



**VAT ON  
MANAGEMENT  
CHARGES FOR  
OFFICE AND SHOP  
PROPERTIES**

**T**he Irish Auctioneers and Valuers Institute have kindly supplied a copy of a letter clarifying the position with regard to the above, which may be of interest to members.

Dear Sir,

I refer to our recent discussion and confirm that, having regard to the special features of the application of VAT to property, the Revenue Commissioners are prepared, as a concession, to agree to the following arrangements for the transmission to VAT registered lessees of a deduction of VAT charged on these goods and services.

- (1) A landlord who is not registered for VAT and who is not obliged to register may seek the agreement of his Inspector of Taxes (VAT) to become registered by concession. The application should be made by letter to the Inspector and should give the address(es) of the property(ies), a list of the registered tenants, the accounting year/s and quote the registered VAT number of the landlord, if already registered. On being satisfied regarding the circumstances of the case, the Inspector will register the landlord. A landlord whom an Inspector agrees to register will be allocated a VAT number which will enable the landlord to issue to his registered lessees once a year, directly or through his management agents, invoices bearing this number and showing VAT where appropriate. Such invoices will enable the registered lessees to take a deduction for the VAT invoiced, subject to the usual conditions.
- (2) Landlords who are registered for VAT in accordance with the procedure described above will have the same obligation as persons who are obliged to be registered. They will, therefore, be obliged to keep records in sufficient detail to enable their VAT returns to be checked and validated. In the following instances their obligations will be somewhat modified.

- (i) Invoices

The landlords will not be obliged to issue invoices showing VAT as they receive payments from their lessees. Only one invoice showing VAT should be issued to the lessee and this is at the end of the landlord's accounting year. Any difficulties in this regard (e.g. changes in VAT rates during the year, end of an accounting year not coinciding with the end of a VAT taxable period) will be settled by the Inspector.

- (ii) Returns

Unless a landlord has several properties to which different accounting years apply, only one VAT return per year will be required. Although a VAT return form is intended to cover a taxable period of two months only (January/February, March/April and so on) the entry in the return should cover the accounting year of the property in question. This will mean that five "NIL" returns will have to be made each year. If "NIL" returns are not made, computer-operated follow-up procedures will be automatically activated.



If a landlord has several properties and different accounting years apply to different properties, as many “Positive” returns as there are accounting years will be required each year. “NIL” returns will also be required as appropriate.

The returns should show no net liability or repayment since they will merely represent the appropriate values of liable considerations invoiced to landlords by suppliers and the same values invoiced by the landlords to their VAT registered lessees. The returns should show the precise values involved, segregated as between the different tax ratings.

### Conditions

- (3) It is a condition of the concession that it be kept within the strictest bounds and be subject to the following conditions in particular:
  - (i) It will operate from accounting years ended March 1986 and later;
  - (ii) It will be subject to regular review;
  - (iii) It will be subject to withdrawal in any particular case at the discretion of the Inspector if he ceases to be satisfied that the conditions of the scheme are met or where he discovers that the limits of the Scheme are exceeded;
  - (iv) It will be subject to withdrawal in any particular year if Landlords claim relief for input credit for VAT to which these landlords would not otherwise be entitled.

### Exclusions

- (4) The concession will not extend to the supply of service/goods by landlords using their own labour or other resources. Such supplies are taxable in the ordinary way. This is so whether or not a landlord was liable in respect of the letting of the premises in question.
- (5) The arrangement likewise does not apply to other expenses incurred on a joint basis by lessees, for example, staff employed jointly by a number of lessees subject to reimbursement by the others.

### VAT Registered Landlords

- (6) Landlords who are already registered for VAT may also avail themselves of this concession once they obtain the agreement of their Inspector of Taxes. Such landlords continue to be obliged to make VAT returns in respect of those activities for which they are already registered or obliged to be registered.  
Details of the transactions covered by the concession should be included, at the appropriate time, in such a landlord’s ordinary VAT returns.

### Payment on account

- (7) A VAT deduction may not be taken by VAT registered lessees in respect of VAT

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(Contd.)



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included in demands for payments on account made by a landlord or his management agent and VAT should not be separately shown on such demands for payment since a deduction may only be claimed by lessees in respect of VAT shown on the end of the year final invoices.

Any problems arising out of the operation of the concession should be addressed to the appropriate Inspector of Taxes (VAT). An example of the operation of the concession is shown below.

**Example**

A company develops a site as an office/shop complex and creates 35 year leases in favour of 10 lessees. The company undertakes, as landlord, to provide insurance, security and cleaning services and heat and light and the lessees covenant to re-imburse the company for such cost. The complex is managed by a property management agent on behalf of the company. The lessees undertake to re-imburse the company for the agent's fees also. Each lessee makes a quarterly payment on account of £2,500. At the end of the year the landlord or his agent calculated each lessee's liability as £10,175 made up as follows:

	<b>Charges excl. VAT -£-</b>	<b>VAT -£-</b>	<b>Total -£-</b>	<b>Each lessee's share (1/10th) -£</b>
Insurance (exempt)	50,000	—	50,000	5,000
Electricity (zero)	10,000	—	10,000	1,000
Heating Oil, Gas (10%)	10,000	1,000	11,000	1,000 + 100 VAT
Cleaning				
Security (23%)	20,000	4,600	24,600	2,000 + 460 VAT
Management (23%)	5,000	1,150	6,150	500 + 115 VAT
	95,000	6,750	101,750	9,500 + 675 VAT
<b>(Total £10,175)</b>				

A landlord, or the management agent on the landlord's behalf, who has made the necessary arrangement with his Inspector of Taxes should issue an itemised invoice (see specimen hereunder) showing the consideration excluding VAT and indicating separately the VAT on each liable charge. This will enable a VAT registered lessee to take the appropriate deduction in his VAT return.

