

What is VAT?

Imagine you run a small business selling **hoodies**. VAT is a **government tax** added on top of the price – and you're going to be the one collecting it.



YOU BUY

From your supplier

1 × hoodie	€40.00
+ VAT (23%)	€9.20
You pay	€49.20

→
you add a
markup
and resell

YOU SELL

To your customer

1 × hoodie	€60.00
+ VAT (23%)	€13.80
They pay	€73.80



That €13.80 is NOT the business' money

The business collected it on behalf of the government – it's just **holding** it for them. At the end of the month it goes to **Revenue**.

HOW MUCH DO YOU OWE REVENUE?

$$€13.80 - €9.20 = €4.60$$

VAT you collected on sales – VAT you paid on purchases = what you hand over.

Analysed Cash Book ACB

DR · Receipts in					+	CR · Payments out				
Date	Detail	Bank	Sales	VAT		Date	Detail	Bank	Purchases	VAT
30/04/26	Hoodie sale	73.80	60.00	13.80		30/04/26	Stock – hoodie	49.20	40.00	9.20

Bank = Sales/Purchases + VAT · only the VAT column posts to the VAT account

VAT figures post to the VAT ledger

VAT Account T-A/C

DR · VAT on purchases			paid	CR · VAT on sales			got
30/04/26	Purchases		9.20	30/04/26	Sales		13.80
30/04/26	Balance c/d		4.60				
			€13.80				€13.80
				01/05/26	Balance b/d		4.60

Balance b/d €4.60 on the credit side = the VAT liability owed to Revenue

Why VAT?

VAT is a major source of **government revenue**. The money raised funds public services like **roads, hospitals, schools, the Gardáí** and **social welfare**.

23%

STANDARD RATE

Most goods and services – clothes (incl. our hoodie), electronics, petrol, alcohol

13.5%

REDUCED RATE

Building services, new houses, cleaning, fuel for heating

9%

SECOND REDUCED

Hospitality – restaurants, hotels, hairdressing – plus gas and electricity

0%

ZERO RATE

Essentials – children's clothes and shoes, school books, most food, oral medicines

Lower rates apply to **essentials** (children's items, food, books) and **important sectors** (housing, hospitality) to keep them more affordable.