

Tax Newsletter - October 2010



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Income Tax – Pay & File Deadline

Income Tax returns in respect of self assessed taxpayers for 2009 are due by 31st October 2010. Revenue Online Service (ROS) customers are afforded an extended deadline of 16th November 2010 provided they both pay & file their returns by this extended deadline. Tax payers who do not meet the various deadlines will be subject to a 5% surcharge (on their final tax liability) if submitted by 31st December 2010 and a 10% surcharge if submitted after 31st December 2010.

Tax Payment Difficulties

Everybody is aware of the cash-flow difficulties experienced by people as a result of the current economic climate, not least self assessed taxpayers. However, Revenue expects tax payers to organise their financial affairs to ensure that they pay their tax debts by the due date. They also acknowledge that people are currently experiencing difficulty in meeting their tax payment obligations even when they are fully committed to so doing and in more favourable economic circumstances did precisely that. If you are having difficulty in this area please contact a relevant staff member who will advise on approaching Revenue at an early stage to agree upon a payment strategy.

Redundancy Rebates

Taxpayers who are awaiting a statutory redundancy rebate from the Department of Enterprise Trade and Innovation and are experiencing difficulty in making tax payments may apply to Revenue to have this repayment made by the Department directly Revenue. This will have the effect of easing or deferring, for a reasonable period, collection or enforcement action that would otherwise ensue in the event of delayed payment of tax. If this applies to your business please contact a staff member to make the necessary arrangements.

Corporation Tax Relief for Start Up Companies

The corporation tax exemption for certain start up companies which was announced previously has been extended in Finance Act 2010 for companies that commence to trade in 2010. It applies to certain companies that were incorporated after 14th October 2008 and are carrying on a qualifying trade. The relief applies for 3 years after the date of commencement to trade. The relief relates to corporation tax liabilities up to €40,000 for each of the 3 years with a sliding scale of marginal relief available for liabilities from €40,000 to €60,000.

Revenue Job Assist

If you are thinking of taking on an additional employee(s) Revenue Job Assist may be beneficial to you. It affords a double deduction of total wage costs in respect of employees under the scheme for 3 years when calculating taxable income. There is no limit on the number of employees being employed. It applies to new employees that have been previously unemployed for a period exceeding 12 months which are hired in a 'qualifying position' for which no other employment schemes are in operation. It also potentially affords employees an extra tax credit for qualifying children at no extra cost to the employer.

Rental Income – Mortgage Interest Deduction

Residential property landlords need to be aware of the fact that there is now a restriction on the amount of mortgage interest (on loans used for the purpose of purchasing, improving or repairing the property) that may be deducted from rents. Finance Act 2009 places a cap of 75% on the amount of interest that can be deducted where the interest accrues on or after 7th April 2009. This may have serious tax implications for some landlords so requires particular attention in budgeting for tax payments on such rental profits. This applies to properties that are located both in Ireland and abroad.

Capital Allowances (Energy efficient) (Cars)

Finance Act 2009 extended the tax relief to companies in relation to investment in energy efficient equipment from three categories to seven. The relief provides for accelerated capital allowances of 100% of expenditure incurred in the year the energy efficient equipment is purchased.

The four new categories are:

- Data server related systems and large energy saving office equipment associated with information and Communications Technology,
- Efficient heating/electricity provision equipment and control systems,
- Efficient electrical and control equipment associated with Process and Heating Ventilation and Air-Conditioning systems,
- Alternative fuel vehicles.

The scheme for claiming capital allowances for cars was amended in Finance Act 2008. For cars purchased after 1 July 2008, capital allowances are available by reference to the carbon emission levels of cars. The cars are categorized from A-G with Category A giving an overall allowance of €24,000 regardless of the cost of the car. This is of great benefit where the cost of the car is less than €24,000 as the annual capital allowance is still available on the specified amount, €24,000. The allowances are restricted as you move from Category B to E. No allowances are made for cars in category F&G.

Business Expansion Scheme

The business expansion scheme (BES) was set up as a means of encouraging investment in new businesses by offering tax incentives to investors who invest in certain types of unquoted companies. In order for a company to qualify, investments must be made in companies engaged in certain manufacturing; service; tourism; R&D; plant cultivation activities; in the construction and leasing of advance factories; or, in certain music recording activities. An individual may invest up to €150,000 per annum subscribing for new ordinary shares in a qualifying company. The relief is taken as a deduction against total income for an individual and has the tax benefit of relief at an individuals' higher rate of income tax. Where an individual does not have sufficient income to cover the investment, any excess may be carried forward and claimed as a deduction in future years, subject to the €150,000 limit. The scheme will run until December 2013.

Capital Gains Tax – Pay & File

Clients are reminded that from the tax year 2009 Capital Gains Tax has been split into a revised set of two periods as follows:

1. 'Initial Period' – 1st January to 30th November inclusive
2. 'Later Period' – 1st December to 31st December inclusive

The due dates for the payment of tax arising on gains in the above periods are; 15th December in the same tax year for the initial period and 31st January in the following tax year for the later period. The due date for the return of particulars of gains made in either of the above periods is 31st October following the year in which the gain was made.

Capital Acquisitions Tax Planning

The recent downturn has led to many tax planning opportunities being abolished across various tax heads. The generous reliefs in relation to Gift and Inheritance Tax continue to currently apply. Family businesses should begin to consider succession planning and how they could possibly avail of Business Relief which significantly reduces the charge to Capital Acquisitions Tax when passing on shares in their company to their children or passing a non-incorporated trade on to their children. The reductions in the CAT thresholds in the 2009 Budget were unprecedented and the Commission on Taxation has recommended restricting a number of CAT reliefs that are currently in place. Family businesses need to examine their future succession plans in order to avoid losing any future reliefs if CAT restructuring is implemented.

Revenue Audits

The Revenue Commissioners has targeted many special investigations over the past number of years to counter tax fraud and the non-disclosure of income from different sources both at home and abroad. The tax recovered by the Exchequer has been significant in relation to these investigations. There has subsequently been an increase in the number of Revenue Audits for small businesses in relation to VAT, PAYE and Income Tax. Revenue Audits can seem very intimidating for small businesses. Paul O' Donovan & Associates has a proven track record in relation to Revenue Audits. We can offer advice to tax payers on making a voluntary disclosure and set out the Revenue Auditors Code of Practice for Revenue Audits thereby enabling our clients to be sufficiently prepared for the Audit.