

Minutes

Indirect TALC Meeting

14.00, Tuesday 15 October 2024

**Hybrid Meeting: Dame Annex Conference Room, Stamping Building, Dublin Castle
and online via Microsoft Teams (hosted by Revenue)**

This was a special meeting convened to facilitate a technical briefing for TALC on the indirect taxes elements of the recently published Finance Bill.

Item 1 – Briefing on the Finance Bill and Budget Announcements

Revenue provided a briefing on each of the VAT and Excise measures in Finance Bill 2024 which was published on 10 October, and these were discussed at the meeting. The main points were:

Excise

- Introduction of a new domestic Excise called the E-Liquid Products Tax (EPT), as announced in the Budget. The tax applies to nicotine containing and non-nicotine containing liquids for use in electronic cigarette/vape devices. The rate of excise is 50c per millilitre; as products are currently typically sold in 10-ml liquid units or as 2ml disposable vapes, these will see VAT-inclusive price increases of €6.15 and €1.23 respectively. The excise is chargeable at the point of first supply in the State, with suppliers of relevant products required to register and account for the tax to Revenue. This new tax is subject to a Commencement Order and is expected to come into effect in mid-2025. It was noted that similar domestic taxes have been introduced in a number of other Member States. The tax will not apply to regulated medicinal nicotine-replacement products.
- Expansion of the scope of the 50% relief from Alcohol Products Tax for certain ciders and perries produced by independent small producers so that the relief will be available for qualifying products above 8.5% alcohol volume. Also, a small producers' relief will be introduced for 'other fermented beverages', which is an excise category that includes fruit and berry ciders (other than apple or pear) and wines (other than grape), and mead. Both measures are subject to commencement by Ministerial Order.
- Increase of Tobacco Products Tax rates so that, on a VAT-inclusive basis, a pack of 20 cigarettes rose by €1 (bringing the price to €18.05 in the most popular price category) with pro-rata increases for other tobacco products. A Financial Resolution to give effect to this increase with effect from 2 October was passed on Budget night.
- A range of amendments to Betting Duty, consequential on the measures in the Gambling Regulation Bill (going through the Houses of the Oireachtas) which will repeal the existing gambling regulatory framework, including the Betting Act 1931, the Gaming and Lotteries Act 1956, and the Totalisator Act 1929 and will transfer the licencing of bookmakers and gaming machines from Revenue to the new Gambling Regulatory Authority. The overriding intention of the Finance Bill provisions is to maintain the status quo for the application of Betting Duty and excise licence duty. The Finance Bill provisions also update the reference to the EU legislation on de minimis State Aid.

- Two changes to Vehicle Registration Tax, as announced in the Budget:
 - Introduction of a new emissions-based charging structure for category B vehicles (light commercial vehicles and motor caravans). The existing category B rate of 13.3% will remain for vehicles with carbon dioxide emissions above 120g/km, and from 1 July 2025 a new lower 8% rate will apply to the registration of vehicles with lower CO2 emission levels.
 - Reduction from 130% to 125% in the allowable laden/unladen weight ratio as it applies to battery-powered commercial vehicles in order that they can qualify for the €200 flat rate for VRT. The measure will apply to registrations from 1 January 2025, and it recognises that battery-electric vehicles generally weigh heavier than a similar vehicle with a (typically fossil-fuelled) combustion engine.

VAT

- Increase of the registration threshold for goods from €80,000 to €85,000 and the registration threshold for services from €40,000 to €42,500 with effect from 1 January 2025, as announced in the Budget.
- Application of the second reduced rate of VAT (9%) to the supply and installation of low emissions heat pump heating systems, with effect from 1 January 2025.
- Extension of the temporary application of the second reduced rate to gas and electricity until 30 April 2025. A Financial Resolution on this was passed on Budget night.
- Clarification that a Receiver, Liquidator or similar person disposing of assets on behalf of a Borrower is the person entitled to deduct the VAT on inputs relating to such disposals. This does not constitute a change in practice, it is simply a clarification of the existing legislation. Revenue undertook to provide additional information at the next TALC meeting further to a query raised by the ITI regarding a potential situation where a Borrower cooperating with a Receiver might incur costs in connection with the disposal of an asset.
- Increase in the rate of the Flat-rate Farmers' Addition from 4.8% to 5.1% from 1 January 2025, as announced in the Budget.
- Introduction of penalties for non-compliance by Payment Service Providers with their obligations under the Central Electronic System of Payment Information (CESOP) legislation:
 - Penalty of €4,000 per quarter for non-compliance with reporting obligations. This will increase by a further €4,000 for each subsequent quarter that the Payment Service Provider fails to comply.
 - Penalty of €4,000 where a Payment Service Provider does not comply with its record-keeping obligation.
- Amendment of the food and drink table in Schedule 2 VATCA 2010 to clarify the VAT rating of plant-based drinks. It was confirmed that application of the standard rate to such products will continue, along with continuation of the existing practice of the 0% rate applying to milk substitute drinks.

- Clarification of the restriction on the deductibility of certain expenditure on food, drink, accommodation, or other personal services for the accountable person, its staff or agents. The measure will not affect existing practice. In discussion, a query arose about situations where a portion of the expenditure on food or accommodation was for staff of the accountable person working at an event organised for sale by the accountable person; Revenue undertook to consider the query and revert.
- Clarification of a 2022 amendment regarding the VAT exemption for financial services. Ahead of the meeting, Revenue had responded by email to a query from the Law Society regarding the meaning of “Member State” in relation to certain types of funds. Practitioners advised that they expect to submit further queries.

Other Legislative Matters (not included in the Finance Bill)

Revenue indicated two further pieces of VAT legislation which are being prepared for enactment this Quarter, by way of Regulations:

- SME Scheme due to be transposed before the end of the year. It allows EU small businesses who are making supplies in another member state to avail of the small business exemption available there, subject to national and EU-wide limits. Irish law will need to allow EU businesses from outside Ireland to avail of the Small Business Exemption with the relevant VAT thresholds (€85,000 and €42,500) for supplies that they make within Ireland.
- Rates Directive 2022 changes in the place of supply rules for virtual attendance at events such as concerts and conferences. Place of supply for consumers is currently where the event takes place, but this will change to the place where the consumer is located. Businesses will be able to avail of OSS and the SME Scheme where they qualify for the rules of those schemes.

Revenue confirmed that, as normal, TDMs will be reviewed and, where appropriate, refreshed in light of updated legislation.

As a general point, it was noted that the TALC discussion was a technical briefing, and that the published Bill reflects policy decisions that have been taken at Ministerial and Government level.

Next meeting

The next meeting of the group is the normal quarterly meeting, which is scheduled for 20 November.

Action Points	Agenda Item	Responsible	Timescale
Consider ITI query re cooperative Borrowers incurring costs relating to the disposal of an asset by a Receiver.	1	Revenue	By next meeting
Consider query re deductibility of expenditure on food and drink etc where a portion is used by staff and not directly supplied onwards.	1	Revenue	By next meeting

Attendees

Consultative Committee of Accountancy Bodies - Ireland

Mairéad Hennessy (attended virtually)

Gearóid O'Sullivan (attended virtually)

Irish Tax Institute

Gerry Brennan (attended virtually)

Oonagh Carney (Chairperson - attended virtually)

Finbarr O'Connell (attended virtually)

Lorraine Sheegar (attended virtually)

Law Society

Matthew Broadstock (attended virtually)

Donal Kennedy

David Lawless (attended virtually)

Patricia McCarvill (attended virtually)

Revenue

Anne Dullea

Deirdre Hanlon*

Amy Prendiville - Secretary

Emma Rafferty

*Designated Public Official, *Regulation of Lobbying Act 2015*