

Irish Budget 2021 – Brexit focus

Ahead of the end of the Transition period on 31 December 2020 when the United Kingdom will leave the EU's Single Market and Customs Union, our update highlights key measures announced in the Irish Budget on 13 October relevant to Brexit.

Background and economic outlook

The Irish fiscal Budget 2021 was published on 13 October 2020, coming at a key time during the Covid pandemic and prior to the end of the Transition period, with both very much influencing proposed Budget measures.

Similar to Budget 2020, proposed Budget 2021 is framed on the basis of no bilateral trade deal between the EU and the UK.

In this context, the Department of Finance estimates that the absence of a trade deal will reduce Irish growth by just under 3 percentage points in 2021, with expected growth of 1¼ per cent, with an unemployment rate of 10¼ per cent. The level of economic activity of 2019 is not expected to return until at least 2022.

We have summarised below key measures relevant to Brexit in particular.

Key measures

- The Minister announced the establishment of a Recovery Fund worth €3.4 billion. This is to provide significant additional resources to fund additional government decisions next year to deal with COVID-19 and Brexit. The Fund will be flexible in its design in order to provide Government with the means to react swiftly to a constantly changing environment. The fund will focus on infrastructure development, reskilling and retraining, supporting investment and jobs. It will support both those in employment and those whose jobs have not survived the pandemic.
- The Minister announced Ireland will apply to the EU fund known as SURE (or the European instrument for temporary Support to mitigate Unemployment Risks) which was introduced as part of the European response to help protect jobs and workers affected by the COVID-19 pandemic. This could result in Ireland accessing just under €2½ billion. This funding will help to diversify sources of financing for the Exchequer over the coming period.
- Ireland will seek access to the European Council's Brexit Adjustment Reserve. While the technical details of this fund are still being worked out, it was announced Ireland will seek to avail of these funds in the coming years given the disproportionate impact of Brexit on the Irish economy.
- €340 million of voted expenditure will be spent on Brexit supports in 2021. This includes an additional allocation for compliance expenditure in 2021 to finalise work at Irish [ports and airports](#) and provides for around an additional 500 staff bringing the total provision for approximately 1,500 for operationalising checks ahead of January 1st.



Budget 2021 – next steps

The Finance Bill implementing many of the Budget 2021 measures will be published on October 22nd and from there will work its way through the Irish parliament for approval before the year end.

Brexit Omnibus Bill

In addition to the Budget, the Government announced it will fast track the Brexit Omnibus Bill. This is a multifaceted Bill which among other matters seeks to;

- Preserve access to priority services, benefits and reliefs relating to trade between Ireland and the United Kingdom.
- Provide measures to satisfy several obligations and commitments Ireland has made to the UK outside of EU membership.
- Ensure that the Common Travel Area rights and privileges are protected.

Import VAT - Postponed accounting

The Brexit Omnibus Bill proposes to introduce a postponed accounting system for VAT for all importers registered for VAT in Ireland.

This will be relevant to UK businesses that require an Irish VAT registration from 1 January 2021 or hold an existing registration.

This measure will provide cash flow relief for businesses acting as the importer of record on inbound goods to the Irish market. Under these proposed rules, the importation VAT will be dealt with under self-accounting rules rather the current system of payment at importation followed by subsequent deduction in the VAT return (subject to normal recovery rules). The qualifying criteria and administration of the new rules have yet to be announced.

RSM can help

For businesses engaged in Brexit planning, please speak to your usual RSM Ireland or RSM UK contact. We have experts that can assist you in supply chain planning, VAT, Customs and other relevant matters.

For further information, please contact your usual RSM contact or our contacts below.



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