



VAT Matters

July 2010

Welcome to the July 2010 edition of VAT Matters.

VAT general update



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VAT reclaim apportionment review

Businesses involved in partly VAT exempt/partly taxable activities, are reminded that each year they are obliged to review the percentage of VAT incurred that they can reclaim. Adjustments to the amount of VAT reclaimed must be made within six months (by the third VAT return) following the end of the traders financial year end. For many traders, the relevant return date will be during July 2010. We can assist with determining the most appropriate apportionment method to use and the calculation of the adjustment required.

VAT and cash registers

The Revenue have issued an information leaflet on cash registers to all VAT registered customers who deal in cash.

It highlights the changes to VAT Regulation 8, which came into effect on 2 July 2008. It has also been issued to cash register suppliers, including software suppliers. The most significant change affecting cash register records is that each record must now contain the date, time and sequential number. This leaflet will be of interest to anyone dealing with cash transactions. For further information please contact one of our specialists.



VAT and property – impact on direct taxes of the capital goods scheme

Another leaflet issued by the Revenue outlines some of the direct tax consequences arising from the operation of the Capital Goods Scheme (CGS). The CGS is a system which monitors the use to which a property is put over the VAT-life of the property.

Changes to the use of the property may require an adjustment by the taxpayer to the amount of VAT reclaimed when the property was acquired or developed. This may result in the taxpayer receiving a VAT refund from the Revenue or alternatively making an extra payment to the Revenue. The leaflet explores the direct tax consequences (including those in the areas of capital gains tax, capital allowances and stamp

duty) arising from such an event.

The Revenue have also updated their general leaflet on VAT and property to take the recent changes in Finance Act 2010 into account. Both leaflets are available on the Revenue website.

To view information on VAT pitfalls and opportunities; click here.

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Bad debt relief

It may be possible to reclaim VAT on certain unpaid debts, thereby improving your cash flow. Certain conditions apply such as:

- the debt must be written off in the financial statements; and
- the parties must not be connected.

However, it is not essential that the customer has ceased trading or that legal proceedings have been issued. There is also no requirement to issue a credit note to the customer as the debt is still due.

To view other cash flow saving ideas; [click here.](#)

Foreign VAT refunds

From 1 January 2010, Irish businesses can reclaim VAT

incurred in other EU countries electronically via Revenue On-line Service (ROS). Reclaims are subject to local rules in the country in question. The relevant Revenue authority must refund the money within certain timeframes (four months in most cases and eight in other cases) or interest may also be payable. The time limit for making the application has been extended to nine months after the calendar year end. However, traders may wish to make claims as early as possible to aid cash flow.

Local authorities

VAT applies to certain goods and services supplied by local authorities with effect from 1 July 2010. VAT will generally apply where similar goods and services are also supplied by commercial businesses for e.g. car parking and waste disposal.

This new provision also extends to the sale of local authority housing. Following a late change by the Minister for Finance, VAT will only apply to the provision of community facilities at a later date when the Minister issues an Order. Community facilities include the letting of sports facilities (excluding golf courses – which are already subject to VAT), meeting rooms, halls and grounds to non-profit making community, sporting, cultural and social groups.

Greenhouse gas emissions

There is a change in the VAT treatment of domestic supplies of greenhouse gas emission allowances (sometimes called “carbon credits”) with effect from 8 April 2010. From that date, a reverse charge mechanism applies in relation to supplies, within the State, of

these allowances. Up to now, the reverse charge mechanism applied to cross-border supplies, but not to domestic supplies. This simplification measure is designed to prevent VAT fraud. Anyone operating in this business needs to be careful not to pay VAT to a supplier where it is not due as it may be difficult to recover this VAT from the Revenue.



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Grant Thornton Ireland were recently ranked in the top 5 accounting firms in Ireland for tax services (International Tax Review Survey 2010).

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