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Sarah Cremin,  
Committee Secretariat,  
Committee of Public Accounts,  
Leinster House,  
Dublin 2.  
[PAC@oireachtas.ie](mailto:PAC@oireachtas.ie)


Dear Ms. Cremin,

I refer to correspondence received from the Committee dated 09 March 2023. The information requested in the correspondence is enclosed, under the following headings, in the Appendix:

1. Information on the application and operation of Vehicle Registration Tax (VRT)
2. The relationship of VRT with EU law
3. Anomalies in respect of VRT arising from cross border movement.

If you have any queries, please do not hesitate to contact Angela O’Gorman at (01) 8589181 or [angelaogorman@revenue.ie](mailto:angelaogorman@revenue.ie).

Yours sincerely,

  
Niall Cody,  
Chairman.

## **1. The application and operation of Vehicle Registration Tax (VRT)**

### **Vehicle Registration and VRT**

The Finance Act 1992 provides for the registration of all vehicles in the State and provides for an excise duty, known as Vehicle Registration Tax (VRT), which generally becomes payable when a vehicle is first registered here. Typically, such registration occurs when a new vehicle is sold in the State or when a used vehicle is imported from outside the State.

The legislation governing VRT is set out mainly in the Finance Act 1992 (as amended) and in secondary legislation.

Public information on VRT is available on Revenue's website at:

<https://www.revenue.ie/en/vrt/index.aspx>

As part of this, material is available to support a person who is intending to import a used car from Northern Ireland and register it in the State:

<https://www.revenue.ie/en/vrt/registration-of-imported-used-vehicles/registering-vehicles-from-ni.aspx>

Revenue also publishes its own detailed internal guidance documents (known as Tax and Duty Manuals) and the TDMs relevant to VRT are available at:

<https://www.revenue.ie/en/tax-professionals/tdm/vehicle-registration-tax/index.aspx>.

### **Calculating VRT on a Passenger Car**

The legislation stipulates different categories of vehicles – essentially corresponding to whether they are passenger cars, vans, lorries, buses, motorbikes, etc. and sets out how VRT is charged for each category of vehicle. The method of calculating VRT on a vehicle does not vary according to whether the vehicle is new or has been imported second-hand, whether that be from another EU Member State or from a “third country” outside the EU.

Typically, a passenger car is classified as a Category A vehicle. Under the legislation, the VRT on a Category A vehicle is calculated based on the vehicle's Open Market Selling Price (OMSP) and its emissions levels and the legislation sets out details of how these two factors are to be determined.

The legislation provides that the amount of VRT on a passenger car has two components, based on the vehicle's carbon dioxide (CO<sub>2</sub>) and its nitrogen oxide (NO<sub>x</sub>) emission levels. The CO<sub>2</sub> component of the VRT charge is a percentage of the vehicle's OMSP, ranging from 7% for a vehicle with zero CO<sub>2</sub> emissions, up to 41% of the OMSP for vehicles with the highest emission levels. The NO<sub>x</sub> component of VRT is calculated using a progressive scale, starting from €5 up to €25 per mg/km of the vehicle's NO<sub>x</sub> emission level.

The legislation also provides for a number of tax reliefs, which apply in certain circumstances, and which reduce the amount of VRT that would otherwise be payable. Such measures include permanent reliefs like the Transfer of Residence relief and the Disabled Drivers and Passengers Scheme, and temporary reliefs such as the current scheme of VRT relief for certain battery electric vehicles.

## **Registering a Car and Paying VRT**

The legislation provides that, for new vehicles purchased in the State, the dealer can register the car directly with Revenue and make the VRT payment. New vehicles are usually registered using the EU's electronic Certificate of Conformity (e-COC) system, which ensures rapid registration with the minimum of manual input.

For new vehicles that are privately imported, an e-COC must be uploaded or input to the Revenue system before the vehicle is presented for registration.

For registering an imported used vehicle, it must be first examined to ensure that it meets the definition of 'mechanically propelled vehicle' under the legislation. This can be done by booking an inspection at a National Car Testing Service (NCTS) centre and if all is in order, the vehicle can be immediately registered there on payment of any VRT due (and VAT where applicable).

Inspections of imported used vehicles and the processing of registrations and VRT payment on imported vehicles is carried out on Revenue's behalf at NCTS centres. However, in all cases, the valuation of vehicles and the assessment of the tax payable is undertaken by Revenue. In addition, the administration of the VRT reliefs and exemptions and all customer service functions relating to administration of the tax is carried out by Revenue.

In general, the law requires an imported vehicle to be registered within 30 days of its arrival in the State. A temporary exemption from this requirement is available for persons established outside the State provided their place of normal residence remains outside the State throughout the period of exemption. Several other requirements, such as restrictions on business use, restrictions on use by a person established in the State, and a requirement to be both registered and taxed in another State also apply. This exemption is allowed for an initial period of up to 12 months but can be extended where Revenue are satisfied that the conditions continue to be fulfilled.

## **VRT Enforcement**

The legislation governing VRT sets out a range of offences and penalties. Revenue's approach to enforcement of VRT law is that in each instance where a failure to comply with the relevant legal requirements is detected, the matter is dealt with in a manner that is fair and proportionate in the circumstances of the particular case. Section 5.4.2 of the VRT Enforcement Manual gives examples of the forms of action appropriate in the various situations that a Revenue Officer may encounter. In certain instances, a warning will be given or a VRT Demand Notice issued in accordance with Section 5.5 of VRT Enforcement Manual.

A vehicle may be detained under section 140(3) of the Finance Act 2001 where an Officer has reasonable suspicion that the vehicle has not been registered in the State, has been converted and a declaration of conversion has not been made, or VRT has not been paid. It may be detained for a period as is required by the Officer, to carry out enquiries to determine whether the vehicle has been registered, the declaration has been made, or the VRT has been paid. The period of detention is the earlier of the period of time taken to make the enquiries or on the expiration of a period of one month.

Where an Officer forms the view that a person is a resident of the State and in possession of an unregistered vehicle contrary to section 139 of the Finance Act 1992, and that the person has had

the vehicle in the State for in excess of a 30-day period, the vehicle may be lawfully seized in accordance with Section 141 of the Finance Act 2001.

Depending on the circumstances of the particular case, Officers may offer local release of the seized vehicle at the roadside pursuant to the provisions of s.144(2) of the Finance Act 2001 on payment of a compromised sum. Paragraph 5.8 of Section 5 Enforcement of the Vehicle Registration Tax Manual sets out the procedure for local release of seized vehicles. Paragraph 5.8.1 provides that an officer may offer the local release of a seized vehicle in cases involving a first offence, including a seizure that resulted from a VRT Demand Notice (Form VRT31) being ignored. In all other instances the case is reported to Revenue's National Prosecutions and Seizures Office (NPSO) for a decision on what action(s) should be taken. It is also provided in that paragraph that in instances where a seized vehicle is released locally, this should be approved and closed by management at or above a particular grade level, with all documentation maintained locally. Paragraph 5.8.4 sets out the scale of compromise amounts to be applied in local release situations.

Any petition made by a person subsequent to the release of the vehicle is dealt with by a manager at local level. If the person is not satisfied with the outcome of this local review, he/she is informed that the petition can be reviewed by the NPSO. In such cases, the NPSO will request a complete file on the seizure and release terms from the seizing station. Additional information may be requested from the officers concerned and/or the person whose vehicle was seized. A review is conducted, and the petitioner is written to informing them of the outcome of their petition and the seizing station is also informed. This review is entirely independent of the seizing station.

## **2. The relationship of VRT with EU law**

VRT is an excise duty which is imposed, under Irish law, on the registration of a vehicle in the State. With effect from 01 January 1993, Section 132(1), Finance Act, 1992 introduced a duty of excise, to be called vehicle registration tax and the legislation stipulates that the tax shall be charged, levied and paid on the registration of a vehicle.

More than half of the other EU Member States operate similar domestic taxes to Ireland's VRT. Over the years, the European Court of Justice, in a number of opinions and rulings, has stated that the charging of a tax of this type is within the competence of a Member State provided that it does not breach Article 110 of the Treaty on the Functioning of the European Union, which provides that Member States cannot levy taxes that discriminate against imported goods or provide unfair protection to domestic goods. Ireland's VRT regime respects this Treaty provision.

Ireland's national legislation governing the operation of VRT refers to several specific pieces of EU legislation primarily relating to vehicle-technical matters, such as vehicle categories, definitions of technical terms, and conformity with EU type-approval law. In this regard, the VRT legislation uses the base of existing EU legislation on vehicle matters.

### **3. Anomalies in respect of VRT arising from cross border movement**

Revenue is not aware of anomalies in relation to VRT and, without seeing the correspondence that gave rise to the PAC's query, is unclear what may be underlying this aspect of the Committee's query.

Nonetheless, the Committee may find the following material useful in understanding current arrangements relating to the taxation of imported vehicles. The material below briefly describes how Customs Duty, VAT and VRT would apply to a used passenger car brought into the State (a) from another EU Member State (b) from Northern Ireland or (c) from another place outside the EU including Great Britain. As can be seen, the VRT treatment is the same regardless of the source of the vehicle, although, reflecting the EU rules on both VAT and Customs matters, the VAT and Customs treatments differ across the three scenarios.

#### **(a) Used car imported from another EU Member State**

**Customs Duty:** Under EU Customs law, a used car imported from another EU Member State where it was previously registered is not subject to customs charges.

**VAT:** Under EU VAT law, the used car would not be subject to VAT in Ireland unless the vehicle concerned is deemed to be a "New Means of Transport", which means that its odometer reading is 6,000kms or less, or it is six months old or less.

**VRT:** Under Irish VRT law, VRT will be assessed and payable when the vehicle is registered in the State and the method of calculating VRT does not vary according to the vehicle's place of origin, or its route into the State.

#### **(b) Used car imported from Northern Ireland**

**Customs Duty:** Under the terms of the Protocol on Ireland and Northern Ireland, and replicated in the Windsor Agreement, goods can be traded between Northern Ireland and the EU on the same basis as if Northern Ireland were part of the EU. This means that goods brought into Ireland from Northern Ireland are not subject to customs formalities or the payment of customs duty.

In relation to cars -

- A vehicle brought into Northern Ireland before 01 January 2021, and which has remained there since, can be registered in the State with no customs obligations, provided there is appropriate proof of the vehicle's status in Northern Ireland prior to that date.
- A vehicle first registered in Northern Ireland after 01 January 2021 can be registered in the State without providing proof of its customs status where it meets the following conditions:
  - the registration in Northern Ireland was the first registration of the vehicle in the United Kingdom (UK), and
  - the vehicle has never been exported to and/or re-registered in Great Britain or any other country outside the European Union.
- Vehicles first registered in Great Britain and subsequently registered in Northern Ireland after 31 December 2020 will be subject to additional requirements if imported into the

State. The person registering the vehicle in Ireland must provide proof that the vehicle was declared to customs on import in Northern Ireland and additional VAT charges may apply.

**VAT:** Under the terms of the Protocol on Ireland and Northern Ireland, and replicated in the Windsor Agreement, goods can be traded between Northern Ireland and the EU on the same basis as if Northern Ireland were part of the EU. This means that goods brought into Ireland from Northern Ireland are generally subject to the same VAT treatment as if they were imported from another EU Member State.

In the case of cars, this means that where it can be proved that a vehicle was already owned and operated in Northern Ireland at the time of Brexit, or has been imported inclusive of a VAT payment in Northern Ireland after that date, VAT is not due unless the vehicle is determined to be a New Means of Transport (i.e. its odometer reading is 6,000kms or less, or it is six months old or less).

Since Brexit, there has been a particular issue with “margin scheme” cars. The Margin Scheme is a VAT arrangement that allows a car dealer simply to account for VAT on the gross profit margin on the sale of a used car (i.e. on the difference between the trade-in and resale prices). Shortly following Brexit, the UK unilaterally introduced significant changes to its VAT regime for used cars imported from Great Britain into Northern Ireland by extending the scope of the Margin Scheme to them, in contradiction of the Protocol. Until this issue is resolved, there is a large VAT risk from the potential for used cars from Great Britain to be routed through Northern Ireland prior to being imported into this State. Ireland now applies VAT to used car imports from Northern Ireland where it cannot be shown that they were already owned and operated from there before Brexit.

**VRT:** Under Irish VRT law, VRT will be assessed and payable when the vehicle is registered and the method of calculating VRT does not vary according to the vehicle’s place of origin, or its route into the State.

### **(c) Used car imported from elsewhere (including from GB)**

**Customs Duty:** Under EU Customs law, a used car imported from a country outside the EU (known as a “third country”), is generally subject to customs duty of 10% on importation, unless a particular agreement exists that reduces or eliminates the duty.

The EU-UK Trade and Cooperation Agreement (TCA) eliminated tariff duties for trade between the EU and Great Britain where the relevant rules of origin are met. Therefore, if the vehicle is of UK origin, then a 0% tariff rate applies.

The following vehicles imported from Great Britain will have tariffs applied as, under the rules of origin, they do not qualify as being of UK origin:

- vehicles of EU origin used in the UK; and
- vehicles of other third country origin used in the UK, even if the EU has a Free Trade Agreement with the relevant third country.

However, cars of EU origin that are imported to Ireland from Great Britain or another third country may be entitled to Returned Goods Relief in certain circumstances, which would entitle the importer to import the car without the payment of Customs Duty and VAT.

**VAT:** Under customs law, VAT at import is chargeable on the customs value of goods imported into the EU from a third country. Usually this will be the purchase price, plus the cost of transport and

insurance, plus any customs duties payable. The rate of VAT is the rate applicable to those goods when traded within the State. Therefore, a vehicle imported from a third country would normally be subject to VAT at 23% at the point of import.

However, cars of EU origin that are imported to Ireland from a third country may be entitled to Returned Goods Relief in certain circumstances, which would entitle the importer to import the car without the payment of Customs Duty and VAT.

**VRT:** Under Irish VRT law, VRT will be assessed and payable when the vehicle is registered and the method of calculating VRT does not vary according to the vehicle's place of origin, or its route into the State.