

IHF Webinar – Debt
Warehousing Scheme and
VAT on Deposits

October 2022



Our Team

IHF: Deloitte Ireland Introduction



Billy Burke
GES, Partner

Billy is tax partner in Deloitte's Global Employer Services division. Billy has over 20 years' experience working with clients across all business spectrums providing advice on employment tax, social security, pension matters, executive remuneration including share schemes, M&A and global mobility issues. He also has experience in advising on construction industry tax and estate tax matters.

Billy is a member of Chartered Accountants Ireland and the Irish Taxation Institute.



Conor Walsh
VAT, Partner

Conor is a partner in Tax & Legal and is also engaged by the Irish Tax Institute as an independent contractor. He specialises in the provision of indirect tax services to domestic and multinational organisations, delivering advice to clients on complex indirect tax matters, particularly in the areas of tax audits, tax disputes and tax litigation.

Conor is a member of the Irish Tax Institute and Chartered Institute of Taxation (UK). He is also an Associate Chartered Accountant.

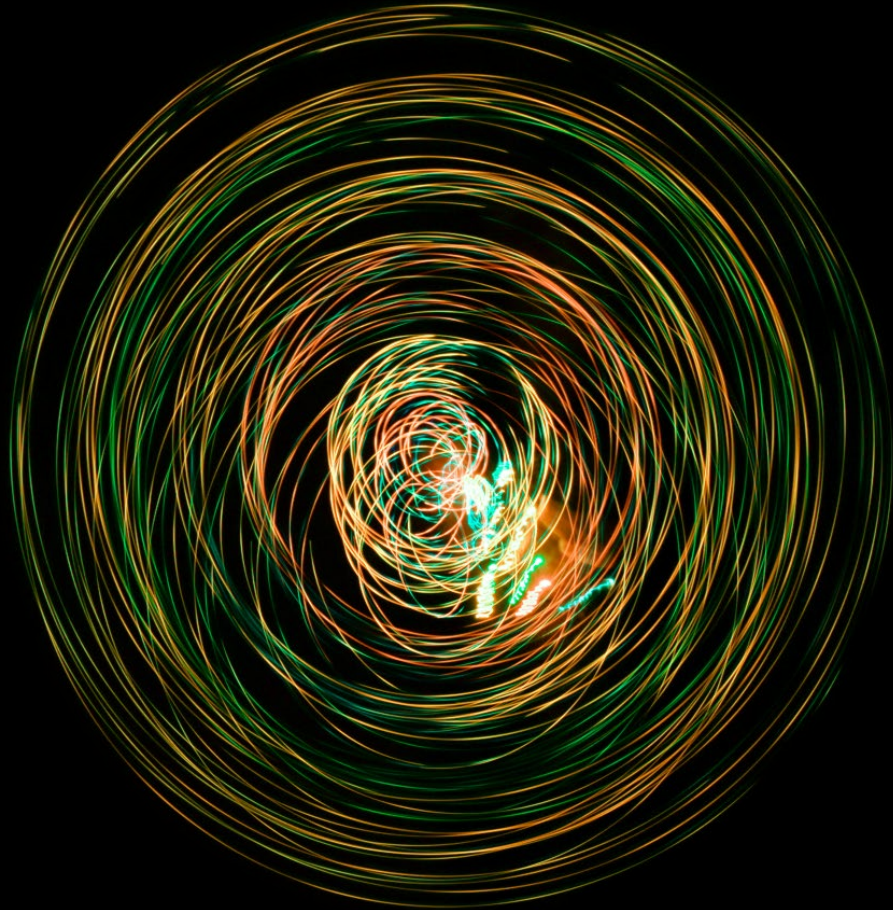


Fergal Kenzie
Director, Tax Controversy


Fergal is a director in our tax controversy team. He has a wealth of experience dealing with Irish Revenue commissioners in all forms of tax audit and intervention scenarios. Fergal and the tax controversy team assist client when they are preparing for for these complex interactions.

Fergal has also assisted the R&D tax team in multiple R&D specific Irish Revenue interventions.

Today's Focus



- Debt Warehousing Scheme (Overview)
- Phased Payment Arrangement
- Self-review
- Typical areas of interest
 - Income Tax
 - PAYE/PRSI/USC
 - VAT
- VAT on Deposits



Debt Warehousing Scheme

Debt Warehousing Scheme – The Numbers

DWS



*Covid liquidity
support
announced on
20th May 2020*



- 250,000 eligible taxpayers – €31b in eligible tax
- Sept 2022 – 84,000 taxpayers availing - €2.8b in tax
- 343 taxpayers entered PPA – €11m
- BUSINESS division (53%) and MED (33%)
- Approx. breakdown:
 - VAT – 46.49%
 - PAYE – 49.47%
 - IT – 1.83%
 - T/EWSS – 2.21%

Warehoused Tax Debt

	€m	%
Wholesale & retail trade	670	22.42%
Accommodation & food service	402	13.45%
Construction	369	12.35%
Professional, scientific & technical	329	11.01%
Transport & storage	197	6.59%
Information & communication	195	6.53%
Administrative & support services	194	6.49%
Manufacturing	189	6.33%
Arts, entertainment & recreation	79	2.64%
Human health & social work	78	2.61%
Real estate activities	69	2.31%
Financial & insurance	61	2.04%
Other service activities	57	1.91%
All other Sectors	34	1.14%
Agriculture, forestry & fishing	30	1.00%
Education	29	0.97%
Public administration	6	0.20%



Accommodation and
Food Service

€ 402 million

 13.45%

Debt Warehousing Scheme Phases Overview

Period 1

- Up to 31st December 2021
- Warehouse Debts
- 0% Interest applied



Period 2

- From 1 January 2022 to 31st December 2022
- 0% Interest Applied
- Engage with regard to repayment



Period 3

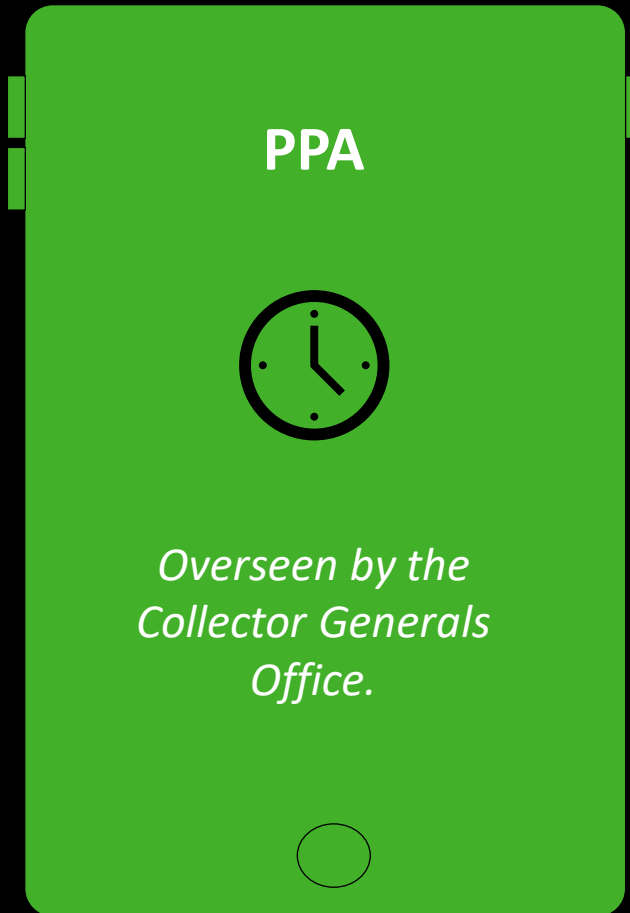
- Indefinite period from 1 January 2023
- 3% Interest charged
- PPA performance





Phased Payment Arrangement

Phased Payment Arrangement (PPA) Overview



- Facility to allow you pay your tax debts in instalment over time.
- Maximum length is 36 months – extended to 60 months due to Covid.
- Application process – Through ROS/Form ePPA1.
- Accrued interest (up to agreement) and projected interest (life time of PPA).
- 8% (IT, CT) & 10% (VAT, PAYE).
- 0% & 3% - DWS
- Down payment & monthly Instalments
- Maintain current taxes – Case worker oversight
- Tax Clearance?

A woman with short grey hair, wearing a grey patterned sweater and light blue pants, is sitting in a black office chair at a desk. She is holding a large, multi-page document with charts and tables, looking at it intently. The desk is cluttered with papers, a calculator, and other office supplies. In the background, there is a large window with a view of a modern building. The scene is brightly lit, suggesting a sunny day. A semi-transparent white box is overlaid on the bottom left of the image, containing the text "Self Review".

Self Review

Level 1 Revenue Compliance Intervention Debt Warehousing Scheme

Level 1

Code of Practice.

Broad Based – no
specific risk identified

Unprompted
Qualifying Disclosure



- Opportunity to self-review
- Focus on period 1 tax returns/liabilities
- Final chance to avail of DWS for any additional liabilities
- Must be disclosed by 31st January 2023
- Format of disclosure – unprompted qualifying disclosure.
- Revenue seeking to put a ‘full stop’ on debt warehousing.
- Post 31st January 2023 – if additional liability identified – can’t avail of DWS, all o/s period 1 debt subject to immediate collection with standard rate interest applied.



Typical areas of Interest

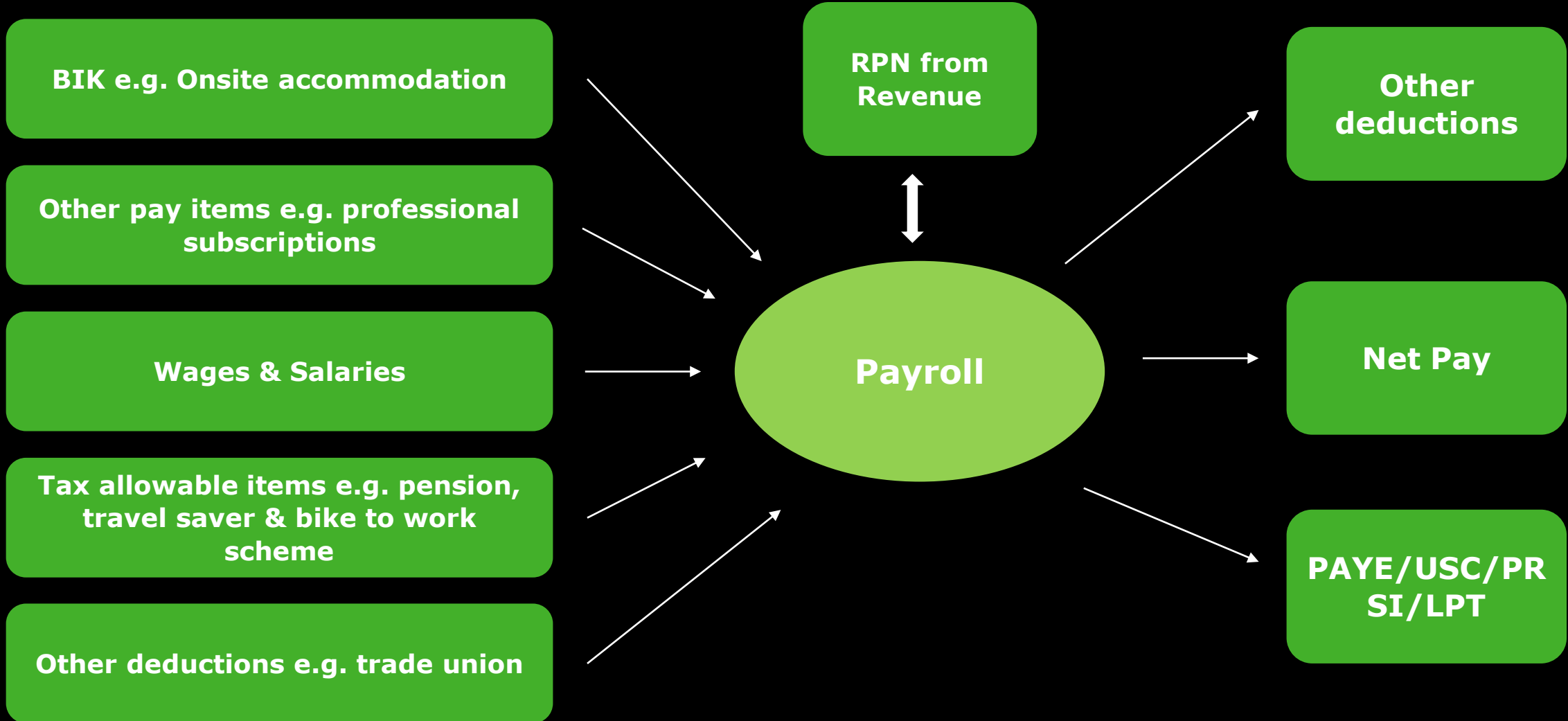
Typical areas of Interest Income Tax

Income Tax – 2019, 2020 and 2021

- All income streams, particularly those not taxed at source – trade, rent etc
- Deductions from income (round sums, unvouched, invalid invoices, capital v revenue)
- Ability to support all claims for reliefs, credit, charges - for example medical expenses, capital allowance claims
- Correct treatment of foreign income sources
- Self assessment for unapproved share options scheme

Typical areas of Interest

PAYE - Overview



Typical areas of Interest PAYE Audits

➤ In Payroll

➤ Outside payroll -

FOCUS



Typical areas of Interest
PAYE – Typical problematic areas

Contractors

BIK

Expenses

Professional
Subscriptions

Potentially
exempt items

Procedures

Records

Typical areas of Interest VAT

6 month
adjustment

VAT rates
applied

Aspect
Queries v
Risk Reviews

VAT rate
changes

Fees treated
as not being
subject to
VAT

Procedures & processes
(incl. VAT return
preparation and VAT
modernisation)

Records



VAT on Deposits

VAT on Forfeited / Non-Refundable Deposits

Evolving position

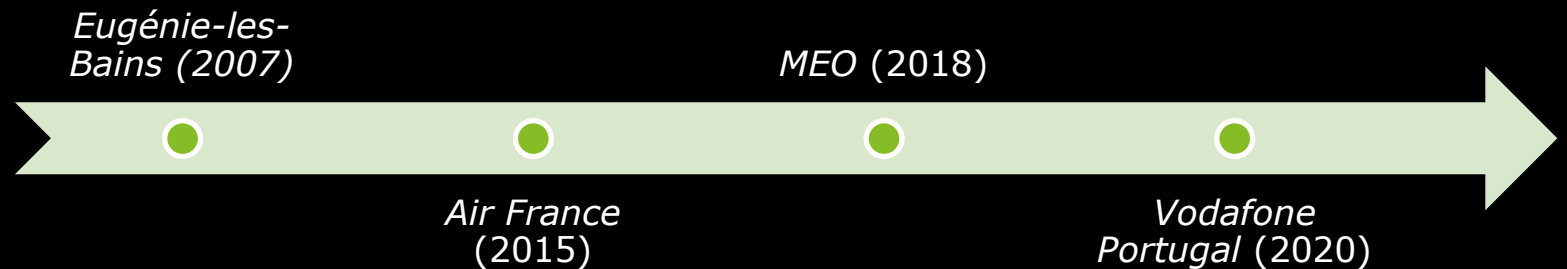
Historic position.

Finance Act 2008
change & Revenue
guidance.

Finance Act 2021
change – with effect
since 1 January 2022.



- Overview of key CJEU decisions:



- In *Eugénie-les-Bains*, the CJEU ‘held that a sum paid as a deposit, in the context of a contract relating to the supply of hotel services which is subject to value added tax, is to be regarded, where the client exercises the cancellation option available to him and that sum is retained by the hotelier, as a fixed cancellation charge paid as compensation for the loss suffered as a result of client default and which has no direct connection with the supply of any service for consideration and, as such, is not subject to that tax.’

VAT on Forfeited / Non-Refundable Deposits

- Irish case-law:
 - Tax Appeals Commission determination – 16TACD2020 – Telecommunication services.
 - *Nationwide Controlled Parking Systems* – Clamp release fees.
- Why did the law only change with effect from 1 January 2022?
- Important area to Revenue.
- Position abroad – other EU Member States and the UK.
- *Is Eugénie-les-Bains* still ‘good’ law?
- Different types of deposits.
- Future position and considerations.





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Total perspectives

Deloitte's broad range of specialized services are available to help you consider the impact of incentives on your wider tax, financial, and commercial activities so you can further enhance and accelerate your business opportunities.

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Innovation does not happen in a vacuum. Connecting with the relevant government bodies and research institutes will propel your innovation capability. Deloitte helps you build winning relationships.

Thought leadership

Governments across the globe seek the insights of Deloitte people to help in the development and design of their own incentive policies.

Technology at the center

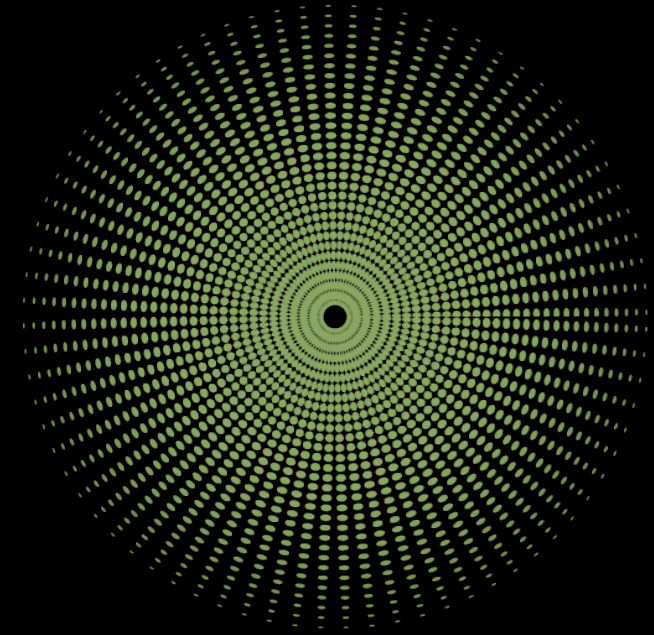
Leverage technology for operational efficiency and to gain a clear vision of relevant opportunities.

Lifecycle view

Each incentive must be considered in the context of the investment and innovation lifecycle to realize the full financial and commercial benefit.

Industry experience

Gi³ practitioners globally know and understand your industry, your business language and your technology language.



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Thank you for your attention

October 2022



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