



Irish Taxation Institute and Small Firms Association Call for an Immediate Cut in Punitive Interest Rates on Late Tax Payments

- **SFA and ITI want the Minister for Finance to bring the rates into line with market interest rates with immediate effect**
- **The current rates of 10% to 12% are way out of line with the market interest rates and are particularly difficult for small and medium businesses already dealing with loss of trade**
- **ITI and SFA also want Government to do more to support jobs, advocating a cut in employers' PRSI to help maintain job numbers**

Issued Wednesday, 6 May, 2009. The Irish Taxation Institute and the Small Firms Association are jointly calling on the Minister for Finance to cut the punitive rates of interest currently being charged for late payment of tax bills, and bring the rates into line with market interest rates. The current rates of between 10% and 12% are way out of line with the prevailing market interest rates, and SFA and ITI both believe this could exacerbate the economic crisis in the SME sector. These rates have not been adjusted in four years. The equivalent interest rates in the UK are 1.5% to 2.5% and the UK rates are constantly reviewed in line with the prevailing market rates. SFA and ITI believe it is in the best interests of the Irish economy to support all businesses at this time, enabling them to maintain employment and future tax payments. As well as calling for a reduction in the rates, both ITI and SFA are also calling on Revenue to establish a hotline for business struggling to make tax payments.

Speaking about the issue, Mark Redmond, Chief Executive, Irish Taxation Institute, said "For some SMEs, it's not that they can't pay their tax liabilities, it's that they can't pay right now. There's no logic in punishing these businesses further by imposing punitive interest rates when they are already struggling to stay on top of tax payments, especially when those rates are so wildly out of line with current market rates. In the long term, it is in the exchequer's interest to adopt a flexible approach to viable businesses rather than forcing their early closure because they can't meet tax deadlines in the current environment. There are separate punitive penalties for non payment of tax through negligence."

Patricia Callan, Director of the SFA, said "Many of our members are already struggling to deal with the significant drop in business activity. We appreciate that the Revenue has said it is prepared to discuss tax payment schedules with business, but that's of limited benefit because they will then charge additional interest on late tax payments of up to 12%. While we understand that some interest will have to be paid, we strongly advocate bringing those rates back in line with market rates, just as the Inland Revenue does in the UK. Furthermore, these rates should be reviewed on an ongoing basis to ensure that they remain in line with the market rates."

The two organisations are also calling on Government to do more to help employers maintain jobs. "At almost 11%, employer PRSI is a very significant employment cost." said Mark Redmond, "A cut in employers' PRSI would ease some of the pressure and, if linked to the retention of employee numbers, could prove to be a very effective tool in the war against

unemployment. It could be applied on a temporary basis in recognition of the current parlous state of the country's finances."

Both SFA and ITI highlighted the need for a Tax Payment Support Service for businesses, saying, "We welcome the fact that Revenue recognises the serious cash flow difficulties facing Irish business and particularly the SME sector. " said Patricia Callan, "Viable, tax compliant businesses are currently struggling to fully pay the taxes they owe by the requisite deadline to the Revenue Commissioners. We are calling on the Revenue Commissioners to introduce a one stop shop approach for SMEs experiencing difficulties, with a well promoted hotline number for businesses to call."

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