VAT – Payments and Returns 2022

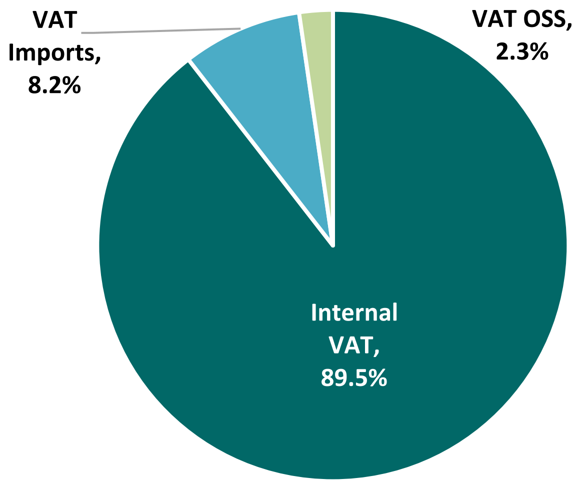
This report is the latest in a series of annual papers by Revenue on VAT.
It presents a statistical profile of tax receipts and returns in 2022.

2022 Key Figures	Gross VAT Receipts €26.7 billion	Net VAT Receipts €18.8 billion	A further €0.2 billion in VAT liabilities for 2022 were warehoused.
	24% annual growth	22% annual growth	
	23% of total gross tax receipts	23% of total net tax receipts	

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

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

The remaining portion is VAT under the VAT One Stop Shop (OSS) schemes.



Largest VAT Paying Sectors (Internal VAT) in 2022

€7.7 billion	€2.5 billion	€1.5 billion	€741 million
Wholesale & Retail Trade	Professional, Scientific & Technical Services	Manufacturing	Accommodation & Food Services
+17% in 2022	+25% in 2022	+29% in 2022	+156% in 2022

278,854 VAT Registered Traders in 2022

24,352	20,875	195,772
New Registrations in 2022	Registrations Ceased in 2022	Traders Actively Filing VAT Returns

VAT Repayments of €7.9 billion in 2022

114,506	379,432	€20,017	€910
Traders with one or more repayment claims	Repayments filed	Average repayment claim	Median repayment claim

Large Corporate Taxpayers in 2022

2% of VAT traders

39% of VAT payments

44% of VAT repayments

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Donna-Marie Dineen, Sinéad Leyden and Donnchadh O'Donovan
Strategy, Evaluation & Reporting Branch
Revenue Statistics Revenue Research statistics@revenue.ie

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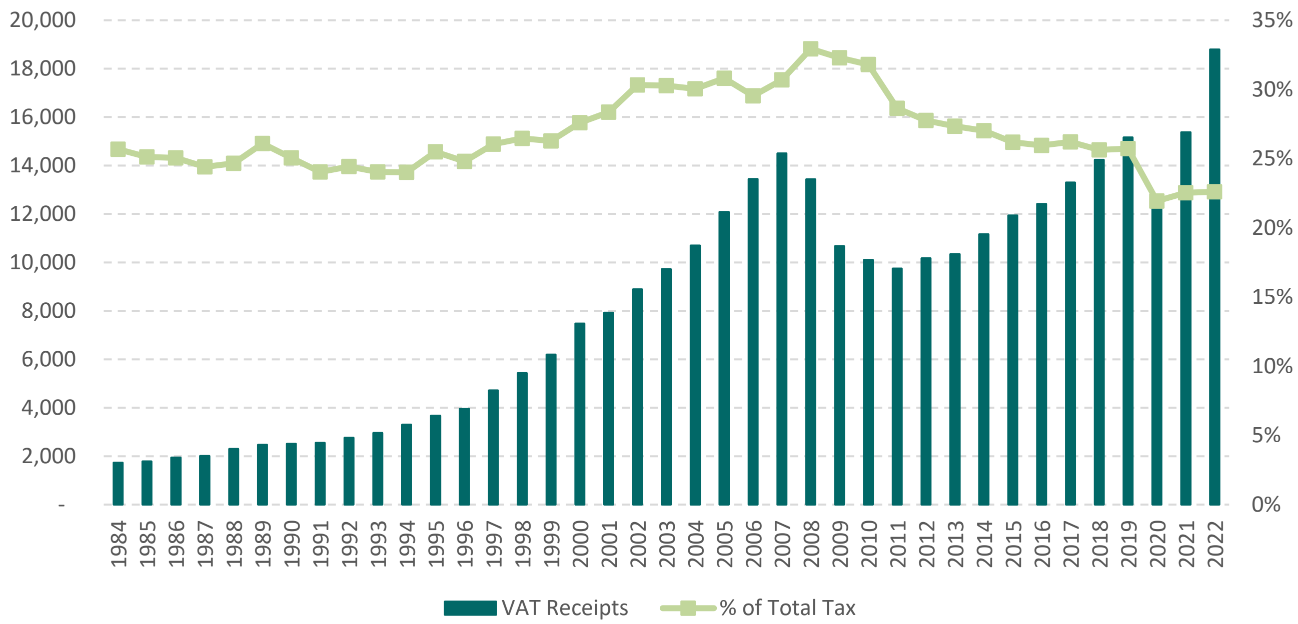
1 Introduction

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 third largest source of tax receipts in the State (after Income Tax and Corporation Tax), with €18.8 billion in net receipts transferred to the Exchequer in 2022.

As shown in Figure 1, VAT receipts increased by an average of 7 per cent per year from 2013 to 2019. In 2020, VAT receipts declined by €2.7 billion, or 18 per cent, compared to 2019, reflecting the economic impact of the COVID-19 pandemic and the introduction of associated public health measures. In 2021 and 2022, VAT receipts increased by 23 per cent and 22 per cent respectively – representing two consecutive years of highest year-on-year growth. The primary drivers of annual growth in VAT receipts in 2022 were the return to normal trading activity during 2022 and strong inflation, particularly in fuel and energy prices which led to increased prices across most commodities and services. The proportion of VAT to total tax receipts is 23 per cent in 2022, close to its lowest level on record, but this is primarily a reflection of strong Corporation Tax growth in overall tax receipts.

Figure 1: VAT Receipts



Source: Revenue analysis.

This report profiles VAT based on the data available to Revenue with a focus on developments in 2022.[1] Section 2 gives an overview of the tax. Section 3 and 4 analyse receipts and repayments respectively. Section 5 reviews trader and tax return information. 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.

VAT rates may change as a result of discretionary policy measures, for example to support businesses and consumers. On 1 September 2020, the standard rate of VAT was reduced by two percentage points to 21% for six months, as part of the Government's Stimulus Package in response to COVID-19. A significant component of expenditure including hospitality (accommodation and catering services), hairdressing and theatres, originally at the 13.5% rate, reverted to the second reduced rate of 9% from 1 November 2020. This measure has been extended several times and remains in place until 31 August 2023.

In 2022, as a response to energy and fuel price inflation as a result of post-pandemic demand and the outbreak of war in Ukraine, the Government reduced VAT on electricity and gas supply temporarily for a period of six months beginning May 1, 2022. This reduced rate currently remains in place until 31 October 2023.

2.1 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 Table 1 also).

The large positive year-on-year changes observed during the first half of 2022 are due to COVID -19 closures and lockdown in the first half of 2021. The corresponding period in 2022 reflects the resumption of activity.

Table 1: Net VAT Position by VAT Return Period in 2022

VAT Return Period	Net Receipts €m	2022 vs 2021 (% Difference)
Jan-Feb	3,350	26%
March-April	2,676	37%
May-June	3,066	23%
July-August	3,056	17%
September -October	3,288	17%
November - December	3,344	18%

Source: Revenue analysis.

Some of the main items in the VAT Base 2022 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 items such as food and medicines. The figures in Table 2 are derived from CSO estimates of Personal Consumption Expenditure (PCE) used in combination with tax return information and other third-party information sources to compile an estimate of total expenditure across a number of key activities (important items of consumption where significant VAT is generated). Revenue estimates this VAT base annually to assist with policy costings and queries.

Table 2: VAT Base 2022 – Main Expenditure Areas

Product	Estimated Expenditure €m (VAT Excl.)	Estimated Expenditure %	VAT Yield €m
Food	7,680	7.0	0
Restaurants, Canteens, Chip Shops, Fast Food etc	6,344	5.8	571
Alcohol	5,322	4.9	1,224
Private New Housing	4,434	4.1	599
Motor Fuel	3,212	2.9	739
Private Housing - Repair & Maintenance	3,111	2.84	420
Electricity*	2,822	2.6	296
Oral Medicine	2,608	2.38	0
Accommodation	2,429	2.2	219
Adult clothing	2,350	2.1	541
Cosmetics	2,329	2.1	536
Other Building	2,270	2.1	306
Cars	2,201	2.0	506

Source: Revenue analysis of Revenue and CSO data.
*VAT on this item was reduced to 9% from 13.5% on 1 May 2022

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.

The VAT Own Resources has been simplified under the long-term budget 2021-2027 to reduce the administrative burden of compiling and auditing the accounts for the Member States and the European Commission respectively. The Weighted Average Rate of 2016 will apply throughout this period.

The previous method of harmonising the VAT Base by calculating compensations to adjust the VAT Base to account for derogations or exemptions from VAT under national law, has been discontinued; with a number of exceptions where there is an infringement of the VAT Directive or cases within a specific territorial scope.

The table below summarises Ireland's VAT OR account for 2021. The final base figure of €96.2 billion is the VAT exclusive estimate of goods and services consumption by final consumers that is taxable under the EU VAT directive. This is an increase of €18.3 billion in expenditure from 2020 (€77.8 billion).

VAT OR Account 2021

	€ Million
VAT Receipts	15,532
Unallocated Tax Deposits/ VAT Repayments not within scope of VAT Directive	136
Interest and Penalties	-€4
Net Receipts	15,664
Total Corrections	0
Corrected Net Receipts	15,664
Multiannual Weighted Average Rate (%)	16.2875%
Final uncapped VAT own resource base	96,172

Source: Revenue analysis.

3 Receipts

3.1 Composition of Receipts

Ireland collects VAT from three main sources. These are summarised below, and subsequent sections of the report provide further detail on each source.

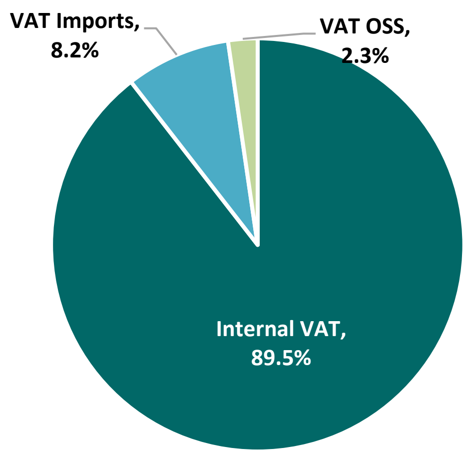
The largest portion of VAT (89.5 per cent of net receipts in 2022) is collected by traders on the value of goods and services supplied to their customers. This is adjusted to account for any VAT incurred on the businesses' input costs. This is referred to as Internal VAT and the trader submits this liability on their VAT3 tax return. 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 portion is VAT collected on imported goods from third countries (i.e., non-EU countries). VAT on imports accounted for 8.2 per cent of receipts in 2022. Historically, it is more volatile than internal VAT, with larger changes across years (although the post-COVID 19 rebound of internal VAT in the last two years has affected this comparison). 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 charge mechanism. In 2021, Postponed Accounting for VAT 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 charge mechanism on the VAT3 return and subsequently classified as Internal VAT. In the region of €28.7 billion worth of goods was declared using the postponed VAT accounting mechanism while €1.3 billion was declared using VAT at point of entry in 2022. The introduction of Postponed Accounting has resulted in a steady decline in the share of VAT on imports in total VAT receipts.

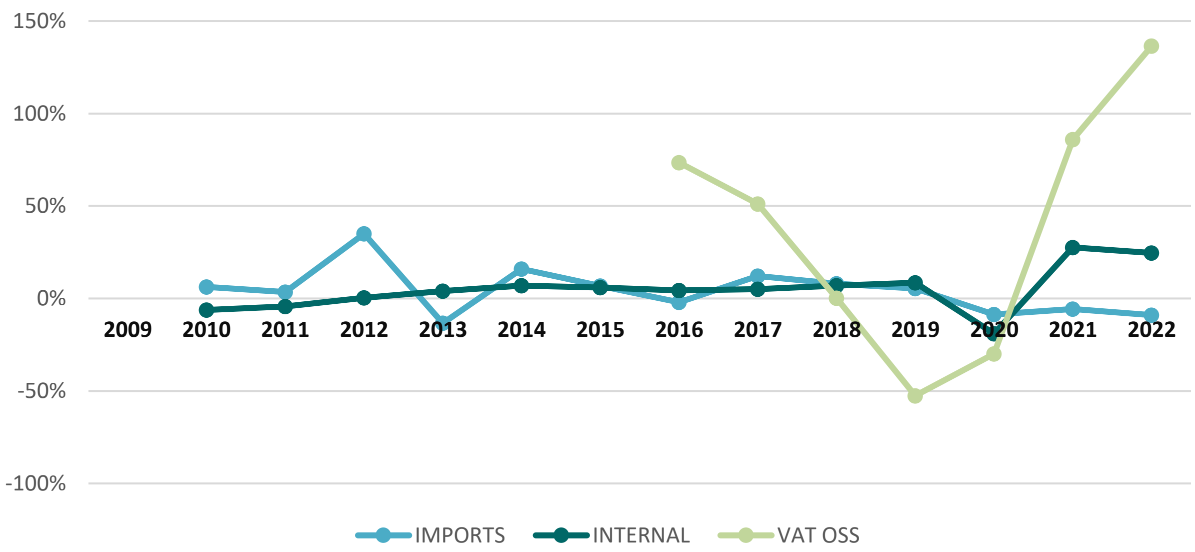
The third portion is VAT collected through the One Stop Shop (OSS) schemes, Mini OSS (MOSS) and Import OSS (IOSS). The MOSS allows a supplier of telecommunications, broadcasting and electronic (TBE) services to register, file a quarterly return and pay VAT in its chosen EU Member State. The supplier avoids having to register and account for VAT in all Member States to which they make TBE supplies. The IOSS 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. It took effect from 1 July 2021. 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.

Figure 2 shows the breakdowns of receipts by source and their growth patterns.

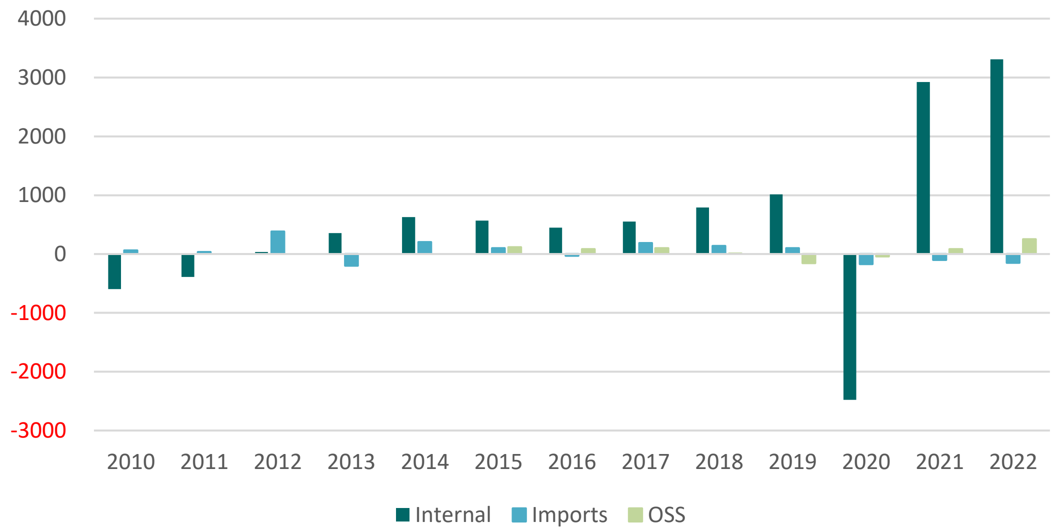
Figure 2: Composition of VAT Receipts



% Annual Change in Receipts by Source



Contributions to Annual Change in Receipts by Source

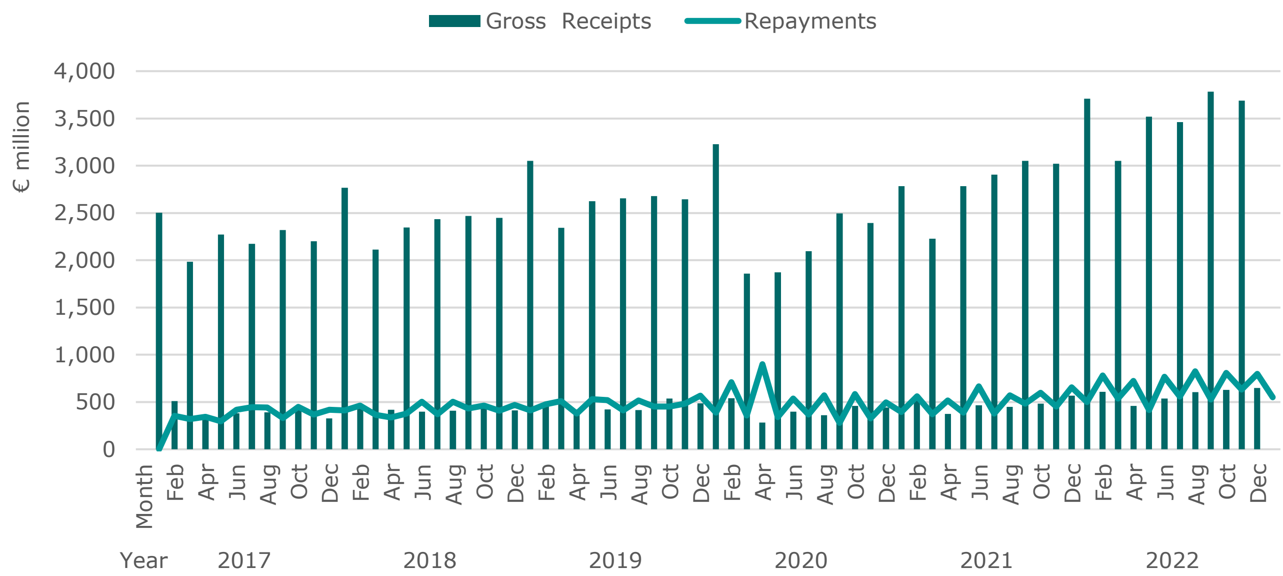


Source: Revenue analysis.

3.2 Internal VAT

Figure 3 shows internal VAT receipts by month, split into gross receipts and repayments. Seasonal patterns (discussed previously in Section 2.1) 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 4).

Figure 3: Internal VAT Receipts[2]



Source: Revenue analysis.

3.3 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 country(non-EU). 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 2022[3], €92.4

[2] Receipts for periods from 2021 onwards include VAT on imports where traders availed of Postponed Accounting and included VAT on Imports on their VAT3 returns.

[3] https://www.cso.ie/en/releasesandpublications/ep/p-gei/goodsexportsandimportsdecember2022
Data are collected by Revenue's VIMA unit and published by the Central Statistics Office.

billion worth of goods were imported from third countries, an increase of almost 42% on the 2021 total. Much of this increased value was attributable to higher wholesale prices on mineral fuels and lubricants. Large increases in the value of chemicals and transport machinery were also observed. The VAT collected on imports was €1.5 billion.

Box 2: 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.

3.4 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 2022, 1,271 traders registered for OSS/ IOSS, a decrease of over 2,900 when compared with registrations during 2021, when the Import scheme was introduced. Of these new registrations in 2022, 641 or over half were based in the United Kingdom.

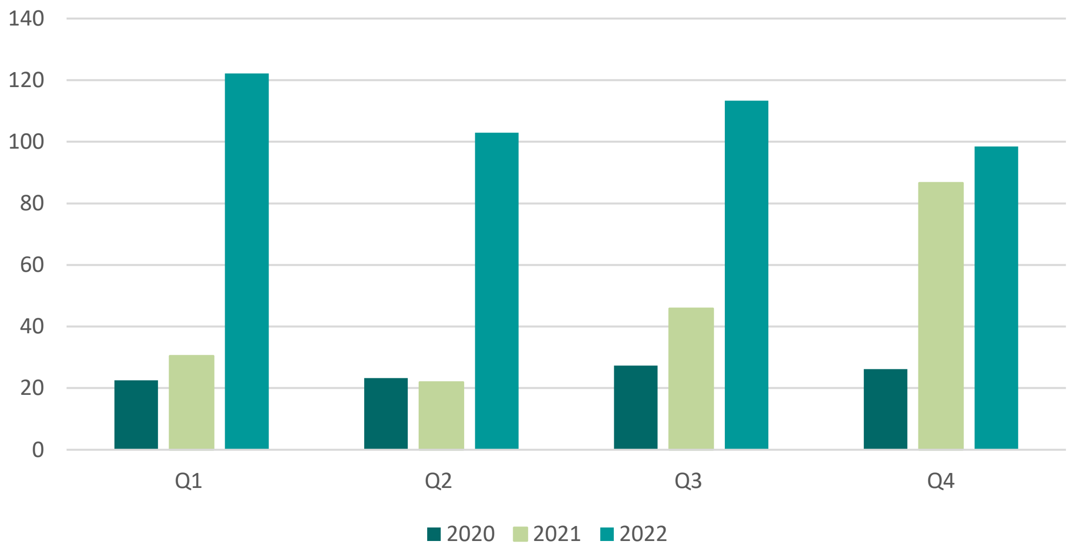
The first payments under IOSS were received in August 2021 and then monthly thereafter.[4] OSS payments are due quarterly, driving the relatively steady receipts in February, May, August, and November in 2022.

[4] 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.

Gross OSS receipts recorded in 2022 totalled €432 million. Imports under the IOSS scheme accounted for €210m of this.

In 2022, traders registered in Luxembourg, Ireland and Netherlands returned the largest amounts of VAT under the OSS/ IOSS schemes. Almost €3 million was received from Northern Ireland for import of goods transactions, as Northern Ireland is classified as a member state for imports only. For the sale of TBE services under the OSS scheme, it is classified as a third country. Table 3 presents a breakdown of payments by member state and scheme. Figure 4 shows Net VAT OSS receipts in the last three years by quarter.

Figure 4: Net Quarterly VAT OSS Receipts (€m) 2020-2022



Source: Revenue analysis.

Table 3: OSS and IOSS receipts (€m) by EU Member State 2022

Member State	Union Scheme	Non-Union Scheme	Import Scheme (IOSS)	Total
Austria	0.44	0.02	0.00	0.46
Belgium	0.36	0.07	0.11	0.54
Bulgaria	0.52	0.02	0.02	0.55
Cyprus	0.53	0.11	0.00	0.64
Czech Republic	1.68	0.09	0.00	1.77
Germany	29.79	0.56	8.42	38.77
Denmark	1.95	0.00	0.01	1.96
Estonia	0.46	0.06	1.02	1.53
Greece	0.13	0.00	0.00	0.14
Spain	5.52	0.10	0.14	5.75
Finland	0.76	0.00	0.01	0.77
France	5.17	0.03	5.75	10.96
Croatia	0.05	0.00	0.00	0.05
Hungary	0.12	0.00	0.00	0.12
Ireland	0.03	55.56	45.77	101.35
Italy	5.98	0.00	0.16	6.15
Lithuania	0.81	0.02	0.06	0.88
Luxembourg	3.13	2.63	104.87	110.63
Latvia	0.36	0.00	0.38	0.74
Malta	9.05	1.13	0.00	10.19
Netherlands	51.81	5.52	21.87	79.20
Poland	3.94	0.00	0.04	3.98
Portugal	0.66	5.42	0.00	6.08
Romania	0.07	0.00	0.01	0.07
Sweden	23.72	0.05	21.64	45.41
Slovenia	0.47	0.01	0.00	0.48
Slovakia	0.36	0.00	0.00	0.36
Northern Ireland*	2.81	0.00	0.00	2.81
All Member States	**150.70**	**71.38**	**210.27**	**432.35**

*Northern Ireland is classified as a member state for goods imports.

Source: Revenue analysis.

Box 3: 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 €10,000 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 €10,000. 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 61.5% in the 18 months to end 2022 and VAT receipts fell by 72.5%. The IOSS scheme is discussed separately in section 3.4.

Registered Distance Sellers and VAT Collected in Ireland

Year	VAT Collected €m	Number of Traders
2020	184.0	946
2021	120.5	828
2022	50.6	364

Source: Revenue analysis.

3.5 Receipts by Sector

Table 4 shows internal VAT receipts broken down by sector of the trade. The largest sectors in 2022 were *Wholesale & Retail Trade*, *Professional, Scientific & Technical Services*, *Manufacturing,* and *Information & Communication.* This differs from VAT registrations (Section 5.3) where *Construction* is the largest in terms of numbers but low in relation to the value of payments. *Wholesale & Retail Trade* accounted for just over a third of the growth in total internal VAT receipts in 2022.

In 2022 the sectors experiencing the largest year on year growth in VAT receipts were those sectors most adversely affected by the restrictions imposed during the COVID-19 pandemic. These sectors were Arts, Entertainment and Recreation (+356%), Construction (239%), and Accommodation and Food Service Activities (+156%).

Box 4: Interpreting the Data – VAT Receipts by Economic Activity

Interpretation of VAT receipts by economic sector and VAT receipts for the supply of specific goods and services carries certain caveats. The sector for each VAT trader refers to the sector of the economy in which the trader's main economic activity occurs; the sectoral breakdown cannot be taken as the exact economic activity associated with all VAT collected as a number traders (including VAT Group remitters) will operate across multiple economic sectors.

Traders are not required to identify the VAT yield generated from the supply of specific goods and services on their VAT returns. For certain types of transactions including intra-Community acquisitions and imports where the trader is availing of postponed accounting, VAT on purchases will also be included in the VAT on Sales (T1) on the trader's return under the reverse charge mechanism.

VAT from the Construction sector may also be remitted under the reverse charge mechanism by principal contractors engaged in activity other than construction (e.g., Health, Education) and these VAT returns are recorded within those sectors rather than within Construction.

Consequently, it is difficult to use the information provided on VAT returns as the exclusive basis for calculating the VAT generated from specific economic activities, as input VAT credits reduce the total amount of VAT remitted on sale / supply to the final consumer, and the exact economic activity associated with either the input costs or final sales is not recorded on the VAT return.

For further information on self-accounting and the reverse charge mechanism, please see https://www.revenue.ie/en/vat/what-is-vat/reverse-charge-self-accounting.aspx

Table 4: Internal VAT – Receipts by Sector

Sector	2021 €m	2022 €m	+/- 2021
Agriculture, Forestry & Fishing	-59	-74	25%
Mining & Quarrying	-9	-17	89%
Manufacturing	1,162	1,503	29%
Electricity, Gas, Steam, & Air Conditioning Supply	409	426	4%
Water Supply, Sewerage, Waste Management & Remediation Activities	34	36	6%
Construction	57	193	239%
Wholesale & Retail Trade, Repair of Motor Vehicles & Motorcycles	6,544	7,681	17%
Transportation & Storage	315	364	16%
Accommodation & Food Service Activities	290	741	156%
Information & Communication	663	703	6%
Financial & Insurance Activities	487	604	24%
Real Estate Activities	390	506	30%
Professional, Scientific & Technical Activities	1,961	2,453	25%
Administrative & Support Service Activities	572	725	27%
Public Administration & Defence, Compulsory Social Security	426	512	20%
Education	130	134	3%
Human Health and Social Work Activities	77	94	22%
Arts, Entertainment and Recreation	32	146	356%
Other Service Activities	145	200	38%
Activities of Households as Employers	12	18	50%
Other	7	6	-14%
Total	**13,645**	**16,954**	**24%**

Source: Revenue analysis.

Table 5 shows VAT on imports (VPE) by sector based on the economic activity of the trader. The largest sectors in 2022 are *Wholesale & Retail Trade*, *Manufacturing* and *Professional, Scientific and Technical*, accounting for over two thirds of these receipts.

The Wholesale & Retail Trade sector paid the largest proportion of VAT on imports followed by the manufacturing sector. The decline in import VAT across most sectors on 2022 values is explained in part due to the introduction of postponed accounting (PA) and the consequent classification as Internal VAT instead of import VAT– see Section 3.1 for further detail.

Table 5: VAT on Imports – Receipts by Sector

Sector	2021 €m	2022 €m	+/- 2021
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	595.4	531.0	-64.4
Manufacturing	515.0	509.3	-5.7
Professional, Scientific and Technical Activities	30.7	30.9	0.2
Administrative and Support Service Activities	28.1	24.5	-3.5
Real Estate Activities	27.7	22.2	-5.5
Construction	20.2	21.7	1.5
Information and Communication	31.0	19.5	-11.5
Transportation and Storage	54.2	14.9	-39.3
Agriculture, Forestry and Fishing	12.1	11.5	-0.6
Other Service Activities	9.5	10.6	1.1
Financial and Insurance Activities	59.5	5.9	-53.7
Other (Remaining sectors)	36.19	28.02	-8.2
Total	**1,419.7**	**1,230.0**	**-189.6**

Source: Revenue analysis.

3.6 Concentration of Receipts

Taxpayers in Revenue's Large Corporates Division (LCD), which has responsibility for managing the tax affairs of the largest taxpayers in the State, accounted for 2 per cent of VAT traders making payments, 39 per cent of payments and 44 per cent of repayments in 2022. This represents an annual decline in payment concentration of 6 percentage points.

Table 6: VAT Payments/Repayments by Revenue Division

	Payments				Repayments			
Revenue Division of Traders	2021 €m	2022 €m	2021 Number	2022 Number	2021 €m	2022 €m	2021 Number	2022 Number
Business	5,610	7,586	157,128	170,885	-1,342	-1,828	103,857	107,171
High Wealth	22	25	321	328	-2	-3	142	130
Large Corporates	7,648	9,742	2,884	2,872	-2,654	-3,354	2,788	2,807
Medium Enterprises	6,208	7,305	7,646	7,024	-1,873	-2,395	5,104	4,730
Personal	19	45	14,618	1,820	-5	-7	550	442

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

Of traders making a VAT payment, 89 per cent paid amounts totalling less than €100,000, with these traders accounting for approximately 11 per cent of the value of VAT payments in 2022.

3.7 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.

Over 68,000 individual businesses were availing of Debt Warehousing as at the end of 2022, with €2.4 billion of tax debt warehoused, including €1.1 billion of VAT. Of this, €0.2 billion relates to VAT liabilities due in 2022. 97% of the customers availing of VAT debt warehousing are based within Revenue's Business Division, which covers micro and small SMEs, and these customers accounted for just over 60 per cent of warehoused VAT debt as at end 2022.

Box 5: 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 1) 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 2020 results (published December 2022), Ireland's VAT gap is estimated at 12.5 per cent for 2020. The estimated gap would represent about €1.9 billion in tax receipts.

From an overall EU perspective, the average VAT gap estimated for 2020 is 9.1 per cent. The overall EU VAT gap is estimated at €93 billion.

Out of 27 Member States, Ireland had the seventh highest standard rate of VAT (jointly with Poland and Portugal) but was positioned fourteenth highest (jointly with Slovenia) 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 51.9 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 14.7 per cent and an exemption gap (loss in liability due to implementation of exemptions) of 37.3 per cent.

The European Commission's 2022 VAT gap report (on the VAT in 2020) is published at:
https://op.europa.eu/en/publication-detail/-/publication/030df522-7452-11ed-9887-01aa75ed71a1

4 Repayments

4.1 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 33 per cent of traders were in a net repayment situation in 2022, down from 40 per cent 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 €7.91 billion in 2022, up from €6.14 billion in 2021. VAT repayments have grown at a faster pace than that of payments since 2014. As Table 7 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). The increase in the average value of a refund processed in 2022 reflects some of the additional input costs experienced by traders throughout the year.

Table 7: 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	111.152	343.415	17,369
2022	114,506	379,432	20,017

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

Table 8 provides a sectoral breakdown of VAT internal repayments. *Manufacturing, Wholesale & Retail, Construction and Information & Communication* account for the largest shares of VAT repayments. As the table indicates, the change in the value of repayments in 2022 compared to 2021 is quite significant for the majority of sectors, perhaps reflecting some of the higher input costs incurred during a period of high inflation.

Table 8: Repayments by Sector

Sector	2021 €m	2022 €m	+/- 2021
Manufacturing	-1,128	-1,557	38%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	-869	-1,276	47%
Construction	-998	-1,260	26%
Information and Communication	-1,008	-1,252	24%
Financial and Insurance Activities	-574	-538	-6%
Professional, Scientific and Technical Activities	-473	-537	14%
Administrative and Support Service Activities	-294	-392	33%
Transportation and Storage	-144	-266	85%
Agriculture, Forestry and Fishing	-154	-192	25%
Real Estate Activities	-73	-108	48%
Accommodation and Food Service Activities	-86	-68	-21%
Electricity, Gas, Steam, and Air Conditioning Supply	-33	-55	65%
Water Supply, Sewerage, Waste Management and Remediation Activities	-27	-41	54%
Mining and Quarrying	-34	-41	19%
Arts, Entertainment and Recreation	-31	-31	-2%
Other Service Activities	-24	-26	11%
Public Administration and Defence, Compulsory Social Security	-12	-13	10%
Human Health and Social Work Activities	-6	-9	39%
Education	-4	-6	38%
Activities of Households as Employers	-3	-3	16%
Activities of Extra Territorial Organisations and Bodies	-0	-0	-40%
Total	**5,997**	**7,717**	29%

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

4.2 Speed of Repayments

Table 9 shows the time taken by Revenue to make a repayment to the trader. Typically, just under 14 per cent of repayments are made within a month, with over 80 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 2022, 91 per cent of claims by value were paid within 90 days of receipt.

Table 9: 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%
2022	14%	68%	8%	6%	4%

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%
2022	15%	76%	4%	3%	1%

Source: Revenue analysis.

4.3 Payments to Unregistered Cases

Certain persons or businesses not registered for VAT may reclaim VAT under a number of conditions.[5] As shown in Table 10, the level of these repayments increased in 2022 by 14.5 per cent to €145.9 million.

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.

Table 10: Repayments to Unregistered Cases

Type	2019 €m	2020 €m	2021 €m	2022 €m
Disabled Drivers Refunds	26	25.2	25.9	27.2
Disabled Persons Equipment	5.5	5.1	5.2	7.5
Diplomats	2.1	1.4	1.9	2.0
Fishing Boats and Diesel	0.1	0	0.0	0.0
Foreign Parcel Post Refund	0.0	0.1	0.1	0.0
Farmers	82.6	80.0	78.5	95.5
Foreign Traders Non-EU	8.8	2.6	1.0	0.9
Foreign Traders EU	0.5	0.5	0.7	0.4
Touring Coaches	7.4	4.2	7.9	6.8
EU Institutions	0.1	0.1	0	0.0
Interest Payable	0	0	0.0	0.0
Humanitarian Goods, etc	0.6	0.6	1.2	0.5
EC Food and Veterinary	0	0	0.0	0.0
Charities' VAT Repayments (2020 Onwards)	.	5.0	5.0	5.0
Total	**133.7**	**124.8**	**127.4**	**145.9**

Source: Revenue analysis.

4.4 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 €47.1 million in 2022, up from €35.9 million in 2021. The primary reason for this increase was down to higher fuel costs.

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

5 Traders and Returns

5.1 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;
- €10,000 for taxable businesses making mail-order or distance sales into the State[6];
- €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 6: 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 2021 it was estimated that farmers reclaimed €408 million of VAT from the addition of the farmer flat rate (then 5.6%).

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 5 and Table 11 shows the same trends over 2021 to 2022.

Figure 5: Change in Number of Registered Traders 2021 to 2022

Source: Revenue analysis.

Table 11: Number of Registered VAT Traders

Year	Registered Traders*	New/Re-Registered	Cancellations	Net Growth	Active Traders**

[6] This threshold was introduced with effect from 1 July 2021. https://www.revenue.ie/en/tax-professionals/tdm/value-added-tax/Part04-place-of-taxable-transactions-place-of-supply/distance-sales/vat-and-intra-community-distance-sales-of-goods.pdf

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
2022	278,854	24,352	20,875	1%	195,772

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 11). A decrease of 3.8 per cent in active traders was recorded in 2022.

The most common reason for the cancellation of a VAT registration is a business ceasing trading (68 per cent of ceased registrations in 2022), followed by a reduction in a business turnover below the VAT registration threshold (16 per cent) or going into liquidation (6 per cent). Other reasons are compulsory deregistration or case mergers, or no longer trading intra-EU (10 per cent). The relative importance of these reasons is in line with the pattern in 2021.

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 24,352 new or re-registrations in 2022, 23,307 were domestic only, with the remaining 1,045 for intra-EU.

5.2 Types of Traders

Different types of businesses are registered for VAT as shown in Table 12. Companies account for the largest proportion of traders at 61.6 per cent while 32.1 per cent are sole traders. The remaining 6.3 per cent is comprised of partnerships, trusts and unincorporated bodies. Only registrations by companies experienced growth (2.9 per cent) from 2021 to 2022.

Table 12: VAT Registration by Business Type

Year	Company	Individual	Partnership	Trust	Unincorporated Body	Total
2020	156,361	88,435	13,289	689	4,812	263,586
2021	166,509	90,336	13,216	693	4,557	275,311
2022	171,687	89,640	12,529	684	4,314	278,854

Source: Revenue analysis.

5.3 Trader Sector

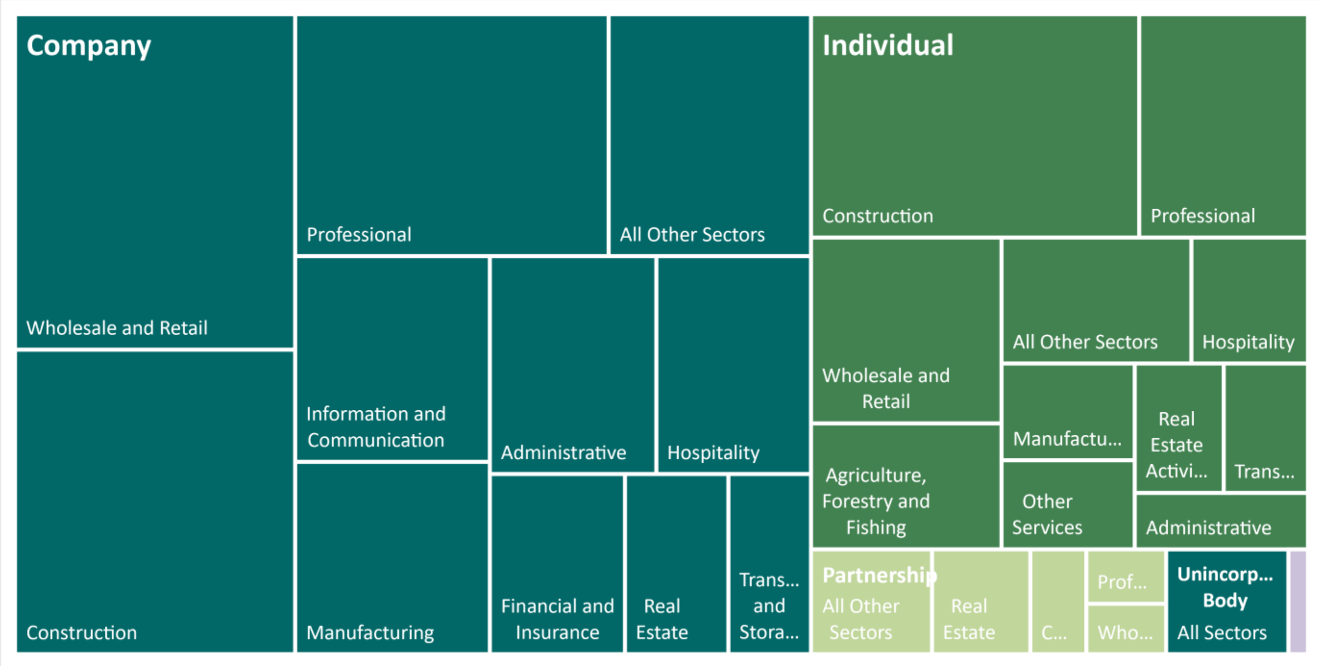
The distribution of VAT registered traders by sectors (using the NACE classification system – see Box 4) is shown in Table 13 and Figure 6 shows this segmented by business type. Construction, Professional, Scientific & Technical and Wholesale & Retail Trade are the sectors with the highest numbers of registered traders, accounting for just over 50% of all registrations in 2022 but the order of these varies by business type (see Figure 6).

Table 13: VAT Registrations by Sector

Sector	Registrations at end 2022	+/- 2021	New in 2022	Cancellations in 2022
Construction	55,555	4%	5,373	3,786
Wholesale & Retail Trade	45,000	-1%	2,892	3,279
Prof, Scientific & Tech	39,744	3%	3,617	2,767
Accommodation & Food	17,577	2%	1,811	1,680
Manufacturing	17,364	2%	1,319	1,044
Info & Communication	15,881	1%	1,555	1,325
Administrative & Support	15,825	5%	1,577	988
Real Estate	14,300	-3%	790	1,365
Agri, Forestry & Fishing	12,859	1%	716	619
Transportation & Storage	8,886	-1%	669	752
Financial & Insurance	8,996	5%	947	623
Other Service Activities	8,253	3%	940	761
Education	4,971	3%	363	248
Arts, Entertainment	4,904	3%	488	379
Human Health	2,423	6%	435	313
Activities of Households	2,316	5%	465	597
Water Supply & Sewerage	1,248	1%	64	50
Public Administration	1,066	-7%	129	232
Utilities	1098	5%	88	35
Mining & Quarrying	473	3%	39	23
Other/ Not Classified	115	1050%	75	9
Total	**278,854**	**4%**	**24,352**	**20,875**

Source: Revenue analysis.

Figure 6: VAT Registrations by Business Type in 2022



Source: Revenue analysis.

5.4 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.[7]

In 2022, over two thirds of traders filed their VAT3 returns on a two monthly basis and paid the majority (98 per cent) of VAT. These traders also accounted for 91 per cent of VAT repayments made to businesses regarding their input costs.

Table 14: VAT Return Frequency and Share of Payments/Repayments

VAT3 Filing	Share of Traders	Share of Payments	Share of Repayments
Two Monthly	68%	98%	91%
Four Monthly	18%	1%	3%
Six Monthly	8%	<1%	1%
Twelve Monthly	6%	<1%	6%

Source: Revenue analysis.

[7] 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.

Box 7: 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 2022 there were 21,041 VAT registered traders who were members of a VAT group remitter scheme. Of these, there were 4,526 registered 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 27% of all group memberships.

The economic sectors accounting for the largest percentage of traders within VAT groups were Administrative and Support Services Activities (24%), Wholesale and Retail Trade (17%) and Financial and Insurance Activities (13%).

30 per cent of VAT group members were within a single economic sector, however 39 per cent of members were split across two different economic sectors with the remaining 31% split between 3 and 8 different economic sectors. This spread adds additional complexity when analysing VAT receipts by NACE economic sectors, as many of the members that form part of a VAT group return VAT to the exchequer through the NACE codes that are assigned to the principal group remitter – see Box 4.

6 Conclusion

The report is a statistical profile of VAT receipts and returns and the taxpayers engaged in VAT liable transactions or activities. This report provides evidence to inform policy makers and other stakeholders interested in the third largest tax in receipts terms and it complements the extensive VAT statistics published on Revenue's website.

€18.8 billion in net VAT receipts transferred to the Exchequer in 2022, representing annual growth in the tax head of 22 per cent. The primary drivers of growth in 2022 were the return to normal trading activity during the year and strong inflation, particularly in fuel and energy prices which led to increased prices across most commodities and services. The proportion of VAT to total tax receipts is 23 per cent in 2022, close to its lowest level on record, but this is primarily a reflection of strong Corporation Tax growth in overall tax receipts.

In 2022 the sectors experiencing the largest year on year growth in VAT receipts were those sectors most adversely affected by the restrictions imposed during the COVID-19 pandemic. These sectors were Arts, Entertainment and Recreation (+356%), Construction (239%), and Accommodation and Food Service Activities (+156%).

Taxpayers in Revenue's Large Corporates Division (LCD), which has responsibility for managing the tax affairs of the largest taxpayers in the State, accounted for 2 per cent of VAT traders making payments, 39 per cent of payments and 44 per cent of repayments in 2022. Of traders making a VAT payment, 89 per cent paid amounts totalling less than €100,000, with these traders accounting for approximately 11 per cent of the value of VAT payments in 2022.

€1.1 billion of VAT had been placed in the Debt Warehouse by the end of 2022, €0.2 billion of which relates to VAT liabilities due in 2022. 97 per cent of the customers availing of VAT debt warehousing are based within Revenue's Business Division, which covers micro and small SMEs, and these customers accounted for just over 60 per cent of warehoused VAT debt as at end 2022.

Companies account for the largest proportion of VAT-registered traders in 2022, at 62 per cent while 32 per cent are sole traders. The remaining 6 per cent is comprised of partnerships, trusts and unincorporated bodies. Only registrations by companies experienced growth from 2021 to 2022 (2.9 per cent). Active VAT traders – defined as those filing at least one VAT3 return in the year – declined by 3.8 per cent in 2022.