Value Added Tax

Payments and Returns 2023

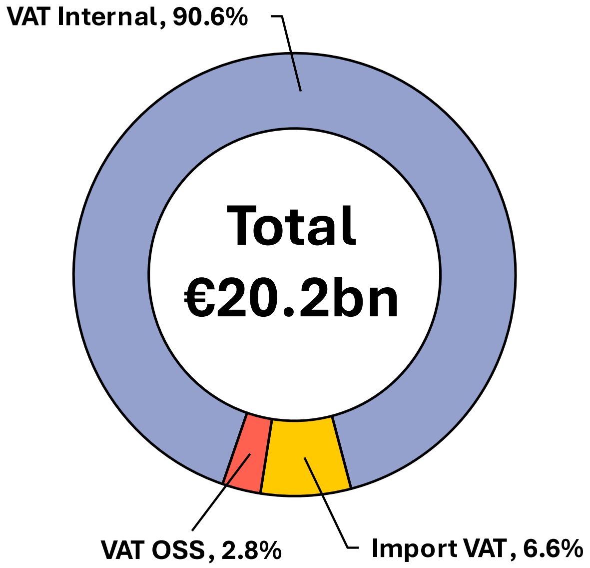
Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Gross VAT Receipts
€28.4bn
(+6.4%)

Net VAT Receipts
€20.2bn
(+7.8%)

VAT Repayments
€8.2bn
(+3.1%)

Sectoral Breakdown



VAT Registrations 2023

All Registrations
282,688

New in 2023
24,777

Ceased in 2023
21,080

Largest VAT Receipts by Economic Sector

Wholesale & Retail
€7.8bn
↑ 2%

Professional, Scientific & Technical
€2.9bn
↑ 18%

Manufacturing
€1.8bn
↑ 21%

Information & Communication
€0.95bn
↑ 36%

Key Findings

Value Added Tax (VAT) is the third largest tax-head, representing 23 per cent of net tax receipts in 2023.

Gross receipts of €28.4 billion were collected in 2023 and repayments of €8.2 billion were made. The net receipts of €20.2 billion in 2023 were €1.5 billion higher (8 per cent) than 2022.

The Wholesale and Retail Trade sector (€7.8 billion) was the largest contributor to receipts, followed by Professional, Scientific and Technical (€2.9 billion) and Manufacturing (€1.8 billion) sectors in 2023.

Taxpayers in Revenue's Large Corporates Division, which has responsibility for managing the tax affairs of the largest taxpayers in the State, accounted for 36 per cent of VAT payments and 44 per cent of VAT repayments in 2023, while accounting for 2 per cent of VAT traders making payments.

VAT registrations increased by 1.4 per cent in the year to end 2023, while active VAT traders (those who submitted a return) increased by 1.8 per cent in 2023.

Commentary

VAT receipts grew by 8 per cent in 2023, a growth performance largely in line with pre-pandemic trends. While the rate of inflation moderated from 2022 to 2023, receipts continued to grow due to increased consumption across the retail and services sectors. The average value of a VAT repayment claim increased slightly in 2023 when compared with 2022 and continues to be relatively high when compared with prior years, reflecting higher input costs incurred by traders during these periods.

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Further statistical detail on VAT can be found here:
https://www.revenue.ie/en/corporate/information-about-revenue/statistics/index.aspx.

Previous annual reports on VAT can be found here:
https://www.revenue.ie/en/corporate/information-about-revenue/research/research-reports/excise-and-vat.aspx

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Table of Contents

List of Tables

List of Figures

1 Introduction

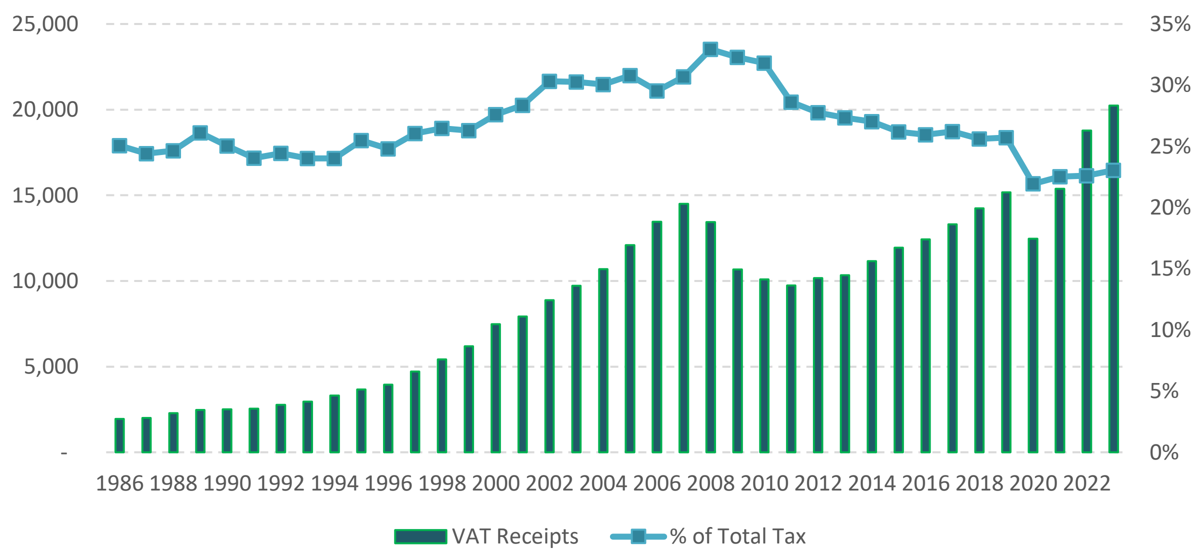
Value Added Tax (VAT) is a tax on consumer spending introduced in 1972, on Ireland's accession to the European Economic Community. VAT is the third largest source of tax receipts in the State (after Income Tax and Corporation Tax), with €20.2 billion in net receipts transferred to the Exchequer in 2023.

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. From 2022 to 2023, year on year growth in VAT receipts of almost 8 per cent was largely in line with the trend observed prior to the COVID-19 pandemic.

The proportion of VAT to total tax receipts is 23 per cent in 2023, close to its lowest level on record, but this is primarily a reflection of strong Corporation Tax growth in overall tax receipts.

This report profiles VAT based on the data available to Revenue with a focus on developments in 2023.[1] Section 2 gives an overview of the tax. Sections 3 and 4 analyse receipts and repayments respectively. Section 5 reviews trader and tax return information. Section 6 concludes.

Figure 1: VAT Receipts



Source: Revenue analysis.

[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 operated five VAT rates in 2023: 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 because 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 remained in place until 31 August 2023 after which these services were subject to the 13.5% rate.

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 2024.

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.

Table 1: Net VAT Position by VAT Return Period in 2023

VAT Return Period	Net Receipts €m	2023 vs 2022 (% Difference)
Jan-Feb	3,865	15%
March-April	2,953	10%
May-June	3,309	8%
July-August	3,197	5%
Sept -Oct	3,493	6%
Nov - Dec	3,430	3%

Source: Revenue analysis.

Some of the main items in the VAT Base 2023 are presented in Table 2. These items accounted for around 46 per cent of VAT base expenditure but only 40 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 2023 – Main Expenditure Areas

Product	Estimated Expenditure €m (VAT Excl.)	Estimated Expenditure %	VAT Yield €m
Restaurants, Canteens, Chip Shops, Fast Food, etc*	9,490	8.0	994
Food (Zero Rated)	7,110	6.0	0
Alcohol	6,093	5.1	1,401
Private New Housing	4,470	3.8	644
Private Housing - Repair & Maintenance	3,597	3.0	486
Cars	3,173	2.7	730
Cosmetics	2,840	2.4	653
Accommodation	2,712	2.3	284
Oral Medicine	2,653	2.2	0
Motor Fuel	2,597	2.2	597
Other Building	2,569	2.2	347
Cigarettes and Other Tobacco	2,513	2.1	578
Adult clothing	2,497	2.1	574
Electricity	2,163	1.8	195

Source: Revenue analysis of Revenue and CSO data.
*VAT on this item increased to 13.5% from 9% on 1 September 2023
Note: Compiled in 2022 for 2023, figures in line with the Pre and Post Budget 2023 Ready Reckoner.

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 per cent 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 VAT OR account for 2023 will be prepared in July 2024. The table below summarises Ireland's VAT OR account for 2022. The final base figure of €116.8 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 €20.7 billion in expenditure from 2021 (€96.2 billion).

VAT OR Account 2022

	€ Million
VAT Receipts	18,921
Unallocated Tax Deposits/ VAT Repayments not within scope of VAT Directive	127
Interest and Penalties	-18
Net Receipts	19,030
Total Corrections	0
Corrected Net Receipts	19,030
Multiannual Weighted Average Rate (%)	16.2875%
Final uncapped VAT own resource base	**116,839**

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 (€18.3 billion or 90.6 per cent of net receipts in 2023) 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.

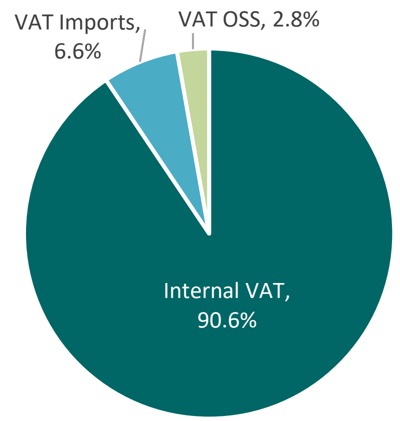
The second largest portion is VAT collected on imported goods from third countries (i.e., non-EU countries). **VAT on imports** accounted for €1.3 billion or 6.6 per cent of net receipts in 2023. Historically, it is more volatile than internal VAT, with larger changes across years (although the post-COVID 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 €6.3 billion worth of goods was declared using the postponed VAT accounting mechanism while €1.1 billion was declared using VAT at point of entry in 2023. The introduction of Postponed Accounting for VAT 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 and Import OSS (IOSS). **VAT OSS**[2] accounted for €563 million or 2.8 per cent of net receipts in 2023. The OSS 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, it is instead remitted through a monthly IOSS return.

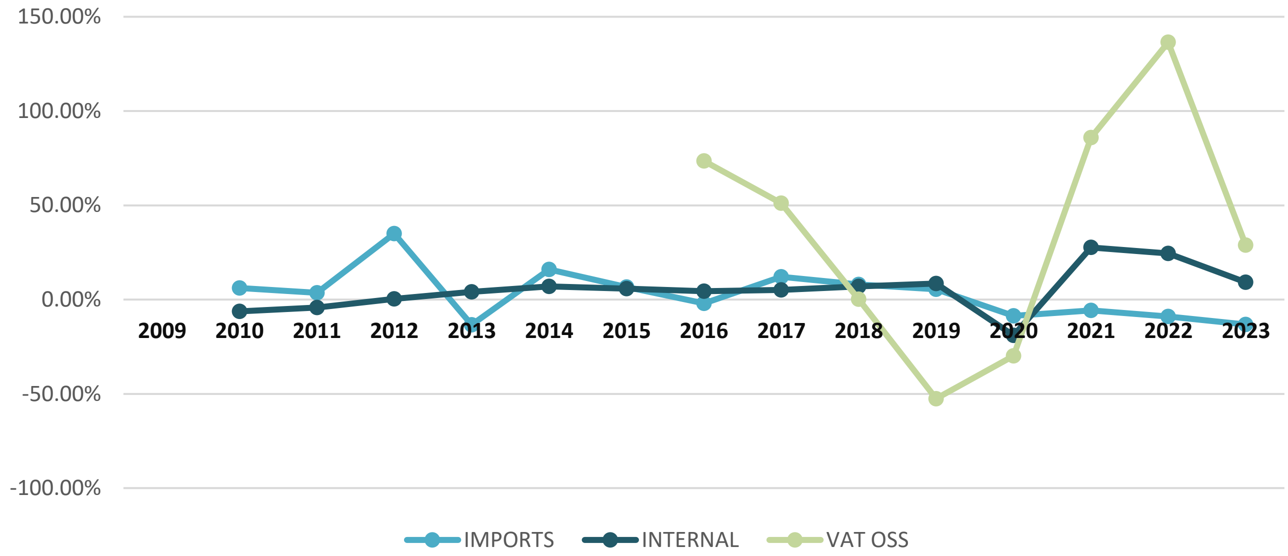
[2] VAT OSS receipts are recorded under Internal VAT in the annual accounts of the Revenue Commissioners.

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

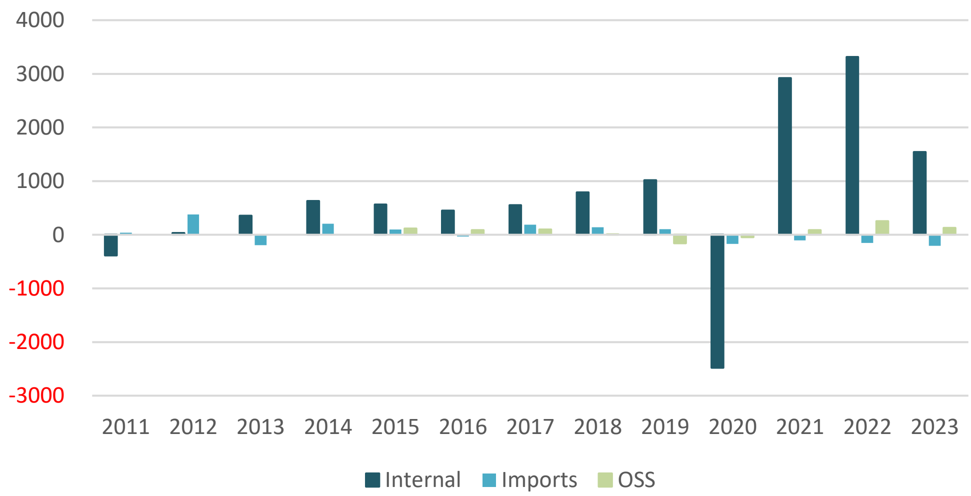
Figure 2: Composition of VAT Receipts 2023



Annual Percentage Change in Receipts by Source



Contributions to Annual Change in Receipts by Source

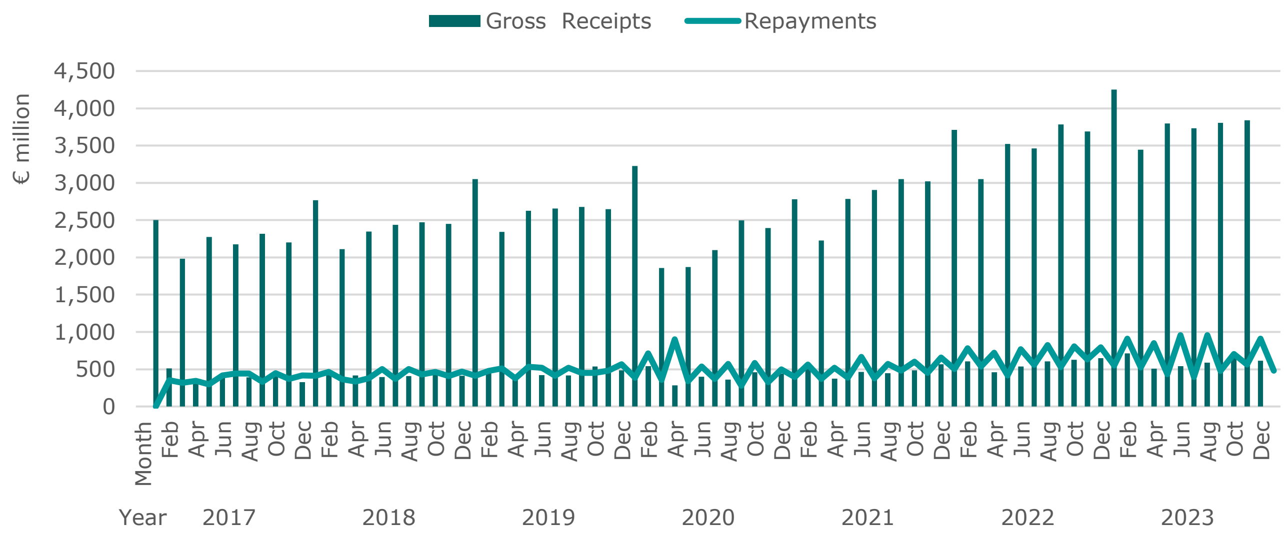


Source: Revenue analysis.

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 returns 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[3]



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 2023 the value of import declarations from third countries subject to VAT at point of entry was €78 billion, a decrease of 10 per cent on 2022 imports of €87 billion. The most notable decreases in VAT collections at point of entry were observed across HS codes 84 and 85 (machinery and

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

mechanical appliances), while large increases in postponed VAT were observed across HS codes 29 and 30 (organic chemicals and pharmaceutical products). There were also significant decreases in the value of mineral fuels, lubricants, and gas, (HS 27), with a decrease of approximately €500m in VAT, which was allocated to postponed VAT (VAT that is deferred and accounted for in the normal VAT3 returns).

The gross VAT assigned to imports was €1.38 billion in 2023 (€1.58 billion in 2022), with €1.003 billion (€1.200 billion in 2022) collected on third country imports and a further €373 million (€375 million in 2022) collected from excisable products, mainly alcohols. There was €35.3 million in refunds recorded under VAT on imports in 2023 compared to €31.3 million in 2022, mainly for VAT refunded under the disabled drivers and passenger's scheme. Net VAT on imports was €1.34 billion in 2023 (€1.54 billion in 2022).

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/ IOSS

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 either via a fixed establishment or an intermediary in that member state 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 2023, 1,299 traders registered for OSS/ IOSS, a figure largely in line with the 1,271 traders registered during 2022. Of these new registrations in 2023, 539 or over 41 per cent were based in the United Kingdom. New import scheme registrations accounted for 308 or 24 per cent of all new registrations during 2023. The largest cohort of new registrations were for the Non-Union scheme, a total of 829 or 64 per cent. The remaining 162 (12 per cent) were for the Union Scheme.

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 2023.

Gross OSS receipts recorded in 2023 totalled €565 million, an increase of 26 per cent on 2022. Refunds of approximately €2 million issued, giving a net OSS total of €563 million in 2023.

Imports under the IOSS scheme accounted for €256 million of gross OSS receipts, an increase of 22 per cent when compared with 2022. Gross receipts from TBE services from Union and Non-Union suppliers amounted to €311m, 38 per cent higher in 2023 than in 2022.

In 2023, traders registered in Luxembourg, Ireland, Germany and Netherlands returned the largest amounts of gross VAT under the OSS/ IOSS schemes. Over €2.5 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 Gross payments by member state and scheme. Figure 4 shows Net VAT OSS receipts in the last three years by quarter.

[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.

Table 3: OSS and IOSS gross receipts (€m) by EU Member State 2023

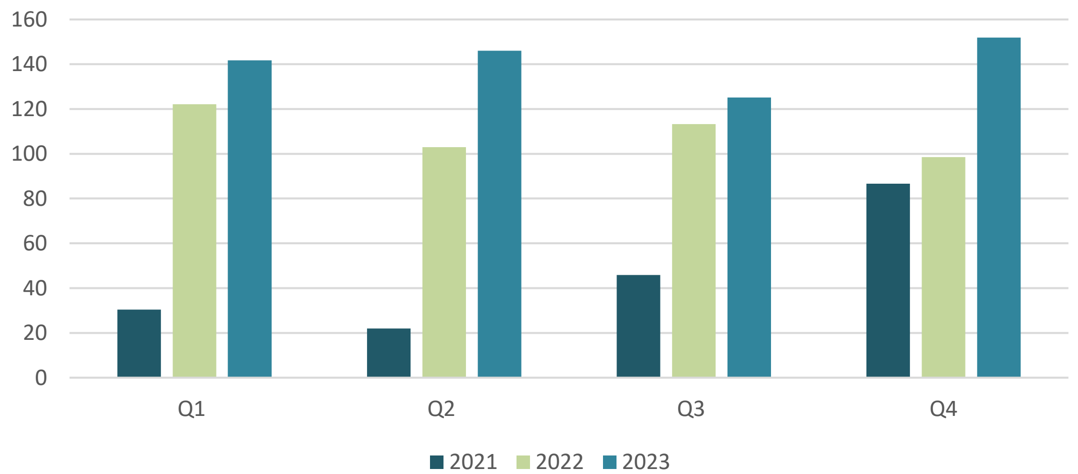
Member State	Union Scheme (OSS TBE)	Non-Union Scheme (OSS TBE)	Import Scheme (IOSS)	Total
Austria	1.0	0.0	0.0	1.0
Belgium	3.1	0.3	0.1	3.6
Bulgaria	0.6	0.0	0.0	0.6
Cyprus	2.5	0.1	0.0	2.6
Czech Republic	2.9	0.1	0.0	3.0
Germany	84.9	0.4	5.3	90.6
Denmark	2.7	0.0	0.0	2.7
Estonia	0.3	0.1	1.3	1.7
Greece	0.1	0.0	0.0	0.1
Spain	6.6	0.1	0.2	6.9
Finland	1.0	0.0	0.0	1.0
France	8.7	0.0	5.2	14.0
Croatia	2.5	0.0	0.0	2.5
Hungary	0.0	0.0	0.0	0.0
Ireland	0.1	0.0	0.0	0.1
Italy	0.0	61.4	71.6	133.0
Lithuania	5.7	0.0	0.6	6.3
Luxembourg	1.1	0.0	0.2	1.4
Latvia	3.6	2.3	130.4	136.2
Malta	0.4	0.0	0.4	0.9
Netherlands	12.9	0.7	0.0	13.6
Poland	56.3	9.1	24.5	90.0
Portugal	6.4	0.0	3.3	9.6
Romania	1.0	4.9	0.0	6.0
Sweden	0.2	0.0	0.0	0.2
Slovenia	25.4	0.0	12.5	38.0
Slovakia	0.5	0.0	0.0	0.5
Northern Ireland*	0.4	0.0	0.0	0.4
All Member States	**230.9**	**79.5**	**255.6**	**566.5**

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

Note: Figures on gross basis (including overpayments by Member States). The totals do not match the net receipts figure in text due to the nature and timing of overpayments.

Source: Revenue analysis.

Figure 4: Net Quarterly VAT OSS Receipts (€m) 2021-2023



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 OSS 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. VAT Registration or registration for the OSS is optional for distance sellers under this threshold.

Distance Selling by Irish Suppliers

From 1 July 2021, 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) or, alternatively, register for the Union OSS in Ireland. 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, there has been a level shift downward in registrations since then. An 8.1 per cent increase in VAT collected by distance sellers was observed during 2023, while the number of registered traders increased by 11.5 per cent. 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
2021	120.5	828
2022	50.6	364
2023	54.7	406

Source: Revenue analysis.

3.5 Receipts by Sector

Table 4 shows internal VAT receipts broken down by NACE sector of the trade.[5] The largest sector in 2023 was *Wholesale & Retail Trade*. *Professional, Scientific & Technical Services*, *Manufacturing,* and *Accommodation & Food Service Activities* were the next largest contributors. 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. *Professional, Scientific & Technical Services* accounted for almost 30 per cent of the growth in total internal VAT receipts in 2023.

In 2023 the most significant sectors experiencing the largest year on year growth were *Information and Communication* (+36 per cent), *Accommodation and Food Services* (33 per cent), and *Construction* (+30 per cent). A 40 per cent decrease in VAT receipts in the *Electricity, Gas, Steam and Air Conditioning Supply* reflects the application of the second reduced rate of VAT to Electricity and Gas from May 1st, 2023.

5 NACE is a standardised classification providing the framework for collecting and presenting statistical data according to economic activity.

Table 4: Internal VAT – Receipts by Sector

Sector	2022 €m	2023 €m	+/- 2022	% Change
Wholesale & Retail Trade	7,681	7,847	166	2%
Professional, Scientific & Technical Activities	2,453	2,897	444	18%
Manufacturing	1,503	1,808	305	21%
Accommodation & Food Service Activities	741	987	246	33%
Information & Communication	703	956	253	36%
Administrative & Support Service Activities	725	709	-16	-3%
Public Administration & Defence, Compulsory Social Security	512	621	109	21%
Financial & Insurance Activities	604	604	0	0%
Real Estate Activities	506	529	23	5%
Transportation & Storage	364	394	30	8%
Electricity, Gas, Steam, & Air Conditioning Supply	426	254	-172	-40%
Construction	193	253	60	30%
Other Service Activities	200	231	31	16%
Education	134	170	36	27%
Arts, Entertainment and Recreation	146	123	-23	-16%
Human Health and Social Work Activities	94	108	14	15%
Water Supply, Sewerage, Waste Management & Remediation Activities	36	32	-4	-14%
Activities of Households as Employers	18	23	5	20%
Other Services	6	0.5	-6	-92%
Mining & Quarrying	-17	-15	2	-6%
Agriculture, Forestry & Fishing	-74	-75	-1	1%
Total	**16,954**	**18,457**	**1,503**	**9%**

Source: Revenue analysis.

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 of 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 for VAT, 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 5 shows VAT assigned to Imports based on the economic activity of the taxpayer making the payment. The two main components are VAT on import declarations and VAT on excisable products such as VRT, Excisable warehouses and Alcohols (submitted on Excise Duty Entry forms). The largest sectors in 2023 are *Transportation and Storage*, *Wholesale and Retail Trade* and *Manufacturing*, accounting for approximately 90 per cent of these receipts.

Table 5: VAT on Imports (VPE) – Receipts by Sector

Sector	2022 Imports	2022 Excise	2023 Imports	2023 Excise	Total 2022	Total 2023	€m -2022	% Change
Transportation & Storage	15.0	9.4	431.4	11.6	24.4	442.9	418.6	1717%
Wholesale & Retail Trade	510.9	281.9	311.2	282.5	792.8	593.7	-199.1	-25%
Manufacturing	503.2	72.2	164.1	67.8	575.4	231.8	-343.6	-60%
Real Estate Activities	22.1	0.0	20.5	0.0	22.1	20.5	-1.6	-7%
Other	28.17	1.07	19.54	0.88	29.2	20.4	-8.8	-30%
Professional, Scientific & Technical	28.8	1.7	15.3	2.1	30.5	17.4	-13.1	-43%
Administrative & Support Service Activities	23.7	0.0	11.1	-0.0	23.7	11.1	-12.7	-53%
Financial & Insurance	5.3	8.7	9.6	8.5	14.0	18.1	4.1	29%
Information & Communication	19.6	0.0	8.8	0.0	19.6	8.8	-10.8	-55%
Construction	21.6	0.1	6.0	0.1	21.7	6.1	-15.5	-72%
Other Service Activities	10.6	0.0	5.1	0.0	10.6	5.1	-5.5	-52%
Agriculture, Forestry and Fishing	11.0	0.0	1.0	0.0	11.0	1.1	-10.0	-90%
Total	**1,200.0**	**375.1**	**1,003.6**	**373.4**	**1,575.1**	**1,377.0**	**-198.0**	**-13**

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 just under 2 per cent of VAT traders making payments, 36 per cent of payments and 44 per cent of repayments in 2023. This represents an annual decline in payment concentration of 3 percentage points. Traders in Business Division accounted for 93 per cent of those making payment in 2023, however they accounted for 31 per cent of total payments and 24 per cent of all repayments.

Table 6: VAT Payments/Repayments by Revenue Division

Revenue Division of Traders	Payments 2022 €m	Payments 2023 €m	Payments 2022 Number	Payments 2023 Number	Repayments 2022 €m	Repayments 2023 €m	Repayments 2022 Number	Repayments 2023 Number
Business	7,185	8,092	169,763	176,761	-1,705	-1,840	107,226	108,063
High Wealth	25	23	299	272	-4	-3	126	121
Large Corporates	9,783	9,513	2,951	3,011	-3,390	-3,409	2,899	2,965
Medium Enterprises	7,687	8,530	7,433	7,207	-2,482	-2,476	5,133	4,988
Personal	41	44	2,084	1,969	-8	-6	586	518

Source: Revenue analysis. Note: Excludes VAT OSS and repayments to unregistered traders. Taxpayers in the Business Division are typically micro and small SMEs; taxpayers in the Medium Enterprises Division are typically medium-sized SMEs and includes Civil and Public Service bodies; taxpayers in the Personal Division have only PAYE income or are trusts, charities etc.; taxpayers in the Large Corporates Division are the State's largest businesses; taxpayers in the Large Cases–High Wealth Individuals Division are the State's wealthiest individuals.

Of traders making a VAT payment, 88 per cent paid amounts cumulatively totalling less than €100,000, with these traders accounting for approximately 12 per cent of the value of VAT payments in 2023. This is in keeping with the pattern 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.

Just under 58,000 individual businesses were availing of Debt Warehousing as at the end of 2023, with €1.76 billion of tax debt warehoused, including €0.9 billion of VAT. Of this, €0.1 billion relates to VAT liabilities due in 2022. 93 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 62 per cent of warehoused VAT debt as at end 2023.[6]

[6] Further statistics on Debt Warehousing are available on the Revenue website: https://revenue.ie/en/corporate/information-about-revenue/statistics/number-of-taxpayers-and-returns/covid-19-support-schemes-statistics.aspx

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 2021 results (published October 2023), Ireland's VAT gap is estimated at 6.7 per cent for 2020. The estimated gap would represent about €1.1 billion in tax receipts.

From an overall EU perspective, the average VAT gap estimated for 2021 is 5.3 per cent representing an estimated gap of €99 billion.

Out of 27 Member States, Ireland had the ninth highest standard rate of VAT (jointly with Poland and Portugal) but was positioned fifteenth 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 53.5 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 15.8 per cent and an exemption gap (loss in liability due to implementation of exemptions) of 32.7 per cent.

The European Commission's 2023 VAT gap report (on the VAT in 2021) is published at:
https://op.europa.eu/en/publication-detail/-/publication/84ba1bdf-7230-11ee-9220-01aa75ed71a1/language-en/format-PDF/source-search

4 Repayments

4.1 Repayments Overview

VAT is the largest tax head in respect of repayments. 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 2023, as was the case in 2022.

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 were €8.16 billion in 2023, marginally up from €7.91 billion in 2022. VAT repayments have grown at a faster pace than that of payments since 2014. As Table 7 shows, the total number of claimants of VAT3 claims for repayment has increased consistently since 2014 and the average repayment value also generally increased. The increase in the average value of repayments processed in 2022 and 2023 reflects some of the additional input costs experienced by traders due to higher inflation in these years.

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
2023	115,307	375,662	20,748

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

Table 8 provides a sectoral breakdown of VAT internal repayments. *Wholesale & Retail, Manufacturing,* and *Construction* account for the largest shares of VAT repayments. The change in the value of repayments has slowed relative to 2022, reflecting a moderation in the inflationary environment.

Table 8: Repayments by Sector

Sector	2022 €m	2023 €m	+/- 2022
Wholesale and Retail Trade	-1,276	-1,410	11%
Manufacturing	-1,557	-1,394	-10%
Construction	-1,260	-1,367	8%
Information and Communication	-1,252	-985	-21%
Financial and Insurance Activities	-538	-597	11%
Professional, Scientific and Technical Activities	-537	-583	9%
Administrative and Support Service Activities	-392	-528	35%
Transportation and Storage	-266	-292	10%
Agriculture, Forestry and Fishing	-192	-189	-2%
Electricity, Gas, Steam, and Air Conditioning Supply	-55	-133	142%
Real Estate Activities	-108	-101	-6%
Accommodation and Food Service Activities	-68	-56	-18%
Mining and Quarrying	-41	-42	2%
Arts, Entertainment and Recreation	-31	-38	23%
Water Supply, Sewerage, Waste Management and Remediation Activities	-41	-38	-7%
Other Service Activities	-26	-31	19%
Public Administration and Defence, Compulsory Social Security	-13	-13	0%
Human Health and Social Work Activities	-9	-10	11%
Education	-6	-6	0%
Activities of Households as Employers	-3	-4	33%
Activities of Extra Territorial Organisations and Bodies	0	0	0%
Total	**-7,671**	**-7,817**	**2%**

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 VAT repayment to a taxpayer from the filing date of their first periodic VAT3 return to the repayment processing date.[7] Typically, over 80 per cent of repayment claims are processed within 5 days of a taxpayer filing their VAT3 returns. Delays in making repayments are typically associated with validation checks, requiring a taxpayer to furnish the necessary supporting documentation to validate their claim or where a taxpayer has subsequently amended their VAT3 return resulting in an additional VAT refund. Repayments exceeding 3 months were typically of a large value or where there were amendments to a taxpayer's initial VAT3 return.

[7] Previous publications identified the repayment time with respect to the last day of the trader's accounting period. This approach is corrected in this publication and direct comparisons with older published data are not possible.

Table 9: Speed of Repayments

Proportion of Claims

Year	<=5 days	<=20 days	<=30 days	<=2 Months	<= 3 Months	>3 Months
2019	71%	82%	86%	92%	95%	5%
2020	83%	90%	92%	95%	96%	4%
2021	85%	92%	94%	96%	97%	3%
2022	83%	91%	93%	96%	97%	3%
2023	84%	91%	93%	95%	97%	3%

Proportion of Value

Year	<=5 days	<=20 days	<=30 days	<=2 Months	<= 3 Months	>3 Months
2019	38%	65%	76%	86%	91%	9%
2020	57%	77%	81%	88%	91%	9%
2021	59%	82%	87%	92%	95%	5%
2022	60%	81%	87%	92%	95%	5%
2023	64%	80%	85%	91%	94%	6%

Source: Revenue analysis.
Note: days refer to calendar days rather than working days, repayments refer to internal VAT3 only and offsets to other tax head liabilities of the taxpayer are not included. Refunds are also not included (e.g. taxpayer overpayments, payments made to unregistered VAT traders).

4.3 Payments to Unregistered Cases

Certain persons or businesses not registered for VAT may reclaim VAT under a number of conditions.[8] As shown in Table 10, the level of these repayments increased in 2023 by 1.8 per cent to €145.0 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	2020 €m	2021 €m	2022 €m	2023 €m
Disabled Drivers Refunds	25.3	27.1	29.1	32.8
Disabled Persons Equipment	5.1	5.2	7.5	7.1
Diplomats	1.4	1.9	2.0	2.2
Fishing Boats and Diesel	0.0	0.0	0.0	0.0
Foreign Parcel Post Refund	0.1	0.1	0.0	0.0
Farmers	80.0	85.7	89.3	88.0
Foreign Traders Non-EU	2.6	1.0	0.9	1.4
Foreign Traders EU	0.5	0.7	0.4	1.0
Touring Coaches	4.2	0.8	7.2	7.5
EU Institutions	0.1	0	0.0	0.0
Interest Payable	0.0	0.0	0.0	0.0
Humanitarian Goods, etc	0.6	1.2	0.5	0.0
EC Food and Veterinary	0.0	0.0	0.0	0.0
Charities VAT	5.0	5.0	5.0	5.0
Total	**124.8**	**128.7**	**142.0**	**145.0**

Source: Revenue analysis.

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

4.4 Payments under the Electronic VAT 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 business 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 €37.1 million in 2023, down from €48.4 million in 2022. The primary reason for this decrease was down to lower fuel costs during 2023.

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[9];
- €41,000 for businesses making acquisitions from other EU Member States; or
- €75,000 for businesses supplying goods.

From January 1 2024, the thresholds for businesses supplying services only and goods were increased to €40,000 and €80,000 respectively.

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 register if they wish.

Box 6: Farmer Flat Rate

Irish and EU VAT legislation provides that all farmers involved in agricultural production may elect to register for VAT or can remain unregistered and be treated as "flat-rate farmers" for VAT purposes.

Farmers who elect to register for VAT have an entitlement to reclaim VAT on costs incurred in relation to the farm business. In recognition of the fact that unregistered farmers generally cannot reclaim VAT, the flat-rate scheme was designed to compensate them on an overall basis for the VAT incurred by them on their purchases of goods and services relating to their farming business. The flat-rate scheme sets out a percentage amount, known as the flat-rate addition, which unregistered farmers apply to their prices when selling to VAT-registered businesses, for example co-ops, marts and meat factories.

The farmers flat-rate addition ("FRA") is calculated by Revenue using inputs from agriculture macro-economic data that is provided by the Central Statistics Office (CSO). It is expressed as a percentage applied to the value of qualifying agriculture activities. The FRA is calculated on annual data and the average rate taken across three of the most recent years. This is provided to the Department of Finance prior to each Budget. The primary drivers which can impact the FRA in a given year are the changes in the value of VAT incurred on agriculture inputs and changes in the value of agriculture outputs. As such the rate needs to be calculated each year as the ratio of VAT on inputs to the value of outputs can fluctuate over time. When calculating the FRA, VAT incurred on inputs that are covered by the VAT58 refund scheme are not included in the calculations (i.e. farm buildings and land improvements) – because the VAT costs that come within the scope of the VAT58 scheme are refunded to flat-rate farmers through that particular scheme, and not as part of the FRA.

In **2023** farmers who are not registered for VAT (flat-rate farmers) were entitled to charge a flat-rate addition of **5.0%** on sales to VAT registered businesses. The flat rate addition was reduced to 4.8% in Budget 2024 (October 2023) due to increased prices charged at the factory gate relative to smaller increases in inputs which are taxable from a VAT perspective.

In 2022 it was estimated that farmers reclaimed €531 million of VAT from the addition of the farmer flat rate (then 5.5%). 2022 is the most recent year for which there are finalised data from the CSO.

[9] 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

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 2022 to 2023.

Figure 5: Change in Number of Registered Traders 2022 to 2023

Source: Revenue analysis.

Table 11: Number of Registered VAT Traders

Year	Registered Traders*	New/Re-Registered	Cancellations	Net Growth	Active Traders**
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
2023	282,688	24,777	21,080	1%	199,355

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

Source: Revenue analysis.

Table 11). An increase of 1.8 per cent in active traders was recorded in 2023.

The most common reason for the cancellation of a VAT registration is a business ceasing trading (69 per cent of ceased registrations in 2022), followed by a reduction in a business turnover below the VAT registration threshold (10 per cent) or going into liquidation (7 per cent). Other reasons are compulsory deregistration or case mergers, or no longer trading intra-EU (14 per cent). The relative importance of these reasons is in line with the pattern in 2022 and prior years.

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 24,777 new or re-registrations in 2023, 96 per cent were domestic only, with the remaining 4 per cent 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 62.2 per cent while 31.8 per cent are sole traders. The remaining 5.6 per cent is comprised of partnerships, trusts and unincorporated bodies. Companies experienced the largest year on year growth (2.5 per cent) from 2022 to 2023.

Table 12: VAT Registration by Business Type

Year	Company	Individual	Partnership	Trust	Unincorporated Body	Total
2021	166,509	90,336	13,216	693	4,557	275,311
2022	171,687	89,640	12,529	684	4,314	278,854
2023	175,945	90,081	11,914	673	4,075	282,688

Source: Revenue analysis.

5.3 Trader Sector

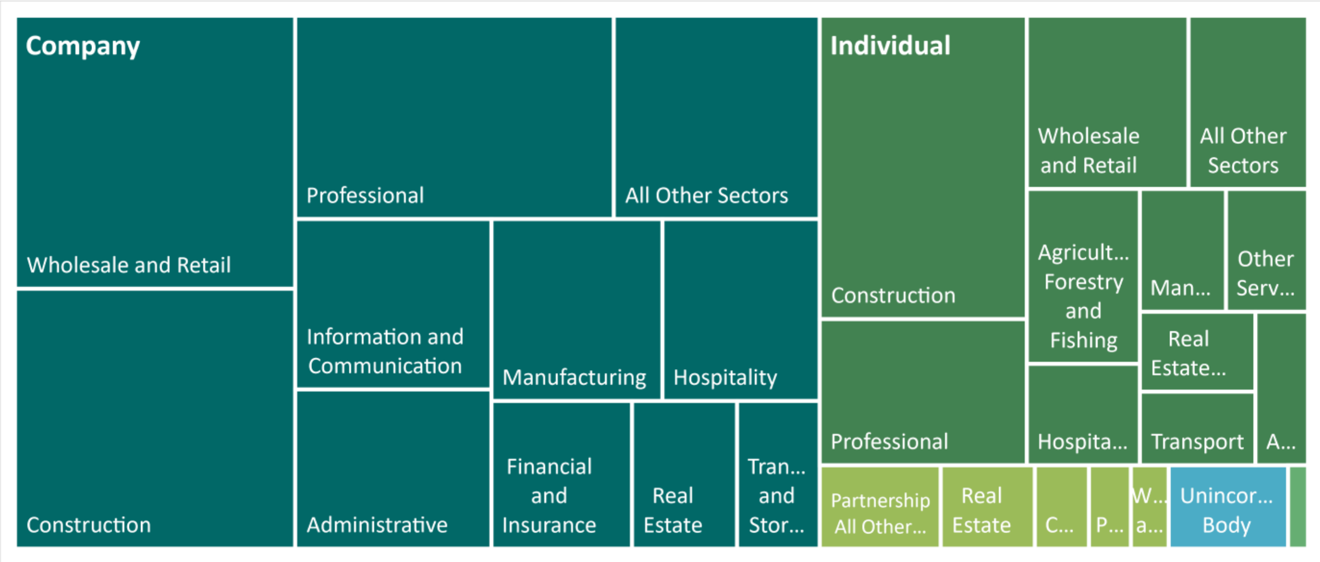
The distribution of VAT registered traders by sectors (using the NACE classification system – see Box 4) is shown in Table 13 and Figure 6 shows this segmented by business type. Construction, Wholesale & Retail Trade and Professional, Scientific & Technical are the sectors with the highest numbers of registered traders, accounting for just over 50 per cent of all registrations in 2023 but the order of these varies by business type (see Figure 6).

Table 13: VAT Registrations by Sector

Sector	Registrations at end 2023	+/- 2022	New in 2023	Cancellations in 2023
Construction	57,646	4%	5,825	3,730
Wholesale & Retail Trade	44,260	-2%	2,911	3,624
Prof, Scientific & Tech	40,495	2%	3,586	2,808
Accommodation & Food	17,651	0%	1,811	1,752
Manufacturing	17,502	1%	1,288	1,142
Info & Communication	16,390	4%	1,557	988
Administrative & Support	16,100	1%	1,545	1,322
Real Estate	13,868	-3%	730	1,176
Agri, Forestry & Fishing	13,075	2%	760	552
Transportation & Storage	9,336	4%	926	584
Financial & Insurance	8,692	-2%	656	839
Other Service Activities	8,527	3%	1,030	751
Education	5,099	3%	369	238
Arts, Entertainment	5,046	3%	523	379
Human Health	2,553	5%	399	277
Activities of Households	2,471	7%	464	535
Water Supply & Sewerage	1,240	-1%	60	72
Public Administration	1,147	4%	93	41
Utilities	1,002	-6%	155	233
Mining & Quarrying	467	-1%	25	23
Other/ Not Classified	121	5%	64	14
Total	**282,688**	**1.4%**	**24,777**	**21,080**

Source: Revenue analysis * records determined as the dates entered onto Revenues IT systems.

Figure 6: VAT Registrations by Business Type in 2023



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.[10]

In 2023, over two thirds of traders filed their VAT3 returns on a two monthly basis and paid the majority (92 per cent) of VAT. These traders also accounted for 98 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	71%	92%	98%
Four Monthly	16%	3%	1%
Six Monthly	7%	<1%	<1%
Twelve Monthly	6%	5%	<1%

Source: Revenue analysis.

[10] 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 2023 there were 13,999 live VAT registered traders who were members of a VAT group remitter scheme (with at least two active VAT registered traders). Of these, there were 2,869 registered VAT group remitters. However, not all these group remitters filed a VAT return in 2023.

This small group of traders contributed to a significant proportion of the VAT collected in 2023.

VAT Collected from VAT groups.

Year	Payments €B	Repayments €B	Net VAT €B	Number of remitters
2023	6.2	-1.5	4.7	2,043
2022	6.6	-1.8	4.8	2,087
2021	5.0	-1.3	3.8	2,197
2020	4.2	-1.5	2.8	2,201
2019	4.8	-1.5	3.3	2,210

Source: Revenue analysis.

The most common number of members in a VAT group was two. Group sizes of 20 or more accounted for 2.4 per cent of all groups but contained 30 per cent of all these VAT registered traders.

The economic sectors accounting for the largest percentage of taxpayers within VAT groups were Administrative and Support Services Activities (28.7 per cent), Wholesale and Retail Trade (16.2 per cent) and Financial and Insurance Activities (14 per cent). The financial services sector had the highest number of VAT group remitters.

35 per cent of VAT group remitters had all their members assigned within a single economic sector, however 44 per cent of remitters had their members split across two different economic sectors with the remaining 21 per cent split between 3 and 8 different economic sectors. This distribution across economic sectors 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 VAT group remitter – see Box 4.