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*'VAT on debt services a  
'stealth tax'*

# VAT on debt services a 'stealth tax'

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A RULING by a Revenue appeals commissioner opens up the possibility that the Exchequer may have to stop charging tax on debt relief deals.

Debt deals have valued added tax (VAT) of 23pc imposed on them.

These include new personal insolvency arrangements, debt settlement arrangements and

bankruptcy advisory services.

VAT can add close to €1,000 to a bill for €4,200 for the services of a personal insolvency practitioner.

In a landmark ruling, an appeals commissioner found that debt management services should not be subject to the tax.

There are around 55 debt management companies in Ireland. These take over the management of a person's debts for a fee.

The case was taken by Dublin-based Money Village, whose chief executive, Eugene McDarby, said that charging VAT on debt advice was a stealth tax.

He said the appeals commissioner drew heavily on both European and British case law. VAT is not charged on formal debt deals in the UK.

Mr McDarby said the ruling would mean there would now be pressure on Revenue to also stop charging VAT on personal

insolvency and bankruptcy advice.

The Revenue Commissioners said that under section 851A of the Taxes Consolidation Act 1997 it cannot comment on individual cases.

Meanwhile, the Insolvency Service is seeking tenders to run a media campaign to raise awareness of its operations.

The contract has a notional value of €650,000 including for advertising across media.