Retailers Special Schemes

Document last reviewed April 2025

Table of Contents

Introduction

This guidance sets out details of Revenue's special schemes for retailers which are designed to assist retailers in accounting for VAT on their retail transactions.

For information on the special scheme for pharmacists please see Revenue's guidance on Pharmacists scheme for VAT.

1. Purpose of the schemes

Some retailers who account for VAT on a cash receipts basis may encounter difficulty in determining the amounts of their sales of goods at different rates of tax. Where all sales are inclusive of tax and the retailer has no facility at check-out point for identifying sales of goods at the different rates of VAT, the special schemes are available to allow the retailer to segregate their total receipts for the purpose of calculating the VAT due.

The schemes cater for different classes of retailers with small to large turnovers and relate to sales chargeable at the zero, reduced, second reduced and standard VAT rates.

To calculate the tax due in a taxable period a retailer must know the amount of purchases at the different rates of VAT and the total retail sales for the respective period. The retailer uses this information to apportion the trading receipts to calculate the VAT due on sales.

2. Who may use the schemes

The schemes may be used only by retailers who:

- sell goods chargeable at two or more VAT rates
- do not have facilities for segregating receipts at point of sale into the different rates and cannot reasonably be expected to do so (see Electronic point of sale (EPOS)/Scanning equipment below)
- sell goods in the form in which they buy them, i.e. without applying any further process in their production/manufacture.

3. Who may not use the schemes

The schemes may not be used in the following circumstances:

- Where a retailer uses Electronic Point of Sale (EPOS) equipment capable of accurately recording sales at the various applicable VAT rates.
- Where a retailer is selling second-hand goods under the Margin Scheme. See Revenue's guidance on Supplies of Second-hand Goods for further information on this scheme.

- Where a retailer has receipts from the provision of services. Where a retailer has combined receipts from services and the sale of goods, the receipts and inputs in respect of the services should be separated out. The balance of the receipts from retail sales should then be segregated between the various VAT rates by using the appropriate scheme.
- Where a retailer is selling goods that the retailer has processed. For example, the purchase of materials for making sandwiches where such an activity forms part of a supermarket café business. The purchases and receipts from such sales should be treated separately.
- Where a retailer is supplying hot take-away food. The retailer must exclude purchases of zero-rated food that is chargeable to VAT at the second reduced rate. The receipts from sales of this food must also be excluded from the total receipts for the purposes of the appropriate retailers' scheme.
- Where a retailer has agreed an otherwise acceptable method of segregating sales at each VAT rate with the local Revenue Branch.

4. Electronic point of sale(EPOS)/Scanning equipment

Traders whose point of sale equipment (typically by means of scanning bar codes) is capable of accurately recording sales at the various VAT rates should use the data produced by the system when completing their VAT returns.

VAT analysis based on till readings, which require the operator of the till to segregate sales into different VAT rates, is not normally acceptable. In such circumstances, the traders concerned should use the appropriate Retailers special scheme as outlined in this guidance.

5. Environmental Levy (Plastic Bags Tax)

Where a retailer supplies plastic bags on which the Environmental Levy is chargeable the total receipts from the levy should be excluded from the sales figures used in the retailer's scheme.

6. Record keeping

Retailers using any of the special schemes in this guidance must retain their scheme workings for each VAT period. This is in addition to keeping those records required by regulations to be retained by taxable persons (see Revenue's website for further information on keeping VAT records).

7. Review and Audit

The use of the schemes by retailers is not obligatory. Retailers should check and ensure that over several taxable periods the estimated sales figures at each rate of tax indicate a realistic mark-up when compared to the purchases at each rate over the same period.

As part of an audit, the Revenue Auditor will check that the VAT returns reflect the mark-ups and product mix of the retailer and may raise assessments where it appears that the returns do not do so accurately. The calculation of VAT on sales through the operation of the schemes is subject to periodic review by Revenue.

8. Different schemes for different retailers

There are 3 different schemes for retailers. The types of business and the appropriate and alternative Schemes are as follows:

The appropriate scheme dependent on turnover and the alternative scheme where appropriate		
Annual Turnover (VAT inclusive)	**Appropriate Scheme**	**Alternative Scheme**
Under €500,000	Scheme 1	Scheme 2, 3
€500,000 to €1,500,000	Scheme 2	Scheme 3
Over €1,500,000	Scheme 3	No Alternative

8.1 Scheme 1 - For Retailers with Annual Turnover less than €500,000

Receipts from sales in the taxable period are to be apportioned in the same ratio as purchases, importations, and intra-Community acquisitions of goods for resale in the same period. In this example the purchases figures include importations inclusive of VAT charged at point of import and the tax-inclusive values of intra-Community acquisitions (ICAs).

Example 1

Total sales including tax in the taxable period: €60,000	
Total purchases, importations, ICAs (tax-inclusive) in the taxable period	**VAT Rate**
€24,000	zero
€15,000	reduced
€9,000	standard

Total Tax-inclusive purchases €48,000

Proportion of turnover €60,000 chargeable at each VAT rate:				
Rate	**Proportion**	**Turnover tax inclusive**	**Tax included**	**Tax Exclusive**
zero	24,000 X 60,000 / 48,000	€30,000	Nil	€30,000
reduced	15,000 X 60,000 / 48,000	€18,750	€2,230	€16,520
standard	9,000 X 60,000 / 48,000	€11,250	€2,104	€9,146

When this exercise is completed the retailer should then complete the VAT return to show at the TI box the aggregate of:

- VAT on supplies as computed above, and
- VAT due on intra-Community acquisitions.

Notes on Scheme 1 - Calculation of Tax-Inclusive Purchases

For the purposes of Scheme 1 it is necessary to calculate the total VAT-INCLUSIVE value of purchases of stock-in-trade. This will include the following:

1. **Purchases from registered persons**
   The figure to be taken is the invoice value of the goods inclusive of VAT.
2. **Imports from non-EU countries**
   In the case of such imports the figure to be taken is the customs entry value of the goods inclusive of VAT paid at the point of import.
3. **Intra-Community acquisitions**
   For goods imported from other EU Member States (ICAs) the figure to be taken is the invoiced value of the goods plus VAT due on the ICA at the Irish rate of VAT applicable to the goods in question.

4. **Purchases from unregistered suppliers**
   No tax will be shown on invoices from these suppliers, but the amount invoiced may be treated as inclusive of VAT.

5. **Purchases from farmers**
   For unregistered farmers, the amount to be included in the scheme workings is the amount inclusive of the flat-rate addition. For a registered farmer the amount to be included in the scheme workings is the total amount paid inclusive of VAT at the appropriate rates.

6. **Goods liable to duty of excise.**
   Any duty of excise paid on acquisition or importation of goods must always be included when calculating the VAT-inclusive price even though they may not have been shown on the supplier's invoice.

8.2 Scheme 2 - For Retailers with Annual Turnover less than €1,500,000

Receipts from sales in the taxable period are segregated by estimating the value of sales at the 2 positive rates (purchases plus average or weighted mark-up) and treating the balance as chargeable at the zero rate.

In this example the purchases figures include importations exclusive of VAT charged at point of import and the tax-exclusive values of ICAs.

Example 2

Total Sales including tax in the taxable period: €87,000

Purchases for resale			
Purchases for resale	**VAT exclusive @ zero rate**	**VAT exclusive @ reduced rate**	**VAT exclusive @ standard rate**
	€14,000	€36,360	€7,200

The total sales figure €87,000 is apportioned as follows:

- **Step 1**: Mark up standard-rated VAT-exclusive purchases, importations and ICAs at the average or weighted mark up.
- **Step 2**: Mark up low-rated VAT-exclusive purchases, importations and ICAs at the average or weighted mark up.
- **Step 3**: Add VAT to marked up standard rate and reduced rate figures and deduct the total from gross sales to arrive at the balance which represents zero-rated sales.

Step 1. Resale purchases at standard rate[1]

VAT-exclusive purchases	€ 7,200
Add Mark up (e.g. 50%).	€ 3,600
VAT-exclusive Sale price	€10,800
Add VAT @ 23%	€ 2,484
VAT-inclusive sale price	€13,284

Step 2. Resale purchases at reduced rate

VAT-exclusive purchases	€36,360
Add Mark up (e.g. 35%).	€12,726
VAT-exclusive Sale price	€49,086
Add VAT @ 13.5%	€ 6,626
VAT-inclusive sale price	€55,712

Step 3. To arrive at zero-rated sales

Total Sales: VAT inclusive	€87,000
Less Estimated Sales at 23% and 13.5% (13,036 + 55,712)	(€68,996)
Balance VAT-inclusive sales at zero rate	€18,004

When this exercise is completed the retailer should then complete the VAT return to show at the TI box the aggregate of

- VAT on supplies as computed above, and
- VAT due on intra-Community acquisitions.

Notes on Scheme 2

1. A variant of this Scheme may be agreed with the local Revenue Branch in the case of retailers where purchases of goods at the standard rate occurs at a seasonal time, e.g. Christmas supplies purchased by Stationers, Tobacconists, etc.

[1] The VAT rate used in the examples are those applying at a point in time and you should therefore check the Revenue website to ensure that you are applying the appropriate VAT rate to a specific transaction.

2. The mark-up figures shown in the example are for illustrative purposes only. Mark-ups will vary and depend on various factors such as the type and location of the business. Retailers should apply the average or weighted rate of mark-up applicable to the standard rate and reduced rate goods. (Please see Appendix 1 for an example of the calculation of average or weighted mark-up). The mark-up used should be reviewed each year.
3. Retailers using this scheme should ensure that the sales figures at the zero per cent has a realistic relationship to purchases at the same rate.
4. Imports from non-EU countries, intra-Community acquisitions, purchases from unregistered suppliers and purchases from farmers are to be dealt with in accordance with the notes on scheme 1.

8.3 Scheme 3 - For Retailers with Annual Turnover exceeding €1,500,000

Receipts in the taxable period are apportioned by reference to marked-up purchases, importations, and ICAs for resale in that period and in the preceding five taxable periods (or the number of periods since trading commenced if less than 5). In this example the purchases figures include importations exclusive of VAT charged at point of import and the VAT exclusive values of ICAs.

Example 3

Total sales including VAT in the Taxable period: €300,000					
Rate of VAT	**Purchases for period (plus 5 previous periods tax-exclusive)**	**Mark-up**	**Purchases marked up to selling price tax-exclusive**	**Tax Added**	**Purchases marked up to selling price tax-inclusive**
zero	€362,750	€108,825	€471,575	Nil	€471,575
Reduced	€129,750	€45,412	€175,162	€23,647	€198,809
Standard	€44,750	€13,425	€58,175	€13,380	€71,555
Total					**€741,939**

The total sales figure **€300,000** is apportioned as follows:

Example 4

Total sales including VAT in the taxable period: €300,000				
Chargeable At	**Calculation**	**Amount Tax-Inclusive**	**Tax included**	**Amount Tax-Exclusive**
Zero	€471,575 X €300,000 / €741,939	€190,979	Nil	€190,979
Reduced	€198,809 X €300,000 / €741,939	€80,388	€9,562	€70,826
Standard	Balance €300,000 less (€190,979 **+** €80,388)	€28,633	€5,354	€23,279

When this exercise is completed the retailer should then complete the VAT return to show at the TI box the aggregate of

- VAT on supplies as computed above, and
- VAT due on ICAs.

Appendix 1

Average or Weighted Mark-ups

Retailers determine the mark-up that they apply to the various goods supplied by them. Accordingly, a retailer using Scheme 2 or 3 should be able to prove the accuracy of the mark-ups used in the chosen scheme workings. When commencing to trade each retailer should carry out the following exercise to determine the appropriate mark-ups to be used in the scheme workings. This exercise should be carried out again at the end of each accounting period.

The average or weighted mark-up is calculated as follows:

- **Step 1** - Break down the business (if all receipts liable at one rate, e.g. pub with no pub grub) into its constituent parts categorising the different types of goods sold.
- **Step 2** - Take a representative period of normal trading and establish what percentage of trading is reflected by purchases in each of the categories.
- **Step 3** - Determine the average rate of mark-up in each category. This is done by comparing the supplier's prices (exclusive of VAT) with the retailer's selling price exclusive of VAT.
- **Step 4** - The average mark-up within each category will reflect itself into the overall rate of mark-up for each rate of VAT. An example may help to illustrate the principle.

Example – average or weighted mark-ups.

Establish the average rate of mark-up on standard-rate goods of a retailer who sells petrol, groceries, hardware, drink, and electrical appliances.
Isolate the purchases in each category and calculate the percentage of standard-rate purchases comprised in that category.

The average rate of mark-up on standard goods	
Category	**% of purchases**
Petrol	9%
Grocery	24%
Hardware	10%
Bar	39%
Electrical Appliances	18%
Total	100%

Ascertain the average mark-up for each category.*

The average mark-up for each category	
Category	**Average Mark-up**
Petrol	8%
Grocery	17%
Hardware	50%
Bar	100%
Electrical Appliances	15%

Apply the mark-up to the corresponding % of turnover for each category.*

The mark-up to the corresponding % of turnover for each category		
Category	**% of purchases by Average Mark-up**	**%**
Petrol	9 x 8% =	0.72
Grocery	24 x 17% =	4.08
Hardware	10 x 50% =	5.00
Bar	39 x 100% =	39.00
Electrical Appliances	18 x 15% =	2.70
Average mark-up		51.5%

*Please note the mark-ups listed above are for illustrative purposes only.