

FINANCE ACT 2024
VALUE-ADDED TAX
NOTES FOR GUIDANCE

Issued by VAT Policy and Legislation Branch, 3 December 2024.

77. 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.

78. Amendment of section 2 of the Value-Added Tax Consolidation Act 2010 (Interpretation General)

Summary

This section amends section 2 of the Value-Added Tax Consolidation Act 2010 to provide that the turnover thresholds beyond which suppliers are obliged to register for VAT will rise. Suppliers whose turnover is below the threshold amount may opt to register for VAT.

Details

Paragraph (a) amends section 2 of the Value-Added Tax Consolidation Act 2010 by increasing the registration threshold for goods to €85,000 from €80,000.

Paragraph (b) amends section 2 by increasing the registration threshold for services to €42,500 from €40,000.

Commencement

This section has effect from 1 January 2025.

79. Amendment of Section 46 of the Value-Added Tax Consolidation Act 2010 (Rates of Tax)

Summary

This section amends section 46 of the Value-Added Tax Consolidation Act 2010. It extends until 30 April 2025 the temporary period for which the VAT rate of 9% (the second reduced rate) continues to apply to supplies of gas and electricity. It also provides for the

application of the 9% rate of VAT to the supply and installation of low emissions heat pump heating systems.

Details

Paragraph (a) amends paragraph (ca) of section 46(1) to include a reference to paragraph 12A of Schedule 3 to apply the 9% rate of VAT to the supply and installation of low emissions heat pump heating systems.

Paragraph (b) amends paragraph (caa) of section 46(1) to extend the application of the 9% rate of VAT on the supply of gas and electricity until 30 April 2025. Under the provisions of the Finance (Covid-19 and Miscellaneous Provisions) Act 2022, the 9% rate of VAT was applied to supplies of gas and electricity from 1 May 2022 up to 31 October 2022. The Finance Act 2022 extended the period during which this reduced rate applied to gas and electricity up to 28 February 2023. The Finance Act 2023 further extended the period during which this reduced rate applied to gas and electricity up to 31 October 2023. The Finance (No. 2) Act 2023 further extended the period during which this reduced rate applied to gas and electricity up to 31 October 2024. This rate of 9% has been again extended to apply up to 30 April 2025.

Commencement

Paragraph (a) has effect from 1 January 2025. *Paragraph (b)* has effect from 2 October 2024.

80. Amendment of Section 59 of the Value-Added Tax Consolidation Act 2010

Summary

This section amends section 59(3) of the Value-Added Tax Consolidation Act 2010 to clarify that an accountable person may not claim an input deduction in respect of VAT on costs incurred by another person acting under a power exercisable by them (including a receiver or liquidator).

Details

This section, along with section 82, clarifies the existing practice that in the case of a receivership, liquidation etc., the person in receivership, liquidation, etc., may not claim a deduction of input VAT for costs incurred by the receiver, liquidator, etc., in exercising their power over the assets of the accountable person. Such input VAT can be claimed by the receiver, liquidator, etc., in the VAT return they submit in respect of the assets they have been appointed over.

Commencement

This section has effect from 1 January 2025.

81. Amendment of Section 60 of the Value-Added Tax Consolidation Act 2010

Summary

This section amends section 60(2) of the Value-Added Tax Consolidation Act 2010 to clarify the limitation on input deductions for expenditure on food, drink, accommodation or personal services.

Details

This amendment clarifies that VAT incurred on food, drink, accommodation or other personal services, by an accountable person, for themselves, their agents, or their employees, is not recoverable, except when the accountable person charges VAT on the onward supply of that food, drink, accommodation or personal service, or where the accommodation purchased is in connection with attendance at a qualifying conference.

Commencement

This section has effect from 1 January 2025.

82. Amendment of Section 76 of the Value-Added Tax Consolidation Act 2010

Summary

This section amends section 76(2) of the Value-Added Tax Consolidation Act 2010 to clarify that an input deduction is available in respect of VAT on costs incurred by another person acting under a power exercisable by them (including a receiver or liquidator) when fulfilling their obligation to furnish a VAT return.

Details

This section, along with section 80, clarifies the existing practice that in the case of a receivership, liquidation etc. the person in receivership, liquidation, etc., may not claim a deduction of input VAT for costs incurred by the receiver, liquidator, etc., in exercising their power over the assets of the accountable person. Such input VAT can be claimed by the receiver, liquidator, etc., in the VAT return they submit in respect of the assets they have been appointed over.

Commencement

This section has effect from 1 January 2025.

83. Amendment of section 86 of the Value-Added Tax Consolidation Act 2010 (special provisions for tax invoiced by flat-rate farmers)

Summary

This section amends section 86 of the Value-Added Tax Consolidation Act 2010 to provide for an increase in the farmers' flat-rate addition from 4.8% to 5.1%.

Details

The flat-rate scheme is a simplified and practical method of applying VAT to farming. It compensates unregistered farmers, on an overall basis, for the VAT charged to them on their purchases of goods and services. The flat-rate scheme sets out a percentage amount, known as the flat-rate addition, which unregistered farmers apply to their prices when selling to VAT-registered businesses (co-ops, meat factories, etc.) and is reviewed

annually. The VAT-registered businesses treat the flat-rate amount as normal business inputs in their periodic VAT returns.

The new rate of 5.1% for 2025 will achieve full compensation under the scheme.

Commencement

This section has effect from 1 January 2025.

84. Amendment of Section 115 of the Value-Added Tax Consolidation Act 2010 (penalties generally)

Summary

This section amends section 115 of the Value-Added Tax Consolidation Act 2010 to provide for the application of penalties where a Payment Service Provider does not comply with his or her obligations under Part 9A of the Value-Added Tax Consolidation Act 2010, commonly known as CESOP.

Details

A fixed penalty of €4,000 can be imposed if the Payment Service Provider (PSP) fails to fulfil its obligations under section 85C of the VATCA 2010 to keep specific records in relation to payment services provided, or if the PSP fails to report the information contained in the records as required by sections 85F and 85G of the VATCA 2010.

A further fixed penalty of €4,000 can be imposed for each subsequent reporting period during which the PSP has continued to fail to comply with those obligations.

A fixed penalty of €4,000 can also be imposed if the PSP fails to retain the records for a period of 3 years (from the date of payment) as specified in section 85E of the VATCA 2010.

Commencement

This section has effect from 1 January 2025.

85. Amendment of paragraph 6(2) of Schedule 1 to the Value-Added Tax Consolidation Act 2010 (other exempted activities)

Summary

This section amends paragraph 6(2) of Schedule 1 to the Value-Added Tax Consolidation Act 2010 to clarify that the VAT exemption for the management of EU Alternative Investment Funds (AIFs) applies to the management of all EU AIFs including where the Alternative Investment Fund Manager (AIFM) is registered with a relevant competent authority.

Details

Paragraph 6(2)(ed) of Schedule 1 to the Value-Added Tax Consolidation Act 2010 provides the VAT exemption for the management of EU Alternative Investment Funds (AIFs). The word ‘a’ is substituted for ‘another’ before Member State to clarify that the management of Irish AIFs are within scope of subparagraph (ed). The words “or registered” are added to “authorised” to clarify that the exemption will apply where the Alternative Investment Fund Manager (AIFM) is registered with a relevant competent authority.

Commencement

This section has effect from 1 January 2025.

86. Amendment of paragraphs 4 and 6 of Schedule 2 to the Value-Added Tax Consolidation Act 2010 (zero-rated goods and services)

Summary

This section amends Part 1 of Schedule 2 to the Value-Added Tax Consolidation Act 2010 to remove paragraphs 4(1), (6), and 6(2)(c). These amendments are consequential amendments required following amendments made in Finance Act 2020.

Details

Paragraph 4 of Schedule 2 to the Value-Added Tax Consolidation Act 2010 provides for the application for the zero-rate of VAT to qualifying services relating to vessels and aircraft. Following amendments made in Finance Act 2020, paragraphs 4(1) and 4(6) of Schedule 2 to the Value-Added Tax Consolidation Act 2010 are now superfluous. This is on the basis that the supply of these services, i.e., services which meet the direct needs of qualifying vessels and aircraft or their cargo, are included within paragraph 4(2A) of Schedule 2 to the VATCA 2010. A consequential amendment is also made by the deletion of Paragraph 6(2)(c) of Schedule 2 to the Value-Added Tax Consolidation Act 2010.

Commencement

This section has effect from 1 January 2025.

87. Amendment of Schedule 2 to the Value-Added Tax Consolidation Act 2010 (zero-rated goods and services)

Summary

Section 87 amends Table 1 of paragraph 8(1), Part 2 of Schedule 2 to the Value-Added Tax Consolidation Act 2010 to clarify that the standard rate of VAT applies to juice extracted from, and other drinkable products derived from, fruit, vegetables, plants, grains, seeds, or pulses.

Details

The amendment clarifies that beverages derived from fruit, vegetables, plants, grains, seeds, or pulses, such as plant protein drinks, pea protein drinks, smoothies, probiotic drinks, energy drinks derived from plant based ingredients, and powders for the preparation of beverages, will be liable to VAT at the standard rate. It also clarifies that milk substitute drinks derived from plants such as oat milk, almond milk, rice milk, coconut milk, hemp milk, cashew milk, soy milk, pea milk, hazelnut milk, flax milk, potato milk, or similar, will continue to be subject to the zero rate of VAT.

Commencement

This section has effect from 1 January 2025.

88. Amendment of Schedule 3 to the Value-Added Tax Consolidation Act 2010 (goods and services chargeable at the reduced rate)

Summary

This section amends Schedule 3 to the Value-Added Tax Consolidation Act 2010 to provide for the application of the 9 per cent second reduced rate to the supply and installation of low emissions heat pump heating systems.

Details

Paragraph (a)(i) provides for a consequential amendment to paragraph 9(1) to give effect to the application of the 9 per cent rate.

Paragraph (a)(ii) inserts a new paragraph 12A to apply the 9 per cent rate of VAT to the supply and installation of low emissions heat pump heating systems.

Paragraph (b) provides for a consequential amendment to paragraph 15(2) to give effect to the application of the 9 per cent rate.

Commencement

This section has effect from 1 January 2025.