



Smart decisions. Lasting value.

Crowe Ireland & Irish Hotels Federation

10 April 2024

Audit | Tax | Advisory

Introduction

Introduction

- 1. DWS – Debt Warehousing Scheme & Amendments**
- 2. ERR – Revenue’s Enhanced Reporting Requirements**
- 3. Risk Register and Compliance Register for Hotels**

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1. DWS – Debt Warehousing Scheme & Amendments

Tax Warehousing – Recap and Recent Developments



VAT, PAYE debts & TWSS

VAT and PAYE debts incurred between February 2020 and April 2022, also any TWSS repayments.



2024 deadline looming

Warehoused until 1 May 2024.



Interest on warehoused debt

Initially, was to become subject to interest with effect from 1 January 2023 (or 1 May 2023 in certain cases) until debt paid off – effective annual rate of 3%.

However, announced in February 2024 that the interest rate was being reduced to 0%.

Those who have already paid any interest on the warehoused debt can apply for a refund.

Repaying Warehoused Taxes

- Key Date – **1 May 2024**
- By 1 May 2024, must have:
 - Either paid off the warehoused debt or entered into a PPA to do so
 - Paid the first monthly instalment under any PPA
- Likely repayment terms?
 - PPAs always subject to agreement with Revenue – no different in context of warehoused debts
 - In practice, we are seeing Revenue readily agreeing to downpayment of 10% with balance over five years
 - However, they have indicated a willingness to consider smaller downpayments and longer terms



Applying for PPA – Practical Points

- Must apply online (ePPA application using ROS).
- ePPA is a detailed form with questions regarding the financial position of the business, the rationale for the terms proposed and an outline of how entering into the PPA will assist the business and enable it to keep ongoing taxes up to date.
- Allow time to complete application. Also, allow time for any clarifications/correspondence with Revenue – for example, if you are applying for a term of longer than five years, manual intervention will be required from Revenue.
- Practical point – if you want your accountant to liaise with Revenue, make sure they are your tax agent for the taxes covered – sometimes, a different bookkeeper/payroll provider will be agent for VAT/PAYE.

Important points to consider



Apply
online



ePPA
form



Take your
time



Correct tax
agent

Applying for PPA – Consider Carefully

Be eligible

Ensure that you can meet the terms that you commit to.

Consistent reporting

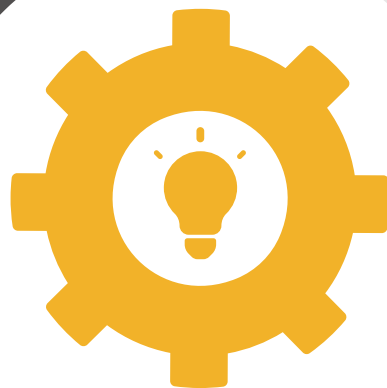
Must keep ongoing taxes up to date for duration of PPA, in addition to meeting terms of PPA – otherwise, benefits of PPA (including zero interest) may be withdrawn as may tax clearance certificates.

Engage with Revenue

Revenue have indicated that they will be flexible during the term of the PPA, e.g. may entertain claims for payment breaks, extension of duration of PPA etc. But this is conditional on keeping up to date with terms and engaging with Revenue.

Business health status

In addition to impact on overall tax compliance, consider impact of PPA on overall business health before committing to terms.



Preparing for PPA – Cash Flow Projection

Why is it needed?

PPA application form – not just a box-ticking exercise for Revenue, you also need to ensure you can meet the terms of what you are proposing.

General health check for your business – identify future cash flow problems early, enable appropriate planning to happen.

Key considerations

1. Can you meet what you are proposing (10%, five years) – what does that look like? (Example: €1m warehoused debt – €100k upfront, €15k monthly for five years.)
2. Can you meet **ongoing** tax obligations – PPA is contingent on this.
3. What level downside can your business tolerate – if cash inflow targets are not achieved or outgoings are higher than expected – stress testing.

Re-evaluate and re-assess every quarter.

Your approach

Information gathering: Typical incomings and outgoings – maximum frequency monthly.

- Incomings – Quantify typical cash collections from customers (historical experience, expected occupancy/booking levels) – consider seasonality.
- Outgoings:
 - Payroll
 - Current VAT and payroll tax obligations
 - Stock and other regular supplier payments
 - Loan or finance lease repayments
 - Capital or once-off expenditure – e.g., necessary once-off works or significant repairs

Preparing for PPA – Cash Flow Projection

Approach (continued)

Simplified example:

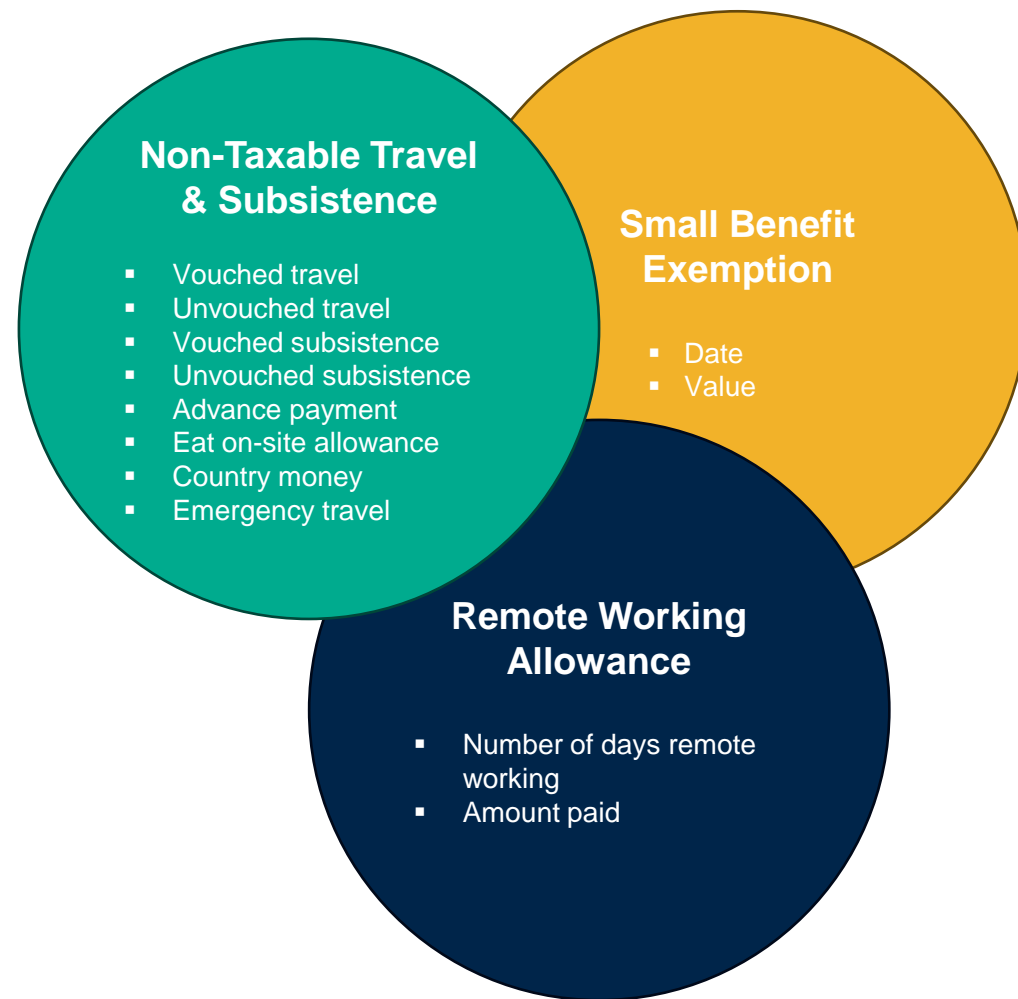
Cash Flow Projection ABC Hotels										
	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
Opening cash balance	500,000	492,500	436,101	528,601	585,308	627,808	656,542	629,042	638,128	500,000
<i>Income:</i>										
Bed night sales	225,000	225,000	240,000	250,000	240,000	225,000	220,000	200,000	200,000	2,025,000
Bar sales	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	315,000
Health & Beauty Spa sales	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	180,000
Other sales	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	45,000
<i>Outgoings:</i>										
Supplier payments	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 900,000
Payroll payments	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 450,000
Payroll tax payments	- 30,000	- 30,000	- 30,000	- 30,000	- 30,000	- 30,000	- 30,000	- 30,000	- 30,000	- 270,000
VAT payments	-	- 33,899	-	- 45,793	-	- 48,767	-	- 43,414	-	- 171,872
Loan repayments	- 10,000	- 10,000	- 10,000	- 10,000	- 10,000	- 10,000	- 10,000	- 10,000	- 10,000	- 90,000
Finance lease repayments	- 2,500	- 2,500	- 2,500	- 2,500	- 2,500	- 2,500	- 2,500	- 2,500	- 2,500	- 22,500
Capital expenditure	-	- 100,000	-	-	- 50,000	-	- 100,000	-	- 250,000	- 500,000
<i>Revenue PPA:</i>										
Upfront payment	- 100,000	-	-	-	-	-	-	-	-	- 100,000
Ongoing repayments	-	- 15,000	- 15,000	- 15,000	- 15,000	- 15,000	- 15,000	- 15,000	- 15,000	- 120,000
Closing cash balance	492,500	436,101	528,601	585,308	627,808	656,542	629,042	638,128	440,628	440,628
<i>Stress testing:</i>										
Income change %			-10%	-10%	-10%	-10%				
Expenditure change %			10%	10%	10%	10%	10%	10%	10%	
Opening cash balance	500,000	492,500	436,101	480,601	488,308	482,808	465,042	419,542	410,628	500,000
Closing cash balance	492,500	436,101	480,601	488,308	482,808	465,042	419,542	410,628	195,128	195,128



2. ERR – Revenue’s Enhanced Reporting Requirements

Enhanced Reporting Requirements (ERR)

- Reporting of non-taxable payments and benefits effective from 1 January 2024
- Phase 1
- Not all non-taxable items need to be reported
- Currently only three categories to be aware of:
 1. Non-taxable travel and subsistence
 2. Small benefit exemption
 3. Remote working allowance



Payment of Non-Taxable Travel & Subsistence Expenses

Travel – mileage, flights, taxis, trains etc.

- Vouched travel – supported by receipts, flight or train tickets etc.
- Unvouched travel – mileage claims based on civil service rates.

Subsistence – accommodation and meals.

- Vouched subsistence – supported by receipts for meals, hotels etc.
- Unvouched subsistence – based on day or overnight civil service rates.
- Advance payment of travel and subsistence.
- Revenue guidance states that strictly the advance is taxable but as this is impractical it can be paid tax-free. Advance payment is to be reported on ERR return. When an expense claim is made, ERR is to be amended. Need to ensure the claim offsets the advance and if not, tax the difference. Ensure the claim is excluded from future ERR submissions as no double reporting.
- Other industry-specific categories.

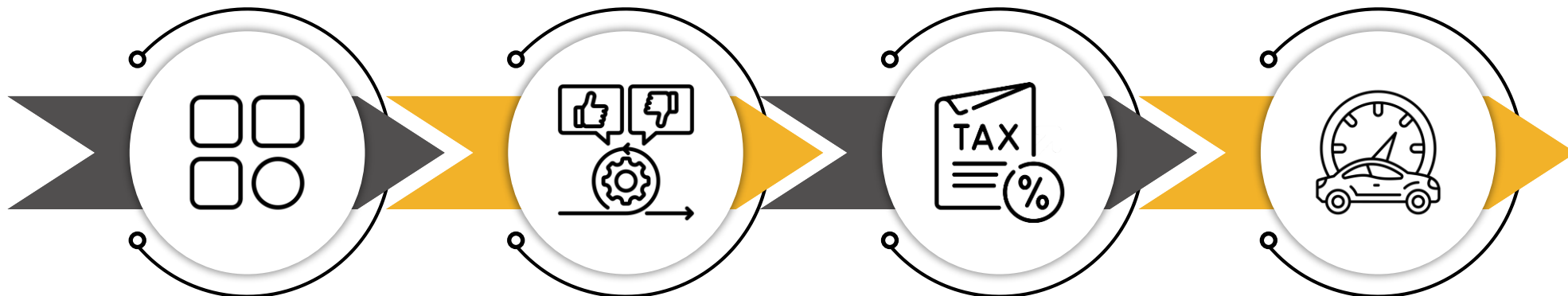
Non-taxable Travel & Subsistence

- Vouched travel
- Unvouched travel
- Vouched subsistence
- Unvouched subsistence
- Advance payment
- Eat on-site allowance
- Country money
- Emergency travel

Payment of Non-Taxable Travel & Subsistence Expenses

Need to be able to distinguish between the various categories (example: attending conferences)

If paying unvouched amounts, are you using the most up to date civil service rates? Consider whether there is any taxable element.



Classify whether it is vouched or unvouched – internal processes may need to be reviewed to ensure the payment is allowed tax free. Are you obtaining enough info from the employee to support the payment tax-free, including receiving genuine receipts and accurate narratives provided by employees?

Mileage – lesser of distance between either home or normal place of work to temporary place of work.

Payment of Remote Working Daily Allowance



Employers can pay up to €3.20 per day tax-free to employees who work from home to cover additional cost of broadband, light & heat etc.

- Employers are not obliged to pay this allowance and it may not be relevant to many
- If it is paid to employees, it is reportable
- Must report days worked from home, the amount paid, and the date paid
- Important to report actual days worked – exclude annual leave, sick leave, etc.
- Shouldn't be based on a fixed rate each month – Revenue expects this amount to fluctuate
- Need to maintain records for each employee
 - What is your process for verifying days worked? Do employees submit a claim?

Small Benefit Exemption (SBE)



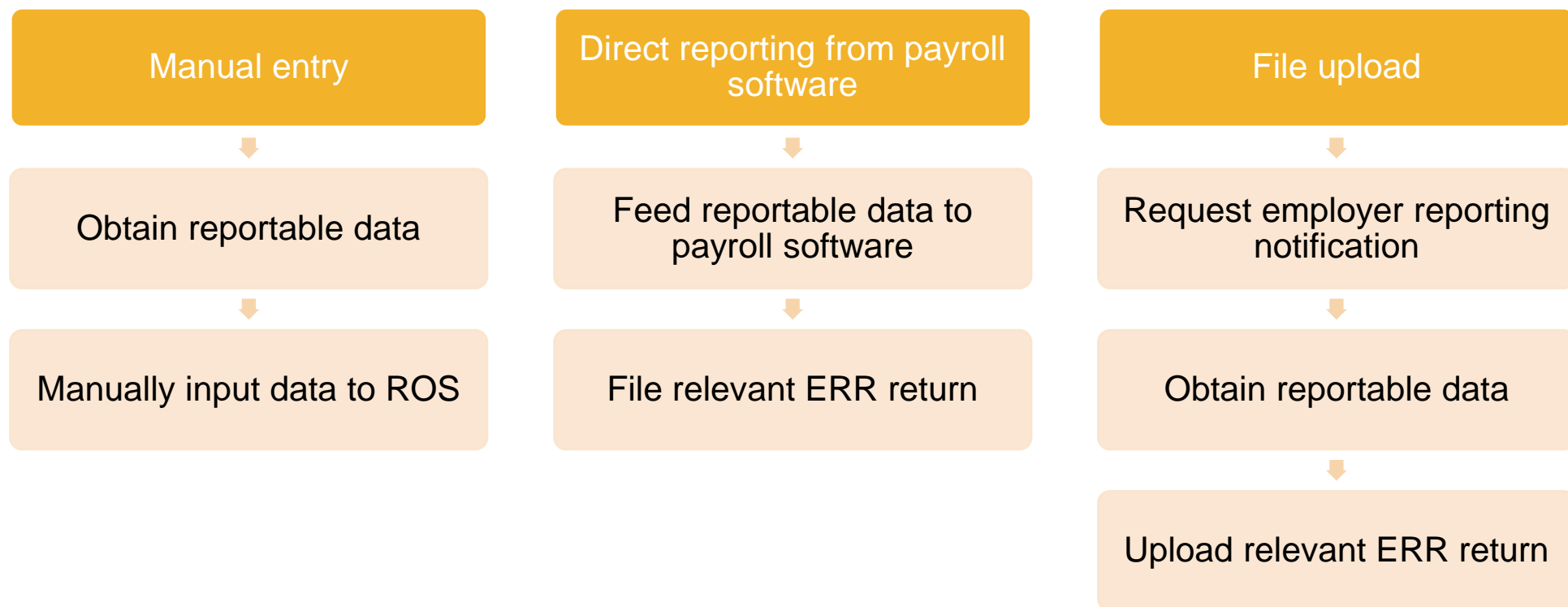
Employers can give up to two small benefits, tax-free, to employees each year. Must be non-cash and the combined value of the two benefits cannot exceed €1,000.

- Required to report the value of each benefit and the date given.
- Relates to any non-cash tangible benefit, e.g. voucher, gifts, flowers, hampers, Easter eggs etc. All these need to be captured and will potentially utilise SBE.
- Applies to first and second benefit – important to track benefits being given. Christmas voucher may not be tax-free if other smaller benefits given throughout the year.
- Third benefit or benefits exceeding €1,000 limit should be taxed through payroll.
- Example: Employee of the month
 - If gift purchased on corporate credit card and given to another employee, gift is still reportable under ERR. Not excluded just because a corporate credit card has been used.

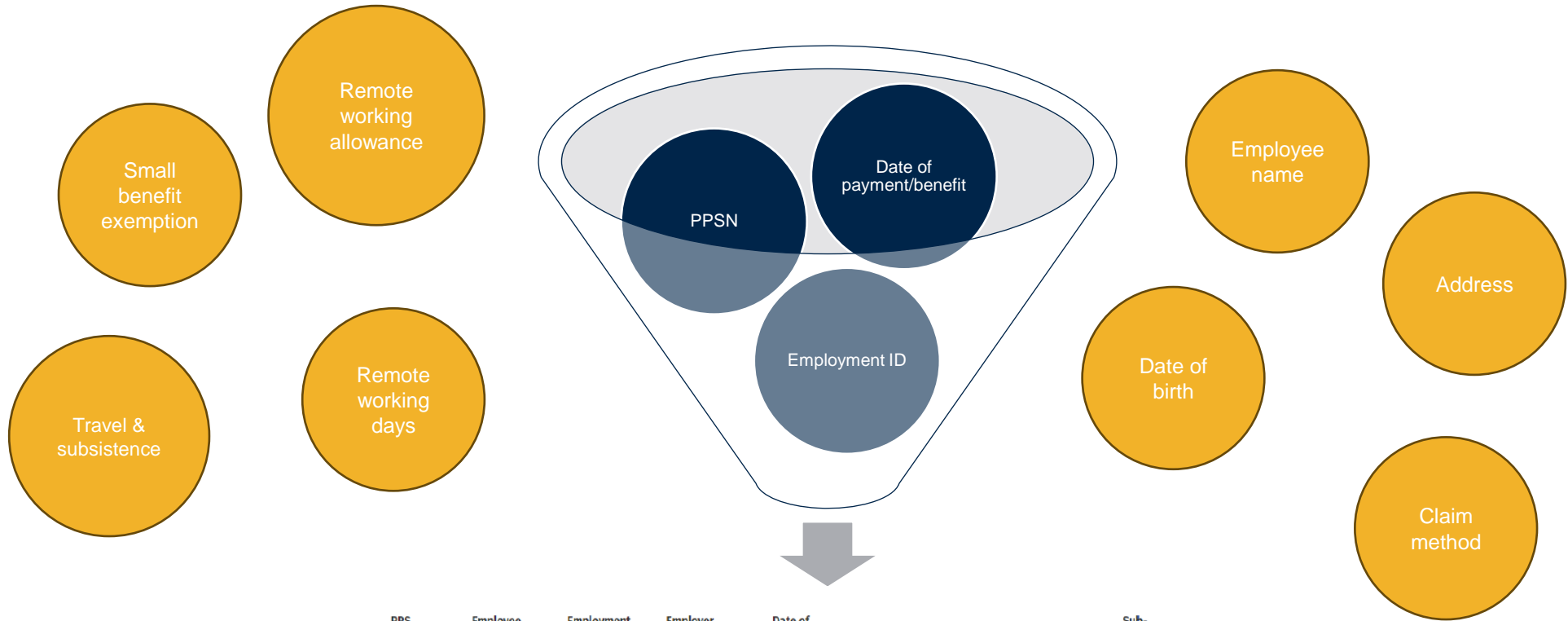
Reporting Requirements

- On or before the payment is made or benefit is provided – in line with PAYE modernisation for payroll. Need to consider if you make reimbursements or benefits regularly. If expenses reimbursed weekly, then weekly ERR required. Control needed over when benefits can be given.
- Payments to employees and directors, including non-exec directors.
- Only applies to payments made directly to employees/directors. Exclude corporate credit cards, fuel cards, payments made directly to third party. Must be a genuine corporate credit and not paid off by employee and then reclaimed.
- Payments made in 2024 (or later). Claims for expenses incurred in 2023 but paid in 2024 are reportable.
- Six-month Service for Compliance timeframe until 1 July 2024. Revenue won't initiate audits, interventions or queries. Employers need to show evidence that they are making an effort to comply.

Reporting Methods



ERR – Information Required



PPS Number	Employee Name	Employment ID	Employer Reference	Date of Payment/Benefit	Amount/Value	Category	Sub-Category	Actions
	Patrick Star		123	01/01/2024	€50.00	Travel and Subsistence	Travel Vouched	Amend Delete

Showing 1 to 1 of 1 entries

Previous 1 Next

[Add new expense/benefit](#)

Revenue – Audit and Compliance

- Increased audit activity expected from 1 July
 - €5M ‘compliance dividend’ – additional resources have been allocated
 - Target of €120M in additional tax (€80M in 2023) – shouldn't be a tax generator but it's expected to lead to review of taxable items
 - Focus areas: ecommerce, cash/shadow economy and payroll and expenses
 - Additional data from Enhanced Reporting Requirement
 - Available in real time – employee view will be launched. Will lead to employee queries
- Potential red flags or automated queries:
 - Non-taxable expenses as % of salary
 - % increase in non-taxable expenses in a reporting period
 - Fixed amount processed via ERR – flat rate allowances
 - Sample checks on vouched travel & subsistence



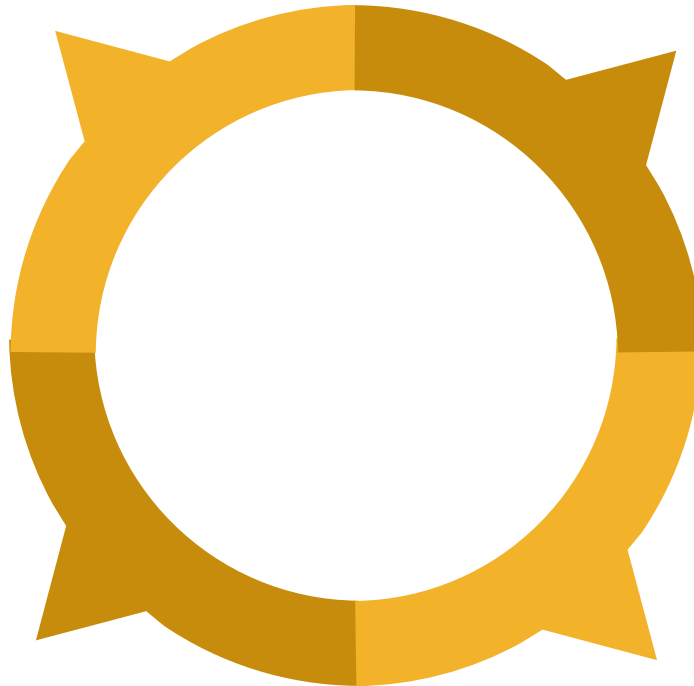
3. Risk Register and Compliance Register for Hotels

What is Risk?

Things which...

Cost you money

**Cause you problems
day-to-day**



**Get you in legal
trouble**

**Give you a bad
name**

How Do We Manage Risk?

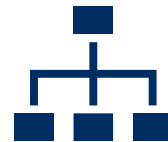
Step 1

Identify and assess your risks –
impact and likelihood



Step 3

Decide on what needs to be done to
manage risk and who will do it



Step 2

Consider how much risk you
can live with



Step 4

Monitor your risks and test
if your actions are working



RISK REGISTER

Risks for the Hotel Sector

Description	Sample Considerations
Data protection	Handling of personal information Storage of payment card data
Cybersecurity	Quality of ICT security and systems Frequency/nature of staff training
Fraud	Approach to prevention, detection, investigation and learning of lessons
Directors' and officers' liability	Compliance with legal requirements – Revenue, CRO, data protection/GDPR
Workplace relations	HR management – policies/procedures Best practice guidance for managers
Health and safety	Physical hazards e.g. electrical, tripping Food safety, virus control
Marketing	Strategy for reaching target customers Message & method of communication

Sample Risk Register Layout

Risk	Impact	Likelihood	Overall	Tolerance	Actions	Owner
Cybersecurity	High	Low	Medium	Low	Additional staff training Documentation of policies and procedures Monitoring and testing of systems	IT Manager
Workplace relations	Low	Low	Low	Medium	None currently required – risk within agreed appetite	HR Manager



Takeaways & Questions

Key Takeaways



DWS

- This is now urgent. If you have not already engaged, do so now
- Prepare an assessment of what you can afford and make a realistic proposal
- Remember obligation to keep ongoing taxes up to date at all times – factor into proposal



ERR

- Immediate action required
 - HR/payroll function to familiarise themselves with the tax rules and reporting requirements
- Review internal expenses claim policies



Risk & Compliance

- Think widely enough
- Decide what you can live with
- Check what you do works



Smart decisions. Lasting value.

Thank you

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