

Summary Note of the Annual Branch Network Meeting between the Irish Tax Institute and Revenue's Collector General's Division

27 November 2023

Collector General's Division, Sarsfield House, Limerick

1. Overview of the Division and Key Activities

Revenue gave a presentation which provided an overview of the Division, together with key issues and statistics, which is available [here](#). There are six Principal Officers in the Division with responsibilities as outlined in the slides. In addition to the responsibilities listed, Paddy Purtill has responsibilities relating to carbon tax collection and the Sugar Sweetened Drinks Tax (SSDT) and Caitriona O'Connor coordinates the Divisional Office.

Revenue thanked tax agents for their work in delivering a successful Pay & File season. The number of returns filed, and the yield increased on last year. 592,376 income tax returns for 2022 were filed by the deadline of 15 November 2023, up 3.7% on last year. €3.22 billion was paid in tax, up 4.6% on last year.

In general, there has been an improvement in timely compliance rates compared to 2022. Addressing slippage in payment compliance following the pandemic has been a priority for Revenue. Timely compliance is now almost at pre-COVID levels. The Division has also taken charge of the Income Tax and Corporation Tax Return Non-filer Compliance Programme. In addition, the CG's Management Information Systems team conducts ongoing monitoring and analysis of taxes and debt outstanding.

Standard procedures for debt collection, including enforcement, have returned to pre-Covid practices for some time now. Timely compliance is critical for businesses to retain their place in the Debt Warehousing Scheme (DWS) and to retain tax clearance. Should a business experience difficulty in paying current taxes as they fall due, it is important to engage early with the Division. There is some flexibility available appropriate to the financial circumstances of the business.

The Division is working through the backlog of accumulated debt that has been warehoused. If a taxpayer is not compliant in relation to their current tax obligations and is not engaging, then the case will lose the benefits of debt warehousing and will be escalated to debt collection.

Practitioners noted that agents are not copied on demands and may be unaware that tax is outstanding until a referral to the Sheriff has been made. Practitioners queried the timeframe for issuing an assessment through to the issue of a final demand and subsequent referral to enforcement.

Revenue advised that the taxpayer has 30 days to pay the tax once an assessment has issued. After that point, a warning notice will issue to the taxpayer giving them seven days to remedy

the matter. If the payment is not made in this timeframe, a further seven-day 'final demand' notice will issue. After this point, if the payment is not made the case is available for enforcement. Referral to enforcement is not automatic i.e. a caseworker will review the case history and the taxpayer's track record of timely payments. As outlined in the presentation, less than half of the number of cases have been referred to the Sheriff in 2022, when compared to 2019. However, the value of the debt referred is equivalent to the level in 2019.

Responding to questions raised on the work of the Joint Review Group to examine the role of Sheriffs, Revenue advised that the work of the group has concluded. A report will be made to the Department of Justice on its findings and conclusions. It is anticipated that the report will endorse the role and operation of the Sheriff. Some elements of modernisation in the operation and potentially a new and improved Code of Practise may be recommended.

2. Dealing with warehoused debt

Revenue outlined the latest statistics for the Debt Warehousing Scheme (DWS). As of October 2023, approximately €1.83 billion of tax is included in the DWS. There is a gradual reduction in the level of debt every month. 67% of businesses in the DWS have a debt balance of less than €5,000, with 49% of these having a balance of less than €1,000.

The majority of the debt of €1.56 billion is warehoused by approximately 5,600 businesses with debt in excess of €50,000. These businesses are predominantly in the wholesale, retail, accommodation and food sectors.

The Division has started an outreach phone-based campaign beginning with contact to businesses with warehoused debt in excess of €500,000 and Revenue intends to work through the tiers of taxpayers owing debt greater than €50,000. The aim of the campaign is to make these businesses aware of the payment options available and the inherent flexibility in Phased Payment Arrangements (PPAs). A dedicated Debt Management Unit will review cases with debts over €50,000.

The CG's will also carry out targeted events and webinars with relevant industry, trade and sectoral bodies to increase the awareness of the upcoming 1 May 2024 deadline and Revenue's approach.

Approximately 2,100 PPAs for warehoused debts have been set up. It is possible to set up the PPA now and start the payments next May, for businesses who want to plan ahead.

In the first quarter of 2024, Revenue will issue notices to businesses with warehoused debt reminding them of the impending 1 May deadline to clear the debt or agree a PPA. The letters will also set out a schedule of the warehoused debt for each business.

Practitioners noted that taxpayers may not be cognisant that interest is accruing, albeit at a reduced rate of 3% per annum, and queried whether Revenue could provide taxpayers with

details of the accrued interest. Revenue clarified that it is not possible for Revenue to calculate the interest accrued to date. Until the tax is paid, the interest cannot be calculated.

However, Revenue is developing a new PPA calculator to help taxpayers calculate their interest exposure and devise a proposed repayment schedule. This new tool is expected to be released on the Revenue website shortly.

From 1 May 2024, Revenue will also reinstate the offset mechanism which will automatically offset refunds against warehoused debt. This will reduce or eliminate the amount of smaller debts owing. During the first half of 2024, the CG's caseworkers will work with businesses to agree PPAs. After that point, standard debt collection procedures, including referral to enforcement, will apply in cases of non-engagement.

Revenue noted the new €50,000 threshold, below which supporting documentation to agree a PPA will generally not be sought. Videos have been added to the Revenue website on how to agree a PPA and avail of its flexibilities. Revenue will adopt a pragmatic approach to PPAs to agree workable and sustainable arrangements that are tailored to the financial circumstances of a business, including offering flexibility in relation to the level of downpayment sought.

Practitioners noted experiences in agreeing PPAs to date were broadly positive and agreed that the increase to the threshold for submission of supporting documentation was a helpful development. The new PPA calculation tool would also be a welcome development. In communicating with businesses, practitioners considered increasing awareness that interest is accruing and that there is flexibility in the level of downpayment, even where tax clearance is sought, would be useful.

3. Tax Clearance

Regular reviews of tax clearance have been reinstated for some time. Revenue is reviewing the frequency at which it conducts periodic tax clearance reviews, with plans to reduce the time interval between reviews.

In addition, Revenue is developing a mechanism to provide advance warning of the expiration of a tax clearance certificate, by way of issuing an email to the ROS inbox of the taxpayer.

Practitioners noted the importance of issuing or copying the warning notice to the tax agent as many businesses, in particular small businesses, do not review the ROS inbox and will overlook such an important communication. Revenue agreed to consider the request.

Practitioners also noted the challenges for micro businesses in understanding and managing their tax obligations and asked that Revenue adopt a particularly pragmatic approach in dealing with this cohort.

4. Temporary Business Energy Support Schemes (TBESS) and Covid Restrictions Support Scheme (CRSS)

The final date for submitting a claim in respect of the TBESS was 30 September 2023. The list of recipients of payments under the scheme was published on the Revenue website on 21 November, in accordance with the legislative requirements. The CRSS is near completion with a small number of appeals to the Tax Appeals Commission yet to be finalised.

5. Small Companies Administrative Rescue Process (SCARP)

Revenue confirmed it is willing to be a constructive participant in SCARP. Out of the 48 applications to date, Revenue has only opted out of seven. The slide presentation provides a breakdown of the sectors and SCARP statistics to date. Constructive participation by the Process Adviser and the taxpayer is critical to Revenue's decision regarding SCARP.

In addition, the purpose of SCARP is to facilitate creditors to get more than they would via liquidation. Therefore, Revenue would ask participants to consider what the business can afford rather than paying the minimum amount that can be paid. Process Advisers and proprietary directors should be fully aware that SCARP has implications for section 997A TCA 1997 tax debts.

In some cases, the track record of the directors may be relevant to Revenue's decision to participate in SCARP, for example, if the individuals involved have been directors of a series of failed businesses which had resulted in tax debt not being paid. Revenue has noted a significant spike in insolvencies in recent months. It was also highlighted that once agreement is reached, Revenue will closely monitor those businesses for a number of the following years.

6. Practitioners' feedback and queries

The Institute referenced a recent [parliamentary question](#) answered by the Minister for Finance, which confirmed Revenue's position that interest on warehoused debt was not tax deductible (similar to the case with interest on late payment of tax generally). However, the Minister noted that Revenue would consider the matter further over the coming months. There was no legislative amendment in Finance (No. 2) Act 2023 to permit an interest deduction and practitioners queried what Revenue may intend and possible developments on the matter.

Revenue advised that the legislation does not provide for a specific deduction for interest on the payment of tax debt including warehoused debt, as clarified by the Minister. However, Revenue is examining the issue of a tax deduction in respect of interest on warehoused debt. A change to the current position, if any is made, would require a legislative amendment and it would be a matter for the next Finance Bill i.e. in 2024.

Practitioners and Revenue discussed the limitations of 'final demands' (i.e. where the agent is not copied on demands and so, unaware of an escalating situation in order to engage with the taxpayer and remedy the matter before the debt is referred to enforcement). Discussions focused on issues such as GDPR considerations, the volume of demands, limitations on IT

developments currently and explored possible options to alert agents to the fact a final demand has issued. Revenue took away the options discussed to further consider the possibilities.

Practitioners also queried how a taxpayer who has warehoused debt and wants to pay off their debt and interest before the end of 2023 could do so. Previous contact with Revenue had indicated that the outstanding interest cannot be paid in a RDI, with the debt. The debt would have to be paid and Revenue would subsequently raise an assessment of the interest.

Currently, there can be an interval of a couple of months between when the debt is cleared and the interest letters issues from Revenue, due to the volume of debt cases being worked. Revenue advised that if a taxpayer wishes to clear both the full debt and the interest on their warehoused debt by the end of 2023, the agent should contact the caseworker to discuss the matter further.

Practitioners raised an instance where a return with a 2022 liability was filed and the practitioner requested that the liability be offset against a refund due to the taxpayer on Revenue's system, but a demand for payment issued. This is not a one-off occurrence, and it appears to practitioners in some circumstances that Revenue's system does not identify that a refund is due to the taxpayer to facilitate the offset. This can also arise in dealing with interventions and making disclosures with a liability when, for example, a refund is due under another tax-head.

Revenue clarified that a refund is not available for offset until it has been approved for processing. Revenue cannot automatically assume a refund claim submitted is legitimate until approved. This may give rise to a timing issue if there is a delay in approving the refund, as the offset request cannot be enacted until the refund is approved. Therefore, an assessment or payment demand may issue for the liability. In such circumstances, the debt management unit should be contacted as soon as the offset request is made to put a 'stop' on the system to ensure the demand does not issue.

Practitioners raised other payment-related matters, such as where non-resident landlords pay preliminary tax under their own tax number, but the tax return is filed by the collection agent as the assessable person. The payment by the landlord is not matched against the return filed by the collection agent on Revenue's system. Practitioners further noted that there will be a period of transition in relation to 2023 returns for this cohort of taxpayers where practical issues may need to be considered.

An instance was cited in relation to income tax filings where the tax payment was not deducted from the nominated bank account even though there were monies in the account on the RDI date. The bank advised the taxpayer to contact Revenue while Revenue considered the taxpayer needed to engage with the bank. It was considered that the specifics of the case may need to be raised directly with Revenue. An issue was raised where a disclosure was made but the assessment was not matched against the amount paid with the disclosure. Revenue advised that the specific cases would need to be looked at individually.