

VAT treatment of the auctioneers margin scheme

This document should be read in conjunction with section 89 of the VAT Consolidation Act 2010 (VATCA 2010) and Regulation 20(6) of the VAT Regulations, 2010.

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Introduction

This guidance sets out the VAT treatment of sales made under the margin scheme for auctioneers.

Guidance on the [margin scheme for second-hand goods](#) which deals with the supply of works of art, collectors' items, antiques and second-hand goods by accountable dealers should be read in conjunction with this document. Information on auction sales of motor vehicles is detailed in Revenue's guidance on 'VAT & VRT on motor vehicles' available on [Revenue's website](#).

1. VAT treatment of auctioneers

Auctioneers selling movable goods are regarded for VAT purposes as buying and selling the goods simultaneously and are, therefore, principals in their own right.

All auctioneers of movable goods are governed by the normal VAT rules; the auctioneer is obliged to register if their annual turnover from sales of taxable goods exceeds or is likely to exceed €75,000. The usual rules relating to the issue of [invoices](#) / [credit notes](#) apply (see paragraph 2.8).

1.1. Sales of immovable goods

Auctioneers engaged in connection with the selling of immovable goods are regarded as supplying a service and are liable for VAT on the commissions they receive at the standard rate of VAT.

2. Auction margin scheme

The auction margin scheme applies to certain works of art, collectors' items, antiques or movable second-hand goods which are sold by an auctioneer at a public auction.

The scheme provides that where those goods are sold by an auctioneer, the auctioneer is liable for VAT on the profit margin. The goods concerned are referred to as "auction scheme goods".

2.1. Auction scheme goods

The auction scheme applies to works of art, collectors' items, antiques or movable second-hand goods passed to an auctioneer for sale by public auction by a person who is:

- a private individual, an exempt person or a person who is otherwise not entitled to an input credit on the acquisition of the goods, or
- a person who is an insurance company which took possession of the goods in connection with the settlement of a claim under a policy of insurance from a person who was not entitled to an input credit in respect of the goods, or

- an accountable dealer who has already applied the margin scheme to his or her supply of the goods (as described in Revenue's information on the '[Margin Scheme](#)').

This means that neither the person who passed the goods to the auctioneer nor the auctioneer themselves was entitled to claim a VAT input credit on the transaction.

The auctioneer should take reasonable precautions to ensure that the goods qualify as auction scheme goods.

2.2. Auctioneer's margin

The auctioneer's margin is the difference between what the auctioneer receives from the purchaser and what he / she pays to the person who passed the goods to him / her for sale, and it is tax inclusive at the standard rate of VAT.

Example 1

An auctioneer receives €525 from the purchaser on sale of the goods and passes €500 to the seller. The auctioneer's margin in this instance is €25 tax inclusive.

2.3. Taxable amount

The taxable amount is the auctioneer's margin less the amount of VAT included in that margin. The following examples illustrate the position, assuming that

'A' is the seller of the goods,

'B' is the auctioneer, and

'C' is the purchaser of the goods from the auctioneer.

Example 2

Sale proceeds (gross) from C to B =	€525
less commission charged to seller A =	<u>€ 25</u>
Seller A's net proceeds =	€500
Auctioneer's margin including tax at 23% =	€ 25

Tax included in the margin (at 23%) =	$\frac{€25 \times 23}{123}$	=	€4.67
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Taxable Amount = €25 less €4.67 = €20.33

VAT = €4.67

However, there may be situations where an auctioneer charges commission to both the seller and the purchaser. Where this occurs, the auctioneer's margin and the taxable amount are calculated as follows:

Example 3

Sale proceeds (gross) from C to B =	€550
less commission charged to seller A =	<u>€ 25</u>
Total	€525
less commission charged to buyer C=	<u>€ 25</u>
Seller A's net proceeds =	€500

Margin, including tax at 23% = € 50

Tax included in the margin (at 23%) = $\frac{€50 \times 23}{123} = €9.35$

Taxable Amount = €50 less €9.35 = €40.65

VAT = €9.35

2.4.VAT rates

Generally, the rate applicable is the rate applying to a sale of goods as normal but different rates may apply under the auction scheme. The [VAT rates database](#) contains a comprehensive list of VAT rates for goods.

2.5.Works of Art and Antiques

Generally, works of art and antiques are normally liable at the reduced rate however, they are liable at the standard rate when sold under the auction / margin scheme.

2.6.Concrete

For technical reasons to do with the wording of the VATCA 'concrete, ready to pour' and 'concrete blocks' are liable at the standard rate in the unlikely event of an auction sale of these products.

2.7.Time of supply

For VAT accounting purposes, where the goods are passed to an auctioneer for sale, the time of supply to the auctioneer is regarded as having taken place when the auctioneer sells the goods to a purchaser at a public auction.

The auctioneer is obliged to issue both to the purchaser and the vendor written details of the transaction.

2.8. Invoices

An auctioneer should not display VAT on the invoice issued by him / her to the purchaser. Any invoice issued in respect of its supply of auction scheme goods is required to include the endorsement:

“Margin Scheme – Auction goods”

If the principal is required under normal VAT rules to issue an invoice, the invoice issued by the auctioneer to the purchaser will fulfill this requirement.

2.9. Supply of goods to other EU Member States

Where an auctioneer supplies auction scheme goods to a VAT registered person in another EU Member State, the supply cannot be zero-rated as an intra-Community supply. Irish VAT included in the margin must be accounted for as if it was an auction scheme sale within the State.

The Member State of dispatch is deemed to be the legal place of supply. The foreign purchaser is not entitled to a repayment of such VAT.

2.10. Onward supply of Auction Scheme Goods

Auction scheme goods purchased from an auctioneer by an accountable person in connection with his or her business activities are treated in the same way as the other assets of his or her business and are fully liable to VAT on disposal.

2.11. Droit de Suite

Royalty payments due by the seller to artists under the European Communities (Artist's Resale Right) Regulations 2006 (as amended), known as Droit de Suite / Artists re-sale rights, do not affect the liability of the auctioneer who remains taxable on his / her margin.