



International Business Update

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RONAN MCGIVERN

INTERNATIONAL TAX PARTNER

RBK

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Overview

“The past is a foreign country; they do things differently there”

(L.P. Hartley “The Go-Betweens”)



Overview

- More than 50% of Irelands current population were not born when Ireland, along with the UK, entered the EEC in 1972
- The decision of the UK to leave the EU will be a defining moment for a generation of young people in Ireland (and the UK) who have grown up knowing only:

1. Free movement of people
2. Free movement of goods
3. Free movement of services
4. Free movement of capital



Overview

- > Since joining the EU, the ROI economy has been fundamentally transformed

	1973	2017
% Value of exports from ROI to the UK	55%	13.5%

- > Whilst ROI has reduced its reliance on the UK, the UK remains an exceptionally important market for ROI businesses

Number of Irish businesses exporting	Number exporting to the UK	Number exporting solely to the UK
8,600	6,880	3,400
	80%	40%

Overview

Trade is a two way street, in 2017, **Ireland was the UK's 5th largest export market** and the 9th largest source of imports.

	EXPORTS			IMPORTS	
	£ billions	% of total		£ billions	% of total
USA	112.2	18.2%	Germany	78.1	12.2%
Germany	56.8	9.2%	USA	70.4	11.0%
France	40.4	6.6%	Netherlands	46.9	7.3%
Netherlands	39.0	6.3%	China	45.2	7.0%
Ireland	34.0	5.5%	France	40.8	6.4%
China	22.3	3.6%	Spain	31.3	4.9%
Switzerland	19.0	3.1%	Belgium	28.2	4.4%
Italy	18.9	3.1%	Italy	24.0	3.7%
Belgium	18.7	3.0%	Ireland	21.8	3.4%
Spain	16.1	2.6%	Norway	21.3	3.3%
World	615.9	100%	World	641.8	100%

Overview

- > In 2016 UK exports to the BRICs (Brazil, Russia, China, India) territories combined was £30.8bn. UK exports to ROI were £26.7bn
- > In 2017 **ROI was NI's largest export market** (sales outside of the UK) accounting for 34% of all NI exports
- > Regardless of the nature of Brexit, Ireland and the UK, by virtue of geography, culture, migration of peoples and history, are bound together and will continue to be bound together
- > The UK will remain a key market for Irish businesses. ROI will remain an attractive market for the UK, especially for NI businesses

Brexit- where to next?

*Two paths diverged in a
wood, and I took the one
less travelled by, and that
has made all the difference*

(Robert Frost - The Road Not Taken)



Brexit Considerations

“No man is an island entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less..”

(John Donne – No Man is an Island)



Brexit - Supply Chain

- > Review entire supply chain (both purchase and supply) and identify blockers / bottleneck
- > Identify and plan for non-tariff barriers to trade. These need to be carefully considered and planned for including:
 - Product standards
 - Safety regulations
 - Sanitary checks



Brexit - Supply Chain

- > Be aware of Rules of Origin requirements in order to avail of existing Trade agreements
 - UK will cease to be in the EU therefore potential impact on “EU origin” where UK components in the product – impact on tariffs?
- > Consider options to restructure supply chain. Are there alternative routes to market?:
 - Cost and admin associated with existing supplier versus alternative EU suppliers
 - Stockpiling
- > Transport
 - Do your hauliers have permits for carrying goods to the UK/to EU?

Brexit - Customs

- > Tariffs on goods imported from the UK/Tariffs on goods imported into the UK.
 - For many goods the rate of Tariff is quite low c 2.8% for non-agricultural produce
 - However, for food products it can be as high as 35%
- > Hard Brexit - UK could choose to lower tariffs or waive them altogether. However WTO rules will apply.
- > WTO's "most favoured nation" rules, UK can't just lower tariffs for the EU, or any specific country, unless it has agreed a trade deal. Requirement to treat every WTO member around the world with which it does not have a trade deal in the same way.

Brexit - Customs

Tips

- > Identify applicable tariffs as early as possible and the impact on sales price. Every WTO member has a list of tariffs (taxes on imports of goods) and quotas (limits on the number of goods) that they apply to other countries. These are known as WTO schedules
- > Consider who will clear goods through customs – clear goods directly and sell within the UK. Minimise disruption for customer
- > Be aware of the impact of UK components on Place of Origin of goods for tariffs



Brexit - VAT

- > UK will be a third country post Brexit
- > Importing from the UK – Department of Finance have announced plans to allow postponed accounting in the event of a hard Brexit
- > Exporting to the UK – HMRC have announced plans to allow postponed account for VAT. Cash flow benefits
- > Divergence of rules over time as UK ceases to be bound by EU VAT law

Tips

- Consider importing goods and clearing goods into the UK and then making domestic UK supplies – minimise admin and costs for purchasers
- Register for EORI – needed for international trade

Brexit - Direct Taxes

- > Brexit should have minimal effect
- > ROI has a tax treaty with the UK, which will continue to apply
- > Can retain a stock of goods in the UK and avoid creating a UK Permanent establishment (PE) (UK advice should be sought)
- > If establishing a UK entity, profits in UK within charge to UK corporation tax
- > Draft legislation in place to extend references within Irish tax legislation to EU/EEA jurisdictions to include the UK

Tip

- Review existing group structures and consider whether any restructuring required e.g. impact of a UK entity on group relief etc.
- Structure to avoid creating UK PE

Brexit - Human Capital

- > Both the Irish and British governments have committed to maintaining the Common Travel Area between Ireland and the UK in all circumstances
- > Ireland / UK social security agreement pre-dates the EU

Tip

- Look for opportunities to leverage off Ireland/UK common travel area. Unique to Ireland and the UK.
- Consider access to EU labour market from Ireland and for Irish employees going to other EU jurisdictions. Enhanced role for Ireland/Irish employee in multi-national groups

Brexit - Other

- > Currency volatility – Fall in value of Sterling to Euro will mean Irish products more expensive
- > Price increases/margins - more expensive imports from the UK due to tariffs, higher sales price in the UK due to tariffs and weakness of Sterling to Euro
- > Acquisition of a UK company/Joint venture to obtain access to the UK market
- > Have you considered your working capital requirements (funding VAT, Stockpiling) relationship with your bankers are critical. Start conversations early



Brexit - Other

- Be aware of Government supports /Enterprise Ireland may be able to assist
- Parallel supply chains for EU inputs/sales and UK/ROW sales



Summary

*“Oh, what a tangled web we
weave, when first we practice to
deceive!”*

(Sir Walter Scott, 1808)



Summary

- > Regardless of the type of Brexit, the future trading (and other) relationship between (1) ROI and the UK and (2) EU and the UK is fundamentally changed
- > Brexit (even the softest possible Brexit), is not in ROI's interests. The EU is stronger as a bloc with the UK, rather than without
- > The brunt of the pain of Brexit, especially in the immediate aftermath of Brexit will be:

Summary

1. Agri-Food sector

- > De facto all island economy. Tariffs on agricultural products/food are crippling
- > Food is perishable – stockpiling not an option; delays on supply chains can be disastrous
- > Finding other markets for food products will take time and investment and may not be realistic for perishable goods

2. SMEs

- > Very exposed to the UK market
- > Compared to larger MNCs, limited financial resources to weather the storm and tie up cash / working capital in stock
- > Banking relationship critical
- > Additional compliance and regulatory cost for business

Summary

- > Regardless of politics, the backstop is critical for Ireland (NI and ROI) and is strongly supported by business and farming organisations right across Ireland
- > Government support for Irish businesses will be critical. Businesses need to discuss with Enterprise Ireland what options are available
- > Obtain local advice and build relationships
- > Look for opportunities – if Irish businesses have difficulty accessing the UK market, UK businesses will have difficulty accessing the EU (450 million people). Irish businesses need to consider opportunities presented in other EU territories

Summary

- > Ireland is a very successful trading country
- > Ireland will remain a core member of the EU single market & Euro currency
- > Post Brexit, Ireland will be the largest native English speaking country in the EU and the only English speaking country in the Eurozone
- > Continued opportunities for FDI and non-EU countries wishing to access the EU market
- > Proportionally Ireland has the 3rd highest international workforce in Europe. Today 15% of Ireland's workforce is international.



Thank you



We're by your side

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Disclaimer

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About RBK

- Established 1958, 60 years in business.
- Our clients include domestic and overseas individuals and companies.
- Modern offices strategically located in Dublin, Athlone & Roscommon
- 190 Staff including 19 Partners across 3 offices
- Our team who bring a wealth of experience from “Big Four” backgrounds
- Ireland’s largest independently branded accountancy firm
- Ranked 12th in the National League by Revenue size
- Unique position in the market – a large indigenous firm with a local service and all the sophisticated skills and services

