

Ireland and the UK – Tax and Customs Links

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Executive Summary

The decision of the United Kingdom (UK) of Great Britain and Northern Ireland to exit the European Union (EU) has significant impacts across many areas. This paper's focus is on the links between Ireland and the UK that may affect tax and customs matters. Two primary topics are examined – flows between the two jurisdictions that may carry customs implications and the links of Irish based businesses to the UK and their tax contributions to the Irish Exchequer.

Section 2 of the paper outlines the flows between Ireland and the UK – trade, investment, traffic (by road, sea and air) and people. The UK is Ireland's largest trading partner, purchasing 19 per cent and 13 per cent of Irish services and goods exports respectively and the source of 8 per cent of services imports and 23 per cent for goods. Looking at trade with Northern Ireland (NI) alone, the importance of *Food & live animals* products is relatively more important than for overall UK-Ireland trade.

For the twelve national roads crossing the border, in 2016 there are over 14 million vehicles entering Ireland from NI (or nearly 40,000 per day). With only around 15,000 residents of either jurisdiction in employment or education on the other side of the border, it is clear that trade accounts for significant shares of the cross border movements.

Section 3 uses Revenue data to identify businesses in Ireland linked to the UK and outlines their contribution to the Irish tax base. This covers businesses trading with the UK, those located in border areas with NI, the multinational sector linked to the UK and farmers.

Businesses in the border counties employ around 230,000 people and contribute slightly over 5 per cent of receipts for most taxes. In 2015 there are approximately 12,000 Irish traders exporting goods and/or services to the UK, with an estimated value of these exports in the region of €33 billion. These traders directly employ over 680,000 people. Around 1,600 of these businesses are in border counties and the value of their exports to the UK is €2.2 billion. Approximately 90,000 Irish based businesses import goods and/or services from the UK and 14,000 are based in the border counties.

The analysis shows widespread linkages between Irish and UK economies. Links to NI are more limited but also more highly concentrated in specific areas or sectors. Brexit will not eliminate UK/Ireland linkages (or their Exchequer contributions) but it may well diminish or change them. This analysis indicates the potential scale and range of the outcome.

1 Introduction

The decision of the United Kingdom (UK) of Great Britain and Northern Ireland to exit the European Union (EU) has significant impacts across many areas. This paper's focus is on the links between Ireland and the UK that may impact on tax and customs matters.

Two primary topics are examined – flows between the two jurisdictions that may carry customs implications and the links of Irish based businesses to the UK and their tax contributions to the Irish Exchequer.

Economic research by Government on the impacts of Brexit has been underway since 2015. The Economic & Social Research Institute (ESRI) produced a Brexit scoping paper in November 2015.¹ This was followed in November 2016 with reports assessing product and sector impacts of a hard Brexit and modelling the long term macroeconomic impact of Brexit on Ireland.² The Department of Finance (DoF) published several reports related to Brexit at the time of Budget 2017 (October 2016), including an overview of how Brexit may impact the Irish economy and a more in-depth analysis of the trade exposure of sectors to the UK.³ InterTradeIreland recently published ESRI analysis of the impact tariffs on cross border trade.⁴ The Central Statistics Office (CSO) published a report in December 2016 that documents numerous facets of Irish/British links and in April 2017 the National Competitiveness Council benchmarked Ireland's competitiveness with the UK.⁵

This paper follows the approach of the DoF trade sector exposure research and the CSO summary. The objective is to outline links between Ireland and the UK and identify the areas that may be affected by Brexit. Where available, the research uses Revenue case or micro level data to build bottom up measures of these links. The focus is on the value and magnitude of existing links, the paper does not draw inferences on the impact of Brexit.

Section 2 of the paper outlines the flows between Ireland and the UK – trade, investment, traffic (by road, sea and air) and people. Section 3 uses Revenue data to identify businesses in Ireland linked to the UK and outlines their contribution to the Irish Exchequer. This covers businesses trading with the UK, those located in border areas, the multinational sector linked to the UK and farmers. Section 4 concludes.

¹ See <https://www.esri.ie/pubs/RS48.pdf> (the research was conducted under the joint Department of Finance and ESRI Research Programme on The Macroeconomy and Taxation).

² See <http://www.esri.ie/pubs/WP550.pdf> and <https://www.esri.ie/pubs/WP548.pdf> (the latter paper is also part of research conducted under the joint Department of Finance and ESRI programme).

³ See [Getting Ireland Brexit Ready](#) and [UK EU Exit – An Exposure Analysis of Sectors of the Irish Economy](#) (updated March 2017).

⁴ See <http://www.intertradeireland.com/researchandpublications/publications/publications/name-43052-en.php>.

⁵ See [Brexit – Ireland and the UK in Numbers](#) and <http://www.competitiveness.ie/News-Events/2017/NCC-Benchmarking-Competitiveness-for-Publication.pdf>.

2 Flows between Ireland and the United Kingdom

Links exist between Ireland and the UK across numerous channels. These links are seen in the myriad of flows of goods and services, vehicles and people between the two countries.

2.1 Investment and Trade

The CSO shows that the UK accounts for €89 billion or 10.9 per cent of total outward Irish direct investment in 2015 (down from 15.3 per cent in 2014). For inward investment, the UK's share is lower at €37 billion or 4.6 per cent in 2015 (2014 is €43 billion or 12.6 per cent, showing the volatility in these figures).⁶ As well as direct investment, Irish residents hold significant portfolio securities in the UK (2015): €114 billion in equities, €216 billion in bonds and notes and €70 billion in money market instruments.

The CSO also outlines export and import positions between Ireland and the UK. For total services trade, Irish exports and imports are valued at €122 billion and €151 billion respectively for 2015 (Ireland has a net trade deficit in services). Ireland's exports to the UK are €23.5 billion, imports from UK are €12 billion (Figure 1). Computer services account for the single largest share of Irish services exports to the UK. UK services imports arise from businesses services but limited descriptive information is available.⁷

Figure 1 – Irish Services Trade 2015



Source: Revenue analysis of CSO Balance of Payments data.

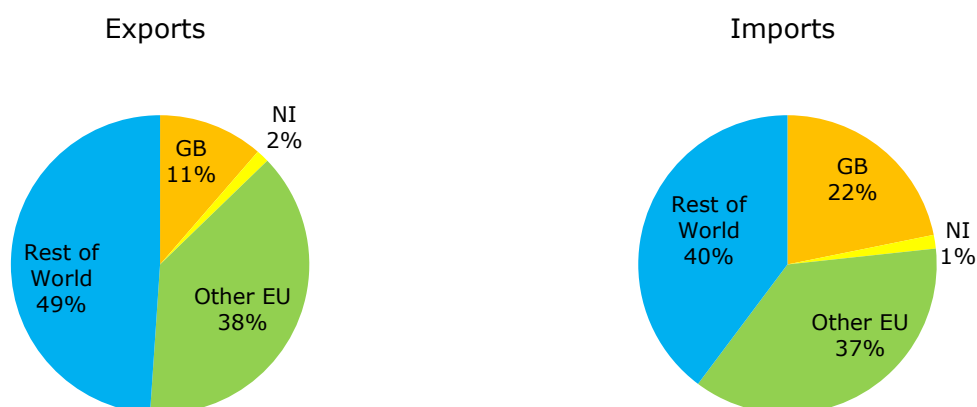
For trade in goods, total Irish exports are valued at €118 billion and imports at €72 billion for 2016. Figure 2 shows the share of these traded with the UK. While Ireland has overall net trade surplus for goods, trade with the UK has a deficit (imports of €16.8 billion, €15.0 billion in exports). With Great Britain (GB) only there is also a deficit (imports of €15.8

⁶ Section 3.3 discusses employment in Irish and foreign owned affiliates.

⁷ It is noteworthy that globally royalties and licences account for nearly half of Irish services imports but these are relatively immaterial from UK.

billion, exports of €13.4 billion) but trade with Northern Ireland (NI) is in surplus in 2016 (imports €1.1 billion, exports €1.6 billion).

Figure 2 – Irish Goods Trade 2016



Source: Revenue analysis of CSO External Trade data.

Table 1 shows the distribution of Irish goods trade with UK by region and product. *Food & live animals* is important for both GB and NI trade but particularly so in relative terms for NI (31 per cent of Irish exports to NI and 42 per cent imports are in this category). A number of manufacturing and related products are important to Ireland/GB trade but they feature less in Ireland/NI trade.

Table 1 – Value of Irish Goods Trade with UK by Product 2016

| | Exports to | | Imports from | |
|---|-----------------|-----------------|-----------------|-----------------|
| | GB € Million | NI € Million | GB € Million | NI € Million |
| Food and live animals | 3,705 | 517 | 2,773 | 452 |
| Beverages and tobacco | 219 | 87 | 318 | 39 |
| Crude materials, inedible, except fuels | 372 | 79 | 153 | 52 |
| Mineral fuels, lubricants and related materials | 465 | 38 | 2,087 | 17 |
| Animal and vegetables oils, fats and waxes | 11 | 6 | 46 | 19 |
| Chemicals and related products | 3,993 | 179 | 2,374 | 62 |
| Manufactured goods classified chiefly by material | 929 | 237 | 1,739 | 122 |
| Machinery and transport equipment | 2,204 | 156 | 3,016 | 116 |
| Miscellaneous manufactured articles | 1,129 | 184 | 2,230 | 78 |
| Other | 334 | 165 | 1,005 | 110 |
| Total | 13,361 | 1,649 | 15,743 | 1,067 |

Source: Revenue analysis of CSO data.

The above information is based on values of trade. It is also useful to consider trade flows in volume terms as shown in Table 2. The largest import sector is *Mineral fuels, lubricants & related materials*, this is mainly petroleum and gas products. Within *Food & live animals* the largest imports are cereals, vegetables, fruits and feed while meat, meat products and dairy are the largest exports.⁸

⁸ Clearly for certain types of product, tonnage is of limited use as an indicator (e.g., pharmaceutical products).

Table 2 – Volume of Irish Goods Trade with UK by Product 2016

| | Exports to | | Imports from | |
|---|----------------------|----------------------|----------------------|----------------------|
| | GB 000s Tonnes | NI 000s Tonnes | GB 000s Tonnes | NI 000s Tonnes |
| Food and live animals | 1,321 | 727 | 1,776 | 1,121 |
| Beverages and tobacco | 395 | 138 | 429 | 62 |
| Crude materials, inedible, except fuels | 952 | 1,281 | 579 | 1,360 |
| Mineral fuels, lubricants and related materials | 1,868 | 154 | 6,570 | 126 |
| Animal and vegetables oils, fats and waxes | 15 | 14 | 58 | 35 |
| Chemicals and related products | 253 | 123 | 872 | 113 |
| Manufactured goods classified chiefly by material | 2,135 | 1,017 | 1,217 | 156 |
| Machinery and transport equipment | 115 | 24 | 238 | 19 |
| Miscellaneous manufactured articles | 149 | 24 | 513 | 25 |
| Other | 0 | 0 | 9 | 1 |
| Total | 7,203 | 3,502 | 12,263 | 3,016 |

Source: Revenue analysis of CSO data.

DoF research examines in more detail the exposure of sectoral trade, including assessing the dependence of Irish exporters on the UK market. The InterTradeIreland/ESRI research referenced in Section 1 has more detail on the nature of the Ireland/NI trade and the products that fall within the categories of goods outlined in Tables 1 and 2. It should also be noted that significant Irish trade uses the UK as a “landbridge”, being shipped across UK on the way to or from other markets. Such trade is not counted as UK/Ireland trade in the CSO data.

The vast majority of used cars imported into Ireland are from the UK and these have increased in recent years, largely due to changes in the Sterling/Euro exchange rate. Based on Revenue’s VRT data, vehicle imports from the UK increased from 42,800 in 2015 to 66,500 in 2016 (an increase of 55 per cent). In the year to April 2017, there are 29,600 such registrations (up 56 per cent on the same period in 2016).

2.2 Movements of Vehicles and Freight

Vehicles can enter into the Republic of Ireland from the UK either via road from NI or on ferries from the mainland UK. Freight also arrives through airports.

2.2.1 Roads

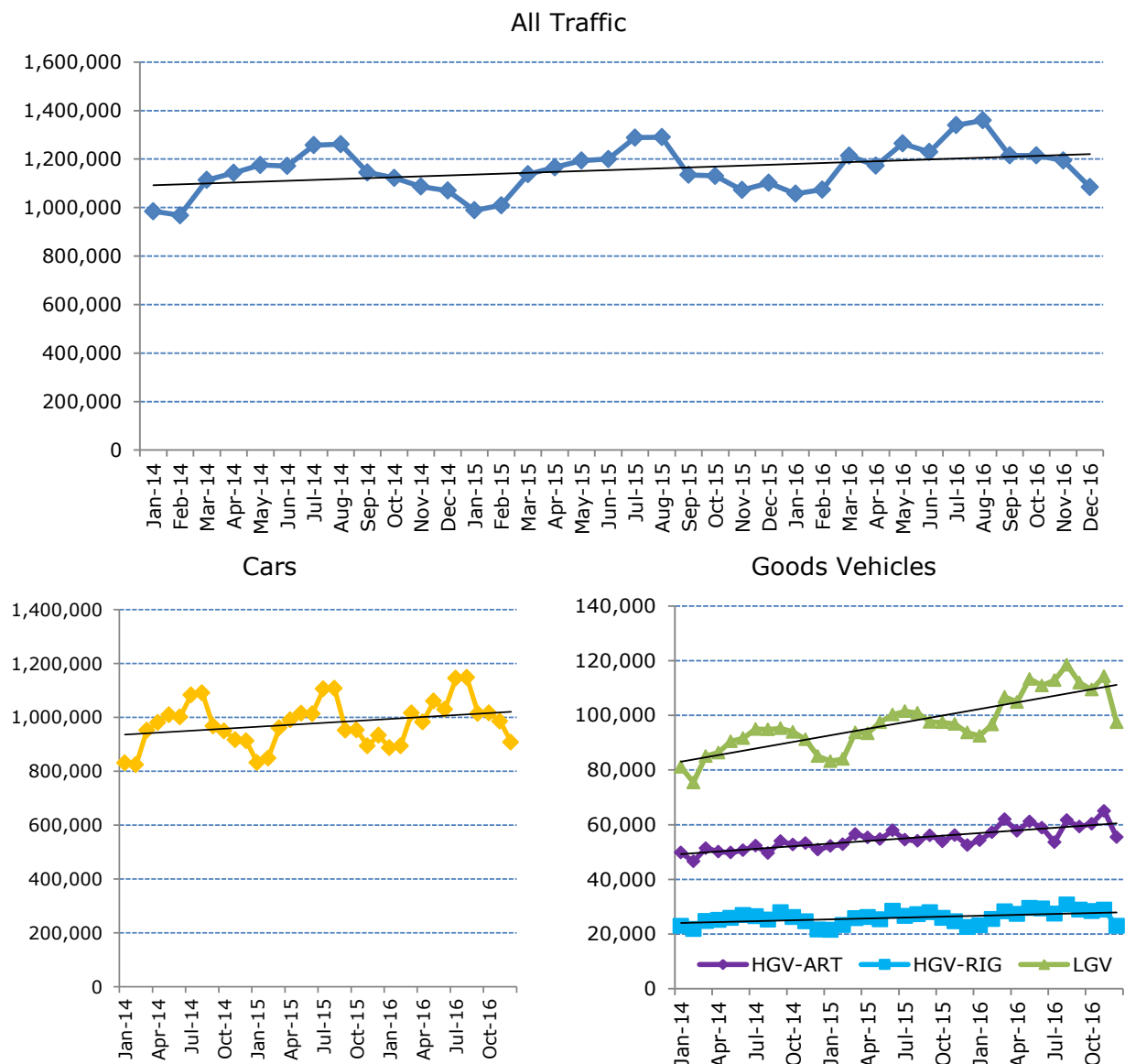
Transport Infrastructure Ireland (TII) capture data on the number of vehicles crossing the border on national roads. This information is categorised by the direction of the traffic flow and the vehicle type: Cars, Motor Bike, Bus, Caravans, Articulated Heavy Goods Vehicle (HGV-ART), Rigid Heavy Goods Vehicle (HGV-RIG) and Light Goods Vehicle (LGV).⁹

⁹ Goods vehicle classifications are determined by features such as axle number and axle width, measurements are made at the point of data collection by the traffic counter system.

For the twelve national roads crossing the border, in 2016 there are over 14 million vehicles entering Ireland from NI: 1 million crossings by HGVs or 2,700 on average per day; 1.3 million by LGVs or 3,600 per day; and 12 million by cars or 32,900 per day.¹⁰

Figure 3 reveals a seasonal pattern with positive year on year growth rates in traffic flows across all vehicle types entering Ireland from NI. Generally lower traffic flows are observed during the winter months while higher volumes are observed during the other seasons.

Figure 3 – Northern Ireland to Ireland Traffic Volumes



Source: Revenue analysis of TII data. Note: Cars includes other non-commercial vehicles also.

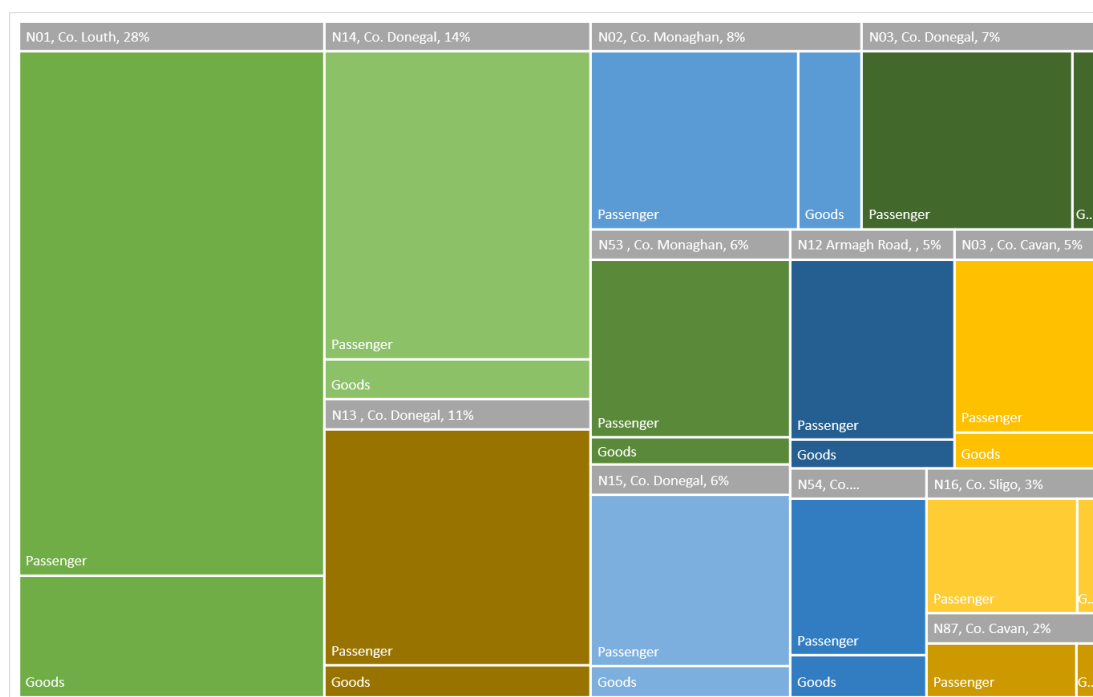
As shown in Figure 4, of the twelve cross border routes, the main Dublin to Belfast route the N01 accounts for 28 per cent of all recorded vehicles. The two next busiest are the

¹⁰ Movements in the opposing northerly direction, Ireland to NI, are roughly equal.

N13 and the N14, both in Donegal. These three routes make up 53 per cent of all traffic volumes and 52 per cent of all goods vehicles.

The profile of road freight varies between routes. While the N01 accounts for the largest volume of LGVs in absolute terms, goods vehicles make up a larger proportion of traffic along some of the other routes. The two routes from Monaghan have the highest ratio of goods to passenger vehicles (almost 25 per cent of all traffic on these routes is classified as goods vehicles) during 2014 to 2016.

Figure 4 – Northern Ireland to Ireland Traffic Volumes by Route 2014-2016



Source: Revenue analysis of TII data.

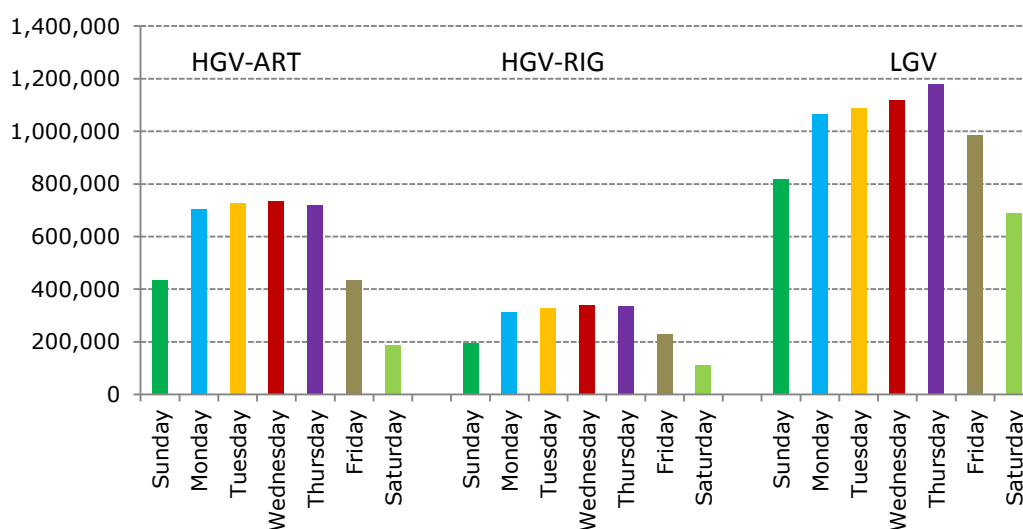
Looking at goods vehicles, LGVs are the largest category and have experienced the largest positive (southerly) growth rate with an annual average yearly increase of 21 per cent over the period 2014 to 2016. All other vehicle categories also experienced growth (at a slower rate) over this period. HGV-RIGs make up the lowest number of journeys and show the smallest increase (10.3 per cent).

Table 3 – Ireland/Northern Ireland Journeys by Goods Vehicle Type

| Vehicle Type | Direction | 2014 | 2015 | 2016 | YoY 14-15 | YoY 15-16 | YoY 14-16 |
|--------------|-----------|------------------|------------------|------------------|-------------|--------------|--------------|
| HGV-ART | Northerly | 599,850 | 660,547 | 710,450 | 10.1% | 7.6% | 18.4% |
| | Southerly | 611,008 | 656,611 | 706,512 | 7.5% | 7.6% | 15.6% |
| HGV-RIG | Northerly | 279,888 | 303,136 | 329,041 | 8.3% | 8.5% | 17.6% |
| | Southerly | 299,589 | 305,421 | 330,469 | 1.9% | 8.2% | 10.3% |
| LGV | Northerly | 997,694 | 1,146,474 | 1,311,804 | 14.9% | 14.4% | 31.5% |
| | Southerly | 1,065,401 | 1,140,030 | 1,289,496 | 7.0% | 13.1% | 21.0% |
| All | | 3,853,430 | 4,212,219 | 4,677,772 | 9.3% | 11.1% | 21.4% |

Source: Revenue analysis of TII data.

As well as seasonal patterns, daily patterns are also available (Figure 5). For both HGV-ART and HGV-RID the pattern is similar. The majority of heavy goods freight is recorded Monday through Thursday at an increasing volume. On Fridays, Saturdays and Sundays, volumes drop. LGVs present a similar pattern to HGVs while less stark. For all goods vehicles Saturday shows the lowest volumes of traffic.

Figure 5 – Northern Ireland to Ireland Goods Vehicle Traffic by Day 2016

Source: Revenue analysis of TII data.

An additional data source on road goods transport is provided by the NI Department of Infrastructure relating to the total amount HGV freight movements across the island of Ireland for 2014. The data are collated using a variety of sources from both jurisdictions to provide an estimate of the volumes of road freight movement within the island of Ireland and the proportion that moves between NI and Ireland.

The total HGV road freight activity within the island by vehicles registered in Ireland, NI or GB in 2014 is 14.9 million laden journeys, carrying 169,000 thousand tonnes of goods is provided in Table 4.

Table 4 – Road Freight Activity 2014

| Vehicles Place of Registration | Tonne-Kilometres | | Tonnes Carried | | Vehicle Kilometres | | Laden Journeys | |
|--------------------------------|------------------|------------|----------------|------------|--------------------|------------|----------------|------------|
| | million | % of total | Thousand | % of total | million | % of total | thousand | % of total |
| Republic of Ireland | 9,772 | 73 | 112,499 | 67 | 1,307 | 72 | 10,094 | 68 |
| Northern Ireland | 3,466 | 26 | 55,363 | 33 | 490 | 27 | 4,533 | 30 |
| Great Britain | 61 | 0 | 1,138 | 1 | 19 | 1 | 290 | 2 |
| Freight Overall | 13,299 | 100 | 169,000 | 100 | 1,816 | 100 | 14,917 | 100 |

Source: Revenue analysis of Department of Infrastructure (NI) data.

Table 5 provides a breakdown of these journeys into origin and destination. The vast bulk (over 90 per cent) of HGV movement by vehicles registered in the Republic is within the State. Cross border movements to NI account for less than 1 per cent of all HGV movements in 2014. In total, 489 thousand tonnes are carried from Ireland to NI and 316 thousand tonnes are carried from NI to Ireland. The same measures are also shown for HGVs registered in NI. In total 62,707 thousand tonnes are carried by NI registered HGVs with 4,921 thousand tonnes carried from NI to the Republic.

Table 5 – Road Freight Activity by Origin and Destination 2014

Republic of Ireland Registered HGVs

| Origin | Destination | | | Total |
|----------------------|---------------------|------------------|---------------------------------|----------------|
| | Republic of Ireland | Northern Ireland | Great Britain & Other Countries | |
| Republic of Ireland | 106,213 | 489 | 2,062 | 108,765 |
| Northern Ireland | 316 | 52 | 7 | 376 |
| GB & Other Countries | 1,644 | 7 | 1,709 | 3,359 |
| Total | 108,173 | 547 | 3,777 | 112,499 |

Northern Ireland Registered HGVs

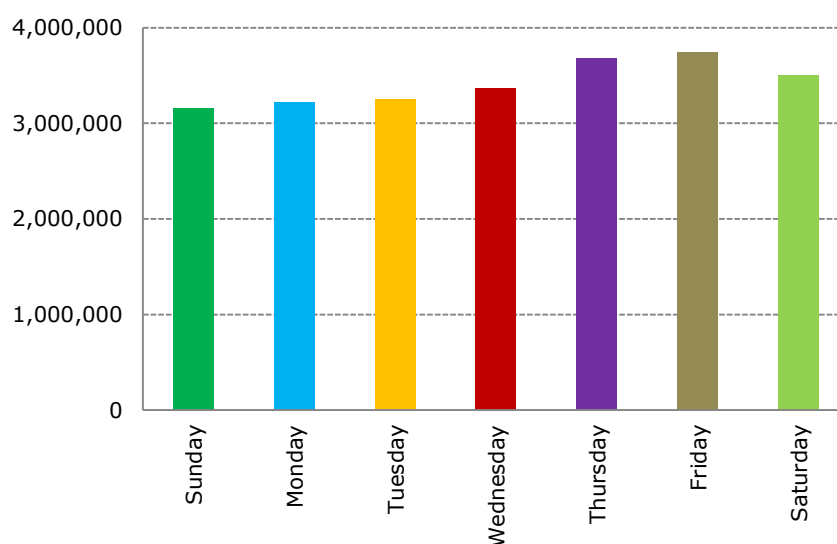
| Origin | Destination | | | Total |
|----------------------|------------------|---------------------|---------------------------------|---------------|
| | Northern Ireland | Republic of Ireland | Great Britain & Other countries | |
| NI | 46,012 | 4,921 | 961 | 51,895 |
| Republic of Ireland | 2,912 | 1,518 | : | 4,504 |
| GB & Other Countries | 649 | 283 | 5,377 | 233 |
| Total | 49,160 | 6721 | 190 | 62,707 |

Source: Revenue analysis of Department of Infrastructure (NI) data. Note: figures are goods lifted (thousand tonnes); total journeys for NI registered HGVs does not match Table 4 figure as excludes journeys that start and end outside of the island of Ireland.

Turning to passenger vehicles, based on TII data, car volumes display the same seasonal pattern as good vehicles (shown earlier in Figure 3). Peaks occur during summer months and troughs during winter. On a daily basis, Sundays experiences the lowest volume of car

traffic and Fridays are consistently the highest (Figure 6). Volumes on Fridays are 18 per cent higher than those experienced on Sundays. The weekly pattern for car traffic is decidedly different from that of freight vehicles – with Thursdays, Fridays and Saturdays being consistently busier days. Fridays and Saturdays have seen slightly increased volumes of traffic since the referendum.¹¹

Figure 6 – Northern Ireland to Ireland Passenger Vehicle Traffic by Day 2016



Source: Revenue analysis of TII data.

Looking at hourly data for the times of border crossings, there is a higher volume of traffic flowing from the North into Ireland in the early mornings, with a higher volume flowing from the Republic to NI in after 17:00 hours, likely to be indicative of a greater number of NI residents working in Ireland (see Section 2.3).

2.2.2 Ports and Airports

Ireland's maritime ports record significant flows of goods entering the country. Based on CSO figures, Irish ports had 12,200 vessel arrivals in 2015. According to the Dublin Port Company, there are 115 UK ferries per week.¹²

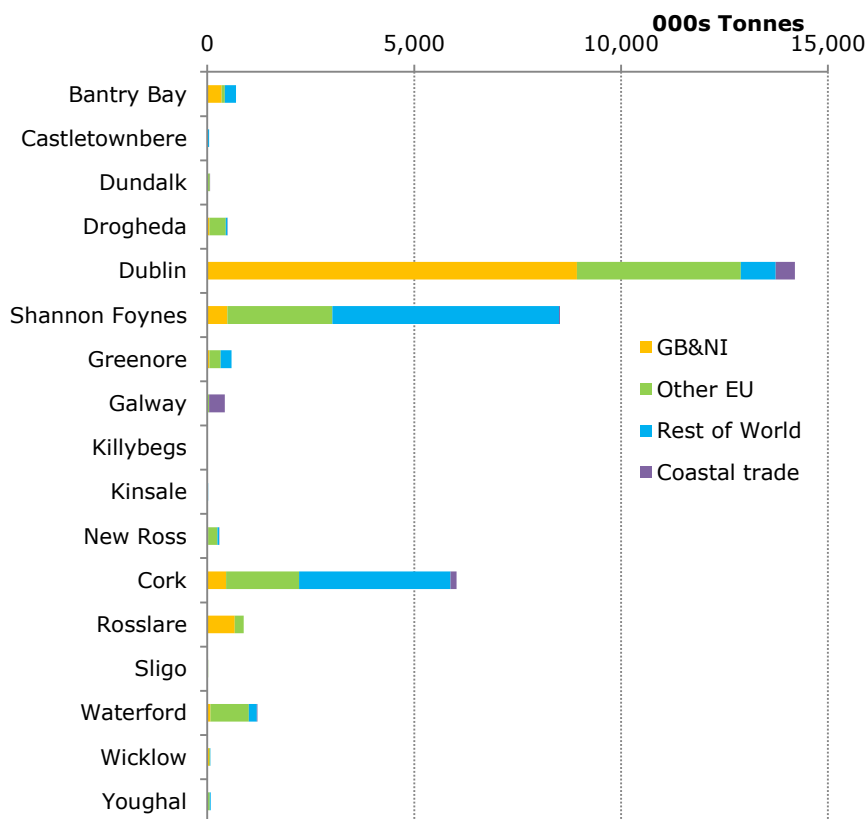
According to the CSO, Irish ports handled 50.6 million tonnes of goods in 2015: 33.6 million tonnes of goods received and 17 million tonnes forwarded. Figure 7 shows the received amounts by trade partner. The UK has the largest shares for both forwarding and receiving, followed by other EU countries. Dublin port alone handles over 80 per cent by weight of all goods received from the UK. Of the 11.2 million tonnes received in Ireland

¹¹ InterTradeIreland produce a quarterly survey of shopping mall car parks in NI with the share of Irish registered vehicles recorded. An increase in Ireland registered cars is evident in the first three quarters of 2016.

¹² These ferries take approximately an hour to unload and an hour to load.

from the UK in 2015, 6.3 is received through Roll-on/Roll-off (RoRo) traffic and only 0.3 million through Lift-on/Lift-off (LoLo), with the largest share of the remainder coming in as liquid bulk products (oil products are likely a significant component of this). The UK accounts for 85 per cent of RoRo received traffic by weight.

Figure 7 – Tonnage of Goods Received by Irish Ports and Trade Partner 2015



Source: Revenue analysis of CSO data.

In terms of vehicles coming inward through Irish ports in 2015, CSO data show 397,300 cars (including trailers), 6,900 buses, 172,200 trade vehicles and 520,500 freight vehicles (including 22,700 empty freight vehicles).¹³

2.2.3 Airports

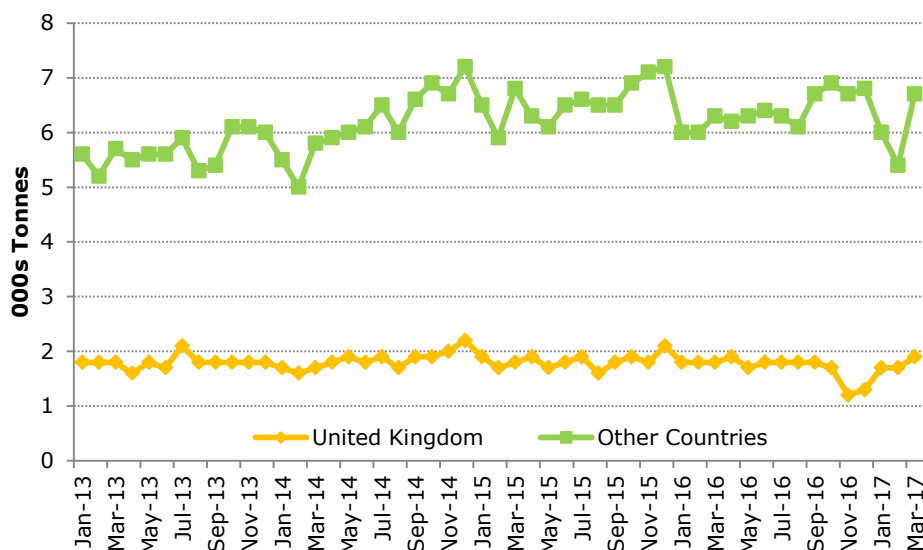
A total 76,600 tonnes is received into Ireland by air in 2016 based on CSO data, of which 20,400 (27 per cent) came from the UK.¹⁴ Air freight received from the UK exceeds the volume of goods received from any other country and is within a small margin of the total volume received from all third countries (i.e., excluding EU member states). The two principal Irish airports handling air freight goods are Dublin and Shannon airports, with Dublin handling over 95 per cent of all goods (by weight). Close to 30 per cent of all goods

¹³ A breakdown for UK only is not available.

¹⁴ Outward volumes and numbers are similar.

handled by Dublin airport are from the UK while for Shannon airport this figure increases to nearly 80 per cent.

Figure 8 – Tonnage of Goods Handled by Irish Airports



Source: Revenue analysis of CSO data.

As shown in Sections 2.1 and 2.2, there are considerable flows of goods and vehicles into Ireland from the UK. Landbridge trade, traversing between Ireland and another country via the UK, is also a factor in the movement of freight vehicles. Unlike the CSO trade data in Section 2.1, which separates out such trade from UK imports and exports, the sources discussed in Section 2.2 do not distinguish.

Of particular interest from a customs and tax perspective is the nature of the movement of LGVs and their content. As noted, in 2016 there are 1.3 million LGV crossings by road from NI into Ireland. The ports handled 172,200 trade vehicles in 2015 (this excludes freight vehicles), the vast majority likely coming from the UK. Express carriers and couriers have grown in recent years, increases in online shopping, ecommerce and distance selling are often moved and delivered through such firms.

2.3 People

2.3.1 Transport Channels

People can travel into and out of Ireland through a range of channels and do so for different reasons. For air passengers, there are 16.3 million arrivals in 2016, 6.4 million (39 per cent) from the UK. There are 123,800 commercial flights into Ireland with 58,200

(47 per cent) from the UK.¹⁵ The UK accounts for around half of inward movements by air from the EU in Ireland. There are 2.6 million passengers through Irish ports in 2016, around 85 per cent from/to GB (Irish Maritime Development Office).

2.3.2 Visitors

Numbers of overseas visitors, from all sources, have been growing in recent years, as has their average spending while in Ireland.

According to the CSO, there are 9.6 million overseas trips to Ireland by non-residents in 2016 and visitors from GB account for 3.9 million (41 per cent) of these trips.¹⁶ The vast majority of these are visiting family/friends or for holidays. Residents from the UK are the single highest country of origin for visits to Ireland.

While total expenditure (excluding fares) by visitors from GB is €1,061 million in 2016, the average spend is quite small at €270 per trip (the average stay is for 4 nights). For all visitors, the average spend is €478 (the average stay is 7 nights).

For Irish residents, the number of trips abroad is 7.4 million in 2016, with 27 per cent to GB and 5 per cent to Northern Ireland. The average spend per trip is €490 for GB and €249 for NI, with average stays of 4.1 nights and 2.5 nights respectively.

2.3.3 Commuters

Given the land border between Ireland and NI, it is not surprising that residents of both jurisdictions commute to work on the other side of the border. CSO data (from the 2011 Census) indicate that 8,295 residents from Ireland are in full-time education or in employment in NI. There are 6,456 residents from NI in 2011 that are either in full-time education or in employment in Ireland. It is notable that while 43 per cent of Irish residents commuting north are male, 57 per cent of those coming south are male. Figure 9 maps these linkages.

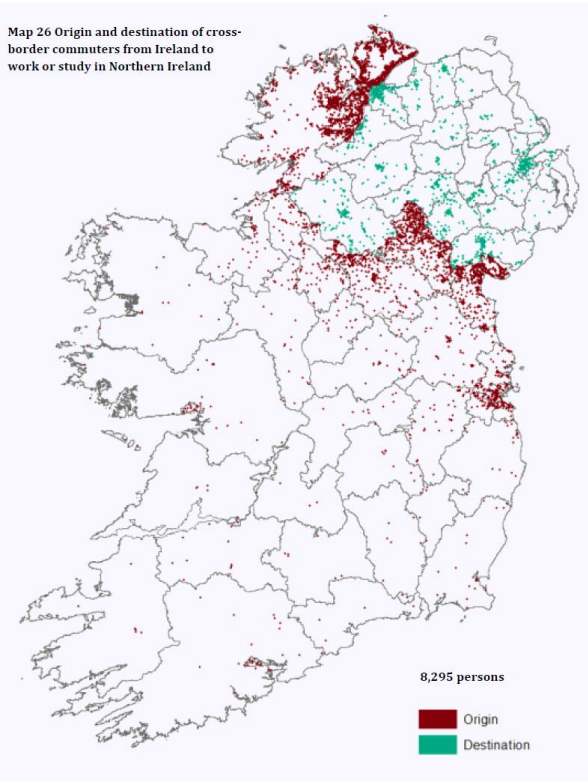
¹⁵ Outward volumes and numbers are similar.

¹⁶ Excludes trips from NI.

Figure 9 – Cross Border Commuters by Origin and Destination

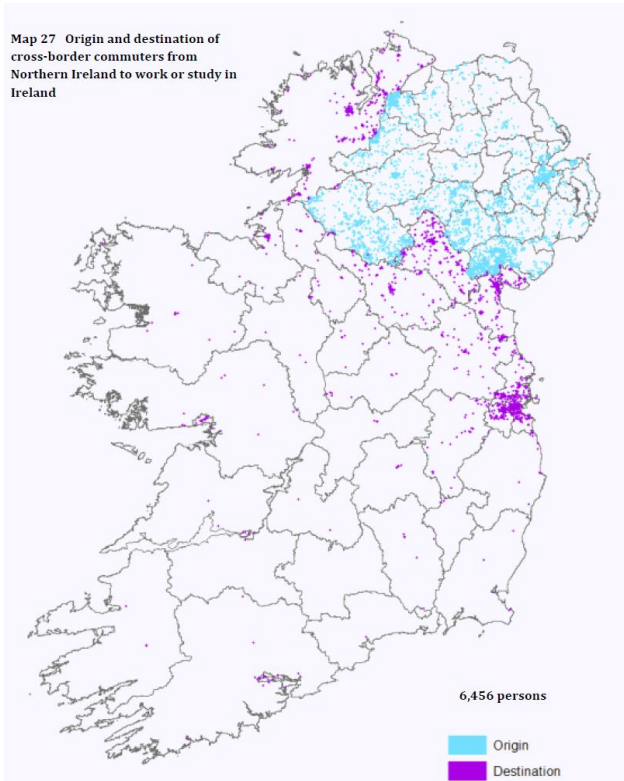
Ireland to Northern Ireland

Map 26 Origin and destination of cross-border commuters from Ireland to work or study in Northern Ireland



Ireland to Northern Ireland

Map 27 Origin and destination of cross-border commuters from Northern Ireland to work or study in Ireland



Source: CSO.

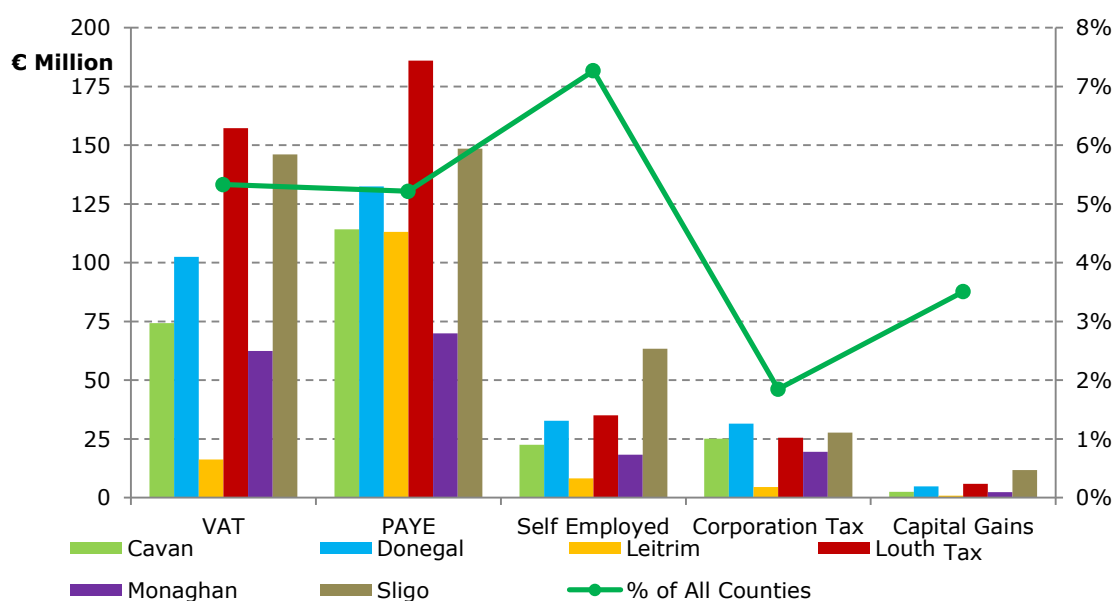
3 Taxpayers and Tax Receipts

There are significant linkages between Ireland's tax base and the UK. The section outlines these connections, where possible attempting to highlight the share of Irish tax receipts arising from the links. Some are direct (e.g., such as Irish businesses exporting to the UK), while other are more indirect and harder to quantify (such as taxpayers based in border counties where some portion of their trade may depend on the UK).

3.1 Businesses in the Border Counties

Figure 10 shows the tax receipts, for the main taxheads, paid by businesses based in the border counties.¹⁷ Beyond taxes paid by businesses in the border counties, about 10 per cent of Stamp Duty transactions on property and over 5 per cent of Capital Acquisitions Tax transactions are from the border counties.

Figure 10 – Tax Receipts in Border Counties 2016



Source: Revenue data. Note: VAT is VAT internal only; PAYE includes both Income Tax and USC for PAYE cases; Self-Employed is both Income Tax and USC for self-assessed cases. County is based on the primary location of the business on Revenue records, but a business may be located in one county and conduct some or much of its trade in other counties, or have multiple locations.

The largest receipts are in PAYE (including both Income Tax and Universal Social Charge (USC) for PAYE cases). This reflects that there are 230,000 employments by 16,700 employers in these cases in 2015. Table 6 gives more detail on the employer numbers categorised by their number of employees and Table 7 shows the numbers of employees for those same employers.

¹⁷ Sligo is included due to its close proximity to NI even though it does not share a border.

Table 6 – Border Counties – Numbers of Employers 2015

| | 1 employees | 2 to 9 employees | 10 to 49 employees | 50 to 249 employees | 250+ employees | All employers |
|----------------------------|--------------|------------------|--------------------|---------------------|----------------|---------------|
| Cavan | 722 | 1,350 | 376 | 81 | 13 | 2,542 |
| Donegal | 1,231 | 2,495 | 975 | 160 | 20 | 4,881 |
| Leitrim | 277 | 531 | 133 | 28 | 3 | 972 |
| Louth | 990 | 2,126 | 718 | 132 | 19 | 3,985 |
| Monaghan | 634 | 1,223 | 385 | 84 | 11 | 2,337 |
| Sligo | 552 | 1,018 | 362 | 75 | 12 | 2,019 |
| All Border Counties | 4,406 | 8,743 | 2,949 | 560 | 78 | 16,736 |

Source: Revenue data. Note: Employees reflects number of employments in the year.

Table 7 – Border Counties – Number of Employees 2015

| | 1 employees | 2 to 9 employees | 10 to 49 employees | 50 to 249 employees | 250+ employees | All employers |
|----------------------------|--------------|------------------|--------------------|---------------------|----------------|----------------|
| Cavan | 756 | 5,450 | 7,315 | 7,373 | 9,353 | 30,247 |
| Donegal | 1,283 | 10,208 | 19,183 | 14,796 | 11,263 | 56,733 |
| Leitrim | 295 | 2,144 | 2,680 | 2,624 | 26,761 | 34,504 |
| Louth | 1,038 | 8,875 | 14,140 | 12,278 | 20,235 | 56,566 |
| Monaghan | 652 | 4,884 | 7,586 | 8,143 | 6,044 | 27,309 |
| Sligo | 571 | 4,122 | 7,448 | 6,699 | 5,844 | 24,684 |
| All Border Counties | 4,595 | 35,683 | 58,352 | 51,913 | 79,500 | 230,043 |

Source: Revenue data. Note: Employees reflects number of employments in the year.

Table 8 provides further information on the sector of the employers in border counties.¹⁸

While there is variation, *Agriculture, Accommodation & food services, Construction* and *Wholesale & retail trade* are the most important.

Table 8 – Border Counties – Employers by Sector 2015

| NACE Sector | Cavan | Donegal | Leitrim | Louth | Monaghan | Sligo | All Border |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agriculture, forestry & fishing | 13% | 8% | 7% | 7% | 16% | 7% | 9% |
| Industry | 7% | 6% | 7% | 8% | 9% | 6% | 7% |
| Construction | 15% | 13% | 12% | 11% | 14% | 12% | 13% |
| Wholesale & retail trade | 20% | 19% | 19% | 21% | 21% | 17% | 20% |
| Transportation & storage | 4% | 5% | 4% | 5% | 7% | 4% | 5% |
| Accommodation & food service | 8% | 12% | 11% | 10% | 6% | 11% | 10% |
| Information & communication | 1% | 2% | 4% | 3% | 1% | 3% | 2% |
| Financial & insurance activities | 2% | 1% | 2% | 2% | 1% | 1% | 1% |
| Real estate activities | 2% | 2% | 2% | 2% | 1% | 2% | 2% |
| Professional scientific & technical | 6% | 6% | 7% | 10% | 6% | 10% | 7% |
| Administrative & support service | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Public administration | 1% | 1% | 2% | 1% | 1% | 1% | 1% |
| Education | 4% | 5% | 6% | 4% | 3% | 6% | 4% |
| Human health & social work | 6% | 6% | 7% | 6% | 4% | 9% | 6% |
| Other services | 8% | 9% | 10% | 8% | 7% | 9% | 8% |
| Total (per county) | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Revenue data. Note: Employees reflects number of employments in the year.

¹⁸ There are other businesses operating in these counties, without employees. The CSO Business Demography series uses Revenue data and others sources to present more detailed breakdowns of businesses in Ireland.

3.2 Businesses Trading with the UK

3.2.1 Excisable Products

Irish traders can import excisable products from the UK and other EU countries through either a duty suspended regime or a non-duty suspended regime (i.e., non-warehouse).

Table 9 shows a summary of the duty suspended movements of excisable products (alcohols, oils and tobacco) in 2015. A total of 56,149 duty suspended movements arrived into Ireland from EU member states, with the UK accounting for 86 per cent. For excisable products received or produced under the duty suspended regime, Table 10 shows the level of importation and the receipts (Excise Duty) collected. A significant proportion is received into Dublin. As indicated by Table 9, the majority of the imports originate from the UK, which could indicate either a UK warehouse source or that the UK is used as a landbridge in the transportation of these goods from warehouses located in other member states.

Table 9 – Duty Suspended Movements of Excisable Products 2015

| | Importers | UK | Rest of EU | Total | % UK |
|-------------------------|-----------|--------|------------|---------|------|
| Arrivals to Ireland | 168 | 48,125 | 8,024 | 56,149 | 86 |
| Dispatches from Ireland | N/A | 20,115 | 25,453 | 45,568 | 44 |
| Total | | 68,264 | 33,477 | 101,741 | 67 |

Source: Revenue data.

Table 10 – Duty Suspended Receipts from Excisable Products 2016

| | Percentage | | Excise Duty €m | |
|---------|------------|---------|----------------|---------------|
| | Home | Imports | Home | Imports |
| Beer | 72% | 28% | €309.52m | €120.37m |
| Spirits | 41% | 59% | €138.58m | €199.43m |
| Wine | 4% | 96% | €15.21m | €365.08m |
| Cider | 86% | 14% | €51.00m | €8.30m |
| Tobacco | 0% | 100% | €0.0m | ~€1.1 billion |
| Oils | 20% | 80% | €450.8m | ~€1.7 billion |

Source: Revenue data.

For non-duty suspended products an Excise Duty Entry (EDE) form is required where excisable products are imported into Ireland. Table 11 shows the number of importers, the EDEs processed and the Excise Duty liable on these goods. In 2016, the UK accounts for over 70 per cent of all Excise Duty paid. This equates to around 10 per cent of the total alcohol supply and around 4 per cent of oil consumed in the State.

Table 11 – Non-Duty Suspended Excisable Products 2016

| | Importers | | Number of EDEs | | Excise Duty €m | |
|---------|------------|----|----------------|--------|----------------|-------|
| | Rest of EU | UK | Rest of EU | UK | Rest of EU | UK |
| Alcohol | 176 | 61 | 3,393 | 2,979 | 101.4 | 101.7 |
| Oils | 17 | 23 | 248 | 13,237 | 0.5 | 132 |
| Tobacco | 2 | 1 | 30 | 3 | 0.8 | 0 |

Source: Revenue data. Note: Based on EDEs only.

In the supply of alcohol, the number of EDEs arising from the UK is comparable with the total number processed from all other EU 26 member states combined but the number of importers is 3 times greater for the rest of the EU.¹⁹ There are close to 60 transactions received from the UK every week in 2016 from 61 different importers. There is also a greater variety in the types of alcoholic goods supplied from the UK.

Over recent years the Excise Duty from alcoholic products from other EU states has risen steadily while the UK has remained relatively flat. With the fall in Sterling, Excise Duty increased significantly post the Brexit referendum, indicating the quantity of alcohol sourced from the UK has risen although the number of shipments remained stable.

The volume of EDEs processed for oils is significantly higher than those for alcoholic goods with the vast majority originating from a UK destination. The UK accounts over 99 per cent of Excise Duty on oil that is imported on EDEs, with an average of 50 transactions processed every day. This compares with less than 1 transaction on average per day from the other EU members.

3.2.2 Distance Sales and Cross Border Suppliers

Under EU regulations, businesses supplying goods online or by other distance sales channels are required to register for VAT in each EU member states where the value of their supplies exceeds a specific threshold.²⁰ The residence country of the supplier and the value of these goods can be estimated in certain instances, although due to data limitations a complete picture is not available.

The UK supplies a significant proportion of all goods sourced using online channels from outside Ireland (Table 12). The market share of the UK has increased. However, many UK traders have operations within Ireland and some online supplies are provided through these outlets instead.

¹⁹ SADs indicate a negligible volume of transactions on the importation of alcoholic goods in 2016 from third countries (countries outside the EU).

²⁰ Where the total value of supplies by an EU trader (VAT exclusive) exceeds €35,000 in a calendar period.

Table 12 – Distance Selling Traders Registered in Ireland

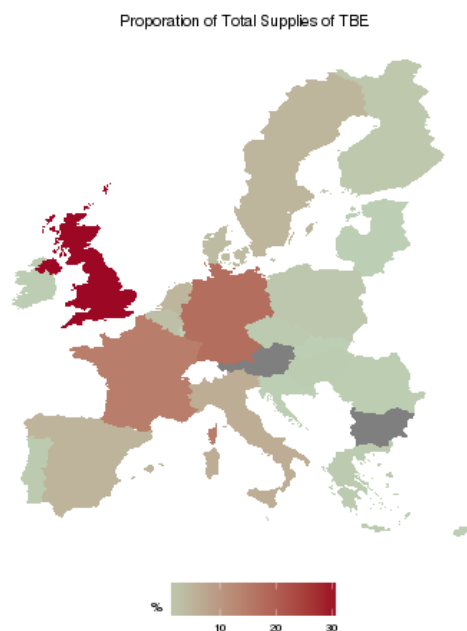
| Year | Number of UK Traders | Number of Other EU Traders | Value of UK Trader Supplies | UK Traders' Share of Value of Supplies |
|------|----------------------|----------------------------|-----------------------------|--|
| 2013 | 184 | 84 | €159m | 36% |
| 2014 | 205 | 114 | €228m | 40% |
| 2015 | 228 | 138 | €263m | 47% |
| 2016 | 249 | 154 | €333m | 52% |

Source: Revenue data.

3.2.3 Telecommunications, Broadcasting and Electronic Services

Under an EU scheme in effect from 2015 governing the place of supply of telecommunications, broadcasting and electronic services, data are provided on consumer demand for these services.²¹ Extracted from these data is the country where the consumer of these services resides, along with the VAT that is liable on these supply.

Irish consumers source such services across 27 EU member states. In 2016 the UK supplies 18 per cent of the total value of these services with an approximate VAT exclusive value of €100 million (the total value of these services supplied to Irish consumers in 2016 is in the region of €550 million). Businesses in Ireland also supply these services across 27 EU member states. The value of these services supplied to EU consumers in 2016 is in the region of €2.4 billion. As shown in Figure 11, the UK is a significant market of consumers, accounting for over 30 per cent of the total value of these supplies each year from 2015 to present. This is followed by Germany (18 per cent) and France (15 per cent).

Figure 11 – Supply of Telecommunications, Broadcasting and Electronic Services

Source: Revenue data.

²¹ A number of non-EU companies that do not have a physical presence in Ireland are included in these data.

3.2.4 Non-Irish Registered Traders

In addition to traders registering in Ireland to supply goods to Irish consumers through distance sales channels (Section 3.2.2), traders from other countries also transact with Irish consumers from within Ireland and register in the Republic. The number of UK traders relative those from other EU member states is provided in Table 13. Within this selection, the numbers of UK traders is higher than those of any other country.

Table 13 – Non-Irish Traders VAT Registered in Ireland

| Year | Number of UK Traders | Number of Other EU Traders | UK Traders' Share of Value of Supplies |
|------|----------------------|----------------------------|--|
| 2013 | 2,483 | 541 | 75% |
| 2014 | 2,396 | 538 | 78% |
| 2015 | 2,325 | 553 | 72% |
| 2016 | 2,345 | 617 | 74% |

Source: Revenue data.

There are also a number of Irish VAT registered traders with a direct connection to NI (close to 2,500 identified in 2016). The majority (over 70 per cent) operate within the construction industry or in activities linked to construction.

3.2.5 Businesses Importing and Exporting

Through the VAT Information Exchange System (VIES) and Intrastat returns, of the 240,000 VAT registered traders in Ireland, those that register to import or export goods or services that are zero rated to a business in the UK or other EU member states are identified on Revenue records.²²

In 2015 there are approximately 12,000 Irish traders exporting goods and/or services to the UK, with an estimated value of these exports of €33 billion. These traders directly employ over 680,000 people.

Around 1,600 of the UK exporting businesses are based in border counties, they employ 49,400 people and 52 per cent of their EU exports go to the UK at a value of €2.2 billion (Table 14). Of all business sectors located in border counties, close to 9 per cent are involved in the export industry. The remaining 10,000 businesses exporting to the UK are in non-border counties, they employ 630,000 people and less than 30 per cent of their EU exports are to the UK market at a total value of around €30 billion.

²² See <http://www.revenue.ie/en/vat/goods-and-services-to-and-from-abroad/acquisitions-from-other-eu-member-states/what-are-vies-and-intrastat.aspx>.

Table 14 – UK Exporters in Border Counties – Number of Employees 2015

| | 1 employees | 2 to 9 employees | 10 to 49 employees | 50 to 249 employees | 250+ employees | All employers |
|------------------------------|--------------------|-------------------------|---------------------------|----------------------------|-----------------------|----------------------|
| Cavan | 11 | 348 | 1,478 | 3,008 | 2,792 | 7,637 |
| Donegal | 41 | 1,049 | 3,795 | 4,159 | 2,851 | 11,895 |
| Leitrim | 3 | 59 | 564 | 377 | 407 | 1,410 |
| Louth | 25 | 804 | 3,201 | 4,431 | 4,262 | 12,723 |
| Monaghan | 24 | 853 | 2,479 | 4,274 | 2,324 | 9,954 |
| Sligo | 6 | 210 | 793 | 2,156 | 2,597 | 5,762 |
| All Border Counties | 110 | 3,323 | 12,310 | 18,405 | 15,233 | 49,381 |
| Value of Exports (€m) | 19 | 294 | 351 | 896 | 703 | 2,264 |

Source: Revenue data. Note: Employees reflects number of employments in the year.

A number of these businesses have a large reliance on the UK as their primary export market for their goods and services. Classifying these businesses according to the proportion of goods/services provided to the UK market relative other EU countries provides an indicator for measuring this level of exposure. The majority of traders in Ireland involved in the export of goods and services into the EU can be classified as having greater than 80 per cent reliance on the UK market for their EU exports.

Based on VIES data, there are approximately 100,000 Irish based businesses importing goods and/or services from the EU, with 90,000 importing from the UK. In 2015 the value of goods imported from the UK is €18 billion while services of €14 billion. This compares against €18.5 billion of goods for the other EU member states and €50 billion of services.

Of these UK importers, 14,000 are based in the border counties with 70 per cent of their EU imports from the UK (valued at €2 billion). The remaining 76,000 businesses importing from the UK are based in non-border counties, with less than 30 per cent of their imports from the UK (valued at €30 billion).

Table 15 – UK Importers in Border Counties 2015

| | Businesses Importing Number | UK Imports € billion | Other EU Imports € billion |
|----------------------------|------------------------------------|-----------------------------|-----------------------------------|
| Cavan | 2,027 | 0.35 | 0.18 |
| Donegal | 4,670 | 0.71 | 0.11 |
| Leitrim | 904 | 0.03 | 0.07 |
| Louth | 3,226 | 0.38 | 0.29 |
| Monaghan | 2,166 | 0.34 | 0.15 |
| Sligo | 1,490 | 0.20 | 0.08 |
| All Border Counties | 14,483 | 2.02 | 0.89 |

Source: Revenue data.

On the UK leaving the EU, third country rules and procedures will likely apply. Businesses trading outside the EU complete a Single Administrative Document (SAD) for goods

arriving or departing the EU.²³ Revenue processed around 736,200 SADs in 2016.²⁴ It is clear from this analysis, that UK trade has the potential to greatly increase the numbers.

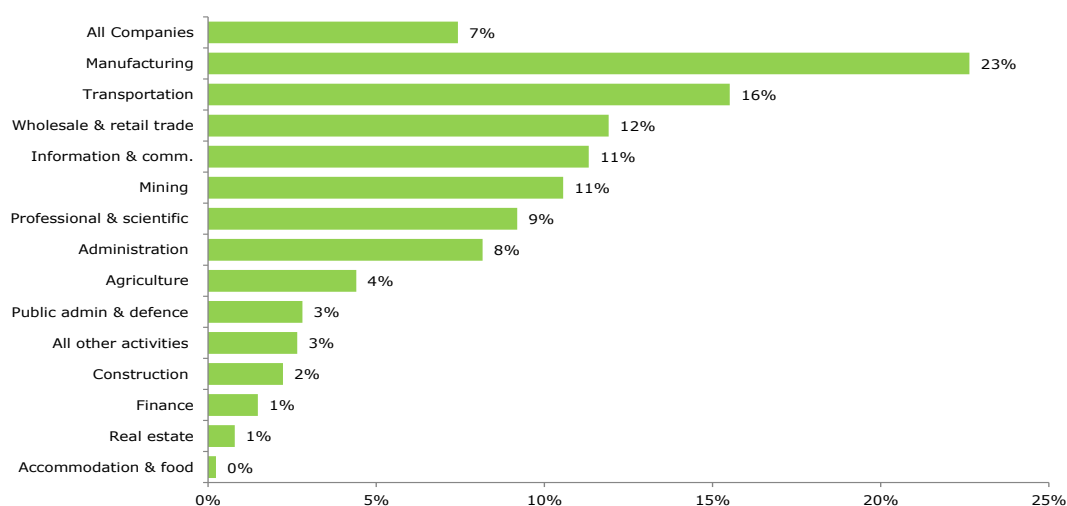
3.3 Multinational Companies Exposed to the UK Economy

Multinational companies and companies in Revenue's Large Cases Division are significant contributors to the Irish Exchequer.²⁵ Foreign owned affiliates in Ireland employ 306,000 in Ireland in 2015, with 27 per cent being UK owned (CSO). Irish owned foreign affiliates in 2014 employ over 300,000 people globally, 28 per cent in the UK. Foreign turnover amounts to nearly €100 billion with 38 per cent in the UK.

Given the globalised nature of these businesses, their potential exposure to changes following Brexit could have implications for the Irish tax receipts.

From VIES data, around 7 per cent of companies in Ireland export to the UK. Figure 12 shows the share of companies by sector. The tax associated with these companies is approximately €2.7 billion in Corporation Tax in 2014 (from €4.4 billion in total Corporation Tax receipts from all companies in that year) and €6.9 billion in employment related taxes (from a total of €12.6 billion from all companies).

Figure 12 – Share of Companies Exporting to UK by Sector 2014



Source: Revenue data.

Figure 13 shows the share of companies exporting to the UK compared to other EU member states. While the number of linkages to the UK is high, the proportion and value

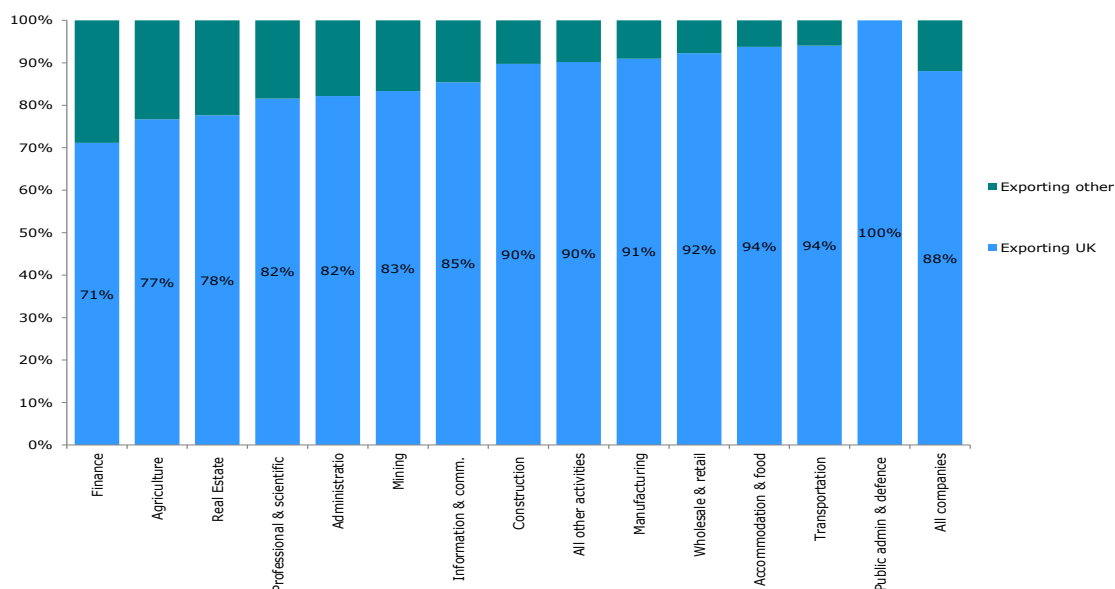
²³ See <http://www.revenue.ie/en/customs-traders-and-agents/index.aspx>.

²⁴ With Revenue's risk rating system, over 87 per cent passed through customs, 10 per cent had a paperwork check and the remaining 2 per cent were stopped for checking. Simplified SADs account for 39 per cent of SADs.

²⁵ See for example: <http://www.revenue.ie/en/corporate/documents/research/corporation-tax-returns-2016.pdf>.

of exports in each sector that go to the UK is considerably lower. For *Manufacturing*, approximately 24 per cent of the total €36 billion in value of exports in 2014 is destined for the UK. For *Wholesale & Retail* and *Information & Communications*, the shares of total values of sectoral exports to the UK are slightly higher at 27 per cent and 28 per cent.

Figure 13 – Share of Companies Exporting to UK and Other EU by Sector 2014



Source: Revenue data.

It is important to note that not all tax payments of companies exporting to or operating in the UK are derived from their UK exports, most of the companies will operate in across multiple countries including Ireland.

3.4 Farmers

Much of the commentary around potential Brexit impacts for Ireland has focused on the agricultural sector. This reflects both that significant shares of Irish agricultural exports are destined for the UK and the integrated nature of processing and supply chains between Ireland and NI.

Information on imports and exports are shown in Section 2.1. From CSO data, the import of animal products and by products from the UK to Ireland is 3.8 million tonnes (valued at €3.7 billion) in 2016, exports from Ireland to UK are 3.5 million tonnes (valued at €4.8 billion). In volume terms (values in brackets), NI accounts for 37 (14) per cent of Irish exports and 35 (14) per cent of imports. NI is the source for over three quarters of live animal imports from the UK.²⁶

²⁶ As noted previously, volume measures of trade can be distorted somewhat by light, high value products or large, low value products. It is notable that within the agricultural sector, the largest Irish export product to the

Given the potential for Brexit to impact on farmers, it is useful to examine their contribution to the Irish Exchequer. Revenue has published detailed analysis of farmers in Ireland from the perspective of tax returns and other data sources.²⁷ This research shows there are around 130,000 farmers on Revenue records and their tax payments total around €350 million in 2015: €84 million in PAYE, €200 million from self-employed cases; €41 million in Corporation Tax; and €131 million in Capital Gains Tax; with a net VAT repayment from the sector of €105 million.

An assessment of the links of farming cases with the UK is limited by the data available. However, Table 16 shows the number of cases and their average gross income by county. There around 24,000 farming cases in the border counties, the average incomes in all of these counties are below the national average.

Table 16 – Farming Cases 2014

| County | Number of Cases | Average Gross Income € |
|-----------------|-----------------|---------------------------|
| Carlow | 2,367 | 46,012 |
| <i>Cavan</i> | <i>4,584</i> | <i>41,300</i> |
| Clare | 5,406 | 42,547 |
| Cork | 16,732 | 48,046 |
| <i>Donegal</i> | <i>6,453</i> | <i>32,483</i> |
| Dublin | 2,989 | 57,161 |
| Galway | 9,337 | 41,600 |
| Kerry | 7,101 | 42,245 |
| Kildare | 3,795 | 53,928 |
| Kilkenny | 4,235 | 49,170 |
| Laois | 2,806 | 45,311 |
| <i>Leitrim</i> | <i>2,274</i> | <i>38,661</i> |
| Limerick | 5,887 | 48,481 |
| Longford | 2,032 | 42,758 |
| <i>Louth</i> | <i>1,940</i> | <i>41,320</i> |
| Mayo | 7,462 | 38,135 |
| Meath | 5,223 | 47,258 |
| <i>Monaghan</i> | <i>4,908</i> | <i>34,542</i> |
| Offaly | 3,004 | 43,996 |
| Roscommon | 4,208 | 41,209 |
| <i>Sligo</i> | <i>2,914</i> | <i>40,699</i> |
| Tipperary | 9,808 | 44,329 |
| Waterford | 3,642 | 47,394 |
| Westmeath | 3,757 | 44,954 |
| Wexford | 5,873 | 42,282 |
| Wicklow | 2,447 | 43,787 |
| Total | 131,587 | 43,735 |

Source: Revenue data.

UK by tonnage is forestry products.

²⁷ Available at: <http://www.revenue.ie/en/corporate/information-about-revenue/research/statistical-reports/index.aspx>.

4 Conclusion

The UK is Ireland's largest trading partner, purchasing 19 per cent and 13 per cent of Irish services and goods exports respectively and the source of 8 per cent of services imports and 23 per cent for goods.

For the twelve national roads crossing the border, in 2016 there are over 14 million vehicles entering Ireland from NI (or nearly 40,000 per day). With only around 15,000 residents of either jurisdiction in employment or education on the other side of the border, it is clear that trade accounts for significant shares of the cross border movements. There are further movements by port and airport between the two countries, which may pose customs challenges following Brexit.

Businesses in the border counties employ around 230,000 people and contribute approximately 5 per cent of receipts for most taxes. In 2015 there are around 12,000 Irish traders exporting goods and/or services to the UK. Approximately 90,000 Irish based businesses import goods and/or services from the UK. The analysis shows there are relatively small numbers of traders exporting goods and/or services but their level of activity is quite significant, while the numbers involved in the importation of goods is significantly higher and spans a wider range of business sectors.

The analysis shows widespread linkages between Irish and UK economies. Links to NI are more limited but also more highly concentrated in specific areas or sectors. Brexit will not eliminate these linkages (or their contributions to the Exchequer) but it may well diminish or change them. This analysis indicates the potential scale and range of the outcome.

Follow up research could include the following: using scenario/sensitivity analysis of impacts (or tax at risk) on the tax base of different Brexit scenarios; further analysis and assessment of the landbridge element of Irish trade and freight movements between Ireland and the UK; and more in-depth profile of the border areas.