What is VAT?

Overview

Value-Added Tax (VAT) is a tax on consumer spending. Most goods and services supplied in Ireland are subject to VAT. Goods imported into Ireland from outside the European Union (EU) are also subject to VAT: this is charged by Customs at the point where the goods enter the State.

This section explains:

- what an accountable person and a taxable person is
- exemption from VAT
- reverse charge (self accounting)
- qualifying activities
- VAT fraud.

What is an accountable and a taxable person?

What is a taxable person?

A taxable person is any person who independently carries on a business in the European Union (EU) or elsewhere. It includes persons who are exempt from Value-Added Tax (VAT) as well as flat-rate (unregistered) farmers.

What is an accountable person?

A person who is required to charge VAT in the State is referred to as an accountable person.

An accountable person is a taxable person (for example, an individual, partnership, company) who:

- supplies taxable goods or services in the State

  and

- who is, or is required to be, registered for VAT.

Exemption from VAT

If you make exempt supplies you are a taxable person, but not an accountable person in respect of such supplies.

You are not entitled to register for Value-Added Tax (VAT) in respect of your supply of exempt goods and services, unless you also make taxable supplies.

VAT registration will refer to your taxable supplies only.

If you make an exempt supply of goods or services, you are not entitled to reclaim VAT incurred on expenditure in connection with the exempt supply.

Exempt suppliers may be required to register and account for VAT in respect of intra-Community acquisitions and services from abroad.

For special provisions relating to property, see our VAT section on property and construction.

What is reverse charge and self accounting?

Value-Added Tax (VAT) is normally charged and accounted for by the supplier of the 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 to:

- the intra-Community acquisition of goods from another Member State
- the receipt of services from abroad that are taxable where received
- the receipt from abroad of cultural, artistic or entertainment services from persons not established in the State
- repair, valuation or contract work carried out on movable goods in another State in certain circumstances
- goods where they are installed or assembled for certain designated persons in the State by a supplier who is not established in the State
- intra-Community transport and ancillary services that are supplied by a non-established person to an accountable person in the State
- construction services that are supplied to a principal contractor by a sub-contractor, whether or not the sub-contractor is established in the State

- 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
- the receipt of greenhouse gas emission allowances from another taxable person established in the State or abroad
- the ownership of goods that are transferred by way of a vesting order to NAMA
- a taxable person carrying on a business in the State which consists or includes dealing in scrap metal
- a supply of construction work in the State between two connected persons.

What are qualifying activities?

There are certain activities that qualify for reclaiming Value-Added Tax (VAT). These qualifying activities are:

- transport outside the State of passengers and their accompanying baggage
- supplies of goods which, by virtue of the distance sales rules, are deemed to have taken place in another European Union (EU) Member State, provided that the supplier is registered for VAT in that other Member State
- certain financial and insurance services supplied outside the EU or directly in connection with the export of goods to a place outside the EU
- services consisting of the issue of new stocks, new shares, new debentures and other new securities made to raise capital for an accountable person's taxable supplies
- supplies of goods or services outside the State that would be taxable supplies if made in the State.

What is VAT fraud?

You must be aware that there are consequences to becoming involved in a set of transactions connected with a Value Added Tax (VAT) fraud, even if the transactions in which you are involved are not themselves unlawful.

You should be aware that you could:

- lose your entitlement to reclaim VAT
- become liable for Irish VAT on previously zero-rated intra-Community supplies where the related transactions are connected with fraud.

Further guidance contains more detailed information on how to protect your business from VAT fraud.