

Procedures for Personal Insolvency Caseworking

Collector-General's Division

Document last updated October 2021

Table of Contents

1. Background – Legislation	3
2. Procedures for Dealing with Personal Insolvency Cases	6
3. Guidelines for Caseworkers where a taxpayer has applied for Insolvency.....	10
4. Debt Relief Notice (DRN).....	13
5. Examples of DRN.....	16
6. Debt Settlement Arrangement (DSA).....	19
7. Examples of DSA	23
8. Personal Insolvency Arrangement (PIA).....	31
9. Examples of PIA.....	35
10. Setting up a Payment Arrangement for a DSA or PIA	47
11. How to contact the Collector General’s Personal Insolvency Unit	48
12. Glossary.....	49

1. Background – Legislation

1.1 The **Personal Insolvency Act**, signed into law on 26 December 2012, introduced three new debt resolution processes for individuals in financial difficulty. Although essentially non-judicial in nature, the debt resolution processes will require approval by the Court. The main features of the processes are as follows:

(1) Debt Relief Notice (DRN)

- Total **debts less than €35,000**
- Assets less than €1,500*
- Net Disposable Income less than €60 per month
- [Insolvency](#) established
- Three years allowed for discharge (i.e. write-out) of the debt
- Non-payment arrangement
- Annual Review of applicant's circumstances by Approved Intermediary.

(2) Debt Settlement Arrangement (DSA)

- **Unsecured debts**, e.g. credit cards - **no threshold or limit**,
- 75% of debts must be at least six months old
- [Insolvency](#) established
- Five years allowed for discharge of the debt – possible extension of 12 months
- Annual Review of applicant's circumstances by Personal Insolvency Practitioner

(3) Personal Insolvency Arrangement (PIA)

- **Secured and Unsecured debts where the secured debts are less than €3,000,000** (may be higher if all secured creditors agree)
- 75% of debts must be at least six months old
- [Insolvency](#) established
- Six years allowed for discharge of the debt - possible extension of 12 months
- Annual Review of applicant's circumstances by Personal Insolvency Practitioner

The **Personal Insolvency (Amendment) Act 2015** is effective from the 30th September 2015. The changes introduced include a Court review process where a creditor has rejected the borrower's proposed PIA, giving the Court the power to enforce the proposed PIA. The 2015 Act also increased the upper limit of debt that may be covered by a DRN from €20,000 to €35,000.

The Act was further amended by the Personal Insolvency (Amendment) Act 2021 effective from 25 June 2021.

- insolvent homeowners have the right to seek review by a court if their mortgage lender or other creditors refuse a reasonable proposal for a personal insolvency arrangement regardless of when the arrears arose.
- *The asset ceiling for an insolvent person applying for a debt relief notice has been raised from €400 to €1,500. This removes an obstacle that could otherwise have affected recipients of some social welfare payments that are paid as lump sums, such as fuel allowance.
- Allowing a key advisory meeting between the insolvent person and their financial adviser to take place via remote communications technology, rather than face to face; and
- Allowing a personal insolvency practitioner (PIP) to delegate their functions under the Act to another person employed by the PIP, or working with him/her in the same firm, subject to certain conditions.

Full details of the Acts and explanations of the various arrangements are available on [ISI's](#) website.

1.2 These insolvency arrangements relate to [specified \(established\) debt](#) only. Therefore, where there is Revenue debt, all returns must be filed up to the date of the arrangement.

1.3 The Act provided for the establishment of [Insolvency Service of Ireland \(ISI\)](#). The role of the ISI includes monitoring the operation of the new insolvency arrangements and bankruptcies and authorisation and provision of licenses to the [Approved Intermediaries](#) and the [Personal Insolvency Practitioners](#).

1.4 Approved Intermediary (AI):

- is authorised by the ISI to support a debtor who wishes to apply for a Debt Relief Notice (DRN);
- is qualified to assess an individual's financial status;
- will confirm the individual's eligibility to apply for a DRN, (i.e. that the individual is insolvent and unlikely to become solvent in the next 3 years);
- will be the intermediary between the applicant and their creditors;
- will present the insolvency arrangement to the ISI for approval, once approved the ISI will present the arrangement to the Courts for its implementation.

All Debt Relief Notices (DRNs) will be processed by Approved Intermediaries (AIs).

1.5 Personal Insolvency Practitioner (PIP):

- is authorised by the ISI to make an application for a DSA or PIA on behalf of a Debtor;

- is qualified to assess an individual's current financial status;
- will confirm the individual's eligibility to apply for a DSA or a PIA, (individual is insolvent and that they are unlikely to become solvent over the term of the arrangement);
- will recommend the best course of action based on their review of an individual's financial status;
- is the intermediary between the applicant and their creditors;
- will present the insolvency arrangement to the ISI for approval once, approved the ISI will present the arrangement to the Courts for its implementation.

All DSAs/PIAs will be processed by Personal Insolvency Practitioners (PIPs).

1.6 The C-G's Personal Insolvency Unit (PIU):

- Will be the first point of contact for all AIs and PIPs
- Maintain a record of all cases that have applied for Personal insolvency arrangements
- Liaise with the PIP
- Issue Proof of Debt to the PIP
- Make the decision as regards voting at the creditors meeting and issue a proxy to the PIP
- Upon court approval notify the Debt Management unit and request they contact the PIP to set up the instalment arrangement *

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

[...]

2. Procedures for Dealing with Personal Insolvency Cases

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

[...]

➤ **Debt at Enforcement**

Once an application is made for a DRN, DSA or PIA, the Debt Management caseworker will e-mail all enforcement agencies that are pursuing the taxpayer's debt and request that the enforcement action be put on hold. The caseworker will also request a figure for the fees due.

Once a DRN is agreed:

- The total tax debt will be written-out
- Referrals/warrants withdrawn
- Claims for fees will be dealt with under the existing Enforcement Contract/Agreement.

In DSA and PIA cases:

The Insolvency Unit caseworker will issue a Proof of Debt to the PIP with Revenue's decision to opt in or out. The Proof of Debt will include:

1. All the specified tax outstanding including the tax that is with an enforcement agency for collection.
2. All interest charged on the tax debt. For the debt at enforcement the interest figure will be the amount included on the referral. Where the debt was included in a judgment, court interest will also be included in the Proof of Debt. For debt not at enforcement the interest will be calculated as follows:
 - Where the PIP requests Revenue to opt in before the PC (Protective Certificate) issued interest will be calculated to the date Revenue opted into the DSA/PIA.
 - Where the PIP requests Revenue to opt in after the PC issued interest will be calculated to the date of the PC.

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

[...]

4. Any penalties outstanding as the result of an audit,
5. All fees, commission and poundage due to the enforcement agency. The enforcement agency will notify the caseworker of the amount to be included in the

Proof of Debt. The commission and poundage will be calculated by the enforcement agency on the debt due by the taxpayer to the enforcement agency,

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

[...]

➤ **Secured Debt**

A **secured debt** is a debt that is secured against an asset of the individual. The most common secured debt is a Mortgage by a financial institution over a property. Revenue may also have a secured debt in the form of a Judgment Mortgage on the property of the individual.

While secured debt is not included in a DSA, a DSA can be agreed where there is secured debt. A PIA will include reference to the secured debt in the agreement and may include a write down of the secured amount.

In a PIA, once the PIP notifies the creditors of the issue of a [protective certificate](#), the secured creditor must send the PIP the market value of the security and a preference as to how the secured debt is to be treated.

➤ **Preferential Debt**

A **preferential debt** is a debt which has priority for payment before other debts.

In Revenue's case preferential debt means:

- The VAT, Employer Income Tax/PRSI/USC/LPT and RCT tax debt for twelve months prior to the date the Protective Cert issues from the Court and any interest chargeable on the periods.
- The twelve month IT/CGT period with the largest tax debt and any interest chargeable on the period.

In accordance with sections 67 and 101 of the Personal Insolvency Act 2012, all preferential debt due will be paid in priority to any other creditor in a DSA or PIA. Once the PIP notifies the creditors of the issue of a [protective certificate](#) s/he must also request evidence of any preferential debt claim to be made by the creditors. The onus will be on Revenue to prove that a debt is preferential. As the Personal Insolvency Act 2012 gives priority to the payment of preferential debt, Revenue can insist that all preferential debt be paid before any other creditor. In most cases Revenue will insist that the preferential debt is paid first.

However, in some cases where the PIP can prove to the caseworker's satisfaction that if Revenue was to insist the preferential debt be paid first the other creditors would refuse to enter into an arrangement and it would fail, Revenue may agree to have the preferential debt paid over the life of the arrangement.

- 2.1 Having provided all the necessary information, the AI/PIP will then make a formal request to the relevant caseworker seeking Revenue's consent to involvement in the arrangement. Revenue has 21 days to agree to a DRN or to opt in/out of a DSA / PIA arrangement.
- 2.2 AIs and PIPs have been notified of Revenue's minimum requirements in relation to information to be provided. These requirements are listed under each type of insolvency arrangement

below and are also published on Revenue's website under [Guidelines for Approved Intermediaries and Personal Insolvency Practitioners](#).

- 2.3** Revenue is automatically deemed to have consented to an arrangement if a decision is not notified to the AI/PIP within 21 days. Therefore, it is very important that the AI/PIP is notified when Revenue does not agree to a DRN or wishes to opt out of a DSA/PIA.
- 2.4 In relation to DRNs** – Revenue has agreed with the ISI that the AI will have a 70-day setting-up period which begins on the day of the formal request to Revenue. During this period all caseworking of Revenue debt, including debt at enforcement, must be put on hold. The relevant enforcement agency must be contacted immediately and instructed to put collection on hold. During this 70-day period the AI will proceed to get the approval of the ISI before applying to the Court for final approval. The 70-day period can be extended in certain circumstances, where caseworker agrees this is necessary.
- 2.5 In relation to DSAs/PIAs** - the PIP can apply to the Court for a Protective Cert before or after the formal request is made to Revenue. When the Protective Cert is granted all creditors including Revenue must hold collection / enforcement for 70 days. The relevant enforcement agency must be contacted immediately and instructed to put collection on hold. The 70-day protective period can be extended in certain circumstances.
- 2.6** Where Revenue opts out, normal caseworking procedures will continue - but only after the Protective Certificate/DRN setting up period has been completed.
- 2.7** Where Revenue consents to a DRN, the AI will proceed to get the approval of the ISI before applying to the Court for final approval.
- 2.8** Where Revenue consents to opt in to a DSA/PIA arrangement, the PIP will prepare a payment proposal and ask creditors to vote to either accept or reject the terms of the proposal. In order for the payment proposal to proceed, creditors representing -

In the case of a DSA

- (i) a minimum of 65% of the debt value

In the case of a PIA

- (i) a minimum of 65% of the debt value **and**
(ii) half of the value of the secured debt **and**
(iii) half of the value of the unsecured debt

must vote to accept the arrangement. Even if Revenue, having consented to opt in, vote against the proposed arrangement, where the minimum percentage of creditors vote to accept the arrangement, it may still proceed, and Revenue will be bound by the terms.

- 2.9** Once the arrangement is accepted the PIP will proceed to get ISI approval before applying to the Court for final approval.
- 2.10** When setting up a DSA/PIA approved arrangement where there is no secured debt, the payments are to be allocated to the outstanding taxes in the following order:
- (i) Preferential Debt
(ii) Remaining outstanding Employer Income Tax/PRSI/USC/LPT.
(iii) Other taxes

- 2.11** Where a DSA/PIA approved arrangement subsequently fails, either with regard to the specified debt or compliance for current taxes, Revenue will initially liaise with the PIP before considering whether to apply to the Court to have the arrangement terminated as the breach may be as a result of a payment variance or a payment break. Where the debtor is in arrears with his/her payments for 6 months then the arrangement has automatically failed, and the ISI will terminate it.
- 2.12** A payment variance or a payment break is available to the PIP where they believe that the debtor's circumstances have changed, and the debtor will no longer be able to pay the agreed payment. The PIP will call a creditor's meeting and the creditors will vote on whether to accept or reject the changes. However, where a DSA/PIA contains terms for a payment variance, or a payment break the PIP may introduce these options without calling a creditor's meeting.
- 2.13** **Payment Variance** - Where the variation is less than 5% of the [set costs](#) and the DSA/PIA contain terms for a payment variance, the PIP may reduce the contributions made to the creditors without seeking a creditor's meeting. The creditors will be given 14 days' notice of the reduction and the reason for the variance. This reduction will not require an extension of the length of the DSA/PIA to cover the reduction in the payments.
- 2.14** **Payment Break** - A payment break may be no less than 2 months and no more than 4 months on each occasion. The overall break must not exceed 12 months. The arrangement may be extended by up to 12 months to take account of these breaks. Payment breaks cannot run concurrently. A break may be appropriate where:
- (i) the debtor faces an emergency or unusual item of expenditure or
 - (ii) there is an unforeseen temporary reduction in the debtor's income
- If the debtor avails of a payment break as approved by the PIP then the DSA/PIA cannot be terminated as a result of the breaks.
- 2.15** Where it is necessary for an arrangement to be terminated, the Collector General's Division can commence Court proceedings.

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

[...]

- 2.16** If a creditor applies to the Court for a termination of the arrangement the ISI (as well as the PIP) will inform all the creditors. The PIP will notify the ISI where the arrangement is 6 months in arrears and the arrangement will be automatically terminated.

3. Guidelines for Caseworkers where a taxpayer has applied for Insolvency

3.1 The following will apply in all cases where an individual has applied for one of the new insolvency options:

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

[...]

- **All time periods are calendar periods and not working days. It is important that the 21-day deadline for consent is not missed by the Insolvency Unit caseworker.**
- Tax Clearance will not issue to an individual while negotiations are on-going. Tax Clearance will issue only when the arrangement is in place and is issued subject to the normal rules for tax clearance as if an instalment were in place.
- The debt included in an arrangement is '[specified](#)' and does not include taxes falling due after the [specified date](#). Therefore, normal debt collection procedures will apply to any taxes not included in the original specified debt figure. All current taxes should be paid as they fall due during the negotiations of the insolvency arrangement.
- All initial contact by an AI or PIP will be with the C-G's Insolvency Unit as set out in [Guidelines for Approved Intermediaries and Personal Insolvency Practitioners](#).
- C-G's Insolvency Unit will provide the AI/PIP contact details and individual's information when referring the case to the relevant Supervisor.
- The case will be assigned to a designated Insolvency Unit caseworker.
- Revenue should **opt out** of any arrangement where
 - All required information is not received with the formal request for a DRN, DSA or PIA.
 - A case is under Audit or Appeal.
 - Any creditor is to receive a larger proportion of their debt outstanding than Revenue. With the possible exception of the bank holding the mortgage on a PPR.
 - The individual has failed on a regular basis to meet their legal obligations to file and pay their correct tax debts. Example: numerous failed instalment arrangements, prosecution for non-submission of returns.

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

[...]

In DSA and PIA Cases

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

[...]

- The Insolvency Unit caseworker will request details of the total outstanding fees from the enforcement agency and notify the PIP of the full amount of tax, interest, penalties, fees, commission/poundage due to the enforcement agency.
- The Insolvency Unit caseworker will be responsible for the review of any proposal and the decision to participate in the arrangement will be made by the caseworker.
- Once the Insolvency Unit caseworker has agreed to the arrangement, the PIP will deal directly with the relevant enforcement agency for the payment of tax, interest, penalties, fees and commission/poundage due to the enforcement agency. Any tax and interest specified in the arrangement but not enforced will be paid directly to Revenue.
- Pension funds can now be accessed early by individuals and can be an option for payment of insolvency arrangements. If there is no pension fund listed in the Prescribed Financial Statement (PFS), caseworkers should in all such cases, confirm that none exist. If a pension is listed in the PFS and not included in the arrangement, the caseworker should establish the reason for the omission. Any pension due to be paid within 6 years and 6 months of the date of the application for the protective cert in the case of a DSA and 7 years and 6 months in the case of a PIA must be included in the arrangement.
- A DSA or PIA must make provision for the payment of all current tax liabilities incurred by the debtor during the course of the DSA or PIA. Failure to comply with this requirement would enable the Collector-General to apply to the Court for the termination of a DSA or PIA as appropriate.
- Where there are tax liabilities arising on the sale or other realisation of an asset in an arrangement, then these liabilities are considered, for the purposes of the arrangement, to arise after the Effective Date (date DSA/PIA begins) and must be paid on or before the date they are required by law to be paid (e.g. CGT on the disposal of assets held in trust under the terms of a DSA or a PIA).
- Caseworkers should note that any overpayments by Revenue to a taxpayer in relation to TRS must be included in the specified debt of an arrangement. The personal insolvency caseworkers will have access to the TRS database to check if any monies are outstanding.
- An insolvency arrangement will also include any amounts outstanding for E-Levy and Customs and Excise Duties.

- When a DSA/PIA has been agreed and there is no secured debt, the payments will be allocated as follows:
 - All preferential tax and interest on the preferential tax
 - Any remaining Employer Income Tax/PRSI/USC/LPT balance
 - All other taxes.

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

[...]

4. Debt Relief Notice (DRN)

- 4.1** An individual can apply for a DRN where:
- Total Debts < €35,000
 - Mainly unsecured debts, e.g. credit cards
 - Assets < €1500
 - Net Disposable Income < €60 per month

The following conditions also apply

- Three-year supervision period following which the debt will be discharged.
- Only one DRN in a lifetime.

- 4.2** The individual contacts an Approved Intermediary (AI) to act on their behalf. Revenue will deal only with the AI in relation to the specified debt. When a DRN is approved the individual's name will be placed on the public register of DRNs. When the three-year supervision period is reached the individual's name will be removed from the register.

The Caseworker:

- 4.3** On receipt of notification from the C-G's Insolvency Unit that the taxpayer has applied for a DRN, the Insolvency Unit caseworker will take the following initial steps:
- Contact the AI to request confirmation from the individual that the AI can act on their behalf.

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

[...]

- Specify the information required by Revenue to accompany a formal request:
 - All tax returns must be up to date.
 - A copy of the Prescribed Financial Statement (PFS).
 - Confirmation that all current taxes will be filed and paid as they fall due.

These are Revenue's minimum requirements and additional information may be sought by the caseworker to confirm the taxpayer's financial position as per the PFS.

- Remind the AI that they have two weeks to make a formal application for a DRN. If a formal request is not made within the two weeks normal collection procedures continue. Revenue may consider a formal request received after the two week deadline is exceeded. However, the case may have already progressed to enforcement.
- Issue a Proof of Debt to the AI of the outstanding taxes including any debt at enforcement, any penalties due from an audit and interest on the outstanding taxes. The interest on the tax referred to enforcement is the interest figure on the original referral.

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

[...]

- 4.4** On receipt of the AI's formal request to Revenue for a decision in relation to a DRN, the Insolvency Unit caseworker will remind the AI that they have 70 days from the date of the formal request to complete the DRN arrangement process - this includes having the arrangement approved by the ISI and the Courts. All Revenue debt including that at enforcement should be put on hold.
- 4.5** Once the formal application is made, the Insolvency Unit caseworker has 21 days to review the request, seek clarification or further information, to decide whether or not to consent to be involved in the process and to notify the AI of Revenue's decision.
- 4.6** On reviewing the information provided and depending on what is received the following will occur:
- Where a substantial amount of the necessary information is not included - Revenue does not consent.
 - Where most of the information is provided – contact AI and request additional information.
 - Where the information does not match with Revenue records – contact AI and verify information.
 - Where all information is received – review case and provide AI with decision within 21 days.

Revenue's Minimum Requirements in order to consider whether to consent:

- Individual details to include name, address and PPSN
 - Confirmation from the individual that AI can act on their behalf and confirmation of AI's authorisation
 - All tax returns up-to-date
 - A completed Prescribed Financial Statement.
- 4.7** If there is no other [excludable debt](#) or where it is known that the other excludable creditors will consent (contact with other excludable creditors may be required), then Revenue will consent to the DRN for all these cases.
- 4.8** The decision will be made either to consent or not consent. It is important that the Insolvency Unit caseworker remembers to notify the AI when Revenue does not consent to the DRN - if we fail to notify the AI of our decision we will be deemed to have consented to the DRN.
- 4.9** **If Revenue does not consent**, the Insolvency Unit caseworker will notify the AI and provided the AI is not continuing with the DRN, Revenue may proceed with normal collection procedures. If the AI is continuing with the DRN, Revenue must continue to hold collection for 70 days starting on the date of the formal request. The Debt Management caseworker should ensure that any relevant enforcement agency is aware of the 70 day hold.

- 4.10** If Revenue consents, the Insolvency Unit caseworker will notify the AI of Revenue's consent and remind the AI that the collection of the [specified tax debt](#) is on hold until the 70-day setting up period expires. The 70-day period will have begun on the date the formal request for a DRN was made to Revenue. During the 70-day setting up period, the AI will confirm that current taxes will be paid as they fall due and apply to the ISI and the Court for the DRN to be approved. Any taxes that fall due during the setting up period must be filed and paid as they are not included in the [specified tax debt](#).
- 4.12** Where Revenue consents and the Court has approved the DRN, the Debt Management caseworker will write-out the [specified tax debt](#) at the date of the arrangement. All enforcement activity must be withdrawn. The Insolvency Unit caseworker should contact the ISI where a current compliance problem arises during the supervision period. If the issue cannot be resolved it may result in the DRN being terminated by the Courts and the tax debt being re-instated.
- 4.14** If the individual adheres to the DRN conditions for the three-year supervision period then all debts included in the DRN are permanently discharged.
- 4.15** An individual may finish a DRN early if half of the debt owed in the DRN arrangement is paid before the end of the supervision period. In these cases, the legislation states that any payments will be allocated firstly to the [excludable creditors](#) and any available balance will be allocated to the remaining creditors.
- 4.16** The ISI must notify Revenue of a change in the individual's circumstances. Where an individual's net monthly salary increases by > €400, then half of the increase must be used to pay the debts included in the DRN. The payments will continue until the DRN supervision period finishes or half the debt included in the DRN is paid.
- 4.17** The ISI will notify Revenue when the DRN is successfully completed and the individual will be removed from the Insolvency Service's Register of DRNs.
- 4.18** Examples of DRN cases are set-out on the following pages.

5. Examples of DRN

Example 1: DRN – Revenue Consents to being included

John is unemployed and in receipt of Social Welfare income of €744 per month. John's house was re-possessed in 2011 and he moved back in with his parents.

John's current insolvent position

Assets		Monthly Income	
Car	€1,500.00	Monthly Net Income	€744.00
Tools	€ 300.00		
Total	€1,800.00		
Debts		Monthly Expenses	
Credit Card	€7,000.00	Reasonable Living Expenses	€1,045.48
Revenue Commissioners	€8,000.00*	Net Disposable Income	
Mobile Phone	€ 800.00	(prior to servicing debt)	- € 301.48
Total	€15,800.00		

*Revenue Debt includes Tax of €7,400 and interest of €600.

The AI has determined that Tom is eligible to apply for a DRN. The AI contacts Revenue and supplies all the required information as outlined above. Once the Insolvency Unit caseworker is satisfied that all Revenue requirements are met, s/he should consent to Revenue being included in the DRN and proceed with the debt write-out.

Example 2: DRN – Revenue Does Not Consent to being included

Tom is an unemployed construction worker in receipt of Social Welfare income of €744 per month. He lost his job 10 months ago and now lives at home with his parents.

Tom's current insolvent position

Assets		Monthly Income	
Tools	€3,000.00	Monthly Net Income	€744.00
Jewellery	€ 300.00		
Total	€3,300.00		
Debts		Monthly Expenses	
Credit Card	€7,000.00	Reasonable Living Expenses	€933.14
Revenue Commissioners	€8,000.00*	Net Disposable Income	
Mobile Phone	€ 800.00	(prior to servicing debt)	- €189.14
Total	€15,800.00		

*Revenue Debt includes Tax of €7,400 and interest of €600.

Having determined Tom's eligibility to apply for a DRN, the AI contacts Revenue. As Tom has **not** filed his 2011 Income Tax return, Revenue **opts out** of the DRN. The AI continues to set up the DRN without including Revenue and after the 70-day setting up period Revenue continues to collect the outstanding debt as normal.

If the outstanding IT return is filed within 10 days of the AI being notified and all other Revenue requirements are met, Revenue will **opt in** to the DRN.

Section 38(2) and (3) of the Personal Insolvency Act 2012, states that all excludable creditors will be paid before any monies are given to unsecured creditors. This will apply in cases where the taxpayer's circumstances change and a payment can be made to the outstanding debts.

In the cases below Revenue's debt is paid in full before the balance of the proceeds goes to the remaining creditors. The AI has no right to allocate the proceeds any differently.

Example 3: DRN – Finishes Early

Jane is a hairdresser. She has suffered a substantial drop in business in the last 12 months and now has a net monthly income of €1,300.

Jane's current insolvent position

Assets		Monthly Income	
Household items	€2,000.00	Monthly Net Income	€1,300.00
Car	<u>€1,700.00</u>		
Total	€3,700.00		
Debts		Monthly Expenses	
Credit Card	€4,000.00	Reasonable Living Expenses	€1,045.48
Revenue Commissioners	<u>€3,000.00*</u>	Rent	€ 210.00
Total	€7,000.00	Net Disposable Income (prior to servicing debt)	€ 44.52

*Revenue Debt includes Tax of €2,800 and interest of €200.

The AI has determined that Jane is eligible to apply for a DRN. The AI contacts Revenue and supplies all the required information. Once the Insolvency Unit caseworker is satisfied that all Revenue requirements are met, s/he should consent to Revenue being included in the DRN and proceed to write-out the debt.

After year 1, Jane receives an inheritance of €5,000 and wishes to exit the DRN. Jane will pay €3,500 (half the specified debt) to exit the DRN. As per the legislation, the payment will be allocated as follows:

Debts

Revenue Commissioners	€3,000.00
Credit Card	€ 500.00
Jane	<u>€1,500.00</u>
Inheritance	€5,000.00

Where possible, the caseworker will remove the write-out stops.

Example 4: DRN – Change in Circumstances

Jane is a hairdresser. Her insolvent position is as above, the DRN is approved and the Revenue debt is written out.

Eighteen months into the supervision period Jane's income increases by €500 per month. As Jane's income has increased by more than €400 per month, the ISI contacts Revenue with an offer of a monthly payment of half the increase in order to comply with the legislation.

Jane will make the following payments:

14 months @ €250 = €3,500.

As per the legislation, €3,000 (12 months @ €250) will be paid to the tax debts and the remaining €500 (2 months @ €250) will go to the credit card provider. Jane's DRN will finish before the end of the three year supervision period as she will have paid half the specified debt in 2 years and 8 months. (18 months of no payments and 14 months of payments).

Where possible, the Debt Management caseworker will remove the write-out stops and contact the AI to provide EFT details to allow for payments to be made.

6. Debt Settlement Arrangement (DSA)

An individual can apply for a DSA where:

- 75% of debts are at least six months old
- Unsecured debts only – e.g. credit cards
- Insolvent

The following conditions also apply

- Five years allowed for partial payment of the debt – possible 12 month extension
- Annual review of financial circumstances carried out by the PIP
- Only one DSA in your lifetime
- Publication of debtor's arrangement on the ISI's Public Register of DSAs

6.1 The individual contacts a Personal Insolvency Practitioner (PIP) to act on their behalf. Revenue will negotiate the arrangement with the PIP in relation to the specified debt.

6.2 A PIP may apply for a protective certificate before notifying Revenue of the taxpayer's intention to enter a DSA. A formal request will then be sent to Revenue and the caseworker will have 21 days to make the decision to opt in or out. If a protective certificate issues from the Court all collection by Revenue must be put on hold, including debt at enforcement. The Debt Management caseworker should contact the relevant enforcement agency and inform them of the protective certificate. In this scenario please follow the steps in 6.3 and then skip to [point 6.7](#) and continue from there.

6.3 The Insolvency Unit Caseworker:

- Contacts the PIP to request confirmation from the individual that PIP can act on their behalf and confirmation that the PIP is authorised.

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

[...]

Specifies the minimum information required by Revenue to accompany a formal request:

- Individual's name, address and PPSN
- Confirmation from the individual that the PIP can act on their behalf
- All tax returns must be up to date
- A completed Prescribed Financial Statement (PFS)
- Approximate cost of PIP
- Confirmation that all current taxes will be filed and paid as they fall due
- Confirmation that payments in the arrangement will be made by DD.

These are Revenue's minimum requirements and additional information may be sought by the caseworker to confirm the taxpayer's financial position as per the PFS.

- Will notify the PIP if any of the debt is currently being enforced and will provide the contact details of the enforcement agency.
 - Will put a hold on collection of all Revenue debt, including debt at enforcement.
- 6.4** The caseworker informs the PIP that all necessary information and a formal request for an arrangement must be filed within two weeks.
- 6.5** If a formal request is not made within the two weeks, normal collection procedures continue. Revenue may consider a formal request received after the two week deadline is exceeded. However, the case may have already progressed to enforcement.
- 6.6** On receipt of the PIP's formal request to Revenue for a decision in relation to a DSA, a Stop 54 will be input on the case.
- 6.7** Once the formal application is made, the caseworker has 21 days to review the request, seek clarification or further information, to decide whether or not to consent to be involved in the process and to notify the PIP of Revenue's decision.
- 6.8** On reviewing the information provided and depending on what is received the following will occur:
- Where a substantial amount of necessary information is not included - Revenue opts out.
 - Where most of the information is provided – contact PIP and request additional information.
 - Where the information does not match with Revenue records – contact PIP and verify information.
 - Where all information is received – review case and provide PIP with decision within 21 days.
- 6.9** The PIP has 10 days to respond to any requests for additional information/verification as Revenue has just 21 days to come to a decision to opt in or out. If the information/verification is not provided in time, Revenue will opt out.
- 6.10** **Once a decision is made to either opt in or out, the Insolvency Unit caseworker will notify PIP.**

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

[...]

- 6.11** Where Revenue opts in, the Insolvency Unit caseworker will issue a Proof of Debt with an email notifying the PIP of Revenue's decision to opt in. The Proof of Debt is the basis for Revenue's specified debt in the DSA and must include the following:
- The total tax debt including the debt at enforcement.
 - Interest on debt at enforcement, interest charged on the referral
 - Interest on debt not at enforcement, interest charged on the final demand
 - Any audit penalty outstanding.
 - Any enforcement costs as notified by the sheriff/solicitor.

The Proof of Debt issued will cover all debt including debt at enforcement, interest figure, any audit penalty figure, and enforcement costs.

- 6.12** Regardless of whether Revenue has opted in or out, once a protective certificate issues from the Court, Revenue must hold collection for 70 days. The relevant enforcement agency should be instructed to put collection on hold while the protective certificate is in place.
- 6.13** When the PIP notifies Revenue that a protective certificate has been issued a **Stop 11** is placed on the debt to be included in the arrangement. The PIP will also request Proof of Debt which will include Revenue's Preferential Debt.
- 6.14** If no protective certificate issues from the Court, then normal collection procedures will follow.
- 6.15** The Insolvency Unit caseworker will remind the PIP of the additional informational requirements needed to decide whether Revenue will agree to the arrangement.

Minimum Revenue requirements in order to consider whether to agree to an arrangement:

- Details and supporting documentation for all assets (including any charges) and liabilities (incl. PIP fees)
 - Details and supporting documentation for all future projections made
 - Details of any gifts/other income incorporated in arrangement
 - Confirmation that current taxes will be paid as they fall due
 - Details of measures taken to address debt.
 - Where Revenue debts are greater than €20,000; details of any debt not included in the arrangement that will continue to be paid outside of the DSA/PIA.
- 6.16** All additional information must be supplied by the PIP within the 70-day period of the Protective Certificate, including confirmation that current taxes will be paid as they fall due. Any taxes that fall due during the setting up period must be filed and paid as they are not included in the specified debt covered by the protective certificate. In some cases the Court may extend the protective certificate period by 40 days where there is a reasonable chance of an arrangement being put in place. The Insolvency Unit caseworker will be notified of any extension by the PIP. In very exceptional circumstances another additional 40 days may be granted after the expiration of the initial 110 days. Where the Court has granted an extension on the time of the protective certificate, Revenue must also extend the hold on collection.
- 6.17** The PIP will issue a Proxy Form to each creditor when asking them to vote.

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

[...]

- 6.18** Once the required value of creditors vote in favour of the DSA the PIP brings the arrangement to the Insolvency Service, who will bring the arrangement to the Court for approval.

- 6.19** When the Court has approved the DSA, Revenue will input a **Stop 11** on all debt listed on the Proof of Debt. The debt to be paid under the DSA will be remitted by the PIP in instalments by EFT. Where there is debt at enforcement included in the arrangement this will be collected by the relevant enforcement agency. [See examples below.](#)

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

[...]

- 6.20** If the individual defaults on current taxes or three months payments cancel under the DSA then the PIP should be contacted to resolve the issues. If they cannot be resolved then the Collector-General applies to the Court to have the DSA terminated.
- 6.21** The DSA will be automatically terminated if the individual defaults on the arrangement for **six months.**
- 6.22** Three months after successfully completing the DSA the debtor's name will be removed from the register.

7. Examples of DSA

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

[...]

Example 1: DSA – Consent to be included, sale of assets and no Revenue Preferential Debt

Mary had a boutique for 15 years before she had to close in 2010. She now works as a shop assistant. The bank forced Mary to sell her premises, which included the shop and overhead residence, so she now rents accommodation. Revenue had written out the debt.

Mary's current insolvent position

Assets Chattels € 7,000.00 Car € <u>5,000.00</u> Total €12,000.00		Monthly Income Monthly Net Income €1,600.00	
Unsecured Debts Credit Card € 5,000.00 Personal Loan €15,000.00 Revenue Commissioners € <u>28,300.00</u> * Total €48,300.00		Monthly Expenses Total Set Costs € 1,045.48 Rent € <u>210.00</u> Reasonable Living expenses € 1,255.48 Net Disposable Income (prior to servicing debt) € 344.52	

* Revenue's debt is broken down as follows: Tax: €25,000, Interest: €3,300

The debt is no longer at enforcement as it has been written out by Revenue. There is no preferential debt to Revenue as there is no Income Tax or Capital Gains tax outstanding and all the other debt is over 12 months old.

Once all the required information has been received from the PIP (this should confirm the decision to write-out), the Insolvency Unit caseworker should consent to **opt in** to the arrangement and issue the proxy form to the PIP instructing them to vote in favour of the arrangement at the creditors' meeting.

The Insolvency Service and the Court have approved the DSA. From the arrangement provided by the PIP we know that Mary is selling her chattels worth €7,000 and will be paying €344.52 per month towards the combined debts.

This means that Mary will pay:

Sale of chattels		€ 7,000.00
Monthly payments	(€344.52 x 12) x 5	€ <u>20,671.20</u>
Total		€27,671.20

The payments will be allocated to the debt as follows:

PIP fees	€ <u>5,000.00</u>
Amount left for payment of creditors	€22,671.20

Revenue	$(€28,300 \div €48,300) \times €22,671.20$	€13,283.54
Credit Card	$(€ 5,000 \div €48,300) \times €22,671.20$	€ 2,346.92
Personal Loan	$(€15,000 \div €48,300) \times €22,671.20$	€ <u>7,040.74</u>
Total		€22,671.20

Amount available from lump sum	€ 7,000.00
Less PIP fees paid	€ <u>1,000.00</u>
Amount left for payment of creditors	€ 6,000.00

Revenue	$(€28,300 \div €48,300) \times €6,000$	€ 3,515.52
Credit Card	$(€ 5,000 \div €48,300) \times €6,000$	€ 621.12
Personal Loan	$(€15,000 \div €48,300) \times €6,000$	€ <u>1,863.36</u>
Total		€ 6,000.00

	Total	Monthly
Amount payable	€20,671.20	€344.52
Less PIP fees	€ <u>4,000.00</u>	€ <u>67.00</u>
Amount left for payment of creditors	€16,671.20	€277.85

Revenue	$(€28,300 \div €48,300) \times €16,671.20$	€ 9,768.01	€162.80
Credit Card	$(€ 5,000 \div €48,300) \times €16,671.20$	€ 1,725.80	€ 28.76
Personal Loan	$(€15,000 \div €48,300) \times €16,671.20$	€ <u>5,177.39</u>	€ <u>86.29</u>
Total		€16,671.20	€277.85

Breakdown of Revenue Debt:

VAT	€14,650.00
Employer Income Tax/PRSI/USC/LPT	€10,350.00
Interest	€ <u>3,300.00</u>
Total	€28,300.00

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

[...]

Example 2: DSA – Consent to be included, sale of assets and Revenue Preferential Debt

Mary had a boutique for 15 years before she had to close in early 2014. She now works as a shop assistant. The bank forced Mary to sell her premises, which included the shop and overhead residence, so she now rents accommodation. Revenue had written out the debt.

Mary's current insolvent position

<u>Assets</u>		<u>Monthly Income</u>	
Chattels	€ 7,000.00	Monthly Net Income	€1,600.00
Car	€ 5,000.00		
Total	€12,000.00		
<u>Unsecured Debts</u>		<u>Monthly Expenses</u>	
Credit Card	€ 5,000.00	Total Set Costs	€1,045.48
Personal Loan	€15,000.00	Rent	€ 210.00
Revenue	€20,800.00*	Reasonable Living Expenses	€1,255.48
Revenue Pref Debt	€ 7,500.00*	Net Disposable Income	
Total	€48,300.00	(prior to servicing debt)	€ 344.52

* Revenue's debt is broken down as follows: Tax: €24,000, Interest: €4,300

Once all the required information has been received from the PIP (this should confirm the write-out decision), the Insolvency Unit caseworker should consent to **opt into** the arrangement and issue the proxy form to the PIP instructing them to vote in favour of the arrangement at the creditors' meeting.

The Insolvency Service and the Court have approved the DSA. From the arrangement provided by the PIP, Revenue knows that Mary is selling her chattels worth €7,000 and will be paying €344.52 per month towards the combined debts.

This means that Mary will pay:

Sale of chattels		€ 7,000.00
Monthly payments	(€344.52 x 12) x 5	€20,671.20
Total		€27,671.20

The payments will be allocated to the debt as follows:

PIP fees		€ 5,000.00
Total for Creditors		€22,671.20
Revenue Pref Debt		€ 7,500.00
Total for Creditors	excluding preferential debt	€15,171.20
Revenue	(€20,800 ÷ €40,800) x €15,171.20	€ 7,734.34
Credit Card	(€ 5,000 ÷ €40,800) x €15,171.20	€ 1,859.21
Personal Loan	(€15,000 ÷ €40,800) x €15,171.20	€ 5,577.65
Total		€15,171.20

Breakdown of Revenue Debt:

	Total Debt	Preferential	Unsecured amount
VAT	€ 7,650.00	€2,500.00	€ 5,150.00
IT	€11,000.00	€2,400.00	€ 8,600.00
Employer Income Tax/PRSI/USC/LPT	€ 5,350.00	€1,600.00	€ 3,750.00
Accrued Interest	€ 4,300.00	€1,000.00	€ 3,300.00
Total	€28,300.00	€7,500.00	€20,800.00

Amount to be paid: € 15,234.34: (€7,500 pref debt + €3,750 unsecured Employer Income Tax/PRSI/USC/LPT and €3,984.34 unsecured VAT)

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

[...]

The preferential debt will be paid first. Revenue will receive €6,500 towards the preferential debt from the sale of the assets; the remaining €500 will be paid to the PIP. The first three payments of €344.52 will also be allocated to the Revenue preferential debt with €33.56 paid to the PIP. The payments to the unsecured creditors will begin on the fourth month of the arrangement.

The unsecured Employer Income Tax/PRSI/USC/LPT liability of €3,750.00 and €3,984.34 of the VAT liability will be paid by monthly payments in the DSA. The caseworker will set up a monthly instalment arrangement for €135.69 allocating the payment to the Employer Income Tax/PRSI/USC/LPT liability first.

Example 3: DSA – Change in Circumstances reduced payment – Variation of DSA**Mary's insolvent position when the DSA was agreed**

Assets		Monthly Income	
Chattels	€ 7,000.00	Monthly Net Income	€1,600.00
Car	€ 5,000.00		
Total	€ 12,000.00		
Unsecured Debts		Monthly Expenses	
Credit Card	€ 5,000.00	Total Set Costs	€1,045.48
Personal Loan	€15,000.00	Rent	€ 210.00
Revenue	€20,800.00*	Reasonable Living Expenses	€1,255.48
Revenue Pref Debt	€ 7,500.00*	Net Disposable Income	
Total	€48,300.00	(prior to servicing debt)	€ 344.52

* Revenue's debt is broken down as follows: Tax - €24,000, Interest - €4,300

Mary's hours in the retail shop have been reduced resulting in a lower income. She contacts the PIP who recommends a variation proposal which is put to all the creditors.

As Revenue insisted on the preferential debt being paid first, it has been paid in full at this stage.

The PIP has received €1,708.96 towards his fees of €5,000 and the remaining balance will be paid in full as the PIP has had additional work in preparing the variation of the DSA. The DSA has now been extended to six years.

Mary's current insolvent position -18 months into the DSA

Assets		Monthly Income	
Car	€5,000.00	Monthly Net Income	€1,350.00
Total	€5,000.00		
Unsecured Debts		Monthly Expenses	
Credit Card	€ 4,510.70	Total Set Costs	€1,045.48
Personal Loan	€13,531.95	Rent	€ 210.00
Revenue	€18,764.65*	Reasonable Living Expenses	€ 1,255.48
Revenue Pref Debt	€ 0.00	Net Disposable Income	
Total	€36,807.30	(prior to servicing debt)	€94.52

* Revenue's debt is broken down as follows: Tax - €15,964.65, Interest - €2,800

The DSA variation proposal with the reduced payment and extension from 5 to 6 years is agreed by all of the creditors. Mary was originally going to pay €27,671.20 of her debts but now will only be able to pay:

	Total
Original sale of Assets	€ 7,000.00
Payments already made (€344.52 x 18)	€ 6,201.36
Payments at new rate (€ 94.52 x 54)	<u>€ 5,104.08</u>
Total	€18,305.44
Less PIP's fees	<u>€ 5,000.00</u>
Total for Creditors	€13,305.44
Revenue Preferential Claim (paid)	<u>€ 7,500.00</u>
Total for remaining unsecured Creditors	€ 5,805.44

The remaining monthly payments of €94.52 will be allocated as follows:

PIP		€3,291.14	€60.95
Revenue	(€18,764.65 ÷ €36,807.30) × €1,812.94	€ 924.25	€17.12
Personal Loan	(€13,531.95 ÷ €36,807.30) × €1,812.94	€ 666.51	€12.34
Credit Card	(€ 4,510.70 ÷ €36,807.30) × €1,812.94	<u>€ 222.17</u>	<u>€ 4.11</u>
Total		€5,104.08	€94.52

The Debt Management caseworker will provide EFT details to the PIP to allow for the payment of €17.12* per month to account for the payments of the variation of the DSA. (*€924.25 ÷ 54 months).

**Example 4: DSA – Change in Circumstances increased payment – Variation of DSA
Nora’s insolvent position when the DSA was agreed**

Assets		Monthly Income	
Chattels	€7,000.00	Monthly Net Income	€1,600.00
Jewellery	€1,500.00		
Car	€5,000.00		
Total	€13,500.00		
Unsecured Debts		Monthly Expenses	
Credit Card	€ 5,000.00	Total Set Costs	€1,045.48
Personal Loan	€15,000.00	Rent	€ <u>210.00</u>
Revenue	€20,800.00*	Reasonable Living Expenses	€1,255.48
Revenue Pref Debt	€ <u>7,500.00*</u>	Net Disposable Income	
Total	€48,300.00	(prior to servicing debt)	€ 344.52

* Revenue’s debt is broken down as follows: Tax - €24,000, Interest - €4,300

Two years into the DSA Nora gets promoted which means an increase in salary. She contacts the PIP who calculates a variation proposal based on 50% of the additional income which is put to all the creditors.

Nora’s current insolvent position 24 months into the DSA

Assets		Monthly Income	
Car	€5,000.00	Monthly Net Income	€2,000.00
Total	€5,000.00		
Unsecured Debts		Monthly Expenses	
Credit Card	€ 4,109.26	Total Set Costs	€1,045.48
Personal Loan	€12,327.76	Rent	€ <u>210.00</u>
Revenue	€17,094.50*	Reasonable Living Expenses	€ 1,255.48
Total	€33,531.52	Net Disposable Income	
		(prior to servicing debt)	€744.52

* Revenue’s debt is broken down as follows: Tax - €14,294.50, Interest - €2,800

All the preferential debt including €1,000 interest was paid by the sale of the chattels and jewellery. The PIP has received fees of €2,000, (€1,000 from the sale of assets and €1,000 payment in year 2) and has requested an additional €500 for the work involved in the variation proposal.

Monthly payment: Net Disposable Income minus half of additional salary minus PIP’s fee

€447.30: €744.52 – €200 - €97.22

The variation proposal is agreed by all of the creditors and the new payments to the debt are as follows:

Credit Card	(€ 4,109.26 ÷ €33,531.52) × €447.30	€ 54.82
Personal Loan	(€12,327.76 ÷ €33,531.52) × €447.30	€ 164.45
Revenue	(€17,094.50 ÷ €33,531.52) × €447.30	<u>€ 228.03</u>
Total		€ 447.30

The Debt Management caseworker will reverse the write-out stops, where possible, and will provide EFT details to the PIP to allow for the payment of a monthly payment amount of €228.

Example 5: DSA – Lump sum payment from sale of assets only

Harry was a self employed carpenter and he ceased trading in 2012. He now works in a hardware chain. The bank foreclosed on his house in 2011 and he now rents. Harry current financial position is unlikely to change over the next five years.

Harry's current insolvent position

Assets		Monthly Income	
Agricultural Land	€42,000.00	Monthly Net Income	€1,300.00
Car	€ <u>5,000.00</u>		
Total	€47,000.00		
Unsecured Debts		Monthly Expenses	
Credit Card	€ 4,000.00	Total Set Costs	€1,045.48
Personal Loan	€17,000.00	Rent	€ <u>260.00</u>
Revenue	€20,800.00*	Reasonable Living Expenses	€1,305.48
Revenue Pref Debt	€ <u>5,800.00*</u>	Net Disposable Income	
Total	€47,600.00	(prior to servicing debt)	- € 5.48

* Revenue's debt is broken down as follows: Tax - €23,000, Interest - €3,600

The PIP has proposed the sale of the agricultural land as a once off payment to cover all unsecured creditors. Once all the required information has been received from the PIP the Insolvency Unit caseworker should consent to **opt into** the arrangement as this will result in the best return to Revenue and issue the proxy form to the PIP instructing them to vote in favour of the arrangement at the creditors' meeting.

The Insolvency Service and the Court have approved the DSA. In some cases there may also a liability to CGT on the sale of an asset; this would have to be accounted for from the proceeds of the sale. In this case a loss was made.

The proceeds from the sale of the land will be broken down as follows:

Sale of Agricultural Land	€42,000.00	
Costs associated with sale of land	€ <u>1,000.00</u>	
Total	€41,000.00	
Total for arrangement	€41,000.00	
Less PIP fees	€ <u>5,000.00</u>	
Total for Creditors	€36,000.00	
Revenue Pref Debt	€ <u>5,800.00</u>	
Total for Creditors excluding preferential debt	€30,200.00	
Revenue	(€20,800 ÷ €41,800) x €30,200	€15,027.75
Credit Card	(€ 4,000 ÷ €41,800) x €30,200	€ 2,889.95
Personal Loan	(€17,000 ÷ €41,800) x €30,200	€ <u>12,282.30</u>
Total		€30,200.00

Once the lump sum of €21,325.36 (€5,800 + €15,525.36) is received the caseworker should input Stop 11 on the remaining tax outstanding on the Proof of Debt. The balance of tax outstanding will be written-out on successful completion of the term of the DSA.

Example 6: DSA – Do not consent to be included

Mary had a ladies boutique for 15 years before she had to close in 2010. She now works as a shop assistant in a ladies retail store.

Mary's current insolvent position

Assets		Monthly Income	
PPR	€150,000.00	Monthly Net Income	€1,600
Chattels	€ 7,000.00		
Car	€ 5,000.00		
Total	€ 162,000.00		
Unsecured Debts		Monthly Expenses	
Credit Card	€ 5,000.00	Total Set Costs	€1,045.48
Personal Loan	€15,000.00	Mortgage on PPR	€ 400.00
Revenue	€28,300.00*	Reasonable Living Expenses	€1,445.48
Total	€48,300.00	Net Disposable Income	
		(prior to servicing debt)	€ 154.52

* Revenue's debt is broken down as follows: Tax - €25,000, Interest - €3,300

The debt is no longer at enforcement and is written out. There is no preferential Revenue debt as there is no Income Tax or Capital Gains tax outstanding and all the other debt is over 12 months old.

Mary has been in three failed instalment arrangements and paid very little tax in the last 2 years of business. Mary has a mortgage outstanding on the shop of €250,000 – the premises is currently estimated to be worth €150,000. Revenue has a Judgment Mortgage for €20,000 on the shop. Mary wants to enter a DSA for her €48,300 unsecured debt only. She intends to continue to pay her mortgage in full. Even though Mary's disposable income may show she cannot realistically pay her full debts over the 6 years, Revenue would opt out of an arrangement as other creditors (the bank) have not agreed to any reduction and will continue to get full payment outside of the arrangement. In this case the bank has scope to restructure the payments made by Mary but are choosing not to.

8. Personal Insolvency Arrangement (PIA)

An individual can apply for a PIA where:

- Secured and unsecured debts
- Debts < €3,000,000 **secured**
- 75% of debts are at least six months old
- Insolvent

The following conditions also apply

- Six years allowed for discharge of the debt – possible 12-month extension
- Annual review of financial circumstances carried out by the PIP
- Only one PIA in a lifetime.
- Publication of debtor's arrangement on the ISI's Public Register of PIAs

- 8.1** The individual contacts a Personal Insolvency Practitioner (PIP) to act on their behalf, Revenue will then only deal with the Personal Insolvency Practitioner in relation to the specified debt.
- 8.2** A PIP may apply for a Protective Certificate before notifying Revenue of the taxpayer's intention to enter a PIA. A formal request will then be sent to Revenue and the caseworker will have 21 days to make the decision to opt in or out. If a protective certificate issues from the Court all collection by Revenue must be put on hold, including debt at enforcement. The caseworker should contact the relevant enforcement agency and inform them of the protective certificate. In this scenario please follow the steps in point 1.43 and then skip to [point 8.7](#) and continue from there.
- 8.3 The Insolvency Unit caseworker:**
- Contacts the PIP and requests confirmation from the individual that PIP can act on their behalf.

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

[...]

- Specifies the minimum information required by Revenue to accompany a formal request:
 - Individual's name, address and PPSN.
 - Confirmation from the individual that the PIP can act on their behalf.
 - All tax returns must be up to date.
 - The Prescribed Financial Statement (PFS).
 - Approximate cost of PIP.
 - Confirmation that all current taxes will be filed and paid as they fall due.
 - Confirmation that payments in the arrangement will be made by DD.

These are Revenue's minimum requirements and additional information may be sought by the caseworker to confirm the taxpayer's financial position as per the PFS.

- Will notify the PIP if any of the debt is currently being enforced and will provide the contact details of the enforcement agency.
- Will put a hold on collection of all Revenue debt, including debt at enforcement.

- 8.4** The Insolvency Unit caseworker reminds the PIP that all necessary information and the formal request for an arrangement must be made within two weeks.
- 8.5** If a formal request is not made within the two weeks, normal collection procedures continue. Revenue may consider a formal request received after the two week deadline is exceeded. However, the case may have already progressed to enforcement.
- 8.6** On receipt of the PIP's formal request to Revenue for a decision in relation to a PIA, a Stop 54 is input on the case.
- 8.7** Once the formal application is made, the Insolvency Unit caseworker has 21 days to review the request, seek clarification or further information, to decide whether or not to consent to be involved in the process and to notify the PIP of Revenue's decision
- 8.8** On reviewing the information provided and depending on what is received the following will occur:
- Where a substantial amount of necessary information is not included - Revenue opts out.
 - Where most of the information is provided – contact PIP and request additional information.
 - Where the information does not match with Revenue records – contact PIP and verify information.
 - Where all the information is received – review case and provide PIP with decision within 21 days.
- 8.9** The PIP has 10 days to provide additional information/verification requests as Revenue has just 21 days to come to a decision to opt in or out. If the information/verification is not provided in time, Revenue will opt out.
- 8.10** **Once a decision is made to opt in or out the caseworker will notify the PIP.**

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

[...]

- 8.11** Where Revenue opts in, the Insolvency Unit caseworker will issue a Proof of Debt with the letter notifying the PIP of Revenue's decision to opt in. The Proof of Debt is the basis for Revenue's specified debt in the PIA and must include the following:
- The total tax debt including the debt at enforcement.
 - Interest on debt at enforcement, interest charged on the referral.
 - Interest on debt not at enforcement, interest charged on the final demand.
 - Any audit penalty outstanding.
 - Any enforcement costs as notified by the sheriff/solicitor.

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

[...]

Regardless of whether Revenue has opted in or out, once a protective certificate issues from the Court and Revenue is a specified creditor on the protective certificate, Revenue must hold collection for 70 days. The relevant enforcement agency should be instructed to put collection on hold while the protective certificate is in place.

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

[...]

8.13 If no protective certificate issues from the Court then normal collection procedures will follow.

8.14 The Insolvency Unit caseworker will remind the PIP of the additional information required to decide on whether Revenue will agree to the arrangement.

Minimum Revenue requirements in order to consider whether to agree to an arrangement:

- Details and supporting documentation for all assets (including any charges) and liabilities (incl. PIP fees)
- Details and supporting documentation for all future projections made
- Details of any gifts/other income incorporated in arrangement
- Confirmation that current taxes will be paid as they fall due
- Details of measures taken to address debt.
- Where Revenue debts are greater than €20,000; details of any debt not included in the arrangement that will continue to be paid outside of the DSA/PIA.

8.15 All additional information must be supplied by the PIP within the 70-day period of the protective certificate including confirmation that current taxes will be paid as they fall due. Any taxes that fall due during the setting up period must be filed and paid as they are not included in the specified debt covered by the protective certificate. In some cases the Court may extend the protective certificate period by 40 days where there is a reasonable chance of an arrangement being put in place. The Insolvency Unit caseworker will be notified of any extension by the PIP. In very exceptional circumstances another additional 40 days may be granted after the expiration of the initial 110 days. Where the Court has granted an extension on the time of the protective certificate, Revenue must also extend the hold on collection.

8.16 The PIP will issue a Proxy Form to each creditor when asking them to vote.

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

[...]

- 8.17** When the required value of creditors votes in favour of the PIA, the PIP brings the arrangement to the Insolvency Service, who will bring the arrangement to the Court for approval.
- 8.18** Once the Court has approved the PIA, the Debt Management caseworker input a stop 11 on debt listed on the Proof of Debt. The debt to be paid under the PIA will be paid in instalments by the PIP by EFT. Where there is debt at enforcement included in the arrangement this will be collected by the relevant enforcement agency. [See examples below.](#)
- 8.19** If the individual defaults on current taxes or three months payments cancel under the PIA then the PIP should be contacted to resolve the issues. If they cannot be resolved, the Collector-General may go to the Court and request the PIA be terminated.
- 8.20** The PIA will be automatically terminated if the individual defaults on the arrangement for six months.
- 8.21** Three months after successfully completing the PIA the debtors name will be removed from the register.

9. Examples of PIA

Example 1: PIA - Consent to be included, sale of assets and no Revenue Preferential debt.

Joe is a self employed architect. His income has dropped substantially over the last number of years. He has co-operated with his bank under the Central Bank Code of Conduct on Mortgage Arrears in relation to his home but has not reached a sustainable agreement.

Joe's current insolvent position

Assets Principal Private Residence €250,000.00 Car € <u>10,000.00</u> Total € 260,000.00		Monthly Income Monthly Net Income €2,300.00	
Secured Debts PPR Mortgage €300,000.00 Unsecured Debts Credit Card € 25,000.00 Personal Loan € 35,000.00 Revenue € <u>28,300.00*</u> Total €388,300.00		Monthly Expenses Total Set Costs €1,045.48 Mortgage € <u>1,400.00</u> Reasonable Living Expenses €2,445.48 Net Disposable Income (prior to servicing debt) -€ 145.48	

* Revenue's debt is broken down as follows: Tax: €25,000, Interest: €3,300

He is prepared to trade his car in for an older model costing €3,000. Joe is prepared to sell the house at any stage in the 6 years to satisfy the bank. The bank has priority charge on the house but Revenue also has a Judgment Mortgage.

The PIP has supplied all the relevant information to Revenue and has also satisfied Revenue that the debtor's circumstances will not change in the next 6 years. The bank has agreed to extend the term of the mortgage and reduce the interest rate on the mortgage to 2% over the life of the arrangement, provided they get full proceeds from the sale of the house up to the value of the mortgage. The mortgage payment is now €1,100 per month.

<u>Monthly Income</u>	€2,300.00
Total Set Costs	€1,045.48
Mortgage	€ <u>1,100.00</u>
Reasonable Living Expenses	€<u>2,145.48</u>
Net Disposable Income	€ 154.52

Revenue agrees to enter the arrangement knowing that in bankruptcy where the house is sold Revenue's Judgment Mortgage would not be satisfied. The current taxes will be paid during the life of the PIA.

The arrangement is agreed at the creditor's meeting and approved by the Insolvency Service and the Courts.

From the arrangement details provided by the PIP Revenue knows that Joe is trading in his car and will be paying €154.52 per month towards the combined debts.

Assets sold: Car less new purchase	€ 7,000.00
Income (€154.52 x 12 x 6)	<u>€11,125.44</u>
Available for distribution	€18,125.44

The payments will be allocated to the debt as follows:

PIP Fees	€5,000.00
Revenue (€28,300÷€88,300) x €13,125.44	€4,206.68
Credit Card (€25,000÷€88,300) x €13,125.44	€3,716.15
Personal Loan (€35,000÷€88,300) x €13,125.44	<u>€5,202.61</u>
Total	€18,125.44

Breakdown of Revenue Debt:

VAT	€14,650.00
Employer Income Tax/PRSI/USC/LPT	<u>€10,350.00</u>
Total	€25,000.00

Amount to be paid €4,206.68

The Debt Management caseworker will input a Stop11 on all the outstanding debt listed on Proof of Debt . The caseworker will provide EFT details to the PIP for instalment payments to be made for the PIA.

€2,000 of the PIP's fees is also paid from the sale of the assets. This leaves €5,000 to be allocated to the creditors as an upfront payment.

		Downpayment	Monthly payt
Revenue	(€28,300÷88,300) x €5,000	€1,602.49	€36.17
Credit Card	(€25,000÷88,300) x €5,000	€1,415.63	€31.95
Personal Loan	(€35,000÷88,300) x €5,000	<u>€1,981.88</u>	<u>€44.73</u>
Total		€5,000.00	€112.85

The difference between the €154.52 monthly income to pay debts and the €112.85 payment to creditors is the monthly payment for the PIP's fees. (€3,000/72)

Example 2: PIA – Consent to be included, sale of assets and Revenue Preferential Debt

Sandra is a self employed solicitor whose income has dropped substantially in the last five years. She is a single parent with two children in primary school. She currently has no childcare costs as a family member minds the children as necessary.

Sandra's current insolvent position

<u>Assets</u>		<u>Monthly Income</u>	
PPR	€250,000.00	Monthly Net Income	€3,500.00
Shares	€ 10,000.00		
Jewellery	€ 10,000.00		
Car	€ 10,000.00		
Total	€ 280,000.00		
<u>Debts</u>		<u>Monthly Expenses</u>	
Credit Card	€ 20,000.00	Total Set Costs	€1,505.00
Mortgage on PPR	€300,000.00	Mortgage	€1,000.00
Car Loan	€ 15,000.00	Reasonable Living Expenses	€2,505.00
Overdraft	€ 45,000.00		
Revenue	€ 70,000.00*	Net Disposable Income	
Revenue Pref Debt	€ 10,000.00*	(prior to servicing debt)	€ 995.00
Total	€460,000.00		

* Revenue's debt is broken down as follows: Tax: €65,000, Interest: €15,000

Sandra is prepared to trade her car in for an older model costing €3,000. She also sells her shares and jewellery. This will give a lump sum of €27,000. Her mortgage was extended to 35 years by the bank. The bank has agreed to enter into the arrangement provided that they receive all the proceeds of the sale of property.

The PIP has supplied all the relevant information to Revenue and has also satisfied Revenue that the debtor's circumstances will not change in the next 6 years.

The Court and the Insolvency Service have approved the PIA. From the arrangement provided by the PIP Revenue know that Sandra has a lump sum of €27,000 and will be paying €995 per month towards the combined debts.

This means that Sandra will pay:

Sale of Assets		€ 27,000.00
Monthly payments	(€995.00 x 12) x 6	€ 71,640.00
Total		€ 98,640.00

The payments will be allocated to the debt as follows:

Less PIP fees		€ 6,000.00
Total for Creditors		€ 92,640.00
Revenue Pref Debt		€ 10,000.00
Revenue	(€70,000 ÷ €150,000) x €82,640	€ 38,565.33
Credit Card	(€20,000 ÷ €150,000) x €82,640	€ 11,018.67
Car Loan	(€15,000 ÷ €150,000) x €82,640	€ 8,264.00
Overdraft	(€45,000 ÷ €150,000) x €82,640	€ 24,792.00
Total		€ 92,640.00

Breakdown of Revenue Debt:

	Total Debt	Preferential	Unsecured Amount
VAT	€ 35,000.00	€5,000.00	€ 30,000.00
IT	€ 21,000.00	€3,000.00	€ 18,000.00
Employer Income Tax/PRSI/USC/LPT	€ 9,000.00	€1,000.00	€ 8,000.00
Accrued Interest	€ <u>15,000.00</u>	€ <u>1,000.00</u>	€ <u>14,000.00</u>
Total	€ 80,000.00	€10,000.00	€70,000.00

Amount to be paid:**€ 48,565.33**

All the preferential debt is paid from the sale of the assets. €2,000 of the PIP's fees is also paid from the sale of the assets. This leaves €15,000 to be allocated to the creditors as an upfront payment.

		Downpayment	Monthly Payt
Revenue	$(€70,000 \div €150,000) \times €15,000$	€ 7,000.00	€438.41
Credit Card	$(€20,000 \div €150,000) \times €15,000$	€ 2,000.00	€125.26
Car Loan	$(€15,000 \div €150,000) \times €15,000$	€ 1,500.00	€ 93.94
Overdraft	$(€45,000 \div €150,000) \times €15,000$	€ <u>4,500.00</u>	<u>€281.83</u>
Total		€15,000.00	€939.44

The difference between the €995.00 monthly income to pay debts and the €939.44 payment to creditors is the remainder of the PIP's fees (€4,000/72).

The Debt Management caseworker will provide EFT details to the PIP to allow for instalment Payments to be made to the PIA. A stop 11 will be placed on all periods listed on the Proof of Debt, and any balance remaining will be written-out on successful completion of the PIA.

Example 3: PIA – Do not consent to be included.

Jane is a self employed accountant, she has seen her income drop substantially in the last five years. She is a single parent with one child in primary school.

Sandra's current insolvent position

Assets		Monthly Income	
PPR	€240,000.00	Monthly Net Income	€3,293.00
Car	<u>€ 10,000.00</u>		
Total	€250,000 .00		
Debts		Monthly Expenses	
Credit Card	€ 20,000.00	Total Set Costs	€1,298.00
Mortgage on PPR	€260,000.00	Mortgage	€1,000.00
Car Loan	€ 15,000.00	Childcare costs	<u>€ 400.00</u>
Overdraft	€ 45,000.00	Reasonable Living Expenses	€ 2,698.00
Revenue	€ 70,000.00*		
Revenue Pref Debt	€ <u>10,000.00*</u>	Net Disposable Income	
Total	€420,000.00	(prior to servicing debt)	€ 595.00

* Revenue's debt is broken down as follows: Tax: €65,000, Interest: €15,000.

When Jane's income dropped five years ago she contacted Revenue and entered an instalment arrangement which failed after 3 months. She was granted another instalment but unfortunately this one failed after six months. Jane was referred to the solicitor but as her property was in negative equity, the referral was withdrawn after the judgment mortgage was registered. In the last twelve months she has paid no current taxes despite the fact she is continuing to trade. In light of her previous history Revenue would **opt out** of this PIA.

Example 4: PIA – Change in Circumstances reduced payment– Variation in PIA**Sandra's insolvent position at the beginning of the PIA**

Assets		Monthly Income	
PPR	€250,000.00	Monthly Net Income	€3,500.00
Shares	€ 10,000.00		
Jewellery	€ 10,000.00		
Car	€ 10,000.00		
Total	€280,000.00		
Debts		Monthly Expenses	
Credit Card	€ 20,000.00	Total Set Costs	€1,505.00
Mortgage on PPR	€300,000.00	Mortgage	€1,000.00
Car Loan	€ 15,000.00	Reasonable Living Expenses	€2,705.00
Overdraft	€ 45,000.00		
Revenue	€ 70,000.00*	Net Disposable Income	
Revenue Pref Debt	€ 10,000.00*	(prior to servicing debt)	€ 995.00
Total	€460,000.00		

* Revenue's debt is broken down as follows: Tax: €65,000, Interest: €15,000

Sandra has lost some of her clients and her income has dropped. She contacts the PIP who recommends a variation proposal which is put to all the creditors. As Revenue insisted on the preferential debt being paid first, it was paid in full from the sale of the assets including interest. The PIP has received €3,111.20 towards his fees of €6,000 and the remaining balance will be paid in full as the PIP has had additional work in preparing the variation of the PIA.

Sandra's current insolvent position 20 months into the PIA.

Assets		Monthly Income	
PPR	€250,000.00	Monthly Net Income	€2,500.00
Car	€ 3,000.00		
Total	€253,000.00		
Debts		Monthly Expenses	
Credit Card	€ 15,494.80	Total Set Costs	€1,505.00
Mortgage on PPR	€295,000.00	Mortgage	€ 618.75
Car Loan	€ 11,621.20	Reasonable Living Expenses	€2,223.75
Overdraft	€ 34,863.40		
Revenue	€ 54,231.80*	Net Disposable Income	
Revenue Pref Debt	€ 0.00*	(prior to servicing debt)	€ 376.25
Total	€411,211.20		

* Revenue's debt is broken down as follows: Tax: €40,231.80, Interest: €14,000

The bank agreed to reduce the interest rate on the mortgage to 1.5% and the PIA is extended from 6 to 7 years. The variation proposal is agreed by all the creditors.

Sandra was originally going to pay €80,700 of her debts but now will only be able to pay:

	Total
Original sale of Assets	€27,000.00
Payments already made (€995 x 20)	€19,900.00
Payments at new rate (€376.25 x 64)	<u>€24,080.00</u>
Total	€70,980.00

Less PIP's fees	<u>€ 6,000.00</u>
Total for Creditors	€64,980.00
Revenue Preferential Claim (paid)	<u>€10,000.00</u>
Total for Unsecured Creditors	€54,980.00
Payments at new rate (€376.25 x 64)	€24,080.00
Remaining PIP's fees	<u>€ 2,888.80</u>
Remaining payments to unsecured creditors	€21,191.20

The monthly payment will be divided out as follows:

		Monthly Payt
Revenue	$(€54,231.80 \div 116,211.20) \times €331.11$	€154.52
Credit Card	$(€15,494.80 \div 116,211.20) \times €331.11$	€ 44.15
Car Loan	$(€11,621.20 \div 116,211.20) \times €331.11$	€ 33.11
Overdraft	$(€34,863.40 \div 116,211.20) \times €331.11$	<u>€ 99.33</u>
Total		€331.11

The difference between the €376.25 monthly income to pay debts and the €331.11 payment to creditors is the remainder of the PIP's fees.

The Debt Management caseworker will provide EFT details to the PIP to allow for instalment payments to be made to the PIA. A stop 11 will be placed on all periods listed on the Proof of Debt, and any balance remaining will be written-out on successful completion of the PIA.

Example 5: PIA – Change in Circumstances increased payment – Variation of PIA

Sandra has increased her client base by expanding her area of expertise and now has an increased monthly income. She contacts the PIP who calculates a variation proposal based on 50% of the additional income which is put to all the creditors.

Sandra's current insolvent position 20 months into the PIA

Assets		Monthly Income	
PPR	€250,000.00	Monthly Net Income	€3,800
Car	€ 3,000.00		
Total	€253,000.00		
Debts		Monthly Expenses	
Credit Card	€ 15,524.40	Total Set Costs	€1,505.00
Mortgage on PPR	€295,000.00	Mortgage	€1,000.00
Car Loan	€ 11,643.40	Reasonable Living Expenses	€2,505.00
Overdraft	€ 34,930.00		
Revenue	€ 54,335.60*	Net Disposable Income	
Revenue Pref Debt	€ 00.00*	(prior to servicing debt)	€1,295.00
Total	€411,433.40		

* Revenue's debt is broken down as follows: Tax: €40,335.60, Interest: €14,000

Monthly payment: Net Disposable Income minus half of additional salary minus PIP fees
€1,089.45: €1,295.00 – €150 – €55.55

The monthly payment will be divided out as follows:

		Monthly Payt
Revenue	$(€54,335.60 \div 116,433.40) \times €1,089.45$	€508.41
Credit Card	$(€15,524.40 \div 116,433.40) \times €1,089.45$	€145.26
Car Loan	$(€11,643.40 \div 116,433.40) \times €1,089.45$	€108.95
Overdraft	$(€34,930.00 \div 116,433.40) \times €1,089.45$	<u>€326.83</u>
Total		€1,089.45

No action is required as PIP will make increased payments for the remaining term of the PIA.

Example 6: PIA – Lump Sum payment only

Paul is a self-employed carpenter and has seen his income drop substantially over the last couple of years. He is married with two children, one in primary school and one in secondary. The PIP is satisfied that Paul's circumstances will not substantially improve over the next five years.

Paul's current insolvent position

<u>Assets</u>		<u>Monthly Income</u>	
PPR	€220,000.00	Monthly Net Income	€3,500.00
Shares	€ 20,000.00		
Second Home	€180,000.00		
Car	€ 12,000.00		
Total	€432,000.00		
<u>Debts</u>		<u>Monthly Expenses</u>	
Credit Card	€ 15,000.00	Total Set Costs	€2,034.53
Mortgage on PPR	€200,000.00	Both Mortgages	€3,500.00
Mortgage second home	€150,000.00	Reasonable Living Expenses	€5,534.53
Car Loan	€ 10,000.00		
Overdraft	€ 25,000.00	Net Disposable Income	
Revenue	€ 60,000.00*	(prior to servicing debt)	-€2,034.53
Revenue Pref Debt	€ 15,000.00*		
Total	€475,000.00		

* Revenue's debt is broken down as follows: Tax: €65,000, Interest: €10,000

PIP has recommended the following proposal:

In previous negotiations with the bank the term of Paul's mortgages were extended to the maximum. Paul cannot extend the term of his mortgages any further, so he is to sell his second home. The proceeds from the sale will pay off the mortgage on the second home in full and leave €30,000 to pay the other creditors. He will also sell his shares and trade in his car for a cheaper model. Even with the sale of the second home Paul will not be able to make the repayments on the mortgage of the PPR and the bank has agreed to reduce the interest rate to 2% for the remainder of the term of the mortgage. All the creditors have opted in and the arrangement is agreed.

Lump sum:

Sale of second home	€30,000.00
Shares	€20,000.00
Trade in of car	€ 8,000.00
Total	€58,000.00
Less PIP's fees	€ 6,000.00
Total for Creditors	€52,000.00
Revenue Preferential Debt	€15,000.00
Allocation to unsecured Debt	€37,000.00

Credit Card	$(€15,000.00 \div €110,000) \times €37,000$	€ 5,045.45
Car Loan	$(€10,000.00 \div €110,000) \times €37,000$	€ 3,363.64
Overdraft	$(€25,000.00 \div €110,000) \times €37,000$	€ 8,409.09
Revenue	$(€60,000.00 \div €110,000) \times €37,000$	<u>€20,181.82</u>
Total		€37,000.00

As there is no monthly payment, once the lump sum of €35,181.82 is received the remaining outstanding tax will be written out in full.

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

[...]

Example 7: PIA – Change in Circumstances reduced payment– Variation of PIA – preferential debt not paid in full by lump sum.

Bob is a self employed architect; he is married with an infant. He now works for a firm of architects and is no longer registered for tax.

Bob's current insolvent position

Assets		Monthly Income	
PPR	€200,000.00	Monthly Net Income	€3,100.00
Shares	€ 13,000.00		
Car	€ 12,000.00		
Total	€432,000.00		
Debts		Monthly Expenses	
Credit Card	€ 10,000.00	Total Set Costs	€1,649.76
Mortgage on PPR	€230,000.00	Mortgage	€1,800.00
Car Loan	€ 11,000.00	Reasonable Living Expenses	€3,449.76
Revenue	€ 90,000.00*		
Revenue Pref Debt	€ 24,000.00*	Net Disposable Income	
Total	€475,000.00	(prior to servicing debt)	-€349.76

* Revenue's debt is broken down as follows: Tax: €98,000 Interest: €16,000

PIP has recommended the following proposal:

Bob sells his shares and trades in the car for a cheaper model. The bank has extended the life of the mortgage by 10 years and reduced the interest to 1.5% for the term of the arrangement. The bank has agreed to enter into the arrangement provided that that they receive all the proceeds of the sale of property. This has the effect of reducing the mortgage payment to €1,100 per month and provides the other creditors with a monthly payment of €350.24.

This means that Bob will pay:

Sale of Assets		€ 21,000.00
Monthly payments	(€350.24 x 12) x 6	€ 25,217.28
Total		€ 46,217.28

The payments will be allocated to the debt as follows:

Less PIP fees		€ 6,000.00
Total for Creditors		€ 40,217.28
Revenue Pref Debt		€ 24,000.00
Revenue	(€90,000 ÷ €111,000) x €16,217.28	€ 13,149.14
Credit Card	(€10,000 ÷ €111,000) x €16,217.28	€ 1,461.02
Car Loan	(€11,000 ÷ €111,000) x €16,217.28	€ 1,607.12
Total		€ 40,217.28

Breakdown of Revenue Debt:	Total Debt	Preferential	Unsecured Amount
VAT	€ 40,000.00	€10,000.00	€ 30,000.00
IT	€ 31,000.00	€ 7,600.00	€ 23,400.00
Employer income Tax/PRSI/USC/LPT	€ 27,000.00	€ 4,000.00	€ 23,000.00
Accrued Interest	€ <u>16,000.00</u>	€ <u>2,400.00</u>	€ <u>13,600.00</u>
Total	€ 114,000.00	€ 24,000.00	€ 90,000.00
Amount to be paid:		€ 37,149.14	

The sale of the assets is divided as follows:

PIP fees	€ 2,000
Revenue Preferential Debt	€19,000

Revenue is happy to receive the balance of the preferential debt over the life of the arrangement.

Monthly payments are divided as follows:

PIP Fees	(€4,000 ÷ 72)	€ 55.56
Revenue Pref. Debt	(€5,000 ÷ 72)	€ 69.44
Revenue	(€90,000 ÷ €111,000) x €225.24	€182.63
Credit Card	(€10,000 ÷ €111,000) x €225.24	€ 20.29
Car Loan	(€11,000 ÷ €111,000) x €225.24	<u>€ 22.32</u>
Total		€350.24

The Debt Management caseworker will provide EFT details to the PIP to allow for instalment payments to be made to the PIA. A stop 11 will be placed on all periods listed on the Proof of Debt.

24 months into the arrangement Bob loses his job and sets up as a self employed architect again. This substantially reduces his income and the PIP recommends a variation of the PIA.

Bob's insolvent position after 24 months.

Assets		Monthly Income	
PPR	€200,000.00	Monthly Net Income	€2,800.00
Car	€ <u>2,000.00</u>		
Total	€ 202,000.00		
Debts		Monthly Expenses	
Credit Card	€ 9,513.04	Total Set Costs	€1,649.76
Mortgage on PPR	€207,050.00	Mortgage	<u>€1,100.00</u>
Car Loan	€ 10,464.32	Reasonable Living Expenses	€2,749.76
Revenue	€ 85,616.88*		
Revenue Pref Debt	€ <u>3,333.44*</u>	Net Disposable Income	
Total	€475,000.00	(prior to servicing debt)	€ 50.24

* Revenue's debt is broken down as follows: Tax: €72,950.32 Interest: €16,000

The PIP has recommended extending the PIA to seven years. The bank have already extended the term of the mortgage and reduced the interest rate, however to ensure the success of the arrangement the bank have reduced the interest to .5% for the remaining 5 years of the PSA, the mortgage payment is now €950.

The new monthly payment will be: €200.24. (€2,800-€2599.76)

All the creditors agree to the variation arrangement. The PIP will receive the remainder of the fees due as additional work has been performed for the variation arrangement.

Bob was originally going to pay €40,217.28 of his debts but now will only be able to pay:

	Total
Original sale of Assets	€21,000.00
Payments already made (€350.24 x 24)	€ 8,405.76
Payments at new rate (€200.24 x 60)	<u>€12,014.40</u>
Total	€41,420.16
Less PIP's fees	<u>€ 6,000.00</u>
Total for Creditors	€35,420.16
Revenue Preferential Claim	<u>€24,000.00</u>
Total for Unsecured Creditors	€11,420.16

The monthly payment will be divided out as follows:

		Monthly Payt
PIP's Fees	(€2,666.56 ÷ 60)	€44.44
Revenue Pref Debt	(€3,333.44 ÷ 60)	€55.56
Revenue	(€85,616.88 ÷ €105,594.24) x €100.24	€81.27
Credit Card	(€ 9,513.04 ÷ €105,594.24) x €100.24	€ 9.04
Car Loan	(€10,464.32 ÷ €105,594.24) x €100.24	<u>€ 9.93</u>
Total		€200.24

The PIP will decrease payments in line with the revised PIA. Any balance remaining on tax periods covered by the PIA will be written-out on successful completion of the PIA.

10. Setting up a Payment Arrangement for a DSA or PIA

- It should be noted that an insolvency arrangement can be paid monthly or quarterly depending on the terms of the arrangement.

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

[...]

11. How to contact the Collector General's Personal Insolvency Unit

External Queries from AI/PIP may be directed to :

- E-mail: personalinsolvency@revenue.ie
- Tel. 061 488005

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

[...]

12. Glossary

Approved Intermediary (AI)

An AI is authorised and regulated by the Insolvency Service of Ireland and has functions under the Act with respect to a DRN. The AI will be the person who advises the debtor directly and negotiates the arrangement with the creditors on his/her behalf.

Excluded Debts

These debts cannot be included in any insolvency arrangement:

Family maintenance payments under Court orders

Court fines in respect of criminal offences

Liabilities arising out of personal injury or wrongful death claims awarded by the Court

Liabilities arising from loans obtained by fraud

Excludable Debts

These debts can only be included in an insolvency arrangement with the creditors consent:

- Taxes, duties, levies owed or payable to the State
- Local government charges
- Amounts due to the Health Service Executive under the Nursing Home Support Scheme
- Annual service charges to owner's management companies (apartments and housing estates)
- Liabilities arising under the Social Welfare Consolidation Act 2005
- Local authority rates
- Household charges

Insolvency Service of Ireland (ISI)

The ISI is the statutory body established under the Act which is responsible for, amongst other things, monitoring the operation of the arrangements relating to personal insolvency provided for in the Act; the authorisation and regulation of Personal Insolvency Practitioners and certain other functions specified in the Act.

Insolvent

A person is insolvent if they are unable to pay their debts in full as they fall due.

New Arrangements

“New arrangements” refers to the three new measures introduced under the Act—the Debt Relief Notice (DRN); Debt Settlement Arrangement (DSA) and Personal Insolvency Arrangement (PIA).

Personal Insolvency Practitioner (PIP)

A PIP is authorised and regulated by the Insolvency Service of Ireland and has functions under the Act with respect to a PIA or DSA. The PIP will be the person who advises the debtor directly and negotiates the arrangement with the creditors on his/her behalf.

Preferential Debt

A preferential debt is a debt which has priority for payment before other debts.

In Revenue's case preferential debt is:

- The VAT, Employer Income Tax/PRSI/USC/LPT and RCT tax debt for twelve months prior to the date the protective certificate issues from the Court.
- The twelve month IT/CGT period with the largest tax debt.
- Interest on all periods listed in the claim.

Prescribed Financial Statement (PFS)

Every applicant for an insolvency arrangement must complete a PFS. It is a sworn document that contains details of all assets, liabilities, income and expenditure of the individual applying for an insolvency arrangement. This is used to establish the individual's eligibility to participate in an arrangement, the possible level of payments and to identify the liabilities that will be discharged at the end of the process.

Protective Certificate

A Certificate issued by a Court which protects the debtor against legal proceedings or other actions by a creditor in respect of debts for a limited time while a PIA or DSA is being put in place.

Reasonable Living Expenses

These expenses include set costs, mortgage payments, rental payments, childcare and special circumstances costs.

Secured Creditor

A creditor who holds a specific claim (usually a property interest) over one or more of a debtor's assets as security for a secured debt. An example would be a mortgage or charge over a house.

Secured debt

A debt backed or secured by an asset to reduce the risk associated with the debt by use of arrangements which make the asset available to the secured creditor to discharge the debt before general/unsecured creditors (e.g. a mortgage or charge over a house used as security for a housing loan). If the debtor defaults or fails to meet one of the terms of repayment, the bank may seize the debtors' house to sell, using the proceeds towards the settlement of outstanding debts.

Set Costs

The costs attributed to a typical household are termed 'set costs'. e.g. food, clothing, household expenses. These costs do not include mortgage payments, rental payments, childcare and special circumstances costs.

Specified date

In the case of a DRN the specified date is the date that the formal request is made by the AI. In relation to Debt Settlement Arrangements and Personal Insolvency Arrangements, the specified date is the date the protective certificate issues from the Court.

Specified debt

In relation to a Debt Relief Notice, specified debt is the debt listed on the Debt Relief Notice and will not include any debt due after the formal request for a DRN.

In relation to Debt Settlement Arrangements and Personal Insolvency Arrangements, specified debt means a debt that is specified in the Protective Certificate as being subject to that certificate. Any debt due after the date Revenue opts into a DSA/PIA will be considered current taxes and will have to be paid by the individual.

Unsecured creditor

A creditor who does not have a specific claim (usually a property interest) over the debtor's assets.

Unsecured debt

A debt where the unsecured creditor would not be entitled to seize specific assets if the debtor fails to make repayments because that creditor does not hold security over those assets.

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

[...]