OHT Guide

VAT—Keeping Records

Goods Scheme: Obligation to Keep Records

A taxpayer is obliged to keep tax records for a period of time after filing a tax return. The period for which the records must be kept depends on the type of tax involved. For VAT purposes the taxpayer must keep records of all purchases and sales of a business for a period of 6 years from the date of the latest transaction to which they relate.

If the taxpayer takes a supply of immovable goods (i.e. land and/or buildings) there is longer retention period as the taxpayer is obliged to keep records for a period of 6 years after the period of ownership ends.

The information is initially used to establish the level of VAT due to Revenue in relation to the supply of goods or services for a particular VAT period. The standard record of a sale or purchase is the invoice issued by the supplier. The records should show the following:

- The date of the invoice, and the invoice number. There is a requirement for sales invoices to be issued by the supplier with consecutive invoice numbers,
- The name of the supplier,
- The cost exclusive of VAT and the VAT due.

- If more than one rate of VAT applies to the goods or services supplied each VAT rate must be recorded separately.

S. 84 Value Added Tax Consolidation Act 2010 (VATCA 10) sets out the obligation to keep records for VAT purposes, and it refers to the following records:

- books,
- invoices,
- copies of customs entries,
- credit and debit notes,
- receipts,
- accounts,
- vouchers,
- bank statements.

It also refers to retaining any other documents which are in the power, possession or procurement of the taxpayer, and which relate to the supply of goods or services, the intra-Community acquisition of goods, or the importation of goods by the taxpayer.

e-Records

In Chapter 15 of the VAT Guide Revenue indicate that a person who issues or receives electronic invoices must retain and store them and related electronic records.

In addition the taxpayer must store details such as the form of any encryption, electronic signature and details of the format in which the records can be accessed.

Authorised Revenue officers have extensive powers in relation to the inspection of records and failure by an accountable person or the taxpayer's employees or associates to co-operate with Revenue is an offence.

Capital Good Scheme Records

The Capital Good Scheme ("CGS") was introduced in 2008 and applies to the supply of new and transitional properties.

The purpose of the scheme is to allow the Revenue to review the VAT deduction over time to ensure that if the

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taxpayer does not continue to use the property to make VAT supplies at the level envisaged when the property was acquired, the Revenue can claw back part of the original VAT input credit.

Capital Goods Schemes will typically operate over 20 years and the potential for exposure to a VAT clawback on the initial input credit will reduce year on year, and will fall away once the CGS period ends.

The development of a property creates a Capital Good Scheme that is separate to the Capital Good Scheme that may apply to the acquisition of the property and the Capital Good Scheme period for the development of a property is 10 years (rather than 20 years).

There is an obligation on the CGS owner (i.e. the property owner or the lessee/tenant) to keep sufficient records in relation to the Capital Good (i.e. the property).

S. 64 (12) Value Added Tax Consolidation Act 2010 sets out the record keeping requirements for CGS purposes and indicates that

> *"a capital good owner shall create and maintain a record…in respect of each capital good and that record shall contain sufficient information to determine any adjustments in respect of that capital good".*

S. 63 VATCA 10 defines a capital good owner as:

> *"a taxable person who incurs expenditure on the acquisition or development of a capital good". The definition also includes "a flat-rate farmer who incurs expenditure to develop or acquire a capital good".*

It would not be unusual for CGS purposes for the owner of a property to have a CGS record on the acquisition of the building, and the tenant renting that property to be maintaining a separate CGS record in relation to the development of that building.

Each party must maintain sufficient records for his own CGS purposes. Revenue set out the following requirements for a CGS record in the VAT on Property Guide:

- The amount of VAT which is charged on the owner's acquisition or development of the property (known as the 'total tax incurred').
- The VAT initially deducted (the "input credit").
- The date on which the adjustment period begins. This is the date of acquisition if a property has been acquired and the date on which the development was completed where property has just been constructed, refurbished or developed in some way).
- The number of intervals in the adjustment period (normally 20 but 10 for refurbishment).
- The initial interval proportion of deductible use, i.e. the percentage of taxable use during the first 12 months.
- The total reviewed deductible amount, i.e. total tax incurred multiplied by the percentage of taxable use for the initial interval.
- The proportion of deductible use relevant to each interval, i.e. the percentage of taxable use in each interval (second, third, fourth, etc).
- Details of any adjustments under the scheme.
- Details of any sale of the property.

Failure to maintain sufficient records for CGS purposes can lead to penalties being imposed.

S. 115 VATCA 10 provides for a penalty of €4,000 where the proper CGS records are not kept.

If tax advice is required on any point covered in this article an email should be sent to info@ohanlontax.ie.

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