VAT Payments and Returns 2021

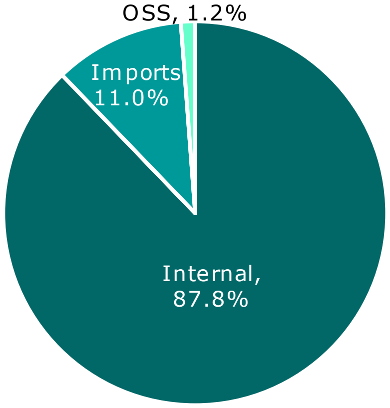
The report presents a statistical profile of tax receipts and returns for VAT.

Net VAT receipts of €15.4 billion collected in 2021 (23% of total net tax receipts in the year), a further €0.5 billion in VAT liabilities for 2021 were warehoused.

The largest share, Internal VAT, is collected by traders on the value of goods and services supplied to their customers.

The second largest source is VAT collected on imported goods from third countries.

The third source is VAT under the VAT One Stop Shop ("OSS") schemes.



Four Largest VAT Paying Sectors (Internal VAT) in 2021

€6.4 billion Wholesale & Retail Trade **+29% in 2021**	**€1.9 billion** Professional, Scientific & Technical Services **+28% in 2021**	**€662 million** Information & Communication **+60% in 2021**	**€1,138 million** Manufacturing **+136% in 2021**

263,590 VAT Registered Traders in 2021

24,410 New Registrations in 2021	**14,580** Registrations Ceased in 2021	**203,405** Traders Actively Filing VAT Returns

VAT Repayments of €6.2 billion in 2021

106,013 Traders with one or more repayment claims	**312,524** Repayments filed	**€18,729** Average repayment claim	**€919** Median repayment over the year

Largest 2.5% of VAT traders accounted for 45% of receipts and 40% of repayments in 2021

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May 2022

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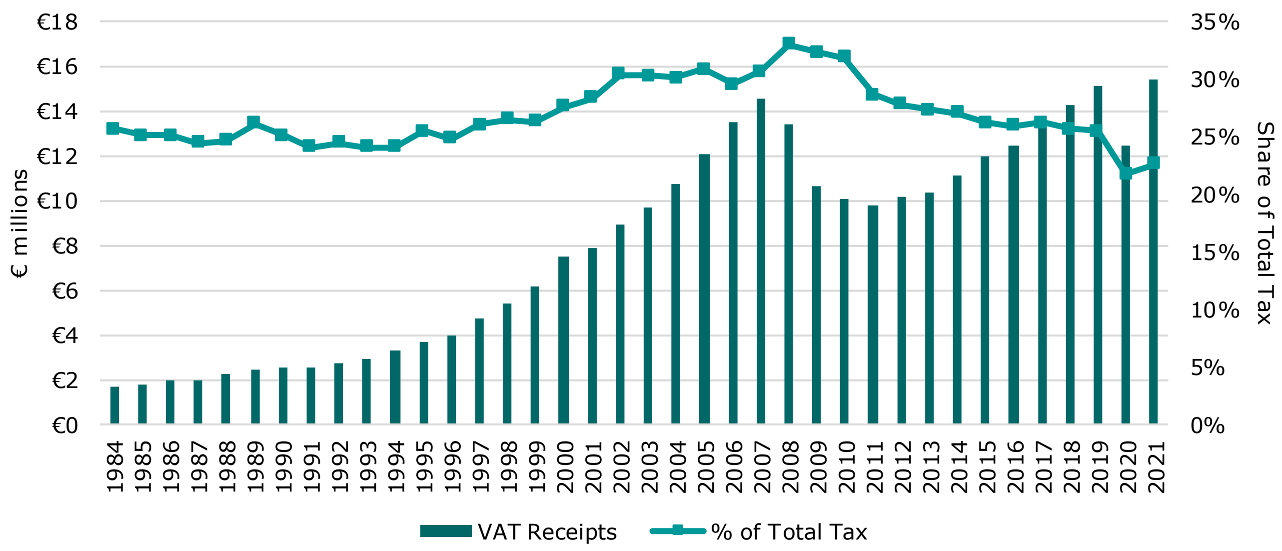
1 Introduction

Value Added Tax ("VAT") is a tax on consumer spending introduced in 1972, on Ireland's accession to the European Economic Community. VAT is the second largest source of tax receipts in the State (after Income Tax), with €15.4 billion in net receipts transferred to the Exchequer in 2020 (23 per cent of total net tax receipts in the year).

As shown in Figure 1, VAT receipts increased by an average of 7 per cent per year from 2013 to 2019. With the economic impact of the COVID-19 pandemic and the introduction of public health measure in March 2020, VAT receipts declined by €2.7 billion or 18 per cent compared to 2019. This reversed in 2021 with growth of €3.0 billion or 24 per cent (the highest year on year growth in the period since 1984). The proportion of VAT to total tax receipts is 23 per cent in 2021, close to its lowest level on record.

Figure 1: VAT Receipts



Source: Revenue analysis.

This report profiles VAT based on the data available to Revenue with a focus on 2021.[1] Section 2 gives an overview of the tax. Section 3 reviews trader and tax return information. Sections 4 and 5 analyse receipts and repayments respectively. Section 6 concludes.

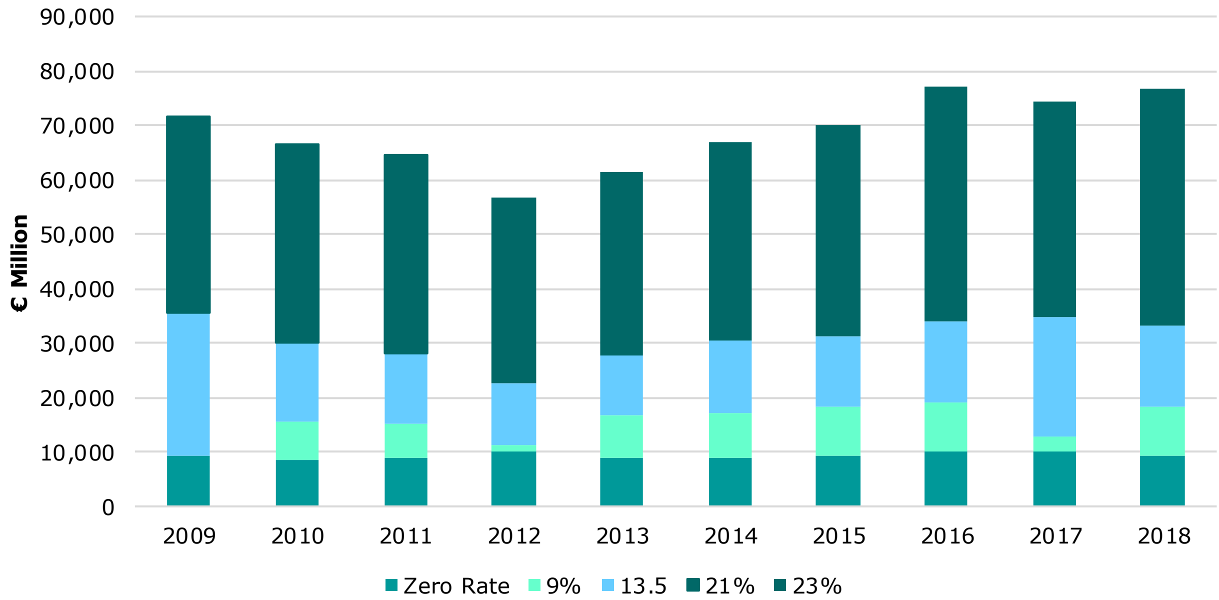
[1] Similar reports for earlier years are published at https://www.revenue.ie/en/corporate/information-about-revenue/research/research-reports/excise-and-vat.aspx.

2 VAT Overview

Ireland currently operates five VAT rates, a standard rate (23%), two reduced rates (13.5% and 9%), a livestock rate (4.8%) and a zero rate. In addition, certain economic activities including financial services, health, education, public transport, sporting events and water supplies are VAT exempt activities.

Figure 2 shows estimated personal consumer expenditure ("PCE") at the zero, reduced and standard rates up to 2018 (the most recent year with data available).[2] €76.5 billion in overall PCE was taxable for VAT in 2018, 57 per cent at the standard rate. Expenditure at 9% and 13.5% accounted respectively for 12 per cent and 19 per cent of PCE.

Figure 2: Expenditure by VAT Rate



Source: Revenue analysis of Revenue and CSO data.

This distribution is highly dependent on the VAT rates in effect. On 1 September 2020 the standard rate of VAT was reduced to 21% for six months as part of the Government's response to COVID-19. A significant component of expenditure at the 13.5% rate was reverted to the second reduced rate of 9% from 1 November 2020 until 31 December 2021. This reduced rate remains in place until 31 August 2022.

The annual Return of Trading Details ("RTD") requires that a VAT registered trader provide Revenue with information on the VAT exclusive value of sales and purchases made at each VAT rate, including imports and exports. For some traders, the information on the RTD does not

[2] This estimate of PCE excludes all expenditure on goods and services that are exempt from VAT.

readily align with the information submitted within the periodic VAT3. Using those cases where the information does align, an analysis of the weighted average VAT rate is provided in Table 1.

Table 1: Average Rates of VAT

Year	Average Rate (RTDs)	Weighted Average Rate (CSO)
2019	14.7%	16.6%
2020	15.1%	16.5%
2021	15.2%	N/A

Source: Revenue analysis of Revenue and CSO data.

The CSO produces consumption estimates for all taxable persons including expenditure across the VAT exempt sectors. From this information the CSO estimates the weighted average VAT rate ("WAR"), this is also shown in Table 1. The WAR is a key component in determining Ireland's contribution to the European Union ("EU") budget each year (see Box 1).

Using PCE estimates produced by the CSO in combination with tax return information and other information sources, an estimate of total expenditure across a number of key activities (important items of consumption where significant VAT is generated) is created annually. This is known as the "VAT Base".

Some of the main items in the VAT Base 2021 are presented in Table 2. These items accounted for around 43 per cent of VAT base expenditure but only 32 per cent of VAT receipts as a result of expenditure on zero rated item such as food and medicines.

Table 2: VAT Base 2021 – Main Expenditure Areas

Product	Estimated Expenditure €m	Estimated Expenditure %	VAT Yield €m
Food	6,540	7.51	0
Alcohol	4,801	5.51	1,104
Private New Housing	4,326	4.97	584
Restaurants, Canteens, Chip Shops, Fast Food etc	4,398	5.05	396
Private Housing - Repair & Maintenance	2,566	2.95	346
Other Building	2,602	2.99	351
Telecommunications	2,277	2.61	524
Electricity	2,150	2.47	290
Cars	1,981	2.28	456
Motor Fuel	2,094	2.40	482
Oral Medicine	2,097	2.41	0
Adult clothing	1,685	1.94	388

Source: Revenue analysis of Revenue and CSO data.

Box 1: VAT Own Resources Statement

Own Resources ("OR") is one of the mechanisms through which the EU receives its funding from Member States. The Irish VAT OR liability is calculated at 0.3% of the harmonised VAT base each year and comprises approximately 11 per cent of Ireland's total contribution to the EU Budget. The legislative basis for VAT OR is Council Regulation 1553/89.

The harmonised VAT base is calculated by obtaining net VAT receipts and applying the Weighted Average Rate ("WAR") of VAT. The WAR is compiled by the Central Statistics Office's National Accounts Division using Personal Consumption Expenditure, Intermediate Consumption and Gross Fixed Capital Formation by Government and other exempt sectors. The weights are determined by the relative magnitude of the base per VAT rate.

Harmonisation of the VAT base is necessary due to certain derogations availed of by Member States under national VAT law. The fundamental principle is that derogations and exemptions should not have any impact on the common VAT OR base. Compensations, which can have a positive or negative effect on the base, are applied to arrive at the VAT base on which the VAT OR contribution is based. Eligible sectors for compensation and how their compensations are calculated are set out in Council Directive 112/2006. The table below summarises Ireland's VAT OR account for 2020. The final base figure of €77.3 billion is the VAT exclusive estimate of goods and services consumption by final consumers that is taxable under the EU VAT directive. This is a decrease of €16.6 billion in expenditure from 2019 (€93.9 billion).

VAT OR Account 2020

	€m
VAT Receipts	12,470.2
Fines and Interest	-13.77
Other Corrections	120.9
Flat-Rate Farmers	-61.2
Net Receipts	12,516.2
WAR	16.5%
Intermediate VAT Base	**75,938.2**
Compensations:	
Small Exempt Enterprises	49.9
Admission to Sporting Events	301.0
Cremation and Undertakers	84.8
Public Water	192.0
Passenger Transport	1,082.1
Cars	-217.1
Expenditures on Cars	-66.3
On-board consumption	8.1
Total Compensations	1,435.5
Final VAT Base	**77,373.7**

Source: Revenue analysis.

3 Traders and Returns

3.1 Registration of VAT Traders

Businesses (or persons) are typically required to register with Revenue for VAT where they supply taxable services or goods and where specific thresholds criteria are exceeded:

- €37,500 in the case of businesses supplying services only;
- €35,000 for taxable businesses making mail-order or distance sales into the State;
- €41,000 for businesses making acquisitions from other EU Member States; or
- €75,000 for businesses supplying goods.

Businesses supplying taxable services or goods that do not exceed these thresholds can elect to register for VAT. Businesses engaged in VAT exempt services or goods are not required to register. Those engaged solely in agricultural production activities are typically not obliged to register for VAT, as they can apply the Farmer Flat Rate on the value of their sales but can choose to.

Box 2: Farmer Flat Rate

Farmers who are not registered for VAT ("flat-rate farmers") are entitled to charge a flat-rate addition of 5.5% on sales to VAT registered customers including marts, meat factories and agricultural co-operatives. This flat-rate addition compensates them for VAT incurred on purchases and other input costs.

The calculation of the farmer flat rate addition is carried out by Revenue with the aid of the Agriculture Account produced by the CSO. It is expressed as a percentage applied to the value of qualifying agriculture activities.

In 2020 it was estimated that farmers reclaimed €357 million of VAT from the addition of the farmer flat rate (then 5.4%).

There is a regular movement in VAT registrations figures each year, with businesses registering, re-registering and cancelling their registrations. This is illustrated in Figure 3 and Table 3 shows the same trends over 2020 to 2021.

Figure 3: Change in Number of Registered Traders 2020 to 2021

Source: Revenue analysis.

Table 3: Number of Registered VAT Traders

Year	Registered Traders*	New/Re-Registered	Cancellations	Net Growth	Active Traders**
2019	255,710	24,500	29,110	-2%	217,230
2020	263,590	24,170	16,250	3%	197,400
2021	273,690	24,410	14,580	4%	203,405

Source: Revenue analysis. Note: * as of 31 December; ** VAT3 return filed with at least one VAT transaction.

A significant number of VAT registered traders are not actively trading in the supply of taxable goods, based on regular filing of their "VAT3" returns (final column of Table 3). An increase of 3 per cent in active traders was recorded in 2021.

The most common reason for the cancellation of a VAT registration is a business ceasing trading (59 per cent of ceased registrations in 2021), followed by a reduction in a business turnover (20 per cent) (falling below the VAT registration threshold) or going into liquidation (5 per cent). Other reasons are compulsory deregistration or case mergers, or no longer trading intra-EU (15 per cent).

Since June 2019, taxpayers must specify whether they wish to apply for a 'domestic-only' or 'intra-EU' VAT registration, to facilitate a speedier registration process for businesses seeking a domestic-only registration. This also mitigates risks associated with missing traders involved in fraudulent cross-border transactions. Of the 24,410 new or re-registrations in 2021, 22,420 were domestic only, with the remaining 1,990 for intra-EU.

3.2 Types of Trader

Different types of businesses are registered for VAT as shown in Table 4. Companies account for the largest proportion of traders at 60.4 per cent while 32.8 per cent are sole traders. The remaining 6.8 per cent is comprised of partnerships, trusts and unincorporated bodies. Registrations by companies experienced the largest growth (6.4 per cent) from 2020 to 2021. The treemap at Figure 4 shows the breakdown of traders by business type and sector.

Table 4: VAT Registration by Business Type

Year	Company	Individual	Partnership	Trust	Unincorporated Body	Total
2019	148,689	87,753	13,564	686	5,021	255,713
2020	156,361	88,435	13,289	689	4,812	263,586
2021	166,509	90,336	13,216	693	4,557	275,311

Source: Revenue analysis.

3.3 Trader Sector

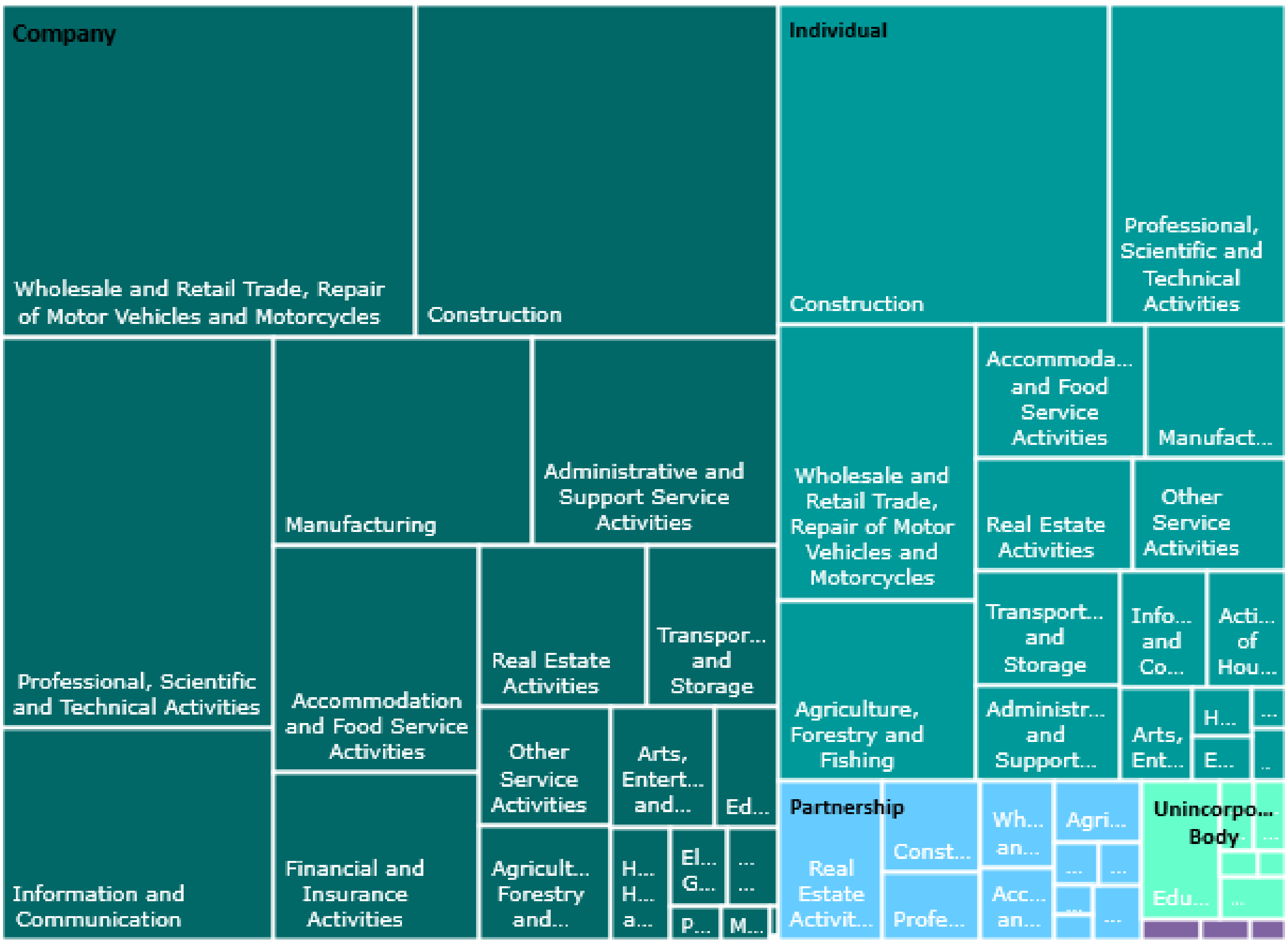
The distribution of VAT registered traders by sector (using the NACE classification system) is shown in Table 5 and Figure 4 shows this segmented by business type. *Construction*, *Professional, Scientific & Technical* and *Wholesale & Retail Trade* are the sectors with the highest numbers of registered traders but the order of these varies by business type.

Table 5: VAT Registrations by Sector

Sector	Registrations at end 2020	+/- 2019	New in 2021	Cancellations in 2021
Accommodation & Food	17,290	4%	1,630	920
Activities of Households	2,200	-5%	340	480
Administrative & Support	15,140	5%	1,360	680
Agri, Forestry & Fishing	12,740	3%	790	410
Arts, Entertainment	4,760	4%	420	230
Construction	53,660	4%	4,510	2,310
Education	4,820	3%	320	170
Utilities	1050	8%	100	20
Financial & Insurance	8,530	5%	960	530
Human Health	2,280	8%	360	180
Info & Communication	15,660	4%	1,600	970
Manufacturing	16,990	6%	1,710	710
Mining & Quarrying	460	2%	30	20
Other Service Activities	8,020	2%	750	490
Prof, Scientific & Tech	38,720	4%	3,450	1,990
Public Administration	1,150	-8%	150	250
Real Estate	14,770	-1%	780	990
Transportation & Storage	8,950	4%	810	470
Water Supply & Sewerage	1,230	3%	70	30
Wholesale & Retail Trade	45,260	4%	4,270	2,720
Other	10	-50%	-	10
Total	**273,690**	**4%**	**24,410**	**14,580**

Source: Revenue analysis.

Figure 4: VAT Registrations by Business Type in 2021



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Source: Revenue analysis.

3.4 Returns

VAT registered traders typically file their periodic "VAT3" return every two months or, where certain criteria are met and authorisation is granted by Revenue, on a four, six- or twelve-monthly basis. Such traders have an annual turnover below a specific threshold, the exception being a proportion of the twelve-month filers who opt to spread their monthly payments evenly over the year by direct debit.[3]

In 2021, over two thirds of traders filed their VAT3 returns on a two monthly basis and paid the majority (92 per cent) of VAT. These traders also accounted for 98 per cent of VAT repayments made to businesses regarding their input costs.

Table 6: VAT Return Frequency and Share of Payments/Repayments

VAT3 Filing	Share of Traders	Share of Payments	Share of Repayments
Two Monthly	68%	92%	98%
Four Monthly	18%	2%	2%
Six Monthly	7%	<1%	<1%
Twelve Monthly	6%	5%	<1%

Source: Revenue analysis.

Box 3: Group Remitters

Many closely bound businesses can form a group registration where the entire group is treated as a single accountable entity. One of the members of the group is established as the group remitter and the other members are established as group non–remitters. Each member of the group is VAT registered but typically only the group remitter files the VAT return and payment.

A group can have as few as two members or as many as several hundred, but at least one member must be an accountable person. The members of the VAT group can act independently but all members are jointly liable for any VAT liabilities arising from the group. The members of the group are not necessarily jointly submitting other tax payments such as Corporation Tax, employer returns, Custom duties or Excise and the membership can span across multiple economic classification sectors.

In 2021 there were 14,000 VAT registered traders who were members of a VAT group remitter scheme. Of these, there were 2,942 VAT remitters. The most common number in a group was two. Group sizes of 20 or more accounted for 2% of all groups but contained 28% of all group memberships.

[3] A number of traders also receive VAT repayments on a monthly basis, typically these traders are registered with Revenue as being in a net VAT repayment situation. These traders file a VAT3 return along the periodic VAT return cycles where the actual liabilities can be observed.

4 Receipts

4.1 Composition of Receipts

Ireland collects VAT from three main sources.

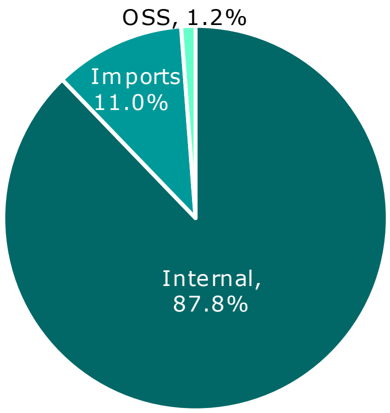
The largest share of VAT (87.8 per cent of net receipts in 2021) is collected by traders on the value of goods and services supplied to their customers. This is adjusted to account for any VAT incurred on the businesses' input costs. This source is referred to as Internal VAT and the trader submits this liability on their VAT3 tax return (Section 3.4). However, traders are not required to provide a breakdown of VAT by type of good or service, or by VAT rate in their periodic VAT return.

The second largest source is VAT collected on imported goods from third countries. VAT on imports accounted for 11 per cent of receipts in 2021, it is more volatile than internal VAT, with larger changes across years. Third country imports differ from intra-community acquisitions, as the latter do not incur VAT at point of entry. Traders are required to account for Irish VAT that would have been incurred on these goods through the reverse charging mechanism. In 2021, Postponed Accounting for Value Added Tax on third country imports was introduced and made available to all traders. This was partly in response to the UK's exit from the EU to assist businesses with their cash flow. The VAT liability incurred on such imports is accounted for through the reverse charging mechanism in the VAT3 (internal VAT). In the region of €49 billion worth of goods was declared using the postponed VAT accounting mechanism while €14 billion was declared using VAT at point of entry.

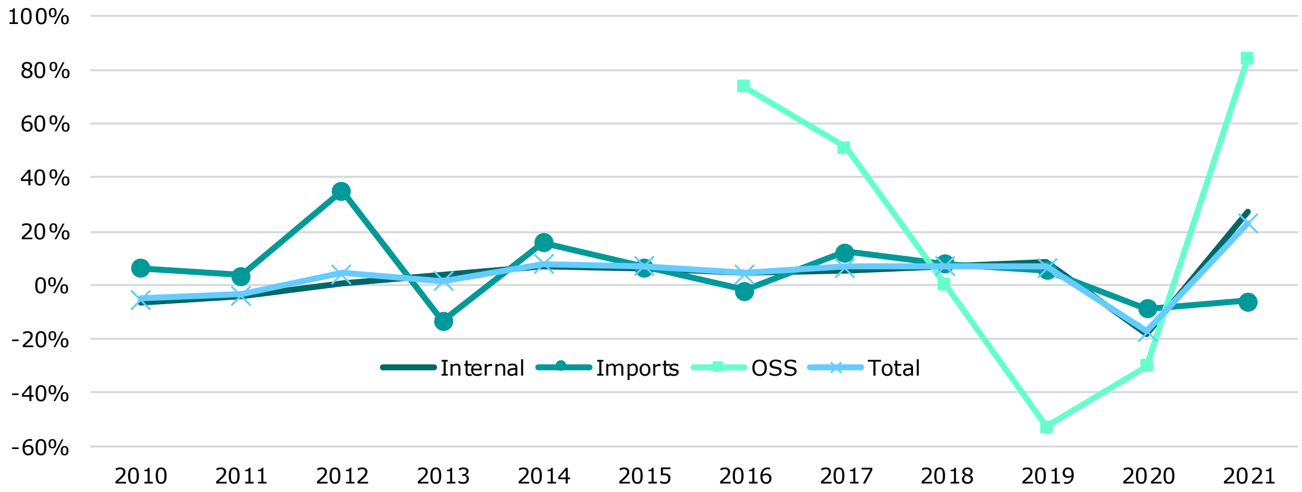
The third source is VAT collected through the One Stop Shop ("OSS") schemes, Import OSS and Mini OSS. The MOSS allows a supplier of telecommunications, broadcasting and electronic ("TBE") services to register, file a quarterly return and pay VAT in its chosen EU Member State. The supplier avoids having to register and account for VAT in all Member States to which they make TBE supplies. The IOSS took effect from 1 July 2021, it allows a taxable person to register in a single Member State to declare and pay all European Union VAT due on imported goods within the scope of the IOSS. Where the IOSS is availed of, the import VAT due on these supplies is not collected by Customs at the time of importation of the goods. The import VAT is instead remitted through a monthly IOSS return. VATOSS is discussed in further detail in Section 4.4.

Figure 5 shows the breakdowns of receipts by source and their growth patterns. The following sections discuss each in more detail.

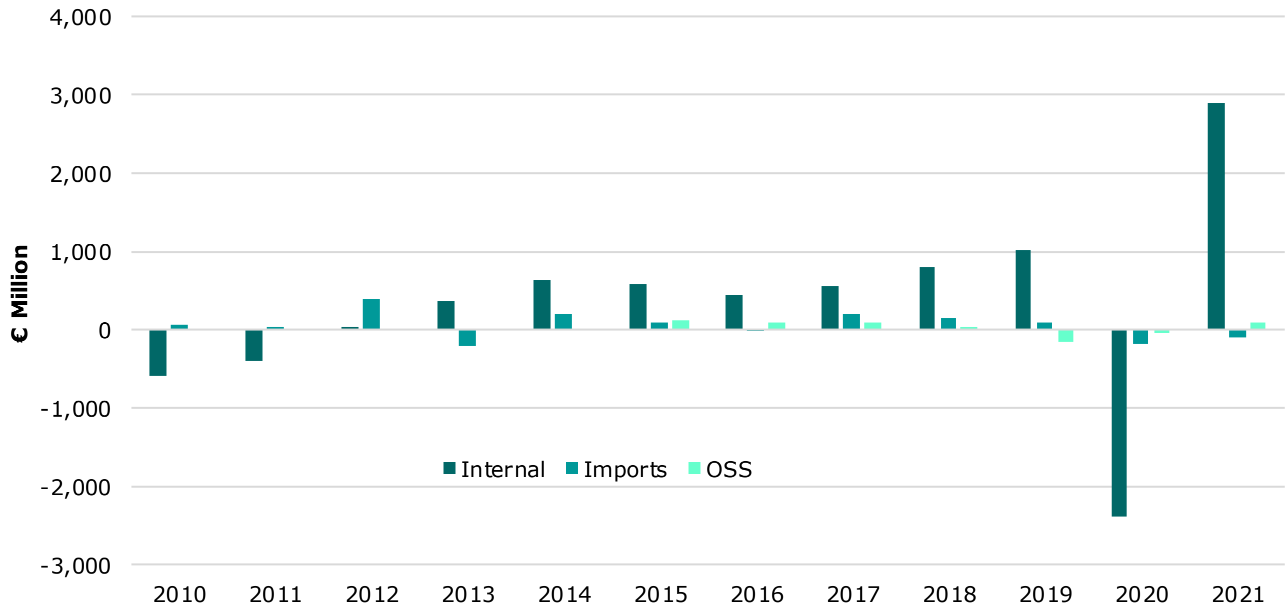
Figure 5: Composition of VAT Receipts



% Annual Change in Receipts by Source



Contributions to Annual Change in Receipts by Source

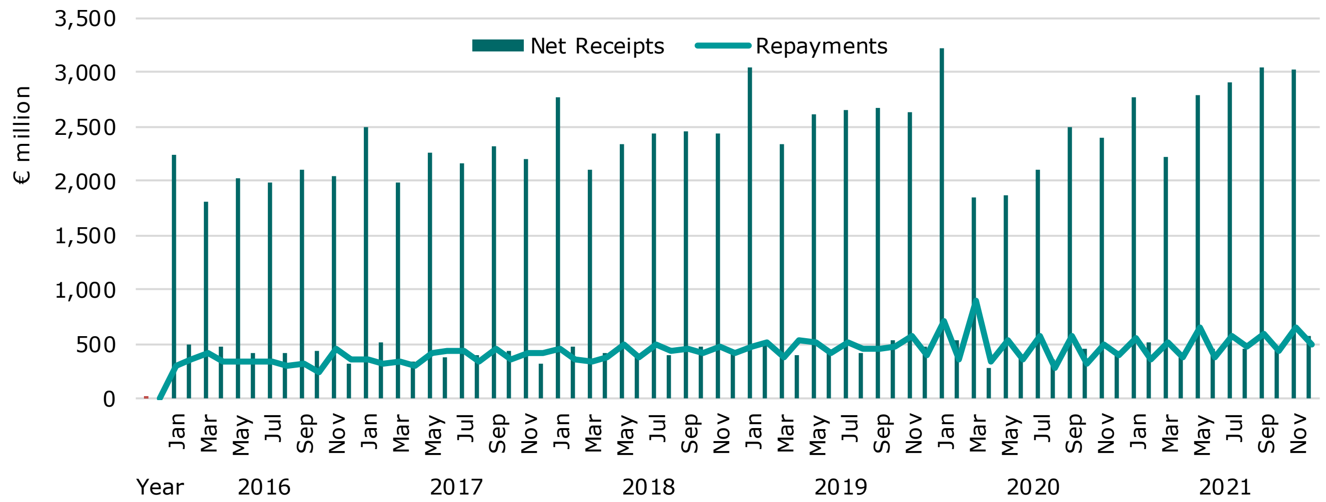


Source: Revenue analysis.

4.2 Internal VAT

Figure 6 shows internal VAT receipts by month, split into net receipts and repayments. Seasonal patterns (discussed further in Section 4.5) are evident, with peaks each January. The impact of two monthly filing on net receipts is clear, with negligible receipts in "non-due" months (where two monthly VAT3 are not due). Repayments are less impacted by seasonality or timing issues, with their amounts more stable month on month (repayments are discussed further in Section 5).

Figure 6: Internal VAT Receipts



Source: Revenue analysis.

4.3 VAT on Imports

VAT on imports is split across VAT at the Point of Entry ("VPE") and ex-warehouse. Where a product is held in a tax warehouse (also known as an Excise or bonded warehouse), the VAT is paid as the product leaves the warehouse.

VPE is the VAT paid at the point of entry into the State of an import from a third (non-EU) country. The bulk of VAT on imports arises from VPE, this category also features a higher degree of variation on monthly trends, compared to VAT ex-warehouse.

The VAT rate that is charged on imports is dependent on the type of goods imported and their intended use. For example, pharmaceuticals and food attract a zero rate of VAT, as do goods that are not for home consumption (i.e., to be processed and exported out of the EU). In 2021[4], €64.3 billion worth of goods were imported from third countries, while the VAT collected on imports was €1.34 billion, with an effective VAT rate of 2.0% (down from 3.4% in 2020). However, this accounts for in the region of €11 billion of VAT been diverted from VPE to internal VAT in 2021 as a result of postponed VAT accounting with GB goods accounting for over €5.8 billion.

[4] https://www.cso.ie/en/releasesandpublications/er/gei/goodsexportsandimportsdecember2021/
Data is collected by Revenue's VIMA unit and published by the Central Statistics Office.

Box 4: VIES and Intrastat

VAT registered traders involved in the acquisitions of goods and intra-community supplies have additional reporting responsibilities in the following regimes.

VAT Information Exchange System ("VIES")
VIES provides a mechanism whereby checks can be made in each EU Member State on the validity of claims to zero-rating. It helps to detect unreported movements of zero-rated goods between Member States. VIES enables traders to confirm the VAT registration numbers of their customers in other Member States. This allows traders to check the validity of VAT numbers quoted to them. The VIES system applies to intra-EU trade only.

Intrastat
Intrastat is a system for collecting statistics on the movement of goods, not services, between Member States of the EU. The general concept of intra-EU trade statistics is independent from the ownership of the goods. It concerns only their physical movement.

4.4 VAT OSS

The Import One Stop Shop scheme (IOSS) took effect from 1 July 2021. This is a simplification of the rules on importation of low value goods (i.e. those with an intrinsic value of less than €150 which are exempt from customs duty). As with the OSS scheme for Telecommunications, Broadcasting and Electronic (TBE) services, traders based in the EU may register in one member state for the declaration and payment of EU VAT (Union Scheme). Traders based outside of the EU - in "third countries" - may register in a member state of their choice and declare and pay VAT there under the OSS (Non-Union Scheme). However, to avail of the IOSS they must register via an intermediary based in a member state of their choice.

During 2021, 4,193 traders registered for OSS/ IOSS, an increase of over 3,800 when compared with registrations during 2020. Of these new registrations in 2021, 2,760 or almost one third were based in the United Kingdom.

The first payments under IOSS were received in August 2021 and then monthly thereafter.[5] OSS payments are due quarterly, driving the relatively steady receipts in February, May, August and November in 2020 and in the same months in the first half of 2021.

Gross OSS liabilities recorded in 2021 totalled €198m. Imports under the IOSS scheme from July 1st onwards accounted for €57m of this.

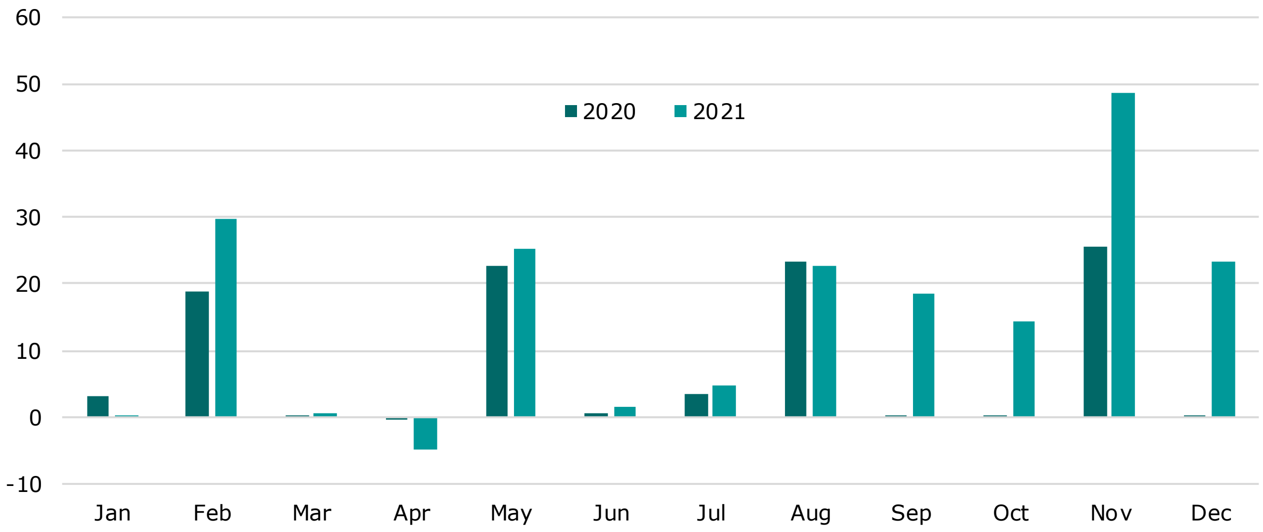
In 2021, traders registered in Ireland, Netherlands and Luxembourg returned the largest amounts of VAT under the OSS/ IOSS schemes. Almost €11m was received from Great Britain for

[5] Detailed VAT OSS statistics are published and updated at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/number-of-taxpayers-and-returns/vat-moss.aspx.

transactions occurring during 2020, prior to their exit from the European Union. Table 7 presents a breakdown of payments by member state and scheme.

Figure 7 shows Net VAT OSS receipts in the last two years by month.

Figure 7: Net VAT OSS Receipts in 2020 and 2021



Source: Revenue analysis.

Table 7: OSS and IOSS receipts by EU Member State 2021

Member State	Union Scheme	Non-Union Scheme	Import Scheme (IOSS)	Total
Austria	0.44	0.00	0.00	0.44
Belgium	0.04	0.12	0.01	0.18
Bulgaria	0.11	0.01	0.00	0.13
Cyprus	1.09	0.14	0.00	1.22
Czech Republic	0.47	0.06	0.00	0.54
Germany	4.99	0.05	0.00	5.04
Denmark	0.12	0.05	0.00	0.18
Estonia	0.14	0.09	0.30	0.52
Greece	0.00	0.00	0.00	0.00
Spain	1.58	0.08	0.02	1.68
Finland	0.36	0.00	0.00	0.36
France	1.82	0.02	1.23	3.07
Great Britain	9.68	1.31	0.00	10.98
Croatia	0.05	0.00	0.00	0.05
Hungary	0.03	0.01	0.00	0.04
Ireland	0.02	43.43	11.98	55.42
Italy	0.09	0.00	0.02	0.11
Lithuania	0.22	0.01	0.04	0.26
Luxembourg	2.79	3.44	29.04	35.27
Latvia	0.11	0.00	0.15	0.26
Malta	10.82	0.68	0.00	11.50
Netherlands	31.06	4.52	6.50	42.09
Poland	0.66	0.00	0.00	0.67
Portugal	0.01	1.90	0.00	1.91
Romania	0.04	0.00	0.00	0.04
Sweden	18.01	0.02	7.78	25.81
Slovenia	0.12	0.00	0.00	0.13
Slovakia	0.09	0.00	0.00	0.09
All Member States	**84.96**	**55.95**	**57.08**	**197.99**

Source: Revenue analysis.

Box 5: Distance Sellers

Distance sales are defined as those when a supplier dispatches goods to a non-VAT registered entity (e.g., private consumers) in another EU Member State. They include online sales, mail order and telephone sales of physical goods. Digital goods do not come under the scope of distance sales as they are services and are dealt with separately under the VAT MOSS system. Excisable products and new vehicles are excluded under this definition.

Distance Selling to Irish Customers

A distance seller must register and account for Irish VAT on goods sold when their distance sales to Ireland exceed €35,000 in a calendar year. Registration is optional for distance sellers under this threshold.

Distance Selling by Irish Suppliers

Irish suppliers of goods to non-VAT registered customers in other EU Member States are obliged to charge Irish VAT on these goods up to the threshold of €35,000. If the sales of goods exceed this threshold in one or more Member States, the Irish supplier must register and account for VAT at the appropriate rates in the relevant Member State(s). The value of sales must also be recorded on the Irish VAT return.

The number of and value of VAT paid by registered distance sellers into Ireland increased over recent years in line with online sales growth and in response to several interventions carried out by Revenue. On 1 July 2021 the rules relating to Distance sales changed with the introduction of the Import One Stop Shop (IOSS) scheme. As a result, distance sales registrations decreased by 12.3% during 2021 and VAT receipts fell by 35%. The IOSS scheme is discussed separately in section 4.4.

Registered Distance Sellers and VAT Collected in Ireland

Year	VAT Collected €m	Number of Traders
2019	114.0	911
2020	184.0	946
2021	120.5	828

Source: Revenue analysis.

4.5 Seasonality

VAT receipts demonstrate a high degree of seasonality, with most VAT returns filed on a two monthly basis. For example, receipts received with returns filed in January largely relate to the November/December liability period (traditionally the time of year with the highest consumer spending – as illustrated in Figure 6 also).

Table 8: Net VAT Position by Quarter in 2021

Quarter	Net Receipts €m	Year on Year Difference %
1	4,077	-2%
2	1,729	-1%
3	3,963	-1%
4	3,064	20%

Source: Revenue analysis.

4.6 Receipts by Sector

Table 9 shows internal VAT receipts broken down by sector of the trade. The largest sectors in 2021 were *Wholesale & Retail Trade*, *Professional, Scientific & Technical Services*, *Manufacturing* and *Information & Communication.* This differs from VAT registrations (Section 3.3) where *Construction* is the largest in terms of numbers but low in relation to the value of payments.

Table 9: Internal VAT – Receipts by Sector

Sector	2020 €m	2021 €m	+/- 2020
Wholesale & Retail Trade, Repair of Motor Vehicles & Motorcycles	5,048	6,451	29%
Professional, Scientific & Technical Activities	1,664	1,960	28%
Manufacturing	481	1,138	136%
Information & Communication	414	662	60%
Administrative & Support Service Activities	455	554	22%
Financial & Insurance Activities	261	467	79%
Public Administration & Defence, Compulsory Social Security	291	427	47%
Electricity, Gas, Steam, & Air Conditioning Supply	333	407	22%
Real Estate Activities	469	373	-20%
Transportation & Storage	266	310	17%
Accommodation & Food Service Activities	339	269	-20%
Other Service Activities	147	148	<1%
Education	98	127	29%
Human Health and Social Work Activities	80	76	-6%
Water Supply, Sewerage, Waste Management & Remediation Activities	30	34	14%
Construction	11	24	121%
Activities of Households as Employers	18	18	<1%
Arts, Entertainment and Recreation	33	14	-59%
Other	5.7	6.4	12%
Mining & Quarrying	-10	-9	7%
Agriculture, Forestry & Fishing	-78	-59	24%
Total	**10,357**	**13,399**	**29%**

Source: Revenue analysis.

Table 10 shows VAT on imports (VPE) by sector based on the economic activity of the trader. The largest sectors in 2021 are *Wholesale & Retail Trade*, *Manufacturing* and *Information & Communication*, accounting for over 80 per cent of these receipts.

The manufacturing sector paid more in VAT on imports than in internal VAT. The decline in import VAT by both the Wholesale and manufacturing sector on 2020 values is explained in part due to the introduction of postponed accounting (PA) – see section 4.1.

Table 10: VAT on Imports – Receipts by Sector

Sector	2020 €m	2021 €m	+/- 2020
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	665.3	595.3	-70.0
Manufacturing	660.5	514.9	-145.6
Information and Communication	44.2	31.0	-13.2
Professional, Scientific and Technical Activities	24.2	30.7	6.5
Transportation and Storage	12.8	54.8	42.0
Administrative and Support Service Activities	17.9	28.1	10.2
Public Administration and Defence, Compulsory Social Security	28.2	10.7	-17.6
Financial and Insurance Activities	2.5	59.5	57.1
Construction	22.0	20.1	-1.9
Electricity, Gas, Steam, and Air Conditioning Supply	6.8	7.3	0.5
Real Estate Activities	1.2	27.7	26.5
Other (Remaining sectors)	21.0	39.9	18.9
Total	**1,507**	**1,420**	**-87**

Source: Revenue analysis.

4.7 Concentration and Distribution of Receipts

Taxpayers in Revenue's Large Corporates Division ("LCD"), which has responsibility for managing the tax affairs of the largest taxpayers, accounted for 2.5 per cent of VAT traders making payments, 45 per cent of payments and 40 per cent of repayments in 2021.

Table 11: VAT Payments/Repayments by Revenue Division

Revenue Division of Trader	Payments				Repayments			
	2020 €m	2021 €m	2020 Number	2021 Number	2020 €m	2021 €m	2020 Number	2021 Number
Business	3,895	4,587	142,602	136,931	-1,009	-1,103	96,863	95,785
High Wealth Individuals	24	20	299	288	-2	-2	121	121
Large Corporates	6,254	7,941	2,479	2,618	-2,282	-2,607	2,587	2,638
Medium Enterprises	6,310	7,230	10,919	10,357	-1,909	-2,090	7,016	7,020
Personal	27	29	1,234	1,125	-6	-4	500	449

Source: Revenue analysis. Note: Excludes VAT OSS and repayments to unregistered traders.

Of traders making a VAT payment, 90 per cent paid less than €100,000, with these traders accounting for just 10 per cent of the value of VAT payments in 2021.

4.8 Debt Warehousing

From March 2020, Government put a series of immediate measures in place to assist businesses experiencing trading difficulties caused by the impacts of COVID-19. Debt Warehousing was announced on 2 May 2020, initially applying to VAT and PAYE (employer) liabilities accumulated by businesses associated with the COVID-19 crisis.

Almost 105,000 individual businesses were availing of Debt Warehousing as at end January 2022, with €3.2 billion of tax debt was warehoused including €1.4 billion of VAT. Of this, €0.5 billion relates to VAT liabilities due in 2021.[6]

[6] Detailed statistics on debt warehousing are published at: https://www.revenue.ie/en/corporate/documents/statistics/registrations/warehouse-debt-statistics-310322.pdf.

Box 6: VAT Gap

The "tax gap" describes the difference between a theoretical estimate of expected VAT revenue and the amount actually collected. A tax gap can arise from non-compliance but also insolvencies, bankruptcies, administrative errors, legal tax optimisation as well as miscalculations.

Since 2009 the European Commission has estimated measures of the VAT gap in each EU Member State and the EU as a whole. This VAT gap study employs a "top down" approach to measure the difference between the VAT collected and the estimated VAT that could be collected (VAT Theoretical Tax Liability or "VTTL") based on estimated economic activity in each country. The inputs for the calculations are taken from the various Member States' Own Resources statements (provided from Member States to the Commission – discussed in Box 2) and published National Accounts (e.g., exports and consumption data from the CSO in Ireland).

As this uses a top down methodology, based on aggregate information for each Member State (as opposed to a bottom up method using micro or case level data), the VAT gap estimation method is essentially the same for each Member State. It therefore allows only limited adjustments to be made for local factors, which can be significant.

Based on 2019 results (published December 2021), Ireland's VAT gap is estimated at 10.1 per cent for 2019. The estimated gap would represent about €1.7 billion in tax receipts.

From an overall EU perspective, the average VAT gap estimated for 2019 is 10.3 per cent. The overall EU VAT gap is estimated at €134 billion.

Out of 27 Member States, Ireland had the seventh highest standard rate of VAT but was positioned 13th highest (jointly with Latvia and Luxembourg) when consideration for the overall weighted VAT rate is taken into account. This is attributed to Ireland having larger numbers of different VAT rates.

Ireland is estimated to have a VAT policy gap of 48 per cent. This measures the theoretical increase in VAT revenue that could be achieved were no reduced rates applied. The policy gap is decomposed into a rate gap (loss in VAT liability due to the application of reduced rates) of 11 per cent and an exemption gap (loss in liability due to implementation of exemptions) of 37 per cent.

The European Commission's 2021 VAT gap report (on the VAT in 2019) is published at:
https://op.europa.eu/en/publication-detail/-/publication/bd27de7e-5323-11ec-91ac-01aa75ed71a1/language-en/

5 Repayments

5.1 Repayments Overview

Repayments are frequent in VAT, usually arising where a trader has paid more on their purchases than charged VAT on sales to customers and are an intrinsic part of the tax. Around 35 per cent of traders were in a net repayment situation in 2021.

A business may have significant spikes in output that are typically preceded by lower levels of sales activity. In such instances where a series of larger VAT repayment claims are made, this may temporarily reduce the VAT receipts in a given accounting period.

A small number of traders engage in business activities that are unlikely to generate VAT on sales. Examples are traders in the export industry, the food sector or supply of educational books.

Internal VAT repayments totalled €5.84 billion in 2021, up from €5.73 billion. VAT repayments have grown at a faster pace than that of payments since 2014. As Table 12 shows, the total number of claimants of VAT repayments has increased consistently since 2014 and the average repayment value also increased (apart from a small reduction in 2020). As well as the direct impact of the COVID pandemic leading to repayments, the increase in 2020 also reflects that Revenue reprioritised VAT repayments wherever possible. This was done to aid the cashflow of businesses struggling due to COVID.

Table 12: Repayment Numbers and Amounts

Year	Traders Filing a Claim	Total Claims Filed	Average Value Claim*
2014	86,590	250,027	12,087
2015	88,043	256,166	13,927
2016	89,956	264,970	14,300
2017	91,603	273,365	16,323
2018	93,934	283,687	17,739
2019	94,822	289,408	18,975
2020	107,087	318,665	16,386
2021	106,013	312,524	18,729

Source: Revenue analysis. Notes: internal VAT only (VAT3 returns); *Repayments including offsets.

Table provides a sectoral breakdown of VAT internal repayments. *Manufacturing*, *Information & Communication* and *Construction* account for the largest shares of VAT repayments. As the table indicates, the change in their repayments in 2021 compared to 2020 is quite varied (more so than net receipts in Section 4.6), reflecting the disparate impacts of the pandemic on repayment levels.

Table 13: Repayments by Sector

Sector	2020 €m	2021 €m	+/- 2020
Manufacturing	-989	-1,138	15%
Information and Communication	-838	-1,007	20%
Construction	-854	-920	8%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	-727	-851	17%
Financial and Insurance Activities	-505	-490	-3%
Professional, Scientific and Technical Activities	-418	-461	10%
Administrative and Support Service Activities	-242	-287	19%
Agriculture, Forestry and Fishing	-140	-156	11%
Transportation and Storage	-138	-151	10%
Arts, Entertainment and Recreation	-37	-79	116%
Real Estate Activities	-88	-71	-18%
Accommodation and Food Service Activities	-78	-65	-17%
Mining and Quarrying	-33	-31	-5%
Electricity, Gas, Steam, and Air Conditioning Supply	-33	-31	-8%
Water Supply, Sewerage, Waste Management and Remediation Activities	-20	-25	29%
Other Service Activities	-14	-18	29%
Public Administration and Defence, Compulsory Social Security	-44	-13	-70%
Human Health and Social Work Activities	-5	-6	21%
Education	-4	-4	6%
Activities of Households as Employers	-2	-2	10%
Activities of Extra Territorial Organisations and Bodies	-0	-0	-47%
Total	**-5,484**	**-5,703**	**4%**

Source: Revenue analysis. Notes: internal VAT only (VAT3 returns); totals do not match as the figures quoted in the text as some sectors are not identified.

5.2 Speed of Repayments

Table 14 shows the time taken by Revenue to make a repayment to the trader. Typically, just under 50 per cent of repayments are made within a month, with nearly 90 per cent within three months or less. The time taken is mainly associated with validation checks, requiring business to furnish the necessary supporting documentation to validate their claim. In 2021, 87 per cent of claims by value were paid within 60 days of receipt.

Table 14: Speed of Repayments

Proportion of Claims

Year	Same Month	1-3 Months	4-6 Months	7-12 Months	Over 12 Months
2019	13%	74%	6%	4%	3%
2020	16%	74%	5%	3%	3%
2021	14%	72%	7%	5%	3%

Proportion of Value

Year	Same Month	1-3 Months	4-6 Months	7-12 Months	Over 12 Months
2019	15%	71%	7%	3%	4%
2020	16%	72%	6%	3%	3%
2021	14%	77%	4%	2%	2%

Source: Revenue analysis.

5.3 Payments to Unregistered Cases

Certain persons or businesses not registered for VAT may reclaim VAT under a number of conditions.[7] As shown in Table 15, the level of these repayments increased moderately in recent years but fell in 2020. In 2021, the total VAT repaid increased on 2021 level to €127 million.

[7] See https://www.revenue.ie/en/vat/repayments-to-unregistered-persons/index.aspx.

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The largest sectors applying for VAT repayment (internal VAT) are unregistered farmers whose claims are made through either Form VAT58 or e-repayments (since 2019) and repayments for VAT on equipment, vehicles and modifications for disabled persons.

In 2021, 37,200 farmers claimed VAT refunds totalling €78.5 million. Of these, 5,580 were for amounts of €250 and under; 2,800 claims for amounts exceeding €6,000 made up more than half of total repayments to farmers. The median claim was €787.

Table 15: Repayments to Unregistered Cases

Type	2019 €m	2020 €m	2021 €m
Disabled Drivers Refunds	26.0	25.2	25.9
Disabled Persons Equipment	5.5	5.1	5.2
Diplomats	2.1	1.4	1.9
Fishing Boats and Diesel	0.1	0.0	0.0
Foreign Parcel Post Refund	0.0	0.1	0.1
Farmers	82.6	80.0	78.5
Foreign Traders Non-EU	8.8	2.6	0.7
Foreign Traders EU	0.5	0.5	1.0
Touring Coaches	7.4	4.2	7.9
EU Institutions	0.1	0.1	0.0
Interest Payable	0.0	0.0	0.0
Humanitarian Goods, etc	0.6	0.6	1.2
EC Food and Veterinary	0.0	0.0	0.0
Charities VAT Repayments (2020 Onwards)		5.0	5.0
Total	**133.7**	**124.8**	**127.4**

Source: Revenue analysis.

5.4 Payments under the E-Repayment scheme

Irish VAT registered traders who have paid VAT in another EU Member State may claim a repayment via the Electronic VAT Refund ("EVR") option when submitting a return. Conversely EU VAT registered traders who incur businesses related VAT in Ireland submit a claim through their tax authority. Revenue receives and processes this claim, and the VAT is refunded to the trader. Repayments under the scheme totalled €37.7 million in 2021, down from €59.6 million in 2020.

6 Conclusion

The report is a statistical profile of tax receipts and returns from VAT and the taxpayers engaged in VAT liable transactions or activities. This report is published to provide evidence to inform policy makers and other stakeholders interested in the second largest tax in receipts terms.

This report complements the extensive VAT statistics published on Revenue's website by providing in depth analysis of trends in VAT registrations, returns, receipts and repayments in recent years. It builds on earlier reports on VAT published in 2019 and 2020 and 2021 by adding additional detail on the above topics as well showing the trends emerging during the COVID-19 pandemic and in the period of loosening of public health restrictions during 2021.