

Accounting for VAT on moneys received

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Overview

This section sets out the basis on which Value-Added Tax (VAT) registered persons may opt to account for VAT on the basis of moneys received.

It describes how such persons may apply to operate this scheme and the rules of the scheme.

This guidance should be read in conjunction with the VAT guidance [special schemes for retailers](#) which deals with special schemes for estimation of sales for each VAT rate by retailers.

Who may opt for the moneys received basis?

You may apply to account for Value-Added Tax (VAT) in this way if you meet one of these conditions:

- A VAT-registered person whose turnover does not exceed or is not likely to exceed €2,000,000 in any continuous period of 12 months.

- A VAT-registered person whose supplies are almost exclusively (at least 90%) made to customers who are not registered for VAT, or not entitled to claim a full deduction of VAT.

In practice this second condition would apply mainly to sales by retail outlets, public houses, restaurants and any similar type of business selling mainly to private individuals.

What is the moneys received basis?

Under the normal basis for accounting, a trader is liable to account for VAT when:

- the supply is made
- **or**
- where appropriate, an invoice is issued to a customer.

Under the moneys received basis of accounting a trader is liable to account for VAT when payment is actually received.

If you are using the moneys received basis for VAT the normal invoicing requirements still apply.

When can you not use the moneys received basis?

The moneys received basis cannot be used for VAT in respect of the following transactions:

- transactions with a connected person
 - construction services supplied by a sub-contractor to a principal contractor
 - VAT on property transactions consisting of the creation of long leases prior to 01/07/2008 must always be accounted for on the invoice basis.
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How do you apply for the moneys received basis?

If you are applying for Value-Added Tax (VAT) registration for the first time, you should indicate in the appropriate box on the registration form that you wish to use the moneys received basis. It is important that you meet the conditions outlined in this section to use the money received basis.

If you are already registered for VAT, you must apply to your Revenue office in writing to change to the moneys received basis.

Your application to use the moneys received basis should include the following details:

- name and address

- VAT registration number, where appropriate
- the nature of your business activities
- the percentage of turnover from taxable supplies, if any, which related to supplies to unregistered persons for whichever of the following periods is the shorter:
 - the period of 12 months ended on the last day of the taxable period prior to the application
 - or**
 - the period from the commencement of business activities to the last day of the taxable period prior to the application.
- an estimate of the percentage of the turnover from taxable supplies to unregistered persons for the 12 months from the start of the taxable period during which the application is made
- level of annual turnover, if under €2,000,000.

An authorisation to account for VAT on the moneys received basis has effect from the start of the period during which it is given, or from a subsequent date, if so specified.

Changing to and from the moneys received basis

Invoice or sales basis to the moneys received basis

Where Revenue gives you permission to change from the invoice basis to the moneys received basis, you are liable for Value-Added Tax (VAT) on moneys received from the approved date of the change.

Moneys received do not include any payments on which VAT has already been accounted for in respect of goods and services supplied.

You may not change from the invoice basis to the moneys received basis unless we authorise you to do so.

Moneys received basis to an invoice or sales basis

Where a person, authorised to account for VAT on the moneys received basis ceases to be authorised or ceases to be an accountable person, an adjustment is made in the period of cessation, to account for the VAT payable on outstanding debtors at that date.

The adjustment is based on the amount due to the accountable person by outstanding debtors in respect of taxable supplies at the date of cessation. The rate(s) of VAT applying to the amounts outstanding are calculated in accordance with the following formula:

$$(A \times B) / C$$

A - the total amount due to the person at the end of the authorised period for goods and services supplied during the authorised period (outstanding debtors).

B - the taxable amount in respect of taxable supplies at each rate of tax in the 12 months prior to the date of cessation or in the authorised period, whichever is shorter.

C - the taxable amount in respect of total taxable supplies in the 12 months prior to the date of cessation or in the authorised period, whichever is shorter.

You may agree with your local Revenue district on another basis of apportionment between the various rates of tax.

The amount so apportioned at each rate is a tax-inclusive amount and the tax included is to be treated as tax due for the period in which the cessation of the monies received basis occurs.

No adjustment of liability is made where the cessation occurs due to the death of the accountable person.

VAT rates on the moneys received basis

You are liable for Value-Added Tax (VAT) at the rate applicable at the time the goods or services are supplied.

In the event of a change in the rates of VAT, you must apply the VAT rate at the time that the goods or services were actually supplied, and not the time that the payment was received (if this is later).

What sums are included in the moneys received basis?

Moneys received by a Value-Added Tax (VAT)-registered supplier include any sums:

- lodged or credited to the supplier's account in a bank, building society or other financial concern
- received by another person, such as a solicitor, on the supplier's behalf
- deducted as Professional Services Withholding Tax by an accountable person

- deducted as Relevant Contract Tax by a principal contractor or subcontractor
- paid to Revenue by a third party to the supplier'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. The date of the offset is deemed to be the date of receipt.

Care must be taken when money is received through an agent that any amount withheld by the agent to cover, for example, his or her fees, expenses and so on, is included as moneys received.

The date of the offset is deemed to be the date of receipt.

Professional Services Withholding Tax (PSWT)

PSWT withheld from payments for professional services is deemed, for VAT purposes, to be part of the consideration received by the supplier.

Example

A solicitor's gross fee for professional services of €1,230 includes VAT of €230.

PSWT is liable at 20% on the VAT exclusive amount of €1,000, with PSWT of €200 withheld for Income Tax.

The solicitor is deemed to have received €1,230 and must account for VAT of €230.

Relevant Contract Tax (RCT)

VAT on construction services supplied by a subcontractor to a principal should be accounted for on a reverse charge basis by the principal contractor.

This means:

- the subcontractor will be paid only on a VAT-exclusive basis
- the principal contractor should account for VAT on the full consideration charged by the subcontractor, including RCT withheld
- RCT should be assessed on the VAT-exclusive consideration.

The reverse charge also applies in respect of construction services provided between two connected persons.

Please also refer to further guidance on State procurement if the transaction involves State

bodies.

Moneys received basis eligibility and cancellation

Moneys received basis eligibility

You should notify Revenue if your turnover from taxable supplies to unregistered persons for four consecutive months is less than 90% of your total turnover. You should do this by the end of the following month and indicate the actual percentage of such supplies.

If the change in the percentage is of a marginal or temporary nature, the authorisation may be allowed to continue.

Moneys received basis cancellation

You must apply to have the authorisation cancelled where it is clear that your annual turnover will exceed €2 million in any continuous 12-month period. This applies if you are already on the moneys received basis because your annual turnover was less than €2 million.

If you fail to notify your local Revenue office, the authorisation will be cancelled from the start of the Value-Added Tax (VAT) period within which the notification should have been made.

Cancellation of an authorisation will have effect from either :

- the start of the VAT accounting period when you are notified of such cancellation by your Revenue office
- or**
- from the start of a later VAT accounting period, if specified in the notice.