



**Public Accounts Committee Hearing, 9 May 2013
Office of the Revenue Commissioners Vote 9, Chapter 11.
Opening Statement by Revenue Chairman, Josephine Feehily**

The Chapter under consideration today, “VAT on Intra Community Trade”, reviews the processes that the Revenue Commissioners have in place to manage the risks associated with VAT on intra-community trade.

VAT is a consumption tax which is levied on the value added at each stage of production and distribution. As businesses are able to reclaim any VAT that they pay on goods or services, it is the final consumer who ultimately pays the tax.

In the context of trade between EU member states VAT is, generally, collected in the member state where the goods or services are consumed, in line with the rates in that country. This differs from purely domestic transactions, where the supplier charges VAT and is responsible for paying it over to Revenue.

The Irish VAT system operates in the context of an EU-wide legal framework of rules and Directives in which the VAT risks arising from intra-community trade are recognised and continue to be addressed, including by the Irish Presidency.

As pointed out in the Chapter it was intended that the current system which was introduced in 1993 would be transitional, and would be replaced by the so-called definitive system in due course. However, because of the lack of consensus among member States on EU Commission proposals, this did not happen. Driven by the overriding need for trade to proceed freely between States in a single market, to enable controls at EU internal borders to be abolished and at the same time to allow tax to be collected in the Member State where consumption takes place, the current system was adopted. Within the parameters of EU rules, Revenue endeavours to operate the current system in a manner that protects VAT yield while also being very conscious of the administrative burden it places upon compliant businesses.

Finally, I should point out that as VAT is a self assessed tax traders are subject to Revenue’s normal compliance and audit activities that apply to all such taxes, as well as those that apply specifically to EU trade.