

## **BREXIT: WHAT ARE THE NEXT STEPS?**

*The Public Policy staff in the Chartered Accountants Ireland Advocacy and Voice Department write:*

On 24 December 2020, the EU and UK negotiating teams reached agreement in principle on a Trade and Cooperation Agreement (“the Agreement”), which provides for tariff-free, quota-free trade (where rules of origin criteria are met) and for sectoral cooperation in a number of important areas.

The Agreement does not govern trade in goods between Northern Ireland (“NI”) and the EU where the Protocol on Ireland and Northern Ireland will apply. This means that no new procedures will apply to goods moving between NI and ROI (and the other Member States of the EU).

We have assembled information on some key areas to help practitioners navigate the new trading environment. You can find further information on any of these areas in our [Brexit hub](#). We continue to engage with UK and EU stakeholders on the changes that Brexit is bringing. For up-to-date information on Brexit developments and technical analysis, sign up for [Brexit Digest](#).

### **Recognition of your Chartered Accountancy qualification**

The UK’s departure from the EU results in some changes in the standing of the Irish ACA/FCA qualification. Students and Members in ROI who are EU citizens and who have qualified and gained the requisite experience in the EU prior to the end of the transition period, will experience *no change* in their rights and protections under the EU Qualifications Directive (Directive 2005/36/EU). Students gaining the Irish qualification in NI/UK post Brexit will be receiving a European qualification awarded in a third country. Members who are UK citizens (or other non-EU citizens), who qualified in NI/UK prior to the transition period and who have met the required EU-based experience requirements, will no longer be able to access the rights, among other things, to have their qualification recognised within the EU under the EU Qualifications Directive as they are not EU citizens under this Directive.

The Irish ACA qualification continues to be recognised in Irish and UK law and members on both sides of the border continue to have mobility rights under the Common Travel Area (CTA) agreement. Additionally, members of this Institute will continue to have access to practice rights on both sides of the border.

More information on the qualification’s standing in terms of Irish and UK law can be found [here](#).

### **VAT on services**

This section will be of immediate interest to practitioners with cross-border clients, and who need to raise fees for their services.

From 1 January 2021, NI continues to follow the EU’s VAT rules for goods. However, as the UK-wide VAT rules for [services](#) will apply to NI, NI VAT-registered businesses are required to follow a dual VAT regime from 1 January 2021.

The UK continues to levy VAT and the rules relating to UK domestic transactions continue to apply to businesses as before Brexit. VAT procedures for trade in services largely remain the same as those prior to 31 December 2020, but there are some changes to the VAT rules and procedures for transactions between the UK and EU member states.

The VAT rules applying for supplying services between the UK and Ireland are now the same as the current rules for supplying services outside the EU. Broadly, the VAT treatment applicable to the supply of most business-to-business (B2B) services between Ireland and the UK will depend on the place of supply (i.e. the place of supply is the place where the business receiving the services is established). Using the example of an ROI business, if it receives services (including accounting services) from a business, including an accountancy firm, based in the UK after the transition period, in general Irish VAT will be due on the services. If an ROI practitioner provides services to a business based in the UK after the transition period, in general, UK VAT will be due on the services. See [Revenue guidance](#) and [HMRC guidance](#).

For business-to-customer (B2C) supplies of services from 1 January 2021, Irish VAT should not arise on the supply of certain services such as accounting, legal and consultancy work to non-business customers in GB or NI. If a UK business supplies accounting services to non-business consumers outside of the UK, the services are supplied where the customer belongs and are therefore outside the scope of UK VAT. See [revenue.ie](#) and [gov.uk](#) for more information.

### **VAT on goods**

This Institute and the NI Tax Committee, chaired by Alan Gourley, have been engaging with HMRC on various Brexit matters, including customs changes and the NI VAT regime, throughout the course of 2020 and extensively on VAT in particular in recent months. We will continue to do so in 2021.

For information on the VAT changes under the NI Protocol, VAT registration requirements in NI, VAT reporting obligations and key VAT system changes, distance selling rules and VAT on trade in goods between NI, ROI and GB, see our dedicated [VAT information](#) page on the Institute’s Brexit hub.

## VAT margin scheme on second-hand cars for Northern Ireland

In mid-January, it was announced that the UK Government is seeking to reinstate the VAT margin scheme in NI on second-hand cars purchased from GB, in order to avoid a substantial increase in prices. This Institute has been lobbying HMRC to seek a derogation from the EU and reinstate the scheme for such goods and guidance has been released. We are in contact with Irish authorities seeking clarification on the position in ROI going forward and similarly whether the margin scheme can apply when second-hand cars are purchased in NI from GB and then onward sold to a car-dealer in ROI. We will keep members updated.

### Customs

GB has left the EU's Single Market and Customs Union meaning GB no longer benefits from the free movement of goods within the EU, and customs declarations are now required to move goods. NI remains in the EU's Single Market and Customs Union for trade in goods only. This means that trade between the EU (and ROI) and NI remains largely unchanged.

Members involved with importing/exporting particularly between GB and ROI are recommended to sign up to receive Revenue's eCustoms notifications by contacting [ecustoms@revenue.ie](mailto:ecustoms@revenue.ie).

For detailed information on the new customs rules visit our [Brexit web centre](#).

### Data flows

Cross-border data flows enable trade. We know that many businesses rely on the ability to transfer personal data about their customers or employees in order to offer goods and services. For example, an NI company's payroll could be processed across the border in ROI. Any restriction on the ability of this data to flow freely would act as a trade barrier.

Data protection did not form part of the Agreement but it has been agreed that an adequacy decision by the EU on the UK's data protection regime will be made within six months i.e. by 30 June 2021. For now, data can continue to flow between the EU and UK as before which is good news in particular if you are outsourcing your IT or payroll function to a cross-border organisation. For more information see [our website](#).

### Cross border workers

The Common Travel Area arrangements will protect the rights of many of the estimated 23,000 to 30,000 cross border workers who live in one part of the island of Ireland and work in the other. While Irish nationals can continue to enter and work in the UK under the Common Travel Area agreement (and vice versa), this does not cover EU nationals living in Ireland and travelling across the border for example. Under the new UK immigration system that came into effect on 1 January 2021, both EU and non-EU nationals will be treated equally.

Employers in Northern Ireland in particular should ensure that employees from other EU Member States are aware of, and encouraged to apply for, the [EU Settlement Scheme](#) which is open for applications until 30 June 2021.

Employers should take action in light of new the post-Brexit immigration system, including verifying qualifications, considering the requirements under the new points-based system, and availing of any possible temporary transitional immigration schemes which may assist. Links to further information on employee mobility post Brexit can be found [on our website](#).

### Online shopping

Brexit was always going to bring new trading rules; and the costly impact of the UK's departure from the EU has been felt by online shoppers since the start of the year. VAT and customs charges which until now might have earned a brief glance by online shoppers on payment screens, are now causing costs, confusion and even shipping delays.

Most notably, consumers in ROI should be aware of the following changes when buying from GB (not NI):

- If the good costs more than €22 (the customs value plus transport, insurance and handling charges), Irish VAT will apply. This VAT is generally payable by the buyer, unless like Amazon, the company picks up the bill. The €22 threshold will be abolished from 1 July 2021.
- Orders with a value below €150 (including transport, insurance and handling charges) will not be liable to Irish customs charges regardless of where the goods are made.
- The free trade agreement states that there will be no customs duties on goods coming to ROI from GB where those goods are made in the UK. However, if you purchase something online that costs more than €150 and it is not made in the UK, customs duties will apply for the buyer and the rate of the charge will depend on the type of product ordered. You can find all the rates in the [TARIC](#) database.
- See [Revenue.ie](#) for more information.

#### ***For consumers in GB, buying goods online from ROI/EU***

Goods with a value of STG£135 or less:

- If the goods are outside the UK and sold through an online marketplace to customers in GB, the goods will have UK supply VAT charged at the point of sale.
- If the goods are outside the UK and EU and sold through an online marketplace to customers in NI, the goods will have import VAT charged.

### **Consignments valued at more than £135**

Normal VAT and customs rules will apply on importation of the goods into GB from outside the UK or into NI from outside the UK and EU. This means that the customer will have to pay VAT to Royal Mail for example before the goods can be delivered.

### **Customs**

The free trade agreement eliminates customs duties on goods coming to GB from ROI where those goods are made in the EU. If this isn't the case, UK tariffs could apply and the rate will depend on the goods purchased. For more information see [gov.uk](http://gov.uk).

## **AUDIT REGISTRATION POST-BREXIT**

### ***The Professional Standards Department (PSD) writes:***

In late 2020 it finally became clear that the status quo would prevail for the most part in relation to audit registration in Ireland and the UK after the end of the Brexit transition period on 31 December 2020. Based on the Institute's firm records, we believe that any changes which do arise do not impact any firms with audit registration from the Institute. It has been necessary to update our Audit Regulations to reflect the new relationship between the UK and the EU from 1 January 2021. The Institute has therefore published draft Audit Regulations applicable in the UK only. The main changes relate to removal of references to the Republic of Ireland (ROI) and related statutory references, and amended eligibility provisions for EEA auditors. These draft Audit Regulations UK remain subject to approval. Members will be notified, via the usual Institute communication channels, when the final Audit Regulations UK are published. The existing Audit Regulations effective 1 January 2020 continue to apply in respect of audit work in ROI.

As indicated in the [Institute's December updates](#), it is clear that the audit regulatory frameworks in Ireland and the UK have diverged somewhat in recent years and are likely to continue to do so. The move to maintaining separate Audit Regulations for the UK and Ireland underline this. The Professional Standards Department has written in recent weeks to audit compliance principals in both jurisdictions asking firms to consider whether they wish to continue with audit registration in both jurisdictions with the dual regulatory obligations incumbent on them in that respect. Audit firms can choose to retain both UK and Irish audit registration or may choose to be registered, and regulated, for audit in a single jurisdiction. Firms can advise the Institute if opting for single jurisdiction audit registration by emailing [authorisations@charteredaccountants.ie](mailto:authorisations@charteredaccountants.ie). Any queries in this regard can be directed to the same email address.

## **AMENDED INSTITUTE BYE-LAWS AND REGULATIONS**

### ***The Professional Standards Department (PSD) writes:***

In September 2020, after a period of consultation, members, at a Special General Meeting (SGM), approved new Principal Bye-Laws and General Regulations and amended Disciplinary Bye-Laws. The main changes in the Bye-Laws were set out in the consultation document issued before the SGM and in the SGM Booklet. As a result of these new and amended Bye-Laws, conforming amendments have been made to the suite of Institute Regulations made by Council under the Bye-Laws. The new and amended Bye-Laws and Regulations came into effect on 5 January 2021 and are available the Institute's [website](#).

## **TECHNICAL SIGNPOST**

### ***The technical staff in the Chartered Accountants Ireland Advocacy and Voice Department write:***

#### **Technical Hub**

We have launched a new [Chartered Accountants Ireland Technical Hub](#) for members, which replaced CHARIOT from 1 January 2021.

The Hub contains content on audit & assurance, financial reporting, insolvency, links to legislation, and a wide range of proprietary Institute content. There are links to materials previously available on CHARIOT including International Financial Reporting Standards, International Standards on Auditing, Financial Reporting Standards issued by the Financial Reporting Council (FRC) and other FRC material on auditing and financial reporting. There are also links to company legislation and other relevant business legislation for Ireland and the United Kingdom.

Technical information issued by the Institute over the years including Information Sheets, Miscellaneous Technical Statements, Technical Alerts and Technical Releases are also included for members.

We have prepared a [mapping document](#) to help you find content you may be familiar with. [Please let us know](#) if you have difficulty in locating documents or if you have any comments on the Hub.

## New Technical Alerts in ISA 540 and ISA 570 for UK and Ireland

As outlined in December 2020 Practice Matters, there were substantial revisions to **two key auditing standards** which are effective for audits of financial statements for periods commencing **on or after 15 December 2019**. The first application for many audits of financial statements will be those with a 31 December 2020 year-end.

We have issued two **Technical Alerts** to assist members implementing the revised ISAs. These are relevant for both UK and ROI audits.

- TA 02/2020 ISA 540 (Revised December 2018) Auditing Accounting Estimates and Related Disclosures; and
- TA 03/2020 ISA 570 (Revised) Going Concern.

These TAs are available on the [Institute's website](#).

## UK Auditing and Ethical Standards

Members are reminded that **ISA (UK) 700 (Revised November 2019)(Updated January 2020) Forming an opinion and reporting on financial statements** has widened the scope of reporting on fraud and other irregularities, which was previously confined to PIE entities but now extends to all audits. Specifically, paragraph 29-1 requires the auditor's report to explain to what extent the audit was considered capable of detecting irregularities, including fraud. This ISA(UK) was issued in November 2019 and is effective for audits of financial statements for **periods commencing on or after 15 December 2019**.

In March 2020, the FRC issued updated bulletins as guidance for auditors preparing a range of reports. Members will note important changes to the format/wording. The Bulletin is available on the [FRC website](#).

FRC has also issued significant updates to several other ISAs (UK) and International Standard on Quality Control (UK) 1. Many of these standards are effective for periods starting after 15 December 2019. For many companies December 2020 year ends will be the first year they apply.

Members are also reminded that, as mentioned in the April 2020 edition of *Practice Matters*, FRC's **Revised Ethical Standard 2019** became effective from 15 March 2020. Engagements relating to periods commencing before 15 March 2020 may be completed in accordance with existing ethical standards.

## Irish Auditing and Ethical Standards

In December 2020, IAASA issued revised versions of the Ethical Standard for Auditors (Ireland), certain International Standards on Auditing (Ireland) and the International Standard on Quality Control (Ireland) 1.

***These revised ISAs (Ireland) are effective for audits of financial statements for periods beginning on or after 15 July 2021, with early adoption permitted.***

The main changes to the standards, which are designed to improve audit quality and enhance public confidence in audit in Ireland, are summarised below:

### Ethical Standard for Auditors (Ireland)

- Simplification and restructuring, to assist auditors to better understand the ethical requirements and so lead to a higher level of compliance.
- The 'objective, reasonable and informed third party' test has been redefined and additional application guidance inserted.
- Prohibitions on providing recruitment or internal audit services to or acting as the general counsel of an audited entity.
- Enhancements to ethics partners' authority.
- A new requirement for auditors to report breaches of the Ethical Standard for Auditors (Ireland) on an annual basis to:
  - IAASA and the relevant recognised accountancy body ('RAB'), i.e. the Institute, for auditors of public interest entities ('PIEs'); and
  - the relevant RAB, i.e. the Institute, for non-PIE auditors.
- Auditors will also be required to report any breaches relating to a specific audit to those charged with governance of the relevant entity.
- The cooling off period for engagement partners on PIE audits has been amended to 3 years, as provided in EU Regulation 537 of 2014 and a corresponding change made to the requirement for listed entities.

### International Standards on Auditing (Ireland)

- Clarification and enhancement of requirements relating to group audit procedures and the auditor's work effort in respect of 'other information' in the financial statements.
- Extension of the requirement for the auditor's report to explain the extent to which the audit was considered capable of detecting irregularities, including fraud, to listed entities as well as PIEs.
- Enhanced disclosures in respect of materiality, including the specification of performance materiality.

Readers can access the revised standards on [IAASA's website](#). IAASA have also issued a [Feedback Paper](#), which summarises the main changes to the standards. The Institute will issue updated guidance to replace Technical Alert TA 02/2017 in due course.

## Recent amendments to UK and Irish GAAP

In December last, the Financial Reporting Council (FRC) issued 'Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union' (the amendments). The amendments update UK and Republic of Ireland accounting standards for changes in legislation following the UK's exit from the European Union that come into effect at the end of the Transition Period. The FRC note that the amendments are limited to those necessary to ensure consistency with UK company law and largely update legal references and terminology used in the standards. They also note that there should be no practical impact on entities in the Republic of Ireland. The effective date for the amendments is accounting periods beginning on or after 1 January 2021, with early application permitted for UK entities in certain circumstances.

The FRC has also issued 'Amendments to FRS 102 – Interest rate benchmark reform (Phase 2)'. These amendments respond to the financial reporting issues arising from interest rate benchmark reform, and are intended to adapt and simplify accounting requirements in that context and provide disclosure of the nature and extent of the risks arising, thereby minimising reporting costs for entities applying FRS 102 and enabling them to provide useful information to the users of their financial statements. The amendments are effective for accounting periods beginning on or after 1 January 2021, with early application permitted.

The amendments can be found on the FRC website at the link [here](#).

## Company Registration Office (CRO)

Members will be aware that the CRO launched their new portal in December 2020. There have been numerous concerns raised by members about the new portal both in terms of system glitches and regarding the introduction of new processes. Whilst some of these may be temporary in nature, other issues are structural in nature and may require us to engage proactively to determine if solutions can be found.

While the Institute supports the move towards a fully online process, we are listening to your issues and concerns and we are actively liaising with the CRO on your behalf. We will keep you updated on progress. Updates are available on the [CRO website](#) and on their [twitter](#) account which is updated more frequently.

# TAX MATTERS

*The tax staff in the Chartered Accountants Ireland Advocacy and Voice Department write:*

## REPUBLIC OF IRELAND TAX DEVELOPMENTS

### Wage subsidies

#### Temporary Wage Subsidy Scheme updates

Revenue issued Preliminary End of Year Statements to all PAYE taxpayers' MyAccount facility on ROS on 15th January. These Statements have the most relevance for recipients of the Temporary Wage Subsidy Scheme (TWSS) and the Pandemic Unemployment Payment (PUP). Revenue's statistics show that approximately 419,000 recipients of the TWSS and PUP have tax liabilities, of which 126,000 owe more than €1,000. Taxpayers in a refund position must file an income tax return to access the refund, and we understand that Revenue will be writing on a phased basis to those in tax payment positions also encouraging them to file a tax return.

Employers can pay their employee's TWSS tax liability without triggering Benefit In Kind on the payment. However, employers are not allowed a tax deduction for the payment as per section 81(2)(a) TCA 1997 and Section 81(2)(p) TCA 1997.

Revenue noted that 50,000 TWSS recipients do not have TWSS details stated on their Preliminary End of Year Statements because their employer is one of 5,600 employers who have not submitted TWSS reconciliations due to Revenue on 31 October 2020. Revenue will seek a repayment of the subsidies paid out if the employers do not submit the reconciliations.

The TWSS reconciliation process is in two stages. The first stage involved the submission of reconciliations by employers to Revenue on 31 October 2020. The second stage commenced in January 2021 and involves a comparison by Revenue of the total subsidy payable amounts against the subsidy amounts paid to the employer. Revenue will then issue details to each employer at both summary and detail level which will allow the employer to review their position and carry out a reconciliation down to payslip level. All employers will have until the end of March 2021 to review their details before accepting the reconciliation. TWSS repayments due back to Revenue may qualify for the Tax Debt Warehousing Scheme.

#### Employment Wage Subsidy Scheme

In early January, the Minister for Finance, Paschal Donohoe TD, confirmed that the Employment Wage Subsidy Scheme will remain in place until 31 March 2021. The EWSS payment rates available since 19 October, which were due to run to the end of January 2021, will now run until 31 March 2021.

Before Christmas, Revenue updated EWSS guidance to reflect changes to the EWSS on foot of Finance Bill 2020 including the new eligibility test for pay dates from 1 January 2021. The main change is that for 2021 pay dates, an employer must be able to demonstrate that their business is expected to experience a 30 percent reduction in turnover or orders between 1 January to 30 June 2021 compared to the same period in 2019, with provision made for businesses which commenced trade in 2019.

## NORTHERN IRELAND TAX DEVELOPMENTS

### Updates on the Job retention scheme

HMRC has commenced the publication of the names of employers who have made coronavirus job retention scheme (“CJRS”) claims for claim periods from December 2020 onwards as part of its commitment to transparency, and to deter fraudulent claims. The first publication took place on Tuesday 26th January 2021 and consisted of employer names only.

Employers can request that their details are not published but only if there could be a serious risk of violence or intimidation from this and they are able to provide evidence to support their claim. To make a request for non-publication, the employer must complete an online application in advance of the relevant publication date and provide supporting evidence at that time.

HMRC will contact employers with the outcome of their application. If an application has not been processed before the relevant publication date, HMRC advises that the employer’s details will not be published until a decision has been made and they have been informed. Employers only need to apply once, as any decision will cover all CJRS claim periods subject to publication. Applications to avoid publication must be made by an employer and cannot be made by an agent on their behalf.

From this month (February 2021), HMRC will publish additional information including employer names, an indication of the value of claims within a banded range (and the company reference number for companies and limited liability partnerships). Details of CJRS claims will also be published monthly thereafter. From next month HMRC will also be letting employees know if their employer has submitted a CJRS claim for them, via their Personal Tax Account if a data matching exercise provides HMRC with sufficient information to do so.

The next deadline of note for employers is that CJRS claims for the month of January 2021 must be submitted to HMRC by midnight on 14th February 2021. If a mistake has been made in the claim for a particular month which means the employer has received too little, the deadline to amend this is **within 28 calendar days** after the month the claim relates to unless this falls on a weekend or bank holiday, in which case the deadline is the next weekday. The deadline to therefore amend underclaims for the month of February 2021 is therefore **1 March 2021**.

## CPD WEBINARS FOR MEMBERS IN PRACTICE

Look out for the following CPD webinars during February and March, designed with small and medium-sized practices in mind. Full details, as well as booking information, are available on the [Professional Development area of the Institute website](#).

|                    |   |          |
|--------------------|---|----------|
| 5 February (a.m.)  | Practice News                           | ROI & NI |
| 11 February (a.m.) | Accounting for Government Supports      | ROI      |
| 25 February (a.m.) | Anti-Money Laundering for your Practice | ROI      |
| 9 March (a.m.)     | Practice News                           | ROI & NI |
| 25 March (all day) | Going into Practice                     | ROI & NI |

## A SINGLE GUIDE FOR COMPANIES – ROI

The Office of the Director of Corporate Enforcement (ODCE) has published [A Single Guide for Companies](#), in response to frequent requests for a single document to explain the main roles and duties of the various participants of companies, and is a digest of company law for lay people. Practitioners may find this a useful resource to make available to clients.

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