

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.

February 2022

Changes in the VAT Treatment of Non-Refundable Deposits



From 1st January 2022 changes in the legislation concerning the VAT treatment of non-refundable deposits is due to take effect. This change mainly affects the hospitality industry (e.g., for hotel room bookings). However, any business that retains forfeited deposits for unused services and uncollected goods may also fall within this bracket.

Previously, suppliers accounted for VAT on receipt of a deposit. When a consumer cancelled a transaction after a non-refundable deposit was paid, the supplier reduced their VAT liability for the period in which the transaction was cancelled. The amount of the reduction available to the supplier was the amount accounted for on the deposit when it was received.

In order to avail of the reduction, the following conditions must have applied:

- the supply did not take place because the customer had cancelled it;
- the cancellation was recorded as such in the books and records of the supplier.

- the deposit was not refunded to the consumer; and
- no other consideration, benefit or supply was provided to the customer by any person in lieu of that amount.

The changes in Finance Bill 2021 removes the above provision that allows businesses to adjust the VAT initially accounted for on the receipt of the deposit. While caselaw and the legislative change for treating cancellation payments as not subject to VAT is limited, it is recommended that each case should be assessed on its particular fact pattern.

VAT Groups

VAT groups were a primary matter for the Finance Bill 2021. There were numerous technical amendments to the provisions of VAT groups. These changes include:

1. At least one member of a VAT group must be an accountable person. This is a correction of existing error in Section 15 of the VAT Act.

It has already been a requirement for the remitter to be an accountable person in practice for many years. This change is not set to have any impact on those involved in VAT groups. For example, if a VAT group has two members both engaged in fully VAT exempt activities, the parent may provide services such as management services to its subsidiary and VAT grouping would generally be put in place to avoid VAT arising on these services.

Therefore, the parent is an accountable person prior to VAT grouping and the change has no impact.

2. The cancellation of a VAT group can take effect from a date earlier than the date of issue of a Revenue cancellation notice.
3. The group remitter must notify Revenue if there are changes which are deemed significant to the 'financial, economic and organisational links between the VAT group members, these can include:

- if a VAT group member is no longer established in Ireland, or
- one of the members no longer satisfies the condition to be an accountable person.

The notification to Revenue, must be made within 30 days of the end of the relevant VAT period. If no such notification is made, there are penalties for non-compliance.

The penalties are as follows:

- the group remitter will be liable to a €4,000 penalty; and
- where the group remitter is an entity made up of a body of persons, the secretary is also liable to the above €4,000 penalty.

KEY FILING DATES - February 2022

TAX HEAD	RETURN	PERIOD	PAYMENT & FILING DATE
Dividend Withholding Tax	DWT	January 2022	14 th February 2022
Professional Services Withholding Tax (PSWT)	F30	January 2022	14 th February 2022
PAYE/PRSI/USC/LPT	Monthly Deductions	January 2022	23 rd February 2022
Corporation Tax	Preliminary tax	Accounting periods ending between 1 st - 31 st March 2022	23 rd February 2022
Corporation Tax	Corporation Tax Return (Form CT1)	Accounting periods ending between 1 st - 31 st May 2021	23 rd February 2022
Relevant Contracts Tax (RCT)	RCT Monthly Return	January 2022	23 rd February 2022
Corporation Tax	Returns of Third-Party Information (Form 46G)	Accounting periods ending between 1 st - 31 st May 2021	28 th February 2022
Corporation Tax	Close companies with undistributed profits	Accounting periods ending between 1 st - 31 st August 2020	28 th February 2022

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

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