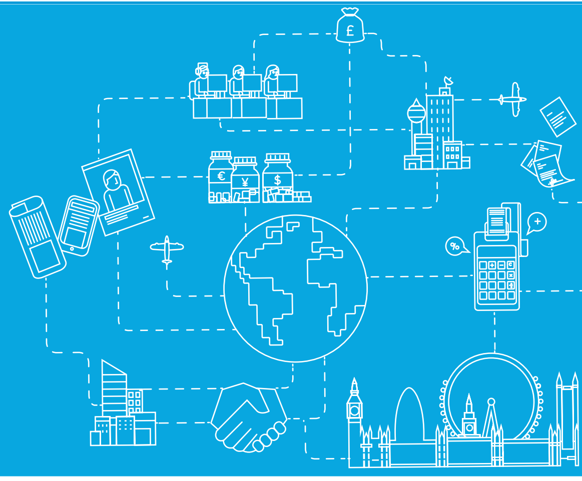


IRISH TAX AUTHORITIES INTRODUCE POSTPONED ACCOUNTING FOR IMPORTATION VAT

What has changed?

On 21 December 2020, Irish Revenue released its guidance note on the operation of "Postponed Accounting", a new VAT administrative relief to ease the cash flow impact of trading with the UK following its exit from the EU VAT system on 31 December 2020. The introduction of this scheme is a welcome development for domestic and international business, particularly as the relief will apply to all importations to Ireland from outside the EU (i.e. it is not limited to imports from the UK), and will provide a significant cashflow benefit.

What is postponed accounting?

- Postponed Accounting arrangements may be applied to all imports from all non-EU countries including Great Britain but not including Northern Ireland, on the basis that under the Protocol, Northern Ireland will remain in the EU VAT system.

- Had Postponed Accounting not been introduced, importers would have been required to either pay import VAT at the point of importation or through a deferment account arrangement, with any VAT recovery entitlement only being available through the periodic VAT return for the period in which the import arises.

- Postponed Accounting enables a VAT registered trader to self-account for VAT on imports through their VAT return so that import VAT may, subject to usual deductibility rules, be reclaimed at the same time as it is declared on a VAT return. Effectively, import VAT will move to be treated as a straightforward reverse charge transaction, without the need to pay the import VAT at the point of importation.

Date of effect

Postponed Accounting arrangements apply to goods that are imported after 11:00pm on 31 December 2020.

Operation of the scheme

- All VAT registered traders in Ireland who acquire goods from countries outside of the European Union VAT area, may use the Postponed Accounting arrangements.

- All VAT registered traders who are registered for VAT and Customs & Excise (C&E) at 11:00pm on 31 December 2020 have been given automatic entitlement to Postponed Accounting.

- In accordance with Revenue guidelines, continued entitlement to Postponed Accounting arrangements will be subject to meeting specific requirements, including compliance with applicable conditions and providing any information sought by the Revenue Commissioners.

- When requested to do so, the VAT registered trader must be able to demonstrate to the satisfaction of the Revenue Commissioners that they are in compliance with qualifying criteria (listed below). We expect that in due course Revenue will make requests to traders to ensure the scheme is being properly administered.

Qualifying criteria

In order to avail of Postponed Accounting a VAT registered trader must be able to demonstrate to the satisfaction of Revenue that they are in compliance with the following conditions and requirements:

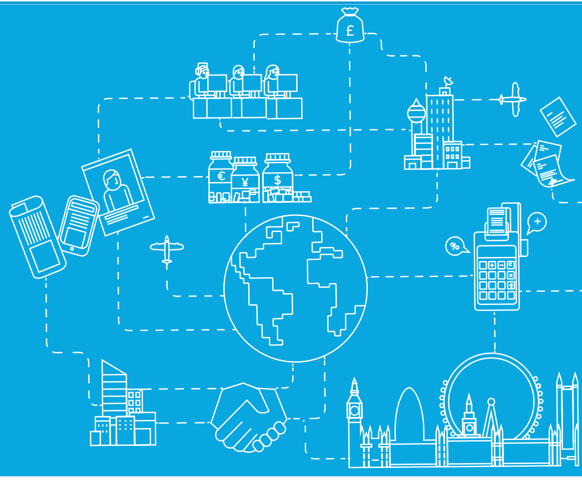
a) The accountable person is in compliance with:

i. Irish tax legislation (including the VAT Consolidation Act 2010 and Taxes Consolidation Act 1997);

ii. The statutes relating to the duties of excise and to the management of those duties;

iii. The Customs Act 2015 (No. 18 of 2015); and

iv. Any instrument made under any of the enactments referred to in (i) to (iii) above.



b) True and full records are kept by the accountable person in accordance with Irish VAT law;

c) The accountable person has not been convicted of an offence under Irish tax legislation; and

d) The accountable person has provided the relevant information or documentation to Revenue where requested to do so, including but not limited to the following:

i. Evidence of the current/previous business address;
ii. Information relating to the solvency of the accountable person;
iii. Information relating to the nature of the supply and the contractual terms of same;
iv. Evidence that the accountable person has an appropriate system in place for the maintenance of records relating to the supply;
v. The most recently completed audited accounts;
vi. A declaration of accuracy by the accountable person in respect of the information provided;
vii. A tax clearance certificate; and
viii. Any other information deemed necessary by Revenue.

- If an accountable person fails to demonstrate compliance with the conditions and requirements to avail of Postponed Accounting, a Notice of Exclusion will be served which will take effect from the date specified in the Notice.

- The Revenue Commissioners may seek security under Section 109 VAT Consolidation Act 2010 at the point of registration or at any stage in the life cycle of a business, from the accountable person. Security bonds may be sought in cases where it is clear that such action is necessary for the protection of the exchequer.

Practical matters

- To use postponed accounting, the trader declared as the Importer of Record, will enter a specific code on the relevant import declaration.

- The VAT 3 return has been amended to include an additional field/box PA1 to capture the value of goods imported under Postponed Accounting (net plus carriage, insurance and freight).

- The VAT is the accounted for at T1 at the relevant rate in Ireland and T2 (subject to the usual rules of deductibility).

If you have queries or require assistance, please get in touch with your usual contact at RSM.

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