

FINANCE ACT 2019

VALUE-ADDED TAX

NOTES FOR GUIDANCE

Issued by VAT Policy and Legislation Branch, 23 December 2019.

52. Interpretation (Part 3)

This section defines the Principal Act as the Value-Added Tax Consolidation Act 2010 for the purposes of Part 3 of the Act. This is a conventional provision in Finance Acts. It allows abbreviated terms to be used for references to previous legislation and thus facilitates drafting and subsequent reading of the legislation. For example, the term “Principal Act” used in Part 3 of this Act refers to the Value-Added Tax Consolidation Act 2010.

53. Amendment of Chapter 1 of Part 8 of the Value-Added Tax Consolidation Act 2010 (general provisions)

Summary

This section amends the general provisions on deductions as provided for in the Value-Added Tax Consolidation Act 2010.

Details

Paragraph (a)(i) amends the definition of a ‘qualifying vehicle’ as provided for in section 59(1) of the VAT Consolidation Act. This *paragraph* also removes section 59(2A) from the VAT Consolidation Act which provided for deductibility in relation to VAT incurred on services, such as legal fees, relating to a transfer of business. Instead, VAT deduction is determined by reference to the general rules on deduction as already provided for in the VAT Consolidation Act.

The amendment to the definition of ‘qualifying vehicle’ reduces the allowable threshold of CO₂ emissions to less than 140g/km, from the previous threshold of less than 156g/km, for vehicles that are first registered for Vehicle Registration Tax (‘VRT’) on or after 1st January 2021.

A vehicle’s status as a ‘qualifying vehicle’ is determined by reference to its CO₂ emissions as at the date of its first registration for VRT purposes. Therefore, where a vehicle is a qualifying vehicle at the date of its first registration, an entitlement to deduction in respect of that vehicle will apply provided that the other conditions for deduction are also met.

The current level of CO₂ emissions, being less than 156g/km, continues to apply to vehicles first registered for VRT in the period from 1st January 2009 up to and including 31st December 2020.

The lower CO₂ emissions threshold of less than 140g/km will apply from 1st January 2021.

Paragraph (a)(ii) amends section 59 of the VAT Consolidation Act by removing subsection (2A).

The removal of section 59(2A) affects the basis for determining an entitlement to deduct VAT on any services such as those provided by solicitors and accountants, etc., that are used to effect a transfer of business within the meaning of section 20(2)(c) of the VAT Consolidation Act. As a result of this amendment, accountable persons will now need to determine their entitlement to deduction on such costs, if any, by reference to the general rules on deduction as already provided for in section 59(2), and where appropriate, in accordance with section 61 of the VAT Consolidation Act.

Paragraph (b) is a consequential amendment which deletes the reference to subsection (2A) of section 59 that was previously referred to in Section 62A(1)(a) of the VAT Consolidation Act.

Commencement

This section has effect from the date of passing of the Finance Act (22 December 2019).

54. Amendment of section 108 of the VAT Consolidation Act 2010 (inspection and removal of records)

Summary

This provision amends section 108 of the Value-Added Tax Consolidation Act 2010 to clarify that the powers conferred on an authorised officer of the Revenue Commissioners may be used by such an authorised officer in respect of mutual assistance requests received from other Member States.

Details

Section 108 enables authorised officers of the Revenue Commissioners to enter business premises, inspect business records and, in certain circumstances, to remove the records and retain them for a reasonable period of time.

This amendment does not confer any additional powers on the Revenue Commissioners. Instead, the amendment simply clarifies that the powers contained in section 108 of the VAT Consolidation Act may be used by Revenue in respect of mutual assistance requests.

Commencement

This section has effect from the date of passing of the Finance Act (22 December 2019).

55. Amendment of Part 2 of Schedule 3 to VAT Consolidation Act 2010 (goods and services chargeable at the reduced rate)

Summary

This section amends Schedule 3 of the Value-Added Tax Consolidation Act 2010 to provide that food supplements are subject to the reduced rate of VAT from 1st January 2020.

Details

This section inserts a new paragraph 3A into Schedule 3 to the VAT Consolidation Act to provide that food supplements of a kind used for human oral consumption are liable to VAT at the reduced rate in accordance with section 46(1)(c) of the VAT Consolidation Act.

Commencement

This section has effect from 1st January 2020.