VAT Payments and Returns 2019

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

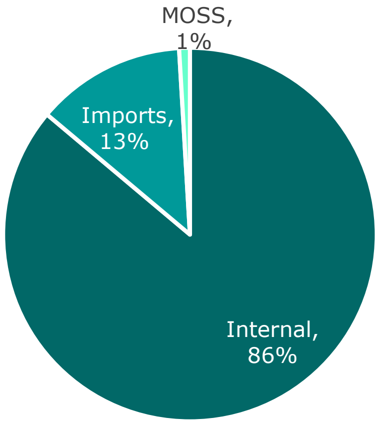
Net VAT receipts of €15.2 billion in collected in 2019

(25.7% of total net tax receipts in the year)

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 collected on the supply of telecommunications, broadcasting and electronic services under the VAT Mini One Stop Shop ("MOSS") scheme.



Four Largest VAT Paying Sectors (Internal VAT) in 2019

€5.4 billion	**€2.0 billion**	**€881 million**	**€746 million**
Wholesale & Retail Trade	Professional, Scientific & Technical Services	Accommodation & Food	Information & Communication

255,700 VAT Registered Traders in 2019

24,500	**29,100**	**212,000**
New Registrations in 2019	Registrations Ceased in 2019	Traders Actively filing VAT Returns

VAT Repayments of €5.8 billion in 2019

100,600	**313,200**	**€17,300**	**€865**
Traders with one or more repayment claims	Repayments claims	Average repayment over the year	Median repayment over the year

Largest 2% of VAT traders accounted for 37 per cent of receipts and 45 per cent of repayments in 2019

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

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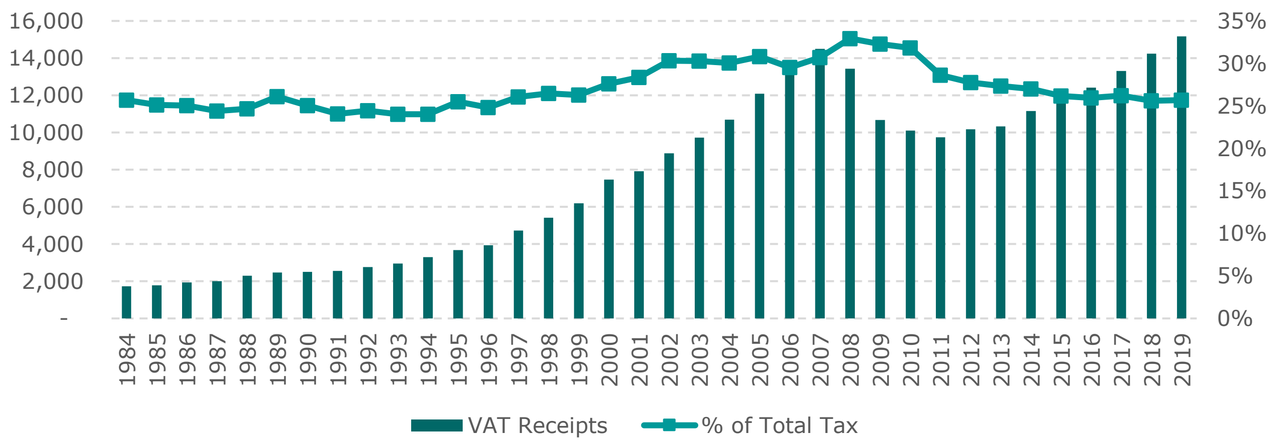
1 Introduction

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 second largest source of tax receipts in the State (after Income Tax), with €15.2 billion in net receipts collected in 2019 (25.7 per cent of total net tax receipts in the year).[1]

As shown in Figure 1, following declines during the economic downturn, VAT receipts increased by an average of 7 per cent per annum in recent years (6.5 per cent in 2019). This growth was primarily driven by increased consumption in the economy (there was also a rise in the standard rate of VAT from 21% to 23% in January 2012 and the introduction in 2011 of, then reduction in 2019 of the activities liable for, the 9% rate). Receipts in 2019 exceeded the previous highest level recorded in 2007. The share of total receipts from VAT has remained relatively constant at around 26 per cent over the past five years.

Figure 1: VAT Receipts



Source: Revenue analysis. Note: Based on Exchequer receipts of VAT.

This report profiles VAT based on the data available to Revenue.[2] 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.

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[1] Unless otherwise noted, "receipts" in this report refers to net receipts.
[2] A similar report was published in May 2019: https://www.revenue.ie/en/corporate/documents/research/vat-payments-and-returns.pdf.

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.

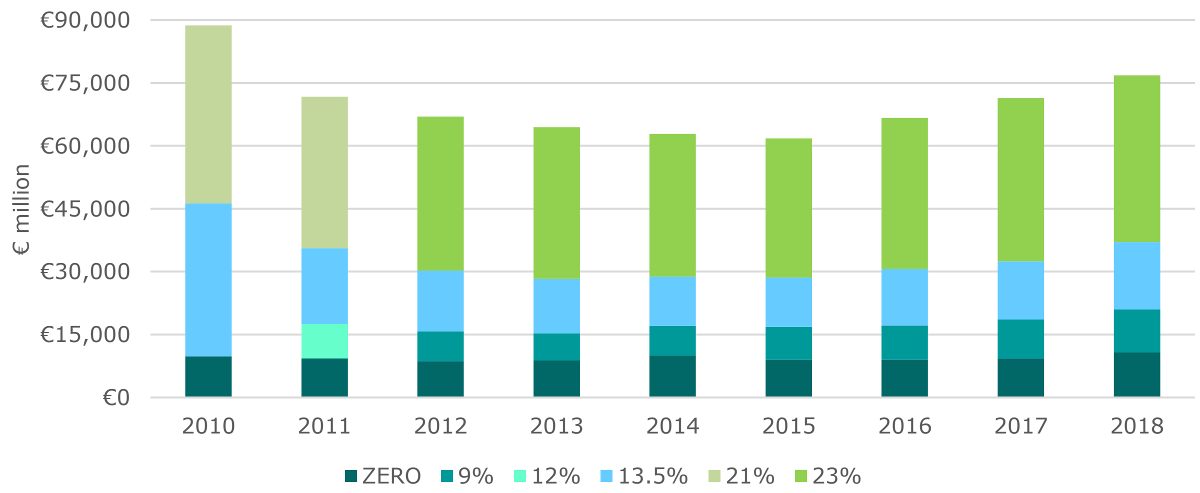
Box 1: Farmer Flat Rate

Farmers who are not registered for VAT ("flat-rate farmers") are entitled to charge a flat-rate addition of 5.4% 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 Central Statistics Office. It is expressed as a percentage applied to the value of qualifying agriculture 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).[3] €76.8 billion in overall PCE was taxable for VAT expenditure in 2018, 51.3 per cent at the standard rate. Expenditure at 9% accounted for 13.5 per cent of PCE in 2018.

Figure 2: Expenditure by VAT Rate



Source: Revenue analysis of Revenue and CSO data.

The distribution is highly dependent on the VAT rates in effect. With Budget 2019 a significant component of expenditure at the 9% rate reverted to the reduced rate of 13.5%, which will change this distribution going forward.

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

The annual Return of Trading Details ("RTD") requires that a VAT registered trader provide Revenue with the total VAT exclusive value of sales and purchases by VAT rate. Using the information contained within the RTD, an analysis of the weighted total supplies at each VAT rate is provided in Table 1.

The information contained in the RTD does not differentiate between supplies made to businesses and supplies made to the final (non-taxable) consumers. In the absence of this, Revenue administrative data do not indicate the value of goods and services supplied to end consumers at each VAT rate. The CSO produce 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 impact of the introduction of the 9% VAT rate is observed through the reduction in the WAR between 2011 and 2012, as is the increase in the standard rate from 21% to 23% in 2012.

Table 1: Average Rates of VAT

Year	Average Rate (RTDs)	Weighted Average Rate (CSO)
2007	15.2%	15.5%
2008	15.1%	15.4%
2009	14.7%	15.8%
2010	14.3%	15.6%
2011	14.2%	15.3%
2012	15.1%	16.3%
2013	14.5%	16.5%
2014	14.8%	16.0%
2015	14.8%	16.1%
2016	14.8%	16.3%
2017	14.5%	16.3%
2018	14.6%	15.9%

Source: Revenue analysis of Revenue and CSO data.

The WAR is a key component in determining Ireland's contribution the European Union ("EU") budget each year (see Box 2).

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 is created annually. This is known as the "VAT Base". The 2020 VAT Base estimates made by Revenue across some of the main expenditure items is presented in Table 2.

The items shown in Table 2 account for 43 per cent of VAT base expenditure but only 36 per cent of VAT receipts, as a result of expenditure on zero rated item such as food and medicines.

Table 2: VAT Base 2020 – Main Expenditure Areas

Product	Estimated Expenditure €m	Estimated Expenditure %	VAT Yield €m
Food	6,854	7.42	0
Alcohol	5,194	5.62	1,195
Private New Housing	5,190	5.62	701
Restaurants, Canteens, Chip Shops, Fast Food etc	4,019	4.35	543
Private Housing - Repair & Maintenance	2,951	3.19	398
Other Building	2,569	2.78	347
Telecommunications	2,437	2.64	560
Electricity	2,337	2.53	316
Cars	2,285	2.47	526
Motor Fuel	2,152	2.33	495
Oral Medicine	2,097	2.27	0
Adult clothing	1,995	2.16	459

Source: Revenue analysis of Revenue and CSO data.

Box 2: VAT Own Resources Statement

Own Resources ("OR") is the means by which the EU receives most of 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 2018.

VAT OR Account 2018

	€m
VAT Receipts	14,196.2
Fines and Interest	-26.9
Other Corrections	38.3
Flat-Rate Farmers	2.4
Net Receipts	14,210
WAR	15.9%
Intermediate VAT Base	89,233.4
Compensations:	
Small Exempt Enterprises	61.6
Admission to Sporting Events	377.9
Cremation and Undertakers	57.9
Public Water	-93.5
Passenger Transport	1,293
Cars	-332.9
Expenditures on Cars	-157
On-board consumption	32.6
Total Compensations	1,239.6
Final VAT Base	90,473

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 suppling taxable services or goods that do not exceed these thresholds can elect to register for VAT. Businesses suppling VAT exempt services or goods are not required to register. Those engaged solely in agricultural production type activities are typically not obliged to register but can if they chose to do so.

The number of traders registered for VAT each year is provided in Table 3. The number increased between 2001 and 2008, followed by declines until 2013. This reversed from 2014 to 2018. A small decline in the overall number of VAT registered traders is observed in 2019, impacted by a quality and compliance programme initiated by Revenue in respect of new VAT registrations and a clean-up of inactive VAT registrations.[4]

Table 3: Number of Registered VAT Traders

Year	Registered Traders*	New/Re-Registered	Cancellations	Net Growth	Active Traders**
2005	255,796	38,457	23,434	6%	216,610
2006	273,468	43,518	25,846	7%	234,033
2007	285,951	39,159	26,994	5%	243,434
2008	286,780	28,664	28,211	0%	237,999
2009	275,682	22,001	33,402	-4%	220,387
2010	268,620	22,943	30,586	-3%	210,496
2011	258,041	21,945	32,734	-4%	203,624
2012	248,562	23,223	33,000	-4%	198,368
2013	244,911	22,348	26,343	-1%	196,272
2014	245,968	24,022	23,362	0%	198,184
2015	249,814	24,739	21,184	2%	201,187
2016	251,989	26,065	24,127	1%	205,407
2017	255,363	25,695	22,559	1%	209,856
2018	260,059	25,557	21,138	2%	213,207
2019	255,713	24,503	29,105	-2%	212,007

Source: Revenue analysis. Note: * as of the 31 December; ** VAT3 return filed with a payment/repayment.

The number of VAT traders in 2019 is 10 per cent lower compared to the highest number recorded in 2008. A significant number of VAT registered traders are not actively trading, based

[4] From September 2019 applications for new VAT registrations are separated into either domestic or EU VAT registrations. This is one of several steps been taken in addressing VAT fraud and the misuse of VAT registration numbers.

on regular filing of their “VAT3” returns (final column of Table 3). Using this definition of activity, the figures for 2019 are 13 per cent below the highest level recorded in 2007.

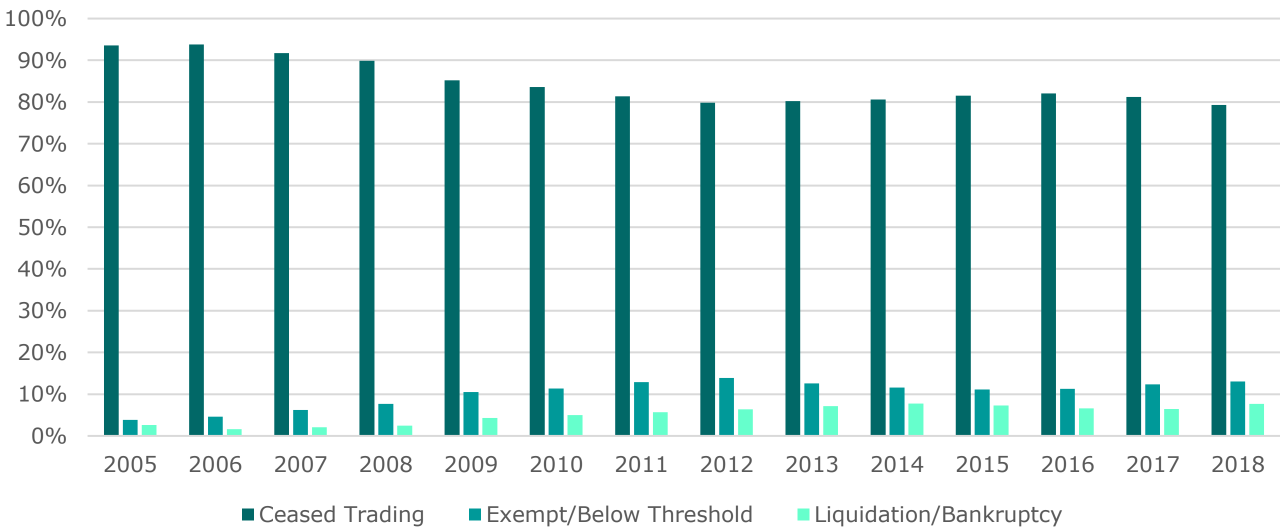
As seen above, there is a regular movement in registrations figures each year, with businesses registering, re-registering and cancelling their registrations. This is illustrated in Figure 3.

Figure 3: Change in Number of Registered Traders 2018 to 2019

Source: Revenue analysis.

The most common reason for the cancellation of a VAT registration is a business ceasing trading, followed by a reduction in a business turnover (falling below the VAT registration threshold) or going into liquidation. Other reasons such a compulsory deregistration and case mergers make up a small proportion of cancelled cases.

Figure 4: Primary Reasons for VAT Deregistration



Source: Revenue analysis.

3.2 Types of Trader

Different types of businesses are registered for VAT as shown in Table 4. Companies are the most common category (increasing by 35 per cent since 2005). The number of VAT registered sole traders peaked in 2007 and has declined each year since. The largest growth rate is within the Unincorporated Body segment, increasing by around 400 per cent since 2005.

Table 4: VAT Registration by Business Type

Year	Company	Individual	Partnership	Trust	Unincorporated Body	Total
2005	109,741	124,607	19,873	253	1,322	255,796
2006	115,538	133,548	22,848	331	1,203	273,468
2007	122,026	137,673	24,631	354	1,267	285,951
2008	125,189	135,121	24,762	382	1,326	286,780
2009	123,940	126,304	23,765	367	1,306	275,682
2010	124,478	119,681	22,769	380	1,312	268,620
2011	122,567	112,356	21,376	397	1,345	258,041
2012	122,347	103,279	20,202	445	2,289	248,562
2013	122,537	99,205	19,378	662	3,129	244,911
2014	125,468	97,405	18,348	683	4,064	245,968
2015	130,014	96,510	17,841	685	4,764	249,814
2016	134,831	94,256	16,819	682	5,401	251,989
2017	140,326	92,620	16,060	698	5,659	255,363
2018	146,560	91,960	15,245	718	5,576	260,059
2019	148,689	87,753	13,564	686	5,021	255,713

Source: Revenue analysis.

3.3 Trader Location

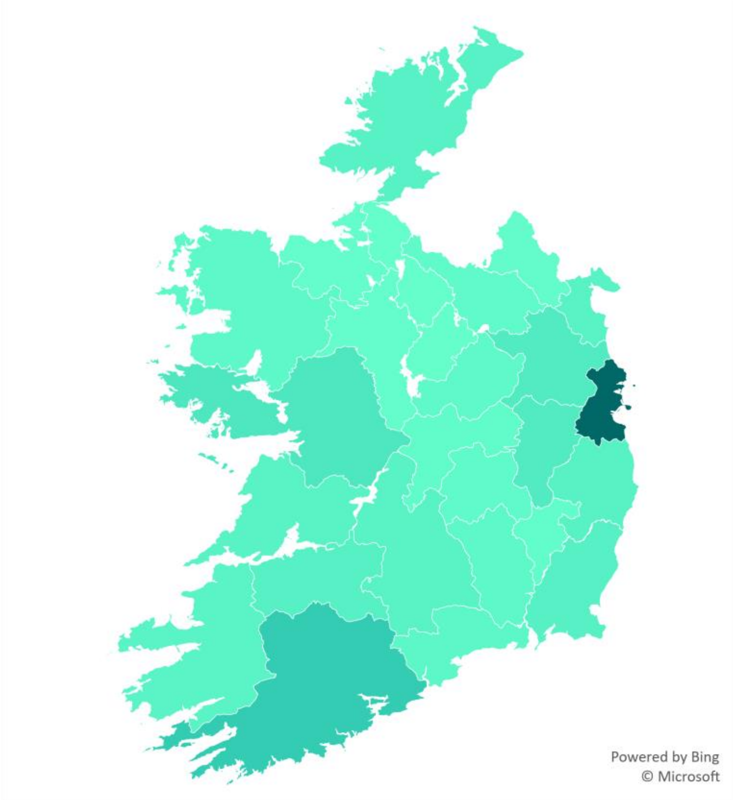
Using the registered address associated with each VAT registered trader on Revenue records, the distribution of traders across Ireland is provided in Table 5. It should be noted that a business may have a headquarter location registered for VAT, which can account for the VAT of several affiliated businesses or linked activities distributed across Ireland. There is little variation in the shares of registered, new/re-registered and cancelled across counties

Table 5: Location of Registered VAT Traders 2019

County	Total Registered	New /Re-Registrations	Cancellations
Carlow	2,841	235	299
Cavan	3,692	326	344
Clare	7,061	600	662
Cork	28,039	2,122	3,165
Donegal	6,978	637	613
Dublin	82,345	8,239	9,982
Galway	12,233	1,088	1,347
Kerry	7,302	556	753
Kildare	10,891	905	1,217
Kilkenny	4,558	404	472
Laois	3,150	318	303
Leitrim	1,726	135	161
Limerick	8,606	707	1,066
Longford	1,862	146	172
Louth	6,174	602	605
Mayo	5,096	407	461
Meath	9,876	906	1,106
Monaghan	3,190	263	227
Offaly	3,139	304	342
Roscommon	2,871	229	271
Sligo	2,955	219	270
Tipperary	7,125	608	724
Waterford	5,379	471	602
Westmeath	4,214	372	467
Wexford	8,186	696	836
Wicklow	7,924	670	835
Other	8,300	2,338	1,803
Total	**255,713**	**24,503**	**29,105**

Source: Revenue analysis.

Figure 5: Location of Registered VAT Traders 2019



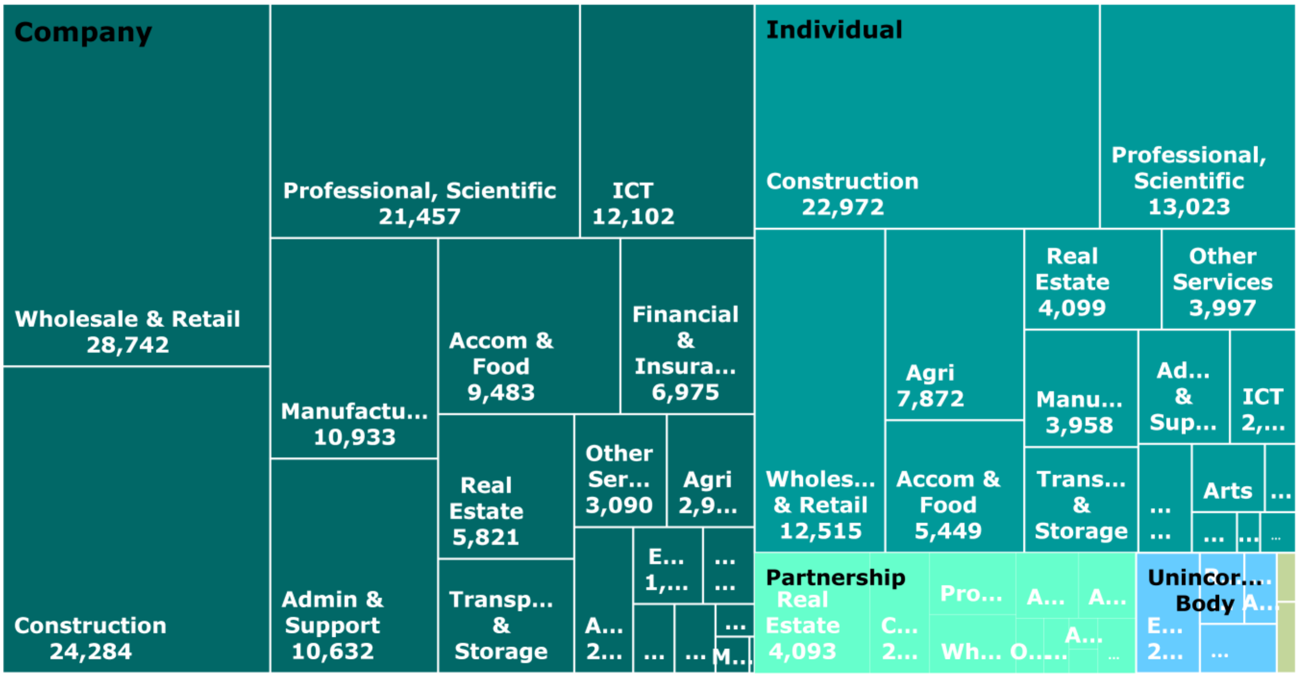
Source: Revenue analysis.

The county with the largest net decrease in VAT registration numbers in 2019 is Limerick (4.2 per cent), followed by Cork (3.7 per cent). The largest net increase of VAT registrations is in "Other", these traders are mainly non-resident traders having no physical establishments within Ireland. For example, a business in another EU Member States supplying goods/services to non-taxable persons in Ireland is required to register for VAT where the value of these supplies excessed a specific threshold. Another significant cohort are within the construction sector, with a large proportion resident in Northern Ireland. Several initiatives have been carried out by Revenue to identify distance sellers, ensuring that these businesses register for VAT and account for their VAT liabilities within Ireland.

3.4 Trader Sector

The distribution of VAT registered traders by sector (using the NACE classification system), segmented by business type, is provided in Figure 6. *Construction*, *Professional & Technical* and *Wholesale & Retail Trade* are the sectors with the highest numbers of registered traders but the order of these varies by business type.

Figure 6: Sectors of VAT Registered Traders 2019



Source: Revenue analysis.

3.5 Returns

VAT registered traders typically elect to file their VAT3 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.[5]

Half of traders file their VAT3 returns on a two monthly basis and pay the majority (85 per cent) of VAT. These businesses also account for 84 per cent of VAT repayments made to businesses regarding their input costs. The largest proportion of repayments relative to payments are among traders who file VAT3 returns on a six-monthly basis.

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

VAT3 Filing	Share of Traders	Share of Payments	Share of Repayments
Two Monthly	50%	85%	84%
Four Monthly	21%	5%	6%
Six Monthly	14%	2%	5%
Twelve Monthly	15%	8%	5%

Source: Revenue analysis.

[5] 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 labilities can be observed.

3.6 Cash Based Accounting

There are two methods of accounting for VAT. 70 per cent traders elect to register on a money received basis (also known as the receipts or cash basis). Under this option, a trader accounts for VAT when payment is received from the customer. The remaining traders use the invoice basis for accounting, where a trader accounts for VAT when they issue the invoice to the customer (irrelevant of whether they receive payment from the customer at this time or not).

Table 7: Accounting Basis

Accounting Basis	Share of Traders	Share of Payments	Share of Repayments
Cash Basis	70%	30%	19%
Invoice	30%	70%	81%

Source: Revenue analysis.

4 Receipts

4.1 Composition of Receipts

Ireland collects VAT from three main sources.

The largest share of VAT (86 per cent of net receipts in 2019) 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 3.5).

The second largest source is VAT collected on imported goods from third countries. VAT on imports accounted for 13 per cent of receipts in 2019, it is more volatile than internal VAT, with the 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 though the reverse charging mechanism.

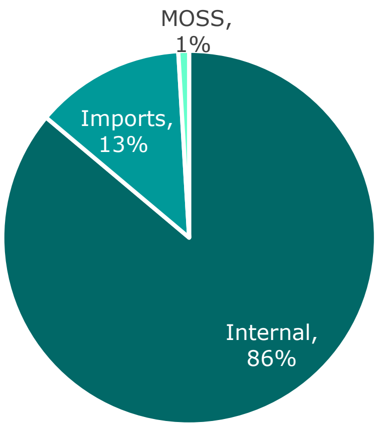
The third source is VAT collected on the supply of telecommunications, broadcasting and electronic ("TBE") services under the VAT Mini One Stop Shop ("MOSS") scheme. MOSS allows a TBE supplier to register, file a quarterly return and pay VAT in its chosen EU Member State. The supplier avoids having to register and account for VAT in all Member States to which they make TBE supplies. For the period 2015 to 2018, the Member State of registration retained a percentage of the VAT collected for other Member States.[6] MOSS receipts were lower in 2019, despite an increase in activity, as the retention collected by Ireland was consequently reduced.

Figure 7 shows a number of breakdowns of receipts by source. The following sections discuss each in more detail.

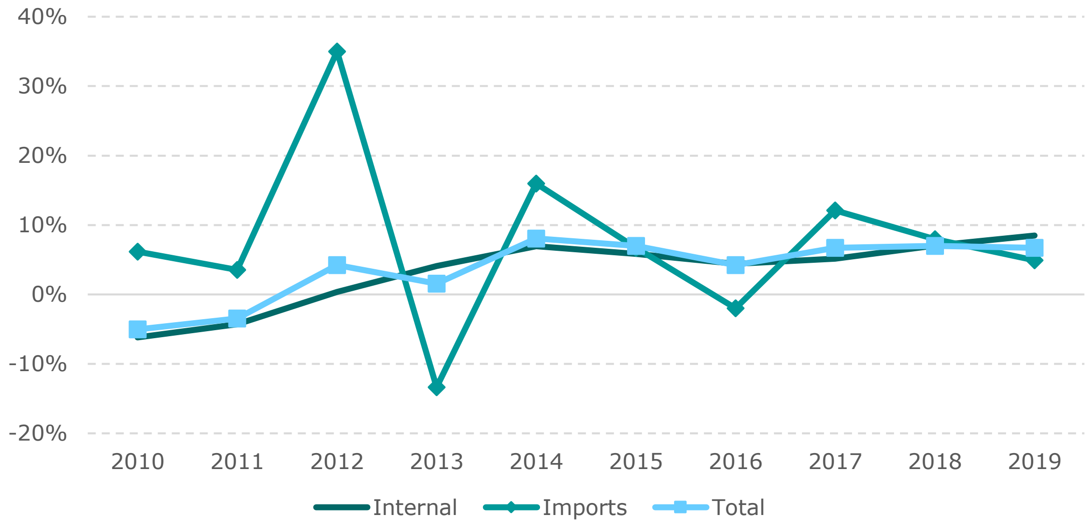
[6] 30% in 2015-2016 and 15% for 2017-2018 for the MOSS Union scheme. The Non Union scheme applies for taxable persons with no establishment within the EU and there is no retention fee in the non-Union scheme.

Figure 7: Composition of VAT Receipts

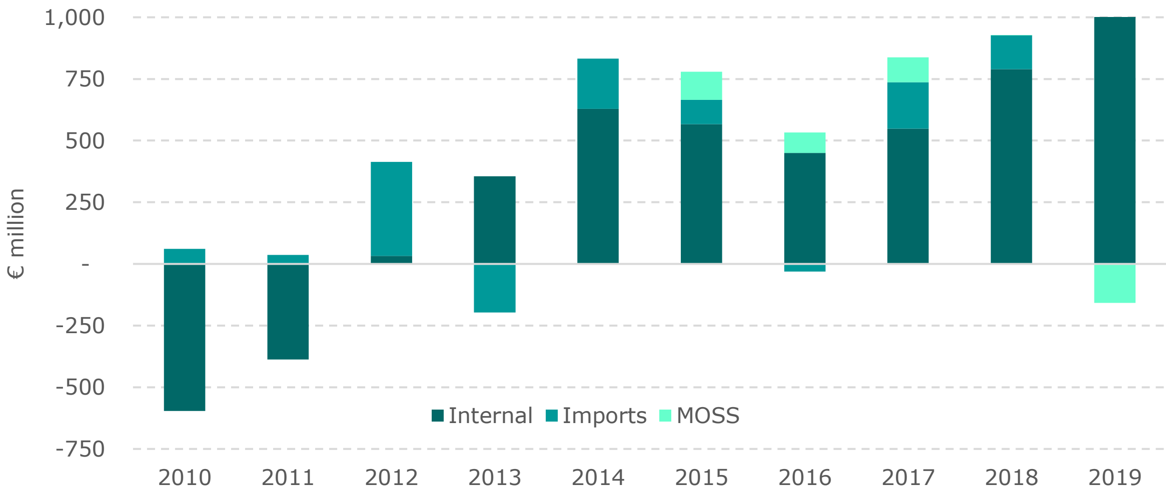
Receipts 2019 by Source



% Annual Change in Receipts by Source



€ Contributions to Annual Change in Receipts by Source



Source: Revenue analysis. Note: VAT MOSS excluded from middle chart as low base leads to large % variations.

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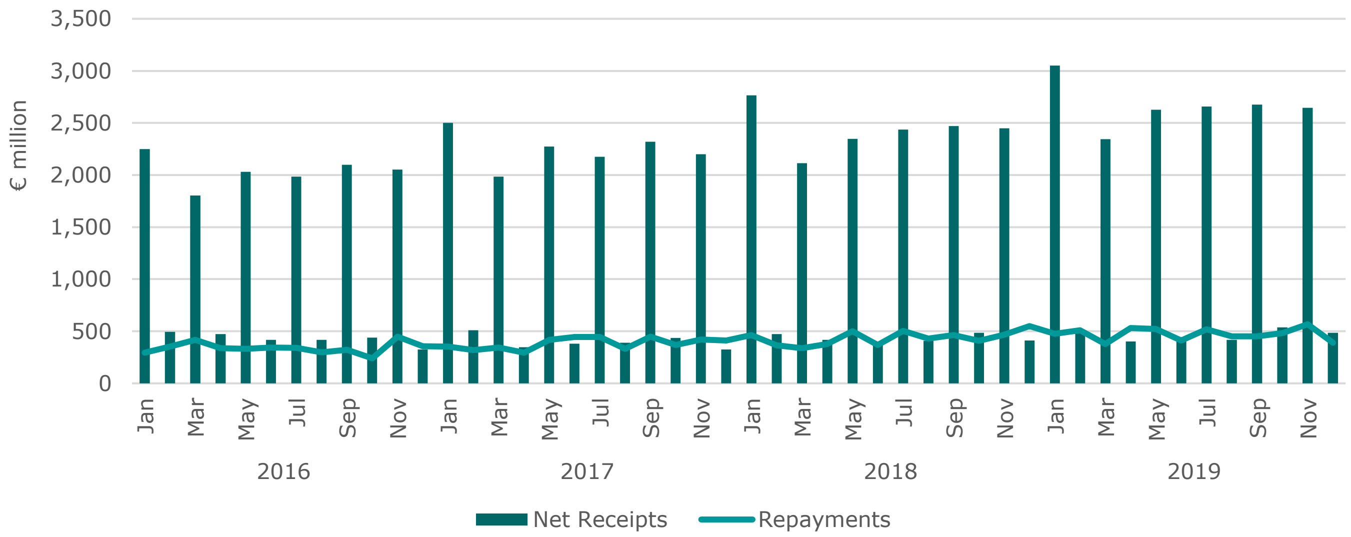
4.2 Internal VAT

Figure 8 shows gross internal VAT receipts by month, split into net receipts and repayments. Seasonal patterns (discussed further in Section 4.5) are highly evident, with peaks each January. The impact of two monthly filing on net receipts is clear, with negligible net receipts in some "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 8: Internal VAT Gross Receipts

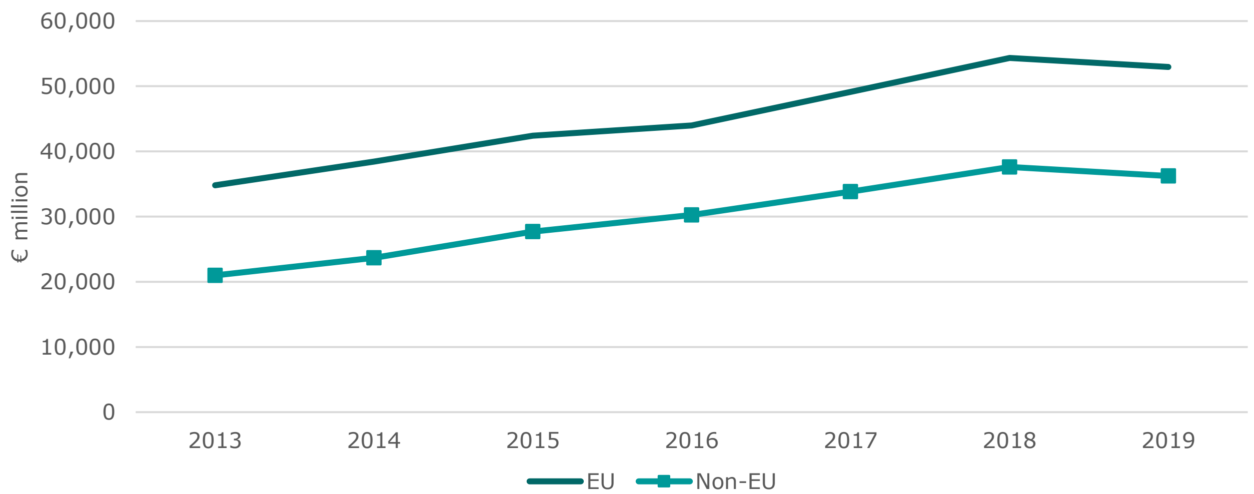


Source: Revenue analysis.

4.3 VAT on Imports

VAT on imports split into VAT at the Point of Entry ("VPE") and ex-warehouse. VPE is the VAT paid at the point of entry into the State of an import from a third (non-EU) country.

Figure 9: Irish Goods Imports by Source (Intra-EU or Non-EU)

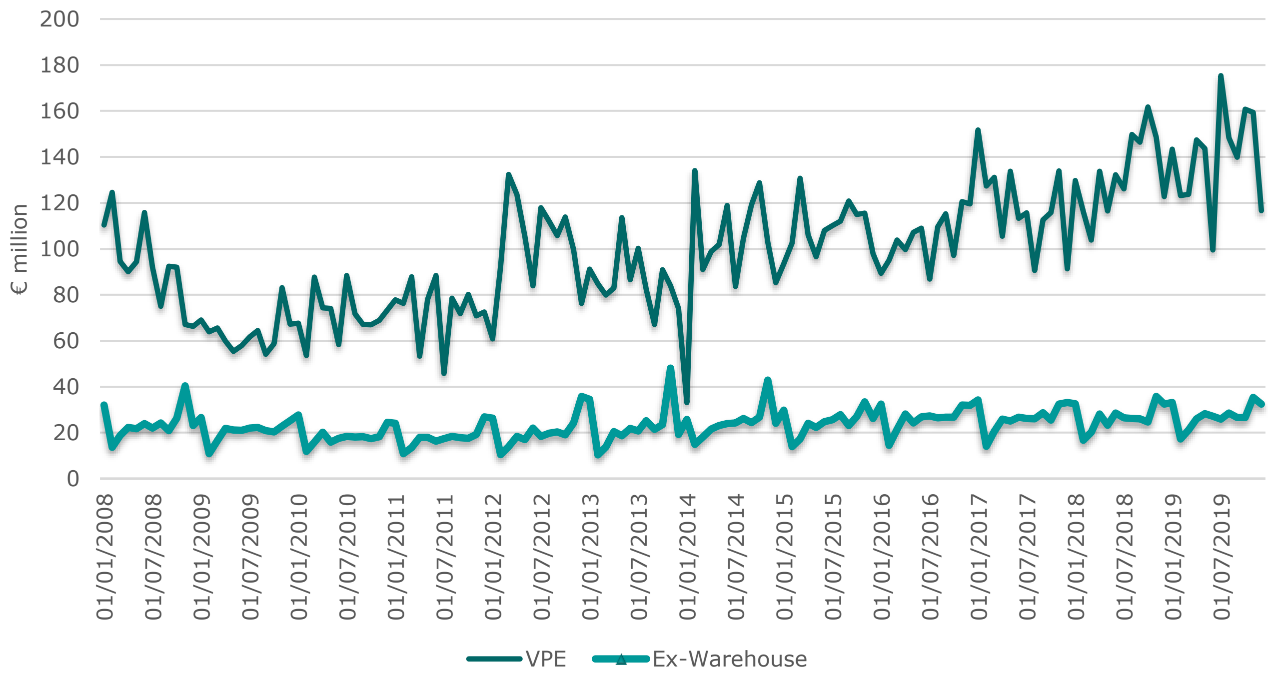


Source: Revenue analysis of CSO data.

In some cases, where a product is held in a tax warehouse (sometimes known as an Excise or bonded warehouse), the VAT is paid as the product leaves the warehouse.

As Figure 10 shows, 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.

Figure 10: VAT on Imports



Source: Revenue analysis.

The VAT rate that is changed 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 while goods that are not for home consumption (i.e., to be processed and exported out of the EU) also attract zero VAT. Data from the CSO indicate that in 2018 close to €40 billion worth of goods were imported from third countries, while the VAT collected on imports was just under €1.6 billion.

Box 3: 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.

VIES EU Trade 2019

Trading Partner	Exports €m		Imports €m	
	Goods	Services	Goods	Services
Austria	307	1,052	583	4,103
Belgium	13,213	2,224	1,180	3,725
Bulgaria	91	150	49	267
Cyprus	25	441	6	1,294
Czech	413	680	680	1,397
Germany	10,803	15,397	6,142	4,674
Denmark	684	1,912	716	1,033
Estonia	15	93	1	4
Greece	645	184	67	279
Spain	1,808	3,573	1,797	3,165
Finland	250	1,240	307	2,304
France	4,698	8,097	3,179	7,742
Great Britain	15,148	23,145	21,367	31,055
Croatia	41	127	23	57
Hungary	248	413	278	464
Italy	2,229	3,908	1,481	2,109
Lithuania	29	144	26	34
Luxembourg	194	2,987	112	9,215
Latvia	49	160	74	62
Malta	41	918	6	530
Netherlands	7,019	7,803	6,010	39,567
Poland	906	1,312	863	1,625
Portugal	298	587	326	604
Romania	302	365	92	494
Sweden	711	2,860	483	2,760
Slovenia	81	160	54	64
Slovakia	74	193	73	333

4.4 VAT MOSS

At the 2019 there are 491 businesses in Ireland supplying TBE services to other EU Member States using the MOSS scheme. The value of TBE services supplied between 2015 and 2019 was €32.7 billion, 20 companies accounted for 95 per cent of the total value of sales in 2019.

Table 8: Value of Sales

Year	Sales €bn	Number of Businesses
2015	2.53	217
2016	3.77	252
2017	7.22	300
2018	8.56	359
2019	10.67	491
Total	32.74	634

Source: Revenue analysis.

There were 280 registrations in 2019 (plus 6 re-registrations). Of these new registrations, 246 were for companies based outside the EU, with the USA accounting for 60 per cent of the total. The remaining 34 were companies within the EU.

Table 9: Number of New MOSS Registrations

Year	Non-EU	EU
2015	137	210
2016	52	52
2017	79	41
2018	131	52
2019	246	34

Source: Revenue analysis.

As mentioned in Section 4.1, under EU rules during the period 2015 to 2018 Ireland was entitled to retain a portion of payments to other Member States being paid through the Irish system. The final retention fee payments through the MOSS system for 2018 were received in early 2019. In these four years of operation, the Irish Exchequer received over €808 million in retention fees. In addition, Ireland received payments of €240 million from other Member States (after they applied their own retention fees) on traders supplying Irish consumers with MOSS registrations elsewhere in the EU. The UK is Ireland's largest export and import market for TBE services.[7]

Table 10: VAT MOSS Receipts

Year	Retention in Ireland €m	From Other Member States €m
2015	88.2	25.4
2016	155.6	41.8
2017	255.1	42.6
2018	242.2	56.3
2019	67.57	73.4
Total	**808.67**	**239.5**

Source: Revenue analysis.

[7] Revenue publishes detailed quarterly MOSS statistics at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/registrations-assessments-transactions/vat-moss.aspx.

Box 4: 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 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 has increased over recent years in line with online sales growth and in response to several interventions carried out by Revenue.

Registered Distance Sellers and VAT Collected in Ireland

Year	VAT Collected €m	Number of Traders
2014	53.2	302
2015	63.2	337
2016	77.0	418
2017	89.6	505
2018	115.8	581
2019	184.2	678

4.5 Seasonality

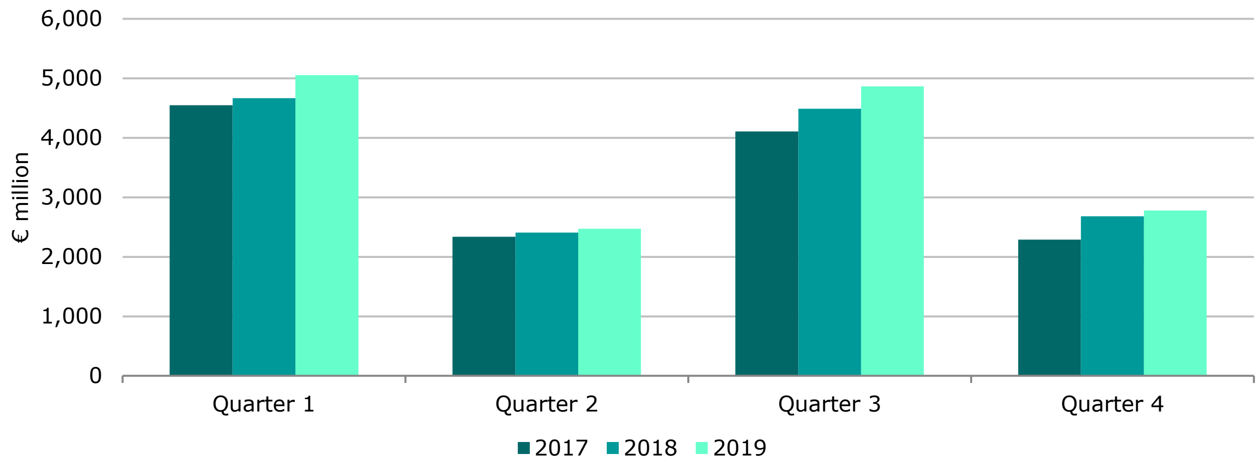
VAT receipts demonstrate a high degree of seasonality, with most VAT returns filed two monthly. For example, receipts paid with returns filed in January largely relate to the November/December liability period (traditionally the time of year with the highest consumer spending). As Figure 11 shows, this pattern is stable.

Table 11: Net VAT Position by Quarter in 2019

Quarter	Net Receipts €m	Year on Year Difference %
1	5,102	8%
2	2,463	3%
3	4,863	9%
4	2,776	17%

Source: Revenue analysis.

Figure 11: Quarterly VAT Receipts



Source: Revenue analysis.

4.6 Receipts by Sector

Table 12 shows total internal VAT receipts broken down by sector based on the economic activity of the trader. The largest sectors in 2019 are *Wholesale & Retail Trade*, *Professional, Scientific & Technical*, *Real Estate* and *Accommodation & Food*. This differs for VAT registrations (Section 3.4) where *Construction* is the largest in terms of numbers but are low in relation to the value of net receipts payments.

Table 12: Internal VAT – Receipts by Sector

Sector	2018 €m	2019 €m	Growth
Wholesale & Retail Trade	5,469.7	5,447.0	-0.4%
Professional, Scientific & Technical	1,818.1	2,031.7	11.7%
Accommodation & Food	636.7	880.8	38.3%
Information & Communication	595.7	745.7	25.2%
Real Estate Activities	705.7	730.2	3.5%
Manufacturing	482.1	639.0	32.6%
Administrative & Support	540.7	630.9	16.7%
Other	360.9	440.0	21.9%
Financial & Insurance	357.4	432.9	21.1%
Public Administration,	308.9	362.9	17.5%
Electricity, Gas, Steam & Air	315.7	320.3	1.5%
Transportation & Storage	251.8	292.1	16.0%
Construction	192.6	174.7	-9.3%
Total	**12,036.0**	**13,128.2**	**9.1%**

Source: Revenue analysis.

Table 13 shows VAT on imports (VPE and ex-warehouse) broken down by sector based on the economic activity of the trader. The largest sectors in 2019 are *Wholesale & Retail Trade*, *Manufacturing* and *Information & Communication*, accounting for over 90 per cent of these receipts.

The manufacturing sector paid more in VAT on imports than in internal VAT. This can be explained in part though zero-rated exports and the recovery of this VAT paid on imports through the internal VAT system (VAT3).

Table 13: VAT on Imports – Receipts by Sector

Sector	2018 €m	2019 €m	Growth
Wholesale & Retail Trade	905.1	1,001.8	11%
Professional, Scientific & Technical	14.2	18.5	30%
Accommodation & Food	2.1	2.4	14%
Information & Communication	104.5	45.0	-57%
Real Estate Activities	2.7	2.3	-15%
Manufacturing	759.2	799.1	5%
Administrative & Support	18.1	19.5	8%
Other	19.1	19.9	4%
Financial & Insurance	12.6	12.8	2%
Public Administration	11.0	34.0	209%
Electricity, Gas, Steam & Air	24.0	10.7	-55%
Transportation & Storage	23.3	25.1	8%
Construction	15.7	17.9	14%
Total	**1,911.6**	**2,009.0**	**5.1%**

Source: Revenue analysis

Box 5: Construction, Relevant Contracts Tax and Property Sales

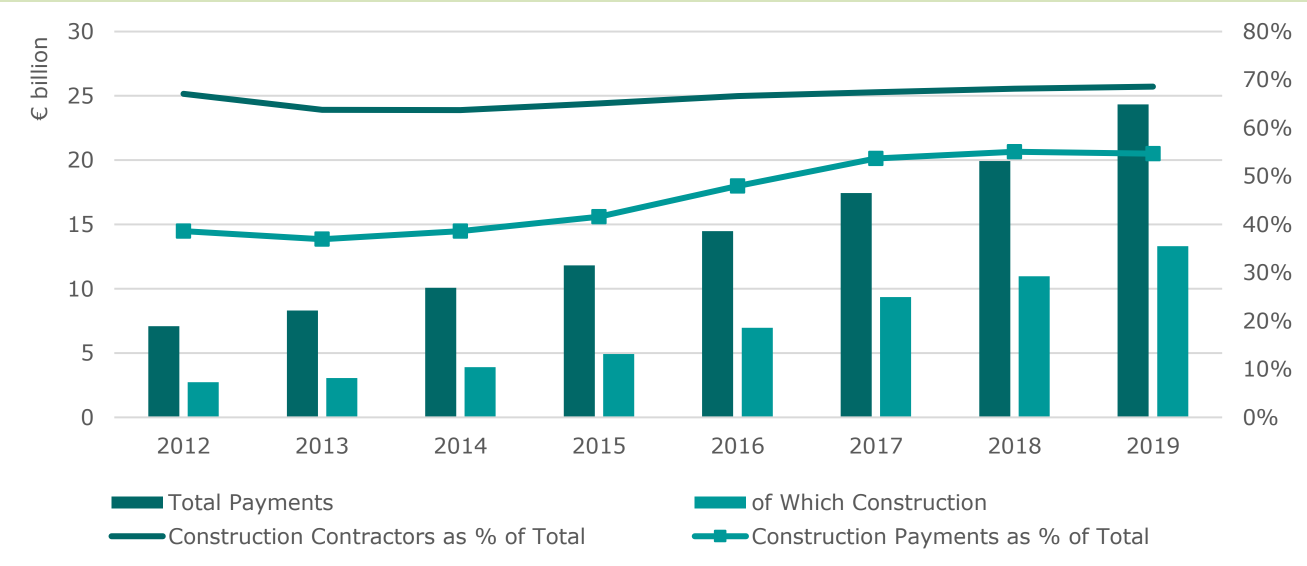
The construction industry accounted for more than two thirds (68.1 per cent) of all principal contractors registered for Relevant Contracts Tax ("RCT") in 2018. *Education* and *Manufacturing* accounted for 8.3 per cent and 5.9 per cent respectively. The remaining 17.7 per cent was comprised of all other sectors.

In the construction industry, the principal contractor is responsible for calculating and paying the VAT due on construction services supplied by subcontractors (VAT reverse charging). It applies to subcontractors involved in the construction industry only.

Some principals in the construction industry may also be subcontracting, in addition to carrying out work on their own account, therefore, an analysis of RCT & VAT data may not produce identical results when analysed using principal contractors and subcontractors alternately as the primary variables.

In 2019, 25,648 principal contractors registered across all sectors made payments totalling €24.3 billion to subcontractors. For the 17,589 principal contractors with activity classifications in construction only, the total payments in 2019 were €13.3 billion, over half of the total payments made in that year by all registered principal contractors. Construction's share of this activity in value terms has been growing since 2013.

Payments by Principal Contractors



Source: Revenue analysis.

Of the VAT paid by the construction sector in 2019 (Table 12), RCT traders made payments of €775 million and claims for repayments of €700 million. Non-RCT traders made up the additional VAT. Repayments to the construction sector in 2019 totalled €937 million across approximately 33,000 claimants.

In addition to the RCT system, VAT is payable on the sale of a newly completed property (it does not apply to second hand property). The Table below shows the VAT on property since 2013.

Year	VAT on Property €m
2015	177
2016	236
2017	355
2018	452
2019	469

4.7 Concentration and Distribution of Receipts

Previous Revenue analysis has noted the concentration of Corporation Tax receipts among a relatively small number of cases. To a lesser degree, some concentration exists also in VAT.

Taxpayers in Revenue's Large Corporates Division ("LCD"), which has responsibility for managing the tax affairs of the largest taxpayers, accounted for 2 per cent of VAT traders making payments, 37 per cent of receipts and 45 per cent of repayments in 2019.

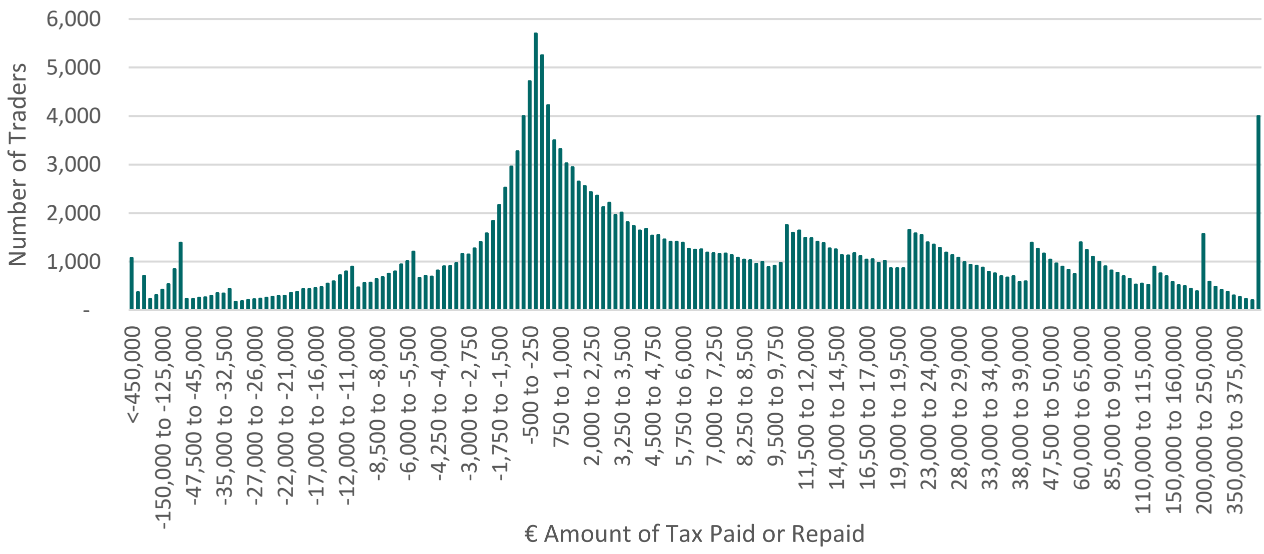
Table 14: VAT Payments/Repayments by Revenue Division

Revenue Division of Trader	Payments				Repayments			
	2018 €m	2019 €m	2018 Number	2019 Number	2018 €m	2019 €m	2018 Number	2019 Number
Business	€5,087	€5,761	164,816	173,047	-€921	-€1,169	82,210	87,023
High Wealth	€19	€18	134	146	-€1	-€4	58	64
Large Corporate	€7,172	€7,665	2,846	2,984	-€2,164	-€2,468	2,360	2,419
Medium Enterprises	€6,746	€7,297	12,735	12,740	-€1,847	-€1,854	5,963	5,902
Personal	€46	€38	3,741	2,640	-€8	-€5	1,120	450

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

Figure 12 shows the annual distribution of VAT payments and repayments.[8] Around 30 per cent were repayments, 8 per cent were payments less than €1,000 and 34 per cent were payments of less than €10,000. Around 4,000 (about 2 per cent of traders) make payments of €0.5 million or more.

Figure 12: Distribution of VAT Traders by Amount Paid 2019



Source: Revenue analysis.

[8] A more detailed breakdown including earlier years' data is available on CSO Statbank: https://statbank.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=RVA08&PLanguage=0.

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 2017 results (published September 2019), Ireland's VAT gap is estimated at 13 per cent for 2017 and projected to fall to 9 per cent in 2018 based on preliminary data. The estimated gap for 2017 would represent about €1.9 billion in tax receipts.

From an overall EU perspective, the average VAT gap estimated for 2017 is 11.2 per cent. The overall EU VAT gap is estimated at €147 billion.

Out of 28 Member States, Ireland has the 7th highest standard rate of VAT but is positioned 19th highest 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 14 per cent and an exemption gap (loss in liability due to implementation of exemptions) of 34 per cent.

The European Commission's 2019 VAT gap report (on the VAT in 2017) is published at: https://ec.europa.eu/taxation_customs/sites/taxation/files/vat-gap-full-report-2019_en.pdf.

5 Repayments

5.1 Repayments Overview

Repayments are frequent in VAT, usually arising where a trader has paid more on their purchases than charged on sales to customers, and are an intrinsic part of the tax. Internal VAT repayment totalled €5.8 billion in 2019, up from €5.1 billion 2018 and €4.6 billion in 2017.

As Table 15 shows, the total number of claimants of VAT repayments has increased since 2014 and in 2019 the average payment is now at its highest level.

Table 15: Repayment Numbers and Amounts

Year	Traders with one or more Repayment Claims	Total Number of Claims	Average Value €	Median Value €
2014	87,945	254,357	-10,809	-745
2015	89,339	263,964	-12,232	-812
2016	92,547	278,215	-14,001	-808
2017	94,849	285,752	-15,192	-817
2018	95,856	290,949	-17,096	-864
2019	100,693	313,167	-17,307	-865

Source: Revenue analysis.

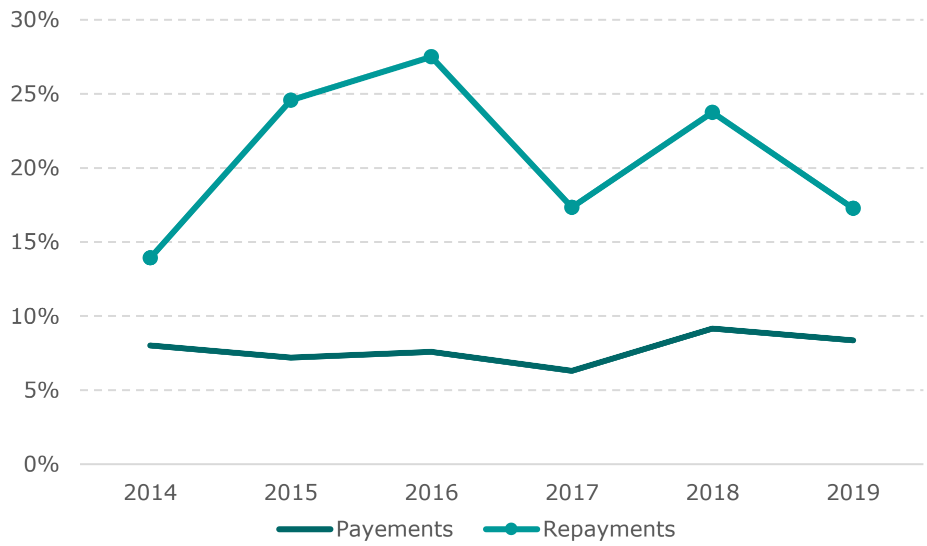
A business may have significant spikes in output that are typically preceded by lower levels of sales activity. In such instances where a series of larger VAT repayment claims are made, this may temporarily reduce the VAT receipts in a given accounting period.

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.

Around 75,000 traders in a permanent repayment position account for 66 per cent of the total value of VAT repayments. The value of VAT repayments made to this group of traders over the last number of years has remained relatively constant at about 35 per cent of the value of all VAT repayments. A significant amount of the VAT repayments for these traders is observed across the *Manufacturing* sector. However, these traders represent a tiny proportion of all traders across this sector.

VAT repayments have grown in recent years. As Figure 13 shows, the growth rate of repayments has markedly exceeded that for payments since 2014. The faster growth of repayments compared to payments impacted on net receipts.

Figure 13: Growth Rates of Payments and Repayments



Source: Revenue analysis.

Analysis of VAT repayment claims by their size and the annual change in the size of large repayments shows that the top 1 per cent of claims (by value) account for around 70 per cent of all VAT repayments. This upper 1 percentile of has steadily increased. The value at which claims reach this group has also increased steadily over those years, indicating that a larger number of higher value claims are been made. The top 10 per cent of claims account for close to 99% of all VAT repayments.

While there are some atypical claims (out of line with sales growth), these are not significant factors in the increase in repayments. It appears that more regular claims are consistently driving the increase in recent years. Furthermore, timing issues and the export-oriented nature of some of the businesses involved explain part of the variations between gross and net receipts. The trends noted may also reflect a feature of the recovery from the economic downturn, in that repayments grow faster than payments for a period. The moderation in repayment growth from 2016 may be part of this.

5.2 Speed of Repayments

Table 16 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.

Table 16: Speed of Repayments

Year	Same Month	1-3 Months	4-6 Months	7-12 Months	Over 12 Months
2014	49%	40%	5%	3%	2%
2015	45%	42%	6%	4%	3%
2016	41%	41%	9%	4%	4%
2017	48%	37%	7%	5%	3%
2018	48%	39%	6%	3%	4%
2019	47%	40%	5%	3%	4%

Source: Revenue analysis

5.3 Payments to Unregistered Cases

Another factor in considering repayments is that certain persons or businesses not registered for VAT may reclaim VAT under a number of conditions.[9] As shown in Table 17, the level of these repayments increased moderately in recent years. In 2019 the total VAT repaid across all categories was €133 million with almost 30,000 claims for repayment. The median repayment was €983.

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, which are made from Customs VAT receipts.

Table 17: Repayments to Unregistered Traders

Type	2016	2017	2018	2019
Customs VAT Repayments:				
Disabled Drivers Refunds	26.4	25.3	26.8	26.0
Disabled Persons Equipment	4.2	4.8	5.0	5.5
Diplomats	1.3	1.5	1.6	2.1
Fishing Boats and Diesel	0.1	0.1	0.1	0.1
Foreign Parcel Post Refund	0.0	0.0	0.0	0.0
Subtotal	32.1	31.7	33.5	33.7
Other Unregistered VAT Repayments				
Farmers	55.6	59.1	75.3	82.6
Foreign Traders Non-EU	6.3	1.4	8.3	8.8
Foreign Traders EU	1.9	0.9	1.1	0.5
Touring Coaches	10.0	9.4	8.7	7.4
EU Institutions	0.0	0.0	0.0	0.1
Interest Payable	0.9	0.1	0.0	0.0
Humanitarian Goods, etc	0.9	0.1	0.1	0.0
EC Food and Veterinary	0.0	0.0	0.0	0.0
Subtotal	75.7	71.1	93.5	99.4
Total	**107.7**	**102.8**	**127.1**	**133.1**

Source: Revenue analysis.

The value of repayments from VAT on imports have remained relatively stable in the years 2016 to 2019, whereas repayments from Internal VAT have increased more in this period (with the largest increase taking place between 2017 and 2018).

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

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 an initial report on VAT published in 2019 by adding additional detail on the above topics as well as new material on distance sales, the construction sector and further information on repayments among other topics.