

COVID-19: Interest Suspension & Debt Warehousing Scheme



Additional Measures to Support Businesses - Interest Suspension & Debt Warehousing Scheme

As part of the Government's on-going response to the Covid-19 pandemic, a number of measures have been implemented to assist businesses experiencing cash flow and trading difficulties due to the pandemic. On Friday 8th May, Revenue provided updated information on the suspension of interest on late payment of taxes and further detail on the tax debt warehousing arrangement. Read Revenue press release [here](#).

Interest Suspension

The charging of interest on late payments is suspended automatically for SMEs with annual turnover of less than €3m (i.e. businesses which are managed by Revenue's Business Division) for:

- May and June PAYE liabilities and
- May/June VAT liabilities.

Business managed by the Large Corporates Division (LCD) and the Medium Enterprises Division (MED) can request a suspension of interest relating to the above liabilities if they are experiencing temporary cash flow or trading difficulties. Requests should be made via My Enquiries to the Collector-General's office or via the business's usual LCD or MED contacts. RBK are happy to assist with such applications.

Revenue has reiterated the importance of continuing to file tax returns on time, even where payment is not possible. Returns should be prepared on a "best estimates" basis where key personnel are not available and any subsequent amendments can be "self-corrected" without penalty.

Tax Debt Warehousing

On 2 May last, the Government announced that it will legislate to provide for the deferral of Value Added Tax (VAT) and PAYE (Employer) tax debts arising during the Covid-19 crisis. Revenue will operate the scheme on an administrative basis pending the enactment of the necessary legislation.

VAT and PAYE (Employer) tax debts will be ring fenced to allow for a payment deferral while a business is unable to trade or was subject to restricted trading due to the COVID-19 related health restrictions. Further, tax debts arising two months after the business resumes normal trading will also be ring-fenced.

A Revenue press relate and information note provide further details on the arrangement which will have three periods:

Period 1 – Covid-19 restricted trading phase:

This period covers VAT & PAYE tax debts built up while the business is unable to trade or was subject to restricted trading due to Covid 19 and a further two months after the business re-commences normal trading. As outlined above, there will be no collection of the relevant tax debts during this period.

In order to avail of the scheme, the tax debt will have to be quantified by the business through the filing of all relevant returns for the restricted trading phase. If a best estimate return of liability has been made for any period, the correct return will have to be filed to ensure the debt benefits from the warehousing.

Period 1 may vary for businesses and sectors depending on when the relevant Government restrictions are relaxed in line with the roadmap for re-opening society and business.

Period 2 – Zero interest phase:

The outstanding VAT and PAYE tax debts will be warehoused for a 12 month period following the resumption of “normal” trading. During this period Revenue will not seek to collect the debt and no interest will be charged. However, please note that Businesses are required to pay current tax liabilities as they arise.

Period 3 – Reduced interest phase:

At the end of the “warehoused” 12 month period a reduced interest rate of 3% per annum will be charged on the tax debt incurred from Period 1. This represents a reduction from a current rate of c.10% per annum on overdue VAT and PAYE (Employer) liabilities.

Further information on the New 'warehousing' of deferred tax debts and interest suspension arrangements is available on the Revenue website [here](#).

Other Points to Note:

Tax Clearance

Revenue have outlined that Tax clearance will not be affected by a business availing of the scheme.

Refunds and Repayments of Tax

Tax refunds and repayments arising will be paid by Revenue to businesses, notwithstanding that the business owes VAT and PAYE (Employer) liabilities built up in Period 1. Further, a business may offset the tax refund/repayment against the Covid-19 liabilities.

** SMEs are taxpayers with a turnover of less than €3 million and are managed by Revenue's Business Division.*

*** PAYE (Employer) liabilities include income tax, universal social charge and employees' and employer's PRSI due to be remitted by employers to The Revenue Commissioners.*

How can RBK Help?

If you need any further assistance in relation to the Debt Warehousing Scheme, please contact your usual RBK contact in confidence or:

- **Jackie Masterson**, Tax Partner, E: jmasterson@rbk.ie
- **Patrick Fannon**, Senior Tax Manager, E: pfannon@rbk.ie