

## **Reverse Charge for trading in Greenhouse Gas Emission Allowances**

This document should be read in conjunction with section 16(2) of the Value-Added Tax Consolidation Act 2010 (VATCA)

Document reviewed September 2019

---

## 1 Introduction

This guidance sets out the reverse charge mechanism that applies to the supply of greenhouse gas emission allowances between taxable persons carrying on a business in the State. The reverse charge on the intra-Community supply of these allowances arises under the general received services rules under section 12 of VATCA.

The reverse charge on these domestic supplies was introduced to combat VAT fraud.

## 2 What are greenhouse gas emission allowances?

Greenhouse gas emission allowances are allowances / units that are tradable under the [European Union Emissions Trading Scheme](#) (EU ETS) which is governed by Directive 2003/87/EC and Council Directive 96/61/EC.

## 3 How does the reverse charge apply to greenhouse gas emission allowances?

Under the reverse charge mechanism, the obligation to pay VAT is shifted from the person making the supply onto the person receiving the supply. The reverse charge mechanism combats fraud by shifting the VAT liability from the supplier to the purchaser.

The purchaser is liable for the VAT in respect of the supply of greenhouse gas emission allowances. The supplier will not charge VAT in respect of those supplies. The supplier must provide a document to the recipient indicating that the recipient is liable to account for the VAT. This document should also indicate such other particulars that would ordinarily be included on an invoice (other than the amount of tax payable).

The purchaser is obliged to account for the tax in his or her VAT return. This tax may be deductible for VAT purposes, under the normal rules that apply to deductibility.