



Irish Taxation Institute

Educating, Developing & Representing

11 March 2009

Mr Brian Lenihan TD
Minister for Finance
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2

Re: Rate of interest applied to tax paid by instalment/underpaid tax

Dear Minister

The Irish Taxation Institute fully recognises the challenge we collectively face to address the very serious and growing budgetary deficit while not eroding the competitive strengths of our economy. Our members fully understand that further difficult decisions must be taken and we will continue to play our key role in supporting Irish business and supporting our economy through the provision of professional tax advice and tax compliance services. As you know, our Institute has consistently advocated the pursuit of a tax policy that provides certainty to taxpayers, is implemented in a fair and proportionate manner and supports the retention and creation of employment. We will separately submit our proposals to you in the context of framing the early April Budget.

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 by the HMRC in the United Kingdom in late 2008 and which is strongly supported by the Chancellor of the Exchequer, Alistair Darling. 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 Irish 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 the Irish Revenue to use such a service to expedite the refund of tax owing to taxpayers who are suffering cash flow difficulties.

We now ask you to reduce the rate of interest charged on taxpayers where they have underpaid their tax or where they have entered into an instalment arrangement for the payment of their tax liability. Interest is charged in Ireland at an annualised rate of between 10% and 12%. These rates have not been adjusted in four years. The equivalent interest rates charged in the United Kingdom are 2% to 4.5% and the UK rates are consistently reviewed in line with the prevailing commercial rates. Our rates are unsustainable in the current economic crisis and could quickly cause serious damage particularly to small businesses. As you know, taxpayers are liable to a separate range of punitive penalties where tax has been underpaid due to negligence.

We strongly recommend that our interest rates be aligned with prevailing commercial rates (as is the case in the United Kingdom) and this be done as a matter of urgency. We are available to you and your officials to discuss this and any other budgetary matters and we will be in separate contact regarding other budgetary proposals.

Yours sincerely

Jim Ryan
President

Registered Office

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