

Input Credits & VAT Deductions



When paying VAT to Revenue for a period an accountable person may deduct the VAT charged on the goods and services which were used for the purposes of his taxable business in that period by claiming an input credit. If the input credit is higher than the VAT collected from clients and customers in that VAT period the taxpayer will get a VAT refund from Revenue.

No deduction may be made for the VAT on goods and services which are not used to make VAT supplies, for example goods used in a VAT exempt activity (e.g. providing financial advice).

Mixed Activities

If a person carries on both a taxable and exempt business, he can only deduct the VAT relating to the taxable business. If dual-use inputs are used e.g. goods/services are used for both a taxable and an exempt activity, the VAT paid should be apportioned between the taxable and exempt supplies. Revenue have published a Guide: [Revenue Guide to Apportionment of Input Tax](#) (PDF, 491KB).

Since 01 July 2008, the Capital Goods Scheme for property is used to apportion VAT inputs for immovable goods acquired or developed in relation to a business which is not fully taxable. If part of the goods or services are for private rather than business use (for example, electricity, telephone charges and heating expenses where the business is carried on from the trader's private residence) only the VAT appropriate to the taxable business is deductible and the credit may need to be apportioned between the taxable activity and private use.

VAT Invoices

To be entitled to the deduction the trader must have a proper VAT invoice. From 01 January 2014 where a person claims an input credit for VAT but has not paid the supplier within 6 months of the end of the relevant taxable period, then the amount of VAT deductible will be reduced by the amount of VAT relating to the unpaid consideration. A readjustment can be made when the taxpayer pays for the goods or services.

A VAT invoice should show:

1. the date of issue of the invoice,
2. a sequential number which uniquely identifies the invoice,
3. the full name, address and the registration number of the person who supplied the goods or services,
4. the full name and address of the person to whom the goods or services were supplied,

5. the quantity and nature of the goods supplied or the extent and nature of the services rendered,

6. the date on which the goods or services were supplied or, the date on which an early payment was received on account (if different to the date of the invoice),
7. in respect of the goods or services supplied:
 - the unit price exclusive of VAT,
 - any discounts or price reductions not included in the unit price, and
 - the consideration exclusive of VAT.
8. in respect of the goods or services supplied (other than reverse charge supplies):
 - the consideration exclusive of tax for each rate (including zero-rate) of VAT, and
 - the rate of VAT chargeable.

In the case of a reverse charge supply the VAT identification number of the person to whom the supply was made and a note that a reverse charge applies should be included in the invoice.

Time limits

The time limit for claiming a repayment of VAT is normally 4 years. Refund applications made by taxable persons not established in the Member State of refund but established in another Member State should be submitted to the Member State of establishment by 30 September of the calendar year following the refund period. Refund periods may not be more than one calendar year or less than three calendar months unless the period representing the remainder of the calendar year is a period of less than three months. 13th Directive claims must be submitted within 6 months from the end of the year in which the transaction took place.

Processing of VAT Repayments

Revenue have advised that they will need the following information in order to process VAT repayments:-

- A schedule of purchases and sales for the period
- Copies of the 10 largest purchases invoices
- Copies of 10 largest sales invoices in the period
- Copies of sales invoices where credit notes were issued
- The reason for the refund
- The business activity of the company
- The tax number of the company if outside Ireland
- Clarification of the circumstances giving rise to a nil sales (if applicable)

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Caveat: These notes are intended as a general guide. OHT has endeavoured to provide an accurate commentary but the notes cannot cover all circumstances. OHT strongly recommends that formal tax advice be obtained before any steps are taken that may have a tax effect.