

Tax E-News

Welcome to our latest monthly tax newswire. We hope you enjoy reading this newsletter and find it useful. Contact us if you wish to discuss any issues further.

October 2021

56B VAT Authorisation

Many manufacturers based in Ireland utilise a relief known as a 56B authorisation to obtain goods and services at a VAT rate of 0%. Often referred to as a '13B' in reference to the 1972 VAT Act, 56B authorisations are seen as a very beneficial relief for companies whose main income derives from the sale of goods that move out of Ireland when sold.

Irish Revenue allows certain Irish taxpayers to avail of the 0% rate of VAT in respect of the majority of their purchases. This means that whenever the holder of a 56B authorisation acquires goods or services, the supplier can charge VAT at 0%.

To evidence the relief, Revenue issue a Section 56B authorisation to companies that qualify, for a period of one to three years, which is typically renewable on 31st October of a given year. The holder then provides a copy of the authorisation to its suppliers, who should then charge VAT at the 0% rate for the duration of the authorisation. The authorisation number should be quoted on all invoices and other documents issued in relation to any supplies made to the authorisation holder.

In order to qualify, the taxpayer must be VAT registered and for the period of 12 months immediately preceding the date on which an application is made, at least 75% of the applicant's turnover must derive from:

- The supply of goods to a VAT registered business in another EU country;
- The export of goods to countries outside of the EU or
- The supply of certain contract work where the place of supply of the service is outside the Republic of Ireland. For example services such as toll manufacturing

It is not yet clear whether Revenue will accept the most recent set of 12 month accounts or if Revenue will take a strict interpretation of the recently updated legislation and request figures which reflect the 12 months prior to the application date. In any case these figures must be certified by an accountant as part of the application process.

When determining whether the 75% threshold is met, taxpayers by concession can exclude turnover from the supply of certain services and the sales of goods located outside the State at all times. The sale and subsequent lease back of assets should also be excluded from the calculations.

Previously, start-up companies could avail of the relief if the expectation was that the criteria would be met in future years. However, the recent legislative changes will now require a company to be trading for 12 months in order to demonstrate that they meet the 75% threshold in the 12 months preceding the date on which the application is made.

Further, VAT groups can apply for the authorisation, once the group as a whole fulfils the turnover requirements (as outlined above).

To apply for the authorisation a Form 56A must be completed and submitted to the tax authorities.

Benefits

The primary benefit of the authorisation is that it allows taxpayers to receive most goods/services at a 0% rate of Irish VAT (this includes most Intra Community Acquisitions, importation of goods into Ireland from non-EU countries, receipt of services from non-Irish established companies). The relief avoids a constant VAT refund position.

This zero-rating procedure applies to all goods/services supplied to an authorisation holder, with the exception of:

- The supply/hire of any passenger motor vehicle;
- The supply of petrol;

- The provision of food/drink/accommodation (other than qualifying accommodation in connection with a qualifying conference), entertainment or other personal services;
- By concession, for ease of administration, the authorisation does not have to be applied to supplies under €40.

Where VAT is charged in respect of the above, it would be necessary to consider whether the authorisation holder has an entitlement to deduct the VAT in its periodical VAT return or not.

VAT incorrectly charged to the holder of a 56B authorisation cannot be deducted via the VAT return.

The authorisation can result in a significant cash flow saving and administrative ease for most businesses as it removes the need to wait until the VAT return is to be filed to recover VAT that would usually be charged. Of course, the alternative can arise for some taxpayers, as it is possible that the authorisation could result in a negative cash flow where favourable credit terms have been agreed with suppliers (i.e. in circumstances where the VAT can be recovered in a taxpayers' VAT return in advance of actually paying the supplier within the credit terms provided).

Additionally, supplies of canteen services to an authorisation holder are considered supplies of

food/drink and hence do not fall within the parameters of the relief. Irish VAT should be charged to the 56B authorisation holder as normal. However, it is possible for the taxpayer to recover this VAT in its VAT return in certain circumstances. This is a complex area and worth considering in detail if relevant to your business.

Overall, an authorisation holder needs to take due regard for the end use of the purchases being acquired under the procedure to ensure that the correct treatment is adopted in every case.

Potential Penalties for incorrect operation of the authorisation

It is important that authorisation holders continuously monitor the requirement to avail of the 56B authorisation, as taxpayers are obliged to tell Revenue when they no longer qualify. Failure to notify Revenue can result in VAT penalties for the authorisation holder.

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: 087 653 4385 Email: info@murraycloney.net

KEY FILING DATES - October 2021

TAX HEAD	RETURN	PERIOD	PAYMENT & FILING DATE
Dividend Withholding Tax	DWT	September 2021	14 th October 2021
Professional Services Withholding Tax (PSWT)	F30	September 2021	14 th October 2021
PAYE/PRSI/USC/LPT	Monthly Deductions	September 2021	23 rd October 2021
Corporation Tax	Preliminary tax	Accounting periods ending 30 th November 2021	23 rd October 2021
Corporation Tax	Corporation Tax Return (Form CT1)	Accounting periods ending 31 st January 2021	23 rd October 2021
Relevant Contracts Tax (RCT)	RCT Monthly Return	September 2021	23 rd October 2021
Corporation Tax	Returns of Third-Party Information (Form 46G)	Accounting periods ending 31 st January 2021	31 st October 2021
Corporation Tax	Close companies with undistributed profits	Accounting periods ending 30 th April 2020	31 st October 2021
Income Tax	Income Tax Return	2020	31 st October 2021
Income Tax	Preliminary Tax	2021	31 st October 2021

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