



South Block  
Longboat Quay  
Grand Canal Harbour  
Dublin 2

+353 1 6631700  
www.taxinstitute.ie

Minister Paschal Donohoe TD  
Department of Finance  
Government Buildings  
Upper Merrion Street  
Dublin 2

7 October 2020

## **Challenges in meeting the income tax filing deadline for Covid-19 impacted businesses**

Dear Minister,

Since the onset of the pandemic you and your Department have taken swift and effective action to support businesses most impacted by the public health crisis. In particular, the wage subsidy schemes, the warehousing of tax debt, and the reduced interest rate on agreed non-Covid debt have given a lifeline to businesses whose ability to trade has been severely hampered by the pandemic restrictions.

The Institute and its members have collaborated to great effect with your officials and Revenue to ensure these support measures worked as intended for businesses all over the country. I think it is fair to say that our work with Revenue was of great benefit in the operation of measures like, for example the Temporary Wage Subsidy Scheme.

The purpose of this letter is to bring to your attention the particular plight of many self-employed traders and small business owners who have fallen through the cracks, so to speak, and whose circumstances prevent them from gaining the benefit of recently introduced tax administration measures designed to help businesses challenged by the pandemic crisis.

Typically, they are the local hairdresser, the café owner, the publican, or restaurant owner whose businesses had been profitable in 2019. Following months of closure and subsequent curtailed trading, they are now cash-strapped and temporarily unable to pay their income tax liability. Whatever cash they had set aside, has been used to meet their outgoings when their businesses were forced to close in the Spring.

Even though they have incurred losses in 2020, in most cases, these losses are not sufficient to offset against their income tax liability for last year. While the accelerated loss relief for the self-employed introduced in the July Jobs Stimulus package is a very welcome measure, it will not necessarily help these taxpayers. Their difficulty is that their cashflow

Directors: Sandra Clarke, President, Peadar Andrews, Brian Brennan, Colm Browne, Oonagh Carney, Ian Collins, Amanda-Jayne Comyn, Maura Dineen, Karen Frawley, Stephen Gahan, Aileen Keogan, Aoife Lavan, Laura Lynch, Sarah Meredith, Colm O'Callaghan, Tom Reynolds, Kieran Twomey, Shane Wallace, Martin Lambe (Chief Executive).

Immediate Past President: Frank Mitchell.



Member of the Confédération  
Fiscale Européenne

The Institute is a company limited by guarantee without a share capital (CLG), registered number 53699.

The Institute is also a registered charity, number 20009533. EU Transparency Register No.: 08421509356-44

position has not sufficiently recovered to enable them to pay their income tax bill at this time. But these businesses are fundamentally viable and will return in time to former levels of profitability.

Nor can they avail of the recently announced extension to the ROS Pay & File income tax deadline because they are currently unable to pay the balance of income tax due for 2019 or their preliminary tax for 2020 and therefore cannot meet Revenue's requirement to both pay and file through ROS.<sup>1</sup> To avoid a surcharge penalty,<sup>2</sup> they and their tax advisers must now ensure that their income tax returns are filed by 31 October.

They have also been unable to avail of the reduced interest rate applying to Phased Payment Arrangements because their income tax liability for 2019 is not due for payment until 31 October. The legislation states that the special 3% interest rate only applies to debts due before 30 September 2020. The recent announcement of a one-month extension to agree Phased Payment Arrangements has not changed this position.

In effect, Minister, these hard-pressed business owners are excluded from the very valuable tax alleviation measures that have been introduced. They now face the prospect of paying interest on their overdue tax at the higher rate of 8%. We have been consistently raising their predicament with Revenue in recent weeks, but it seems their hands are tied by the legislation underpinning the measures.

We believe some mechanism must be found to help these uniquely disadvantaged taxpayers. We would appeal to you to address what is surely a disparity in treatment between taxpayers who are in a position to pay their income tax liabilities at this time and those who are not.

The extension of the Pay & File deadline is welcome and on the face of it could be expected to resolve matters but the requirement to both pay and file means tax agents have to know which of their clients are actually in a position to pay their tax. This places them in the invidious position of having to work through their entire client list to identify those at risk of not meeting their upcoming income tax liabilities so that they can be prioritised for filing before the 31 October deadline so as to avoid the sanction of a substantial surcharge on their debt.

This, in itself is a huge undertaking at an extraordinarily pressurised time, especially for the small practices who primarily deal with this cohort of taxpayers. These practices are coping

---

<sup>1</sup>Per Revenue eBrief 174/20, in recognition of the challenges being experienced by businesses and tax practitioners arising from the Covid-19 crisis, Revenue today (17 September 2020) announced a four-week further extension to the Pay & File deadline for self-assessment income taxpayers. For taxpayers who file their 2019 Form 11 return and make the appropriate payment through ROS for preliminary tax for 2020 and income tax balance due for 2019, the due date is now extended from 12 November to Thursday, 10 December 2020. In order to qualify for the extension, taxpayers must both pay and file through ROS. Where only one of these actions is completed through ROS, the extension does not apply and the required date to submit both returns and payments is no later than 31 October 2020.

<sup>2</sup> Section 1084 TCA 1997 imposes a surcharge of 5% of the tax amount due, up to maximum of €12,965 if a tax return is filed late but within 2 months of the filing deadline (i.e. 31 October in the case of income tax). A surcharge of 10% of the tax amount due, up to maximum of €63,485 is imposed on tax returns filed 2 months after the filing deadline.

with their own challenges of managing a business in a pandemic with staff having to work remotely. While our members have continued to do their best to keep taxpayers up to date with timely filing, the restrictions have made it difficult to access information and finalise accounts.

This work has been complicated by business closures, temporary layoffs, staff absences and the often-limited online capabilities of businesses in these stressed circumstances. Further difficulties and delays are inevitable with all counties moving this week to Level 3 public health restrictions and the real possibility that worse is to come.

We acknowledge and welcome the forbearance shown by Revenue to taxpayers and their advisers during the current crisis, the most recent example being the extension to the Pay & File deadline to 10 December for taxpayers who are in a position to pay and file through ROS and the extra month given to agree Phased Payment Arrangements for non-Covid tax debt.

Both extensions have provided some breathing space to tax agents who are also helping their clients this month with their Companies Registration Office filings, compliance checks and reconciliation requirements for the Temporary Wage Subsidy Scheme, Employment Wage Subsidy Scheme registrations, grant and loan applications, and other obligations - all in a very short-pressurised time period.

But of immediate concern to our members now, is the danger that this cohort of small business owners will face significant surcharges if they do not meet the filing deadline by the end of this month. To address this problem the Institute has consistently engaged with Revenue to alleviate the surcharge and to consider including income tax in phased payments arrangements at the reduced interest rate of 3%.

We now ask you, Minister, to re-examine the measures you have introduced thus far and to find a way, in the context of Budget 2021/Finance Bill, to ensure these already stressed taxpayers are not penalised by their inability to meet the 31 October filing deadline.

Tax advisers play a crucial role in the collection of taxes for the exchequer. I want to assure you, that notwithstanding the current pressures, Institute members will do their utmost to continue that work and keep their clients compliant in this exceptionally challenging business environment.

Yours sincerely



Sandra Clarke  
Institute President

cc. Mr. Niall Cody, Chairman of the Revenue Commissioners