

## Flat-rate scheme for farmers

This guidance should be read in conjunction with sections 2, 4, 6, 9, 12, 17, 68, 86 and 86A of the Value-Added Tax Consolidation Act 2010 (as amended), regulations 22 and 38 of the VAT Regulations 2010, Value-Added Tax (Refund of Tax) (Flat-rate Farmers) Order, 2012 [S.I. No. 201 of 2012] and Value-Added Tax (Restriction of Flat-Rate Addition) Order 2025 [S.I. No. 327 of 2025].

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## Introduction

This guidance provides information in respect of the special scheme for farmers who are not registered or required to register for VAT. Such farmers are commonly referred to as “flat-rate farmers”. The scheme is a simplified procedure designed to compensate farmers for VAT incurred on their farming costs, without having to register and account for VAT in accordance with normal VAT rules.

Detailed information for VAT registered farmers is available on the [Revenue website](#), including:

- [when a farmer is obliged to register for VAT](#),
- [the farmer’s entitlement to elect to register for VAT](#),
- and
- [the cancellation of an election to register for VAT](#).

### 1 Definition of a flat-rate farmer for VAT purposes

For VAT purposes a farmer is a person who engages, in the State, in an agricultural production activity, and whose supplies consist exclusively of either or both of the following:

- agricultural produce (see [Appendix 1](#))
- agricultural services (see [Appendix 2](#))

or whose activities, in addition to the above supplies, include one or more of the following:

- supplies of machinery, plant or equipment, which they have used for their farming activity
- supplies of racehorse training services for which the annual turnover does not exceed and is not likely to exceed the [turnover](#) threshold for VAT registration, and/or
- supplies of goods and services, other than those mentioned above, the total turnover from which does not exceed the annual turnover threshold for VAT registration.

A flat-rate farmer is a farmer who is not registered or required to register for VAT in respect of their agricultural activities.

It should be noted that, where a farmer is obliged to register for VAT because:

- they make [Intra-Community acquisitions](#), the consideration for which exceeds the statutory threshold for VAT registration

- they receive goods from a non-established trader, which are [installed or assembled](#) in the State by that trader
- they have [received services](#) from outside the State, which are chargeable to VAT in the State and in respect of which they are obliged to account for the VAT due
- their turnover from supplying racehorse training services exceeds the [registration threshold](#) for persons supplying services
- they provide a [premises](#) to certain non-established traders, who make supplies of goods or services in the State, and/or
- they receive from a person not established in the State
  - supplies of natural gas through the natural gas system,
  - supplies of electricity, or
  - supplies of heating or cooling energy through heating or cooling networks

those farmers can retain the status of a flat-rate farmer in respect of the supply of agricultural goods or services.

## 2 Flat-rate farmers and the flat-rate addition

Under the special scheme for flat-rate farmers, a farmer on supplying agricultural produce or services\* to a person, is entitled to receive from that person, in addition to the amount payable for their supplies, an amount known as the flat-rate addition. The flat-rate addition is calculated as a [percentage](#) of the amount payable to a flat-rate farmer for their supplies. The flat-rate addition is not payable to a flat-rate farmer in respect of supplies of goods or services to another flat-rate farmer.

\*See section 7.1.1 'Exclusion by Ministerial Order of broiler chicken services' for information on the exclusion of broiler chicken services from the flat-rate addition.

### 2.1 Amount payable to the farmer

The amount payable to the farmer for their produce is a matter of fact based on the commercial agreement between the farmer and the customer and where there are adjustments made to the amount payable, after the supply has taken place, the amount of the flat-rate addition payable should be adjusted accordingly.

### 2.2 Contra payments

Where payment of the amount the farmer is actually entitled to receive for their supplies is reduced because of amounts owed by the farmer to the customer in respect of separate transactions, such reductions do not affect the amount on which the flat-rate addition is calculated. This might happen, for example, where a farmer supplies milk to a creamery and the amount actually paid to the farmer is reduced to reflect amounts owed by the farmer to the creamery in respect of goods or services acquired by that farmer from the creamery.

**Example 1**

|  |              |
|--|--------------|
| Amount payable to the farmer by a creamery for milk purchased: | €1,000       |
| Amount owed by the farmer to a creamery for seed purchased:    | <u>€ 200</u> |
| Net payable to the farmer by the creamery:                     | € 800        |

|  |                   |
|--|-------------------|
| Amount on which the flat-rate is calculated: | €1,000            |
| Rate of flat-rate:                           | 5.1% <sup>1</sup> |
| Flat-rate addition payable to the farmer:    | € 51              |

**2.3 Payments for multiple supplies**

Where a single payment is made to a flat-rate farmer in respect of multiple supplies, the customer should ensure that the flat-rate addition is only applied to that amount of the payment which is made in respect of supplies of those agricultural products and services which come within the flat-rate scheme.

**Example 2**

|   |              |
|---|--------------|
| Amount payable to the farmer by the creamery for milk purchase:     | €1,000       |
| Amount payable to the farmer by the creamery for transport of milk: | <u>€ 100</u> |
| Total amount payable to the farmer:                                 | €1,100       |

|  |        |
|--|--------|
| Amount on which the flat-rate is calculated: | €1,000 |
| Rate of flat-rate:                           | 5.1%   |
| Flat-rate addition payable to the farmer:    | € 51   |

A person purchasing agricultural produce or services from a flat-rate farmer should ensure that the flat-rate addition is calculated correctly, based solely on that amount which is payable in respect of the specific supply of agricultural produce or services. They should contact their Revenue Branch where any doubt arises in respect of that calculation. A person who pays the flat-rate addition to a farmer can reclaim the amount payable, as a deduction, when completing their VAT return, subject to normal deductibility rules.

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<sup>1</sup> The flat-rate addition 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 percentage of the flat-rate addition to a specific transaction.



### 3 Invoicing in relation to payments of the flat-rate addition

Where a flat-rate farmer supplies agricultural produce or services to a customer, they must issue an invoice showing details of the transaction, in the following circumstances:

- the issue of the invoice is requested by the customer,
- the customer provides a form for the completion of the invoice, which includes the appropriate details of the transaction, and
- the customer gives a copy of the invoice to the flat-rate farmer.

The flat-rate farmer may however issue the invoice even if not requested to do so by the customer.

Where, following the issue of an invoice, there is an adjustment in the amount payable for a supply, the flat-rate farmer must issue an invoice/credit note, as appropriate, to reflect the change in the amount payable.

The information required on a flat-rate invoice includes the amount payable exclusive of the flat-rate addition and the amount of the flat-rate addition.

Further information in relation to flat-rate invoices, credit notes and settlement vouchers is available on the [Revenue website](#).

### 4 Non-established traders

#### 4.1 Supplies to non-established traders

The flat-rate addition must also be applied to the supply by a flat-rate farmer in the following circumstances:

- where the customer is a person whose business is established outside the State, including in countries which are not Member States of the EU, or
- where the customer is a legal person in another Member State who, although not engaged in a business activity, is required to register and account for VAT in that State in respect of their Intra-Community acquisitions of those goods.

#### 4.2 Supplies by non-established traders

A farmer established in another EU Member State, who supplies agricultural produce or services to a customer in the State, may be entitled to receive a flat-rate payment in accordance with the provisions of the VAT legislation in that other Member State. In such circumstances the supplies do not come within the Irish special scheme for flat-rate farmers and the customer making such a payment may claim a refund, if due, from that other Member State.

It should be noted that:

- not all EU Member States have availed of the entitlement to use the flat-rate scheme for farmers, and
- the process for reclaiming such a payment may differ between Member States.

## 5 Claiming a repayment of the flat-rate addition

### 5.1 Persons registered for VAT in the State

A person registered for VAT in the State can claim a deduction in their VAT return, in respect of the amount of the flat-rate addition payable to a flat-rate farmer established in the State. This is subject to the normal rules in relation to [reclaiming VAT](#).

### 5.2 Persons not established in the State

A business customer established in another EU Member State or in a country which is not a member of the EU can reclaim the flat-rate addition paid to a flat-rate farmer in the State, in so far as it was paid in respect of the acquisition of agricultural services which were used for the purposes of activities or transactions which would give an entitlement to deduction for VAT if carried out within the State.

A customer established in another Member State can reclaim the flat-rate addition paid to a flat-rate farmer in the State, in respect of supplies of agricultural produce, where that customer is required to account for VAT in that other Member State on the Intra-Community acquisition of that produce.

A business customer established in a country which is not a member of the EU can reclaim the flat-rate addition paid in respect of the supply of agricultural produce to them by a flat-rate farmer, where:

- the circumstances under which the produce is supplied are such that, if taxable, the produce would be chargeable at the zero rate of VAT as an export (including the provisioning of certain vessels and aircraft and the supply of goods placed in Customs or similar warehousing arrangements), and
- the activities or transactions of the customer, for which the produce is used, are such that they would give an entitlement to deductibility if carried on within the State

### 5.3 Flat-rate addition reclaim

Where the non-established customer is registered for VAT in the State, the flat-rate addition can be reclaimed in the customer's VAT return, subject to normal deductibility rules.

Where the non-established customer is not registered for VAT in the State, they can reclaim VAT:

- using the [EVR system](#), under the provisions of the 8<sup>th</sup> VAT Directive, where their business is established in another EU Member State, and
- using the provisions of the [13<sup>th</sup> VAT Directive](#), where their business is established in a country outside of the EU

## 6 Claiming refunds of VAT

A flat-rate farmer, who would not otherwise be entitled to reclaim VAT on costs incurred for the purpose of their farming business, can reclaim VAT on certain costs in accordance with Value-Added Tax (Refund of Tax)(Flat-rate farmers) Order 2012. The VAT reclaimable is that VAT paid in relation to costs incurred on:

- the construction, extension, alteration or reconstruction of any building or structure which is designed for use solely or mainly for the purposes of a farming business,
- the fencing, drainage or reclamation of any land intended for use for the purposes of such a business, or
- the construction, erection or installation of qualifying equipment for the micro-generation of electricity for use in the farm business.

A flat-rate farmer, who would not otherwise be entitled to reclaim VAT on costs incurred for the purpose of their fishing business, can reclaim VAT on costs of fishing vessels and sea fishing equipment, subject to conditions. Fishers may also claim repayment of VAT paid and/or Mineral Oil Tax paid on the purchase or importation of marine diesel, subject to conditions.

Further detailed information in relation to the Flat-rate Farmers Refund Order and the [type of expenditure](#) on which VAT can be reclaimed and the process for reclaiming it is available on the [Revenue website](#).

## 7 Restrictions

### 7.1 Restriction of the flat-rate addition

The use of a flat-rate scheme for farmers is provided for under EU legislation, however the use of the scheme should not lead to a situation where farmers are



overcompensated for VAT incurred by them on their business costs. In this regard, specific agricultural sectors can be excluded, by Ministerial Order, from using the flat-rate scheme, where the business model used in that sector has resulted in and would continue to lead to overcompensation of farmers in that sector for VAT costs incurred.

Farmers in those sectors excluded from using the flat-rate scheme would be subject to the normal VAT rules in relation to [registering and accounting for VAT](#).

#### 7.1.1 Exclusion by Ministerial Order of broiler chicken services

Under Section 86A of the Value-Added Tax Consolidation Act 2010, the Minister for Finance excluded from the flat-rate addition, the supply of any agricultural service of stock minding, rearing and fattening during the production of broiler chickens for meat production (broiler chicken services). The exclusion has effect from 1 September 2025.

Prior to 1 September 2025 flat-rate farmers could add the flat-rate addition percentage when they made supplies of broiler chicken services to VAT registered businesses.

Further detailed information in relation to the VAT treatment of broiler chicken services is set out on the Revenue website [VAT treatment of broiler chicken services TDM](#).

## 7.2 Spouses engaged in an agricultural activity

Taxable persons are generally free to choose the organisational structures they consider most appropriate for their economic activities and for the purpose of limiting their tax burdens. The fact that such arrangements result in a reduction in tax liabilities is not in itself evidence of tax abuse.

Spouses engaged in an agricultural activity, in the context of an agricultural holding forming part of the conjugal community, may be regarded as separate taxable persons for VAT purposes, being a flat-rate farmer and a farmer registered for VAT, where they can show proof that they are carrying on their activities independently.

The spouses are required to retain proof that they each pursue their agricultural activity independently and, in particular, that the spouse who wishes to retain the status of flat-rate farmer fulfils the conditions laid down for that purpose by national legislation. Examples of indicators of independent activity may include the spouses having separate bank and farm accounts for the purposes of their activities; having separate management structures in place in respect of their resources; being subject to separate income tax assessment; each farm or activity being independent from a financial and organisational perspective.

In circumstances where spouses both carry out an agricultural activity with one

being VAT registered and the other being a flat-rate farmer, Revenue will examine the economic reality of this arrangement to ensure that it is a genuine separation of business interests. Where compelling evidence of such separation and independent trading activity is not present, the spouse who is a flat-rate farmer will lose that status and cannot claim the flat-rate addition. Any sales declared by that flat-rate farmer must be attributed to the VAT registered spouse.

This action will be taken on a case by case basis in order to counter the risk of tax abuse.

A more recent version of this manual is available.

## Appendix 1

Paragraph 1(4) of Article 295 and Annex VII of Council Directive No. 2006/112/EC of 28 November 2006 - List of agricultural production activities

### 1. Crop Production

- General agriculture, including viticulture
- Growing of fruit (including olives) and of vegetables, flowers and ornamental plants, both in the open and under glass
- Production of mushrooms, spices, seeds and propagating materials
- Running of nurseries

### 2. Stock Farming together with Cultivation

- General stock farming
- Poultry farming
- Rabbit farming
- Beekeeping
- Silkworm farming
- Snail farming

### 3. Forestry

### 4. Fisheries

- Fresh-water fishing
- Fish farming
- Breeding of mussels, oysters and other molluscs and crustaceans
- Frog farming

Where a farmer processes – using means normally employed in an agricultural, forestry or fisheries undertaking – products deriving essentially from his agricultural production, such processing shall also be regarded as agricultural production.

## Appendix 2

Paragraph 1(5) of Article 295 and Annex VIII of Council Directive No. 2006/112/EC of 28 November 2006 - list of agricultural services

Supplies of agricultural services which normally play a part in agricultural production shall be considered the supply of agricultural services, and include the following in particular:

1. field work, reaping and mowing, threshing, baling, collecting, harvesting, sowing and planting.
2. packing and preparation for market, such as drying, cleaning, grinding, disinfecting and ensilage of agricultural products.
3. storage of agricultural products.
4. stock minding, rearing and fattening.
5. hiring out, for agricultural purposes, of equipment normally used in agricultural, forestry or fisheries undertakings.
6. technical assistance.
7. destruction of weeds and pests, dusting and spraying crops and land.
8. operation of irrigation and drainage equipment.
9. lopping, tree felling and other forestry services.