

Irish Taxation Institute Calls for a Reduction in Punitive Interest Rates on Late Tax Payments

- **Irish Taxation Institute wants the Minister for Finance to bring the rates into line with commercial interest rates**
- **The current rates of 10% to 12% are particularly punitive in the current economic climate**

Issued Friday, 13 March, 2009. The Irish Taxation Institute has called on the Minister for Finance to reduce the punitive rates of interest currently being charged for late payment of tax bills, and to bring the rates into line with commercial interest rates. The Irish Taxation Institute believes that the Irish rates are unsustainable in the current economic crisis and could exacerbate the economic crisis in the SME sector. Depending on the tax, annualised interest of 10% to 12% is applied and these rates have not been adjusted in four years. The equivalent interest rates in the UK are 2% to 3.5% and the UK rates are constantly reviewed in line with the prevailing commercial rates. The Irish Taxation Institute believes 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.

Speaking about the issue, Jim Ryan, President of the 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 wildly out of line with the current commercial lending 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 rates for non payment of tax through negligence and these should remain in place.”

In its letter to the Minister for Finance, Brian Lenihan, T.D., the Irish Taxation Institute also highlighted the need for a Tax Payment Support Service for businesses, saying, “We welcome the fact that you have consistently recognised the serious cash flow difficulties facing Irish business and particularly the SME sector. Viable, tax compliant businesses are currently struggling to fully pay the taxes they owe by the requisite deadline to the Revenue Commissioners. We have separately formally called on the Revenue Commissioners to introduce a business tax payments support service similar to that introduced in the UK. The UK service provides a swift, well publicised and efficient service to businesses to allow them to enter into sensible instalment arrangements for the payment of tax. We recognise the work done by Revenue in this area but we strongly believe that a similar, well publicised and swift service is now urgently needed in Ireland. We have also asked Revenue to use such a service to expedite the refund of tax owing to taxpayers who are suffering cash flow difficulties.”

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