

## **Businesses Must Act Now to Save on Interest Charged on Overdue Tax, says the Irish Tax Institute**

Businesses currently experiencing cash flow difficulties have an opportunity to alleviate their tax debt if they act quickly, according to the Irish Tax Institute.

All business taxes, including corporation tax, and income tax that arose before the Covid-19 outbreak, can be deferred at a reduced interest rate of 3% per annum provided the business owner enters into an agreement with Revenue, known as a Phased Payment Arrangement, by 30 September. The normal rate of interest on late payment of income tax and corporation tax is 8% and 10% for VAT and Employer PAYE.

The President of the Institute, Sandra Clarke said this reduced rate, announced by the Government as part of the July Jobs Stimulus Package, was very welcome and potentially a life saver for many hard-pressed businesses facing end of year tax bills. "Take for example, a retail business that performed well last year but was then shut down by Covid and is now trading in very constrained circumstances in the shadow of the virus. That business is due to submit its corporation tax return for 2019 by 23 September. The owners are probably thinking how on earth are they going to be in a position to pay the tax that may be due on last year's healthy profits."

She says if such a business acts quickly and submits any outstanding tax returns on or before the deadline of 30 September, they can avail of this advantageous scheme for dealing with tax debt. "Not only can they conserve cash by delaying payment of tax due, they can also benefit from the reduced 3% rate on the unpaid tax. That could make a crucial difference to a business operating under pressure in the current crisis," added Ms Clarke.

This special reduced rate of interest will revert to 8% and 10% after 30 September so there is a short window for taxpayers wishing to avail of this rate, to ensure their tax returns are up-to-date and to agree a Phased Payment Arrangement with Revenue.

The reduced rate also applies to arrangements already in place. "Under this measure, any existing arrangements are automatically reviewed, and taxpayers can avail of the reduced interest rate on the balance of the outstanding but declared tax debt," explained Ms Clarke.

She said the application process for the Phased Payment Arrangement on ROS, Revenue's website is straight forward. "When you fill in the application form you are presented with the schedule of repayments. You make your selection and await Revenue approval. In some instances, you may be asked for supporting documentation. There is flexibility on the amount of the downpayment and repayment term."

There is also flexibility for a business that experiences unanticipated financial difficulties in the months ahead. "In such circumstances, it is possible to arrange a short-term

deferral or a payment break. That is very valuable forbearance for a stressed taxpayer,” concluded Ms Clarke.

A company that enters into a Phased Payment Arrangement will be given tax clearance, a key requirement for businesses availing of the Employment Wage Subsidy Scheme (EWSS) or the Stay and Spend scheme.

The reduced interest rate for Phased Payment Arrangements agreed before 30 September is separate from the Tax Debt Warehousing Arrangement introduced by the government in May which applies solely to VAT and Employer PAYE debts incurred during the COVID period.

Ends.

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