VAT

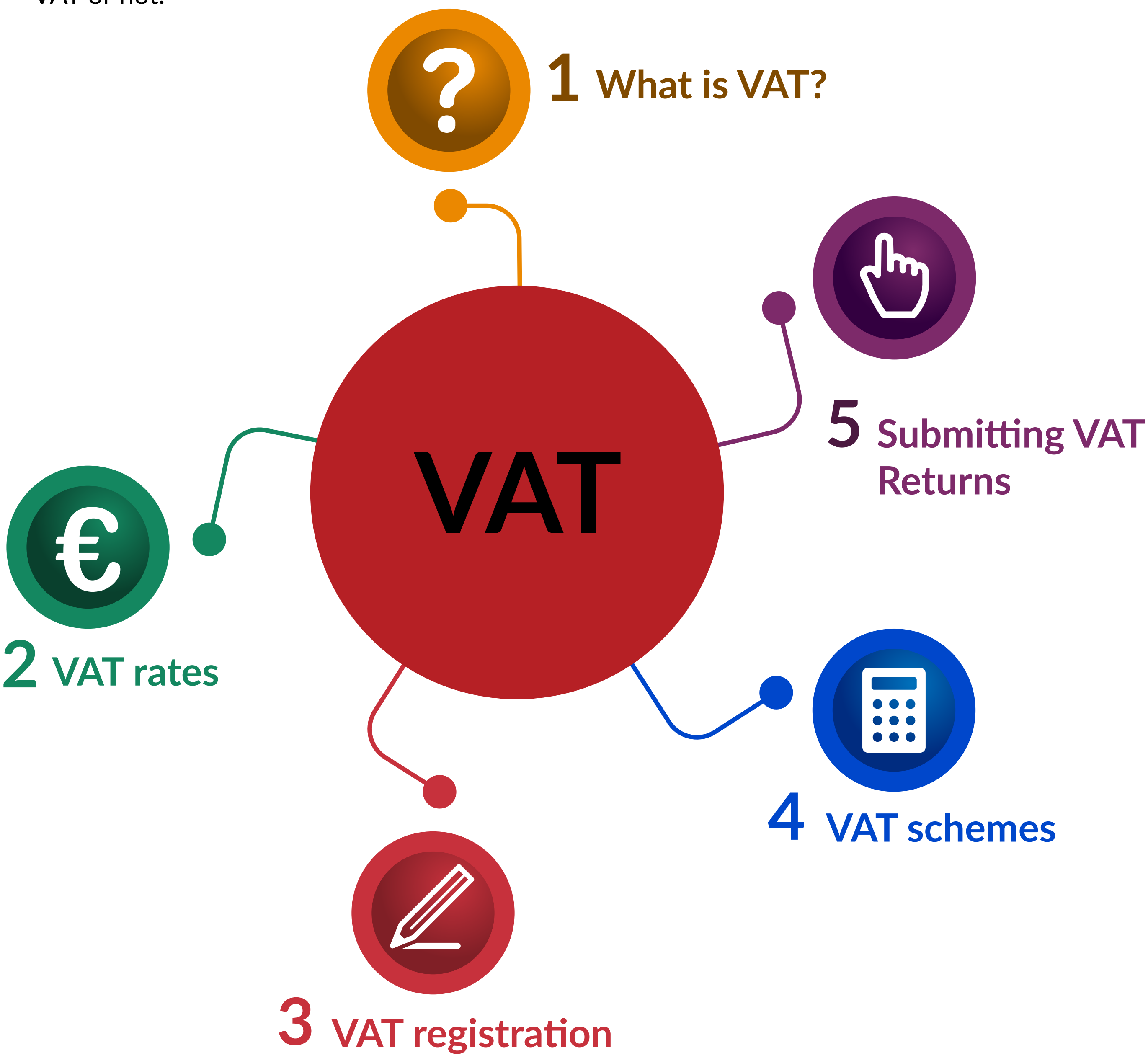
Registration

Introduction

Like our UK counterparts, prior to joining the EEC in 1973, as it was known then, we harmonised some of our tax rules and introduced a new European standard called Value Added Tax in 1971 to replace the Turnover Tax and Wholesale Tax.

A key aspect of VAT is that the onus for collecting the tax lies with the business owner. Simply put, each registered business pays VAT on goods and services acquired for the business and in turn, charges VAT on goods and services supplied by the business. On a bi-monthly basis, the business must pay the difference between the VAT charged by the business and the VAT the business was charged to the Collector-General.

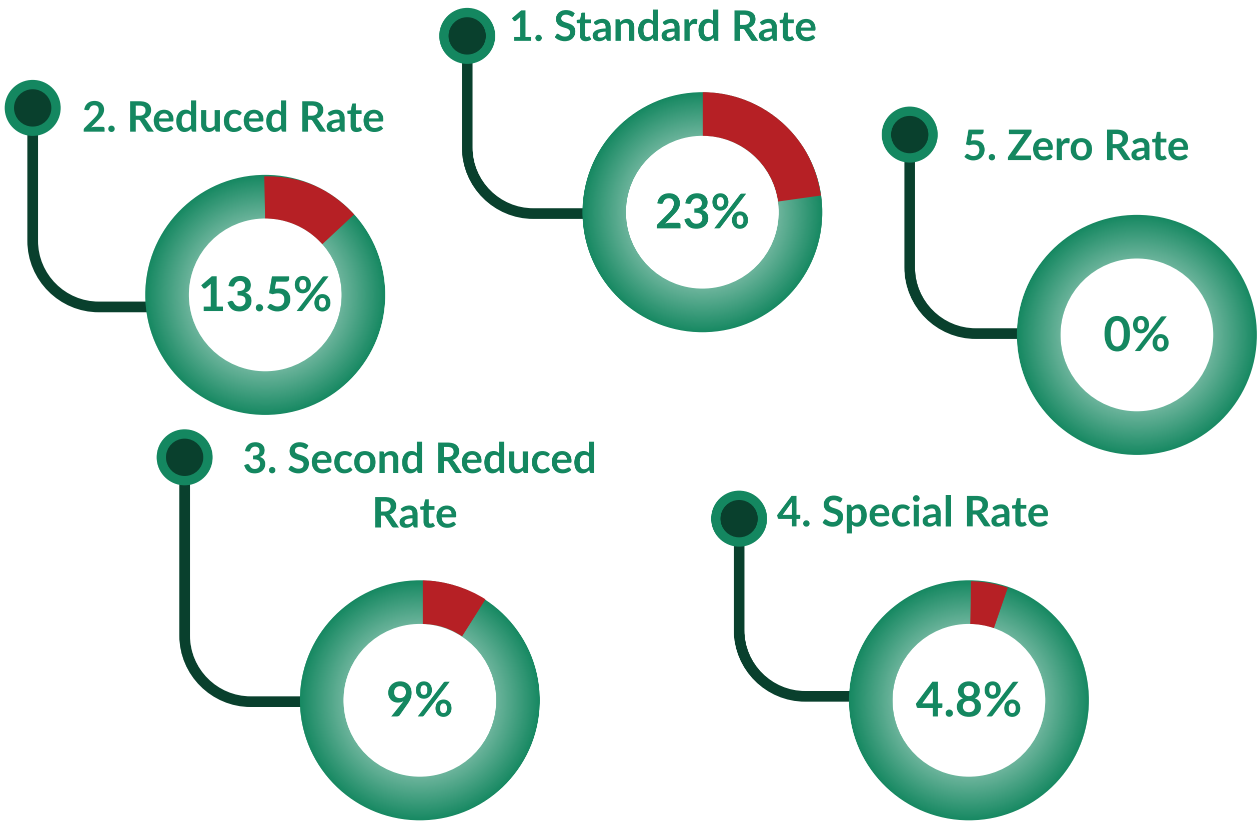
Understanding VAT is a prerequisite to stating a business - whether you register for VAT or not.



What is VAT?

Value Added Tax (VAT) is a tax on consumer spending. It is collected by VAT-registered traders on their supplies of goods and services effected within Ireland to their customers.

VAT Rates



You are required to register for VAT if your business generates revenue in a 12-month period as follows: 75,000€ selling goods or 37,500€ offering services.

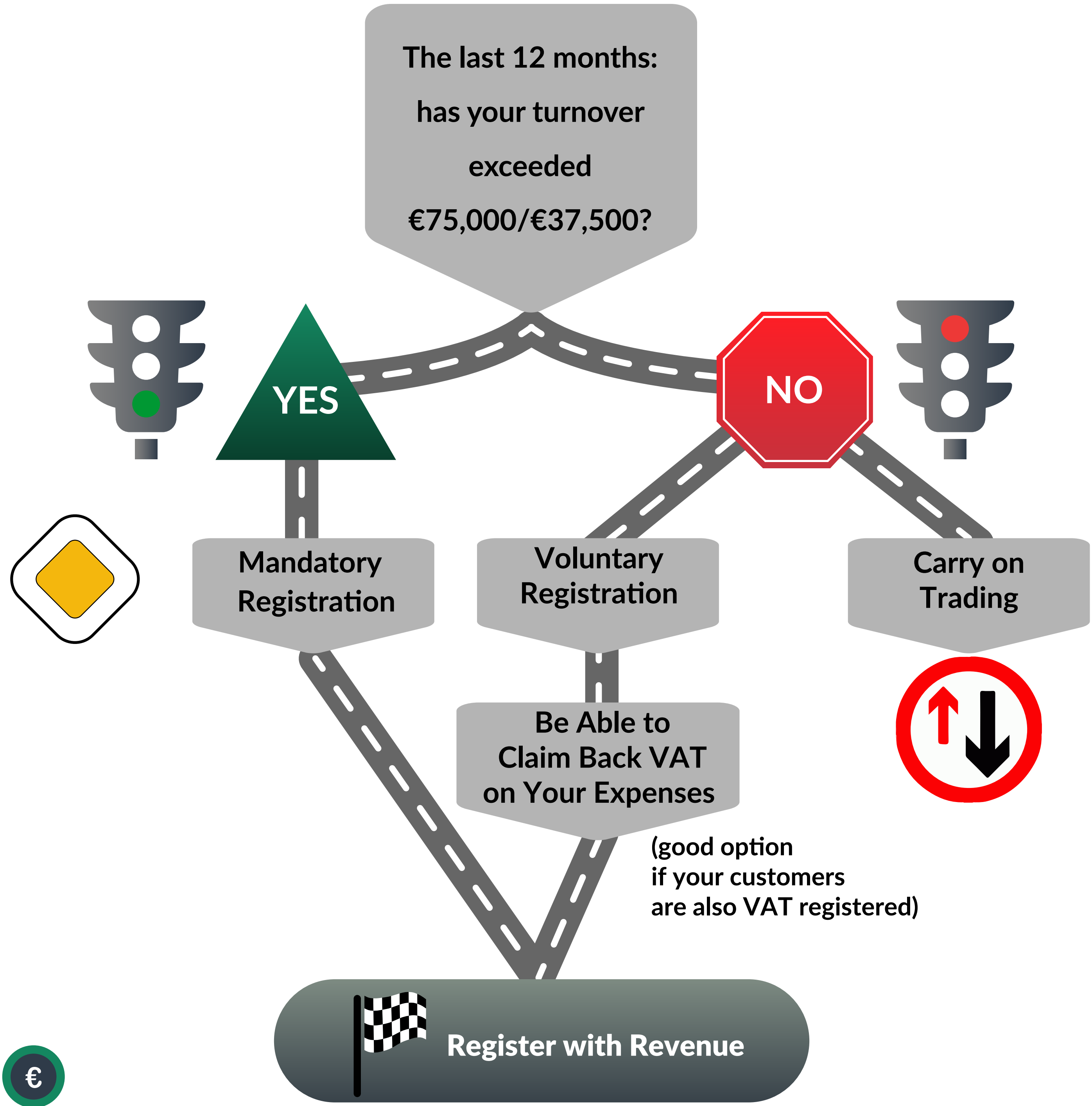
For companies that are VAT registered, a record must be provided to Revenue every two months showing all VAT that has been charged to others and all that has been paid out to suppliers. However, there are exceptions: depending on their VAT liabilities, some companies may only be required to submit Returns every quarter or bi-annually.

Since June 2012, all VAT returns must be submitted online to Revenue.

When does VAT apply to me?

- When your business generates turnover of 75,000€ selling goods in a given 12-month period (for example, you might own a supermarket or clothes store)
- When your company generates 37,500€-worth of services in a given 12-month period (you could be an architect, painter or operate a dry cleaners)

Registering for VAT



VAT schemes

When you register with Revenue, you will automatically come under the standard scheme – 23%. Depending on your business circumstances, it may be applicable – and advantageous – to apply for one of the other schemes available.

1. Standard Scheme

Under the main scheme, VAT is refunded/charged as follows:

a. On receiving a VAT invoice from a supplier, you can claim the VAT immediately (rather than when you clear the invoice)

b. When you've made a sale and invoiced for it, you are then liable for the VAT, as opposed to when you are paid.

(To check which rate is applicable to your business, log on to http://www.revenue.ie/en/tax/vat/rates/index.jsp.)

2. Money Received Basis Scheme (Cash Accounting)

This scheme is advantageous for start-up or small businesses. Instead of being liable for VAT when you issue an invoice, the liability only accrues when revenue has been received from your customer against the invoice. As mentioned, this is good for small businesses, particularly if cash flow is an issue over any given time.

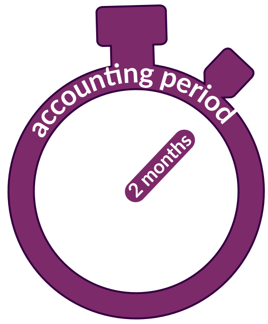
3. Annual Accounting Scheme

Under this scheme, you can opt to pay VAT through direct debit instalments. It is helpful to businesses in that it reduces the amount of VAT-related paperwork required through the course of the year. The amount due on each instalment is based on the VAT you paid in the previous year. If there is a discrepancy at the end of the twelve-month period when your VAT return is submitted (for example, if you have underpaid), the balance is cleared. Note that the outstanding balance should be less than 20% of the annual liability, or interest may be applied.

You only have 15 days to issue a VAT invoice after the goods and services have been supplied.

Submitting VAT Returns

Remember that for most companies, the period for submitting VAT returns is normally **two-months** under the Standard scheme.



Submitting returns

With the advent of technology, Revenue has now determined that returns must be submitted online. When registering with Revenue, a ROS account (Revenue Online Services) is created for you. This allows you to file returns online and make payments by debit/credit card or debit instruction. Alternatively, you can instruct your accountant to fulfil this requirement on your behalf.

Even if you have what's called a 'nil' return (no VAT in the period in question), by law you must inform Revenue of this by filing a 'nil' return for the given period.

What it should show?

Output Tax: VAT charged to your customers over the period in question
Input Tax: VAT you've paid on purchases in the same period

If your input tax is higher than your output tax, the difference can be claimed back from Revenue.

WHO WE ARE

Big Red Book is a leading supplier of online account's software to the SME market.

Our online account's software is simple and easy to use and takes only minutes to set up. It is designed to enable smart business people get on with doing what they do best which is to sell their products or services.

We believe in giving exceptional value by including multiple users, unlimited transactions, telephone, email, live chat support and free access for your accountant and bookkeeper, all for a low monthly fee.

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