

Dealing with Tax Payment Difficulties and Engaging with Revenue

Background

It is a core objective of Revenue to support and facilitate businesses and taxpayers to comply with their tax return filing and tax payment obligations on a timely basis every time. Revenue expects that businesses and taxpayers supported and assisted by their agents or tax practitioners organise their financial affairs to ensure that tax debts are paid as they fall due. Where that expectation is not fulfilled then Revenue is obliged to take effective measures to address the late or non-compliance.

Arising from the efforts of business, taxpayers, agents, tax practitioners and Revenue, high levels of voluntary timely compliance have been achieved. These high levels of voluntary compliance are supported by Revenue's actions in addressing late or non-compliance whether through engagement with the business/taxpayer or agent/practitioner concerned or through the application of compliance support measures such as the charging and collection of interest where payment is made late or through the deployment of effective enforcement measures towards recovery of the tax debt due where non-payment is a feature.

Revenue is determined to maintain the current high levels of compliance notwithstanding the challenging economic circumstances in which businesses and taxpayers are operating. Revenue cannot and will not become a banker of last resort. Revenue expects that businesses and taxpayers supported and assisted by their agents or tax practitioners **will continue to maintain a clear focus** and organise their financial affairs to ensure that tax debts are paid as they fall due.

Early Engagement with Revenue

In the current economic and financial environment there may be particular challenges for some businesses and taxpayers in meeting their tax payment obligations. This can arise even where they are fully committed to so doing and in more favourable economic and financial circumstances did precisely that. External factors over which a business may have little direct influence can impact, for example, on cash flow and availability of credit/finance. Revenue is disposed to working with such businesses and taxpayers to find a way through these difficulties provided there is early, positive and honest engagement with Revenue and the fundamentals of the underlying business are sound.

Revenue's Response

Revenue's overall approach to working with businesses and taxpayers experiencing cashflow difficulties, including in appropriate cases agreeing to phased payment arrangements, has worked well in developing and maintaining a strong voluntary compliance culture and in guiding the response to late or non-compliance. The case working principles informing that approach continue to have relevance in a challenging economic climate and remain valid for the vast majority of cases.

In the last number of years, some financially viable businesses and taxpayers have experienced particular difficulties in meeting their tax payment obligations. This has been due, for example,

- to particular cash flow problems arising from extended and ongoing late payment by their debtors, or
- from bad debt(s) that have been exceptionally incurred, or
- from a tightening of credit and overdraft facilities by financial institutions.

These types of difficulties can severely restrict the capacity of the business or taxpayer concerned to meet immediate financial obligations, **including** timely payment of tax debts as they fall due.

In recognition of these particular realities for otherwise viable businesses and to enhance Revenue's ability to find a solution that will get such businesses back to timely compliance with the minimum of delay, some additional considerations to those that normally or generally apply may be appropriate in determining how Revenue will respond to such businesses. In that regard, a Case Decision Escalation Framework [CDEF] is in place, which allows for the speedy and appropriate referral of cases for a higher-level decision. This process arises where particular regard may need to be had to factors largely outside of the control of a business but which negatively impact on the capacity of business to meet tax payment obligations in a timely fashion.

Business Viability

A key determinant of the nature of a particular Revenue response to a payment difficulty is that the business concerned is fundamentally viable and that the business or individual concerned shows the capacity and commitment to meet all future tax payment obligations as they fall due. Revenue managers will have due regard to all factors that show the viability of the business and in relevant cases, capacity to meet the terms of a payment plan and future tax obligations in a timely fashion as those obligations fall due.

The extent of the room for manoeuvre by a manager is significantly influenced by the level and timeliness of meaningful engagement by the business in the first instance. Non-compliance with this condition is treated as a serious escalation of the risk associated with the case requiring immediate and effective response by Revenue.

Application Form for Phased Payment Arrangement

In instances where payment of a tax debt in one lump sum is demonstrably not possible, a standardised and streamlined approach to a request for a phased payment arrangement is now operated by Revenue. In all instances of substantial debt, then the business or individual concerned must complete an application form and certain documentary evidence in support of the application must accompany this application. **In all instances, interest will apply to the phased payment arrangement, both on the accrued debt and for the duration of the phased payment arrangement.**

It is expected that the fully completed application together with the necessary supporting evidence will allow Revenue make a decision in the majority of cases on the application without the need for the business to provide additional information.

Framework

Where additional considerations to those that normally or generally apply may be appropriate in determining how Revenue will respond to a business or individual as mentioned above, these case decisions will be made at Higher Executive Officer, Assistant Principal or Principal level, as appropriate. Cases that may be appropriate for these additional considerations are brought to the attention of the relevant manager.

Where the additional considerations encompass a **phased payment arrangement**, then the business or taxpayer will be required in every instance to provide sufficient information, to justify such an arrangement. **A phased payment arrangement will only be allowed where Revenue is satisfied that the debt cannot be paid in a lump sum. Such an arrangement will include interest.** The information required is determined by the size of the debt – as set out below:

Debt - Greater than €100,000

In every case

1. Completion and submission of the [Phased Payment Application \(PPA1\)](#). **To use the instalment calculator facility which will show the interest payable on the payment arrangement plan proposed, please [click here](#).**
2. Up to date bank statements that will allow Revenue to take a view as to whether there are increasing excesses on the account and to take a view on the extent of the account swing
3. List of all/any assets and encumbrances thereon
4. Outline of what cost cutting measures have been implemented in the business including drawings by the owner/directors
5. Cash flow projections for the following 6 months
6. Up to date management accounts

Debt – Less than €100,000 **

In every case

1. Completion and submission of the [Phased Payment Application \(PPA1\)](#). **To use the instalment calculator facility which will show the interest payable on the payment arrangement plan proposed, please [click here](#).**
2. Up to date bank statements that will allow Revenue to take a view as to whether there are increasing excesses on the account and to take a view on the extent of the account swing
3. List of all/any assets and encumbrances thereon
4. Outline of what cost cutting measures have been implemented in the business including drawings by the owner/directors

In some cases the following additional information at least may be required:

5. Cash flow projections for the following 6 months
6. Up to date management accounts

** For debts less than €6,000 contact should be made in advance with the Collector General's Office on 1890 203070 in order to clarify whether all of the documentary requirements outlined above are necessary.

Contact with the Taxpayer, Business and/or Agent

Once the application for a phased payment arrangement is received it will be considered as quickly as possible and any issues requiring clarification will be raised in a timely fashion with the taxpayer, business or agent. Any additional information requirements will be clearly explained and a timeframe for their submission made explicit.

Approval of a Phased Payment Arrangement

Where an instalment arrangement is agreed, the instalment proposal agreement form will be issued with an appropriate letter to the taxpayer/agent/business for signing. The precise terms of the arrangement will be clear together with the commencement date for repayments under the agreed arrangement.

Refusal of a Phased Payment Arrangement

Where a phased payment arrangement is being sought, it is the responsibility of the taxpayer, business or agent concerned to provide all of the necessary information with the initial application or where there are follow up requirements to provide the information in a timely fashion. Incremental filing of new or irrelevant information to delay or frustrate the collection/recovery process will not be facilitated and in such instances appropriate collection/recovery/enforcement action will proceed.

A decision to refuse an application for a phased payment arrangement will be advised in writing together with a brief explanation of the basis for Revenue's refusal decision and an explanation of the consequences of continued non-payment of the debt.

A business or taxpayer or the tax practitioner/agent involved may want a decision to refuse a phased payment arrangement reviewed. The expectation is that the taxpayer, business or agent will have provided all of the relevant information in support of the original application at the initial application stage. In those circumstances, the decision to refuse the arrangement will normally be subject to review with the minimum of delay – this will give certainty to all involved. The line manager or supervisor of the original decision maker will normally complete the review.

Breakdown of or Anticipated Difficulties with Phased Payment Arrangements

Revenue's normal expectation and experience is that the taxpayer or business concerned complies with the terms and conditions of the phased payment arrangement and timely compliance is secured into the future.

Non-compliance or anticipated non-compliance with the terms of an agreed phased payment arrangement means that a case is considered as an immediate increased risk from a Revenue standpoint. Where problems of compliance with the terms of an agreed arrangement are encountered, the expectation is that the taxpayer, business or agent concerned will be proactive in approaching Revenue when those problems start to emerge.

The taxpayer, business or agent concerned will be expected to set out clearly the basis for non-compliance with the terms of the original arrangement, the steps that will be taken to restore compliance on the original basis agreed and the timeframe for such restoration.

Where the basic viability of the business into the future is not re-established to Revenue's satisfaction or where current taxes are not being paid as they fall due, then the case will be actively considered for cancellation of the original phased payment arrangement followed by appropriate collection/enforcement action.

Minor rescheduling of the phased payment plan may be appropriate given the overall duration of the arrangement and the extent of the short-term difficulties. Where revised terms are sought to the arrangement, the taxpayer, business or agent concerned must set these out clearly and promptly in writing. Revenue will then consider the matter having regard to all of the circumstances and the risk of default.

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