

Value added tax (VAT)

General

VAT is a transaction based tax and is chargeable when an accountable person, acting as such, supplies goods or services in Ireland in the course or furtherance of a taxable business. It is also chargeable on the purchase of specified services from suppliers outside Ireland, on imported goods, and on intra-Community acquisitions of goods.

“Accountable persons” include persons carrying on business in Ireland whose annual turnover exceeds the following limits; €75,000 where goods are supplied and €37,500 where services are supplied.

Foreign traders supplying certain taxable services in Ireland, or selling goods from stocks held, or acquired in Ireland are obliged to register for Irish VAT. Foreign traders do not benefit from the registration thresholds unless the trader has a fixed place of business in Ireland. Foreign traders making distance sales to Ireland are obliged to register for Irish VAT if the value of these sales exceeds €35,000 in a calendar year.

Unregistered persons in receipt of certain services from abroad deemed to be supplied in Ireland (known as reverse charge services) must register for Irish VAT if those services are received for business purposes. They are also obliged to register for VAT if they make intra-Community acquisitions of goods in the course or furtherance of business which exceed €41,000 in a 12 month period.

Accounting for VAT

Persons obliged to register for VAT must submit bi-monthly returns; in certain cases however, monthly, quarterly, bi-annual or annual returns may be submitted. Some accountable persons may elect to account for their VAT liability on the basis of cash received in a taxable period rather than on the basis of invoiced sales.

Rates

The rates of VAT and some of the supplies to which they apply are set out below:

Rate	
21.5%	the standard rate of VAT (effective from 1 December 2008) applies to supplies not subject to the rates below
13.5%	land and buildings (if taxable), building services, newspapers, periodicals, hotel/holiday accommodation, short term car hire, heating fuel, electricity, restaurant services and waste disposal services
5.2%	farmers' flat-rate addition
4.8%	livestock and greyhounds and the hire of horses
0%	exports, books, oral medicine, children's clothing and footwear

Property

New VAT on property rules were introduced on 1 July 2008. Transitional rules apply to the supply of interests in immovable goods that were acquired or developed prior to 1 July and which are supplied on or after 1 July 2008.

Under the new VAT on property rules, typical occupational lease interests in property are exempt from VAT (with a landlord's "option to tax" the rent in certain circumstances). The supply of freehold and freehold equivalent interests in "new" property continues to be subject to VAT at 13.5%. Sales of "old property" are exempt from VAT unless an option is exercised jointly by the vendor and purchaser.

Planning tip!

If you primarily supply goods or services to persons who are not registered for VAT or if your turnover is less than €1,000,000 you may be eligible to account for VAT on a cash receipts basis rather than on the basis of invoice sales.

Planning tip!

If your business has retained deposits or cancellation charges on which VAT was paid to Revenue and no supply was ultimately made, you may be entitled to a refund of this VAT from Revenue.

Planning tip!

Remember to claim VAT bad debt relief at the earliest opportunity.

“New property” includes:

- the first supply of a completed property within 5 years of its completion
- the second and subsequent supply of a completed property within 5 years of its completion if it takes place within 2 years of occupation
- old property which has been significantly re-developed.

The new rules introduced a capital goods scheme which provides for the adjustment of VAT deductibility in respect of the acquisition or development costs over a 20 year life of the capital good (ie the property); a 10 year life applies for refurbishments which also constitute a capital good.

Exempt activities

The supply of certain goods and services is exempt from VAT including most banking and insurance services, education and training, medical services and passenger transport.

Tour Operators Margin Scheme

With effect from 1 January 2010, a Tour Operators Margin Scheme is being introduced. Under this scheme the profit margin realised on the sale of travel packages will be subject to VAT at the standard rate. As a consequence of this scheme, the arrangement of passenger transport or accommodation for persons will no longer be exempt from VAT.

Section 13A

Accountable persons may be authorised to import and make intra-Community acquisitions of goods and acquire most goods and services at the zero-rate of VAT if at least 75% of their annual turnover comprises exports or zero-rated intra-Community supplies of goods.

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