

# Chapter 18

# Changes in rates of VAT

This Chapter explains the procedures to be followed by VAT-registered traders when increases or reductions in VAT rates take place.

## 18.1 Which VAT rate must the trader apply?

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Persons accounting for VAT on the sales or invoice basis must apply the rate of VAT in force at the time they issue or are obliged to issue an invoice in the case of transactions with other VAT-registered persons. In the case of transactions with persons who are not registered for VAT, accountable persons must apply the rate in force at the time of the supply.

Persons accounting for VAT on the basis of moneys received, must apply the rate of VAT in force at the time of the supply.

## 18.2 Invoices

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VAT invoices issued by a VAT-registered person to another VAT-registered person **on or after** the date of a change in VAT rates (upwards or downwards) should show VAT at the new rates. This is so, even if the goods or services were supplied before the date of the change.

VAT liability in respect of goods or services supplied by a VAT-registered person to an unregistered person is normally determined by the date of supply and not the date of issue of the invoice, if any. Goods or services which are actually supplied to unregistered persons prior to the date of a change in VAT rates are taxable at the rate in force when they are supplied even though they may be invoiced on or after the date of the change.

### 18.3 Credit notes

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Any credit note relating to a supply of goods or services which contains a VAT adjustment and which is issued to a VAT-registered person on or after the date of a change, must show VAT at the new rate even if the original invoice showed VAT at the old rate.

Any credit note relating to a supply of goods or services which is issued to an unregistered person on or after the date of a change should show or include VAT at the rate in force at the time of the supply.

### 18.4 Payments in advance

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Payments, including deposits, received from VAT-registered persons before the date of a change in rate in respect of goods or services not supplied until on or after that date are, in the case of persons on the invoice basis of accounting, subject to VAT by reference to the rate in force at the time the invoice relating to the payment is issued or ought to have been issued, whichever is the earlier. In the case of persons operating on the moneys received basis, the rate appropriate to the supply is by reference to the rate in force at the time of the advance payment. An advance payment received from an unregistered person is subject to VAT by reference to the rate in force at the time of the advance payment.

### 18.5 Contracts existing at time of a change in VAT rates

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VAT is generally due on supplies at the rate in force at the time of the supply, or at the time of issue of the invoice relating to the supply.

In a situation where a contract has been entered into at a particular rate of VAT, and that rate changes before the contract is fulfilled, an adjustment to account for the change in the rate may be necessary.

Where

- (a) a contract to supply goods or services is entered into before the date of a change in a VAT rate, and
- (b) the contract is not completed until after that date,

then the agreed price is subject to an appropriate adjustment on account of the change in the VAT rate, unless there is agreement to the contrary between the contracting parties.

If, for example,

- (a) a builder were to contract in January to build a house for €300,000, and
- (b) the rate of VAT was increased with effect from 1 March,

then, in the absence of an agreement, the builder could increase the agreed price to include the extra VAT, assuming the house had not been completed or paid for before 1 March. The builder would, of course, be liable to VAT at the increased rate on the supply.

Fixed interval payments becoming due before the date of a rate change in respect of a period of time spanning that date (for example, advance quarterly rentals on office equipment due and payable, say, one month before the date of a change) may be treated, for the purposes of transition only, as being taxable at the old rates if invoiced before the date of the change.

## 18.6 Utilities

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In the case of continuous supplies of utilities (i.e. gas, electricity, telecommunications) to non-business and other unregistered customers the rate applicable is the rate in force at the time the bill issues to the consumer, provided that the company issues a bill at least every three months. If the company does not issue a bill at least every three months then the rate is that applicable at the time of supply. In the case of VAT-registered customers the appropriate rate of VAT is the rate applicable when the bill issues.

## 18.7 Budget account sales, hire-purchase sales and other credit sales

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These sales are chargeable to VAT as follows:

- at the rate in force at the time of the sale by the finance house, in the case of sales to unregistered persons, or
- at the rate in force at the time of issue of the invoice by the finance house or the time the invoice ought to have been issued, if earlier, in the case of sales to VAT-registered traders.

## 18.8 Stock on hands on the date of a change

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Persons who are registered for VAT on the date of a change of VAT rates must account for VAT at the new rates even though they may have been invoiced with VAT at the old rates. Such persons will already have been entitled to a credit for VAT on the purchase of that stock, subject to the usual conditions.