

VAT treatment of the hiring of means of transport

This document should be read in conjunction with section 34, 34(k), (ka), and (kb) and section 35(2) of the VAT Consolidation Act 2010 (VATCA 2010). Article 38, 39 and 40 of Council Implementing Regulation of 15 March 2011 (282/2011/EU).

Document last reviewed April 2019



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Introduction

This guidance sets out the VAT treatment of hiring of means of transport. Hiring is often described as leasing but the term hiring is used throughout this guidance.

The hiring of means of transport is a service and the VAT treatment depends on a number of factors. These include the duration of the hire period, the VAT status and location of the customer, and, in certain cases, the place where the means of transport will be used and enjoyed.

Full details of the place of supply rules are contained in Revenue's guidance [Charging VAT on services](#).

1 What are means of transport?

For VAT purposes, a means of transport includes vehicles, whether motorised or not, and other equipment and devices designed to transport persons or objects from one place to another which can be pulled, drawn, or pushed by vehicles and which are normally designed to be used and actually capable of being used for transport.

Means of transport shall include, in particular, the following vehicles;

- land vehicles such as cars, motor cycles, bicycles, tricycles, and caravans
- trailers and semi-trailers
- railway wagons
- vessels
- aircraft
- vehicles specifically designed for transport of sick and injured persons
- agricultural tractors and other agricultural vehicles
- mechanically or electronically propelled invalid carriages.

Means of transport shall **not** include the following;

- vehicles which are permanently immobilised
- containers.

2 VAT treatment of transactions involving the hiring of means of transport

Different VAT treatments apply to the following transactions involving the hiring of a means of transport;

1. Long term hiring involves the continuous possession or use of the means of transport throughout a period of more than 30 days and in the case of vessels, more than 90 days.

2. Short term hiring involves the continuous possession or use of the means of transport throughout a period of not more than 30 days and in the case of vessels, not more than 90 days.
3. Where a means of transport is hired to a customer within the EU but used and enjoyed outside the EU.

These transactions are covered in more detail below.

2.1 Long term hiring

The VAT treatment applicable to the long term (more than 30 or 90 days as applicable) hiring of means of transport is covered by the normal place of supply of services rules. (See [Charging VAT on services](#))

2.1.1 Supplies to taxable persons (B2B rules)

In accordance with B2B rules, the place of supply of transactions involving the long term hiring of means of transport to a taxable person is the place where that taxable person has established their business.

In the case of cross border transactions within the EU, the taxable person receiving the long term hiring service must account for the VAT on the reverse charge basis. There are no VAT implications in cases where the recipient taxable person is based outside the EU.

2.1.2 Supplies to non-taxable persons (B2C rules)

The place of supply of the long term hiring of a means of transport (excluding a pleasure boat) to a non-taxable customer is where that customer is established, has their permanent address or usually resides.

2.1.3 Pleasure boats

The place of supply of the long term hiring of a pleasure boat is where that pleasure boat is put at the disposal of the customer where this service is actually provided by the supplier from his place of business or a fixed establishment situated in that place.

2.1.3.1 Put at the disposal of the customer

The term "put at the disposal of the customer" is the place where the customer or a third party acting on their behalf takes physical possession of the boat. This is taken as meaning more than simply collecting a vehicle or vessel involved. For the term to apply, other factors should occur, such as, the production of identification, signing contracts, finalising any paperwork, handing over of keys etc.

2.1.3.2 Fixed establishment

The term “fixed establishment” has been considered by the Court of Justice of the European Union (CJEU). The CJEU has laid down the key principle that an establishment must contain a permanent presence of human and technical resources necessary to supply a service, as well as having an office where contracts are signed and facilities to store vehicles and vessels.

If the conditions are not met, then the place of supply of the pleasure boat will be where the non-taxable customer is

- established,
- has their permanent address, or
- usually resides.

For further information, please see [example 3](#) and [example 4](#) under the heading “Long term hiring”, in Appendix 2 to this guidance.

2.2 Short term hiring

The place of supply of short term hiring of means of transport is the place where the means of transport is actually put at the disposal of the customer. This applies whether the customer is a taxable person or a non-taxable person.

As mentioned above, short term hiring involves the continuous possession or use of the means of transport throughout a period of not more than 30 days and, in the case of vessels, not more than 90 days.

As is the case with long term hiring, the term “[put at the disposal of the customer](#)” is the place where the customer, or a third party acting on their behalf, takes physical possession of the boat. This is taken as meaning more than simply collecting a vehicle or vessel. For the term to apply, other factors should occur, such as, the production of identification, signing contracts, finalising any paperwork, handing over of keys etc.

The duration of the contract for the continuous possession of the means of transport will be determined by the contract between the parties involved. The fact that the period of the contract may be exceeded on the grounds of force majeure would have no bearing on the determination of the duration of the continuous possession and use of the means of transport.

2.2.1 Force majeure

Force majeure is a common clause in contracts that essentially frees both parties from liability when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot crime etc., or an event described by the legal term

act of God (flood, hurricane etc.), prevents one or both parties from fulfilling their obligations under the contract.

In a short-term contract, where the 30 or 90 day period is exceeded on the grounds of force majeure, it will not change the contract from a short-term contract to a long-term contract.

2.2.2 Consecutive contracts

Where the hiring of the same means of transport between the same parties is covered by consecutive contracts, that is, one 30 day or 90 day (vessels) contract is followed by another 30 day or 90 day (vessels) contract, the consecutive contract will be treated as a long-term contract. Unless there is evidence of abusive practice, the first contract will continue to be treated as short term.

2.3 Hiring of means of transport to a customer in the State, but used and enjoyed outside the EU

The place of supply of the hiring of a means of transport by a lessor in the State is outside the EU where the means of transport is to be effectively used and enjoyed outside the EU.

The hiring, for example, of railway rolling stock by a lessor established in Ireland, to a lessee established in Ireland, would normally be subject to Irish VAT. However, where the rolling stock is to be used and enjoyed outside the EU, such as in the United States of America, then Irish VAT will not apply.

Where there is doubt that the use and enjoyment takes place outside the EU, a lessor should charge VAT. In addition, while the use and enjoyment of a means of transport at the start of the leasing agreement may be outside the EU, a lessor is responsible for ensuring that the correct VAT treatment is applied to the leasing service for the full period of the lease. If, during the period of the lease agreement, the lessee transfers the means of transport to a Member State, the normal VAT treatment should be applied.

3 Input Credit

Hiring of means of transport is a taxable activity and suppliers will qualify for input credit, subject to the usual restrictions, on expenses incurred in connection with that activity.

Where the place of supply of the hiring is outside the State, it is treated as a qualifying activity which also gives rise to an entitlement to claim an input credit.

4 Rates of VAT

In general, the [standard rate](#) of VAT applies to the hiring of means of transport where the place of supply of the hiring is the State.

In certain circumstances, the [zero rate](#) or the [reduced rate](#) can apply to the hiring. The zero rate can apply to the hiring of certain aircraft or certain sea going vessels. The reduced rate can apply to the short term hiring of certain passenger vehicles, pleasure boats and caravans. Full details are set out in [Appendix 1](#).

5 Examples

Practical examples covering the VAT treatment of short term and long term hiring of means of transport are included in [Appendix 2](#).

A more recent version of this manual is available.

Appendix 1

Application of the zero and reduced rates of VAT to the hiring of means of transport.

Zero rate – see paragraph 4, (2) (a) and (b) of Schedule 2 to the VAT Consolidation Act 2010.

4. (2) The supply, modification, repair, maintenance, chartering and hiring of -
1. sea-going vessels of a gross tonnage of more than 15 tonnes being vessels used, or to be used -
 1. for the carriage of passengers for reward
 2. for the purposes of a sea fishing business
 3. for other commercial or industrial purposes,
or
 4. for rescue or assistance at sea
or
 2. aircraft used or to be used by a transport undertaking operating for reward chiefly on international routes.

*Please note that the application of the zero rate is not dependent on whether the aircraft can be used on international routes. The requirement is that the transport undertaking hiring the aircraft must be operating chiefly for reward on international routes, that is, the majority of its business must be derived from international transport.

Reduced rate - see paragraph 19 of Schedule 3 to the VAT Consolidation Act 2010

19. Hiring -
1. a vehicle designed and constructed or adapted for the conveyance of persons by road
 2. a vessel designed and constructed for the conveyance of passengers and not exceeding 15 tonnes gross
 3. any kind of sports or pleasure boat
or
 4. a caravan, mobile home, tent or trailer tent

to a person under an agreement (other than an agreement of the kind referred to in section 19(1)(c)) for any term, or part of a term, that, when added to the term of a previous hiring (whether of the same goods or of other goods of the same kind) to the same person during the 12 months ending on the date of the beginning of the existing hiring, does not exceed five weeks.

Please note that, for the purposes of the Place of Supply rules, short term hiring of motor vehicles is defined as hiring for periods of 30 days or less in a period of 12 months. However, where the place of supply is the State, and Irish VAT is chargeable,

the reduced rate of VAT will apply where the period of hiring of the motor vehicle does not exceed five weeks, that is, 35 days.

Appendix 2

Examples

VAT treatment of hiring of means of transport

1. Long term hiring. (Period in excess of 30 days or 90 days in the case of vessels).

Example 1

A supplier based in the State hires a commercial vehicle to a customer who is a taxable person established in another Member State of the EU.

No Irish VAT is charged and customer will account for VAT on the reverse charge basis.

Example 2

A supplier established in the State hires a vessel (not a pleasure boat) to a non-taxable customer established in Germany.

As the non-taxable customer is established in Germany, the place of supply is Germany and the supplier must register and account for VAT on the service there.

Example 3

A supplier established in the State hires a pleasure boat to a non-taxable customer established in France. The pleasure boat is actually put at the disposal of the customer in Italy and the supplier has a place of business, or a fixed establishment, in that location.

As the pleasure boat is put at the disposal of the customer in Italy, and the supplier has a place of business or an establishment located in that Member State, the place of supply of the hiring service is Italy and the supplier must register and account for VAT in that Member State.

Example 4

Same circumstances as example 4 above, except the supplier does not have a place of business or an establishment in Italy. Therefore, the place of supply is the Member State where the customer is established, which is France in this example. The supplier will have to register and account for VAT in that Member State.

Example 5

A supplier established in the State hires rolling stock to a customer also established in Ireland, but the rolling stock are to be used outside the EU.

Subject to clear evidence being available to show that the rolling stock is to be used outside the EU then the place of supply will be regarded as being outside the EU and Irish VAT will not apply.

The above treatment will also apply where the hiring is on a short-term basis.

Example 6

A supplier hires a car to a customer for a period of 30 days and then renews the contract for a further 30 days.

For place of supply purposes, as the combined period exceeds 30 days, the second contract will be treated as a long-term contract. Provided there is no evidence of abuse, the first contract will continue to be treated as short term.

For VAT rate purposes, as the combined periods of hiring exceed five weeks, that is, 35 days, the rate of VAT applicable will be the standard rate.

2. Short term hiring. (Period of 30 days or less, 90 in the case of vessels).**2.1 supplier and customer established in the State and means of transport put at the disposal of the customer in the State.****Example 1**

A vehicle is hired to a customer for a 28-day period.

The place of supply of the hiring service is the State and the supplier will account for Irish VAT.

The rate of VAT applicable is the reduced rate as the period of hire is less than five weeks, that is, 35 days.

Example 2

A Vehicle is hired to customer for a 35-day period. While, for place of supply purposes, the hiring is now considered long term (it exceeds 30 days), the reduced rate of VAT will still apply as the period of hire does not exceed 35 days.

Example 3

A vehicle is hired to customer for a 42-day period. While, for place of supply purposes, the hiring is now considered long term (it exceeds 30 days), the standard rate of VAT will apply as the period of hire exceeds 35 days.

Example 4

A vehicle is hired to customer for a 29-day period, but due to unforeseen emergency circumstances, the customer extends the hire period to 37 days. Provided there is evidence to show that the contract was extended due to force majeure circumstances (see [paragraph 2.2.1](#) above), the contract will continue to be treated as a short term contract. Although, due to the force majeure circumstances, the hire period exceeds five weeks, that is, 35 days, in a period of 12 months, the rate of VAT applicable will still be the reduced rate.

Example 5

A supplier hires a car to a customer for a period of 30 days and then renews the contract for a further 30 days.

As the combined period exceeds 30 days, the second contract will be treated as a long term contract. Provided there is no evidence of abuse, the first contract will continue to be treated as short term.

The rate of VAT applicable will be the standard rate as the hire period exceeds five weeks, that is, 35 days, in a period of 12 months.

2.2 Supplier and customer established in the State and means of transport put at the disposal of the customer outside the State.**Example 1**

A supplier established in the State hires a car to a customer also established in Ireland, but the car is put at the disposal of the customer in France.

The place of supply of the hiring is in France and the supplier must register and account for VAT on the hiring service there.