

## **New “warehousing” of deferred tax debts and interest suspension arrangements**

Revenue suspended debt collection and the charging of interest on late payment for the January/February and March/April VAT periods and February, March and April PAYE (Employer) liabilities. These arrangements are further extended to include May/June VAT and May and June PAYE (Employer) liabilities.

For the purposes of clarity, PAYE (Employer) liabilities include income tax, universal social charge and employees’ and employer’s PRSI due to be remitted by employers to Revenue under the PAYE system in respect of the payment of wages, salary, etc., to their employees.

Notwithstanding the suspension of debt collection, businesses are required to file the relevant returns so that Revenue has visibility on the level of unpaid debt arising from the Covid-19 crisis. 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.

The deferred payments, which amounted to €800m in March and €460m in April, have been a vital liquidity support to both SMEs (given automatically) and larger businesses (on request) that are severely impacted by Covid-19. An SME is a business with an annual turnover of less than €3million, which is not dealt with by either Revenue’s Large Corporates Division (LCD) or Medium Enterprises Division (MED). SMEs are managed from both a service and compliance standpoint by Revenue’s Business Division. Those businesses which are managed by either Revenue’s Large Corporates Division (LCD) or Medium Enterprises Division (MED) and are currently experiencing tax payment difficulties should contact the Collector-General’s Office, if they have not already done so. Such businesses can contact the Collector-General’s Office through MyEnquiries, Revenue’s secure online correspondence service, which is available in both MyAccount and ROS. Alternatively, those businesses can engage directly with their LCD or MED branch contacts.

Revenue recognises the need for clarity and certainty on how and when this level of tax debt forbearance will be gradually unwound to allow the businesses to trade their way back to profitability and repay the amounts due. In the normal course, Revenue would work closely with businesses to put in place arrangements, appropriate to the circumstances and viability of each business, to secure payment of those debts over a reasonable timeframe. However, in the current circumstances, businesses that have had to close, or have been significantly negatively impacted by the restrictions, will not be able to enter into arrangements now or in the short term to clear the Covid-19 -related tax debt, while at the same time 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.

On 2 May 2020, the Government announced that it will legislate to provide that Revenue will warehouse deferred tax debts associated with the Covid-19 crisis. The proposed scheme will involve the effective parking of these unpaid VAT and PAYE (Employer) tax debts, that arose from the Covid-19 crisis, for a period of 12 months after a business resumes trading and the application of a lower interest rate of 3% per annum on the repayment of such 'warehoused tax debts' after that date. The necessary legislative amendments will be brought forward in due course. Pending the enactment of the necessary legislation, Revenue will operate the arrangements on an administrative basis.

The period covered by the arrangements is the duration of time during which the business was and is unable to trade, or was and is trading at a significantly reduced level, due to the Covid-19 related restrictions and includes two months after the business re-commences 'normal' trading.

The tax debts covered are VAT and PAYE (Employer) debts from the 'Covid-19 restricted trading' period. These are the tax debts that have been subject to the suspension of debt enforcement outlined above. (Tax debts before and after this period will not be included in the warehousing arrangement.)

There will be three periods in the scheme.

**Period 1 – Covid-19 restricted trading phase:** The relevant tax debts built up while the business is unable to trade or was subject to restricted trading, and debts for an additional two months after the business re-commences 'normal' trading, will be 'ring-fenced'. There will be no collection of any of the debt in question during this period and no interest will apply, but the debt will have to have been quantified by the business through the filing of all the relevant returns for the restricted trading phase. If a best estimate return of liability has been made for any period, the correct return will have to be filed before the end of Period 1 to ensure that the debt benefits from the warehousing.

Period 1 may vary from sector to sector and business to business, depending on when Government restrictions are relaxed in line with the roadmap for re-opening society and business as announced on 1 May 2020.

**Period 2 – Zero interest phase:** This will last for 12 months after the end of Period 1. During this period no interest will be charged on the debt built up in Period 1. Businesses must pay current tax liabilities as they arise.

**Period 3 – Reduced interest phase:** This will last from the end of Period 2 until the Covid-19 related debts built up in Period 1 are paid. A reduced interest rate of 3% per annum will be charged on the debt from Period 1. This compares to a rate of 10% per annum normally or otherwise due on overdue VAT and PAYE (Employer) liabilities.

**Tax clearance** will not be affected by a business availing of tax debt ‘warehousing’ under this arrangement.

**Refunds and repayments of tax** which arise will be paid, notwithstanding that the business owes VAT and PAYE (Employer) liabilities built up in Period 1. (The business can choose to offset the repayment against the Covid-19 liabilities if it wishes.)

Full details of the arrangements for debt warehousing will be published in legislation in due course.