

Temporary VAT measures relating to Covid-19

Updated April 2021

1. Introduction

This guidance outlines the temporary concessional application of the zero rate of VAT to the supply of Covid-19 vaccines and test kits; and the temporary application of the zero rate of VAT to certain supplies of personal protection equipment (PPE) and medical equipment.

In addition, the tax treatment of the supply of emergency accommodation and donations of free goods and meals is clarified.

2. Concessional VAT zero-rating measure for Vaccines and Testing Kits

Following a request from the Minister for Finance, Revenue will permit the application of the zero rate of VAT to the supply of Covid-19 vaccines, the supply of Covid-19 in-vitro diagnostic medical devices (testing kits) and services closely linked to both.

Council Directive (EU) 2020/2020 of 7 December 2020 amending Directive 2006/112/EC Covid-19, provides for the temporary zero-rating of supplies of Covid-19 vaccines and Covid-19 testing kits, subject to conditions. Covid-19 vaccines must be authorised by the EU Commission or by the State. Covid-19 test kits must conform with the essential requirements of all relevant European Medical Device Directives, for example a Covid-19 test kit product which has a CE marking is proof that it meets those requirements.

Services are treated as closely linked to the supply of Covid-19 vaccines and Covid-19 testing kits only where they are directly linked and necessary for the supply of those vaccines and testing kits.

This concessional measure will apply from 12 December 2020 until enactment of Finance Bill 2021.

3. Medical services that are exempt

There is already a VAT exemption for certain types of medical services. This exemption is provided for by VAT law and is not affected by the Covid-19 temporary VAT zero-rating measure detailed above. Medical services, including Covid-19 testing services, carried out for the purposes of protecting a patient's health which are provided by medical professionals qualify for the VAT exemption. Further information is contained in Revenue's guidance on [VAT and medical services](#).

4. Temporary VAT zero-rating measure for certain PPE and medical equipment

The zero rate of VAT applies to the supply and intra-Community acquisition of the goods listed below when supplied to or acquired by the HSE, hospitals, nursing homes, care homes, GP practices and the like, for use in the delivery of Covid-19 related health care services to their patients:

- personal protection equipment (PPE)
- thermometers
- hand sanitiser
- medical ventilators and specialist respiratory equipment such as respirators for intensive and sub-intensive care and other oxygen therapy apparatus including oxygen tents
- oxygen.

The zero rate may only be applied to supplies to hospitals, nursing and care homes, GP practices and the like; supplies to any other operators even if they are intended for onward supply to a health care provider are liable at the standard rate.

4.1. Timeline for the Covid-19 temporary VAT zero-rating measure

This temporary legislative measure will apply from 9 April 2020 to 31 December 2021. The Minister may, by Order, extend the date where the European Commission adopts a decision to extend the period of application of the relief granted by Commission Decision (EU) 2020/491 to a date later than 31 December 2021.

4.2. What records should suppliers maintain?

In addition to the normal record keeping requirements, suppliers of these goods will need to satisfy themselves that their customer is eligible to receive zero rated supplies. In most cases, this will be very obvious (the supply is to a hospital or nursing home, etc.), but, if there is any doubt, the supplier must ensure that the supply meets the criteria for zero rating, i.e. that the customer is directly involved in the provision of health care services to patients and that the goods are for use by the customer in the delivery of those services.

The goods being supplied at the zero rate of VAT should be clearly identified and described on the invoice.

4.3. Deductibility

The VAT deductibility rights of the suppliers of this equipment will not be affected by this measure. They can continue to deduct VAT on their business input costs in the normal way.

5. Other medical products that are zero rated

There are already existing zero rates for certain types of medical products. These zero rates are provided for by VAT law and are not affected by the Covid-19 temporary VAT zero-rating measure detailed above.

5.1. Medical devices

Generally, most medical devices are liable to the standard rate of VAT. The following goods are already zero rated for VAT purposes as per paragraph 11(3)(b) and (c) of the Second Schedule to the Value-Added Tax Consolidation Act, 2010:

- Tracheostomy tube
- Endotracheal tube
- Breathing filters (that are solely or principally for use with tracheostomy or endotracheal tubes).

5.2. Human oral medicines

Human oral products which are licenced or authorised as medicines by the Health Products Regulatory Authority ('HPRA') are zero rated as per paragraph 11(1) of the Second Schedule to the Value-Added Tax Consolidation Act, 2010.

6. Emergency accommodation

The supply of temporary emergency accommodation is exempt from VAT in accordance with paragraph 11 of Schedule 1 to the VAT Consolidation Act 2010.

The exemption applies to the supply of emergency accommodation to the State/HSE/State Agencies for the purposes of being used as emergency accommodation as necessary to combat Covid-19.

Further information on the VAT treatment of the supply of emergency accommodation and ancillary services is available in the [VAT Tax & Duty manual](#).

6.1. Application of the Capital Goods Scheme to emergency accommodation

The terms for the application of this concessionary treatment must be taken as a package for the intervals involved, otherwise normal CGS rules apply. This concessionary treatment only applies to the intervals as set out below.

'Big Swing' Adjustment

As a concessionary treatment Revenue will not apply the CGS big swing adjustment in cases where the change in the proportion of deductible use is a consequence of a capital good being diverted for use as emergency accommodation. The big swing provisions should be ignored in any interval where the capital good is used for the purpose of emergency accommodation in accordance with paragraph 7.

Concessionary application of the CGS rules

First interval where the property is used for emergency accommodation

The calculation of the proportion of deductible use is to be based on the interval prior to the property being diverted for use as emergency accommodation.

Subsequent intervals where the property is used for emergency accommodation during the whole of the interval.

The calculation of the proportion of deductibility is to be based on the deductible use in the interval immediately preceding the first interval in which the capital good was used for emergency accommodation.

Proportion of deductible use in the interval immediately following the intervals during which the Capital Good was used for emergency accommodation

The proportion of deductible use can be calculated using normal CGS rules, based on actual use during the period; the proportion of deductible use applied to any period of non-use at the beginning of that interval would be deemed the same as applied in the preceding interval.

7. Donations or gifts of goods and meals

Generally, where a business donates goods free of charge, no VAT charge will arise on the donation where the value is less than €20; for goods in excess of €20 the self-supply rule applies; for goods where no VAT was reclaimed by the business on the input costs relating to those goods those supplies are considered outside the scope of VAT. Further information on the VAT treatment of the supply of gifts is available in [VAT on Gifts and Promotional Goods/Schemes](#).

Where a business donates goods as specified in Paragraph 2 free of charge to the HSE, hospitals, nursing homes, and other healthcare facilities for use in the delivery of Covid-19 related health care services to their patients, those supplies are considered to be self-supplies and liable to the temporary zero rate of VAT.

Where a business donates hot meals free of charge to charities and health care providers involved in the response to the Covid-19 crisis for distribution to vulnerable groups or for consumption by frontline staff, Revenue will concessionally disregard those supplies for the purposes of determining the business's entitlement to deductibility.

Where a business donates food products (including cold food takeaways) and non-alcoholic drinks free of charge to charities and health care providers involved in the response to the Covid-19 crisis for distribution to vulnerable groups or for consumption by frontline staff, Revenue will concessionally not require the business to apply the normal self-supply rules and will allow the business to maintain an entitlement to deductibility in respect of those donations.

This concessional treatment will apply from 9 April 2020 up to 31 December 2021, subject to review.