

Debt Management Strategies – Covid 19

‘Warehousing’ of Covid-19 related Tax Debt

This measure is designed to aid businesses severely impacted by Covid-19 to retain cash hence improve liquidity. It is understood arrangements will be put in place to allow certain tax debt that cannot be paid during the Covid-19 related period, to be warehoused interest free for a period of 12 months from recommencement of trading, during which time there will be no debt enforcement action taken by Revenue in respect of the debt. The scheme will apply to businesses in all sectors of the economy who have been negatively impacted by Covid-19.

Some key points are as follows:



Taxes covered – These measures will apply to VAT and PAYE liabilities due from March 2020 onwards. This covers the January/February 2020 VAT period and employment taxes due for February 2020.



Repayment Plan – Prior to the expiry of the 12 month period, the taxpayer will be obliged to negotiate a repayment plan with Revenue to address the outstanding warehoused liability.



Statutory Interest – interest will not be imposed during the warehousing period. An interest rate of 3% will apply for the duration of the agreed repayment period, being a significant reduction on the usual rate of 10%.



Entry criteria – For the warehousing arrangement to apply all returns must be filed in accordance with the Revenue guidance that has applied since the start of the current pandemic.

Phased Payment Arrangements “PPA”

A PPA (as apposed to warehousing) will, in the alternative, apply where there is the ability to discharge a level, but not all, of your tax obligation.

Some key points are as follows:



Access – Businesses can apply for a PPA online by using Revenue’s Online Phased Payment Facility which is accessible through ROS 24/7 to include flexible payment dates and certain deferral options.



Documentation – Any such application will require supporting documentation to include bank statements, list of assets and encumbrances, cash flow projections, management accounts, outline of what cost cutting measures implemented to date etc.



Communication – it is imperative that tax payers engage early with Revenue and continue to engage throughout the process to include any anticipated changes in circumstances until matters are regularised.



Negotiation – In considering striking the appropriate balance to the terms of a PPA, businesses will need to consider what tax debt can be included, realistic repayment terms, the level of down payment required, the impact of tax clearance on the arrangement and the furnishing of the appropriate supporting documentation.



Exit Strategy

Before the end of the warehousing period, businesses will be required to engage with Revenue to agree on an exit strategy. Such strategies should be purpose built for each business, balancing the need to afford sufficient working capital to support the growth of the business going forward while at the same time addressing its tax arrears in a manageable timeframe. The agreement with Revenue is likely to take the format of a phased payment arrangement. The Deloitte Tax Controversy team can help businesses through these unprecedented times and assist with a specific tailored approach to tax debt and manage the Revenue engagement process.