

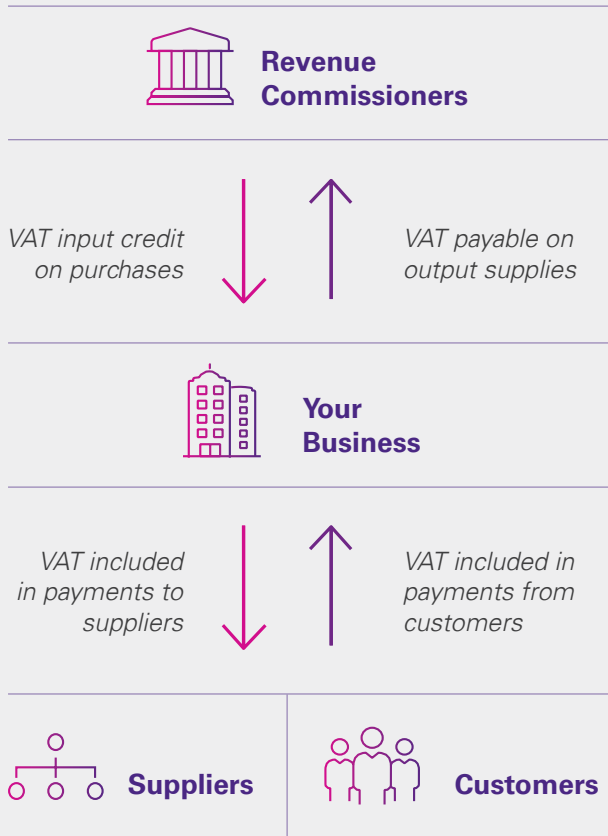


Covid-19 Cashflow management

Managing VAT and other indirect taxes to optimise cashflow

COVID-19 and the related shock to the global economy may cause a major cashflow challenge for businesses. In this context, effective management of VAT and other indirect taxes can potentially increase working capital. We have set out in this document a number of measures that may be relevant for your business.

An illustration of how VAT flows through a business is outlined below. Changes to the timing and quantum of these flows can have a significant impact on cashflow.



Revenue measures

Familiarise yourself with the VAT relieving measures that Revenue and other tax authorities have introduced for taxpayers.

- Interest is suspended on Jan/Feb and Mar/Apr 2020 Irish VAT liabilities for qualifying SMEs.
- Other businesses should contact Revenue if they experience payment difficulties.
- If you are VAT registered in other jurisdictions, keep up to date with the measures introduced in those jurisdictions, through the following [webpage](#) being maintained by KPMG.



Securing VAT refunds

Consider steps to secure VAT refunds as early as possible. Potential actions include:

- File VAT refund claims as early as possible.
- Engage early with Revenue in respect of VAT refund claims and consider actions to expedite payment of claims, e.g. advance provision of back up to support the claim via My Enquiries.
- Consider offset of VAT refunds against other tax liabilities that may become due



VAT operational processes

Review your VAT operational processes to help improve cashflow. Points to consider include:

- Are you claiming the correct amount of VAT at the earliest time possible (e.g. parked invoices and accrued invoices posted after month end close)?
- Could changes to your procedures regarding timing of raising of invoices to your customers improve your VAT cash flow?
- Are you capturing all the VAT you are entitled to reclaim e.g. VAT on imports, employee expenses?
- Could you implement "self-billing" with your suppliers to help manage timing of receipt of VAT invoices?



Bad debts

Where certain conditions are met, it is possible to claim relief from VAT on bad debts where you have remitted VAT to Revenue and have not been paid by your customer. Aged debtors listings and bad debt provisions should be monitored on a regular basis to identify where this VAT relief may apply.



Retained deposits

You may be entitled to make an adjustment for VAT previously accounted for on deposits which are subsequently retained following a customer cancellation. Review and consider the VAT treatment of other "cancellation charges" and "no shows" on a case-by-case basis.



Import reliefs from VAT and Duty

Are you managing your import VAT and Duty process as efficiently as possible? Potential steps may include:

- Consider the availability of any deferrals and suspension regimes for VAT and/or customs duties arising on the import of goods into Ireland from outside the EU.
- Familiarise yourself with the recent reliefs from VAT and Duty introduced for certain goods imported from outside of the EU to combat Covid-19.



Other cash-flow reliefs

Irish VAT law provides other measures for qualifying businesses which can have a positive VAT cashflow impact. These include:

- VAT group with related companies to alleviate cashflow on inter group supplies
- VAT56 authorisation - if at least 75% of your sales come from zero-rated exports of goods from Ireland, you may qualify for a VAT56 authorisation which would enable you to purchase and import of goods with no VAT
- Cash-receipts basis of accounting for VAT. You may be able to move to the cash receipts basis of accounting for VAT if your turnover is below €2 million or if the majority of your customers are private individuals or are involved in VAT exempt activities e.g. financial services, government.

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