

Increase in the standard VAT rate from 1 December 2008

The standard VAT rate is set to increase from 21% to 21.5% on 1 December. Changing the VAT rate has potential to cause a certain amount of procedural confusion.

Revenue's VAT Guide is helpful on this topic and it may be useful to summarise the following points:

Which VAT rate to apply?

- If a supplier accounts for VAT on the cash-receipts basis, then the VAT rate applicable is the rate in force at the time of the supply.
- For suppliers accounting for VAT on the invoice basis, the VAT rate applicable will depend on whether or not the supplier is obliged to issue a VAT invoice.
 - Suppliers who are obliged to issue a VAT invoice must apply the VAT rate applicable at the time the VAT invoice issues or is required to issue.
 - Suppliers who are not obliged to issue a VAT invoice (usually because they are dealing with unregistered persons) must apply the VAT rate in force at the time of the supply.

Invoices

If a VAT invoice issues from one VAT-registered person to another VAT-registered person on or after 1 December and the standard rate applies, then the invoice should show VAT at 21.5%.

If the goods or services are supplied at the standard rate to *unregistered* persons prior to 1 December, the rate applicable will be 21% *even if* an invoice is issued on or after that date.

Credit Notes

A credit note issued to a VAT-registered person, a public body or an exempt person on or after 1 December 2008 should show or include VAT at the rate in force at the time the original invoice issued.

A credit note issued to an unregistered person on or after 1 December 2008 should show or include VAT at the rate in force at the time of the original supply.

Advance payments

If a VAT-registered person who accounts for VAT on the *invoice basis* receives a payment or deposit *before* 1 December and the corresponding goods/services are not supplied until on or *after* 1 December, then the supplier must account for VAT at 21% *if* this was the rate in force on the date on which the VAT invoice issued or should have issued.

If a VAT-registered person who accounts for VAT on the *cash receipts basis* receives a payment or deposit before 1 December and the corresponding goods/services are not supplied until on or after 1 December, then the supplier must account for VAT at 21%, on the basis that this was the rate in force at the time of the advance payment.

Contracts already in existence at 1 December

VAT is generally due at the time of supply or at the time when the corresponding VAT invoice issues or is required to issue. Consequently if a contract was signed pre 1 December and the contracted supply takes place post- 1 December, then the agreed price is in general terms subject to an appropriate adjustment for the new VAT rate.

Utilities

The rate change will affect in particular continuous supplies of telecommunications services e.g. telephone and television. In general terms the rate applicable will be the rate in force on the *billing date*.

Stock on hand on 1 December

VAT-registered traders are required to account for VAT at the new rate in the circumstances outlined even though they may have purchased stock at the old rate.

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This article is intended to provide a general guide to the subject matter and is necessarily in a condensed form.
Advice should be taken before acting on information in it.