What is VAT?

VA T, or Value Added Tax, is a tax that is charged on most goods and services that VAT registered businesses provide in Ireland.

Unlike other taxes, VAT is collected on behalf of the Revenue Commissioners by registered businesses. Once you’re registered for VAT, you must charge the applicable rate of VAT on any services you provide, or products you sell.

There are five VAT rates currently – the standard rate (23%), a reduced rate (13.5%) a second reduced rate (9%), a special rate (4.8%), and zero rate. Some items are completely exempt from VAT.

If your business turns over more than €37,500 over a 12 month period and you supply services or your business turns over more than €75,000 in a 12 month period and you supply goods then you will need to register for VAT.

Even if you fall below the VAT threshold, there may be benefits to register voluntarily – it may be that in your industry, being VAT registered adds a more professional touch, or if you make a lot of purchases, you may want to reclaim the value of VAT on these items.

All businesses that are VAT registered must account for all the VAT they have charged to others, or paid out to suppliers, usually every two months. However, if your business has an annual VAT liability of up to €3,000 you can submit your VAT on a bi annual basis. If the liability is between €3,001 - €14,440 then you can submit VAT on a quarterly basis. Since June 2012, all businesses are now required to submit their VAT returns online.
Registering for VAT

If you’re a business and the goods or services you provide count as what’s known as ‘taxable supplies’ you may have to register for VAT.

YES

Has your taxable turnover for the previous 12 month rolling period exceeded €37,500/€75,000?

OR

NO

What next?

Even if your turnover is less than the current threshold you may benefit from voluntary VAT registration

Compulsory Registration

You must become VAT registered

Voluntary Registration

Register with Revenue

To apply for VAT registration you can either use Revenue’s online services or send paper forms through the post. Visit Revenue.ie for more information

Choose how to submit your VAT

Through accounts software

You can make your VAT returns quick and easy by using Sage accounts software to submit to Revenue Online Service (ROS)

Online through Revenue

You can submit your returns free of charge using the Revenue Online Service (ROS)

What next?

Carry on trading as you are and be mindful of your turnover. If you suspect you will go over the limit you will need to register

Voluntary Registration

Register with Revenue

Has your taxable turnover for the previous 12 month rolling period exceeded €37,500/€75,000?

Carry on trading as you are and be mindful of your turnover. If you suspect you will go over the limit you will need to register

Voluntary Registration

Even if your turnover is less than the current threshold you may benefit from voluntary VAT registration

Voluntary Registration

Register with Revenue

To apply for VAT registration you can either use Revenue’s online services or send paper forms through the post. Visit Revenue.ie for more information

Choose how to submit your VAT

Through accounts software

You can make your VAT returns quick and easy by using Sage accounts software to submit to Revenue Online Service (ROS)

Voluntary Registration

Register with Revenue

Has your taxable turnover for the previous 12 month rolling period exceeded €37,500/€75,000?

Carry on trading as you are and be mindful of your turnover. If you suspect you will go over the limit you will need to register

Voluntary Registration

Register with Revenue

To apply for VAT registration you can either use Revenue’s online services or send paper forms through the post. Visit Revenue.ie for more information

Choose how to submit your VAT

Through accounts software

You can make your VAT returns quick and easy by using Sage accounts software to submit to Revenue Online Service (ROS)

Voluntary Registration

Register with Revenue

Has your taxable turnover for the previous 12 month rolling period exceeded €37,500/€75,000?

Carry on trading as you are and be mindful of your turnover. If you suspect you will go over the limit you will need to register

Voluntary Registration

Register with Revenue

To apply for VAT registration you can either use Revenue’s online services or send paper forms through the post. Visit Revenue.ie for more information

Choose how to submit your VAT

Through accounts software

You can make your VAT returns quick and easy by using Sage accounts software to submit to Revenue Online Service (ROS)
VAT Schemes

When you become VAT registered you’ll be assigned to the standard VAT scheme; however, there are other schemes available, depending on your business’ turnover. It may be beneficial to use one of these schemes, depending on the specific circumstances of your business.

01. Standard VAT

What is it?

This is the default scheme you will be assigned to unless you state otherwise. If your turnover is over €1.25 million you will automatically fall into this scheme.

On this scheme you are able to reclaim VAT at the point an invoice is received from your supplier, for example, before you’ve actually paid the money. You’ll also be liable for the VAT on sales at the point you send an invoice to your customer, (even before you’ve received the money from them). This means if a customer doesn’t pay the money, you’ll need to account for the ‘bad debt’, once the invoice has been outstanding for a long period of time.

02. Cash Accounting Scheme (Money Received Basis Scheme)

What is it?

Usually VAT is payable when an invoice is issued. Using the Money Received Basis Scheme, you don’t need to pay VAT until your customer has paid you. Traders whose turnover is less than €1.25 million can opt for this scheme.

What are the advantages of this scheme?

• It’s good for cash flow especially if your customers are slow to pay
• It’s even more useful if you have bad debts
• You don’t pay the VAT if your customer never pays you

03. Annual Accounting Scheme

What is it?

Using this scheme, you pay the VAT owed throughout the year by direct debit. These instalments are based on the VAT you paid in the previous year. A VAT return is submitted at the end of the year and any balance due is paid. The outstanding balance should be less than 20% of the annual liability as interest may be charged from the mid-point of the year.

What are the advantages of this scheme?

• Less paperwork involved because you only need to complete one annual return
• It can make it easier to manage your cash flow
Submitting VAT

If you’re VAT registered you’ll need to submit a VAT Return at regular intervals, usually every 2 months. This period of time is known as your ‘accounting period.’

The return shows:

• The VAT you’ve charged on your sales to your customers in the period - known as output tax
• The VAT you’ve paid on your purchases to your suppliers in the period - known as input tax
• If the output tax is more than the input tax, for example, if you have sold more than you’ve bought; you pay the difference to the Revenue Commissioners.
• If the input tax is more than your output tax, for example, if you have bought more than you’ve sold; you claim the difference back from the Revenue Commissioners.
• You must send a VAT Return even if you have a nil return (no VAT to pay or reclaim)

Sending the return

All VAT returns must be sent online. As part of the VAT registration process an online account is created on the Revenue Online System (ROS). There are a number of alternative methods available to complete the online submission process:

Revenue Commissioners free online service
Log in to your VAT online account at www.ros.ie and manually enter the values for the VAT boxes.

Using accountants or agents
You can authorise an agent or your accountant to submit your VAT return on your behalf. This is done via ROS, and must be completed before the return is submitted for you.

You must pay VAT to Revenue electronically. Remember, although it’s ‘your’ VAT return, it isn’t your money that you are paying to Revenue, it’s the tax you’ve collected from your customers minus the tax you’ve paid to your suppliers.
Staying compliant

Keeping VAT records
You must keep VAT records for at least six years. You can keep them on paper, electronically or in software. Records must be accurate, complete and readable.
If you’ve lost a VAT invoice you can’t rely on a photocopy. Ask the supplier for a duplicate (marked ‘duplicate’).
You must keep a separate record of the VAT you charge and the VAT you pay on your purchases. This record is called a ‘VAT account’. There aren’t any rules on what a VAT account should look like, but it must show:
- Your total VAT sales
- Your total VAT purchases
- The VAT you owe Revenue
- The VAT you can reclaim from Revenue
- The VAT on any EU acquisitions (purchases) or dispatches (sales).

Claiming for VAT
Below is a brief guide to items that are not deductible in a VAT return:
- Expenditure on food, drink or accommodation
- The purchase or hire of a passenger motor vehicle
- Petrol
- Entertainment expenditure
All other expenditure should be ‘wholly and exclusively’ for the purposes of the business.

VAT invoices
The following 13 elements must be included on an invoice for it to comply with VAT regulations:
- Unique invoice number that follows on from the last invoice
- Your business name and address
- Your VAT number
- Date
- The tax point (or ‘time of supply’) if this is different from the invoice date
- Customer’s name or trading name, and address
- Description of the goods or services
- Total amount excluding VAT
- Total amount of VAT
- Price per item, excluding VAT
- Quantity of each type of item
- Rate of any discount per item
- Rate of VAT charged per item - if an item is exempt or zero-rated make clear no VAT on these items.

Deadlines
Usually VAT invoices must be issued within 15 days of the end of the month in which the goods or services are supplied.
Revenue officers can visit your business to inspect your VAT records and make sure you’re paying or reclaiming the correct amount of VAT.

Revenue Commissioners will usually request a copy of your accounts data to check over. You’ll usually be given twenty one days’ notice if they do decide to make a visit and they’ll confirm what information they’ll want to see.

Before a VAT inspection you should make sure that all your VAT records are in order.

**How you get selected for a visit depends on:**
- Compliance history and screening of tax returns
- Projects on business sectors
- Random selection

**At the inspection, Revenue will:**
- Inspect your books and records for the period(s) selected
- Give you an opportunity to disclose any discrepancy in your tax returns
- Make you aware as soon as any discrepancy becomes apparent
- At the final interview will you ask for your agreement of the final settlement figure you have a nil return (no VAT to pay or reclaim)

You can appeal a Revenue decision but you must do it within 30 days.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting period</td>
<td>See tax period</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>Goods brought into Ireland from other EU countries</td>
</tr>
<tr>
<td>Distance sales</td>
<td>Where a business in one EU country sells and ships goods directly to customers in another EU country, e.g. internet or mail order sales</td>
</tr>
<tr>
<td>Exports</td>
<td>Goods sent to a non-EU country</td>
</tr>
<tr>
<td>Despatches</td>
<td>Goods sent to another EU country</td>
</tr>
<tr>
<td>Imports</td>
<td>Goods brought into the EU from another country</td>
</tr>
<tr>
<td>Input tax</td>
<td>The VAT you pay on your purchases</td>
</tr>
<tr>
<td>Notional VAT</td>
<td>The equivalent VAT value from EU purchases</td>
</tr>
<tr>
<td>Output tax</td>
<td>The VAT you charge on your sales</td>
</tr>
<tr>
<td>Place of supply</td>
<td>The country in which a supply of goods or services must be accounted for VAT purposes</td>
</tr>
<tr>
<td>Supply</td>
<td>Selling or otherwise providing goods or services, including barter and some free provision</td>
</tr>
<tr>
<td>Supply of goods</td>
<td>When exclusive ownership of goods passes from one person to another</td>
</tr>
<tr>
<td>Taxable person</td>
<td>Any business entity that buys or sells goods or services and is required to be registered for VAT</td>
</tr>
<tr>
<td>Taxable supplies</td>
<td>All goods and services sold or otherwise supplied by a taxable person which are liable to VAT at the standard, reduced or zero rate</td>
</tr>
<tr>
<td>Taxable turnover</td>
<td>The total value – excluding VAT – of the taxable supplies you make in Ireland</td>
</tr>
<tr>
<td>Tax period</td>
<td>The period of time covered by your VAT Return, usually bi-monthly</td>
</tr>
<tr>
<td>Tax point</td>
<td>The date when VAT has to be accounted for - for goods, this is usually when you send the goods to a customer or when they take them away, for services, this is usually when the service is performed</td>
</tr>
<tr>
<td>Time of supply</td>
<td>See tax point</td>
</tr>
<tr>
<td>VAT account</td>
<td>A detailed record of the VAT charged and claimed</td>
</tr>
</tbody>
</table>
We know that VAT is a big pain point for many small businesses and one that causes much confusion and can sometimes keep you awake at night, but it doesn’t have to.

At Sage we’re here to help take some of that pain away, whether that’s worrying about whether you need to be VAT registered or wondering how it all works we’re here to support you through it.

All of our accounts software is designed to help you manage, process and submit VAT quickly and easily, giving you more time to focus on your business.

For more information:
Visit www.sage.ie/vat
Telephone 1890 88 20 60