

Value added tax (VAT)

General

VAT is a transaction based tax and is chargeable when a taxable 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.

"Taxable persons" includes persons carrying on business in Ireland whose annual turnover exceeds the following limits; €70,000 where goods are supplied and €35,000 where services are supplied (to be increased to €75,000 and €37,500 respectively from 1 May 2008).

Foreign traders supplying certain taxable services in Ireland or selling goods from stocks held 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.

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 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 taxable 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 as follows:

Rate	
21%	- the standard rate of VAT (currently 21%) 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
0%	- exports, books, oral medicine, children's clothing and footwear

Property

New VAT on property rules will be applicable from 1 July 2008; transitional rules will also apply for existing properties from this date. From 1 July 2008, typical occupational lease interests in property will be exempt from VAT (with a "landlord's option to tax" the rent in certain circumstances). Freehold and equivalent interests in "new" property will continue to be subject to VAT at 13.5%, whereas used property will be exempt from VAT unless an option is exercised jointly by the vendor and purchaser. A capital goods scheme is also being introduced which provides for the ongoing adjustment of VAT deductible 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.

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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.

Section 13A

Taxable 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.