

VAT Treatment relevant to Taxi drivers

This document should be read in conjunction with sections 2, 5, 12(1), 34(a), 42(3) and paragraph 14(3) of Schedule 1 to the VAT Consolidation Act 2010

Document created February 2025

Introduction

This guidance sets out the VAT treatment relevant to taxi drivers. It explains how various VAT rules apply to taxi drivers.

1 Services exempt from VAT

The transport of passengers and their accompanying baggage by taxi drivers is exempt from VAT. Where a passenger hires a taxi, they are receiving a passenger transport service which is exempt from VAT which means that the taxi driver does not charge VAT on the fare to the passenger and is not entitled to reclaim VAT on the costs relating to that exempt activity.

2 VAT Registration

Where a taxable person supplies only exempt goods or services, they are not required to register for VAT in relation to those supplies.

However, where that taxable person receives a supply of taxable services from another taxable person established outside of the State, the VAT [place of supply](#) rules are used to determine who is required to account for VAT. The place of supply is the place where the business receiving the services is established. Therefore, a taxable person is required to [register](#) and [account](#) for VAT if they [receive taxable services from abroad](#).

In the case of services received from abroad, there is no threshold (or minimum value) before VAT registration is required. Taxable services received from abroad can be from the European Union (EU) and outside the EU.

Example 1

Taxi driver A is providing transport for passengers and their baggage, with an annual turnover of €60,000.

- Taxi driver A is not required to register for VAT in respect of these supplies, as the passenger transport services are exempt from VAT.

Example 2

Taxi driver B purchases book-keeping services for their taxi business from a company in Ireland and administrative services from a firm in the UK.

- For both the book-keeping service and the administrative service, the place of supply is Ireland.
- The Irish-established supplier of the book-keeping services will charge Taxi driver B VAT on those services. Taxi driver B is not entitled to reclaim that

VAT as it is a business cost relating to the VAT exempt supply of passenger transport services. Taxi driver B has no VAT registration or reporting obligation in relation to the book-keeping services.

- The UK-established supplier of the administrative services will not charge Taxi driver B UK VAT on those services. Instead, Taxi driver B is required to register and account for VAT in Ireland in respect of the administrative services received from abroad. Taxi driver B is not entitled to recover that VAT as it is a business cost relating to the supply of VAT exempt passenger transport services.

3 Services taxable at the standard rate of VAT

Services provided to taxi drivers are taxable at the appropriate rates. Specifically, the following services provided to taxi drivers are taxable at the [standard rate](#):

- radio hire
- taxi vehicle hire¹
- general administration charges and
- the provision of taxi booking facilities including through an online platform.

Example 3

Taxi driver C incurs general administrative charges which are used in the course of operating their taxi business.

- Taxi driver C is providing a VAT exempt passenger transport service and does not charge VAT on the passenger fares.
- Taxi driver C is charged VAT at the standard rate on the cost of the general administrative charges. Taxi driver C is not entitled to recover this VAT because it is a business cost relating to the supply of VAT exempt passenger transport services.

4 Taxi booking facilities through an online platform

The provision of taxi booking facilities to taxi drivers through an online platform is taxable at the [standard rate](#).

4.1 Online platform provider established in the State

Where an online platform provider is established in the State and is providing online booking services to taxi drivers in the State, the provider is required to charge Irish VAT on that service to the taxi driver. The online platform provider accounts for the VAT on those services. A taxi business, which operates a VAT exempt passenger transport service, cannot recover that VAT.

¹ The reduced rate of VAT may apply to the short-term hiring of a means of transport. See the VAT treatment of the [Hiring or leasing of means of transport](#) for further information.

Example 4

Taxi driver D receives online booking services from an Irish established platform provider in January and is charged €61.50 including VAT. Taxi driver D is not registered for VAT and receives no services from abroad.

Taxi driver E receives online booking services from an Irish established platform provider in March and is charged €61.50 including VAT. Taxi driver E is registered for VAT due to the receipt of accountancy services each September from a firm established in the UK.

- Taxi driver D provides VAT exempt passenger transport services and has not received any taxable services from abroad. Taxi driver D has no VAT reporting requirements.
- Taxi driver E provides VAT exempt passenger transport services and is registered for VAT because of taxable services received from abroad each September. Taxi driver E did not receive any taxable services from abroad in March. Taxi driver E is required to file a Nil VAT return for the March/April period as follows:

T1 (Sales)	€ 0
T2 (Purchases)	€ 0
T3 (VAT Payable)	€ 0

- For each of its supplies of online booking services to Taxi drivers D and E, the Irish established platform provider is required to account for Irish VAT as follows:

Services supplied	€50.00
Rate of Irish VAT	23%
Amount of Irish VAT due	€11.50

4.2 Online platform provider established outside the State

Where an online platform provider is established outside the State and is providing online booking services to taxi drivers in the State, the place of supply is the State. The general provision is that taxable persons receiving such services in the course of their business are accountable and liable to pay tax on the [reverse charge](#) basis.

Under the reverse charge mechanism, the obligation to pay the VAT on the supply of online booking services is shifted from the online platform provider, who is making the supply, to the taxi driver receiving the supply. The online platform provider will not charge VAT and the taxi driver is obliged to register and [self-account](#) for the VAT in the State in respect of the supply of online booking services. There is no registration threshold for received services. A taxi business, which operates a VAT exempt passenger transport service, cannot recover that VAT.

Example 5

Taxi driver F receives online booking services from an online platform provider established in Spain and is charged €50 excluding VAT.

- The Spanish established platform provider does not charge Taxi driver F Spanish VAT on the supply of the online booking service. The invoice issued by the Spanish established platform provider will include a notation that a 'reverse charge applies'.

- Taxi driver F is required to register for VAT and account for Irish VAT on this received online booking service as follows:

Received service	€50.00
Rate of Irish VAT	23%
Amount of Irish VAT due	€11.50

- Taxi driver F includes this VAT in their VAT return. Taxi driver F is providing VAT exempt passenger transport services and therefore, cannot recover any VAT on inputs.

T1 (Sales)	€11.50
T2 (Purchases)	€ 0
T3 (VAT Payable)	€11.50