

Deposit Return Scheme

Part 10 Chapter 4

This document should be read in conjunction with sections 92A and 120(10) of the Value-Added Tax Consolidation Act 2010, Article 92 Council Directive 2006/112/EC, and the Value-Added Tax (Regulation 34B) (Amendment) Regulations 2024

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1 Introduction

This manual outlines the VAT treatment of deposits under the Deposit Return Scheme (“DRS”).

2 Deposit Return Scheme (“DRS”)

The DRS was established by the Minister for the Environment, Climate and Communications under the *Separate Collection (Deposit Return Scheme) Regulations 2021* (S.I. No. 599 of 2021) (the “DRS Regulations”). The Scheme came into operation on 1 February 2024.

The DRS requires that a deposit (of 15c or 25c) is charged when drink products are supplied in certain single-use containers (cans and plastic bottles), and the deposit is later refunded to a person who returns the empty container for recycling/reuse. The refundable deposit is charged by relevant suppliers at each stage of the supply chain in the State: manufacturer or importer, wholesalers, retailers, etc. Under the Scheme, the deposit is added to the price of the goods by the person who first supplies the drink product in the State (i.e., the manufacturer or the importer), and by any subsequent supplier (e.g. a wholesaler, distributor, retailer). Once the drink has been consumed, if the empty container is returned under the Scheme, then the deposit will be refunded.

The drink containers included in the DRS are PET plastic bottles and aluminium and steel cans with a capacity of between 150mls and 3 litres. A deposit of 15c applies to containers from 150ml to 500ml inclusive and a deposit 25c applies to containers with a capacity over 500ml up to and including 3 litres.

The DRS Regulations specify that the deposit is to be itemised as a separate line item on any invoice, receipt, credit note, dispatch and delivery docket containing the price of the DRS product.

In accordance with the DRS Regulations, where a drink product is purchased and consumed on the premises, the retailer is exempt from having to charge the deposit to its customer; this situation typically arises in a pub, bar or restaurant.

Information on the operation of the DRS and the legislation underpinning it can be found on the website of the [Department of the Environment, Climate and Communications](#).

3 VAT Treatment of DRS Deposits

The *Finance (No.2) Act 2023* introduced a new Section 92A into the *Value-Added Tax Consolidation Act 2010* (VATCA) to set out a special VAT treatment for DRS deposits. The treatment ensures that, where a deposit is charged on a drink product that is within the scope of the DRS, a VAT liability only arises if the empty container is not returned to the DRS for recycling or reuse.

Because it is not possible for businesses in the supply chain (e.g. manufacturers, importers, wholesalers, retailers) to know at the time they make their supplies whether or not containers will eventually be returned when they are empty, the VAT treatment is structured so that no VAT arises on the deposits while the DRS product is in the supply chain. The legislation specifies that it is the DRS Scheme Operator – an entity appointed by the Minister for the Environment, Climate and Communications to operate the DRS – who is obliged to account for and pay VAT in respect of the deposits on any DRS containers that fail to be returned for recycling/reuse.

This means that, for [businesses buying or selling drink products](#), there is no VAT charge on the 15/25 cent DRS deposit. Similarly, no consumer buying a drink product will be charged VAT on the deposit amount.

3.1 Businesses supplying DRS Products

As explained above, VAT law provides that, as DRS drink products move through the supply chain, no VAT arises on the deposit which is charged at each point in that chain. Thus, businesses supplying the drink products (e.g. producers, wholesalers, retailers) do not have to charge VAT in relation to the deposit amount.

Section 92A of VATCA provides that, for VAT calculation purposes, **the amount of the deposit is deemed to be nil while the product is moving through the supply chain**. The standard rate of VAT applies to the deposit amount.

Therefore, a business supplying DRS products should apply the standard rate of VAT, currently 23%, to the deposit amount, which is legally deemed to be nil, when there is a supply of the products in the supply chain. This means that a VAT liability relating to the **deposit** amount will not arise for such businesses, as follows:

VAT liability on DRS deposit

for a business supplying

a DRS product	= NIL deemed deposit @ 23% VAT rate
	= NIL liability to VAT on the deposit.

VAT relating to the **underlying drink product** will continue to arise as normal in relation to the supply of these products throughout the supply chain.

The DRS Regulations require that the deposit must be itemised as a separate line item on any invoice, receipt, credit note, dispatch and delivery docket containing the price of DRS products.

For information on the record-keeping requirements for Businesses supplying DRS products, see [Section 4](#) of this document. For information on VAT deductibility, see [Section 5](#).

The following examples illustrate the operation of VAT in relation to DRS products supplied within the supply chain:

Example 1 – Sale of 100 DRS drinks products by a wholesaler to a retailer

- A wholesaler buys 100 DRS drinks products (150mls) from a drinks producer at a price of €2 per product: €200 (100 x €2). The drinks producer charges the wholesaler a deposit of 15c on each product: €15 (100 X 15c).
- The wholesaler then sells the 100 DRS products (150mls) to a retailer at a price of €3 per product: €300 (100 x €3). The wholesaler charges the retailer a deposit of 15c on each product: €15 (100 x 15c).
- The standard rate of VAT applies to the product and the deposit amount.
- As the DRS products are moving through the supply chain, the deposit amount is deemed to be nil for VAT calculation purposes.
- The wholesaler charges the retailer VAT as follows:

VAT on Drink product: selling price x VAT rate = €300 x 23% = €69

VAT on DRS deposit: deemed deposit amount x VAT rate = €0 x 23% = €0

Example 2 – Sale of 10 DRS drinks products by a retailer to a consumer

- A retailer buys 150 DRS products (150mls) from a wholesaler at a price of €1.50 each: €225 (150 x €1.50). The wholesaler charges the retailer a deposit of 15c on each product: €22.50 (150 x 15c).
- The retailer then sells 10 of the DRS products to a consumer at a price of €3 per product, inclusive of VAT and the deposit of 15c = €30. The consumer has therefore paid €28.50 for the products and €1.50 as a deposit.
- As the DRS products are moving through the supply chain, the total deposit amount of €1.50 is deemed to be nil for VAT calculation purposes.
- VAT is chargeable by the retailer as follows:

VAT on Drink products: €28.50 inclusive of VAT @23% => VAT is €5.33

VAT on DRS deposit: deemed deposit amount x VAT rate = €0 x 23% = €0

3.2 Scheme Operator of the DRS

The Scheme Operator of the DRS is appointed by the Minister of the Environment, Climate and Communications, to be the entity responsible for delivering and operating the DRS. Under the DRS Regulations, the Scheme Operator receives the deposit amount from the first person in the supply chain who places the product on the Irish market (the “producer”), and the Scheme Operator is also responsible for refunding the deposit amount to retailers who have refunded consumers when empty containers are returned.

The Scheme Operator has oversight of the DRS and has the information necessary to calculate the number of containers which have not been returned under the DRS and the VAT liability which then arises on such containers. Therefore, Section 92A of VATCA provides that it is the Scheme Operator who is required to account for VAT on the DRS deposits in respect of containers which are not returned (i.e., the VAT which arises on unredeemed deposits).

The Scheme Operator is required to calculate an amount to be included in its VAT return in relation to unredeemed deposits for each taxable period.

See [Sections 4](#) and [5](#) below for information on the record-keeping requirements for the Scheme Operator and VAT deductibility.

3.2.1 How the Scheme Operator accounts for VAT on unredeemed deposits

Under Section 92A VATCA, the Scheme Operator is obliged to account for VAT on unredeemed deposits. The method for calculating this VAT is set out in the *Value-Added Tax (Regulation 34B) (Amendment) Regulations 2024* ("VAT on DRS Regulations 2024").

For the purposes of the calculation, the deposit amount is treated as being VAT-inclusive.

The formula for calculating the amount of tax, if any, in each taxable period is as follows:

$(A - B) \times \frac{C}{100 + C}$
<p>A = the total amount of deposits receivable by the Scheme Operator in the taxable period, in respect of supplies of in-scope products</p>
<p>B = the total amount of deposits refundable by the Scheme Operator in the taxable period, in respect of returns of in-scope bottles and in-scope containers in accordance with the Regulations of 2021</p>
<p>C = the percentage rate of tax specified in section 46(1)(a) of the Act, which is the standard rate of VAT.</p>

If A is greater than B, a VAT liability will arise.

If B is greater than A, the amount calculated will be included as an input credit.

The following examples illustrate the operation of VAT in relation to the Scheme Operator as regards its obligations to account for and pay VAT in relation to containers that are unreturned under the DRS:

Example 3

- 100,000 bottles with a deposit of 15c each were placed on the market in the period March/April.
- The total amount of deposits receivable by the Scheme Operator in respect of these bottles is €15,000, i.e. (100,000 x 15c).
- 80,000 empty bottles with a deposit of 15c each were returned to the DRS in the period March/April.
- The total amount of deposits refundable by the Scheme Operator in respect of these bottles is €12,000, i.e. (80,000 X 15c).
- VAT calculation arising from the above circumstances is:
$$(\text{€}15,000 - \text{€}12,000) \times (23/123) = \text{€}560.97.$$
- As €15,000 **(A)** is greater than €12,000 **(B)**, the Scheme Operator shall have to account for a VAT liability of €560.97 in the March/April VAT return.

Example 4

- 100,000 bottles with a deposit of 15c each were placed on the market in the period May/June.
- The total amount of deposits receivable by the Scheme Operator in respect of these bottles is €15,000, i.e. (100,000 x 15c).
- 140,000 empty bottles with a deposit of 15c each were returned to the DRS in the period May/June.
- The total amount of deposits refundable by the Scheme Operator in respect of these bottles is €21,000, i.e. (140,000 x 15c).
- VAT calculation arising from the above circumstances is:
$$(\text{€}15,000 - \text{€}21,000) \times (23/123) = \text{€}1,121.95.$$
- As €21,000 **(B)** is greater than €15,000 **(A)**, the Scheme Operator shall include €1,121.95 as an input credit in the May/June VAT return.

Example 5

- 55,000 bottles with a deposit of 15c and 71,000 bottles with a deposit of 25c were placed on the market in the period July/August.
- The total amount of deposits receivable by the Scheme Operator in respect of these bottles is €26,000, i.e. (55,000 x 15c + 71,000 x 25c).
- 43,000 empty bottles with a deposit of 15c and 68,000 bottles with a deposit of 25c were returned to the DRS in the period July/August.

- The total amount of deposits refundable by the Scheme Operator in respect of these bottles is €23,450, i.e. (43,000 x 15c) + (68,000 x 25c)).
- VAT calculation arising from the above circumstances is:
$$(\text{€}26,000 - \text{€}23,450) \times (23/123) = \text{€}476.83.$$
- As €26,000 **(A)** is greater than €23,450 **(B)**, the Scheme Operator shall have to account for a VAT liability of €476.83 in the July/August VAT return.

3.2.2 How often does the Scheme Operator calculate the VAT on unredeemed deposits?

The Scheme Operator calculates an amount in each taxable period and includes that amount of VAT in the VAT return due to be submitted for that taxable period.

This ensures that the correct amount of VAT shall be accounted for over time. If a container or bottle which is unreturned in one period but is later returned to the DRS in a subsequent period, then a VAT liability will arise on the unreturned container in the first period, but the return of the container (and refund of the deposit) will be taken into account in the VAT calculation for the later period.

4 Records

All businesses supplying drink products within the scope of the DRS are required to keep records of all VAT-related business transactions which may affect their liability to VAT and their entitlement to reclaim VAT. The Scheme Operator also has similar obligations. They all must keep records in sufficient detail to identify the deposit amount charged on DRS products.

5 VAT Deductibility

The supply of a DRS product is fully taxable even though, for the purposes of VAT calculations, the deposit amount is deemed to be nil when the product is passing through the supply chain. Therefore, the VAT treatment of the deposit does not impact on VAT deductibility either for businesses supplying DRS products or for the Scheme Operator of the DRS.

Normal rules on VAT deductibility apply.