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Briefing: A welcome development to the Tax Debt Warehousing Scheme

Established during the Covid-19 pandemic, the Debt Warehousing Scheme (**DWS**) allowed eligible taxpayers to defer VAT and PAYE liabilities on an interest-free basis for a certain period of time, and thereafter at a reduced rate of 3% providing much needed cash-flow support to businesses. More than €3 billion of debt belonging to 105,000 businesses has been deferred under this scheme. Recently the Government announced that the interest rate applicable to warehoused debt will be reduced to 0%.

This significant change to the DWS will provide a welcome lifetime for many of the 58,000 businesses who remain in the DWS and have an aggregate outstanding warehoused debt of €1.72 billion. In addition, any taxpayer who paid warehoused debt which was subject to interest of 3% will receive a refund of that interest.

What to do now?

Businesses must engage with Revenue on addressing the warehoused debt, including arrangements for a Phased Payment Arrangement by 01 May 2024. Revenue have indicated that they will take a flexible approach in dealing with businesses in relation to the warehoused debt, including the possibility of extending the duration of Phased Payment Arrangements beyond the standard 3/5 year term, the availability of payment breaks and that an initial downpayment may not always be required. Revenue will deal with businesses in the DWS on a case-by-case basis.

In order to remain in the DWS and benefit from the 0% interest rate, it is important that businesses continue to file their current tax returns and pay current liabilities as they fall due. Failing to do so will have significant consequences as the warehouse facility will be revoked and any outstanding tax liabilities will become liable to interest, backdated to when the debt arose, at the standard rate of 10%.

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While legislation to effect the changes to the DWS will be brought forward shortly, Revenue have helpfully confirmed that it will operate the 0% interest rate on an administrative basis pending the legislative change.

How can we help?

Businesses availing of the DWS should engage with Revenue prior to 01 May 2024. Our Tax Group has significant experience in assisting businesses to regularise their tax position and arranging Phased Payment Arrangements with Revenue for the repayment of deferred tax liabilities. If you would like further information on how the changes to the DWS may affect your business, please contact any member of the McCann FitzGerald Tax Group for assistance.

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Alternatively, your usual contact in McCann FitzGerald LLP will be happy to help you further.

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