

## INFORMATION BOOKLET ON:

# • WAREHOUSING OF TAX DEBTS ASSOCIATED WITH COVID-19

This document provides guidance on the Warehousing of Tax Debts which commenced on 2 May 2020.

This document is updated as required.

### Revision history:

1	6 August 2020	
2	17 September 2020	Change of date in Para. 4.16
3	30 September 2020	PPA agreement date extended to 31 October
4	8 October 2020	Removal of date in Para. 4.16
5	13 October 2020	Additional Para inserted at 4.10 Subsequent paragraphs re-numbered. Additional Examples added
6	22 October 2020	Addition of Income Tax and TWSS warehousing information Extension date for PPA for Income Tax 2019
7	02 December 2020	Insertion of 2 new FAQs on Income Tax warehousing Extension date for PPA for Income Tax 2019
8	19 January 2021	Re-introduction of Level 5 restrictions and removal of reduced rate PPA

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## 1. Introduction

Over the last number of months, Revenue has outlined some key advice and actions it has taken to assist businesses experiencing cashflow and trading difficulties arising from the impacts of COVID-19, including:

- advising businesses to continue to send in tax returns on time, even where payment is not immediately possible;
- suspending all debt enforcement action until further notice;
- suspending interest on late payment of VAT and PAYE (Employer) for both SMEs (automatically) and larger businesses (on request); and
- warehousing of VAT and PAYE (Employer) debts associated with COVID-19.

Budget 2021 provided for the extension of the debt warehousing scheme to include certain Income Tax (IT) liabilities. It also extended warehousing to the recovery of any overpayments arising in respect of the Temporary Wage Subsidy Scheme.

## 2. Purpose of document

This document provides businesses, employers and agents with information and guidance on the operational phase of the 'Warehousing' of COVID-19 related tax debts. Additional amendments to Phased Payment Arrangements (PPAs) are also advised.

It is important to note that businesses with COVID-19 related tax debts which are warehoused, or non-COVID liabilities which are included in a Phased Payment Arrangement, qualify for tax clearance, despite having these outstanding debts. Accordingly, businesses with warehoused debts or debts covered by a PPA can obtain a Tax Clearance Certificate and may then:

- participate in the Employment Wage Subsidy Scheme (EWSS);
- participate in the Covid Restrictions Support Scheme (CRSS);
- participate in the Stay and Spend scheme as a service provider whose customers can avail of tax credits in relation to their expenditure on accommodation, food and non-alcoholic drink; and
- qualify for accelerated loss relief.

## 3. Debt Warehousing

Revenue works closely with businesses to put in place arrangements appropriate to the circumstances and viability of each business in order to secure payment of any debt over a reasonable timeframe. However, Revenue recognises that, in the current circumstances, businesses that have had to close or have been significantly negatively impacted by the restrictions may not be able to enter into arrangements in the short term to clear any COVID-19 related tax debt. In addition to this tax debt, businesses face the challenge of paying their ongoing tax liabilities as they arise after they reopen; pay their trade and other non-Revenue creditors; complete any necessary restructuring to deal with new trading arrangements in the context of social distancing; build up stock, etc.

In response to these business challenges, the Government has legislated to allow for debt associated with the COVID-19 crisis to be deferred or 'warehoused'. The scheme allows for the deferral of unpaid **VAT** and **PAYE (Employer)** debts arising from the COVID-19 crisis for a period of 12 months after a business resumes trading (in accordance with the Reopening Roadmap/Living with COVID-19 Plan) and the application of a lower interest rate of 3% per annum on the repayment of such warehoused tax debts after that date. PAYE (Employer) liabilities include income tax, USC, employer's PRSI and LPT collected by the employer on behalf of a customer which are due to be remitted by employers under the PAYE system.

The period covered by the scheme is the time during which the business was and is unable to trade due to any COVID-19 related restrictions and includes two months after the business re-commences trading.

Budget 2021 also provided for the inclusion in the debt warehousing scheme of the Income Tax liability falling due on 31<sup>st</sup> October 2020 which comprised of the balancing payment for the 2019 Income Tax year as well as any Preliminary Tax due for the 2020 Income Tax year.

The debt warehousing scheme has also been expanded to include the recovery of any overpayment of the Temporary Wage Subsidy which was paid to employers during the Covid-19 crisis. The scheme allows for the deferral of these unpaid liabilities for a 12-month period and reduced interest charge of 3% on those debts thereafter.

### 3.1 General Terms of Scheme – VAT and PAYE (Employer)

- All Personal and Business Division VAT and PAYE (Employer) debts from the COVID-19 restricted trading phase plus 2 months can be warehoused.
- In the case of Large Corporates and Medium Enterprises Divisions, debts from the COVID-19 restricted trading phase, plus 2 months, where the business applies for warehousing due to a reduction in trade, may also be considered for inclusion in the scheme.
- The scheme contains 3 distinct Periods;

**Period 1** – Restricted trading phase plus 2 months. There will be 0% interest applied to Period 1.

**Period 2** – Phase commences from end of period 1 for 1-year duration. Interest rate applied is also 0%.

Provision has been made in legislation whereby this period may be further extended by Ministerial Order, if required, but cannot be extended beyond December 2022.

**Period 3** - Phase of indefinite duration commencing at end of Period 2.

3% interest applied to warehoused debt from start of Period 3 to date the debt is discharged. Customers should contact Revenue with their repayment plan for warehoused debt before end of Period 2.

- The qualifying period for each business is determined by the date they resumed trading.

- All tax returns must be filed, as the benefit of the warehouse scheme is conditional on the business quantifying its tax debt through submission of all outstanding returns.
- Any individual or business that has additional tax liabilities that have not been declared to Revenue in the appropriate tax return, due to error or omission, will not be entitled to benefit from the debt warehousing scheme unless the issues are regularised immediately. Information in relation to making a self-correction and unprompted qualifying disclosure is set out in Chapter 3 of the [Code of Practice Revenue Audit & Other Compliance Interventions](#).
- Current taxes must be maintained for the duration of the warehouse period and for any subsequent arrangement period to guarantee the reduced interest rates of 0% (while in warehouse) and 3% (after the warehouse period ends).
- Tax Clearance will not be affected by businesses availing of the warehoused arrangements.
- Refunds and repayments of tax arising in 'warehoused' COVID-19 periods will be repaid notwithstanding that the businesses will have tax debts under the scheme (i.e. the repayment will not be offset against the warehoused debts). However, a business can choose to offset the repayment against the warehoused debts, or other outstanding debts, if it so wishes.

Correspondence has already issued to customers to inform them of their inclusion in the warehousing scheme for VAT and PAYE (Employer). Notifications will issue presently in respect of Income Tax warehoused. Following the recent re-introduction of Level 5 restrictions a general update will issue in due course.

## Liabilities available for warehousing

Month Business Resumes Trading	Liabilities to be warehoused ("COVID-19 liabilities")	Period 1 (COVID-19 restricted trading phase – 0% interest on COVID-19 liabilities)	Period 2 (Zero Interest Phase – 0% interest on COVID-19 liabilities)	Period 3 (Reduced Interest Phase – 3% interest on COVID-19 liabilities)
<b>May 2020</b>	VAT: January – August 2020  PAYE: February - August 2020	1 January 2020 (VAT)/1 February 2020 (PAYE) - 31 August 2020	1 September 2020 - 31 August 2021	1 September 2021 until COVID-19 liabilities are paid in full
<b>June 2020</b>	VAT: January – August 2020  PAYE: February-August 2020	1 January 2020 (VAT)/1 February 2020 (PAYE) - 31 August 2020	1 September 2020 - 31 August 2021	1 September 2021 until COVID-19 liabilities are paid in full
<b>July 2020</b>	VAT: January – October 2020  PAYE: February - October 2020	1 January 2020 (VAT)/1 February 2020 (PAYE) - 31 October 2020	1 November 2020 - 31 October 2021	1 November 2021 until COVID-19 liabilities are paid in full
<b>August 2020</b>	VAT: January – October 2020  PAYE: February - October 2020	1 January 2020 (VAT)/1 February 2020 (PAYE) - 31 October 2020	1 November 2020 - 31 October 2021	1 November 2021 until COVID-19 liabilities are paid in full
<b>September 2020</b>	VAT: January – December 2020  PAYE: February - December 2020	1 January 2020 (VAT)/1 February 2020 (PAYE) – 31 December 2020	1 January 2021 – 31 December 2021	1 January 2022 until COVID-19 liabilities are paid in full
<b>October 2020</b>	VAT: January– December 2020  PAYE: February - December 2020	1 January 2020 (VAT)/1 February 2020 (PAYE) – 31 December 2020	1 January 2021 – 31 December 2021	1 January 2022 until COVID-19 liabilities are paid in full
<b>November 2020</b>	VAT: January 2020– February 2021  PAYE: February 2020 – February 2021	1 January 2020 (VAT)/1 February 2020 (PAYE) –28 February 2021	1 March 2021 – 28 February 2022	1 March 2022 until COVID-19 liabilities are paid in full
<b>December 2020</b>	VAT: January 2020– February 2021  PAYE: February 2020 – February 2021	1 January 2020 (VAT)/1 February 2020 (PAYE) –28 February 2021	1 March 2021 – 28 February 2022	1 March 2022 until COVID-19 liabilities are paid in full

<b>Month Business Resumes Trading</b>	<b>Liabilities to be warehoused ("COVID-19 liabilities")</b>	<b>Period 1 (COVID-19 restricted trading phase – 0% interest on COVID-19 liabilities)</b>	<b>Period 2 (Zero Interest Phase – 0% interest on COVID-19 liabilities)</b>	<b>Period 3 (Reduced Interest Phase – 3% interest on COVID-19 liabilities)</b>
<b>January 2021</b>	VAT: January 2020 – April 2021  PAYE: February 2020 - April 2021	1 January 2020 (VAT)/1 February 2020 (PAYE) - 30 April 2021	1 May 2021 - 30 April 2022	1 May 2022 until COVID-19 liabilities are paid in full
<b>February 2021</b>	VAT: January 2020– April 2021  PAYE: February 2020 - April 2021	1 January 2020 (VAT)/1 February 2020 (PAYE) - 30 April 2021	1 May 2021 - 30 April 2022	1 May 2022 until COVID-19 liabilities are paid in full
<b>March 2021</b>	VAT: January 2020 – June 2021  PAYE: February 2020 - June 2021	1 January 2020 (VAT)/1 February 2020 (PAYE) - 30 June 2021	1 July 2021 - 30 June 2022	1 July 2022 until COVID-19 liabilities are paid in full



## 3.2 General Terms of Scheme – Income Tax

- Income Tax payments which normally fall due on 31<sup>st</sup> October 2020 can now, subject to certain criteria, avail of the debt warehousing scheme. The Income Tax liabilities affected are the 2019 Income Tax year balancing payment and Preliminary Tax for the 2020 Income Tax year.
- A declaration must be made to Revenue by the Taxpayer that their total income for 2020 is expected to be at least 25% less than total income for 2019.
- Where a taxpayer did not meet 2019 Preliminary tax requirements, the option to warehouse the 2019 Income Tax balance is not available. This debt may be suitable for inclusion in a Phased Payment Arrangement (PPA). Please see [PPA Guidelines](#).
- As with the VAT and PAYE (Employer) debts, the Income Tax Warehousing scheme contains 3 distinct periods, however, they are determined in a different manner;

**Period 1** – is a set date 31<sup>st</sup> October 2020 for customers filing paper returns or 10<sup>th</sup> December 2020 for customers filing on ROS.

**Period 2** – is a period of 1 year commencing immediately at end of Period 1. 0% interest is applied to outstanding debt in Period 2.

**Period 3** – Phase of indefinite duration commencing at end of Period 2.

3% interest is applied to warehoused debt from start of Period 3 to date the debt is discharged. Customers should contact Revenue with their repayment plan for warehoused debt before the end of Period 2.

- Provision was made in Finance Act 2020 to allow for the extension of Period 1 to include the warehousing of Income Tax liabilities for 2021, i.e. Preliminary Tax 2021 and Income Tax 2020, where the taxpayer's income for 2020 is at least 25% lower than income for 2019.
- Where the 2020 Income Tax return shows the taxpayer did not meet the requirement of a 25% reduction in income compared to 2019, the debt will be removed from warehousing, and the due date will revert to 31<sup>st</sup> October 2020 for both the 2019 and 2020 Income Tax returns and full statutory interest will apply.
- All tax returns must be filed. The benefit of the warehouse scheme is conditional on the business quantifying its tax debt through submission of all outstanding returns.
- Any individual or business that has additional tax liabilities that have not been declared to Revenue in the appropriate tax return, due to error or omission, will not be entitled to benefit from the debt warehousing scheme unless the issues are regularised immediately. Information in relation to making a self-correction and unprompted qualifying disclosure is set out in Chapter 3 of the [Code of Practice Revenue Audit & Other Compliance Interventions](#).

- Current taxes must be maintained for the duration of the warehouse period and for any subsequent arrangement period to guarantee the reduced interest rates of 0% (while in warehouse) and 3% (after the warehouse period ends).
- Tax Clearance will not be affected by individuals availing of the warehoused arrangements.
- Refunds and repayments of tax arising in 'warehoused' COVID-19 periods will be made notwithstanding that individuals will have tax debts under the scheme (i.e. the repayment will not be offset against the warehoused debts). However, a taxpayer can choose to offset the repayment against the warehoused debts, or other outstanding debts.

### 3.3 General Terms of Scheme – TWSS

- Where Revenue has paid an employer a temporary wage subsidy in relation to a specified employee, and the employer did not pay that employee an additional amount equivalent to the temporary wage subsidy, or the employer was not entitled to receive a subsidy in respect of an employee, the employer is obliged to refund the subsidy.
- The TWSS warehouse scheme is available to employers who are obliged to refund amounts which are deemed to be overpayments of TWSS following a reconciliation undertaken by Revenue, and who are unable to refund these amounts because of the impact of COVID-19.
- Businesses will be notified of any outstanding TWSS liability due to overpayments by way of a Statement of Account for PAYE (Employer) which will be sent to their ROS inbox.
- Warehousing of the TWSS liabilities will mirror the VAT and PREM warehousing periods. Liabilities to TWSS can be warehoused with Period 1 ending at the end of the VAT period plus 2 months following resumption of trading.
- Interest will not be payable during Period 2 of the warehouse period.
- A reduced interest rate of 3% per annum will apply for Period 3 on warehoused balances outstanding until the debt is discharged.
- Employers whose tax affairs are dealt with in Revenue's Personal Division or Business Division can have their excess TWSS debts warehoused automatically. LCD and MED cases can apply to have their TWSS overpayments warehoused.
- Revenue will be entitled to make enquiries to satisfy itself that a business is unable to repay its excess TWSS payments.
- Current taxes must be maintained for the duration of the warehouse period and for any subsequent arrangement period to guarantee the reduced interest rates of 0% in Periods 1 and 2 and 3% in Period 3. Failure to meet current taxes will result in the warehouse

facility being withdrawn. Full statutory interest will be applied to the outstanding balance from the date of removal from the warehouse.

- Tax Clearance will not be affected by individuals availing of the warehouse arrangements.
- Refunds and repayments of tax arising in ‘warehoused’ COVID-19 periods will be made notwithstanding that individuals will have TWSS liabilities under the scheme (i.e. the repayment will not be offset against the warehoused debts). However, a taxpayer can choose to offset the repayment against the warehoused debts, or other outstanding debts, where it so wishes.

## 4. Frequently Asked Questions on Debt Warehousing

### 4.1 What is warehousing of tax debt?

Revenue has suspended debt collection for VAT and Employer PAYE liabilities incurred by businesses during the period when their trade was restricted – either stopped completely or significantly reduced – by the impact of COVID-19. Interest will not be charged on this debt during the “COVID-19 Restricted Trading Period” or during the following 12 months. After that, interest will be charged at 3% per annum on the “warehoused” tax debt until it is paid. This contrasts with a rate of 10% per annum normally charged on such liabilities. Employers who have debt outstanding as a result of overpayments of the Temporary Wage Subsidy scheme can also avail of warehousing of this debt under the same terms and conditions as the VAT and PAYE (Employer) scheme.

In addition, Income Tax liabilities normally due on 31<sup>st</sup> October 2020 or the extended date of 10 December (i.e. Preliminary Tax 2020 and the Income Tax balance 2019) can also be warehoused for a period of 12 months subject to meeting the reduced income criteria. Interest will not be charged on this debt during this period, and a reduced interest rate of 3% per annum will be applied thereafter until the debt is discharged.

### 4.2 How can tax debt be warehoused?

Access to the warehouse arrangement for VAT, PAYE (Employer) and TWSS repayments is automatic for all businesses managed by Revenue’s Business Division (turnover <€3m) and Personal Division. Access is available on request for businesses managed by Revenue’s Large Corporates Division (LCD) and Medium Enterprise Division (MED).

Income Tax was warehoused by the making of a declaration that income for 2020 was expected to be 25% less than income for 2019.

### 4.3 What type of tax debt can be warehoused?

The warehousing scheme applies to **VAT and PAYE (Employer), Income Tax and TWSS repayment** debts only. PAYE (Employer) liabilities include Income Tax, Universal Social Charge, employees’ and employer’s PRSI and Local Property Tax due to be remitted by employers under the PAYE system.

#### **4.4 What is the start date for warehoused debt?**

Warehoused debt for VAT and PAYE (Employer) commences for periods ending in February 2020. The end of the warehouse period and consequently the returns covered in the warehousing arrangement is determined having regard to the restriction levels in place for each local area and business.

TWSS warehousing applies to overpayments arising on or after 26 March 2020 and mirrors the arrangements for the VAT and PAYE (Employer) warehouse.

The start date for warehousing of Income Tax 2019 and Preliminary Tax 2020 is 31<sup>st</sup> October 20 with an extended date of 10 December 2020 where the taxpayer filed on ROS.

#### **4.5 How do I demonstrate that I qualify for debt warehousing?**

##### *Small and Medium Enterprises*

Entry to the warehouse for VAT, PAYE (Employer) and TWSS is automatic for Small and Medium Enterprises (SMEs), which includes all cases dealt with in Revenue's Business Division and Personal Division. An SME in this context is a business where annual turnover is less than €3 million.

##### *Other businesses (turnover above €3m) managed by Revenue's Large Corporates Division and Medium Enterprises Division*

The business must have been unable to pay VAT, PAYE (Employer) and TWSS liabilities. This may have been because turnover or the volume of customer orders was reduced or that it had another reasonable basis for being unable to pay those liabilities. Revenue will be entitled to make enquiries to satisfy itself that a business is unable to pay or repay any liabilities.

##### *Income Tax*

Taxpayers were required to make a declaration on filing their Form 11 that they had experienced a loss in income of 25% or more on their 2019 Income Tax liability. The 2020 Income Tax return will be assessed to ensure those availing of warehousing were entitled to do so.

#### **4.6 How do I contact Revenue to arrange for tax debt to be warehoused?**

##### *Small and Medium Enterprises*

Revenue has already "warehoused" the debt for customers dealt with in Revenue's Business Division and Personal Division and has contacted these customers to confirm they are covered by the scheme.

##### *Other businesses (turnover above €3m)*

For other cases, entry to the scheme is by application either to:

- the Revenue Branch normally dealing with the business's tax affairs (in Revenue's Medium Enterprise Division or Large Corporates Division as appropriate) or
- the Collector General's Division.

If your business has not been contacted by Revenue but wishes to avail of the warehousing scheme, or you wish to confirm that your business is covered by the warehousing scheme, please contact Revenue through myEnquiries or telephone 01 7383663. Please also see [COVID-19 Filing and Paying Information](#).

#### **4.7 Can Revenue refuse to warehouse debt?**

It is anticipated that all qualifying businesses who wish to participate in the warehousing scheme and who have filed all up to date tax returns will be facilitated.

To be eligible for the warehousing scheme and to ensure your business remains eligible, you should ensure you file returns for all taxes, including the returns for the VAT and PAYE (Employer) liabilities that you are currently unable to pay.

Income Tax customers who failed to meet Preliminary Tax requirements for 2019 (insufficient payment on 31 October 2019) cannot avail of Debt Warehousing in respect of the 2019 Income Tax balance. However, those customers were eligible for warehousing of their 2020 Preliminary Tax and could have availed of the reduced rate phased payment arrangement on 2019 Income Tax where they applied before the 10<sup>th</sup> December 2020.

#### **4.8 What recourse do I have to review?**

A business that has been refused access to the warehousing scheme due to non-compliance with tax return filing obligations, may contact Revenue through myEnquiries when all returns have been filed.

#### **4.9 How is it decided that trade has resumed?**

Trade is deemed to have resumed following the easing of restrictions for the relevant sector as set out in the Government's *Roadmap for Reopening Society and Business* as provided for in regulations made under sections 5 and 31A of the Health Act 1947, or at a later date on which trade recommences where it is demonstrated that the trade did not recommence before then.

On 15<sup>th</sup> September 2020, Government published '*Resilience and Recovery 2020 – 2021: Plan for Living with COVID-19*' which outlined a plan for restrictions where Covid levels began to escalate. Where a business is impacted by these restrictions their return to trade date will also be impacted.

#### **4.10 What if a business has re-opened but has had to close again due to the re-imposition of restrictions?**

In these circumstances the trade is deemed to be still subject to the restrictions provided for in the regulations under sections 5 and 31A Health Act 1947 until it has re-opened again. This means that VAT and PAYE (Employer) debts for such businesses can continue to be warehoused in respect of the extended restricted period(s).

#### **4.11 What are the Phases of the scheme?**

The scheme has three phases or Periods:

- Period 1, the “COVID-19 Restricted Trading Period”;
- Period 2, the “Zero Interest Period”; and
- Period 3, the “Reduced Interest Period”.

These periods are explained in more detail below.

#### **4.12 When does Period 1 begin and end?**

Period 1, the “COVID-19 restricted trading phase”, covers the period when the business first experienced cash flow trading difficulties arising from the impact of COVID-19. This is 1 January 2020 for VAT (that is, beginning with the January/February 2020 bi-monthly VAT period) and 1 February 2020 for PAYE (Employer) liabilities (that is, beginning with the February PAYE “income tax month”).

Period 1 ends on the last day of the first full bi-monthly VAT taxable period which commences after the business has resumed trading. This end date applies even if the business is not registered for VAT.

Period 1 for the 2019 Income Tax and 2020 Preliminary Tax years ends on the due date for both returns i.e. 31<sup>st</sup> October 2020. An extended due date of 10<sup>th</sup> December 2020 applied for taxpayers who file online through Revenue’s Online Services (ROS).

No interest is charged during Period 1 on the warehoused liabilities arising in that Period.

#### **4.13 When does Period 2 begin and end?**

Period 2 is the period of 12 months beginning on the first day after the end of Period 1. No interest is charged during Period 2 on the warehoused liabilities from Period 1.

Provision has been made in legislation whereby this period may be further extended by Ministerial Order, if required, but cannot be extended beyond December 2022.

#### **4.14 When does Period 3 begin and end?**

Period 3 begins on the first day after the end of Period 2 and continues until the date on which the COVID-19 deferred liabilities are discharged in full. This is the phase where a reduced interest rate of 3% per annum applies until the warehoused debt has been fully discharged.

#### **4.15 What are the taxpayer obligations once tax debt has been warehoused?**

Eligibility for warehousing of tax debts is conditional on the filing of all tax returns and payment of all tax liabilities that fall due while the warehousing scheme is in effect.

Taxes that fall due for current periods during the warehousing agreement must be maintained for the duration of the warehouse period and for any subsequent arrangement period to guarantee the reduced interest rates of 0% (while in warehouse) and 3% (after the warehouse period ends).

#### **4.16 What happens to the warehoused debt if I fall behind on current tax payments and / or filing returns during the period where the warehousing agreement is in place?**

Tax payments and filing of returns should be addressed as they fall due during the period where the warehousing agreement is in place.

Where a business is unable to file complete returns due to, for example, the absence of key employees or an agent due to COVID-19 related illness or restrictions, the business should submit returns based on the best estimate of the liability.

If you encounter any payment difficulties during this time, you should contact Revenue at the earliest opportunity. Failure to meet current taxes and returns can result in Revenue removing you from the warehousing scheme.

It should be noted that the reduced rates of interest (0% in Periods 1 and 2 and 3% per annum in Period 3) only apply to the “warehoused” tax debt. The normal rates of interest (8% per annum for direct taxes such as income tax and corporation tax and 10% per annum for taxes such as VAT and PAYE (Employer)) will apply to other unpaid liabilities unless you have made an agreement with Revenue to pay these liabilities.

#### **4.17 How will I know that my tax debt has been warehoused?**

If you have filed returns and have liabilities outstanding, a notification will be sent to your ROS or MyAccount inbox confirming the details of tax debts that have been warehoused.

#### **4.18 Will interest be charged on warehoused tax debt?**

Interest will not be charged on any warehoused tax debt during Periods 1 and 2. A rate of 3% per annum interest on this debt applies after this date once you comply with the payment and filing conditions set out at 4.15 above.

#### **4.19 How long do I have to pay any debt that has been warehoused?**

The duration of the agreement will be determined based on the individual circumstances involved.

#### **4.20 Will tax clearance be affected by having debts in the warehouse?**

Warehousing of tax debt will not impact on tax clearance. If you hold tax clearance prior to entering a warehousing arrangement, then tax clearance will continue while the arrangement remains in place. Any person seeking tax clearance should continue to apply using ROS or MyAccount.

#### **4.21 I am a licenced trader. Will my ability to renew my licence be affected by having debts in the warehouse?**

Warehousing of tax debt will not affect your ability to renew your licence.

#### **4.22 What happens if I already have a Phased Payment Arrangement (PPA) with Revenue?**

Any PPA that has been in place prior to the introduction of tax debt warehousing is not affected by these measures. These arrangements remain subject to the conditions agreed with Revenue.

#### **4.23 Can I set up a PPA to discharge the warehoused debt at the zero-interest rate?**

Yes, you can make payments any time during the zero-interest rate period. Please see [COVID-19 Filing and Paying Information](#). In addition, it is intended to provide a direct debit facility should you wish to make payments on a regular basis.

#### **4.24 Will warehoused debt be enforced at the end of Period 2 – in what circumstances can it be enforced?**

The debt will not be considered for enforcement activity while there is engagement between Revenue and the business concerned.

#### **4.25 I am on monthly Direct Debit for VAT and PAYE (Employer) liabilities and I had stopped making Direct Debit Payments, can I avail of debt warehousing?**

Yes. As stated at 4.5 and 4.6 above, you are automatically eligible for warehousing if your tax affairs are dealt with by Revenue's Business Division or Personal Division, and you can apply for warehousing if your tax affairs are dealt with in Medium Enterprises Division or Large Corporates Division. You should remain on the monthly direct debit scheme and resume making monthly payments at the start of Period 2. You should continue to submit your monthly returns for PAYE (Employer) liabilities as normal. For further detail on the monthly direct debit scheme, please refer to the information on [www.revenue.ie](http://www.revenue.ie) which can be accessed [here](#).

#### **4.26 Will any overpayments or claims be offset against warehoused debt?**

Refunds and repayments of tax which arise, in relation to the COVID-19 periods as outlined above, will be paid notwithstanding that the businesses will have tax debts covered by the scheme (i.e. Revenue will not automatically offset the repayment against the warehoused debts). However, a business can choose to offset the repayment against the warehoused debts if it wishes.



#### **4.27 Can a couple who are jointly assessed for income tax purposes avail of warehousing where one spouse or civil partner is self-employed and the other has PAYE income?**

Under joint assessment, the assessable spouse or civil partner is charged to tax on the combined total income of the assessable and non-assessable spouse/civil partner. To be eligible for warehousing of preliminary tax for 2020 and the balance of income tax for 2019, the couple's combined total income for 2020, returned by the assessable spouse/civil partner, should be estimated to be less than 75% of the couple's combined total income for 2019. However, for a couple subject to joint assessment, where one spouse/civil partner is self-employed and the other is a PAYE employee, Revenue will treat the assessable spouse/civil partner as eligible to avail of debt warehousing if the income of the self-employed spouse/civil partner for 2020 is estimated to be less than 75% of that spouse's/civil partner's income for 2019.

#### **4.28 Can a landlord warehouse income tax liability if a tenant is unable to pay rent due to COVID-19?**

If a landlord's tenant/s is/are unable to pay all or part of the rent due under a tenancy, as a result of the impact on their income of Covid-19 restrictions, and as a consequence the landlord estimates her/his total income for 2020 will be less than 75% of her/his total income for 2019, the landlord can avail of debt warehousing for income tax.

## 5 Examples of Debt Warehousing

### Example 1 – PAYE (Employer) and VAT warehousing – taxpayer in Business Division

Mary runs a Hotel which was closed between 15 March and 29 June. The hotel is registered for PAYE (Employer) which should be filed and returned monthly and Bi-monthly VAT. The last return submitted and paid was January 2020 PAYE (Employer) and Nov/Dec 2019 VAT. Her business is dealt with by Revenue's Business Division.

In order to avail of debt warehousing, she must file all returns which are outstanding. As of July 2020, the outstanding returns were:

- Feb, Mar, April, May, June and July PAYE (Employer) returns and
- Jan/Feb, Mar/Apr, May/June VAT returns.

As a Business Division case, she is pre-approved for warehousing and no action will be taken on the non-payment of the returns once filed.

Mary returned to trade on 29 June and so all PAYE (Employer) debts from February 2020 to June 2020 plus 2 months (the end of the next full VAT period) and all VAT debts from Jan 2020 to June 2020 plus 2 months will be warehoused i.e.

- All Feb to Aug 2020 PAYE (Employer) returns inclusive and
- Jan/Feb, Mar/Apr, May/June, July/Aug 2020 VAT returns.

Mary's next payment is due Oct 2020 for Sept PAYE (Employer).

#### **Warehouse Periods and Rates as of 29 June 2020:**

Period 1: Feb 2020 to 31/08/2020: 0%

Period 2: 01/09/2020 to 31/08/2021: 0%

Period 3: 01/09/2021 until the warehoused debt is fully paid: 3%.

#### **What happened when new restrictions were imposed in December 2020?**

Where this business is impacted by the move to Level 5 public health restrictions introduced at the end of December 2020, revised Warehouse Periods and Rates apply. On the assumption that the business re-opens before the end of February 2021, the new periods will be as follows:

#### **Warehouse Periods and Rates:**

Period 1: Feb 2020 to 30/04/2021: 0%

Period 2: 01/05/2021 to 30/04/2022: 0%

Period 3: 01/05/2022 until the warehoused debt is fully paid: 3%.

**NB** – Period 1 is extended in these circumstances even if a taxpayer has paid some liabilities before the extension applied.

## **Example 2 – VAT warehousing, taxpayer in Business Division**

*John is a self-employed small retailer in Donegal with no staff. He was unable to meet his VAT liabilities for 2020. He has filed all his bi-monthly returns. His business is dealt with by Business Division. Like most businesses, he ceased trading due to COVID-19 in March 2020 and returned in Phase 2 on 8<sup>th</sup> June 2020. What happens then?*

As a Business Division case, John's COVID-19 related debt has been automatically warehoused. As he returned to trade in June 2020, his VAT returns from Jan - Jun (end of bi-monthly period) plus 2 months can be warehoused i.e. Jan/Feb VAT, Mar/Apr VAT, May/June VAT, Jul/Aug 2020 VAT.

John's next payment was due in Nov 2020 for Sept/Oct VAT

### **Warehouse Periods and Rates as of 8 June 2020:**

Period 1: Feb 2020 to 31/08/2020: 0%

Period 2: 01/09/2020 to 31/08/2021: 0%

Period 3: 01/09/2021 until the warehoused debt is fully paid: 3%.

### **What happened when new restrictions were imposed in October 2020?**

*Donegal was placed under Level 3 restrictions in September, but John was able to continue to trade. However, when Level 4 restrictions were announced with effect from midnight 15<sup>th</sup> October 2020, John had no option but to close his premises. Level 5 restrictions were imposed for the entire country for a 6-week period commencing midnight 21<sup>st</sup> October and John was unable to trade until 1 December 2020.*

John had been able to warehouse his VAT returns up to and including August 2020. As John has had to close again, his return to trading date became 1 December, John was able to warehouse his VAT returns to December 2020 (end of bi-monthly period) plus 2 months i.e. Jan/Feb VAT, Mar/Apr VAT, May/June VAT, Jul/Aug VAT, Sept/Oct VAT, Nov/Dec 2020 VAT and Jan/Feb 2021 VAT.

### **Warehouse Periods and Rates as of 1 December 2020:**

Period 1: Feb 2020 to 28/02/2021: 0%

Period 2: 01/03/2021 to 28/02/2022: 0%

Period 3: 01/03/2022 until the warehoused debt is fully paid: 3%

### **What happened when restrictions were imposed for a third time in December 2020?**

Where this business is impacted by the move to Level 5 public health restrictions introduced at the end of December 2020, revised Warehouse Periods and Rates apply. On the assumption that the business resumes trading before the end of February 2021, the new periods and rates will be as follows

Period 1: Feb 2020 to 30/04/2021: 0%

Period 2: 01/05/2021 to 30/04/2022: 0%

Period 3: 01/05/2022 until the warehoused debt is fully paid: 3%.

### **Example 3 – Income Tax and Preliminary Tax warehousing**

*John was due to file his Income Tax return for 2019 and Preliminary Tax 2020 on 31<sup>st</sup> October 2020. John's agent normally pays and files John's return on-line, and so John had an extension date for filing and paying his IT returns of 10<sup>th</sup> December 2020. The loss of income resulting from the closures in 2020 meant that he was unable to pay his liabilities. John paid 100% of his 2018 Income Tax liability in preliminary tax, however 2019 was a good year and so his balancing payment was quite large. John's income for 2020 was about 60% of his 2019 income.*

John was required to declare that his income in 2020 was 25% less than the income earned in 2019, when submitting his 2019 Income Tax return and 2020 preliminary tax declaration. As John met his preliminary tax requirements for 2019, he was entitled to warehouse the balance of his 2019 Income Tax return and his preliminary tax due for 2020.

#### **Income tax warehouse periods as of 10 December 2020**

IT Period 1: Initial warehouse period will end on the filing date 10/12/2020

IT Period 2: 11/12/2020 to 10/12/2021 0% interest

IT Period 3: 11/12/2021 until warehoused debt is fully paid 3%.

#### **Example 4 – VAT and PAYE (Employer) warehousing, taxpayer in Medium Enterprises Division**

*Paul's construction business is dealt with in Medium Enterprises Division. The business was seriously impacted by the COVID-19 closures in April and May. He contacted the Division and provided evidence of a downturn in business as a result of the closure. He pays and files both monthly PAYE (Employer) and Bi-monthly VAT. The business re-opened on 18 May. Although Level 5 restrictions were announced at national level to take effect from midnight 21<sup>st</sup> October 2020, the construction industry was allowed to remain open. Accordingly, Paul's company has remained unaffected by the new restrictions and continued to trade to the end of 2020.*

As Paul provided satisfactory evidence to Medium Enterprises Division of a reduction in turnover, the business was approved for Debt Warehousing.

Business re-opened on 18 May, hence PAYE (Employer) returns from Feb to June (end of VAT bi-monthly period) plus 2 months have been warehoused, along with VAT returns from Jan to June (end of VAT bi-monthly period) plus an additional 2 months i.e.

- February, March, April, May, June, July and August 2020 PAYE (Employer) and
- Jan/Feb VAT, Mar/Apr VAT, May/June VAT, and Jul/Aug 2020 VAT.

The next payment is due in October 2020 for the September PAYE (Employer) period.

#### **Warehouse Periods and Rates as of 18 May 2020:**

Period 1: Feb 2020 to 31/08/2020: 0%

Period 2: 01/09/2020 to 31/08/2021: 0%

Period 3: 01/09/2021 until the warehoused debt is fully paid: 3%.

#### **What happens when this business had to close again in January 2021?**

As this business was impacted by the move to Level 5 public health restrictions introduced at the start of January 2021 obliging all but designated essential construction works to cease, revised Warehouse Periods and Rates apply. On the assumption that the business resumes trading before the end of February 2021, the periods will be as follows

Period 1: Feb 2020 to 30/04/2021: 0%

Period 2: 01/05/2021 to 30/04/2022: 0%

Period 3: 01/05/2022 until the warehoused debt is fully paid: 3%.

## **Example 5 – Temporary Wage Subsidy Scheme Warehousing**

*Paul's company availed of the Temporary Wage Subsidy Scheme (TWSS). If, following reconciliation by Revenue of the subsidy paid, an overpayment to the company is identified, the company will be notified. As Paul's company qualified for warehousing, he will not be asked to pay, but will have the option to do so.*

*The TWSS overpayment can be warehoused along with the VAT and PAYE (Employer) taxes and will be subject to interest at the same rates and due dates as those taxes.*

### **Warehouse Periods and Rates as of 18 May 2020:**

Period 1: Feb 2020 to 31/08/2020: 0%

Period 2: 01/09/2020 to 31/08/2021: 0%

Period 3: 01/09/2021 until the warehoused debt is fully paid: 3%.

### **What happened when the business moved to Level 5 restrictions in January 2021?**

As this business was impacted by the move to Level 5 public health restrictions for non-essential construction work introduced at the start of January 2021, revised Warehouse Periods and Rates apply. On the assumption that the business resumes trading before the end of February 2021, the periods will be as follows

Period 1: Feb 2020 to 30/04/2021: 0%

Period 2: 01/05/2021 to 30/04/2022: 0%

Period 3: 01/05/2022 until the warehoused debt is fully paid: 3%

**NB** – Although the TWSS was replaced by the Employment Wage Subsidy Scheme (EWSS) from 1 September 2020, Period 1 for TWSS warehousing is the same as for VAT and PAYE Warehousing and therefore extends to the end of the first full two-month VAT period after trading resumes.

## Example 6

*Angela is a sole trader, running a bar and restaurant in West Cork. Angela submits bi-monthly VAT returns, and monthly PAYE (Employer). The bar and restaurant closed in March 2020 and re-opened under the Government's Roadmap on 29 June. The business traded throughout July, August and September. Level 3 restrictions were implemented at midnight on 6 October, and Angela had to close her business again as she could not cater for take-away, delivery or outdoor dining.*

### **Periods warehoused as of 29 June 2020**

Originally the business re-opened on 29 June so PAYE (Employer) returns from February to June (end of VAT bi-monthly period) plus 2 months had been warehoused, along with VAT returns from Jan to June (end of VAT bi-monthly period) plus an additional 2 months i.e.

- February, March, April, May, June, July and August PAYE (Employer) and
- Jan/Feb VAT, Mar/Apr VAT, May/June VAT, and Jul/Aug VAT.

### **Periods warehoused as of 6 October 2020**

The customer's next payment had been due in October 2020 for September PAYE (Employer). However, due to the Level 3 restrictions, the business had been forced to close again, and so her resumption date moved to the ending of restrictions.

Where those restrictions had ended in October 2020, Angela had been able to warehouse returns due up to October 2020 plus 2 months. Angela could therefore also have warehoused the additional returns;

- September, October, November and December 2020 PAYE (Employer) returns
- Sept/Oct 2020, Nov/Dec 2020 VAT.

### **What happened when restrictions were imposed for a third time in December 2020**

As this business is impacted by the re-imposed Level 5 public health restrictions introduced at the end of December 2020, extended Warehouse Periods and Rates apply. On the assumption that the business resumes trading before the end of February 2021, the warehouse periods and rates will be as follows

Period 1: Feb 2020 to 30/04/2021: 0%

Period 2: 01/05/2021 to 30/04/2022: 0%

Period 3: 01/05/2022 until the warehoused debt is fully paid: 3%.

### **Example 7 – Income Tax Warehousing; 2019 liability under-estimated**

*When Angela completed her 2019 Income Tax return, she realised she had underestimated her liability for the year, and so had underpaid her 2019 preliminary tax in October 2019. Business has been badly affected by the restrictions in 2020, and costs increased significantly in trying to keep the business 'COVID-19 compliant'. As a result, Angela found her income was over 25% down on 2019. Angela submits paper-based tax returns as she is not an e-enabled customer.*

When making her Income Tax 2019 return and preliminary tax declaration for 2020, Angela declared that her 2020 income reduced by more than 25% on 2019 income. As Angela did not meet her Preliminary tax requirements for 2019, she was unable to warehouse her outstanding balance on the 2019 Income Tax return. However, her preliminary tax for 2020 can be warehoused. As Angela submits paper-based returns, the relevant dates for warehousing of her Income Tax liabilities are:

IT Period 1: Initial warehouse period will end on the filing date - 31/10/2020

IT Period 2: 01/11/2020 to 31/10/2021 0% interest

IT Period 3: 01/11/2021 until warehoused debt is fully paid 3%

Although Angela was unable to warehouse her 2019 Income Tax, she was able to avail of a 3% reduced interest Phased Payment Arrangement (PPA) on that liability.



### **Example 8 – VAT and PAYE (Employer) warehousing – multiple closures**

*Sue is a sole trader and runs a bar/restaurant in Offaly. Sue submits bi-monthly VAT returns, and monthly PAYE (Employer). The bar closed on 15 March 2020 and re-opened under the Government Roadmap on 29 June. The business traded throughout July but was subject to localised lockdown on 7 August. The business resumed to trade again on 22 August when restrictions were lifted. However, national Level 3 restrictions were implemented at midnight on 6 October, and Sue had to once again close her business.*

#### **Periods warehoused as of 29 June 2020**

Originally the business re-opened on 29 June so PAYE (Employer) returns from February to June (end of VAT bi-monthly period) plus 2 months had been warehoused, along with VAT returns from Jan to June (end of VAT bi-monthly period) plus an additional 2 months i.e.

- February, March, April, May, June, July and August 2020 PAYE (Employer) and
- Jan/Feb VAT, Mar/Apr VAT, May/June VAT, and Jul/Aug 2020 VAT.

#### **What happened restrictions were re-imposed locally in August 2020?**

However, when the local Level 3 restrictions forced the business to close again in August, her resumption date moved to the ending of localised restrictions which was also in August 2020. This allowed Sue to warehouse the additional returns;

- September and October 2020 PAYE (Employer) return and
- Sept/Oct 2020 VAT.

#### **What happened when restrictions were imposed for a third time in October?**

The raising of restriction levels to Level 5 has resulted in even further returns being available for warehousing. As Level 5 was due to end in December 2020, Sue can warehouse up to the end of the bi-monthly VAT period plus 2 months i.e. February 2021. Sue can therefore warehouse the additional returns:

- September, October, November and December 2020, January 2021 and February 2021 PAYE (Employer) returns
- Sept/Oct 2020, Nov/Dec 2020 and Jan/Feb 2021 VAT.

#### **What happened when restrictions were imposed again in December?**

The ending of the national Level 5 restrictions will determine what further returns Sue will be able to warehouse. Where those restrictions end in January 2021, Sue will be able to warehouse additional returns due up to February 2021 plus 2 months which includes

- September, October, November and December 2020, January, February, March, and April 2021 PAYE (Employer) returns
- Sept/Oct 2020, Nov/Dec 2020, Jan/Feb and Mar/Apr 2021 VAT.

### **Example 9 – Income Tax - warehousing not available**

*Having complied with Preliminary tax rules for 2019, Eimear filed her 2019 Income Tax return and preliminary tax for 2020. Although 2020 had been a difficult trading period, Eimear found her 2020 income was in excess of 2019. Can Eimear avail of Income Tax warehousing?*

As Eimear was unable to declare an income fall in excess of 25% in 2020, she was unable to warehouse her liabilities. If Sue had made such a declaration, and subsequently her 2020 Income Tax return confirmed that she did not suffer a 25% income reduction, the liability for 2019 becomes due immediately, with an effective due date of 31<sup>st</sup> October 2020. Interest will be applied at the full statutory rate of 8% per annum from that date. In addition, Eimear would not have met Preliminary tax requirements for 2020 and so her 2020 Income Tax liability will become due from 31<sup>st</sup> October 2020 rather than 31<sup>st</sup> October 2021.

### **Example 10**

Business 'A', a public house and restaurant, closed because of COVID-19 restrictions in March 2020.

The business reopened in June 2020 following the lifting of restrictions for the food hospitality sector.

Based on re-opening in June 2020, the business is entitled to warehouse its PAYE (Employer) liabilities in respect of February to August 2020 and its VAT liabilities in respect of January to August 2020 (i.e. restricted trading time plus two months).

The business would have been due to pay its PAYE (Employer) liabilities for September 2020 in October 2020 and its PAYE (Employer) liabilities for October 2020 as well as its VAT liabilities for September/October 2020 in November 2020.

#### **What happened when restrictions were re-imposed in October 2020?**

However, when the country was placed into "Level 3" restrictions in October 2020, the business was required to close again as it did not have an outdoor facility to serve food or drink. It was not viable to offer a takeaway service and the business had to close from 7 October. On that basis, the business is entitled to resume 'warehousing' its PAYE and VAT liabilities, including the above-mentioned months. The period available to the business to warehouse its PAYE and VAT liabilities is dependent on when the business reopens.

#### **What happened when restrictions were imposed for a third time in December 2020?**

If the business reopened in December 2020 and was forced to close again following the reintroduction of Level 5, the warehouse timeline will depend on when the business returns to trading in 2021. Where this occurs before the end of February 2021 the warehouse timeline extends to April 2021 and is applicable to all COVID-19 related liabilities in the period between February 2020 and April 2021 (i.e. restricted trading time plus two months).

**Warehouse Periods and Rates:**

Period 1: Feb 2020 to 30/04/2021: 0%

Period 2: 01/05/2021 to 30/04/2022: 0%

Period 3: 01/05/2022 until the warehoused debt is fully paid: 3%.

**NOTE:**

**If the business reopened for a few weeks in December 2020 and then closed again with the re-imposition of the current Level 5 restrictions, the warehouse timeline will depend on when the business returns to trading in 2021.**

**For example, should restrictions be lifted, and the business allowed to trade again by the end of March 2021, the warehouse timeline extends to June 2021 (i.e. restricted trading time plus two months) and is applicable to all COVID-19 related PAYE (Employer) liabilities from February 2020 to June 2021 and VAT liabilities in the period between January 2020 and June 2021 inclusive.**