



EU announces changes to the VAT treatment of vouchers

In June 2016, the Council of the EU published a directive dealing with the VAT treatment of vouchers. The purpose of the directive is to harmonise the treatment of vouchers throughout the EU. The changes will affect retailers, certain telecom providers and businesses which buy and sell vouchers.

The current treatment of vouchers under Irish legislation

Currently the issue of a voucher to a consumer is not subject to VAT in Ireland. VAT arises when the voucher is redeemed to acquire goods and services.

VAT does arise where vouchers are issued to a business which acquires them for the purpose of resale and on the subsequent onward sale of the vouchers.

Application of the new rules

It is important to appreciate that the changes will only apply to vouchers which can be used for redemption against goods or services.

The new rules differentiate between two types of vouchers. A “**single-purpose**” voucher is defined as “a voucher where the place of supply of the goods or services to which the voucher relates and the VAT due on those goods or services, are known at the time of the issue of the voucher”.

This would include a voucher which can only be redeemed by a supplier for a particular good or service.

A “**multi-purpose**” voucher is defined as “a voucher other than a single purpose voucher”. This would include vouchers which can be redeemed against goods and services with different VAT rates and by a variety of suppliers.

When will the changes take effect?

Member states must apply the new rules to vouchers issued after 31 December 2018. Irish VAT legislation will require amendment prior to that date to bring domestic legislation in line with the directive.

Summary of new rules

The fundamental goal of the amendments to the VAT directive is to ensure that VAT is accounted for at the point of issue in respect of single-purpose vouchers while VAT is accounted for at the time of redemption in respect of multi-purpose vouchers. The changes can be summarised as follows:

Transaction	VAT implications with effect from 1 January 2019
Issue of single purpose voucher	VAT is chargeable at the point of issue
Issue of multi-purpose voucher	VAT is not chargeable on the issue and sale of vouchers. Instead VAT arises on redemption

Planning ahead

In light of the above changes, it is opportune for businesses to consider how the new rules will affect them.

Changes may be required in order to implement the new rules, particularly among retailers, online businesses and software companies. Businesses should also consider the wider commercial implications of the changes. If these changes will impact your business, forward planning is essential.

Contact

Please do not hesitate to contact a member of the Grant Thornton tax team if you have any questions in relation to VAT treatment of vouchers.

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