

Irish VAT on Trade Outside the EU

The following deals with the purchase and sale of goods and the provision of services to and from outside EU member states. The rules are different to supplies within the EU. The EU has a single set of VAT rules which interlock.

Export outside the EU

The general rule is that the place of supply of goods is where transportation begins. Where goods are supplied outside the EU, the supply is zero rated. This means the supplier can recover VAT on his purchases and expenses relating to the sale. In order to secure zero rating, it is essential to be able to satisfy the Revenue that the goods were in fact dispatched outside the EU.

An export for VAT purposes must be a direct export outside of the EU. If goods are first sent to another EU member state, this would constitute an intra Community acquisition and a subsequent export from the other member state. This in contrast to the position where goods merely pass through another EU member state in transit. In this case, there is no supply in the member state in which the transit occurs.

The export of goods is zero rated provided the goods are dispatched to a place outside the EU, by either a supplier or a person on its behalf or are dispatched to a purchaser who is not established in the state. A supply to a purchaser in the state who subsequently dispatches the goods outside the EU will be treated as a local supply. For these reasons, the terms of supply and the point at which ownership passes is important.

Importation from Outside the EU

The importation of goods under VAT law refers to the importation of goods into the EU from outside the EU. Movements within the EU are not imports for the purpose of VAT law. A trader is entitled to input credit for VAT on imported purchase under the normal rules regarding deductibility.

Generally, imported goods are subject to VAT in the same way as on a domestic supply. The VAT charge arises at the point of entry into the State. VAT must be accounted for on the import value of goods. The charge is usually on the basis of the full invoice including insurance rate, customs duty, excise duty plus commission.

Goods must be cleared through customs, prior to release. This is usually done under a Single Administrative Document. There is a standard import entry declaration. See our separate guides in relation to Trading in relation to the procedures involved. The Single Administrative Document may be completed by the importer, exporter or their agents who sign it to vouch its accuracy.

Where a VAT registered business imports goods, the payment is recovered through its VAT return in the normal manner. Where the goods are not being imported for the purpose of making supplies subject to VAT or relate to VAT exempt supplies or the importer is unregistered or does not have VAT, the input credit cannot be reclaimed and a VAT charge arises.

A so called Section 13(a) authorisation allows the holder to import goods free of VAT charge. The imports of goods can be zero rated by the authorisation holder quoting his authorisation number on the import Single Administrative Document and making a declaration that the importer is authorised under Section 13(a).

There is a provision for a deferred VAT payment arrangement, to deal with the logistical and cash flow difficulties which may arise. An importer may avail of the deferred payment procedure.

Reliefs from VAT on Imports

There are certain reliefs from Import VAT. These are dealt with in our Trading brochure. They include for example the following:-

- relief in connection with transfer of residence
- postal imports under a certain amount
- goods below a certain amount which are sent as gifts to private individuals

There are certain free zones where goods are considered for customs purposes to be still outside the EU. These include the Shannon free zone area. Imports into an approved customs warehouse delays liability for VAT until the goods are released out of the warehouse to the EU state.

There are also duty and import VAT suspension schemes. These allow goods to be imported, processed and subsequently exported without payment of VAT. Authorisation must be procured from the Revenue Commissioners.

Relief is available on goods which are exported for processing including repair. The VAT payable on re-importation is calculated on the amount to which the value of the goods is increased to providing the form and character of the goods has not been changed.

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances. This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.