VAT could be the ultimate cost of Brexit for Irish traders

Ireland should match UK VAT proposals, even if a Brexit deal is reached.

Deal or no deal, after the UK leaves the EU, Irish traders will have to pay VAT upfront on imports from the UK. This, in addition to new customs duties, could mean a stark cash flow burden for business. Given that over €30 billion [i] of goods are exchanged between the two jurisdictions every year, this major change will cause significant upheaval to every business involved in imports.

The Consultative Committee of Accountancy Bodies Ireland (CCAB-I) is calling for the introduction of rules to allow Irish traders extra time to pay the VAT due on goods arriving from the UK.

The 'postponed method of accounting for import VAT' would mean that Irish importers would not have to pay VAT at the point the goods arrive into Ireland from the UK but instead declare the VAT and recover the costs in the next VAT return filed with the Revenue, several weeks later.

President of member body Chartered Accountants Ireland, Feargal McCormack said "The postponed method of accounting for VAT would be relatively straightforward to introduce. Several other EU Member States have already adopted this method and many of these countries have land borders with non-EU countries. Postponing the payment of VAT makes practical sense for businesses that will already be challenged by the upheaval of Brexit. An added advantage would be that this proposed system would largely reflect the existing VAT collection mechanisms for trade within the EU and companies are already very familiar with this method."

In the event of a No Deal Brexit, the UK government have indicated that it will introduce the postponed method of accounting for import VAT. CCAB-I first called for the introduction of the postponed method of accounting for VAT almost two years ago.

Mr McCormack said: "The UK VAT proposal is practical and Ireland should offer the same. Post Brexit, Irish traders importing from the UK will face an upfront VAT cost even if there is a future trading deal. If the current law is not changed in Ireland, upfront VAT will create cash flow costs and administrative burdens – all generated by Brexit – and none of which exist at present."

From the exchequer perspective at a time when 2018 VAT receipts were €931 million ahead of 2017 figures, only one VAT period would be affected by a change in method and the position would neutralise over the year

Notes to Editors

About CCAB-I

The Consultative Committee of Accountancy Bodies – Ireland is the representative committee for the main accountancy bodies in Ireland. It comprises Chartered Accountants Ireland, the Association of Chartered Certified Accountants, the Institute of Certified Public Accountants in Ireland, and the Chartered Institute of Management Accountants.

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[i] http://www.cso.ie/en/media/csoie/releasespublications/documents/statisticalpublications/Brexit.pdf