Chapter 7

VAT IMPLICATIONS FOR RETAIL OUTLET AND COFFEE SHOP

Value added tax (vat) is a tax on consumer spending. Businesses (whether sole traders, partnerships or companies) charge VAT on the supply of goods and services and they act as a collector of these monies for the Revenue Commissioners. The business planned by Mick Roche involves both a retail operation and the provision of food. If the business has turnover in excess of €51,000 in relation to the supply of goods then VAT will need to be accounted for. Mick needs to be aware of the rates of VAT for each type of stock and each activity. The table below summarises the relevant taxable activities

Taxable – higher rate 21%	Taxable – lower rate 13.5%	Exempt	Zero rated
Stationery Adult clothing General souvenirs	Provision of Food	Not applicable	Printed books Children's clothes Human food/drink

As can be seen from examining the table above, the retail activities involve two different VAT activities (taxable and zero rated). Stationery, adult clothing and probably most of the general souvenirs will have VAT chargeable at the higher rate of 21% while the books, children's clothes and food items are zero rated.

If the coffee shop option is taken then VAT is chargeable at the lower rate of 13.5%.