

## **Terms and Conditions of using the SEPA Fixed Direct Debit Scheme which is a facility for:**

- Employers who pay Employer Income Tax / PRSI / USC / LPT
- Businesses that pay VAT
- Payment of Preliminary Income Tax

**Please note that if you wish to pay your Local Property Tax (LPT) by monthly Direct Debit, you should log on to [www.revenue.ie](http://www.revenue.ie), select Local Property Tax and set up your payment method using the Property ID and PIN.**

- Rules and Regulations with regards to the collection of monies by means of SEPA Direct Debit are governed by the Banking and Payments Federation Ireland, website at [www.bpfi.ie](http://www.bpfi.ie)
- Your attention is drawn to the **Legal Text** that is provided for online application.
- Participation in the SEPA Fixed Direct Debit Scheme is a concession offered by Revenue and may be reviewed and withdrawn by Revenue.

## **Taxpayer obligations when paying VAT and Employer Income Tax / PRSI / USC / LPT by SEPA Fixed Direct Debit**

- The SEPA Fixed Direct Debit facility is confined to customers with bi-monthly VAT liabilities up to €50,000 and monthly Employer Income Tax / PRSI / USC / LPT liabilities up to €25,000 i.e. VAT and Employer Income Tax / PRSI / USC / LPT annual liability up to €300,000.
- Deductions will be made from your bank account on the third last working day of each month.
- In general, any customer who is not up to date with their tax returns or payments will not be considered suitable for the SEPA Fixed Direct Debit scheme.
- For VAT, when a customer avails of the SEPA Fixed Direct Debit scheme, Revenue will issue a return for the period from their commencement on the scheme to the VAT accounting year end and annually thereafter. All VAT returns issued while on Direct Debit must be filed by the due date. Where returns are not submitted, tax liabilities will be estimated, and collection will be pursued using enforcement where necessary. Revenue's concession to allow current taxes to be paid by Direct Debit may be withdrawn.
- For Employer Income Tax / PRSI / USC / LPT, all customers are obliged to report employees' pay and deductions as they are paid. A monthly statement is then issued by Revenue showing a summary of the total liability. The statement is deemed to be a return provided no amendments or corrections are made by the employer before the return due date.

- Where returns are not submitted, tax liabilities will be estimated, and collection will be pursued using enforcement where necessary. Revenue's concession to allow current taxes to be paid by Fixed Direct Debit may be withdrawn.
- For Employer Income Tax / PRSI / USC / LPT you should ensure that your monthly Fixed Direct Debit payments are sufficient to cover your overall annual liability. Where necessary, you should adjust the Fixed Direct Debit amounts to achieve this. In general, the fixed monthly payment amount should represent approximately one twelfth of the annual liability.
- Where the payment is too low, Revenue will allocate the next fixed direct debit payment to the period. Where the payment is too high, Revenue will allocate the payment to any underpayments in a period in the relevant year.
- Where insufficient amounts are paid by Fixed Direct Debit and there is a balance of tax payable at the end of the accounting year, interest is payable if the amount is not paid by the due date. In addition, if the amount due exceeds
  - 20% of the annual liability for VAT
  - or
  - 10% of the annual liability for Employer Income Tax / PRSI / USC / LPT

### **For VAT, interest will be back-dated to the mid-point of the accounting year.**

- Direct debit payments are made in arrears e.g. payments made in February relate to the January tax debt.
- Your Direct Debit payment amount is determined by the estimated annual liability you provide. Reductions to the estimated annual liability are limited to three per annual period for VAT and three per calendar year for Employer Income Tax/ PRSI / USC / LPT.
- In the event of a payment not being honoured, your participation in the scheme will be reviewed and Revenue's concession to allow you to pay by Fixed Direct Debit may be withdrawn.

### **Taxpayer obligations when paying Preliminary Income Tax by SEPA Fixed Direct Debit**

- Payment of Preliminary Income Tax by Fixed Direct Debit enables you to spread the payment over the calendar year for which the tax is due instead of making one payment by 31 October . There is a filing date extension of approximately two weeks [mid-November] for customers who Pay and File their Income Tax return using ROS.

- If this is your first time availing of the SEPA Fixed Direct Debit scheme for Preliminary Income Tax, you must make a minimum of three payments in the first year. You can join for the October, November and December deduction and use those payments to meet your Preliminary Income Tax liability for that year. In these circumstances you should make your online application by the end of September to ensure that your first deduction will take place in October.
- In second and subsequent years the Preliminary Income Tax payment must be made by way of eight or more monthly Direct Debit payments.
- All deductions (including the November and December Direct Debits) will be credited to your Preliminary Income Tax liability for the current year.
- Deductions for Preliminary Income Tax will be taken from your bank account on the ninth day of each month or the next working day.
- Your return of income together with any balancing payment for the current year of assessment must be submitted, irrespective of the payment method, on or by the 31 October of the following year. There is a filing date extension of approximately two weeks [mid-November] for customers who Pay and File their Income Tax return using ROS.
- The necessity to satisfy your Preliminary Income Tax liability is the same regardless of the number of payments or when you join the scheme. Interest charges will arise in the normal manner if you fail to pay sufficient Preliminary Income Tax.
- The payment of Preliminary Income Tax necessary to avoid Interest charges must be at least:
  - 90% of the final tax liability for the current year of assessment, or
  - 100% of the tax liability for the preceding year of assessment, or
  - 105% of the pre-preceding year for SEPA Direct Debit payers only (this option does not apply where the Income Tax payable for the pre-preceding year was NIL).
- In the event of any payment not being honoured, your participation in the scheme will be reviewed and the concession to pay by Fixed Direct Debit may be withdrawn.

**Legal Text:** By signing this mandate form, you authorise (A) the Revenue Commissioners to send instructions to your bank to debit your account and (B) your bank to debit your account in accordance with the instruction from the Revenue Commissioners.

As part of your rights, you are entitled to a refund from your bank under the terms and conditions of your agreement with your bank. A refund must be claimed within eight weeks starting from the date on which your account was debited. Your rights are explained in a statement you can obtain from your bank.

The information in this document is provided as a guide only and is not professional advice, including legal advice. It should not be assumed that the guidance is comprehensive or that it provides a definitive answer in every case.