

FINANCE ACT 2025
VALUE-ADDED TAX
NOTES FOR GUIDANCE

Issued by VAT Policy and Legislation Branch, 24 December 2025

67. Definition (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.

68. Persons not accountable persons unless they so elect

Summary

This section amends sections 4(1), 6, 17(2) of, and paragraph 12(1A) of Schedule 3 to, the Value-Added Tax Consolidation Act 2010 to align it with the EU VAT Directive, specifically amending how registration thresholds for agricultural activities excluded from the flat-rate scheme, and from the provision of sporting facilities by the State or a public body, should be calculated.

Details

Paragraph (a)(i) of subsection (1) amends subparagraph (b)(ii) of section 4(1) of the Principal Act to align it with the EU VAT Directive. This subparagraph includes, in the definition of a farmer for VAT purposes, a person supplying services consisting of the training of horses for racing, below the services threshold. The amendment provides that the services threshold is to be assessed on actual annual turnover in the current and previous calendar years.

Paragraph (a)(ii) of subsection (1) similarly aligns subparagraph (b)(iii) of section 4(1) of the Principal Act with the EU VAT Directive by substituting “annual turnover” (as defined in the Principal Act) for “consideration”.

Paragraph (b)(i) amends section 6(1)(a) of the Principal Act to align it with the EU VAT Directive such that registration obligations of farmers are now assessed on actual turnover in the current and previous calendar years. It also provides that the annual turnover in the

current and previous calendar years from agricultural activities covered by an order under Section 86A are to be included in the registration assessment calculation. The amendments also ensure the obligation to register is from when the threshold is reached.

Clause II of paragraph (b)(i) amends paragraph (b)(ii)(II) of section 6 of the Principal Act to align it with the EU Directive by substituting “annual turnover” for “consideration” thereby ensuring consistency within the Principal Act.

Paragraph (b)(ii) amends section 6(2)(c) of the Principal Act to include goods and services covered by an order issued under section 86A in the anti-fragmentation rules applied to farmers.

Paragraph (c) amends section 17(2)(a) of the Principal Act to align it with the EU VAT Directive and the Principal Act such that the registration obligation of farmers supplying racehorse training services will be assessed based on the total annual turnover in the current or previous calendar years. If they exceed the services threshold, they continue to be an accountable person only in respect of the racehorse training services, intra-Community acquisitions, and certain services received from abroad.

Paragraph (d) amends paragraph 12(1A) in Part 2 of Schedule 3 to the Principal Act to align it with the EU VAT Directive and the Principal Act such that the turnover from the supply of sporting and closely related activities by the State or a public body will be assessed for registration purposes on actual turnover in the current and previous calendar years.

Commencement

This section has effect from 1 January 2026.

69. Amendment of section 46 of Principal Act (reduced rate for electricity and gas)

Summary

This section amends section 46 of the Value-Added Tax Consolidation Act 2010. It extends until 31 December 2030 the temporary period for which the VAT rate of 9% (the second reduced rate) continues to apply to supplies of gas and electricity.

Details

Section 69 amends paragraph (caa) of section 46(1) to extend the application of the 9% rate of VAT on the supply of gas and electricity until 31 December 2030 (previously 31 October 2025).

Commencement

This section has effect from 8 October 2025.

70. Amendment of section 46 of, and Schedule 3 to, Principal Act (reduced rate for housing as part of a social policy)

Summary

This section amends Section 46 of, and Schedule 3 to, the Value-Added Tax Consolidation Act 2010 to provide for a temporary 9% rate of VAT (the second reduced rate) on the supply and construction of certain apartments and apartments blocks as part of a social policy. The 9% rate will apply until 31 December 2030.

Details

Paragraph (a) of subsection (1) amends section 46(1) of the Principal Act to apply the 9% rate of VAT to goods specified in paragraph 9A of schedule 3, from 8 October 2025 to 25 November 2025.

Subparagraph (i) of paragraph (b) of subsection (1) inserts paragraph 9A to part 2 of schedule 3 to the Principal Act. This defines housing as part of a social policy being the

supply of an apartment used or to be used for residential purposes in an apartment block as defined by section 31E of the Stamp Duties Consolidation Act 1999 (“a multi-storey residential property that comprises, or will comprise, not less than 3 apartments with grouped or common access”).

Subparagraph (ii) of paragraph (b) of subsection (1) removes housing as part of a social policy as included in paragraph 9A of part 2, from paragraph 14 of part 3, of schedule 3 to the Principal Act.

Paragraph (a) of subsection (2) amends section 46(1) of the Principal Act to apply the 9% rate of VAT to goods specified in subparagraph (2) of paragraph 9B of schedule 3 to the Principal Act, and to services specified in subparagraph (3) of paragraph 9A of schedule 3 to the Principal Act, from 26 November 2025 to 31 December 2030.

Clause I of subparagraph (i) of paragraph (b) of subsection (2) removes services referred to in paragraph 9B(3) from paragraph 9(1) of schedule 3 to the Principal Act.

Clause II of subparagraph (i) of paragraph (b) of subsection (2) inserts paragraph 9B to part 2 of schedule 3 to the Principal Act. This sets out what the 9% rate applies to, being the supply and development of housing as part of a social policy, which are, or when completed, will be, one or more apartments in an apartment block, or an apartment block, used or to be used for residential purposes. It also includes a definition of an apartment block being a multi-story building that comprises, or will comprise, not less than 3 apartments with grouped or common access.

Subparagraph (ii) of paragraph (b) of subsection (2) removes the supply of housing as part of a social policy, as included in paragraphs 9A and 9B(2) of Part 2, from Paragraph 14 of Part 3, of Schedule 3 to the Principal Act.

Subparagraph (iii) of paragraph (b) of subsection (2) removes the development of housing as part of a social policy, as included in Paragraph 9B(3) of Part 2, from Paragraph 15(2) of Part 4, of Schedule 3 to the Principal Act.

Commencement

Subsection (1) has effect from 8 October 2025. Subsection (2) has effect from 26 November 2025.

71. Amendment of section 46 of Principal Act (reduced rate for food and drink for human consumption and hairdressing services)

Summary

This section amends section 46 of the Value-Added Tax Consolidation Act 2010. It provides for the application, from 1 July 2026, of the 9% rate of VAT (the second reduced rate) on hairdressing services, and on food and drink for human consumption when supplied as part of a restaurant, catering, or hot takeaway service. It includes hot teas and coffees and fruit juices, but excludes alcoholic beverages, bottled waters, sports drinks, soft drinks and vegetable juices.

Details

Section 71 substitutes paragraph (cb) of section 46(1) to provide for the reintroduction of the 9% rate of VAT for hairdressing services, and for food and drink for human consumption when supplied as part of a restaurant, catering, or hot takeaway service. It includes hot teas and coffees and fruit juices, but excludes alcoholic beverages, bottled waters, sports drinks, soft drinks and vegetable juices.

Commencement

This section has effect from 1 July 2026.

72. Amendment of sections 60 and 120 of, and Paragraph 11 of Schedule 3 to, the Value-Added Tax Consolidation Act 2010

Summary

This section amends paragraph 11 of schedule 3 of the Value-Added Tax Consolidation Act 2010 to ensure that supplies of the hire of rooms in hotels and guesthouses for use other than as accommodation are taxable at the standard rate of VAT.

Consequential amendments are also made to sections 60 and 120 of the Value-Added Tax Consolidation Act 2010.

Details

Paragraph (a) amends section 60(1) of the Principal Act which provides the definition of qualifying accommodation. This consequential amendment ensures that the language used in this definition is consistent with the language used in paragraph 11 of Schedule 3 of the Principal Act, as amended.

Paragraph (b) amends section 120(15) of the Principal Act. This subsection provides the Revenue Commissioners with the power to make regulations to provide for the circumstances, terms and conditions under which a letting of immovable goods constitutes a letting in the guest or holiday sector for the purposes of paragraph 11 of schedule 3 of the Principal Act. This amendment is consequential to the amendment made in paragraph 11 of schedule 3 to the Principal Act.

Paragraph (c) amends paragraph 11 of schedule 3 to the Principal Act to ensure that the hire of rooms in hotels and guesthouses for use other than as accommodation, such as rooms hired for conferences, wedding fairs, trade events, etc., are taxable at the standard rate of VAT. Lettings of immovable goods which consist of the provision of holiday or guest accommodation such as a hotel, a guesthouse, all or part of a house or an apartment, or another establishment, including the letting of a place in a caravan or camping site continue to be taxable at the reduced rate of VAT.

Commencement

This section has effect from 1 January 2026.

73. Amendment of section 86 of the Principal Act (special provisions for tax invoiced by flat-rate farmers)

Summary

This section amends section 86 of the Value-Added Tax Consolidation Act 2010 to provide for a decrease in the farmers' flat-rate addition from 5.1% to 4.5%.

Details

The flat-rate scheme is a simplified and practical method of applying VAT to farming. It compensates unregistered farmers, on an overall basis, for the VAT charged to them on their purchases of goods and services. 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 (co-ops, meat factories, etc.) and is reviewed annually. The VAT-registered businesses treat the flat-rate amount as normal business inputs in their periodic VAT returns.

The new rate of 4.5% for 2026 will achieve full compensation under the scheme.

Commencement

This section has effect from 1 January 2026.

74. Amendment of section 96 of Principal Act (waiver of exemption under old rules)

Summary

Section 74 amends Section 96 of the Value-Added Tax Consolidation Act 2010 to provide for the removal of the VAT on property waiver of exemption provisions. The section also applies the cancellation of all waivers from that date.

Details

Paragraph (a) confirms all waivers will cease to have effect from the date of passing the Finance Act 2025.

Paragraph (b) amends references on foot of the cancellation of waives under paragraph (a).

Paragraph (c) inserts subsections (7A) and (7B) to section 96 of the Principal Act. Subsection (7A) cancels all waivers in place at the date of passing of the Finance Act 2025 on that date. Subsection (7B) confirms the capital goods scheme adjustment period for properties subject to waivers ceases on the date of passing of the Finance Act 2025.

Paragraph (d) deletes subsections (3), (4), (8), (9), (10), (11) and (12) of section 96 as they are no longer required as all waivers cease at the date of passing of the Finance Act 2025.

Commencement

This section has effect from date of passing of the Finance Act 2025 (23 December 2025).

75. Amendments consequential on amendment of section 96 of Principal Act

Summary

Section 75 amends Sections 15 and 120 of the Value-Added Tax Consolidation Act 2010. These are consequential amendments required following the removal of waiver provisions in Section 74.

Details

Paragraph (a) removes waiver references to VAT group provisions. This is a consequential amendment.

Paragraph (b) removes the ability to make regulations to provide for matters related to waivers.

Commencement

This section has effect from the date of passing of the Finance Act 2025 (23 December 2025).

76. Amendment of Section 115 of Principal Act (penalties generally)

Summary

This section amends section 115(1C) of the Value-Added Tax Consolidation Act 2010 to clarify when penalties for non-compliance with CESOP obligations can be applied.

Details

Paragraph (a) removes references to sections 85F and 85G from paragraph (b) of section 115(1C) as a consequence of the amendment in paragraph (b).

Paragraph (b) inserts a new paragraph (d) to subsection (1C) of section 115. This paragraph explicitly provides that a fixed penalty of €4,000 can be imposed where the reporting requirements provided for in sections 85F and 85G are not fulfilled, from the day after the filing deadline. The amendment also clarifies that Revenue can apply a further penalty of €4,000 with respect to this failure to report from the day after each subsequent reporting deadline where the PSP has not regularised its reporting requirement and there is continued non-compliance.

Commencement

This section has effect from 1 January 2026.

77. Amendment of paragraph 6(2) of Schedule 1 to Principal Act (financial services)

Summary

Section 77 inserts a new clause in paragraph 6(2) of Schedule 1 to the Value-Added Tax Consolidation Act 2010 to provide for the VAT exemption to the supply of financial services, which consist of the managing of the Automatic Enrolment Retirement Savings System.

Details

Paragraph 6(2) of schedule 1 to the Principal Act provides for the VAT exemption of qualifying financial services. On 1 January 2026, the Automatic Enrolment Retirement Saving System will go live. To allow for the VAT exemption of services supplied for the management of this system, a new clause has been inserted to Paragraph 6(2) Schedule 1.

Commencement

This section has effect from the date of passing of the Finance Act 2025 (23 December 2025).