

VAT on gifts and promotional goods / schemes

This document should be read in conjunction with section 21 of the VAT Consolidation Act 2010 (VATCA 2010) and regulation 5 of the VAT Regulations 2010.

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Introduction

This guidance sets out the VAT treatment of gifts, industrial samples, and advertising goods and replacement goods. It also details the VAT treatment in relation to money-off schemes and cash back schemes.

1. VAT and gifts

For VAT purposes, a gift of a good only arises where no consideration is received for it by the supplier. While no consideration is given, a gift can still come within the scope of VAT under certain circumstances.

A supply of a good is not considered a gift for VAT purposes if the customer pays or is required to pay consideration to receive the good. This is the case even where the business describes the good as a "gift", or as being "free". Examples of such supplies include:

- "buy one, get one free",
- a free bar of chocolate with the purchase of a jar of coffee, and
- a CD/promotional item with a newspaper/magazine.

Where there is consideration it is always referable to all the items supplied. In such cases, the supply of the item described as 'a gift' or 'free' is liable to VAT under the normal rules at the appropriate rate(s); it is not considered a gift for VAT purposes.

1.1 What is the VAT treatment of a gift?

Where a gift is given by a business for no consideration, it is deemed to be effected for consideration in the course or furtherance of business and is liable to VAT.

However, a gift is not liable to VAT where (subject to certain conditions):

- the cost of the gift to the donor does not exceed €20 (excluding VAT)

or

- the gift is an industrial sample(s).

Only those businesses entitled to deduct the VAT on goods have a liability to account for VAT when they give a good as a gift.

Example 1

A supermarket gives away a car as a gift each year free of charge. The supermarket is not entitled to deduct the VAT on the acquisition of the vehicle. As such, it would not be liable to account for the VAT on the car.

1.1.1 Gifts not exceeding €20 (excluding VAT)

Where the cost of the gift to the donor does not exceed €20 (excluding VAT), the gift is not liable to VAT. However, if the gift forms part of a series or succession of gifts made to the same person, then the gift(s) are liable to VAT. This applies whether the series or succession of gifts are given each week, or month.

Example 2

A business gives a series of gifts of crockery to a customer each week. The crockery is part of a complete China set. The business can not avail of the gift rule and must account for the VAT on the gift of the crockery.

1.1.2 Industrial samples

A gift of industrial samples will not be subject to VAT where it is:

- made in reasonable quantity
- to an actual or potential customer and
- in a form not ordinarily available for sale to the public.

This applies regardless of the value of the goods.

1.2 What is the taxable amount for a gift?

Where gifts are taxable, the taxable amount is their cost to the donor, excluding VAT.

In the case of gifts costing more than €20, no allowance is made for the €20 amount below which gifts are not taxable.

Example 3

A business makes a gift of goods costing €20 (excluding VAT). The business is not liable for the VAT.

Example 4

A business makes a gift of goods costing €21 (excluding VAT). The business is liable for VAT on the full €21 amount.

1.3 What rate of VAT applies?

The rate of VAT depends on the goods involved.

Revenue's [VAT Rates Database](#) can be used as a resource to check the current VAT rates that apply to various supplies of goods and services.

1.4 Self-supplies

For VAT purposes, the self-supply of a good does not come within the gifts rule and is subject to VAT, so it is necessary to distinguish a gift from a [self-supply](#).

A self-supply of a good is deemed to be made for consideration in the course or furtherance of business. The self-supply rule applies, for example, where a retailer takes an item of their stock for his or her own use.

2. Advertising goods

Certain advertising goods given free of charge for business use to trade customers¹ may be supplied free of VAT even where they exceed €20 (cost). The goods are only considered to be advertising goods where they bear the donor's name, logo, or product (provided that the logo or product are visibly linked to the donor's name). The goods must be clearly advertising a product of the donor; essentially their function is the promotion of the donor's products to the end-customer (private or business) and are not for re-sale themselves.

Examples include:

- advertising mirrors, glasses or beer mats,
- display stands,
- showcases.

¹ Such as hotels, public houses, grocers and jewellers.

Example 5

A brewery supplies a range of beers and stouts to pubs. The brewery provides the pubs with beer mats and glasses that advertise its company and its products. Its logo is prominently displayed on the mats and the glasses.

The cost to the brewery of the advertising goods exceeds €20. The brewery is not liable for the VAT on the beer mats and glasses that it provides to the pubs.

3. Replacement goods

Replacement goods are not taxable when they are supplied free of charge in accordance with warranties or guarantees pertaining to the original goods.

4. Promotional Schemes

4.1 'Money-off' Schemes

These are schemes under which a manufacturer (or a distributor or wholesaler) redeems a money-off voucher, issued in his / her name, which has been accepted by a retailer as part payment for the sale of a good to his or her customer.

In such circumstances:

- the retailer accounts for VAT on the full consideration receivable for the supply of goods, including the value of the money-off voucher received, and
- any reimbursement made by the manufacturer to the retailer, on redemption of the money-off coupon from the retailer, is a reduction in the consideration receivable by the manufacturer for those goods. This entitles the manufacturer to an adjustment of the VAT due in respect of the supply of goods to the retailer. The amount of the adjustment claimed is based on the amount reimbursed to the retailer being inclusive of VAT at the rate appropriate to the goods or services supplied by the retailer.

4.2 'Cash-back' Schemes

These are schemes under which a manufacturer (or a distributor or wholesaler) undertakes to refund cash directly to a customer on the making of specific purchases.

The customer sends a voucher back to the manufacturer (indicating proof of a qualifying purchase) and the manufacturer sends money to the value of the voucher directly back to the customer.

In such circumstances the VAT inclusive consideration receivable by the manufacturer is reduced by the amount refunded to the customer and he / she is entitled to an adjustment in his / her VAT return in the amount of the VAT which is included in that refund. The manufacturer must retain adequate records of refunds made and keep such records available for inspection.