you wish to have debited from your account.
- Forward the completed return to the Collector-General at the address above.
- A once-off deduction will be taken from your account and credited against your tax liability as specified on the return below.
- The once-off deduction will not be taken from your account in advance of the due date for the taxable period in question.

Cheque: All cheques should be made payable to the Collector-General and forwarded to the address above. Do not enclose cash.
Revenue On-Line Service (ROS): You can make this return and pay your VAT on-line using ROS. For details visit the Revenue website at www.revenue.ie or Phone 1890 20 11 06.
Direct Debit: For information on how to pay VAT by monthly Direct Debit, please contact the Helpline at 1890 20 30 70.

METHOD OF REPAYMENT
 Any repayment due will be credited to your bank/building society account. Account details are only required *if* this return is a repayment (T4 line completed) *and* you have not previously advised Revenue of the account details *or* you wish to amend the account details to which previous repayments were credited.

Please print one figure only in each space using a black ball-point pen. Do not write NIL on any line. **E: Enter whole Euro only - do not enter cents. Photocopies of this form are not acceptable.**

Revenue 

VAT3 RETURN (and PAYS LIP) Please complete below, detach and return

Bank Details - to be supplied if: Payment is being made by Single Debit Authority (do not complete this authority if you are paying by cheque), or ⇒ A repayment is being sought (see Method of Repayment above).		<input type="checkbox"/> Office Use	T1 VAT on Sales	.00
Branch		<input type="checkbox"/> AMD	T2 VAT on Purchases	.00
Sort Code		<input type="checkbox"/> GIS	T3 Excess of T1 over T2 (Payable)	.00
Account Number		<input type="checkbox"/> OR	T4 Excess of T2 over T1 (Repayable)	.00
Debit Amount	Single Debit Authority		Amount of Payment	.00

Please debit my account with the amount specified.

E1 Value of Goods Sent to other EU Countries .00
E2 Value of Goods Received from other EU Countries .00

I declare that this is a correct return of Value Added Tax for the period specified.
 Signed: _____ Date: _____

VAT3 B

GUIDE TO COMPLETION OF RETURN

Debit Amount

Complete this line if you wish to make a payment by Single Debit Authority. Please ensure that you have also provided your bank details. Leave this line blank if paying by cheque or the return is a repayment claim.

Bank Details

Payment(T3): If you wish to pay your liability by Single Debit Authority, please enter the bank details of the account you wish to have debited. You must also enter the amount you wish to pay in the 'debit amount' line below.

Repayment(T4): If this return is a repayment and you have **not** previously advised us of the account details or you wish to amend the account details to which previous repayments were credited, please enter bank details here. If this return is not a repayment and you still wish to change your VAT repayment bank details please fax details to VAT Repayments Section Fax No. 065 6841366.

T1

Enter total VAT liability in respect of goods & services + intra-EU acquisitions + parcels imported VAT free.

T2

Enter total deductible VAT in respect of purchases + intra-EU acquisitions + imports.

Bank Details - to be supplied if:
 Payment is being made by Single Debit Authority
(do not complete this authority if you are paying by cheque) or
 A repayment is being sought (see Method of Repayment above).

Branch
Sort Code

Account
Number

Debit
Amount

Single Debit Authority

0.00

Please debit my account with the amount specified.

Value of Goods Sent to other EU Countries

E1

0.00

Value of Goods Received from other EU Countries

E2

0.00

E1/E2

Please enter the total value of goods sent to (E1 line) or received from (E2 line) other EU countries.

T3

If T1 amount exceeds T2 amount, please enter the difference on this line. You are required to submit full payment with this return.

Payment may be made by Single Debit Authority or cheque.

T1	VAT on Sales	0.00
T2	VAT on Purchases	0.00
T3	Excess of T1 over T2 (Payable)	0.00
OR	Excess of T2 over T1 (Repayable)	0.00
T4	Amount of Payment	0.00

I declare that this is a correct return of VAT for the period specified.

Signed: _____ Date: _____ VAT
 Name: _____ B al
 Reg No : _____ Period: _____

T4

If T2 amount exceeds T1 amount, please enter the difference on this line.

Subject to verification checks, this is the repayment amount due to you from Revenue and will be offset or repaid as appropriate.

Please Note:

Please print one figure only in each space using a black ball-point pen. €: Enter whole Euro only - do not enter cents. Do not write NIL on any line. Photocopies of this form are not acceptable.

Amount of Payment

Please enter the amount of your payment here. In the case of repayment claim, leave this line blank.



€ VAT Return of Trading Details

	Value of Supplies of Goods & Services	Value of Acquisitions from EU countries Net of VAT & VAT free imported parcels	Value of Stock for Resale (purchases, intra-EU acquisitions & imports)	Value of Other Deductible Goods & Services (purchases, intra-EU acquisitions & imports)
VAT Rate	E3	E4	E5	E6
Exempt	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
0% Exports	D4 <input type="text"/>			
0% Home	D1 <input type="text"/>	D2 <input type="text"/>	J1 <input type="text"/>	J2 <input type="text"/>
	C5 <input type="text"/>	C6 <input type="text"/>	H5 <input type="text"/>	H6 <input type="text"/>
	AC5 <input type="text"/>	AC6 <input type="text"/>	AH5 <input type="text"/>	AH6 <input type="text"/>
	P1 <input type="text"/>	P2 <input type="text"/>	R1 <input type="text"/>	R2 <input type="text"/>
	B5 <input type="text"/>	B6 <input type="text"/>	G5 <input type="text"/>	G6 <input type="text"/>
TOTALS	Z1 <input type="text"/>	Z2 <input type="text"/>	Z3 <input type="text"/>	Z5 <input type="text"/>

Enter '00' if there is no amount to be included in a box.

See further explanations overleaf on how to complete this form.

I declare that this is a correct return of trading for the period specified.

Signed: _____ Status: _____ Date: _____

RTD EUR

Notes on the Completion of the Return of Trading Details

This VAT Return of Trading Details covers the period shown on the front of the form.
 If no trade was carried out during the period, the only requirement is to enter '00' in the total boxes ('Z' boxes)

<p>This column should cover the value* of goods & services supplied. The value should be broken down by VAT rate and included in the relevant rate box.</p> <p>*For traders availing of the 7th Directive Margin Scheme (relating to the sale of second hand goods) the margin obtained on the supply of such goods should be included rather than the value of the goods.</p>	<p>This column should cover the value of</p> <ul style="list-style-type: none"> ▶ Intra EU acquisitions of goods (where VAT has not been charged) and ▶ Imported parcels (where VAT has not been charged). <p>The breakdown by VAT rate into the different boxes should be based on the VAT rate <u>applicable in Ireland</u> to the goods.</p>	<p>This column should cover the value of all stock that was bought for re-sale. The value should be broken down by VAT rate and included in the relevant rate box.</p> <p>The breakdown by VAT rate into the different boxes should be based on the VAT rate <u>applicable in Ireland</u> to the goods.</p>	<p>This column should cover the value of goods purchased that will not be resold but where VAT paid can be claimed as an input credit. The value should be broken down by VAT rate and included in the relevant rate box.</p> <p>The breakdown by VAT rate into the different boxes should be based on the VAT rate <u>applicable in Ireland</u> to the goods.</p>
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Each row refers to a different VAT rate. The rate is indicated at the edge of each row.

There are two types of 0% rates. See across for explanations.

Rates will vary from time to time as the VAT rates change. The same row should be used for both old and new rates.

Where there is no VAT rate indicated '00' should be entered across the row.

€ VAT Return of Trading Details

	Value of Supplies of Goods & Services	Value of Acquisitions from EU countries Net of VAT & VAT free imported parcels	Value of Stock for Private Purchases, Intra-EU acquisitions & imports	Value of Other Deductible Goods & Services (purchases, Intra-EU acquisitions & imports)
VAT Rate	E1	E4	E5	E6
Exempt				
0% Exports	D4			
0% Home	D1	D2	J1	J2
	C5	C6	H5	H6
	A5	A6	A5	A6
	P1	P2	R1	R2
	B5	B6	G5	G6
+	Z1	Z2	Z3	Z5
TOTALS				

SAMPLE

Box D4 should contain the total value of goods that were zero rated because they were exported to non EU countries or supplied to VAT registered persons in other EU countries.

All other zero rated situations (including Section 13A) should be included in this row.

N.B. All entries on this form should be EXCLUSIVE OF VAT
 Enter '00' if there is no amount to be included in a box.

RTD EUR

If you have further queries on how to complete this form, ring 1890 20 30 70 and ask for the Return of Trading Details helpline.
 Queries regarding liability to VAT or the rate of VAT to be charged should be directed to your local Tax District.
 Please return the Return of Trading details by the due date. There is a penalty of €1,520 for failing to comply.

Appendix L

VAT Territories of the European Union

	Member State	Code	Territories excluded	Territories treated as included
1	Austria	AT		
2	Belgium	BE		
3	Bulgaria	BG		
4	Cyprus	CY	That part of Cyprus over which the Government of the Republic of Cyprus does not exercise effective control	United Kingdom Sovereign Base Areas of Akrotiri & Dhekelia
5	The Czech Republic	CZ		
6	Denmark	DK	The Faroe Islands and Greenland	
7	Estonia	EE		
8	Finland	FI	Åland Island	
9	France	FR		Principality of Monaco
10	Germany	DE	The Island of Heligoland and the Territory of Büsingen	
11	Greece	EL	Mount Athos	
12	Hungary	HU		
13	Ireland	IE		
14	Italy	IT	Livigno, Campione d'Italia, and the Italian Waters of Lake Lugano	
15	Latvia	LV		
16	Lithuania	LT		
17	Luxembourg	LU		
18	Malta	MT		
19	Netherlands	NL		
20	Poland	PL		
21	Portugal	PT		
22	Romania	RO		
23	Slovakia	SK		
24	Slovenia	SI		
25	Spain	ES	Ceuta, Melilla and the Canary Islands	
26	Sweden	SE		
27	United Kingdom	UK	Gibraltar	Isle of Man

N.B. The Channel Islands and the territory of the Republic of San Marino (which form part of the EU customs territory, but do not form part of the territory of any of the individual Member States) and Andorra are excluded from the territory of the EU for the purposes of VAT.

Appendix M

Glossary of terms

Accountable persons

An accountable person is a taxable person who is required to register for VAT in respect of the supply of taxable goods or services within the State. In addition, the following persons are accountable: those who supply immovable goods (in certain circumstances); those who are required to register in respect of intra-Community acquisitions; those who are in receipt of Fourth Schedule services; those who are in receipt of cultural, artistic, entertainment or similar services from non-established performers; and those who are treated as a group for VAT purposes.

The following persons, if they are not established in the State, are not regarded as accountable: those who only supply goods for installation or assembly in the State; those who only supply gas through the natural gas distribution system; those who only supply electricity; sub-contractors only supplying construction services to a principal contractor; and those only supplying cultural, artistic, entertainment or similar services. The persons who receive these services are regarded as the accountable persons for the transactions, and must register and account for the VAT on the services.

Agent/Intermediary

A person who acts on behalf of a principal for the purpose of bringing his principal into contractual relations with third parties.

Body of persons

Means any body politic, corporate, or collegiate, and any company, partnership, fraternity, fellowship and society of persons, whether corporate or not corporate.

Business

Means an economic activity, whatever the purpose or results of that activity, and includes any activity of producers, traders or persons supplying services, including mining and agricultural activities, and activities of the professions, and the exploitation of tangible or intangible property for the purposes of obtaining income therefrom on a continuing basis.

Consideration

Usually means money received by a supplier in exchange for the supply of goods or services but may be in the form of bartered goods or services or release from an obligation etc.

Credit

Under the VAT system a taxpayer is entitled to reclaim VAT borne by him/her in the course or furtherance of business, subject to certain limitations. A VAT credit is when this input VAT is reclaimed or set off against VAT due on supplies.

Deductible VAT

VAT borne on purchases, importations or intra-Community acquisitions which can be reclaimed or set off against VAT liabilities.

Distance sales

Distance selling in the Single Market arises when a supplier in one EU Member State sells goods to a person in another Member State who is not VAT registered and the supplier is responsible for delivery of the goods. It includes mail-order sales and tele-sales.

ECJ

European Court of Justice

Election

An election case is a trader who registers although not obliged to do so e.g. a shop under the registration limit or a plumber under the services limit or a farmer regardless of his/her turnover.

Establishment

Means any fixed place of business, but does not include a place of business of an agent or a person unless the agent has and habitually exercises general authority to negotiate the terms of and makes arrangements on behalf of the person or has a stock of goods with which he regularly fulfils on behalf of the person, agreements for the supply of goods.

Exempt activity

A supply of goods and services which are listed in the First Schedule (see Appendix A and Section 1 of the VAT Act).

Export

The supply of goods to a destination outside the European Union.

Farmer

A farmer for VAT purposes is someone who engages in crop production and/or general stock farming and/or forestry and/or fish farming and whose supplies consist of agricultural produce produced by him/her and/or agricultural services provided by him/her.

Fixtures

Goods which have become attached to buildings in such a way that they cannot be removed without substantial damage being caused to the goods themselves or to the buildings to which they have become attached.

Flat-rate farmer

A farmer who is not an accountable person (or if he/she is an accountable person only because of the receipt of Fourth Schedule services or intra-Community Acquisitions and is registered for that activity alone.)

Fourth Schedule services

The Fourth Schedule which sets out the services which are taxable by reverse charge when received for business purposes from outside the State.

Goods

All movable and immovable objects, but does not include things in action or money and references to goods include references to both new and used goods. The term includes electricity, gas and any form of power, heat, refrigeration or ventilation.

Immovable goods

Land.

Imports

The importation of goods from outside the EU either directly or through another EU Member State where VAT has not been charged.

Independently

'Independently', in relation to a taxable person excludes a person who is employed or who is bound to an employer by a contract of employment or by any other legal ties creating a relationship of employer and employee as regards working conditions, remuneration and the employer's liability.

Input tax

VAT incurred on the purchase or importation of goods or services or intra-Community acquisitions of goods. It may in certain circumstances be deductible.

Intermediary

See agent.

Intra-Community acquisitions

An 'intra-Community acquisition' of goods means movable goods supplied by a VAT-registered person in an EU Member State to a person in another EU Member State who is not a private individual and which have been dispatched from one EU Member State to another EU Member State as a result of the supply. A new means of transport received from another EU Member State is always regarded as an intra-Community acquisition.

Intra-Community supply

Supplies of goods to a person registered for VAT in another EU Member State.

Livestock

Live cattle, horses, sheep, goats, pigs and deer.

Movable goods

Goods other than immovable goods.

Person

The word person does not refer simply to an individual but also to companies, PLC's, partnerships, trustees and unincorporated bodies of persons.

Postponed accounting system

This term is generally associated with the deferment of payment of VAT at importation by arrangement with Customs. The term is also used for deferment of accounting until the next VAT return in the case of intra-Community acquisitions.

Qualifying activities

This term, used in Section 12 (1) of the VAT Act, refers to activities in respect of which a person who would not otherwise be entitled to reclaim VAT may claim a deduction for VAT borne on purchases.

Reverse charge

A reverse charge occurs when the recipient of a supply is obliged to account for VAT e.g. on an intra-Community acquisition, a received Fourth Schedule service, goods installed or assembled for him/her by a non-resident supplier or where a principal contractor is in receipt of construction services from a sub-contractor.

Self-accounting

This term is essentially that of accounting for VAT on a reverse charge or a self-supply.

Self-supply

A self-supply of goods arises when an accountable person applies business goods for use in an exempt or partially exempt activity or appropriates them to a non-business use or disposes of them free-of-charge. VAT due on a self-supply is not deductible.

Service

Any supply which is not a supply of goods.

Taxable goods

In relation to any supply, intra-Community acquisition or importation, means goods, the supply of which is not exempted.

Taxable period

A period of two months beginning on the first day of January, March etc.

Taxable person

A person who independently carries out any business in the State.

Taxable service

Means a service the supply of which is not an exempted activity.

Threshold

When the value of a trader's supplies exceeds or is likely to exceed a set limit they are obliged to register for VAT. This limit is often called the threshold.

Trader

A person who engages in commercial activity.

Undisclosed agent

A person who, while purporting to act on his/her own behalf concludes agreements in his/her own name but on the instructions and for the account of another person. For VAT purposes an undisclosed agent is deemed to act as a principal.

Appendix N

List of VAT Information Leaflets

Advertising Services	Horticultural Retailers
VAT Issues for Milk Production Partnerships	Invoicing
Agricultural Services	Leasing (International) of Means of Transport
Alcohol Products	Margin Scheme – Second-Hand Goods
Auctioneering	Money received basis of Accounting
Building and Associated Services	Motor Vehicles
Transfer of a Business or part thereof	Plant & Machinery
Conferences – VAT Deductibility	Printing & Printed Matter
Dances	VAT and Property Transactions
Distance Sales in the Single Market	Property – Services re Foreign Property
eServices and Broadcasting	VAT on Property Multiplier
Electricity Market	Repayments to Unregistered Persons
EU Intra-Community Acquisitions	Retail Export Scheme
EU Intra-Community Supplies	Service Charges in Hotels and Restaurants
Expression of Doubt	Special Schemes for Retailers
Farmers & Intra-EU transactions	Section 13A – Zero rating of Goods and Services
Food & Drink	Solicitors
Footwear	Sports Facilities
Fourth Schedule Services	State Procurement
Foreign Suppliers Doing Business in Ireland	VAT on Telecommunications Services
Gifts and Promotional Items	Theatrical and Musical Events
Golf	Goods Transport and Ancillary Services within the EU
Goods and Services Sold Together	Veterinary Services
Hire-Purchase Transactions	

All these VAT Information Leaflets are available on the Revenue website www.revenue.ie.

Appendix O

List of Revenue District Addresses

Dublin

Regional Office Apollo House Tara St. Dublin 2	01 6330600	dublinregoff@revenue.ie
City Centre 9/10 Upper O'Connell St. Dublin 1	01 8655000	citycentrevat@revenue.ie
South City 85-93 Lower Mount St. Dublin 2	01 6474000	dublinsouthcityvat@revenue.ie
North City 9/15 Upper O'Connell St. Dublin 1	01 8655000	dublinnorthcityvat@revenue.ie
South County Plaza Complex Belgard Road, Tallaght Dublin 24	01 6470700	southcountyrctvat@revenue.ie
Fingal Block D Ashtown Gate, Navan Road Dublin 15	01 8277000 1890 678 456	fingal@revenue.ie
Dunlaoghaire/Rathdown Lansdowne House Lansdowne Road Dublin 4	01 6329400	dunlrcus@revenue.ie

East and South East Region

Regional Office Government Offices The Glen Waterford	051 862100	eseregionaloffice@revenue.ie
Waterford Government Offices The Glen Waterford	051 862100	waterford@revenue.ie
Wexford Government Offices Anne St. Wexford	053 9149300	wexford@revenue.ie
Kilkenny Government Offices Hebron Road Kilkenny	056 7760700	kilkenny@revenue.ie
Kildare Athy Business Campus, Castlecomer Rd. Athy Co. Kildare	059 8643200	kildarecustomerservice@revenue.ie
Tipperary Government Offices Stradavoher Thurles Co. Tipperary	0504 28700	thurles@revenue.ie
Meath Abbey Buildings Abbey Road Navan Co. Meath	046 9033600	meath@revenue.ie
Wicklow 4 Claremont Road Sandymount Dublin 4	01 6316500	wicklow@revenue.ie

South West Region

Regional Office Revenue House Blackpool Cork	021 6027000	swregoffice@revenue.ie
Cork East Revenue House Blackpool Cork	021 6027000	corkeast@revenue.ie
Cork South West Revenue House Blackpool Cork	021 6027000	corksouthwest@revenue.ie
Cork North West Revenue House Blackpool Cork	021 6027000	corknorthwest@revenue.ie
Limerick River House Charlotte's Quay Limerick	061 212700	limerickdistrict@revenue.ie
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Large Cases Division Setanta Centre Nassau St. Dublin 2	01 6470710	largecasesdiv@revenue.ie
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