Preliminary Income Tax Direct Debit Guidelines

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A more recent version of this manual is available.

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

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.

Table of Contents

1. Scope 3
2. Purpose....3
3. Introduction....3
4. SEPA Monthly Direct Debit Scheme 4
5. Summary 4
6. Process – Using Direct Debit Online 4
7. Validation Rules – Create a Direct Debit Instruction/Mandate 6
8. Process – Amend and Cancel Functions 6
9. Unpaids....6
APPENDIX 1 – Terms and Conditions 8
APPENDIX 2 - The SEPA Monthly Direct Debit Legal Text 8
APPENDIX 3 – Direct Debit Schedule....8
APPENDIX 4 – ROS Procedures....8

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1. Scope

These Guidelines outline the procedures to make an application to pay Preliminary Income Tax by SEPA Monthly Direct Debit and to manage existing arrangements for payment by SEPA Monthly Direct Debit. An online service in ROS, Direct Debit Online (DDOL), was launched on 28th January 2013. This guideline replaces previous guidelines on SEPA Monthly Direct Debit for payment of Preliminary Income Tax and sets out the approach for a successful online application.

2. Purpose

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

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3. Introduction

The facility to apply to pay current tax liabilities by SEPA Monthly Direct Debit, hereafter referred to as Direct Debit, is currently available for VAT, Employer Income Tax/PRSI/USC/LPT, Preliminary Income Tax and Local Property Tax customers. Using Monthly Direct Debit to pay Preliminary Income Tax offers advantages to the customer and, in suitable cases, to Revenue. Some of the advantages to the customer include:

- Self-managing Direct Debit payments
- Spreading payments over a twelve-month period
- Avoiding a substantial one-off payment
- Availing of the 105% rule (see below)

Processing of a Direct Debit Instruction will create a Direct Debit Mandate with a unique mandate reference number. The facility to pay by Direct Debit **is a concession** and Revenue may refuse a Direct Debit application or cancel an existing Direct Debit mandate.

Payments by Direct Debit are allocated against a customer's Preliminary Income Tax for the current year. If the customer fails to pay sufficient Preliminary Income Tax on the Direct Debit Scheme, resulting in an underpayment of Preliminary Income Tax, interest charges will arise. To avoid interest charges, payments 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 Direct Debit payers only (this option does not apply where the Income Tax payable in the pre-preceding year was NIL).

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There are no restrictions to the number of amendments that a customer can make to the Direct Debit payment value for Preliminary Income Tax.

4. SEPA Monthly Direct Debit Scheme

Since the 31st March 2014, Direct Debits are collected under the Single Euro Payment Area Directive (SEPA) – known as the SEPA Monthly Direct Debit Core Scheme (SDD). Provided both the bank of the creditor (Revenue Commissioners) and the debtor (Payer/Customer) are SEPA compliant, the scheme allows a creditor to collect funds from a debtor's account once a mandate has been provided by the debtor to the creditor and creates, for the first time, a payment instrument that can be used for both national and cross border euro Direct Debits throughout the SEPA area. SEPA is comprised of the existing member states of the European Union, together with Iceland, Liechtenstein, Monaco, Norway, Switzerland, San Marino and the United Kingdom. It provides a standardised Direct Debit payment service that will enable consumers to pay for goods and services in any SEPA reachable country **without** having to open a bank account in that country.

The transfer of funds (money) between the debtor's bank and the creditor's bank always takes place in Euro currency.

The complete SEPA Core Direct Debit Scheme Rulebook is available from the European Payments Council (EPC) website.

5. Summary

The SEPA Monthly Direct Debit Scheme is for payment of current taxes and covers Local Property Tax, VAT, Employer Income Tax/PRSI/USC/LPT and Preliminary Income Tax **only**. Applications to use the Direct Debit Scheme for payment of Preliminary Income Tax should be made by customers or their agents online via ROS. Direct Debit Online will allow customers or their agents to **Create/Amend/Cancel** their monthly Direct Debits. For a ROS guide, please refer to: ROS User - Procedures. Once online, a customer must confirm that they agree to the Terms and Conditions of participation in the Direct Debit Scheme.

6. Process – Using Direct Debit Online

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

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Customers availing of Direct Debit for Preliminary Income Tax must make a minimum of three debit payments in the first year and a minimum of eight debit payments in each subsequent year.

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The Direct Debit amount should be sufficient to meet customers' Preliminary Income Tax requirements as mentioned previously.

The first debit month for commencement on the Direct Debit Scheme for Preliminary Income Tax is selected by the customer subject to ensuring that the customer adheres to a minimum three debit payments rule in the first year and a minimum eight debit payments rule in each subsequent year.

Direct Debit deductions for Preliminary Income Tax are taken from the customer's bank account on **the ninth day** of each month (or the next working day where the ninth falls on a weekend or Bank Holiday).

Continued participation in the Direct Debit scheme **is conditional** on submission of annual returns and payments by the due dates.

The customer determines the value of the Direct Debit payment. Where a customer creates a Direct Debit instruction for Preliminary Income Tax, clicking on the "**Calculate**" option populates all months with the debit amount (see example). Only the Suspend fields remaining in the calendar year will be available for editing. For example, if the selected date is in May but the May debits have already been presented to the bank, then only June to December will be available to suspend.

In a scenario where there are not enough months remaining in the year to meet the minimum requirement for payments i.e. three payments in year one and eight payments in all subsequent years, then the following error message will be displayed to the customer on clicking the "**Calculate**" button:

You will not meet the required minimum payments rules based on

1) the number of months suspended and/or

2) the date of first debit month. Please refer to Terms and Conditions.

If more than one Direct Debit Mandate was in place in the same calendar year for Preliminary Income Tax, debits on all mandates are included when validating the three and eight payments rules. For example, a customer sets up a Direct Debit Instruction in February and makes two debit payments and cancels the Direct Debit Instruction. The same customer sets up another Direct Debit Instruction in September. The debit

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payments on both Direct Debit Mandates will be counted when validating the three and eight payments rules.

Acceptance on the Direct Debit Scheme is determined online by successfully passing a number of validation rules. Failing any of these rules will result in customers being advised that they are not suitable to join the scheme.

Customers may be removed from the Direct Debit scheme where the Direct Debit Mandate is no longer active, or the bank account details are incorrect.

NOTE: Direct Debits can only be deducted from a bank account and bank that are SEPA compliant. Direct Debits can also be deducted from a foreign bank account but **only** if the bank and the bank account are SEPA compliant.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

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7. Validation Rules – Create a Direct Debit Instruction/Mandate

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

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8. Process – Amend and Cancel Functions

- Customers may amend the value of the debit payment as often as they wish using Direct Debit Online.
- Customers have the option to suspend a number of Direct Debit payments but must ensure that remaining payments meet the three and eight payments rules.
- Customers can opt to cancel existing Direct Debit Instructions using Direct Debit Online.

9. Unpaids

The customer's bank may return a Direct Debit instruction to Revenue marked "unpaid" for a number of reasons.

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An automated letter issues to advise the customer of the cancelled Direct Debit and to seek payment to replace the unpaid Direct Debit. Customers will be removed from the Direct Debit Scheme where the "reason" for the unpaid debit indicates that all future debits will also be rejected e.g. incorrect bank details/closed account.

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The onus is on the customer to ensure sufficient payments are made to meet Preliminary Income Tax liabilities.

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APPENDIX 1 – Terms and Conditions

Terms and Conditions

APPENDIX 2 - The SEPA Monthly Direct Debit Legal Text

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 8 weeks starting from the date on which your account was debited. Your rights are explained in a statement that you can obtain from your bank.

APPENDIX 3 – Direct Debit Schedule

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

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APPENDIX 4 – ROS Procedures

Step by Step: How to set up Direct Debit for Preliminary Income Tax

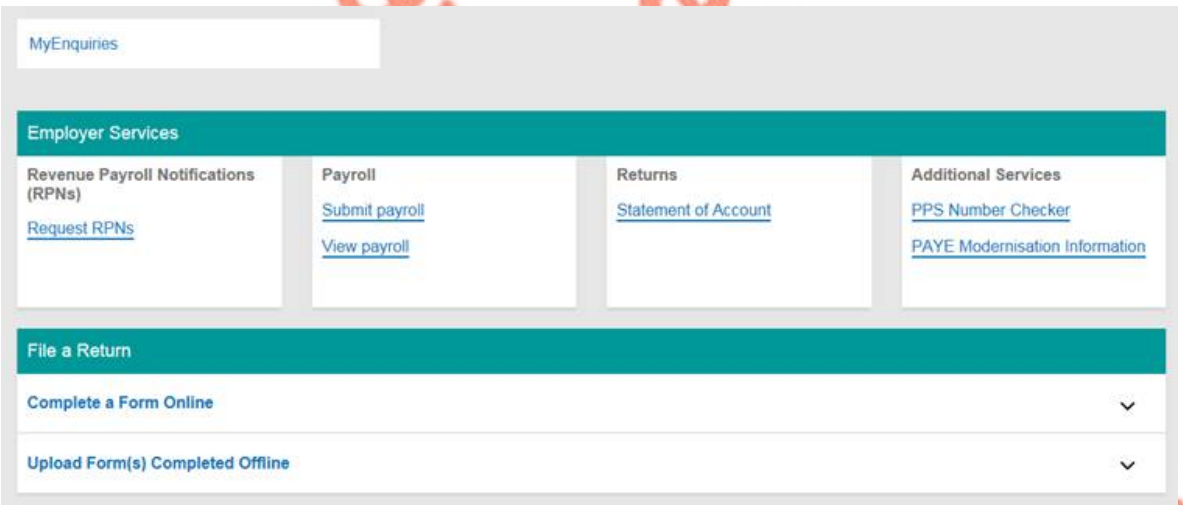

Figure 1: ROS My Services screen

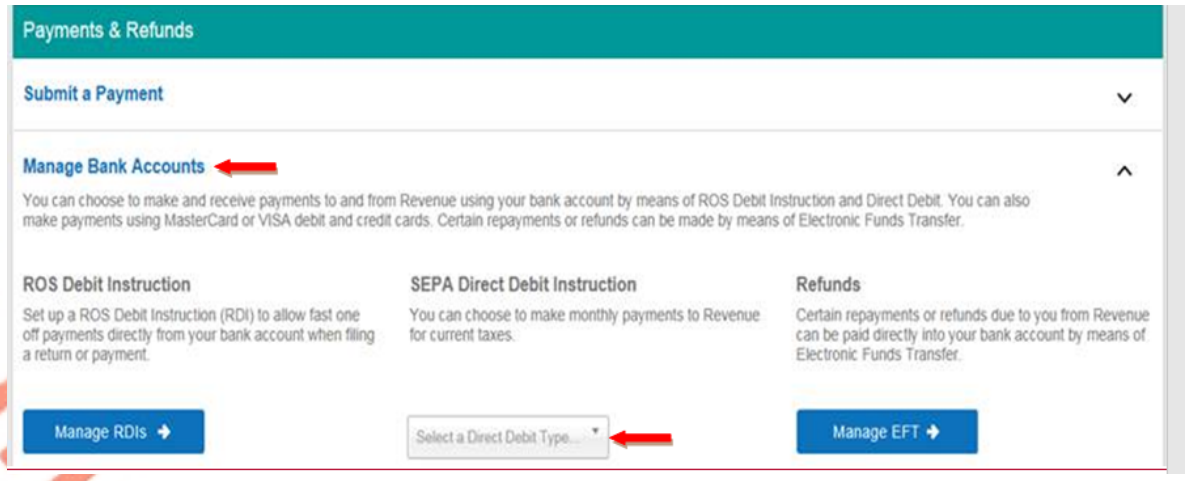

Figure 2: Payments & Refunds screen

Click "**Manage Bank Accounts**".
Click "Select a Direct Debit Type"

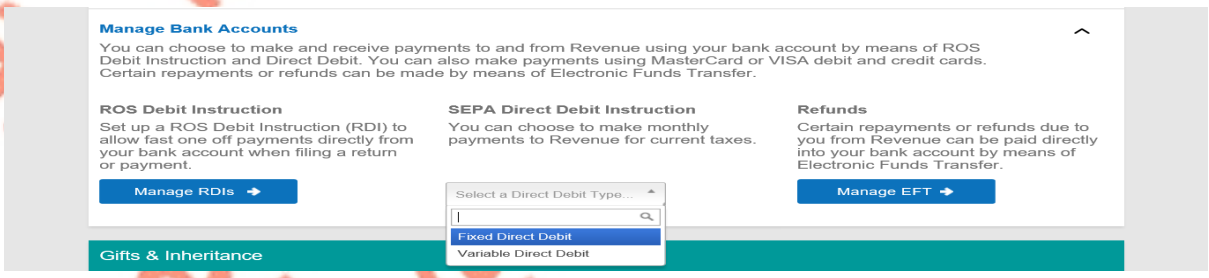

Figure 3: Screen showing Select Direct Debit Type

Select "Fixed Direct Debit" and then click "**Manage Direct Debits"**

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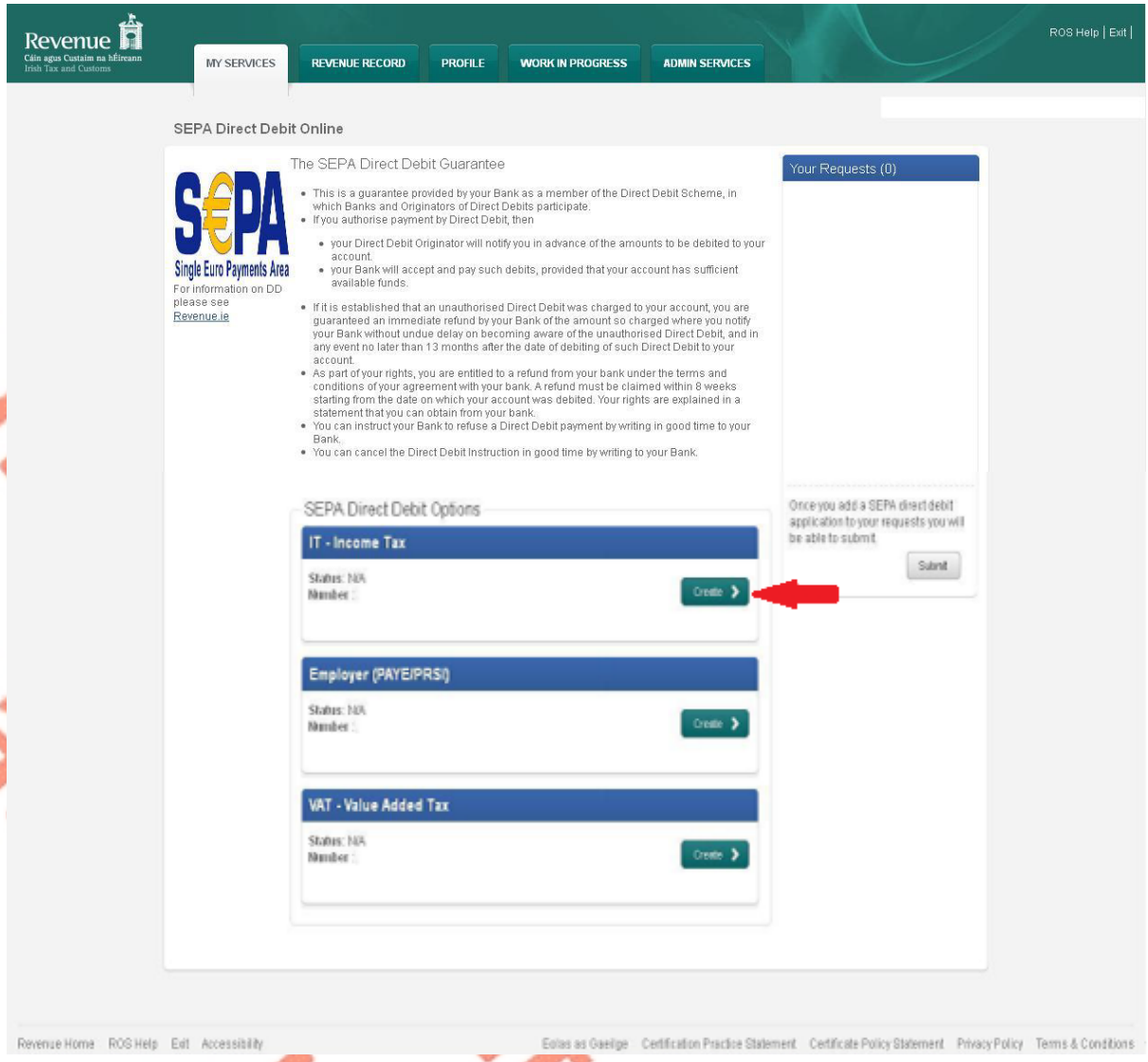


Figure 4: DDOL Options screen

On this screen, the system displays the taxes for which payment is available by Direct Debit. Customer must click "**Create**" in the Income Tax section.

A machine readable version of this is available.

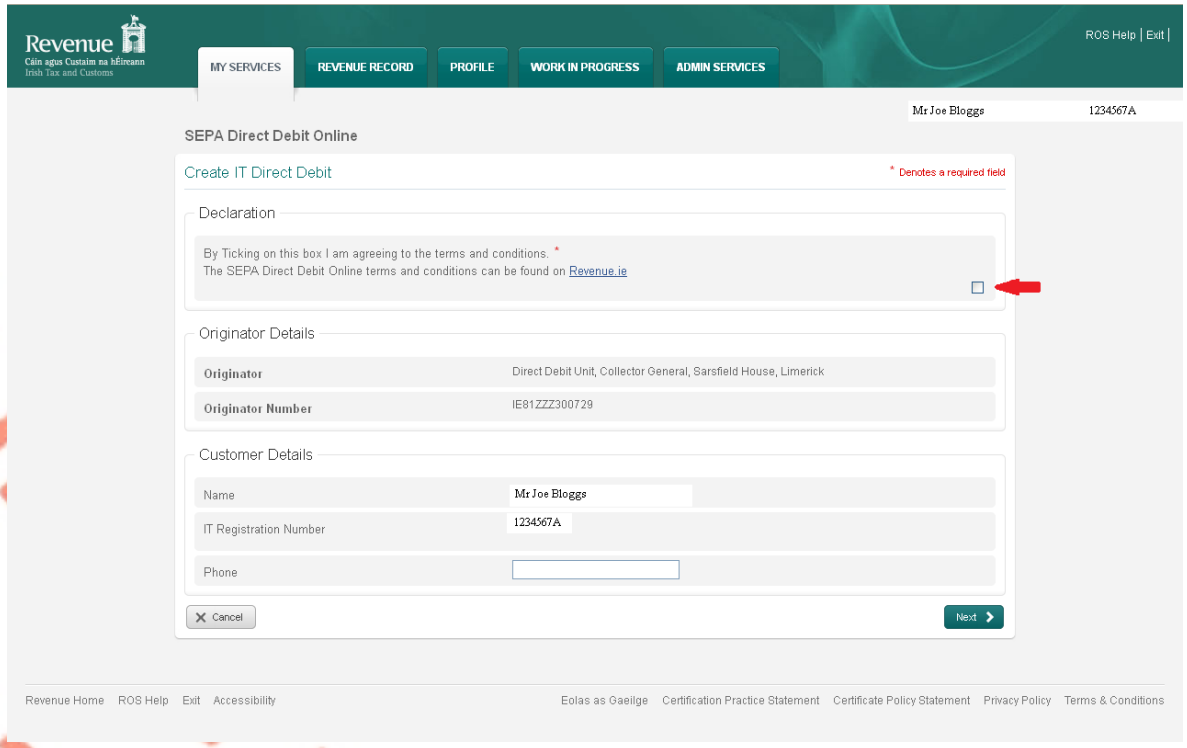


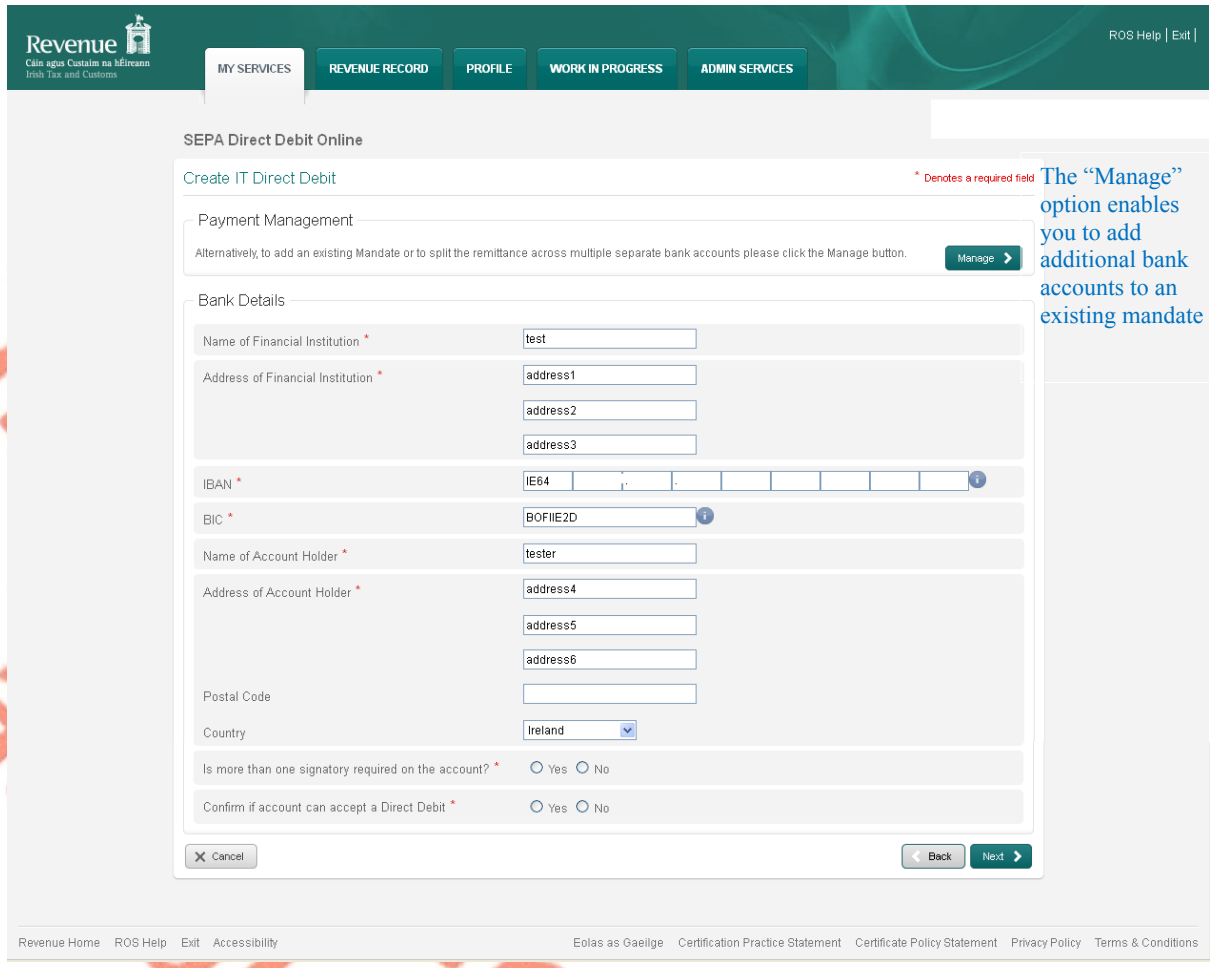
Figure 5: Customer Details screen

Ticking the box to agree to the Terms and Conditions of the Direct Debit Scheme is mandatory.

The Name and IT Registration Number fields will be pre-populated. Phone details are not mandatory.

Click "**Next**" to proceed to the **Bank Details Screen**.

A more recent version of this manual is available.



The "Manage" option enables you to add additional bank accounts to an existing mandate

Figure 6: Bank Details screen

Fields marked * are mandatory. Failure to complete all mandatory fields will result in an error message and will restrict the user from continuing with the application.

Click "**Next**" to proceed when all required details are completed.

The IBAN number for an Irish bank account is 22 characters long and must be completed in full and the BIC can be 8 or 11 characters long. A foreign bank account may have an IBAN number less than or greater than 22 characters.

NOTE: Direct Debits can only be deducted from a bank account and bank that are SEPA compliant. Direct Debits can also be deducted from a foreign bank account but **only** if the bank and the bank account are SEPA compliant.

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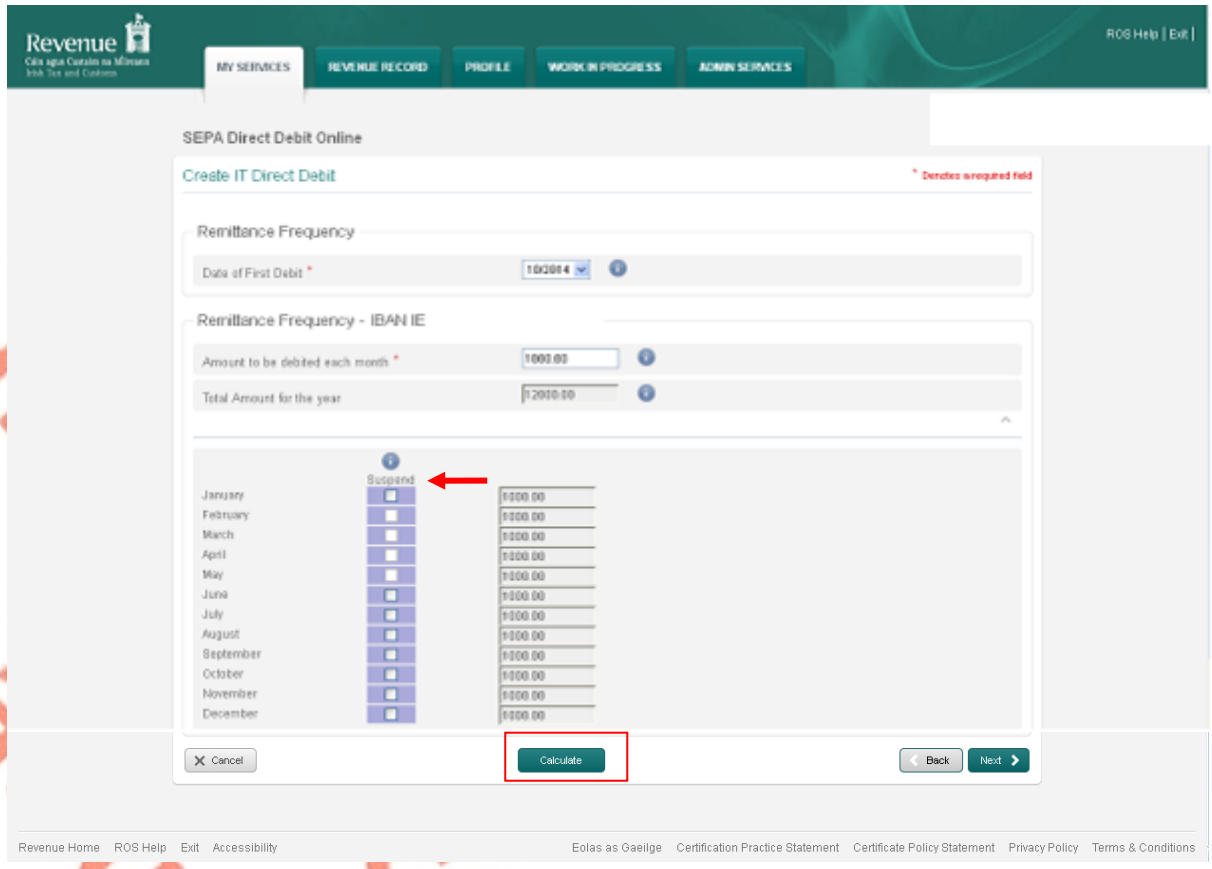

Figure 7: Remittance Details screen

When creating a Direct Debit Instruction for Preliminary Income Tax, the customer must first select "**Date of First Debit**" and then input "**Amount to be debited each month**". All monthly amount fields are populated by clicking "**Calculate**".

The system will generate the first debit date but this can be adjusted if the customer wishes to commence deductions at a future date i.e. the customer creates an Income Tax Direct Debit in August but wants the Direct Debit to commence in October. This is acceptable as long as the three and eight payments rules are adhered to.

The customer must input the amount to be debited each month.

The customer may choose not to make payments for a number of months. To do this, the customer should tick the selected months in the "**Suspend**" column. However, the three and eight payments rules must be adhered to.

To populate the monthly amount fields the customer must use the "**Calculate**" button.

Click "**Next**" to proceed to the **DDOL Options Screen** with the request in the "**Your Requests**" area.

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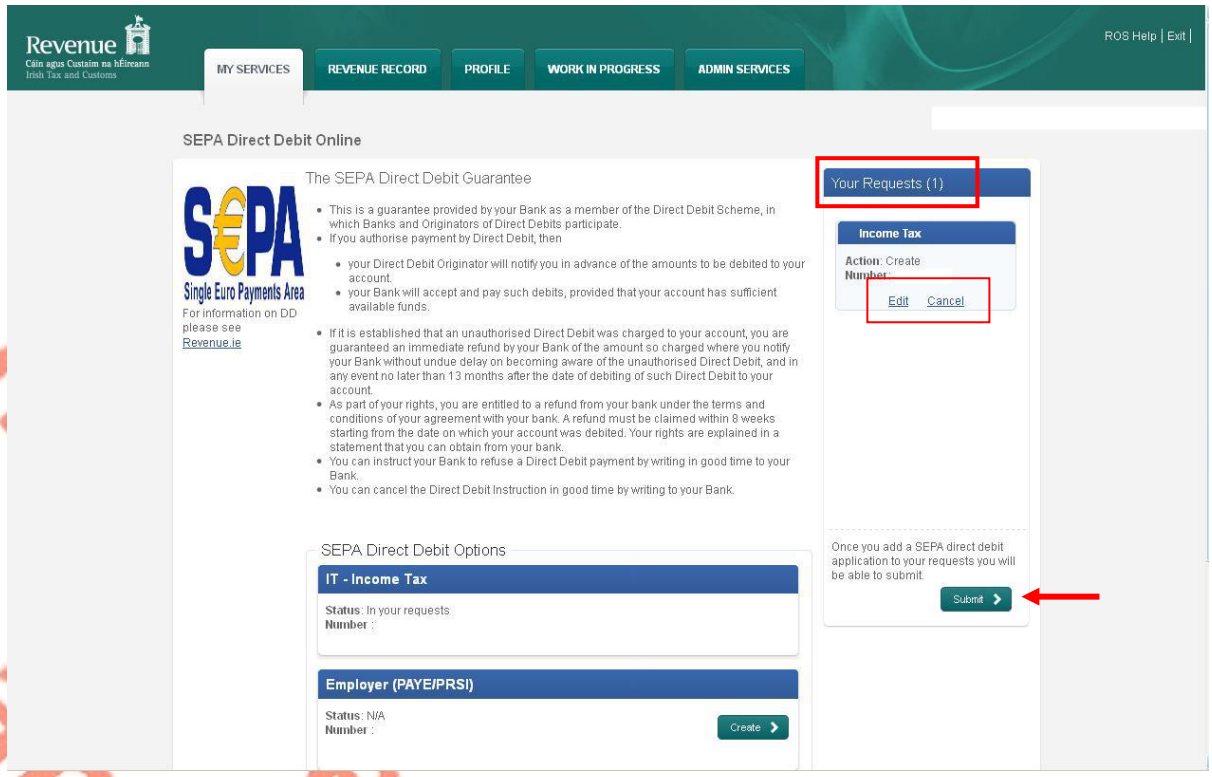

Figure 8: DDOL Options Screen with item in "Your Requests"

Customer must click "**Submit**" in the "**Your Requests**" area to proceed to the **Summary Screen**.

In "**Your Requests**", the customer also has the option to "**Edit**" or to "**Cancel**" the activity already carried out.

A more recent version of this manual is available.

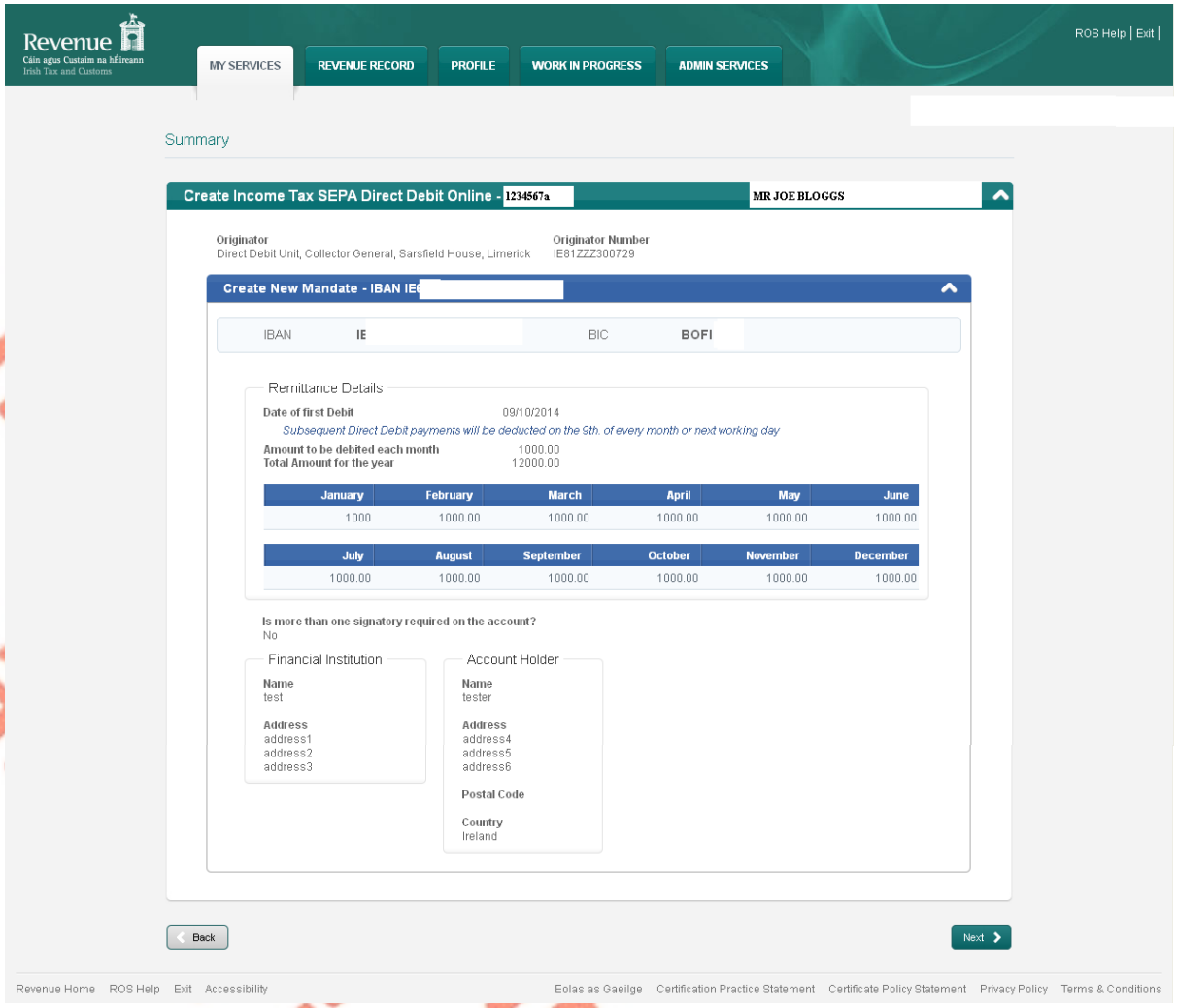

Figure 9: Summary screen

The **Summary Screen** allows the customer to review the details submitted.

Customer must click "**Next**" to proceed to **Sign and Submit** the instruction or "**Back**" to return to the **DDOL Options Screen** (previous page) which will allow the customer to "**Edit**" (in the "**Your Requests**" area) following review of the **Summary Screen**.

A full version of this manual is available.

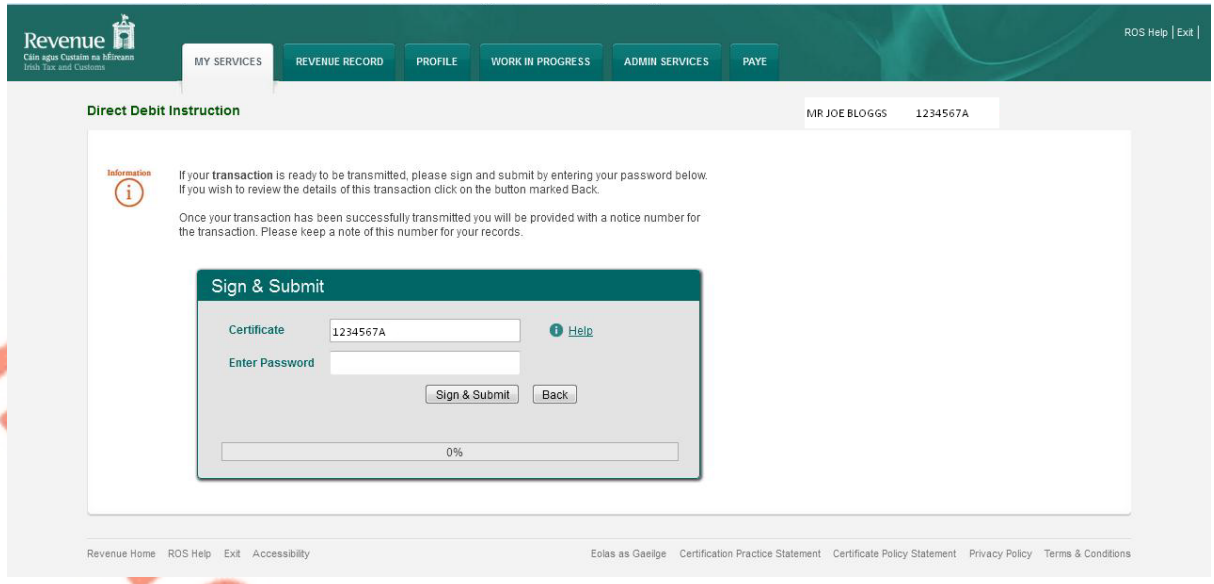

Figure 10: Sign and Submit screen

The **Certificate** field is pre-populated. Enter password and click on "**Sign & Submit**" to complete the process or click "**Back**" to return to the **Summary Screen**.

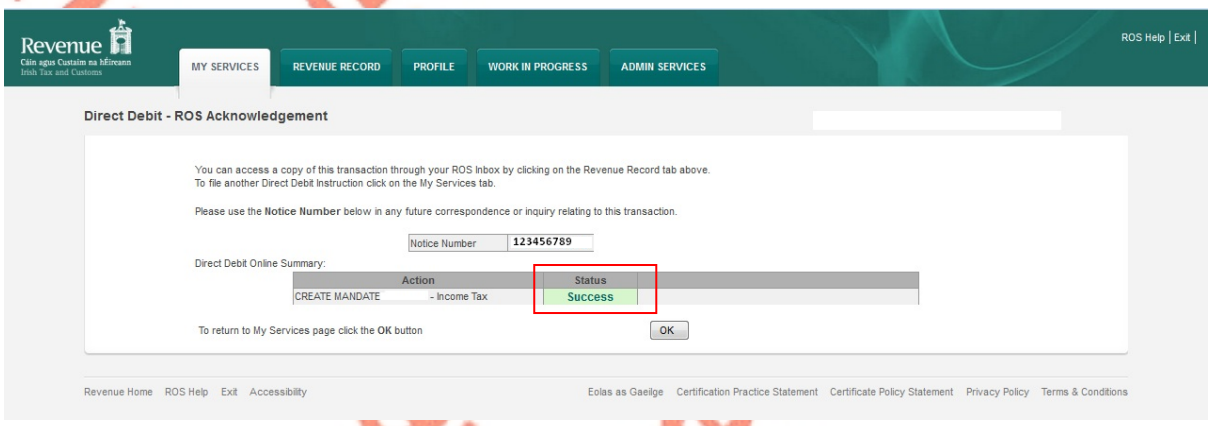

Figure 11: ROS Acknowledgement screen

Confirmation of the Direct Debit instruction with a notice number will issue to the customer's ROS Inbox showing the Status as "**Success**".

A version of this manual is available.

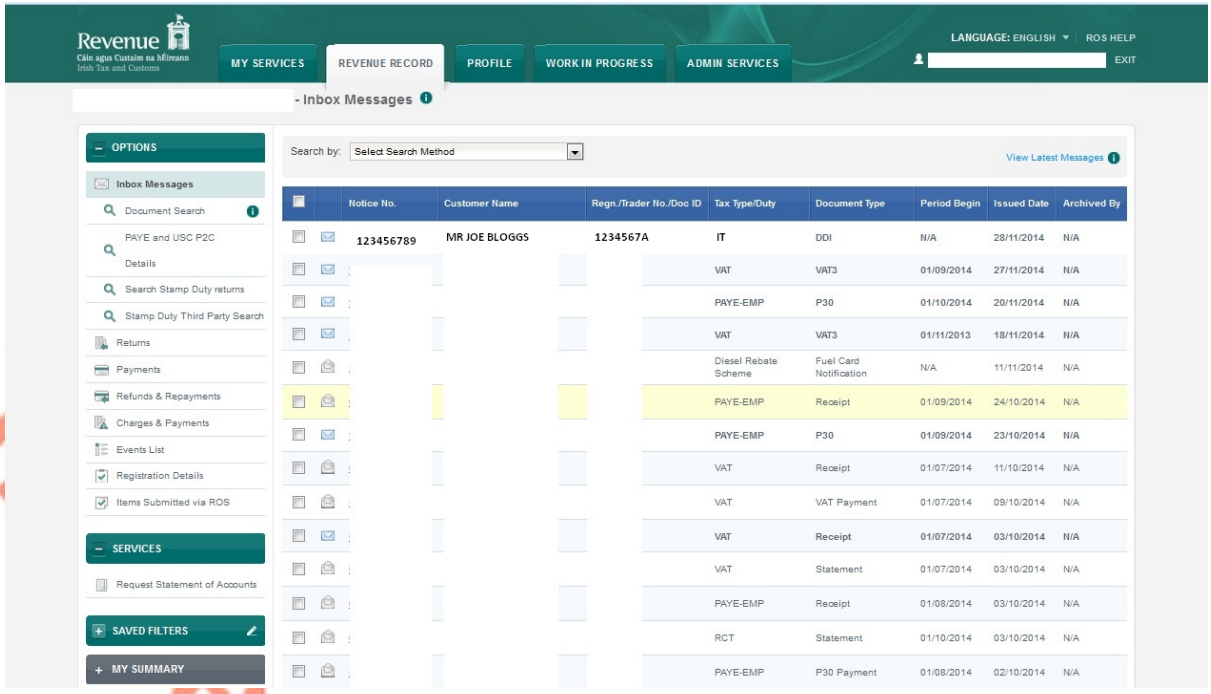

Figure 12: ROS Inbox screen

Double click on **Notice Number** to see what it refers to

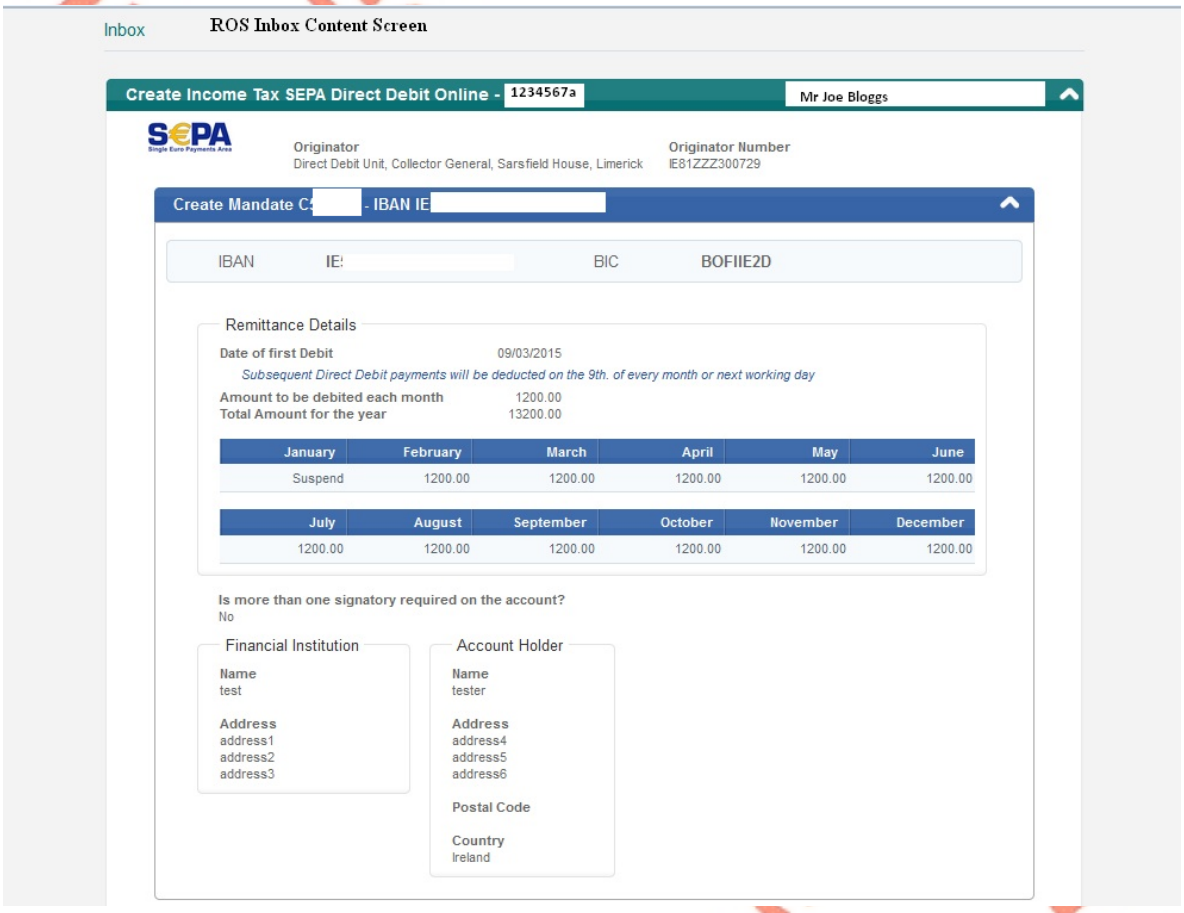

Figure 13: Screen showing Direct Debit instruction

The above screen will appear showing all details of the Direct Debit Instruction

Step by Step: How to amend Direct Debit for Preliminary Income Tax

For Preliminary Income Tax, the system in "**Amend**" mode will function similarly to the system in "**Create**" mode.

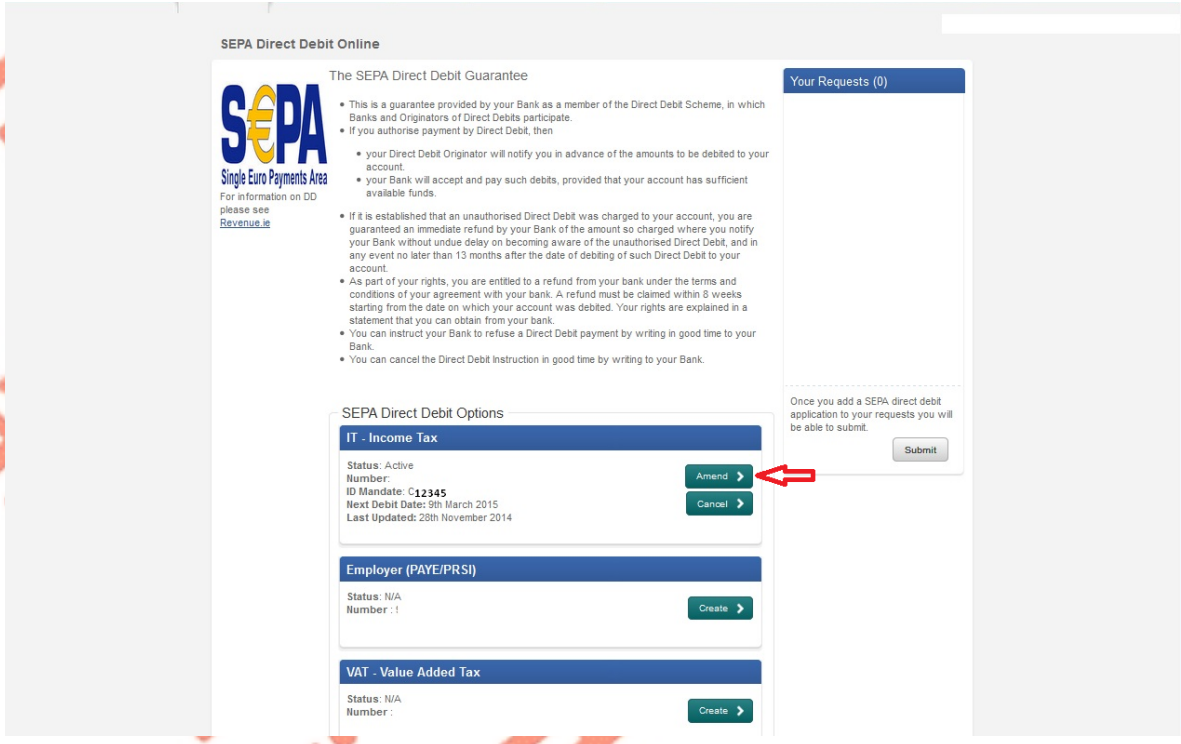

Figure 14: DDOL Options Screen showing Amend option

Click "**Amend**" in the **DDOL Options Screen**. Only those customers with an existing Direct Debit Instruction will have the option to "**Amend**".

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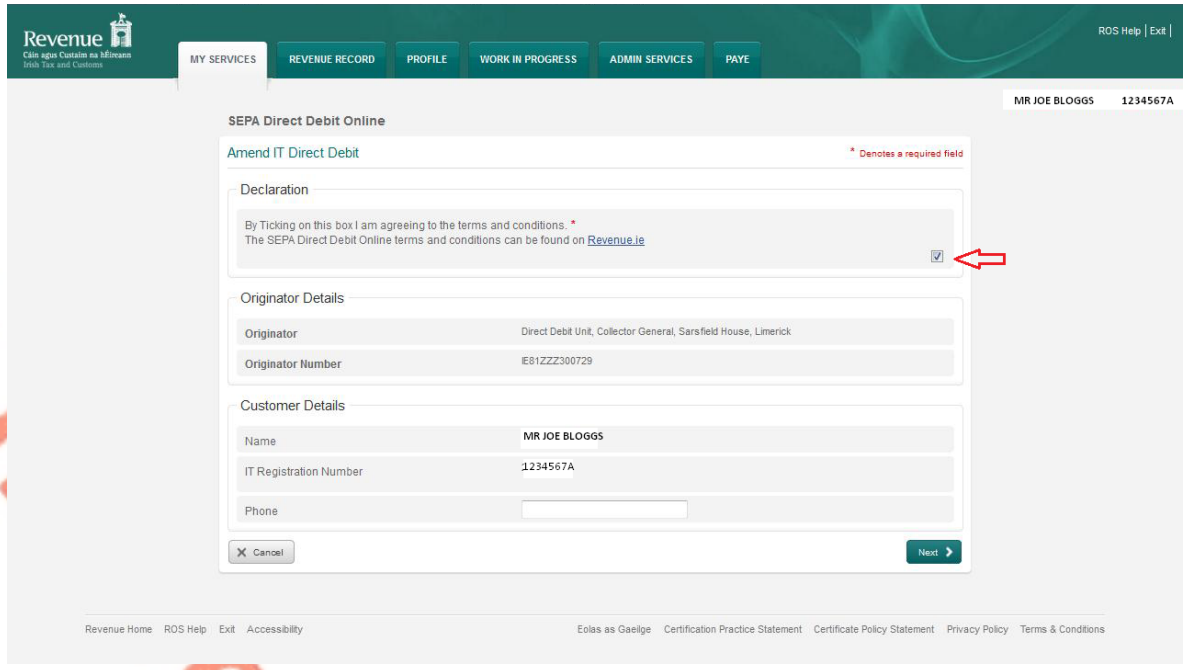

Figure 15: Customer Details screen

Ticking the box to agree to the Terms and Conditions of Direct Debit Scheme is mandatory. The Name and IT Registration Number fields will be pre-populated. Phone details are not mandatory. Click "**Next**" to proceed to the **Bank Details Screen**.

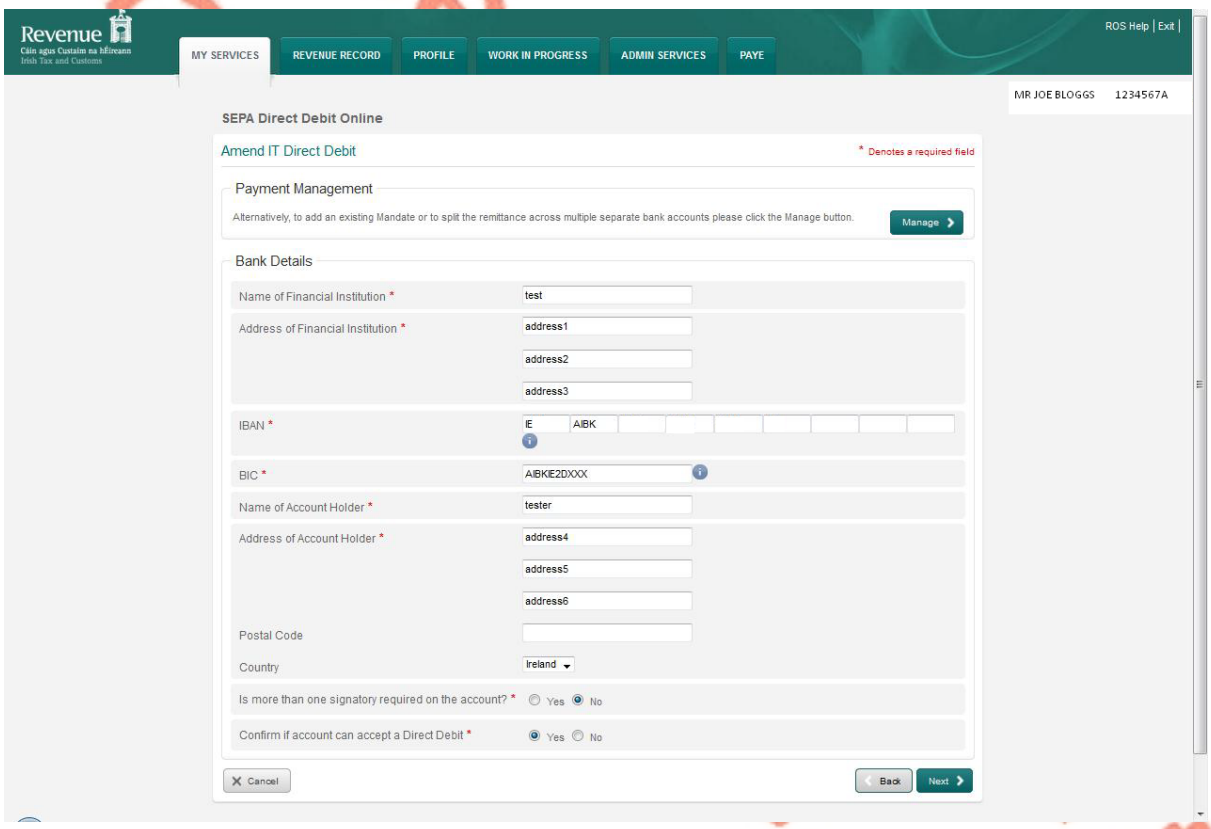

Figure 16: Bank Details screen

If amending bank details, the new details must be entered on this screen. Click "**Next**" to proceed

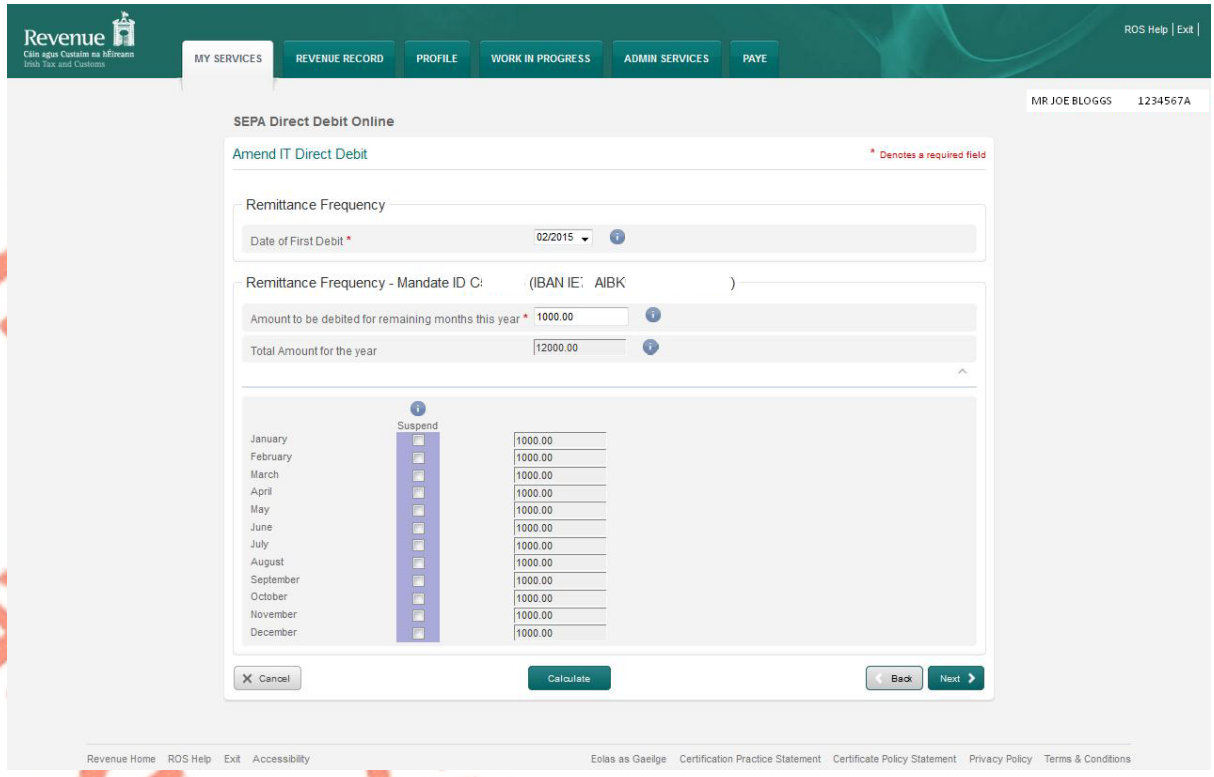

Figure 17: Remittance Details screen

This screen allows the customer to amend the debit amount or to suspend a payment. Click "**Calculate**" and then "**Next**" to proceed.

A current version of this manual is available.

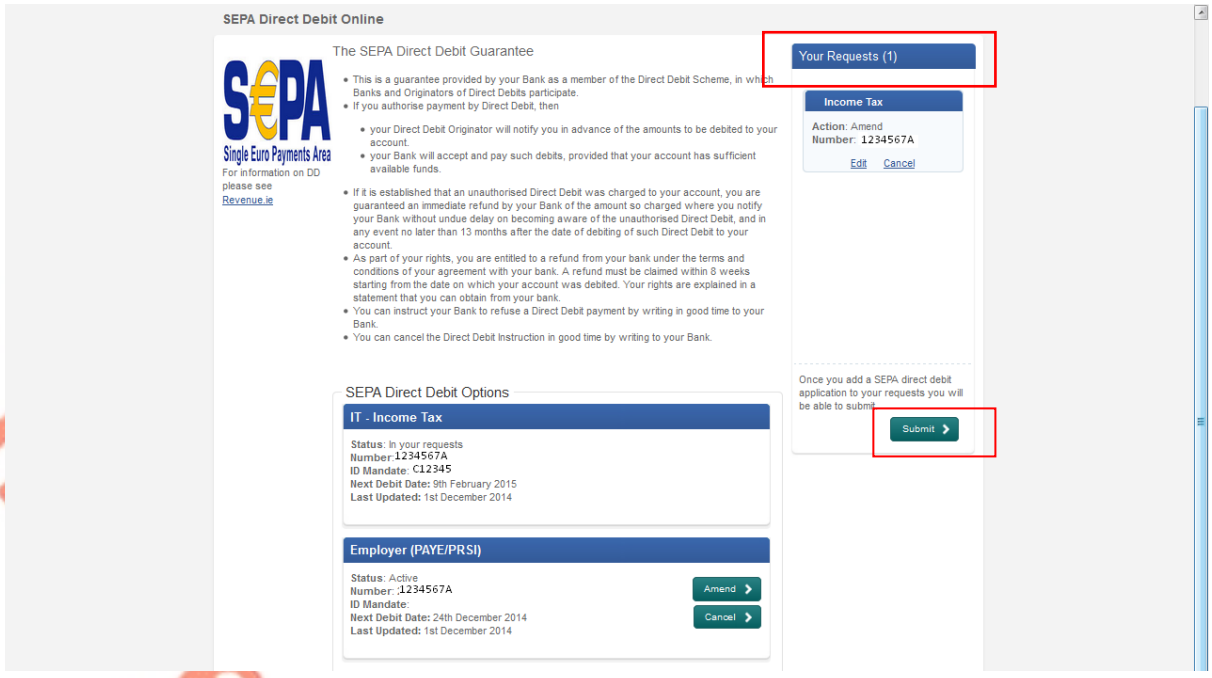

Figure 18: DDOL Options screen with item in "Your Requests"

The "**Amend**" request is now in the "**Your Requests**" area. Click "**Submit**" to proceed. Customer also has the option to "**Edit**" or "**Cancel**" this request.

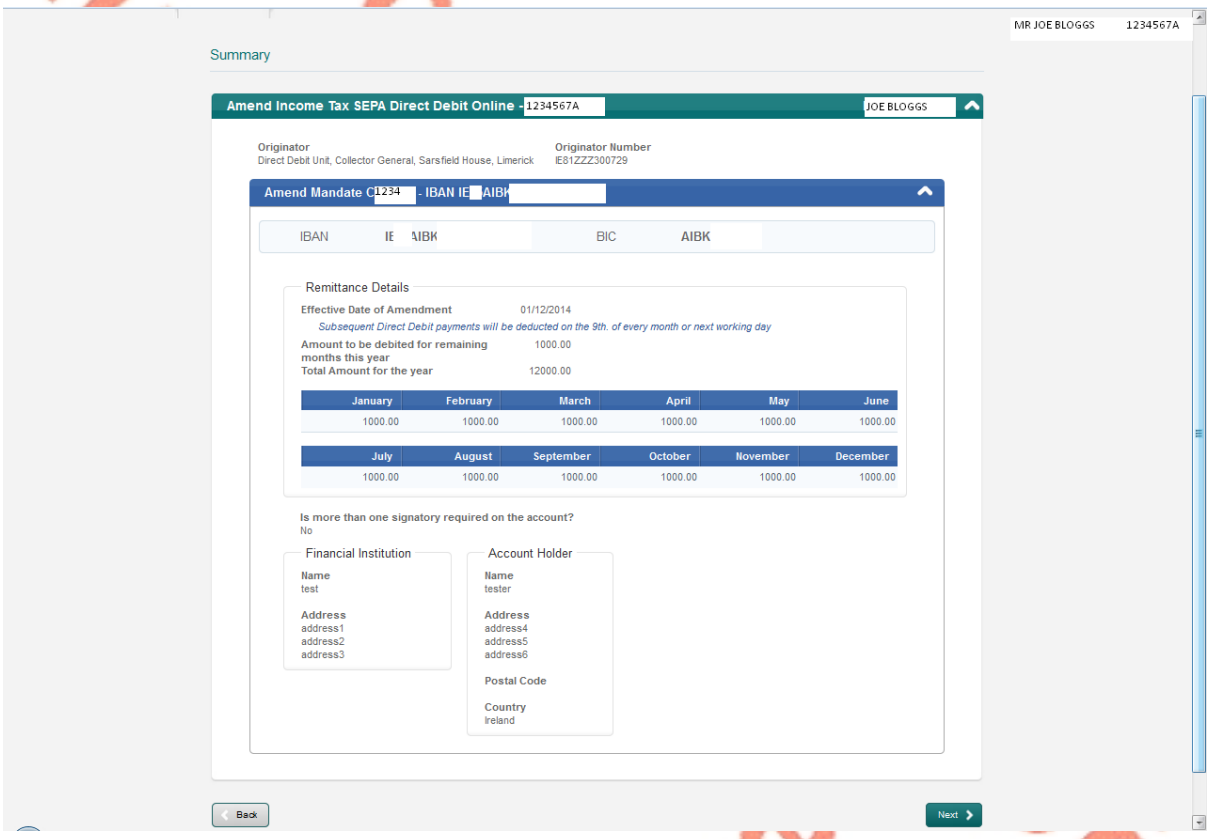

Figure 19: Summary screen

The **Summary Screen** allows the customer to review the amendment and ensure details are correct. Click "**Next**" to proceed or "**Back**" to make further changes.

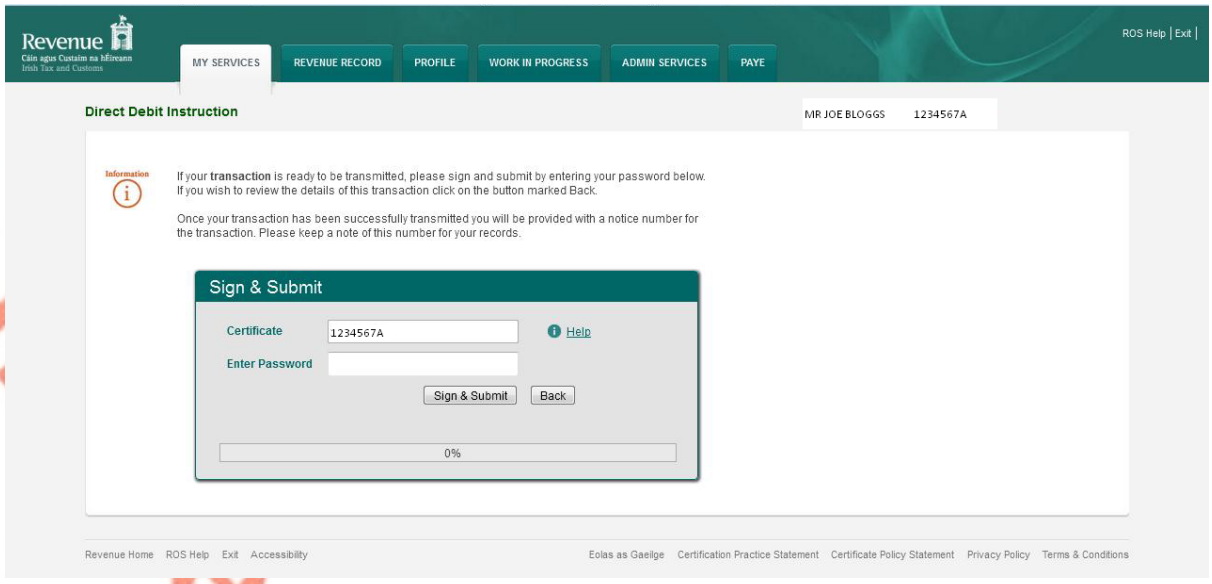

Figure 20: Sign and Submit screen

The Certificate field is pre-populated. Enter password and click on "Sign & Submit" to finalise the amendment.

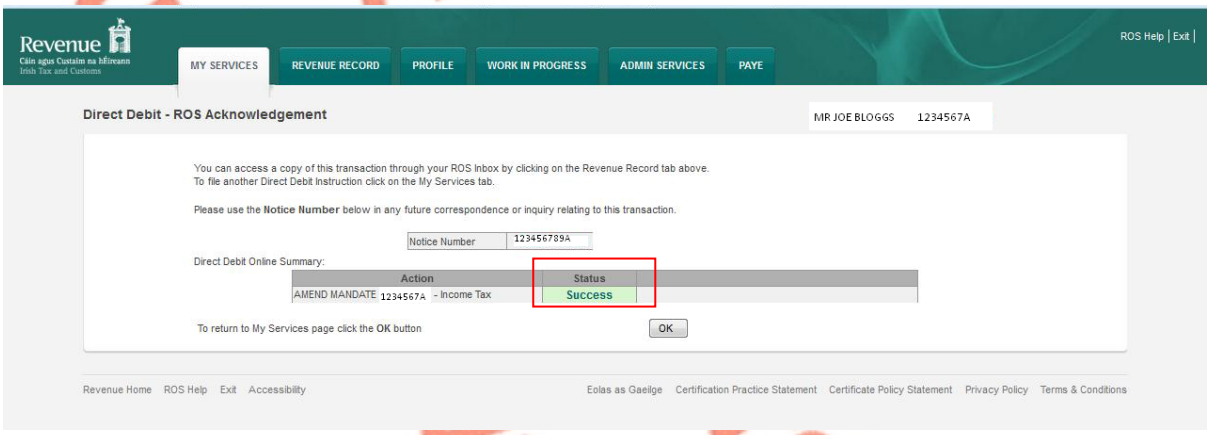

Figure 21: ROS Acknowledgement screen

Confirmation of the Direct Debit instruction with a notice number will issue to the customer's ROS Inbox showing the Status as "**Success**".

If you have more than one Direct Debit, each Direct Debit needs to be updated separately.

A machine readable version of this manual is available.

Cancel a Direct Debit Instruction/Mandate for Preliminary Income Tax

On selecting the "**Cancel**" option the following message will be displayed:

"Your Direct Debit Instruction will be cancelled permanently. Should you choose to re-apply to avail of the Direct Debit Scheme for paying Preliminary Income Tax, you will be required to make a minimum of 8 payments in all future years."

If the customer has used the **Manage Mandate** option when creating the Direct Debit Instruction, cancellations must be executed using the **Amend** function. When using the **Amend** option the customer must carefully select a particular Direct Debit Instruction for cancellation. Otherwise all Direct Debit Instructions for a particular tax may be cancelled.

The request will then be added to the "**Your Requests"** area where the option to cancel the "**Cancel"** request will exist. There will also be an option to "**Edit**" the request in the "**Your Requests**" area. Additionally, if a customer has an active instruction attached to a ceased tax registration number, then the tax registration will display on the **DDOL Options Screen** with "**Cancel**" as the only option available. If there is no active instruction associated with a ceased tax registration, then the tax registration will not be displayed.

Once the "**Cancel**" request has been added to the "**Your Requests**" area, the customer can select "**Submit"** to proceed to the **Summary Screen**. At this point, any **Cancel** request will also have a drop-down menu associated with it. This drop-down menu will contain a list of reasons for cancellation and the customer will be required to select a reason per cancellation request.

The cancellation reasons are as follows (in order):

- Revert to standard filing pattern.
- Ceased Trading.
- Customer Deceased

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Step by Step: How to cancel Direct Debit for Preliminary Income Tax

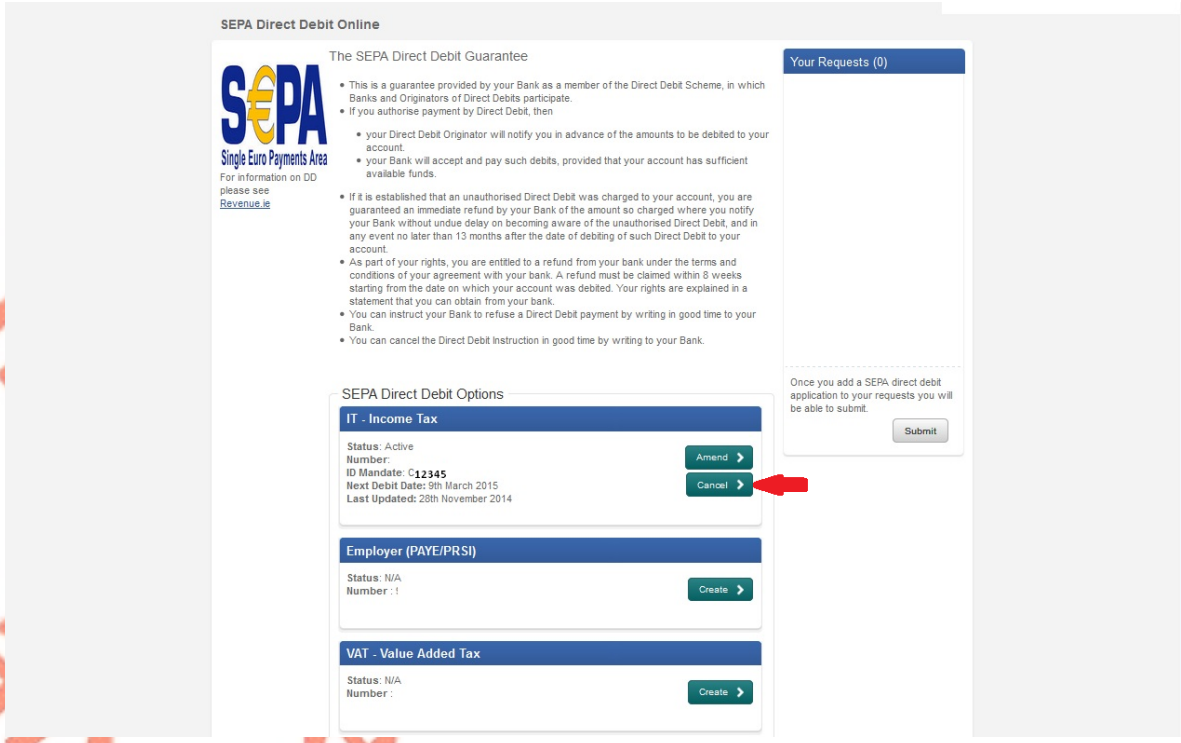

Figure 22: DDOL Options screen

Click "**Cancel**" in the **DDOL Options Screen**.

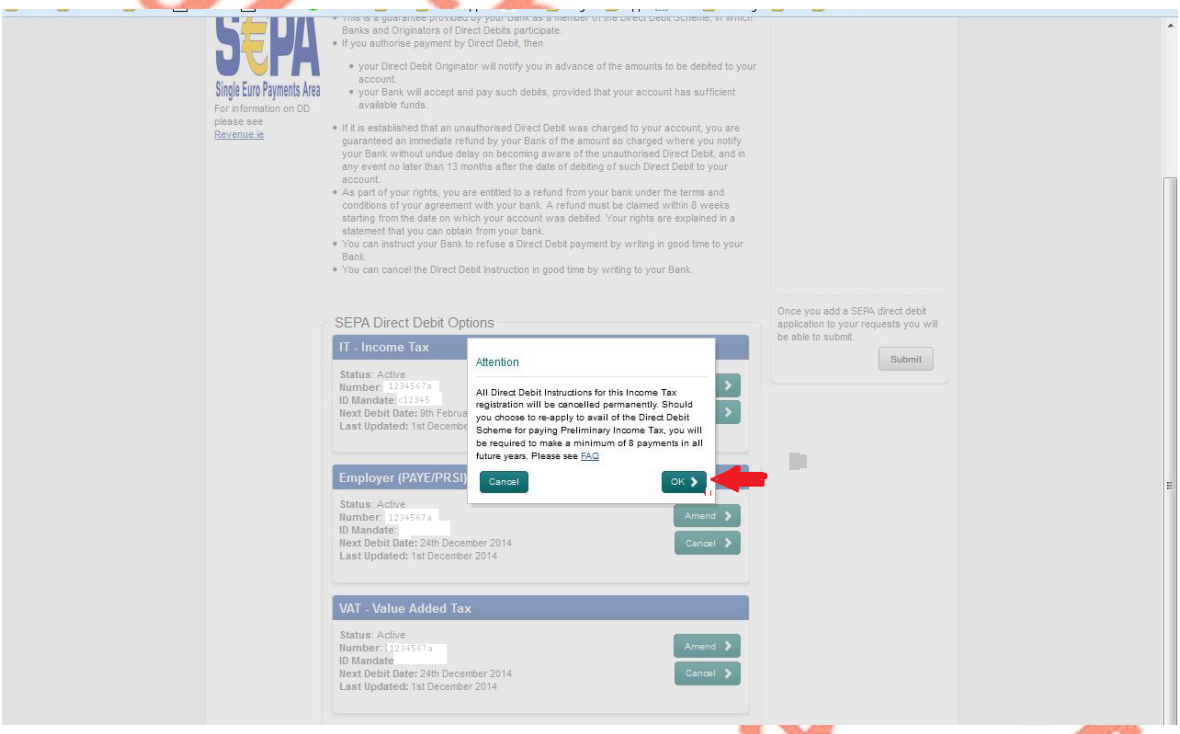

Figure 23: Cancellation confirmation screen

Click "**OK**" on the message to proceed with the cancellation of all Direct Debits for Income Tax

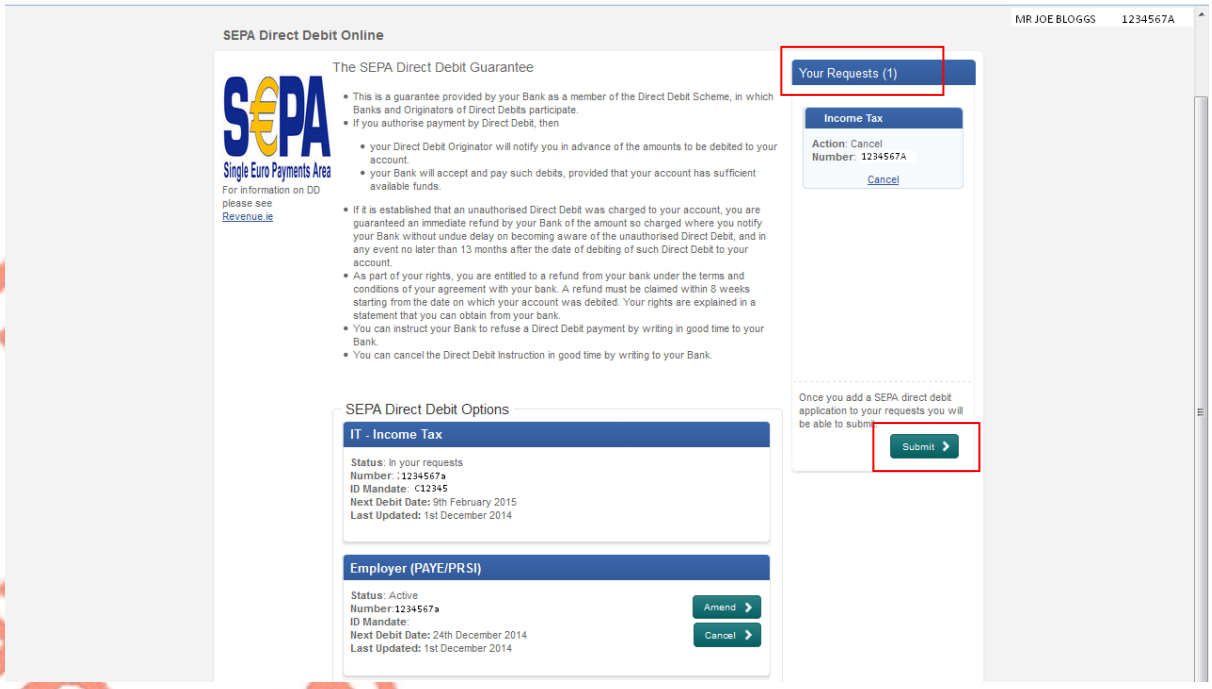

Figure 24: DDOL Options screen with item in "Your Requests"

The "**Cancel**" request is now in the "**Your Requests**" area. Click "**Submit**" to proceed.

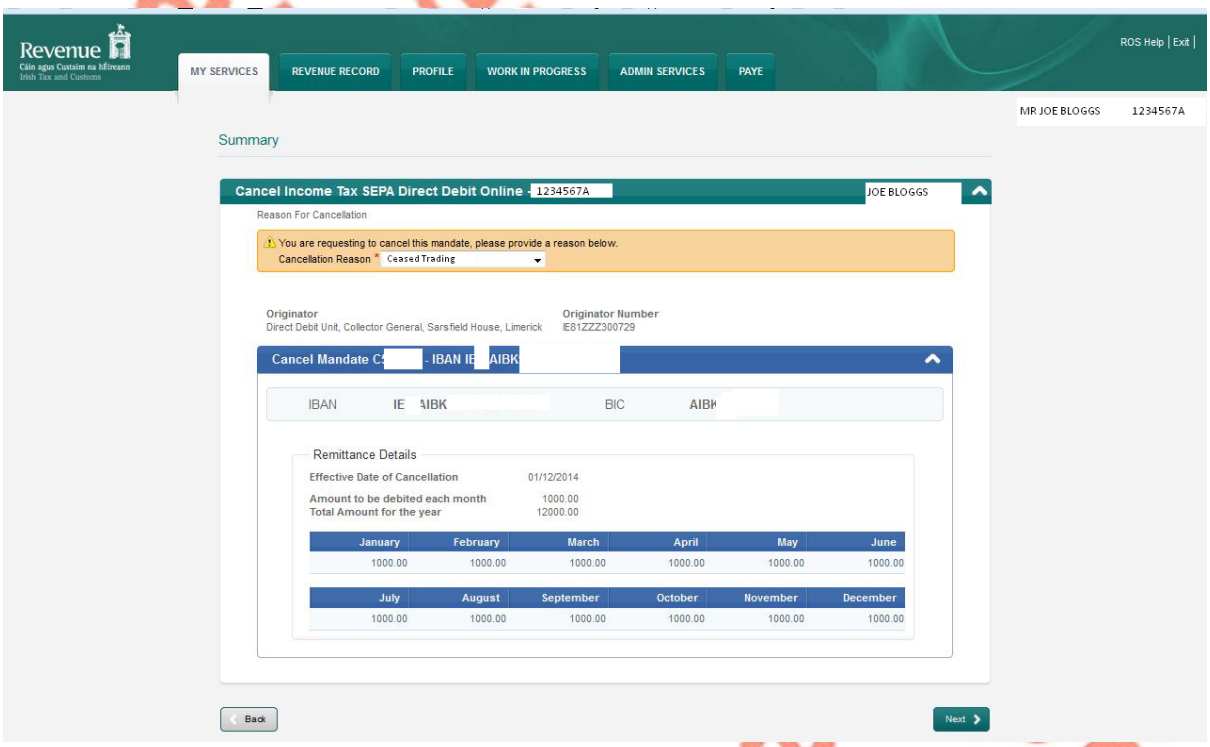

Figure 25: Summary screen

A reason for cancellation must be selected from the drop-down menu e.g. Ceased Trading. Click on "**Next**" to proceed. Other reasons on the drop-down menu are:

- Revert to standard filing pattern.
- Customer Deceased

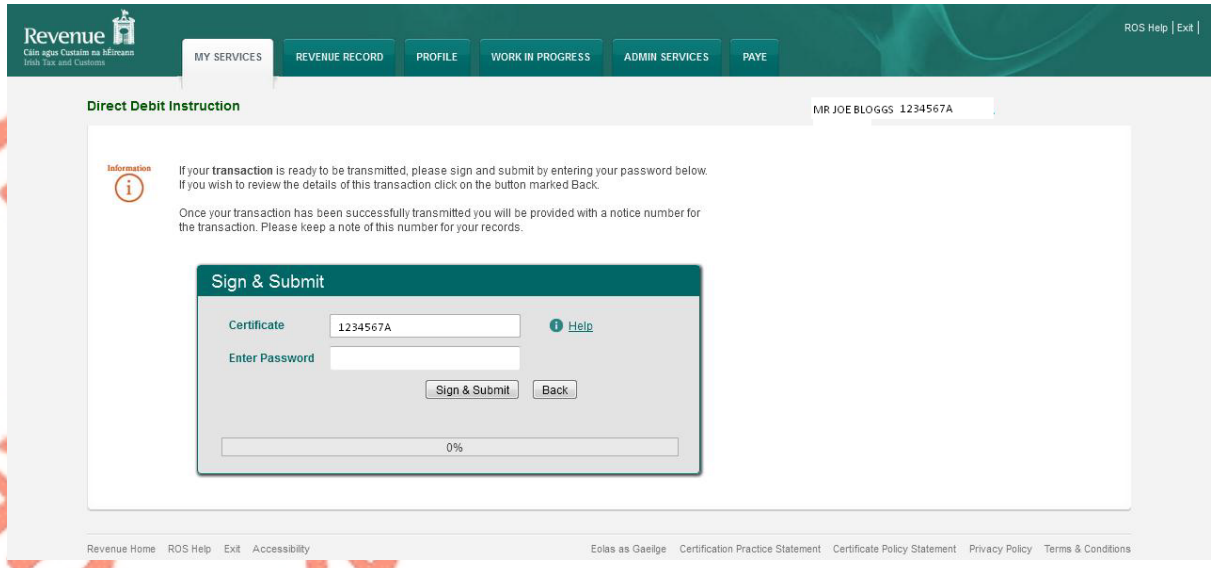

Figure 26: Sign and Submit screen

The **Certificate** field is pre-populated. The customer must enter the password and click "**Sign & Submit**" to complete the process or click "**Back**" to return to the **Summary Screen**.

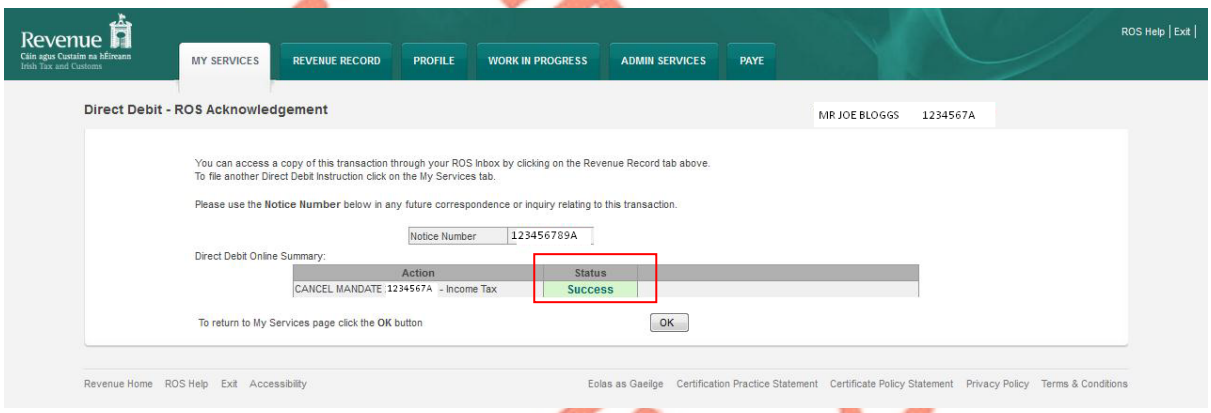

Figure 27: ROS Acknowledgement screen

Confirmation of the Direct Debit instruction with a notice number will issue to the customer's ROS Inbox showing the Status as "**Success**".

The Direct Debit for Income Tax is now cancelled

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[…]

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