Postponed Accounting

On 31 December 2020 when the UK left the EU VAT regime, Customs Union and Single Market, trade with Great Britain (UK not including NI) became third country trade and goods purchased from Great Britain and brought into Ireland are now treated as imports. These goods are subject to Customs requirements and taxation at the point of importation. To assist businesses to mitigate the associated cashflow impact, postponed accounting arrangements were introduced on 1 January 2021. Postponed accounting is not restricted to trade with Great Britain and may be applied to imports from any third countries.

Many businesses are correctly recording postponed VAT in their returns to Revenue. However, Revenue has identified instances where postponed VAT is not being correctly recorded. This paper provides practical advice on avoiding such errors, as businesses continue to adapt to the changes to the relevant returns.

Background

All accountable persons in Ireland that are registered for VAT and Customs & Excise, who import goods from countries outside of the European Union (EU) VAT area, may use postponed accounting arrangements. This is subject to the conditions laid out in the Value-Added Tax Regulations 2010 (Regulations 14A) (Amendment) Regulations 2020.

Postponed accounting allows an accountable person to account for VAT on imports on their VAT3 Return. This results in a VAT-neutral transaction for traders who import goods into Ireland meaning traders do not have to pay VAT at the time of importation. Instead, and subject to the usual rules on deductibility, import VAT may be reclaimed at the same time as it is declared on a VAT3 Return. i.e. the import VAT is simultaneously recorded as VAT deducted on a ‘purchase’ and charged on a ‘sale’. This is similar to how intra-community acquisitions are currently recorded on the return.

The importer rather than the declarant or representative is obliged to account for the postponed VAT on their VAT3 return and the VAT RTD. Importers should ensure that their representative is claiming the postponed VAT correctly on their import declarations if they wish to avail of this arrangement. The C & E weekly transaction lists that are issued by Customs to importers and declarants now include a column to show Postponed VAT amounts for each declaration. The C & E monthly statements that are issued to declarants now include a column to show Postponed VAT amounts for each declaration.

Completing the VAT3 Return

The VAT3 Return was changed to incorporate postponed accounting from 1 January 2021:

- The VAT3 Return includes an additional field 'PA1'. This field is used to capture the Customs value of goods imported under postponed accounting as per Customs Declarations **plus** Customs Duty. The figure entered in the 'PA1' field should include all goods imported under postponed accounting regardless of the VAT rate applicable. Imported goods that are classed as zero-rated goods should also be included in the 'PA1' field, if postponed accounting was applied on the Customs Declaration for these particular goods.
- The 'T1' figure on the VAT3 Return should include the amount of VAT applicable to the figure in the 'PA1' field on the return.
- The 'T2' figure on the VAT3 Return should also include the amount of VAT applicable to the figure in the 'PA1' field on the return, subject to the usual rules of deductibility.

Further information and guidance on the Customs value of goods is contained in the Customs Manual on Valuation on www.revenue.ie.

Completing the VAT Return of Trading Details (RTD)

The VAT Return of Trading Details (RTD) was changed to facilitate the recording of information in relation to postponed accounting.

ROS online VAT RTD second screen refers to '**Acquisitions from the European Union and Non-European Union**'. The second column of the VAT RTD paper return refers to such acquisitions. When completing this section of the VAT RTD you must include the value of the goods you acquired to which Postponed Accounting arrangements were applied. The value to be entered in the various fields is the Customs value of goods imported under Postponed Accounting as per Customs Declarations **plus** Customs Duty.

- The **PA2** field should equal the total value of the figures for Postponed Accounting that are inserted in the various VAT rate fields. Imported goods that are classed as zero-rated goods should also be included in the PA2 field **if** Postponed Accounting was applied on the Customs Declaration for these particular goods.

ROS online VAT RTD third screen refers to '**Goods or Services Purchased for Resale (Irish or Intra-EU acquisitions, Postponed Accounting & Non-EU Imports)'**. The third column of the VAT RTD paper return refers to such acquisitions. When completing this section of the VAT RTD you must include the value of the goods you acquired to which Postponed Accounting arrangements were applied. The value to be entered in the various fields is the Customs value of goods imported under Postponed Accounting as per Customs Declarations **plus** Customs Duty.

- The **PA3** field should equal the total value of the figures for Postponed Accounting that are inserted in the various VAT rate fields. Imported goods that are classed as zero-rated goods should also be included in the PA3 field **if** Postponed Accounting was applied on the Customs Declaration for these particular goods.

ROS online VAT RTD fourth screen refers to **'Other Deductible Goods and Services (Irish or Intra-EU acquisitions, Postponed Accounting & Imports)'**. The fourth column of the VAT RTD paper return refers to such acquisitions. When completing this section of the VAT RTD you must include the value of the goods you acquired to which Postponed Accounting arrangements were applied. The value to be entered in the various fields is the Customs value of goods imported under Postponed Accounting as per Customs Declarations **plus** Customs Duty.

- The **PA4** field should equal the total value of the figures for Postponed Accounting that are inserted in the various VAT rate fields. Imported goods that are classed as zero-rated goods should also be included in the PA4 field **if** Postponed Accounting was applied on the Customs Declaration for these particular goods.

The VAT 56A Scheme

A person authorised under section 56(1) of the VAT Consolidation Act 2010 should use that authorisation to import qualifying goods VAT-free under the 56A Scheme rather than avail of Postponed accounting arrangements.

Further Guidance

Detailed guidance on postponed accounting is available on the Revenue website at www.revenue.ie and businesses availing of postponed accounting should refer to this guidance regularly.