

Reverse charge on supplies of Scrap Metal

This document should be read in conjunction with section 16 of the VAT Consolidation Act 2010 (VATCA 2010) and paragraphs (1) to (3) of Annex VI of the VAT Directive

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Introduction

This guidance sets out the reverse charge mechanism that applies to the supply of scrap metal between taxable persons carrying on a business in the State.

1. Key definitions

1.1 What is scrap metal?

Scrap metal includes:

- scrapped metal and metal waste originating from, or extracted from, the processing of metals,
- metal derived from vehicles,
- metal derived from construction and demolition waste,
- machine parts and metal items no longer useable in their original form due to their breaking, obsolescence, shearing, wearing or the like,
- ferrous and non-ferrous waste, scrap, and used materials including that of semi-finished products resulting from the processing, manufacturing or melting down of ferrous and non-ferrous metals and their alloys,
- ferrous and non-ferrous semi-processed products and certain associated processing services, and
- residues and other recyclable materials consisting of ferrous and non-ferrous metals, their alloys, slag, ash, scale and industrial residues containing metals or their alloys.

1.2 What does dealing in scrap metal mean?

Dealing in scrap metal means the purchase, sale, resale or recovery of scrap metal.

1.3 What does recovery mean?

Recovery in relation to scrap metal means any activity carried on for the purposes of reclaiming, recycling or re-using, in whole or in part, scrap metal and any activities related to such reclamation, re-cycling or re-use.

2. Who is impacted?

The reverse charge on supplies of scrap metal will impact on:

- taxable persons carrying on a business in the State, which consists of, or includes, dealing in scrap metal and who receive supplies of scrap metal from other taxable persons who carry on a business in the State,
- taxable persons carrying on a business in the State who supply scrap metal to taxable persons in the State, and persons whose business activity includes purchases or sales of scrap metal products, such as scrap metal from construction activities or scrap metal from the jewellery trade.

3. How the reverse charge works

Under the reverse charge mechanism, the obligation to account for and pay for the VAT is shifted from the person making the supply onto the person receiving the supply.

- The supplier issues a document (reverse charge invoice) to the recipient that includes all of the information required on a VAT invoice, except the VAT rate and the VAT amount. It should also state that it is the recipient who is accountable for the VAT and include the statement, "VAT on this supply is to be accounted for by the recipient".
- If there is prior agreement between the supplier and the recipient, the recipient may issue the reverse charge invoice, subject to agreed procedures being in place for the acceptance by the supplier of the validity of the invoice.
- The recipient does not pay the VAT to the supplier but instead accounts for it in the VAT return for the relevant period in VAT on Sales (T1).
- The recipient can claim a simultaneous input credit in VAT on Purchases (T2) for that VAT if he or she has valid documentation and would have been entitled to an input credit if that VAT had been charged by the supplier.

Example 1

Business A supplies scrap metal to Business B for consideration of €1,000 (excl. VAT). Both businesses are VAT-registered.

- Business A raises an invoice (or, if agreed, Business B may raise the invoice), which shows that the recipient (Business B) is accountable for the VAT.
- The VAT amount or rate is not shown on the invoice.
- Business B calculates the VAT ($1,000 \times 23\% = €230$) and accounts for it in the VAT return for that period as VAT on Sales (T1).
- Business B, subject to deductibility rules, can claim input credit, in the same return for that VAT (T2).

Business B supplies the scrap metal to Business C, also VAT-registered, for €1,300 (excl. VAT).

- Business B (or Business C, if agreed) raises the invoice, without showing the VAT rate and VAT amount but indicating that Business C is accountable for the VAT.
- Business C calculates the VAT ($€1,300 \times 23\% = €299$) and accounts for the VAT in the VAT return for the period at T1.
- Business C, subject to deductibility rules, can claim input credit for that VAT in the same return at T2.

Example 2

Jeweller D purchases a second-hand bracelet from a private individual and sells it on to another private individual. There are no reverse charge implications for either transaction. Normal VAT rules will apply.

Example 3

Jeweller D purchases broken jewellery from a private individual and sells it on as scrap to a VAT-registered Business E for consideration of €500 (excl. VAT).

- Jeweller D raises an invoice (or, if agreed, Business E may raise the invoice), which shows that the recipient (Business E) is accountable for the VAT.
- The VAT amount or rate is not shown on the invoice.
- Business E calculates the VAT ($500 \times 23\% = €115$) and accounts for it in the VAT return for that period as VAT on Sales (T1).
- Business E, subject to deductibility rules, can claim input credit, in the same return for that VAT (T2).

4. Deductibility

Where the recipient of a supply of scrap metal is accountable for VAT under the reverse charge rules, that recipient can claim a simultaneous input credit in respect of that VAT but only if:

- The recipient has a valid reverse charge invoice, whether drawn up by the supplier or (by agreement) the recipient.
- The recipient is engaged in fully taxable activities and would have been entitled to deductibility if the VAT was invoiced under normal VAT rules.

5. Supplies of scrap metal from persons not registered for VAT

Where a recipient receives a supply of scrap metal from persons who are not registered for VAT, the dealer must keep a full record of those supplies. The dealer should issue to the supplier, and retain a copy of, a document which contains the following information:

- The date of issue of the document.
- A sequential number, based on one or more series, which uniquely identifies the document.
- The full name and address of the person who supplied the goods to which the document relates.
- The full name and address of the person to whom the goods were supplied.
- The quantity and nature of the goods supplied.
- The date on which the supply was made.
- The unit price of the goods supplied, any discounts or price reductions not included in the unit price.
- The amount of the consideration.
- Agreed procedures for the acceptance by the supplier of the validity of the document (e.g. signature of both parties).

A trader whose supplies of taxable goods within any continuous period of 12 months exceeds the VAT Registration threshold is obliged to register for VAT. If a person dealing in scrap metal receives supplies of scrap metal, the value of which exceeds the [VAT Registration Threshold](#) in any 12-month period, from a trader who is not registered for VAT, that person must notify the Revenue Commissioners.

6. Margin Scheme Goods

Scrap metal cannot be included in the [Margin scheme - Second-hand Goods](#).

7. Zero-rating scheme for qualifying businesses

Where a taxable person qualifies for the zero-rating scheme for businesses, that person is not authorised to receive supplies of scrap metal at the zero-rate. Qualifying persons under the zero-rating scheme must account for the VAT on supplies of scrap metal from other taxable persons in the State at the [standard rate](#).