



Arrears Collection and Enforcement Taxpayer's Guide

Collection and Enforcement Policy

This Collection and Enforcement Policy is based on the premise that taxpayers will fulfill their legal obligations to file their returns and pay their taxes on time. Taxpayers have a responsibility to pay all taxes in full when return filings are due and payable to the Inland Revenue Department (IRD). Section 49 of the Tax Administration and Procedure Act 2018 deems a debt to be in default when it has not been paid within 30 days from the day it becomes due and payable.

When are taxes due to be paid?

Taxes are due to be paid as follows:-

- Self-assessment (all taxpayers)-as per the due date according to applicable law;
- Assessment via administrative action or audit (If notice is received)-as per the date stated in The Assessment Notice or if no date is given within 30 days of the notice.

What should I do if I cannot meet the payment due date?

The taxpayer may apply for an extension of the time for payment before the legally applicable due date. Additional time may be granted or an instalment payment plan may be approved by the Commissioner of Inland Revenue Department. If an extension is granted, interest remains payable notwithstanding the extension of time.

What is tax arrears?

Tax arrears are liabilities of the taxpayer legally assessed through self-assessment, administrative action or an audit of the taxpayer records which are not paid by the legal deadline. An arrears can be derived once the amount due or assessed amount is not paid or is paid late, or is not paid in full. Assessments raised by the Department are due and payable within 30 days of the issue date.

What can I expect from the Department if I am in arrears?

- **Tax Arrears Notice** – The Department, as a matter of policy may issue a Tax Arrears Notice.

A Tax Arrears Notice is a document detailing outstanding debt of the taxpayer to the Department for which payment needs to be made within fourteen (14) days of delivery. If payments are not received or a Payment Arrangement is not made within 14 days of the Tax Arrears Notice, the taxpayer will be sent a reminder indicating any additional interest on the debt which should be paid in no more than seven (7) days.

- **Demand Notice-** The law provides that at any time during a period of arrears a Demand Notice can be issued.

A Demand Notice is a final document in the collections process detailing the outstanding debt for which the taxpayer has 30 days to contact the Collections Department and make arrangements to pay the debt in full. Once payment is not made during the thirty (30) days, recovery action will be taken without further notice to the taxpayers.

- **Recovery Actions** –Recovery actions include legal court proceedings, liens, execution against taxpayer's property, Seizure and sale of property or Third-Party Debt proceedings.

Can I object to a tax arrears Notice?

No, this is because at the time of receiving a tax arrears notice the taxpayer would have already exceeded the time limit to object or appeal to an assessment or reassessment of the tax due. The Tax Arrears Notice is issued once the 30 days objection period has expired without objection by the taxpayer or once an objection has been addressed by an administrative review or appeal process has been finalized.

What should I do if I am in arrears?

Make arrangements to pay the debt immediately in either of the forms outlined below:-

- (a) Payment in full
- (b) Enter into a Payment Arrangement. Please see the Payment Arrangement Policy below.
- (c) Set off arrangement based on monies owed by Central Government if applicable. (Please note that Statutory Corporations are not included in Set-Off arrangements).

Payment Arrangements Policy

What is a Payment Arrangement?

A Payment Arrangement is an administrative arrangement where IRD allows taxpayers to pay all outstanding debts including penalties and interest over a period of time past the due date. A Payment Arrangement does not reduce the total amount owed but will simply allow for the debt to be paid in installments. There is no standardized Payment Arrangement; arrangements are made based on the taxpayer's specific financial circumstances.

However, as a matter of policy, the Department requires arrears to be paid via a Payment Arrangement of six (6) months or less. Taxpayers are also required to make a down payment of up to 40%. For longer arrangements over six (6) months, full financial disclosure (i.e current financial positions including income and expenditure, savings, assets) will be required to determine the taxpayer's ability to pay or borrow.

When can I make an Arrears Payment Arrangement?

For taxpayers who are having difficulty paying their outstanding tax debt and /or cannot pay the full amount owing, IRD facilitates the best way for taxpayers to settle their debt through a payment arrangement without causing unnecessary financial hardship. An arrears payment arrangement should be made within 21 days of being notified by the Collections Department of the debt. Please note that at the Demand Notice stage the debt must be paid in full.

What happens to the interest while I'm on the payment agreement?

A Payment Arrangement does not stop interest from accruing. Thus, interest will continue to accrue at 1% of the tax outstanding monthly from the due date to the end of the payment arrangement. The interest payable will be included in the overall debt covered by the arrangement. In addition, the taxpayer must also continue to file and make payments on time for current taxes while on the arrangement.

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