



VAT matters

September 2011

1. European Union VAT reclaims - Deadline approaching

Refund applications for VAT incurred in other EU countries must now be made on-line. Paper applications are no longer accepted. The deadline for refunds of VAT incurred in 2010 is 30 September 2011. Applications by Irish VAT registered businesses for all EU-incurred VAT are made through Electronic VAT Refund (“EVR”) on ROS. As the registration process for ROS, and in turn EVR, can take over a week it is important to ensure early registration prior to the 30 September deadline. The minimum annual refund claim amount is €50.

2. Renewal of VAT 13B certificates – 31 October

Businesses which derive more than 75% of their turnover from exporting goods to customers outside of Ireland may qualify for a VAT 13B certificate. Such a certificate entitles the holder to acquire most goods and services without paying VAT. This can represent a significant cash-flow saving for the holder. VAT 13B certificates generally expire on 31 October. If you hold one of these and it is due to expire, then you should consider renewing the certificate in good time to ensure it is in place and copies can be given to your suppliers before the current certificate expires.

You should also regularly review your entitlement to 13b authorisation as significant penalties can be imposed by Revenue when a tax payer fails to notify them that they no longer qualify.

3. Temporary 9% VAT rate

As part of the jobs initiative announced by the Minister for Finance earlier this year, the VAT rate applying to some goods and services, mainly in the tourism sector, has been reduced from 13.5% to 9%. The reduction applies for a period of two and a half years, from 1 July 2011 to 31 December 2013. Included in the reduction are restaurant meals, take away food and hot

drinks, hotel accommodation, hairdressing, use of sporting facilities, golf green fees, fairground and amusement parks, admission to cinemas, galleries and some printed material including newspapers and maps. The rate reduction does not apply to the sale of alcohol, soft drinks or bottled water, even when sold as part of a meal, or to a range of goods and services which remain liable at the 13.5% rate (such as car hire, car repairs, bakery products). A detailed list of the goods and services included in the rate reduction can be viewed [here](#).



4. Mandatory electronic filing and payment of tax

Revenue recently introduced regulations which specify that most VAT returns and related payments must now be processed through ROS. These regulations came into effect on 1 June 2011.

Most payments made through ROS must now be processed from an Irish bank account. Previously taxpayers could make payments to Revenue via electronic fund transfer i.e. through any Irish or foreign bank account. Where a VAT return and/or VAT payment is not processed through ROS after 1 June 2011 Revenue can apply a penalty of €1,520 to the applicable VAT return.

Revenue may exclude a person from the obligation to pay and file electronically if they are satisfied that the person does

not have capacity to do so. “Capacity” is taken to mean sufficient access to the Internet and, in the case of an individual, is not prevented by reason of age, physical or mental infirmity from filing and paying electronically.

It should be noted that Revenue will no longer issue paper return forms to individuals or businesses who are required to pay and file electronically and who have not been granted an exclusion from the provisions of the regulations.

5. Revenue activity

Revenue e-brief 50/11 - VAT treatment of admission fees to Historic Houses and Gardens and certain other admissions to, and rights over, property

Admission fees charged for entry to historic houses and gardens and certain other

admissions to, and rights over, property are treated as exempt lettings. A review of this exemption was carried out which included the consideration of a number of decisions of the European Court of Justice involving the issue of what constitutes a letting for VAT purposes. As a result, it is no longer possible to apply the exemption in the case of these admissions and other charges. Accordingly, with effect from 1 January 2012 these charges will become liable to VAT at the appropriate rate. The relevant leaflet can be viewed [here](#).

Revenue e-brief 49/11 - VAT treatment of the right of admission to cultural, artistic, sporting, scientific, educational, entertainment, or similar events, and services ancillary to the admission

Revenue have issued a guidance leaflet attempting to clarify the VAT treatment surrounding admission charges to a variety of events as well as ancillary services provided in relation to those events. The relevant VAT rules were amended from 1 January 2011. The relevant leaflet can be viewed [here](#).



Revenue 3-brief 22/11 - Value-Added Tax (Refund of Tax) (No. 25) Order, 1993

Revenue has recently determined that VAT on certain expenditure incurred by unregistered (flat-rate) farmers on underpasses, hedgerows and land reclamation may qualify for refund under this refund order. The relevant leaflet can be viewed [here](#).

6. Revenue audits

As well as reviewing the tax treatment surrounding large transactions, most Revenue audits tend to focus on fiduciary taxes such as VAT and payroll. Having increased the fixed penalty amounts last year for relatively minor errors, Revenue inspectors are applying these penalties in an effort to ensure compliance levels remain high.

During periods of economic recession, compliance levels in taxes such as VAT and PAYE tend to drop. A summary of the main issues which typically arise during Revenue audits which can lead to settlements can be viewed [here](#).

7. Relevant Contracts Tax (RCT)

From 1 January 2012 the current paper-based system will be replaced with online reporting. All principals and subcontractors who are registered in the current system shall be automatically registered in the new online system. A new rating system will also be introduced for subcontractors. The relevant rate attached to each subcontractor shall depend on C2 and historical compliance history.

The new rates will be 0%, 20% and 35%. As the mandatory reporting platform will be ROS, it will be necessary for all principals to register on ROS prior to the introduction of the new system. Principals with in-house RCT software systems should ensure these are compatible with ROS reporting requirements. Revenue regulations are expected to be issued in the coming weeks which will hopefully clarify some of the issues surrounding the new procedures.



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