

Value added tax (VAT)

General

VAT is a transaction based tax and is chargeable when a taxable person 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; €55,000 where goods are supplied and €27,500 where services are supplied (to be increased to €70,000 and €35,000 respectively from 1 March 2007).

Foreign traders supplying taxable services in Ireland or selling goods from stocks held in Ireland are obliged to register for Irish VAT. Such traders do not have the benefit of the above registration thresholds unless they have a fixed place of business in Ireland.

Unregistered persons in receipt of certain services from abroad deemed to be supplied in Ireland (known as 4th Schedule 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

Taxable persons are obliged to register for VAT and to submit bi-monthly returns in respect of supplies and purchases made in the two-month period. In certain cases, monthly or annual returns may be submitted. With effect from 1 July 2007, in certain cases the returns may also be submitted on a half-yearly and four-monthly basis. 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 the main categories to which they apply are:

| | Rate % |
|---|--------|
| Taxable goods/services not subject to one of the other rates, ie standard rate | 21 |
| Exported goods, fertilisers, books, food, oral medicine, children's clothing and children's footwear | 0 |
| Livestock and greyhounds | 4.8 |
| Real property, building services, newspapers and periodicals, hotel and holiday accommodation, short term car and boat hire, tour guide services and certain agricultural services | 13.5 |
| Heating fuel, electricity, restaurant services, cinema and cabaret admission, hot take-away foods, waste disposal services, admission to exhibitions, the services of veterinary surgeons, cakes and non-chocolate biscuits and child car seats | 13.5 |
| Hairdressing & other similar services, repair & maintenance of movable goods, photographic services, laundry & dry cleaning and driving instruction | 13.5 |

Exempt activities

The supply of certain goods and services is exempt from VAT. These include most banking services, insurance services, education and training, medical services, passenger transport, funeral undertaking, lotteries and services of trade unions.

"Section 13A"

Taxable persons may be authorised to import and make intra-Community acquisitions of goods and to purchase goods and services in the State without having to incur the VAT normally chargeable if at least 75% of their annual turnover is comprised of exports and/or zero rated intra-Community supplies.