

JULY 2021

VAT UPDATE

McKeogh Gallagher Ryan Tax Department

VAT ON IMPORTS FROM THE UK AND POSTPONED VAT ACCOUNTING

Now that we are six months post Brexit, we thought it timely to provide an overview of the common issues we are seeing and how we are overcoming them. In reading the below, it is important to remember that due to the Northern Ireland Protocol, goods coming into Ireland from suppliers in Northern Ireland are not imports and are still considered to be Intra Community supplies of goods.



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VAT ON IMPORTS OF GOODS FROM THE UK

UK suppliers will generally zero rate invoices for goods sold to Irish businesses. The imported goods are then subject to Irish VAT on import at the rate applicable to those goods in Ireland.

There are three scenarios we are seeing in relation to the payment of VAT on goods imported from the UK:

- 1) The Irish business may pay the VAT at the point of import and if they have full VAT recovery, they can take a deduction for the VAT incurred in the VAT return for the period.
- 2) The Irish business can use their Customs Declaration to opt to use Postponed VAT Accounting and they can defer accounting for the VAT until their VAT return for the period.
- 3) The Irish business may be importing through a third party and may not be acting as the importer on record, in which case, the VAT needs to be examined closer to determine the correct treatment.

COMPLETING THE VAT3 WHEN POSTPONED VAT ACCOUNTING IS USED

The PA1 field is a new box on the VAT3. This field should include the Customs value of goods imported from the UK under Postponed VAT Accounting per the Customs Declarations plus Customs Duty.

The T1 (sales) figure on the VAT3 should include the amount of VAT applicable to the entry at the PA1 field on the return.

The T2 (purchases) figure on the VAT3 should also include the amount of VAT applicable to the entry at the PA1 field on the return (subject to the usual rules of deductibility and VAT recovery). Using this reverse charge mechanism, a business will be in a VAT neutral position if they have full VAT recovery.

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POSTPONED VAT ACCOUNTING ON GOODS TO WHICH THE ZERO RATE APPLIES IN IRELAND

Revenue have confirmed that if a business chooses to avail of Postponed VAT Accounting on their Customs Declaration, then the box PA1 needs to be completed on the VAT3, even if the goods are subject to VAT at 0% in Ireland.

WHY WOULD A BUSINESS USE POSTPONED VAT ACCOUNTING?

Postponed VAT Accounting is used by businesses who are importing goods from the UK but who want the cashflow benefit of not having to pay VAT at the point of import and defer the VAT until the VAT return for the period is due. It is of particular benefit to those with full VAT recovery who then get a simultaneous deduction for the VAT incurred, resulting in a VAT neutral position.

ARE ALL BUSINESSES USING POSTPONED VAT ACCOUNTING?

Not all businesses are using the Postponed VAT Accounting method. Some are opting to just pay the VAT on import and taking a deduction in the VAT return for the period if they have VAT recovery.

HOW WILL I KNOW IF POSTPONED ACCOUNTING WAS AVAILED OF?

UK suppliers may give zero rated invoices to Irish businesses, but it will need to be determined whether or not Postponed VAT Accounting applies when completing the VAT3 for the period.

- If the VAT was paid at the point of import, then Postponed VAT Accounting will not be applicable. There should be some documentation to show that the VAT was paid at the point of import, in which case, the VAT is treated as purchases VAT and there is no need to complete box PA1 on the VAT return.
- If Postponed VAT Accounting was availed of, it will have been indicated on the Customs Declaration and VAT will not have been suffered at the point of import.
- If a third party was used and there is any uncertainty as to whether or not the third party took on the role of importer of the goods into Ireland, this should be confirmed before completing the VAT return.

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WHERE DIRECT RELATIONSHIPS COUNT

McKeogh Gallagher Ryan work closely with clients who are importing goods from the UK to ensure the correct return of information to the Revenue Commissioners. Our dedicated tax team are happy to help with any queries you may have.



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