

Agricultural Services

This document should be read in conjunction with sections 2(1), 4(1), 65 and 66 of the VAT Consolidation Act 2010 (VATCA 2010)

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Introduction

This guidance deals with the VAT treatment of Agricultural services.

1. Agricultural Services and VAT registration Obligations

A farmer who supplies agricultural services in addition to carrying on a farming business is obliged to register and account for VAT if the receipts from such agricultural services exceed or are likely to exceed the VAT threshold for services in any 12-month period. In this context the term 'agricultural services' does not include insemination services, stock-minding or stock rearing, all of which may be excluded for the purposes of calculating the VAT threshold.

Farmers supplying agricultural services consisting only of insemination services, stock-minding or stock-rearing are not obliged to register for VAT but may opt to do so.

Agricultural services, as described, are treated for VAT purposes in the same way as other non-farming activities engaged in by farmers. For the purposes of determining whether or not a person is obliged to register, receipts from insemination services and stock-minding and stock-rearing may be disregarded. However, once a person becomes registered for VAT, all taxable receipts must be taken into account in determining liability, including receipts from farming and non-farming activities, (if any), in addition to receipts from the agricultural services. A list of typical agricultural services and the appropriate rates of VAT is included in [paragraph 7](#).

Information on how to register for VAT is available on the [Revenue website](#).

It should be noted that once registered for VAT, the farmer ceases to be a 'flat-rate' farmer.

Accordingly, the flat-rate addition to prices does not apply to his or her sales to other VAT-registered persons. Instead, credit for VAT borne on inputs is obtained directly in the returns which she or he becomes obliged to make in the same way as other VAT-registered persons.

2. Obligations of VAT-registered Farmers

VAT-registered farmers are obliged to:

1. keep records which are sufficiently detailed to enable their liability as declared by themselves to be confirmed
2. issue invoices containing specified particulars in respect of taxable supplies to other accountable persons. If the consideration shown on an invoice is subsequently reduced and a tax adjustment is actually made, a credit note must be issued where the customer is a VAT-registered person, showing the amount of tax by which the liability has been reduced

3. submit a return on the appropriate form, normally every two months, of their supplies and taxable purchases together with a remittance for any tax due. This form is issued to registered persons before the end of each taxable period. Further information is available on the [Revenue website](#).

3. Determination of Liability

A VAT-registered farmer is liable to pay VAT at the appropriate rate on taxable goods and services supplied by him or her. A VAT-registered farmer determines his or her VAT liability for each taxable period by calculating the total tax due on his or her sales of goods or services for the period and subtracting the deductible tax invoiced to him or her or paid on imports from non-EU countries in the period - the difference is the amount which she or he pays. If the deductible tax exceeds the tax chargeable the difference is refunded.

4. Taxable Amount

The amount on which an accountable person is liable, is the total amount which the person is entitled to receive for the goods or services supplied, including commissions, costs and charges, and all taxes (other than VAT).

5. Accounting for VAT

The normal basis of accounting for VAT is the invoice or sales basis. However, a person may, subject to certain conditions account for VAT on the 'moneys received' basis.

5.1 Invoice Basis

A VAT-registered person using the invoice or sales basis of accounting will be liable to pay VAT by reference to his or her supplies as follows: - in the case of transactions with persons who are not registered for VAT, she or he is liable at the rate in force at the time the goods or services are supplied; in the case of transactions with other VAT-registered persons she or he is obliged to issue invoices and is liable to VAT at the rate of tax in force at the time she or he issues, or ought to issue an invoice.

5.2 Moneys received Basis

Certain registered persons, including farmers, may use the moneys received basis of accounting instead of the more usual sales/invoice basis. Persons qualifying are

1. persons whose annual turnover does not exceed and is not likely to exceed €2,000,000
2. persons supplying goods and services almost exclusively (at least 90 per cent) to unregistered persons.

Farmers wishing to avail themselves of this facility must specify this when applying for registration.

6. Deduction for VAT charged on Purchases

A VAT-registered farmer is entitled to take a credit or deduction (i.e. set off against his or her liability) for VAT properly invoiced to him or her or paid on imports or intra-Community acquisitions in respect of most goods and services used in connection with his or her taxable activities. She or he is not required to pay the supplier before taking the credit.

Expenditure, in respect of which a credit or deduction may not be taken, is expenditure relating to: -

1. the provision of food, drink, accommodation (other than accommodation in connection with certain conferences) or other personal services for the person, his or her agents or employees
2. entertainment expenses
3. purchase or hire of cars or other road passenger vehicles
4. purchase of petrol
5. contract work involving the handing over of goods when such goods are themselves not deductible
6. an exempt activity (for example, letting of premises for a period of less than 10 years) or nonbusiness activity, and
7. VAT borne prior to registration.

A credit or deduction may be taken in respect of the purchase of diesel, car repairs and maintenance, and car parts (for example, a set of tyres), subject to the condition that they are used for the purposes of a taxable business.

7. VAT Rates on Typical Agricultural Services

(The list is not exhaustive)

Agricultural services and their corresponding VAT rate	
Supply	Rate (%)
Ploughing, harrowing, discing, rolling	Reduced
Combined supply and sowing/planting of seeds/plants etc. for the production of food, including animal feed	Zero
Combined supply and sowing/planting of other seeds, plants, etc.	Reduced
Sowing/planting only of all seeds/plants	Reduced
Combined supply and spreading of fertilisers	Zero
Spreading only of fertilisers	Reduced
Spraying/dusting of crops (whether or not chemicals are supplied by contractor)	Reduced
Harvesting, reaping, mowing, baling	Reduced
Silage making (including supply of silage additive and polythene cover)	Reduced
Transport, storage	Standard
Stock minding and rearing	Reduced
Stock-insemination	Reduced
General consultancy and advisory services (including tax and general financial advisory services)	Standard
Farm management and accountancy services	Standard
Farm advisory services	Reduced
Hiring of agricultural or other equipment	Standard
Farm relief services	Reduced
Land drainage and land reclamation including removal of weed, scrub, bracken, pests, etc. and the supply and spreading of fertilisers and seeds under inclusive contract	Reduced
Pruning, tree felling, hedge trimming	Reduced
Landscaping (excluding architectural design services and the like)	Reduced

Letting of farm buildings (short-term for period of less than 10 years)	Exempt
Agricultural products – packing and preparation for market, cleaning, grinding and disinfecting	Standard

Where services liable at different rates are supplied for an inclusive charge the higher or highest rate involved normally applies to the entire charge.