26 February 2019

Indirect Tax Alert

Ireland announces "Postponed Accounting" for Import VAT post-Brexit

The Irish Government has announced that a "Postponed Accounting" scheme will be implemented in Ireland for import Value Added Tax (VAT) in a post-Brexit scenario. It is a measure being introduced to allow Irish companies importing from the United Kingdom (UK) to postpone payment of VAT due on imports until the VAT return is filed.

Changes for Irish businesses

There is a risk that the UK will leave the European Union (EU) without a transition plan on 29 March 2019. The UK would effectively become "a third country" for VAT purposes and any goods arriving in Ireland from the UK would become liable to import VAT at the point of importation, similar to how Ireland currently treats imports of goods from other "third countries." This will affect the tax treatment of goods being sold between businesses in Ireland and the UK.

The introduction of a "Postponed Accounting" scheme would mean that the VAT due at the point of importation can be delayed by up to two months until the next VAT return is due. This is an important measure towards alleviating the cash flow impact on businesses as a result of the UK exiting the EU. It will have a "once-off exchequer cost" from a VAT perspective as it would apply to all imports from third countries and not just the UK.

Building a better working world

Taxpayers subject to change

All businesses involved in trading with the UK will be impacted. In addition, the scheme will also apply in relation to any trade with other non-EU countries.

It is intended that the "Postponed Accounting" scheme will apply to all traders for a period with continued qualification depending on Revenue authorization from a later date to be agreed.

It is also worth noting that the "Postponed Accounting" scheme is part of a Brexit omnibus Bill currently being considered in the event of a "hard Brexit." It is designed to introduce legislation across the various impacted sectors and will only come into effect by way of ministerial order.

Impact for business

The "Postponed Accounting" scheme, if introduced, will allow companies to delay payment of import VAT. However it will be imperative to ensure compliance with the new scheme and VAT returns must reflect any importation movement. Non-compliant businesses could face the risk of late recording of import VAT, resulting in increased risk of interest and penalties and wider Revenue audits.

Businesses should carefully consider the impact of the "Postponed Accounting" scheme in the event of the UK leaving the EU without a withdrawal agreement.

Businesses should also consider any necessary systems changes to ensure the import VAT is correctly captured in their VAT returns post importation.

For additional information with respect to this Alert, please contact the following:

Ernst & Young (Ireland), Dublin

- Breen Cassidy breen.cassidy@ie.ey.com
- Deirdre Hogan deirdre.hogan@ie.ey.com
- Maria Reade maria.reade@ie.ey.com
- James Fox james.fox@ie.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Indirect Tax

EYG no. 000665-19Gbl

1508-1600216 NY
ED None

ey.com