

Breathing room for businesses: Ireland's Covid-19 Tax Debt Warehousing Scheme

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In a welcome development for struggling businesses enrolled in the Tax Debt Warehousing scheme in Ireland (the "**TDW Scheme**"), the Minister for Finance recently announced that the interest rate applicable to warehoused debt will be reduced to 0% and that interest previously paid on warehoused debt will be refunded.

The TDW Scheme provided critical support to eligible businesses to defer VAT and PAYE obligations during the Covid-19 pandemic, which in turn allowed affected businesses to focus on maintaining trading activities during an unprecedented period of economic disruption.

The TDW Scheme had deferred over €3 billion in debt for 105,000 businesses, providing crucial support to businesses impacted by operational disruptions caused by the pandemic. At present, 57,500 businesses are still participating in the TDW Scheme, together holding a total warehoused debt of €1.72 billion.

Furthermore, the Revenue Commissioners have announced additional flexibilities concerning the payment of warehoused debt, which may include extensions of the duration of Phased Payment Arrangements, payment breaks and adjustments to monthly payments for businesses facing challenges with its cash flow. All arrangements will be determined on a case-by-case basis.

The key message from the Minister for Finance is that businesses availing of the TDW Scheme need to (1) engage with the Revenue Commissioners prior to 1 May 2024 and (2) file its current tax returns on time and meet its current tax liabilities as they fall due. Failure by businesses to do so will have substantial repercussions, including the cancellation of the warehousing facility and the application of interest to any unpaid tax debts, retroactively calculated from the time the debt originated, at the prevailing rate of 10%.

While legislation to implement the updates to the TDW Scheme will be introduced soon, the

Revenue Commissioners have assured that it will apply the 0% rate administratively until legislation is enacted.

Although this is a welcome development, it still will be a struggle for many businesses to discharge revenue obligations over any period. Therefore, businesses may need to consider restructuring options.

Should you require more information on how the amendments to the TDW Scheme might impact your business, feel free to reach out to Dee or Stephen via their contact details below.

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