

TAX

# COVID-19 Practical Considerations – Warehousing of certain tax liabilities – Update

12 May 2020

As discussed in our [briefing](#) on 6 May 2020, the government announced a scheme to warehouse certain tax debts arising during the COVID-19 crisis and Revenue have now provided guidance with further details of the scheme.

## Revenue Guidance

It appears from Revenue guidance that the scheme will apply only to VAT and PAYE/PRSI (Payroll tax) liabilities arising in 2020 which have been postponed by Revenue in respect of SMEs (given automatically) and larger businesses (on request) that are severely impacted by COVID-19. It is important that larger businesses whose debts will not be automatically postponed contact Revenue to gain access to the warehousing scheme.

Revenue guidance sets out details of the three phases of the scheme.

### Period 1 – Covid-19 restricted trading phase:

The relevant tax debts built up while the business is unable to trade or was subject to restricted trading, and debts for an additional two months after the business re-commences 'normal' trading, will be 'ring-fenced'. There will be no collection

of any of the debt in question during this period and no interest will apply. The debt must have been quantified by the business through the filing of all the relevant returns for the restricted trading phase. Period 1 may vary from sector to sector and business to business, depending on when Government restrictions are relaxed in line with the roadmap for re-opening society and business as announced on 1 May 2020 (see our briefing on the re-opening of the Irish economy [here](#)).

### Period 2 – Zero interest phase:

This will last for twelve months after the end of Period 1. During this period no interest will be charged on the debt built up in Period 1. Businesses must pay current tax liabilities as they fall due in the normal course.

### Period 3 – Reduced interest phase:

This will last from the end of Period 2 until the COVID-19 related debts built up in

Period 1 are paid. A reduced interest rate of 3% per annum will be charged on the debt from Period 1. This compares to a rate of 10% per annum normally due on overdue VAT and Payroll tax liabilities.

## Other

Refunds and repayments of tax which arise will be paid, notwithstanding that the business owes VAT and Payroll tax liabilities built up in Period 1, although businesses can choose to offset the repayment against the COVID-19 liabilities.

Tax clearance will not be affected by a business availing of tax debt 'warehousing' under this arrangement.

Full details of the arrangements for debt warehousing will be published in Finance Act 2020.

If you would like further information on this matter please contact a member of our tax team.

## KEY CONTACTS



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