

Irish businesses urge Taoiseach for longer VAT deferral on UK imports post-Brexit

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BUSINESS GROUP LEADERS have written to the Taoiseach calling on the Government to put in place a three-month deferred accounting of import VAT scheme to help companies avoid cash-flow pressures.

The Irish Exporters Association, in association with Ibec, Isme, Chambers Ireland and the Irish Tax Institute published a joint letter they sent to Leo Varadkar to highlight that the 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,” it said.

The association has asked for this measure to be “urgently” included in the Brexit Omnibus Bill currently under consideration.

According to business groups, 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,” the letter states.

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The association has said that feedback it’s received from members indicates that the implementation of this VAT regime in a post-Brexit scenario will lead to the closure of many UK-reliant manufacturers, importers and 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.

The group’s letter concluded by saying Ireland must follow Britain’s suit by committing to the introduction of a VAT deferral regime from March.

“We believe that introducing a deferral regime of three months for VAT would significantly ease the cash flow pressures facing Irish firms.”

Adam Daly