

The Chain Transactions rule

This document should be read in conjunction with section 32A of the Value-Added Tax Consolidation Act, 2010 ('VATCA 2010').

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Introduction

This guidance sets out new VAT rules for chain transactions that apply from 1 January 2020.

A chain transaction is a series of successive supplies of the same goods where the goods supplied are subject to a single intra-Community transport between two Member States.

The new rules have been introduced to assign the intra-Community transport of the goods to one of the supplies in these types of chain transactions. Only the supplier who has been assigned the intra-Community transport can avail of the zero rate of VAT for intra-Community supplies of goods, subject to the normal rules. Further guidance on zero rating intra-Community supplies is available on [Revenue.ie](https://www.revenue.ie).

1. The chain transaction rule

The chain transaction rule assigns the intra-Community transport of the goods to either the supply made **to** the intermediary operator or, by exception, the supply made **by** the intermediary operator.

The chain transactions rule will only apply when the following conditions are met:

1. the goods must be supplied successively but with only one single intra-Community transport of the goods
2. the goods must be transported from one Member State to another Member State
3. the goods must be transported directly from the first supplier to the last customer in the chain, and
4. the transport of the goods must be carried out by the intermediary operator or by a third party on the intermediary operator's behalf.

Chain transactions must be made up of a minimum of three persons:

- the intermediary operator
- the first supplier, and
- the last customer.

1.1. The intermediary operator

The intermediary operator is a supplier in the chain, other than the first supplier, who either:

- transports the goods himself / herself
- or
- engages a third party to transport the goods on his or her behalf.

To assign the intra-Community transport of the goods in a chain transaction it is necessary to identify the intermediary operator. The intermediary operator is the most important person in the chain as the chain transaction rule only applies when the intermediary operator transports the goods or engages a third party to transport the goods on his or her behalf.

The first supplier and the last customer can never be the intermediary operator. The first supplier is specifically excluded from being the intermediary operator and the last customer is not a supplier in the chain.

1.2. The first supplier

The first supplier is simply the first person in a chain transaction. The goods must be transported from one Member State to another Member State, directly from the first supplier to the last customer in the chain for the chain transaction rules to apply. The transport must be carried out by the intermediary operator or by a third party on his or her behalf.

1.3. The last customer

The last customer in the chain is the customer to whom the goods have been dispatched or transported. The last customer does not have to be a taxable person. A taxable person or a non-taxable person can be the last customer.

2. Assigning the intra-Community transport of the goods

The general rule for chain transactions is that the intra-Community transport of the goods will be assigned to the supply made **to** the intermediary operator. This supply can benefit from the zero rate of VAT for intra-Community supplies of goods subject to the [normal rules](#).

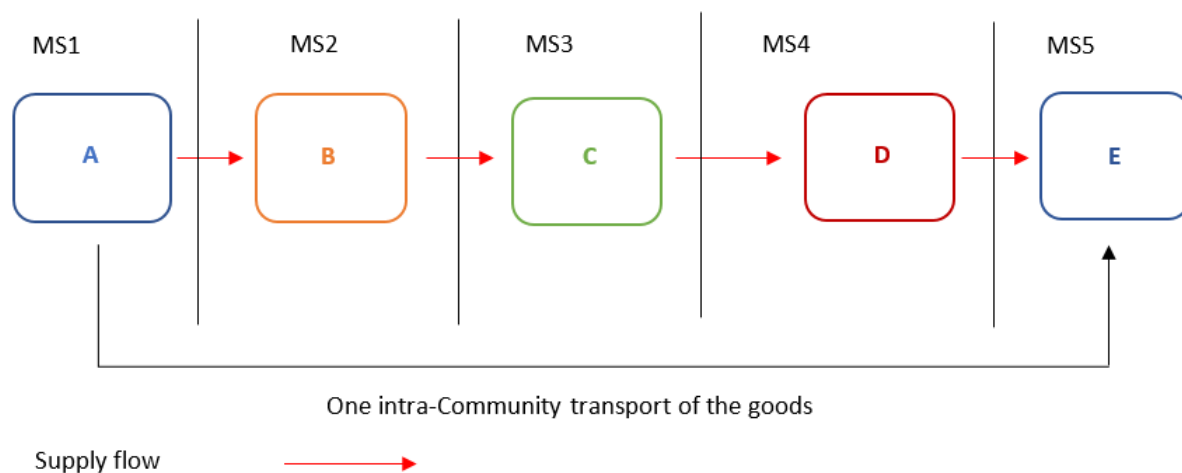
Example 1

Figure 1 - Assigning the transport to the supply made to the intermediary operator

A chain transaction of goods involves companies A, B, C, D and E.

A, B, C and D are in MS 1, 2, 3 and 4 respectively, and company E is in MS5. Successive supplies are made between the chain of companies, from A to B, B to C, C to D, and D to E. B organises the transport of the goods from MS1 to MS5, directly from the first supplier (A) to the last customer (E).

B is the intermediary operator and A is the first supplier for the purposes of the general chain transaction rule. A's supply to B, the intermediary operator, will have the intra-Community transport assigned to it.

The transactions are treated as follows:

- the first supply between A and B will be considered an intra-Community supply, which occurs in MS1. A will zero rate its supply to B. B has made an intra-Community acquisition in MS5
- the next supply between B to C is a domestic supply in MS5
- the following supply between C and D is a domestic supply in MS5
- the final supply between D and E is also a domestic supply in MS5.

If C organised the transport of the goods to the last customer instead of B, the transaction would be treated as follows:

- the first supply between A and B will be considered a domestic supply in MS1
- the next supply between B to C will be considered an intra-Community supply in MS1. B will zero rate its supply to C. C has made an intra-Community acquisition in MS5
- the following supply between C and D is a domestic supply in MS5
- the final supply between D and E is also a domestic supply in MS5.

2.1. Assigning the transport to the supply made by intermediary operator

The intra-Community transport of the goods can be assigned to the supply made **by** the intermediary operator. The intermediary operator's VAT number must be issued by the Member State from which the goods are transported. The intermediary operator must **communicate** his or her VAT number issued by the Member State from which the goods are transported to his or her supplier. In this scenario, the intermediary operator's supply can benefit from the zero rate of VAT for intra-Community supplies of goods subject to the normal rules.

If the VAT number issued by the Member State from which the goods are transported is not communicated to his or her supplier, the intra-Community transport of the goods will be assigned to the supply made to the intermediary operator and not by the intermediary operator.

2.2. Communicating the VAT number

There is no particular means by which the VAT number is to be communicated. It can be communicated via email, invoice or by telephone. It does not need to be communicated for each transaction. The number need only be communicated once to the supplier.

2.3. Proof of intermediary operator's VAT number

Where the intermediary operator communicates its VAT number to its supplier, the intermediary operator and his or her supplier must keep proof of this communication (i.e. written, electronic).

It is sufficient that the intermediary operator's VAT number is on the supplier's invoice.

Example 2

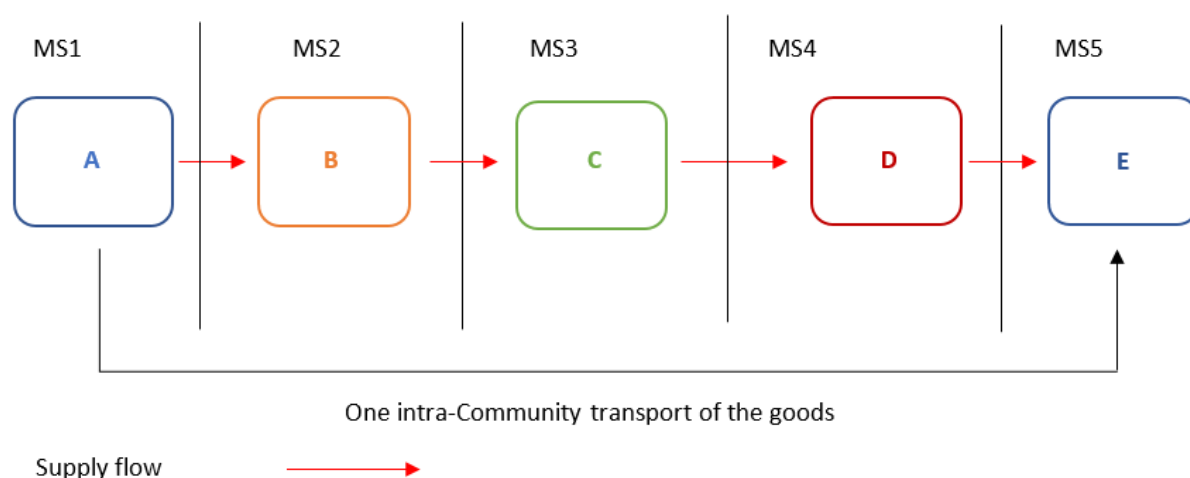


Figure 2 - Assigning the supply made by the intermediary operator

In this scenario, the goods are transported directly from MS1 to MS5. B organises the transport of the goods and is the intermediary operator. B holds a VAT number issued by MS1, the place where the goods are transported from. B communicates this VAT number to A, its supplier in the chain (who is also the first supplier in this example).

As B has a VAT number issued by MS1, and has communicated this to A, the conditions for assigning the intra-Community transport of the goods to the intermediary operator have been met. The transport is assigned to the supply made by B (the intermediary operator) to C.

The transactions are treated as follows:

- the first supply from A to B is a domestic supply in MS1
- the next supply from B to C is the intra-Community supply of the goods and is zero rated. Company C makes an intra-Community acquisition of the goods in MS5
- the subsequent supply from C to D is a domestic supply in MS5
- the final supply from Company D to Company E is also a domestic supply in MS5.

3. Proofs of the organisation of the intra-Community transport

The intermediary operator needs to keep proof that they or a third party acting on their behalf carried out the intra-Community transport of the goods. This proof is required to determine that they are the intermediary operator to which the intra-Community transport of the goods is assigned (see section 5). This proof concerns the organisation of the transport and is separate to the conditions for zero rating an intra-Community supply of the goods (see section 4). The first supplier will also need proof that the goods were transported.

For supplies to the intermediary operator, the following proofs are required to be retained by the supplier:

- (i) the intermediary operator's VAT number issued by a Member State other than the Member State where the goods were transported from
- (ii) proof that the goods have been transported out of the Member State in which the goods were located to another Member State (see section 3.1), and
- (iii) proof that the goods have been transported by the intermediary operator or by a third party on the intermediary operator's behalf (see section 5).

3.1. Proof of transportation of the goods

Proof of transportation of the goods includes:

- order documents
- delivery dockets
- supplier's invoice
- transport document, such as a bill of lading
- proof of transfer of funds from foreign banks for payment
- copies of warehouse receipts.

The details of the means of transport used for the transportation of the goods should also be retained, such as:

- vehicle registration number
- flight number
- ship sailing details.

4. Conditions for zero rating an intra-Community supply

For the zero rate of VAT to apply to an intra-Community supply of goods, certain conditions must be met. These conditions are available on the [Revenue website](#).

5. Establishing who carried out the intra-Community transport of the goods

For the chain transaction rule to apply, the intermediary operator must carry out the intra-Community transport of the goods or engage a third party to transport the goods on his or her behalf. The person considered to have carried out the intra-Community transport of the goods will be determined by the:

- contracts
- payments made
- any other documentation available
- the economic reality bearing in mind the full facts and circumstances of the case.

These factors will help determine who carried the risk (loss or damage of the goods) and therefore who carried out the intra-Community transport of the goods.

5.1. Third parties acting on the intermediary operator's behalf

The third party who transports the goods on behalf of the intermediary operator does not have to be a party outside the chain or a specialised transport company. Any of the parties in the chain (including the first supplier and the last customer) can transport the goods on the intermediary operator's behalf.

5.2. Last customer organises the intra-Community transport

The last customer in the chain cannot be the intermediary operator because the last customer is not a supplier in the chain. Where the last customer organises the transport, the chain transaction rule cannot apply.

Where the last customer organises the transport, the transport will be assigned to the supply made to them as there is no doubt who made the transport and the normal rules apply. However, this does not mean that they cannot transport the goods on behalf of the intermediary operator.

5.3. First supplier organises the intra-Community transport

The first supplier only participates in one transaction within a chain transaction, the supply made by that first supplier. If the first supplier carries out the transport, on their own behalf, the chain transaction rule will not apply. In these cases, it will be clear that the first supplier transported the goods. However, this does not mean that they cannot transport the goods on behalf of the intermediary operator.

6. Transport operators

Several operators can be involved in the transport of the goods; however, they must only form part of one single transport operation involving the intra-Community transport of the goods from the first supplier to the last customer in the chain. There must be continuity in the transport operation with one itinerary for the transport of the goods which could involve transport by boat, truck or plane. Using different modes of transport will not affect the application of the new rules. The most important factor is that there is a single transport operation.

If there is more than one transport operation, then the chain transaction rule cannot apply. This occurs when the transport is carried out by different suppliers in the chain. This is considered to break the chain of the single transport ('fractioned transport'). Fractioned transport occurs when there is more than one transport of the goods in a chain.

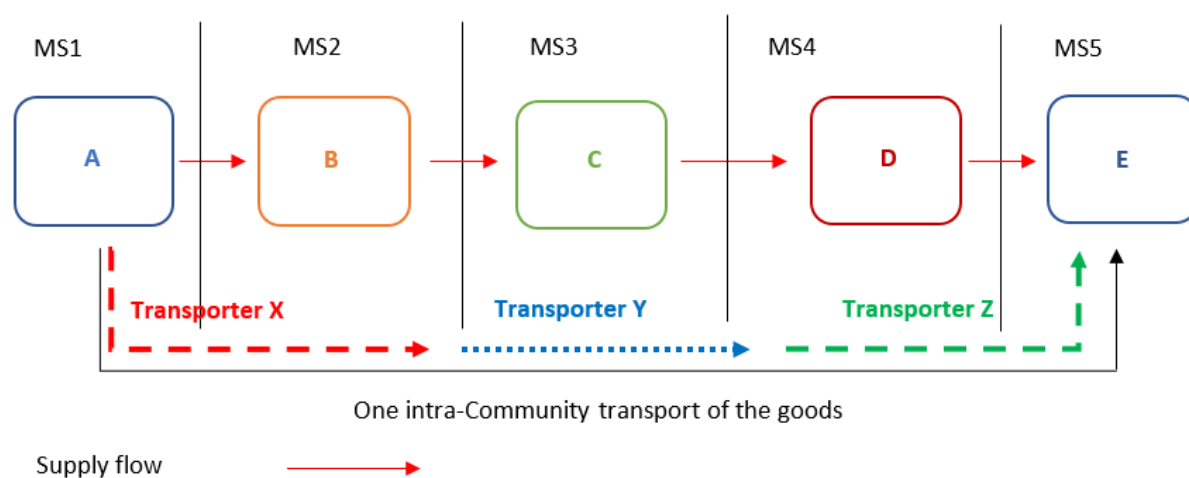
Example 3

Figure 3 - Chain transactions and transport operators

In this example, B (the intermediary operator) organises the transport. B hires transporters X, Y and Z to carry out the transport on its behalf. The transport is planned in one movement of the goods with a single itinerary. The goods are transported directly by truck and boat from MS1 to MS5. This is considered a single transport, so the chain transaction rule can apply.

However, if company Z was hired by Company D to transport the goods for part of the transport, this would be considered a break and constitute a second transport. Therefore, the chain transaction rule could not apply.

7. Diversion of goods

If goods are being transported from one Member State to another Member State and part of the goods are left in a different Member State on the way, the chain transaction rule can continue to apply:

- to those goods which continue to be transported directly to their original destination
- provided that there is a single transport operation.

All the other conditions of the chain transaction rule must also apply.

8. Export / Imports

The chain transaction only applies to intra-Community transactions and cannot apply to imports or exports. However, a chain transaction can be preceded or followed by an import or export.

9. Triangulation

The [triangulation](#) simplification measure can apply in tandem with chain transactions. All the conditions of the triangulation rule must apply.