



6 February 2019

Leo Varadkar TD

An Taoiseach
Department of the Taoiseach
Merrion Street
Dublin 2.

Re. Brexit related import VAT deferral measures for business

Dear Taoiseach

As the representatives of the Irish business community, we are writing in relation to our shared concern that, as the Brexit deadline draws ever closer, Government has not yet addressed the issue of a VAT deferral scheme. Although such a scheme is necessary even in an agreed Brexit scenario, the urgency is heightened by the growing threat in the event of a no-deal Brexit.

If the UK leaves the EU in March and becomes a 'third country', under the current VAT regime businesses in Ireland will immediately face the prospect of paying VAT on all UK imports at the point of entry, while waiting up to three months to reclaim the money. This is a significant issue which will put acute pressure on companies' cash flows at a time when it can least be afforded.

Over half of Irish importers source 75% or more of their imports from the UK. Feedback from the membership of our organisations is clear; the imposition of this regime in a post-Brexit scenario will lead to the closure of many UK-reliant manufacturers, importers and SMEs.

The imposition of import VAT will be particularly damaging for smaller businesses. Over 90,000 Irish businesses import from the UK and two-thirds of imports from the UK are accounted for by SMEs. Based on existing trading volumes, the total additional cashflow need for SMEs would be more than €1 billion per annum. This alone is enough to close many manufacturing, retail, and wholesale companies, while for many other companies it will severely limit their capacity to grow and invest. We are also concerned that it will be challenging for lending institutions to process applications within the time available, even if they have the credit appetite or capacity.

In a number of other EU States, including all those significantly impacted by Brexit, this issue has been dealt with by the introduction of an import VAT deferral regime. For example, the Netherlands have a special import VAT deferral regime (known as an Article 23 licence) for taxpayers with non-EU imports. The option to introduce such a regime is available under the EU VAT Directives.



The UK has also committed to the introduction of a VAT deferral regime from March. Ireland must follow suit and we believe that introducing a deferral regime of three months for VAT would significantly ease the cash flow pressures facing Irish firms.

We are requesting that Government urgently includes this measure in the Brexit Omnibus Bill currently under consideration.

Yours sincerely



Danny McCoy
CEO,
Ibec



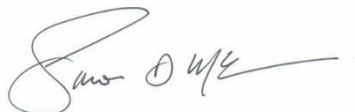
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