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Paul O'Donovan & Associates strategic plan for 2010

As mentioned in last month's newsletter, we at Paul O'Donovan & Associates have set our own strategic plan for 2010 in which we are concentrating on branding our services in the following areas:

1. Cashflow
2. Profitability/cost restructuring
3. Asset protection
4. Wealth management
5. Tax efficiencies

In this newsletter we focus on the first area;

Cashflow

Right now cash is like oxygen to a business.

Good cash management is vital to avoid undermining a business's short-term stability and its long term survival. A company's ability to continue is determined daily by the contents of the bank account rather than at the year-end by the financial statements. Keeping money in hand or readily available for both planned and unplanned events is not only prudent but also necessary in unsettled times.

Without the ability to meet the day-to-day demands from its suppliers for payment, a business may well find itself cut off from its essential inputs and face serious cash flow issues. For any business essential cost items such as trade goods, raw materials, employees and services such as light and heat all need to be covered to keep the business going. Keeping a tight rein on cash flow is important at the best of times. When the economy slows and the insolvency risk rises, it becomes absolutely essential.

Tips for Managing Cash flow

- Businesses need to prepare regular and accurate management accounts and cash flow projections on a timely basis.
- If necessary, monitor and update cash flow projections on a daily basis.
- Improve debtor management and ensure credit control procedures are working properly. Customers will often pay those who shout the loudest, so if necessary, make sure this is you.
- Send out invoices on a regular basis and where possible agree the invoice amount in advance. One of the most common delays to an invoice being paid is a query over the invoice.
- Shop around for better credit options.
- Switch suppliers if necessary.
- Introduce cost control procedures.
- Change purchasing and stock arrangements.
- Review internal policies such as expenses and travel policy.
- Negotiate rent reduction with landlords. Obtain a valuation from a qualified valuer if necessary to back up a rent reduction.
- Reduce overtime.
- Invest in technology to achieve efficiencies.
- Spread Revenue Commissioner debts evenly over the year by setting up payments on a monthly direct debit basis.
- Review and scale back of non-essential activities.
- Increase overdraft facilities.
- Examine the invoice discounting option.

Taking appropriate actions with regard to cashflow will help you manage your cash well and will put you in a much stronger position for the future.

We at Paul O'Donovan & Associates can provide you with expert advice on any of the above points. We provide numerous services which can dramatically help you manage your cash flow such as:

- Preparation of management accounts.
- Preparation of cash flows and projections.
- Preparation of strategic budgets for the future.
- Detailed analysis of actual results versus projections.
- Detailed analytical review of overhead costs.
- Dealing with financial institutions on your behalf.
- Loan and overdraft applications.
- Dealing with and negotiating with the Revenue Commissioners and arranging instalment arrangements and direct debit payments on your behalf.

Tax dates to remember

The following outlines tax date deadlines for March 2010 which we wish to bring to your attention:

General

- 31 March 2010 – Residential Property Tax

A €200 charge applies to any residential property in Ireland which is not the principle private residence of the owner, (typically holiday homes and residential properties). The 2010 charge is payable on the 31st March 2010 and is based on the status and ownership of the property on the 31st March 2010. Contact us if you want us to file this charge on your behalf.

- 31 March 2010 – Share Options Deadline

Return of information in relation to share options or rights granted in the year ended 31 December 2009. A similar deadline applies in connection with reporting obligations for forfeitable and convertible shares given to employees and directors.

Relevant dates for companies/soletraders

- 14 March 2010 – PAYE/PRSI

PAYE/PRSI and income levy monthly P30 return and payment for February 2010.

- 14 March 2010 - RCT

Relevant contracts tax monthly RCT return and payment for February 2010.

- 19 March 2010 - VAT

Value Added Tax (VAT), bi-monthly VAT 3 return and payment, (if due) for period January/February 2010.

Relevant dates for companies

- 14 March 2010 - DWT

Dividend withholding tax return filing and payment for distributions made in February 2010.

- 21 March 2010 – Preliminary Corporation Tax

Preliminary corporation tax is due for companies with a financial year ending 30th April 2010.

- 21 March 2010 – Preliminary Corporation Tax (not small companies)

Payment of initial instalments of preliminary corporation tax (not small companies) with a financial year ended 30th September 2010.

- 21 March 2010 – Corporation Tax Returns

Last date for filing corporation tax CT1 return for companies with a financial year ending on 30th June 2009 and due date for any balancing period in respect of the same accounting period.

- 31 March 2010 – Payment of Dividends

Latest date for payment of dividend for the period ended 30th September 2008.

Relevant Dates for Individuals

- 31 March 2010 – Separate Assessment

Deadline for claiming separate assessment and nominating assessable spouse for 2010.

OTHER TAX CHANGES

Capital Acquisitions Tax

The group thresholds (the total value of gifts/inheritances which can be received tax free in 2010) for tax on gifts and inheritances have been reduced from 1st January 2010

Group	Relationship to Disponer	Group Threshold 2010
A	Son/Daughter	€414,799
B	Parent/Brother/Sister/Niece/ Nephew/Grandchild	€ 41,481
C	Relationship other than Group A or B	€ 20,740

In certain circumstances a parent taking an inheritance from a child can qualify for Group A threshold as can a grandchild of a deceased child once they are under the age of 18 years.

Finance Bill 2010

As a result of the Finance Bill 2010 we would like to highlight the following topics which are expected to be introduced in the Finance Act in a few months time.

Corporation tax exemption for start-up companies

Companies which set up and commence a qualifying trade in 2009 and 2010 and have been incorporated on or after 14th October 2008 may qualify for an exemption against corporation tax for the first three years of trading, subject to conditions.

The relief only applies where the total amount of corporation tax payable by the new company for an accounting period does not exceed €40,000.

Extension of High Income Restriction

This section of the Finance Bill seeks to increase the effective rate of tax from 20% to 30% with effect from January 2010. The minimum income limit whereby the restrictions apply have been reduced from €250,000 to €125,000 with a full restriction applying to income in excess of €400,000.

A tapering relief (i.e. graduated application of the restriction) applies where the individual's income is between €125,000 and €400,000.

Note: For persons earning less than €125,000 a year the full amount of income can be reduced by the available tax shelter, no restrictions apply.

Should you wish to discuss any of the above issues, please contact a member of our team at Paul O'Donovan & Associates or email us at info@paulodonovan.ie