

**FINANCE ACT 2018**

**VALUE-ADDED TAX**

**NOTES FOR GUIDANCE**

*Issued by VAT Policy and Legislation Branch, 20 December 2018.*

## **42 Interpretation (Part 3)**

This section defines the Principal Act as the Value-Added Tax Consolidation Act 2010 for the purposes of Part 3 of the Act. This is a conventional provision in Finance Acts. It allows abbreviated terms to be used for references to previous legislation and thus facilitates drafting and subsequent reading of the legislation. For example, the term “Principal Act” used in Part 3 of this Act refers to the Value-Added Tax Consolidation Act 2010.

## **43 Rates of value-added tax**

### **Summary**

This section amends section 46 of, and Schedule 3 to, the VAT Consolidation Act 2010 in relation to rates of VAT, with effect from 1 January 2019.

The amendment to section 46 provides that the VAT rate applicable to goods and services, predominantly in the tourism sector, is increased from 9% to 13.5%, with the exception of newspapers, periodicals and the provision of facilities for taking part in sporting activities, which remain liable at the 9% rate.

The amendment to Schedule 3 applies the 9% VAT rate to electronically supplied publications, which are e-newspapers, e-periodicals and e-books.

### **Details**

*Paragraph (a)* amends section 46(1)(ca) which provides for the following:-

- The rate of VAT is increased from 9% to 13.5% on the following goods and services:
  - supplies of catering and restaurant services,
  - tourist accommodation,
  - hotel and other holiday accommodation,
  - admissions to cinemas, theatres, museums, certain musical performances, museums, art gallery exhibitions,
  - fairground and amusement park services,
  - admissions to historic houses, open farms and built and natural heritage facilities,
  - hairdressing services,
  - the supply of live horses not normally intended for use in the preparation of foodstuffs or in agricultural production,
  - the supply of greyhounds,
  - the hire of horses, and
  - the supply of certain printed matter including brochures, leaflets, programmes, catalogues, directories, maps and printed music.

- The 9% rate of VAT continues to apply to the following goods and services:
  - newspapers and periodicals, and
  - the provision of facilities for taking part in sporting activities including golf green fees and subscriptions charged by non-member owned golf clubs.
  
- The rate of VAT applicable to electronic publications as defined in Schedule 3 is being reduced from 23% to 9%.

*Paragraph (b)* inserts into Schedule 3 a new paragraph (7A) which defines electronic publications as being e-newspapers, e-periodicals and e-books (including audio books that are supplied electronically). This means that, with effect from 1 January 2019, the 9% VAT rate will apply to both printed and electronically supplied newspapers and periodicals.

### **Sale of horses**

The rate of VAT applicable to the supply of live horses normally intended for use in the preparation of foodstuffs or agricultural production remains unchanged at 4.8%, in accordance with section 46(1)(d).

### **Commencement**

This section has effect from 1 January 2019.

## **44 Amendment of section 94 of the VAT Consolidation Act 2010 (supplies of immovable goods (new rules))**

### **Summary**

This section amends section 94(7) of the VAT Consolidation Act 2010 in relation to supplies of immovable goods (new rules).

### **Details**

Section 94(7) is amended by the deletion of paragraph (e). This paragraph is redundant as the disposal of residential property by a receiver, liquidator or mortgagee-in-possession, where that property is an asset of an accountable person being a developer or a person connected to that developer, and where the owner, being the developer of that property or a connected person, was entitled to deductibility on the acquisition or development of the property, is already provided for in section 22(3) and section 76(2).

### **Commencement**

This section has effect from the date of passing of the Finance Act (19 December 2018).

## **45 Amendment of section 104 of VAT Consolidation Act 2010 (repayments in specific circumstances)**

### **Summary**

This section amends section 104 of the VAT Consolidation Act 2010 in relation to the supply of telephone cards which are used to access a telecommunications service from outside the EU.

The amendment removes the facility whereby telephone operators or other accountable persons can take a reduction of VAT already accounted for on the supply of telephone cards in the State where those cards are used to access a telecommunications network from outside the EU.

### **Details**

*Subsection (1)* amends section 104(2) by deleting paragraphs (a), (b) and (c).

In the case of supplies to private consumers, the current place of supply rules as set out in section 104(2) deem the place of supply of telecommunications services involving supplies of telephone cards that are used to access networks from outside the EU, as being outside the EU. This provision is out of step with the VAT Directive.

From 1 January 2015, the place of supply of telecommunications services, including telephone cards, supplied to private consumers, is generally where that consumer is established, has an address or usually resides. Additionally, where a supply is made to a business customer who is VAT registered in the State, that customer can claim a VAT deduction in relation to that supply subject to the normal rules on deductibility. The amendment made ensures that telecommunications operators and other third parties are not permitted to take an additional reduction of the VAT payable on those supplies where the telephone card is used fully or in part to access services from outside of the EU. Paragraphs (a), (b) and (c) are therefore deleted.

Paragraph (d) of section 104(2) is being retained as it continues to have application. Where telephone cards are taxable at the first point of sale, this provision ensures that a second charge to VAT does not arise when these cards are used to access a telecommunications service.

*Subsection (2)* provides that the amendment comes into effect on 1 January 2019.

### **Commencement**

This section has effect from 1 January 2019.