VAT treatment of single-purpose vouchers and multi-purpose vouchers

This document should be read in conjunction with sections 43A and 43(5) of the VAT Consolidation Act 2010 (VATCA 2010) and Regulation 11 of the Value-Added Tax Regulations, 2010 [S.I. No. 639 of 2010].

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Revenue
Cáin agus Custaim na hÉireann
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Introduction

From 1 January 2019, new rules and definitions will apply to certain types of vouchers issued from that date arising from Council Directive (EU) 2016/1065 of 27 June 2016. These rules affect the taxing point and affect how VAT can be deducted by certain types of traders.

This guidance sets out the VAT treatment of single-purpose and multi-purpose vouchers. The VAT treatment of vouchers or other similar instruments that do not come within these new rules are detailed on the Revenue website.

Suppliers of vouchers must be able to identify vouchers that are covered by the new definitions (i.e. vouchers that are issued on or after 1 January 2019).

1 What is a voucher under the new rules?

A voucher is an instrument, whether in an electronic or physical format, where:

- there is an obligation to accept it as consideration or part consideration for a supply of goods or services

  and

- the goods or services to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instruments.

The name or title of the instrument is not decisive. Instead, it must meet the criteria above to be considered a voucher for VAT purposes. Vouchers can include:

- Telephone cards
- Pre-paid phone credit
- Tokens
- Certain types of discount vouchers / instruments
- Credits that can be used online.

2 What are not considered to be vouchers under the new rules?

Transport tickets, admission tickets to cinemas or museums and postage stamps or similar are not considered to be vouchers.

Discount instruments that entitle the holder to a discount upon the purchase of goods or services but carry no right to receive such goods or services are not considered vouchers for the purposes of the new rules. These are not the same as Discounted Vouchers detailed in paragraph 7.

Payment instruments are not considered to be vouchers as there is no entitlement attached to them and there is no obligation to accept them as consideration for the supply of a good or a service.

Vouchers that do not meet the new definitions will be taxed under the rules set out in Revenue guidance on vouchers, regardless of when they are issued.

3 What types of vouchers exist under the new rules?

Under the new rules, vouchers are split into two categories:

- Single-purpose vouchers (SPV)
- Multi-purpose vouchers (MPV).

4 What is a single-purpose voucher (SPV)?

A single-purpose voucher means a voucher issued on or after 1 January 2019, where the following are **known at the time of issue** of the voucher:

- the place of supply of the goods or the services to which the voucher relates

  and

- the VAT due on those goods or services.

A voucher, subject to these conditions, can only be considered a SPV where the underlying supply(ies) to which the voucher relates, is / are liable at a single rate of VAT. For example, where the underlying good(s) or service(s) are taxed at the same rate (standard, reduced, second reduced, zero or exempt), the voucher is a SPV.

When different VAT rates apply to the underlying supplies, then the voucher is treated as a multi-purpose voucher (MPV).

4.1 What is the VAT treatment of a single-purpose voucher (SPV)?

The issue of a SPV and each subsequent transfer of a SPV are subject to VAT at the rate that applies to good(s) or service(s) to which the voucher relates. Effectively, the underlying supply and applicable VAT rate is known at the time of issue of the SPV.

The VAT is due in the VAT period in which it is sold. Where a SPV is not redeemed or partially redeemed no adjustment can be made in respect of the non-redemption. This applies regardless if the SPV is redeemed or not.

4.1.1 SPVs and agents

Where an agent, acting in the name of another supplier (underlying supplier), transfers a SPV, the underlying supplier is regarded as supplying the SPV and remains accountable for the VAT.

The agent, in this case, is only accountable for VAT on his or her commission in the normal way.

4.2 What happens when a single-purpose voucher (SPV) is redeemed?

When a SPV is redeemed by the customer to purchase the good(s) or service(s), in full or as part payment, the supply of the good(s) or service(s) will not be subject to VAT. The supply of the good(s) or service(s) is not regarded as an independent transaction and the trader is not accountable for the VAT on the supply of the good(s) or service(s); the VAT having already been paid on the supply of the SPV itself.

This will not affect the traders right to deduct input VAT on his or her costs; the normal deductibility rules will apply.

4.2.1 What if the customer pays extra consideration in addition to redeeming the SPV?

If extra consideration is paid in addition to the redemption of a SPV to purchase a good(s) or service(s), the extra consideration is chargeable to VAT at the time of the payment or the supply, subject to the normal rules.

4.3 What if a SPV is sold at a discount or lower amount to its face value?

Where goods are exchanged for vouchers that were sold at a discount, the taxable amount on which VAT is chargeable is the sum actually received on the sale of the vouchers regardless of their face value. Please also see paragraph 7 on Discounted Vouchers.

4.4 What rate of VAT applies to an SPV?

The rate of VAT on the issue, transfer or supply of a SPV is the rate applicable to the underlying good(s) or service(s). A SPV can also be exempt from VAT if the underlying good(s) or service(s) is exempt.

5 What is a multi-purpose voucher (MPV)?

Any voucher issued on or after 1 January 2019 (that meets the definition in paragraph 2) that is not a SPV is considered to be a multi-purpose voucher for VAT purposes.

MPVs can be used to purchase many different goods and services that are liable to different rates of VAT and can have different places of supply. A voucher is a MPV where either the underlying supply or the VAT due is not known.

5.1 What is the VAT treatment of a multi-purpose voucher (MPV)?

VAT is only chargeable when a MPV is redeemed for the underlying supply of good(s) or service(s). The handing over of the good(s) or actual provision of the service(s) in return for a MPV is a supply for VAT purposes.

5.2 Intermediaries and buy/sell supply chains (Supplies of MPVs between taxable persons)

The transfer or issue of a MPV by a taxable person to another taxable person will be outside the scope of VAT.

An intermediary in the supply chain will not be required to charge VAT on the transfer of a MPV and will have no right to deduct input VAT costs associated with that transfer.

However, the intermediary is still required to charge VAT on any ‘additional identifiable services’ supplied in conjunction with the issue or transfer of a MPV, and can still deduct costs that relate to these additional supplies subject to the normal deductibility rules.

5.3 MPVs and agents

If a MPV is transferred through agents who are acting in an agency capacity (rather than as principals) the normal VAT rules will apply.

The transfer of a MPV through the chain are still disregarded for VAT purposes.

5.4 What happens when a MPV is redeemed?

The supplier of the goods or services must account for VAT when a MPV is redeemed. This applies whether a MPV is redeemed in full or in part for the underlying goods or services.

The VAT must be accounted for in the taxable period a MPV is redeemed.

5.5 What rate of VAT applies to a MPV?

No VAT is due on the issue, transfer or supply of a MPV.

The VAT only becomes due when a MPV is redeemed. The rate(s) of VAT applicable on redemption of a MPV is the rate applicable to the underlying good(s) or service(s) supplied.

5.5.1 What is the taxable amount for a MPV on redemption?

The taxable amount is based on the consideration actually paid for a MPV.

However, where this information is absent, the taxable amount for a MPV should be calculated having regard to the monetary value indicated on the voucher itself or in related documentation.

Where a MPV is partially redeemed to pay for goods or services, the taxable amount is equal to the corresponding part of the consideration actually paid for the MPV. Where the actual consideration paid for the MPV is not known, the taxable amount is equal to the monetary value.

5.5.2 What happens if an MPV is not redeemed?

If a MPV is not redeemed by the customer, no VAT is due.

6 What is the VAT treatment of discounted vouchers under the new rules?

In some cases, a supplier of goods may sell vouchers at a discount to companies who purchase them to distribute free of charge to staff, or to resell to the public. The supplier undertakes to accept a voucher in full or part payment of goods or services purchased by a customer who was not the buyer of the voucher. There are different rules for discounted SPVs and discounted MPVs.

6.1 What is the taxable amount of a discounted SPV?

Where a SPV is sold at a discount to the face value, the taxable amount of the SPV is the amount the SPV sold for. This only applies in certain circumstances, where:

- The first supplier of the SPV promises to accept the discounted SPV at its face value in full or part payment of the price of good(s) or service(s),
- The purchaser of the good(s) or service(s) was not the buyer of the SPV, and
- The purchaser of the good(s) or service(s) did not know the actual price paid for the discounted SPV.

The VAT on the issue of a discounted SPV is still due at the time of supply, but the taxable amount is determined as per the above.

6.2 What is the taxable amount of a discounted MPV?

The taxable amount is calculated in the same way as provided for in paragraph 6.5.1.