



## Tax Debt Warehousing

### April 2022

During 2020, in the months following the outbreak of the COVID-19 pandemic, the Irish Revenue recognised that many businesses faced significant challenges as a result of increased uncertainty surrounding economic activity due to the nature of the pandemic. Revenue decided to introduce a number of measures to try and aid these businesses through their toughest and most unprecedented of times. As we now begin to emerge from the restrictions that had been put on our economy over the last 2 years, we are seeing certain support facilities being wound down. One of the most beneficial schemes implemented by Revenue was the option of Debt Warehousing. Under the scheme, qualifying businesses were entitled to warehouse VAT and PAYE liabilities incurred during the pandemic. This measure provided businesses with much needed support to enable them to manage their cash flow during the height of the pandemic. As we move into 2022, the active warehousing of tax debts has finished for the vast majority of Revenue customers. As such, it is time for business' to consider how they intend to repay their tax liabilities which have been warehoused and any obligations arising in respect of same.

The active warehousing of debt for most Revenue customers came to an end on 31 December 2021. This period was known as phase one. We have now moved into phase two, which will run for 12 months from 01 January 2022 to 31 December 2022. Revenue guidance advises that this period is considered an interest free period where business can repay their warehoused liabilities either in full or partially, without any interest being accrued. Where a business has warehoused liabilities still outstanding at 31 December 2022 interest will begin to accrue on these liabilities. This interest will accrue at a reduced rate of 3% per annum until they are paid in full, a level far below the standard 10% rate of interest.

Revenue have created a second group of customers in relation to Debt warehousing. This applies to customers who were eligible for warehousing and claimed one of the following in the period 1 January 2022 to 30 April 2022;

- Employment Wage Subsidy scheme
- COVID-19 restriction support scheme
- Other Government COVID-19 Support

In the case of these businesses period 1 runs until 30 April 2022. Period 2 will run for a year from 1 May 2022 to 30 April 2023. Period 3 will start on 1 May 2023.

It is important to note that payments can be made directly to Revenue in phase 2 at a business' discretion in order to satisfy the warehoused liabilities. Revenue have advised that on exiting period 2 of the warehousing, you must have agreed a phased payment arrangement with Revenue regarding the warehoused debt. Revenue guidance states that enforcement activity will not be taken in respect to warehoused debts where there is active engagement between the business concerned and Revenue. It should be noted that Tax liabilities that fall due for current periods, during the warehousing agreement, must be maintained for the duration of this period and for any subsequent arrangement period to guarantee the reduced interest rates of 0% (while in warehouse) and 3% (after the warehouse period ends) will apply.

### Outstanding Returns:

One of the key conditions of qualifying for Debt Warehousing was to ensure all tax returns were filed on time even if no payment was made or needed. Revenue have not enforced this condition during Phase 1 of the process, now as we have entered phase two Revenue are tightening down on this condition. Revenue have set a date of 30<sup>th</sup> April for any company availing of the Debt warehousing to ensure all their tax filings are up

to date. Revenue have written to any tax payer who has filings outstanding to alert them to this date. It is also important to ensure that any tax filings relating to January to March 2022 are filed and paid ahead of 30 April date as well.

**Revenue have advised that failure to submit all outstanding returns by 30<sup>th</sup> April 2022 will result in a loss of the benefit of the warehousing scheme. This means that the debt will become payable immediately and the interest will be charged at the standard rates of 8/10%.**

If you have any issues with the debt that is warehoused or issues meeting the filings and payment obligation for 2022, it is important to inform Revenue swiftly and try to agree a solution to ensure you will not be deemed ineligible for debt warehousing going forward.

**Article by Philip Slattery - Manager | Tax | Moore  
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If you wish to discuss your requirement around Debt Warehousing please feel free to contact any member of our tax team.

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