

Section 56 zero-rating of goods and services

This document should be read in conjunction with section 56 of the VAT Consolidation Act 2010 (VATCA 2010)

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Introduction

Section 56 of the Value-Added Tax Consolidation Act 2010, provides for the zero-rating of supplies of qualifying goods and services to, and intra-Community acquisitions and imports from, outside the European Union by certain accountable persons. In general, the accountable persons who qualify are those primarily engaged in making zero-rated intra-Community supplies of goods, exporting goods outside the European Union (referred to as 'exports' in this document) or in making supplies of certain contract work.

The [Qualifying Persons](#) section of this document outlines the conditions that must be satisfied by an accountable person if that person is to be a qualifying person for Section 56 purposes.

The [Qualifying Goods and Services](#) section lists the goods and services that qualify for zero-rating when supplied to qualifying persons.

1. Qualifying persons

A qualifying person under Section 56 of the Value-Added Tax Consolidation Act 2010, is an accountable person whose turnover from zero-rated intra-Community supplies of goods, exports and supplies of certain contract work exceeds, or is likely to exceed, 75% of his or her total annual turnover.

Total annual turnover comprises turnover from the supply of all goods and services, including exempt supplies. However, the turnover from sales which involve the subsequent lease-back of the goods sold is excluded from annual turnover for the purposes of determining whether an accountable person qualifies under Section 56.

In line with its previous exclusion of fourth schedule services supplied from total turnover for the purpose of the 75% calculation, Revenue allows the exclusion of receipts derived from the supply outside the State of the services listed in Section 33(5) of the Value-Added Tax Consolidation Act 2010, for this purpose. Sales by the applicant from locations outside the State to locations outside the State will be excluded also. For example, where Company X supplies €2 million of goods from Greece to Germany, these supplies will be excluded from the Section 56 calculation.

In certain cases it may also be possible for an accountable person in a start-up situation to qualify for the zero-rating facility on an interim basis. In such a case it is necessary to establish, to the satisfaction of the relevant Revenue District, that the person's turnover from zero-rated intra-Community supplies of goods, exports and certain supplies of contract work will exceed 75% of the person's total turnover in the first year of trading. In such cases, the application for authorisation to avail of the zero-rating facility should be supported by a statement from the IDA or a similar State agency. This statement should give details of the person's anticipated total annual turnover and annual turnover from zero-rated intra-Community supplies, exports, and certain supplies of contract work.

2. Group registrations

A VAT-registered group (i.e. where a number of companies are treated as a single taxable person for VAT purposes) may only be authorised under Section 56 of the Value-Added Tax Consolidation Act 2010, where at least 75% of the group's total annual turnover is derived from zero-rated intra-Community supplies of goods or exports and certain supplies of contract work. Sales between individual group members are ignored for this purpose. The turnover from sales outside the group, which involve the subsequent lease back by any member of the group of the goods sold, is also excluded for the purposes of determining whether the group qualifies for the scheme. Individual members of VAT groups may not obtain Section 56 authorisations unless the group, as a whole, is a qualifying person.

3. Authorisation procedure

1. Applications for authorisation should be made on Form VAT 56A, which is available from the Revenue District responsible for your tax affairs, or may be downloaded from the [Revenue website](#).
2. The Revenue District responsible for your tax affairs will issue an authorisation where it is satisfied that the applicant is a qualifying person.
3. The authorisation will take effect two weeks after the date of its issue. This is to allow the authorised person sufficient time to forward copies of the authorisation to his/her suppliers. Accordingly, a qualifying person should apply in good time before the desired date of effect of the authorisation.
4. If an authorised person ceases to be a qualifying person the local Revenue District must be notified immediately. An authorised person who fails to notify Revenue shall be liable to penalties as set out in Section 115 (7A) of the Value-Added Tax Consolidation Act 2010.

4. Purchases within the State

1. Authorised person

On receipt of the authorisation, the authorised person is obliged to send a copy of the authorisation to all persons in the State making supplies to him/her. It should be noted in particular, that apart from the exception mentioned in the [Qualifying goods and services](#) section below, once a person has been authorised, the zero-rating facility must be used in the case of all qualifying supplies, intra-Community acquisitions or imports from outside the European Union.

If a supplier charges VAT incorrectly on a qualifying supply to the authorised person, the authorised person is not entitled to claim the amount as a deduction when completing his/her VAT return. Any such incorrect charging of VAT is a matter for resolution between the authorised person and the supplier in question. The original invoice should be cancelled by a credit note and a correct invoice should then be issued by the supplier.

2. It is recognised that it may be inconvenient to operate the zero-rating facility in relation to petty cash or other minor purchases. Accordingly, an exception may be made to the position outlined in number one above, where the VAT on the individual transaction is less than €40.
3. **Supplier to an authorised person**
A supplier, once s/he has received a copy of an authorisation from an authorised person, must zero-rate all qualifying supplies from the effective date of the authorisation (see [Qualifying goods and services](#)) to the authorised person, and must quote the authorisation number on VAT invoices issued in respect of such supplies. If there is any doubt in relation to an authorisation, the Revenue District which issued the authorisation should be contacted to confirm its validity. When making zero-rated supplies under the scheme, the supplier should ensure that the supply is in fact made to the person named on the authorisation. Particular attention should also be paid to the commencement date and the expiry date of the authorisation as zero-rating applies only during the period of validity of the authorisation.
4. **Supplier of canteen services to an authorised person**
A supplier of services consisting of the provision of food and drink is not entitled to zero rate these supplies to an authorised person. Accordingly, where the authorised person is liable to account for VAT on canteen services supplied to staff, a claim may be made in the VAT return for an input credit in respect of the VAT charged on the food and drink supplied. The €40 limit does not apply to claims in respect of VAT charged on canteen supplies.
5. **Supplier of low emissions motor vehicles to an authorised person**
A supplier of low emissions motor vehicles (less than 156g/km) which are first registered on or after 1 January 2009 is not entitled to zero rate the supply of such vehicles to an authorised person. Accordingly, where the authorised person is entitled to a deduction in respect of 20% of the VAT charged on such vehicles, a claim may be made in the VAT return for an input credit in respect of 20% of the VAT charged on the low emissions vehicle supplied. The €40 limit does not apply to claims in respect of VAT charged on the low emissions vehicle.

5. Intra-Community Acquisitions

To obtain goods from another Member State without payment of VAT in that Member State, the VAT registration number must continue to be quoted to the foreign supplier. The Section 56 authorisation means that the authorised person must account for VAT on the intra-Community acquisition at the zero rate.

6. Imports

In order to import qualifying goods VAT free from outside the European Union, the authorised person should make a declaration on the relevant customs entry (SAD) that s/he is an authorised person under Section 56 of the Value Added Tax Consolidation Act 2010, and quote his or her authorisation number. When requested by a Revenue officer, a copy of the authorisation should be produced in support of the declaration.

7. Alcohol products

A person who is authorised in accordance with Section 56 of the Value Added Tax Consolidation Act 2010, as amended, may have the zero-rate applied to the import from outside of the European Union, or the intra-Community acquisition, of alcohol products. The authorised person must also make a declaration on the relevant excise form confirming that s/he is authorised in accordance with Section 56. When requested by a Revenue official, a copy of the authorisation should be produced in support of the declaration.

8. Qualifying goods and services

The zero-rating procedure applies to all goods and services (qualifying goods and services), with the following exceptions:

- The supply or hire of any passenger motor vehicle.
- The supply of petrol.
- The provision of food, drink, accommodation (other than qualifying accommodation in connection with attendance at a qualifying conference), entertainment or other personal services.

9. Self-supplies or exempt use

Where an authorised person applies qualifying goods or services which have been obtained at the zero rate, to an exempt or non-business use, the authorised person must, in respect of such application, account for and pay VAT on the cost price to him/her of those goods or services. For example, if an authorised person purchases goods for, say, €10,000 at the zero rate and the supply of those goods is normally liable at the [standard rate](#), the authorised person must, if s/he applies the goods to a non-business use, pay this standard rate of VAT with his/her VAT return. The authorised person has no entitlement to claim an input credit in respect of such VAT.