



Dermot O'Brien & Associates

FINANCE BILL 2010

VAT CHANGES

Finance Bill 2010 was published earlier today. If it were a wine, the Bill would be said to come from a less than memorable vintage. The VAT content, while voluminous, contains no more than a couple of points of interest. The bulk of the VAT provisions are technical or preparatory to the introduction of a consolidated VAT Act, expected later this year. In this short summary, we focus on the few key issues.

Should you have any queries relating to the implications or changes outlined below, please do not hesitate to contact us.

Heading: The State and Local Authorities

Amendment

From 1 July 2010, the State and Local Authorities will have a changed VAT status and, for the first time, will be regarded as taxable persons for VAT.

Implications

This has huge implications for local authorities in particular. They will now be faced with having to account for VAT on the supply of any goods or services where they compete, or may compete, with private sector suppliers of similar goods or services.

It is by far the most significant VAT change proposed in the Bill and it is noteworthy that the Bill does not attempt (wisely, I should think) to list the various supplies that will become vatatable. Rather, it is a matter of "self-assessment" for the local authorities, thereby making their difficult job even more difficult.

Whilst commentators have tended to focus on VAT applying to waste disposal charges and off-street car parking, there is a raft of activity carried on by local authorities which competes with the private sector so change across the board is inevitable. Although when the day inevitably dawns that the Minister for Finance (or some convenient lamb from the Green Party) announces water charges for all, at least there will be no VAT on the water, because the Bill provides an exemption from VAT for water supplied by local authorities.

Heading: Second Hand Cars and Agricultural Machinery

Amendment

Changes are to be brought in to the scheme under which VAT is accounted for on the sale by motor dealers and ag machinery dealers of second hand cars and machinery. The change was announced by the Minister in the Budget and is designed to reduce the VAT burden in a depressed industry.

Implications

The basis on which the dealer's margin is calculated will change and dealers should benefit from lower funding requirements.

Heading: The Tax Appeals System

Amendment

The Bill proposes that for an appeal against an assessment to VAT to be valid, detailed grounds of the appeal must be given and the taxpayer cannot rely on a ground during the hearing of the appeal if it was not set out in his appeal notice unless the Appeal Commissioner or Circuit Court Judge are satisfied that the ground could not reasonably have been stated in the appeal notice.

Implications

This puts even more pressure on the taxpayer or, in fact, his agent. An appeal must be lodged within 21 days of an assessment issuing. Very often, several of these days will have lapsed before the agent becomes aware of the matter. Now, it would appear, the entire arsenal of grounds for appeal must be submitted in that tight time frame. The inadmissibility at appeal of grounds omitted from the original appeal letter is another savage tilt of the appeal system in Revenue's favour.

Plus ca change.....

I hope that some of the foregoing will be of assistance to you. If any of the proposed amendments are likely to affect you or your business (or, indeed, your sanity), now is the time to make representations to the appropriate quarter.

If any significant amendments arise at any stage prior to enactment, we will let you know.

Kind regards,

Dermot O'Brien

4 February 2010