

Business Vehicle Vat Reclaims

Whether a trader can reclaim VAT on the purchase of a vehicle depends on four things:

1. Is the trader registered for VAT and generally entitled to claim VAT back?
2. Is the vehicle to be used for the purpose of the business?
3. Is the vehicle of a category that allows a repayment to be made?
4. Was VAT charged on the sale of the vehicle?

If the answer to either question (1) and (2) is 'no', then there is no entitlement to reclaim Vat on any vehicle. If the answers to both questions are yes, then question (3) and (4) need to be considered.

Up to the end 2008, a trader was not able to recover any VAT on non-commercial or Category A vehicles [which includes cars (saloons, estates, hatchbacks, convertibles, coupes, MPV's, Jeeps etc.) and minibuses with less than 12 permanently fitted passenger seats], even where they were "company cars" or otherwise used for business purposes.

With effect from 1st January 2009, any VAT-registered trader other than those mentioned above is entitled to recover some of the Vat charged on the purchase or hire of vehicles coming within VRT Category A, subject to certain conditions, including:

- This provision only applies to vehicles registered from 1st January 2009;
- A maximum of 20% of the VAT incurred can be reclaimed. In the case of hire or leasing charges, a maximum of 20% of the VAT on the monthly leasing charges may be reclaimed;
- VAT can only be reclaimed for vehicles that have a level of CO2 emissions of less than 156g/km (i.e. CO2 emissions bands A, B and C);
- At least 60% of the vehicle's use must be for business purposes;
- If the business is exempt from VAT (e.g. taxi, limousine and other passenger transport) then no VAT can be reclaimed. Partly exempt businesses can reclaim some, but not all, of the 20%
- If VAT is reclaimed on a vehicle purchased under this provision, some or all of the VAT must be repaid to Revenue if the vehicle is disposed of (by sale or otherwise) within two years;
- There is no need to charge VAT on the disposal of the vehicle, even though Vat was reclaimed under this provision;

- If the vehicle is sold or traded-in to a motor-dealer, the special scheme for second-hand vehicles will apply, and the dealer can reclaim any residual VAT.

Vehicles that come with VRT Category D, and other vehicles not in Categories A, B, or C may be deductible, depending on whether the purchasers are registered for VAT and the uses to which the vehicles are put.

Disclaimer:

The object of this article is to provide useful tips in relation to Irish Tax Regulations, accordingly it cannot be regarded as a definitive guide and no liability can be accepted in respect of decisions taken in reliance on the information herein contained.