

Services of Personal Insolvency Practitioners

This document should be read in conjunction with section 22(3)(a) and 76(2) of the VAT Consolidation Act 2010 (VATCA 2010)

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1 Background

The Personal Insolvency Act 2012 was signed into law on 26th December 2012. The Act provides for the establishment of the Insolvency Service of Ireland to operate the new insolvency arrangements including Debt Settlement Arrangements and Personal Insolvency Arrangements.

A personal insolvency practitioner will be involved in the debt settlement arrangements and personal insolvency arrangements as provided for in chapters 3 and 4 of the Personal Insolvency Act 2012.

2 Rate of VAT Applicable

2.1 Personal Insolvency Practitioners

The fees charged by insolvency practitioners, including personal insolvency practitioners, are liable to VAT at the standard rate (Section 46 of the VAT Consolidation Act 2010 (VATCA)).

An insolvency arrangement provided for under the Personal Insolvency Act 2012, will not, in itself, incur a liability to VAT.

In accordance with section 22(3)(a) and section 76(2) of the VATCA 2010, a personal insolvency practitioner may have an obligation to account for VAT on the disposal of taxable assets which formed part of a business carried on, or ceased to be carried on, by a debtor who is the subject of a personal insolvency arrangement or a debt settlement arrangement. In such cases a personal insolvency practitioner is required to complete a VAT 3 return and account for any VAT due to Revenue, on the disposal of such assets. Of course, the disposal of assets held in a personal capacity by a debtor, or business assets whose supply is not liable to VAT, will not incur a VAT liability.

2.2 Insolvency Service of Ireland

Fees charged by the Insolvency Service of Ireland, in connection with any functions carried out under the Personal Insolvency Act 2012, are regulatory in nature and outside the scope of VAT.

For further information refer to the Explanatory Note – Personal Insolvency Act 2012 and Section 100 Finance Act 2012.