

# *Starting in Business*



A Revenue Guide

Revenue 

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June 2003



## *Revenue Mission*

***To serve the community  
by fairly and efficiently  
collecting taxes and duties  
and implementing import  
and export controls.***

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## *The Objectives of Revenue are to:*

- *Maintain public confidence in Revenue through efficient and customer-orientated operation*
- *Maximise voluntary compliance and deter evasion and avoidance*
- *Optimise staff performance and development*
- *Use resources efficiently, effectively and properly*

# Introduction

One of the concerns people have when setting up a business is the various taxes that will have to be paid and returns that will have to be made to Revenue. Many people go from a situation of having paid tax by deduction under the PAYE system, to having to account for and pay their own tax annually. In addition they may have to account for VAT and/or PAYE/PRSI on a regular basis.

In setting up a business you are likely to ask questions such as:

How do I register for Tax?

What income do I pay tax on?

How do I meet my Pay and File obligations?

How do I deduct PAYE from my employees?

What rate is VAT charged at?

What records do I need to keep?

## How can Revenue help you?

The aim of this guide is to make the tax system easier to understand and to answer many of the basic questions people ask in relation to tax when setting up a business. While nobody likes paying tax, we will show you in this guide how you can eliminate some of the form filling and reduce some of the “red tape” associated with making returns and paying tax. While we have tried to cover all the issues involved, you may need further information or advice on tax matters or on the completion of forms. If so, please contact your nearest tax office - a list of these is supplied at **Appendix 3**, page 35 at the back of this Guide.

## Revenue Public Offices

Tax offices with ‘Local Enquiry Offices’ and the three Revenue Customer Information Offices in Dublin are open to the public Monday to Friday between the hours of 9.30am and 5.00pm including lunch-time. Other tax offices are open from 9.30am to 12.45pm and 2.00pm to 4.00pm, Monday to Friday.

## Revenue Information Leaflets

Leaflets and Guides are available from the Revenue Forms and Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only), [available 24 hours a day], from Revenue’s website [www.revenue.ie](http://www.revenue.ie) or from any tax office.

## Your Rights as a Taxpayer

In your dealings with the Revenue Commissioners you are entitled to be treated with courtesy and consideration at all times. The Charter of Rights sets out the principles by which we, in Revenue, operate.

Other entitlements include:

- Your tax affairs will be dealt with in an impartial manner
- You will be presumed to have dealt with your tax affairs honestly
- Your tax affairs will be treated in the strictest confidence.

A copy of the Charter of Rights is included at the back of this booklet.

## Freedom of Information

The Freedom of Information Act (FOI) Act 1997 gives members of the public statutory rights i.e.

- A legal right to access information held by public bodies
- A legal right to have official information relating to you amended where it is incomplete, incorrect or misleading
- A legal right to obtain reasons for decisions affecting you.

Access to information under the Act is subject to certain exemptions and involves specific procedures and time limits.

Revenue makes much information routinely available to the public. Such information continues to be available without the need to use the FOI Act.

**A Guide to the FOI Act** is available from Revenue Forms and Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only), or from Revenue’s website [www.revenue.ie](http://www.revenue.ie)

# 1 Registering for Tax

## How do I register for Tax?

**You should advise the tax office when you start in business.** You can do this, by filling the appropriate registration form which is available from any tax office. The registration forms are:

**Form STR:** this registration form is for an individual/sole trader whose turnover is less than €127,000 per annum

**Form TRI:** this registration form is for an individual/sole trader whose expected turnover is greater than €127,000 per annum and for registering a Partnership or Trust.

Form STR and Form TRI, as appropriate, can be used to register for any or all of the following:

- Income Tax
- Employer's PAYE/PRSI
- Value Added Tax (VAT)

**Form TR2:** this registration form is for a company registering for tax. Use this form to register for any or all of the following:

- Corporation Tax
- Employer's PAYE/PRSI
- Value Added Tax

## New Business Visit

Shortly after registration you **may** receive a "New Business Visit" from a Revenue official. Any difficulties or queries will be dealt with and general assistance will be given to help you comply with your tax obligations. You can request a "New Business Visit" from your local tax office or, in the Dublin area, by phoning the Taxes Central Registration Office at (01) 8655000.

## What if I decide to employ someone?

If you decide to employ someone you must register as an employer for PAYE/PRSI (see **Chapter 7**) if you pay:

- **€8 per week equivalent to €36 a month or more, to an employee who has only one employment**
- **€2 per week equivalent to €9 a month or more, to an employee who has more than one employment.**

### Note:

If you set up a company, the company must register as an employer and operate PAYE/PRSI on the pay of directors even if there are no other employees.

## Am I obliged to register for VAT?

You must register for VAT if you are a taxable person (see **Chapter 6**) and your annual turnover exceeds or is likely to exceed the following annual limits:

- **€51,000 in respect of the supply of goods**
- **€25,500 in respect of the supply of services**

You may also be obliged to register for VAT if:

- You receive certain taxable services from abroad for example advertising services, banking, financial and insurance services, services of consultants, etc. (See the comprehensive **Guide to Value Added Tax** for a full list of these services.)
- You are a foreign trader doing business in the State.

If your annual turnover is less than the limits set out above you may elect to register for VAT.

You should register for VAT even before starting to supply taxable goods or services, if it is clear that the limits will be exceeded when the trade or business starts.

## What tax number will I use?

Before you complete any of the above registration forms you must have a Personal Public Service Number (PPS Number).

You may already have a PPS number if you are an Irish National and any one of the following:

- Were born in Ireland after 1971
- Registered for tax since 1979
- Are/were in receipt of Social Welfare Benefit payment
- Were issued with a Social Services Card.

Otherwise, you must register with the Department of Social and Family Affairs by:

- Calling in person to any Social Welfare Local Office or Social Welfare Branch Office. (A list of these offices can be found in the Government Departments section of the phone directory.)

**and**

- Completing a PPS number application form, Form REG 1
- and**

- Presenting documentary evidence as requested in the application form to verify your identity. You will be notified of your PPS Number by the issue of a letter from the Department of Social and Family Affairs. If you set up a company the company will be given a separate registration number. As a director of the company you will retain your own PPS Number for your personal tax.

## Can I keep the Income Tax relating to my business separate from my job?

YES. If you already have a job, you can pay the income tax due on your business activities separately. On the other hand, if you are in employment and also have a small business with a low turnover and if the income from the business is relatively small, you can arrange to have the tax due on your business deducted under PAYE by reducing your tax credits and standard rate cut-off point.

**It will be necessary to complete and submit only one Return of Income Form where you are in employment and you also have a small business.**

## Can I keep the tax relating to my business separate from my spouse's tax?

YES. You and your spouse can decide which method of assessment is best suited to your circumstances. For further information see **Leaflet IT2** which outlines the tax treatment of married persons.

## Relevant Contracts Tax

Contractors in the construction, forestry or meat processing industry must operate Relevant Contracts Tax (RCT) on payments to sub-contractors. Further details are available in our **Relevant Contracts Tax Information Guides IT63 – Guide for Principal Contractors** and **IT64 – Guide for Sub-Contractors**.

## 2 Income Tax

### Who pays Income Tax?

Income Tax is payable by individuals on income earned in the tax year. As an employee tax is deducted from your salary through the PAYE system. As a self-employed person you are responsible for paying your own tax through the Self Assessment system. The tax year begins on 1 January and ends on 31 December.

### On what income do I have to pay tax?

You will pay tax on the annual profits or gains from your trade, profession or vocation and on any other income you might have. If your annual accounts are normally made up to a date other than 31 December, you will be taxed on the profits of your accounting year e.g. if your accounts are prepared for the twelve months ending on 6 July, the profits for this period will be taken as your profits for the tax year. Further information on commencement or cessation of your business, accounting dates, etc. can be found in **Chapter 4**.

You will also pay tax on any other income you receive such as Investment Income, Rental Income, etc. This tax is based on the income earned in the tax year i.e. from 1 January to the following 31 December.

### How will I know what tax I have to pay and when to pay it?

As a self-employed person you will be taxed under the Self Assessment system.

There is a common date for the payment of tax and filing of returns i.e. **31 October**. This system, known as “**Pay and File**”, allows you to file your return and pay your tax at the same time.

### Pay and File System

The **Pay and File** system provides the facility for you, **on a single date - 31 October**, to:

- Pay your estimate of tax (Preliminary Tax) for Income Tax for the current tax year
- File your tax return for the previous tax year for Income Tax, Charges and Capital Gains Tax for the previous tax year
- Pay the balance of Income Tax for the previous tax year
- Pay in full the Capital Gains Tax due on disposals made between 1 January and 30 September of the current tax year (see separate note on page 8 under Capital Gains Tax)

The single due date, 31 October, will allow you to pay and file at the one time. This date is referred to as the **specified return date**.

If you file your income tax return early Revenue will issue a final tax assessment for the relevant tax year in time to pay your actual liability. This will save you having to do the calculations and you will have certainty in the amount of tax you have to pay, including Preliminary Tax for the current year.

All you have to do then is complete the **Single Debit Authority** and personalised payslip at the back of your Return Form and return it to the Collector-General, to arrive **on or before 31 October**. Alternatively you can complete the personalised payslip and attach a cheque for the relevant total net amount

You can also file your income tax return and pay your tax on-line using **Revenue On-Line Service (ROS)**, which will provide an instant, accurate and timely calculation of your tax liability. See **Chapter 10** for more information on ROS.

Alternatively you can compute your own liability to income tax and submit your completed income tax return form together with any payment that may be due on or before 31 October.

### Example - Ongoing Business

For the income tax year 2003 you must:

- Pay Preliminary Tax for the tax year 2003 on or before 31 October 2003
- File your tax return for the tax year 2002 after 1 January 2003 but no later than 31 October 2003
- Pay any balance of tax due for the tax year 2002 on or before 31 October 2003.

### Example - New Business

You started in business on 1 July 2002 during the tax year 2002.

Payment and Return Filing dates will be as follows:

- Preliminary Tax for 2002 due on or before 31 October 2002
- Preliminary Tax for 2003 due on or before 31 October 2003
- Balance of tax due for 2002 must be paid on or before 31 October 2003
- Tax returns for 2002 and 2003 to be submitted on or before 31 October 2004.

**Note:**

While you will not be charged interest if you do not pay any Preliminary Tax in the year you commence in business, it is recommended that you pay Preliminary Tax as near to your final liability as you can estimate, to avoid cash flow problems that paying several amounts of tax in a short period can cause. As can be seen from the above example you may have a considerable amount of tax to pay on 31 October 2003 if Preliminary Tax was not paid in October 2002.

You should file your return early, on or before 31 August, to allow Revenue to calculate your final liability thereby enabling you to know the amount(s) due on the due date, 31 October. Submitting your return form early will not result in Revenue requesting any tax that is outstanding before the due date.

## Preliminary Tax - Income Tax

### What is Preliminary Tax?

Preliminary Tax is your estimate of the income tax payable for the year and must be paid by 31 October. It includes PRSI and Health Contribution as well as tax. The amount of Preliminary Tax you must pay to avoid a charge to interest is the lower of:

- 90% of your final liability to tax for the current tax year or
- 100% of your liability to tax for the immediately previous year
- 105% of your final liability to tax for the year preceding the immediately previous year. This option is only available where you authorise the Collector-General to collect tax by direct debit. The 105% rule does not apply where the tax payable for the pre-preceding year is Nil.

**However, because of the short tax “year” 2001 arising from the changeover to the calendar tax year, there are special rules as regards the minimum Preliminary Tax payments to be made by those who wish to avail of the 100% rule or the Direct Debit arrangement. The minimum Preliminary Tax payable is summarised in the following table:**

Tax Year	Short tax “year” 2001	2002	2003	2004
100% rule	74% of 2000/01 liability	135% of 2001 liability	100% of 2002 liability	100% of 2003 liability
Direct Debit	78% of 1999/00 liability	105% of 2000/01 liability	142% of 2001 liability	105% of 2002 liability

## How do I calculate my Preliminary Tax?

The following example illustrates how to calculate your Preliminary Tax for the tax year 2003:

Tax liability for the 2001 year of assessment	= €6,350
Tax liability for the 2002 year of assessment	= €7,620
Tax liability for the 2003 year of assessment	= €6,500

Calculation of Preliminary Tax for 2003:

90% of the liability for 2003	= €5,850
100% of the liability for 2002	= €7,620
142% of the liability for 2001	= €9,230

To avoid an interest charge for 2003, the minimum amount, which must be paid by 31 October 2003 is €5,850.

Where you wish to use the 100% rule when calculating your Preliminary Tax but you have not yet received an assessment for the previous year by 31 October, you will have to calculate the tax liability for the tax year for which the return is being made. The Preliminary Tax due will be based on **your** calculations.

A measure of relief is available where:

- You have filed your return by 31 October
- The return contains all material facts necessary to make a correct assessment
- You have not received an assessment by 31 October and
- You have paid an amount of tax on or before the specified return date (31 October), which is inadequate.

Where the tax paid on or before 31 October is less than the liability for the tax year in question by not more than 5%, subject to a maximum of €3,175, the additional tax for that year will be due and payable on or before the following 31 December. Where the tax paid is less than the liability by not more than €635, the 5% test will not apply and the additional tax will be due and payable on or before 31 December.

Where you make a payment of additional tax for the preceding year in these circumstances and make a further payment of Preliminary Tax for the current year by 31 December in the tax year, so as to come within the scope of the 100% rule, the additional Preliminary Tax will be deemed to have been paid by the Preliminary Tax due date i.e. 31 October.

## Example

You submit your 2002 tax return on 27 October 2003. You have calculated your liability for the 2002 to be €20,000. You have already paid Preliminary Tax of €17,000 for 2002.

You now wish to make payment of Preliminary Tax for 2003 by reference to the 100% rule and make the following payments:

Income Tax 2002 balance	€3,000
Preliminary Tax 2003 (100% rule)	€20,000
<b>Total Payment</b>	<b>€23,000</b>

However, when your assessment for 2002 issues, your liability turns out to be €21,000. Since the difference is less than 5% of the liability i.e. €21,000 @ 5% = €1,050, the additional tax is due on or before 31 December 2003.

If you wish to avail of the 100% rule you should make the additional payment of €1,000 by the 31 December. This, is deemed to have been made on 31 October 2003.

As a result you would need to make the following payments before 31 December 2003:

Additional tax due for 2002	€1,000
Additional Preliminary Tax for 2003	€1,000
<b>Total Payment</b>	<b>€2,000</b>

## How do I pay my Preliminary Tax by Direct Debit?

### On-going Business

You can make arrangements with the Collector-General to pay your Preliminary Tax by direct debit. This scheme is designed to spread the burden of payment of Preliminary Tax throughout the tax year. Information **Leaflet CG9 (DD)** Income Tax gives further information and also contains an application to join the Direct Debit Scheme.

### New Business

There is a clear advantage in regular payments of tax from the outset in order to avoid building up a liability when your first tax returns are made.

Accordingly, in order to help new business you may commence deductions from 1 January resulting in 12 monthly payments or you may join in any month up to May to meet the minimum 8 payments required.

Again, **Leaflet CG9 (DD)** available from the Collector General's Office gives more detailed information. You can contact them by phoning Lo-Call 1890 20 30 70 (Republic of Ireland only) or e-mail [eft-apollo@revenue.ie](mailto:eft-apollo@revenue.ie)

## Will I be notified of my obligation to pay Preliminary Tax?

YES. If you are on Revenue's records as a self-employed person you will receive a Preliminary Tax letter.

These letters are generally issued around the end of September each year. **However, it is your responsibility to pay sufficient Preliminary Tax even if you do not receive such a letter.**

## What should I do if I get a Preliminary Tax letter?

Remember that the letter that you receive from your Inspector serves mainly as a reminder to you of your obligation **to calculate and pay** your Preliminary Tax.

If for any tax year you consider that you are not going to have a tax liability, you should enter "Nil" on the Preliminary Tax Payslip and return it to the Collector-General. Don't forget, however, that even if you have no income tax to pay, you may still have a liability for PRSI and Health Contribution, which are included in your Preliminary Tax.

## What rate of PRSI and Levies will I have to pay?

The Class S rates for 2003 are:

<b>Self-Employed (Class S):</b> <b>(Minimum contribution €253)</b>	<b>5%</b>
<b>Health Contribution:</b>	<b>2%</b>
<b>(This is not payable where your income for the year is less than €18,512, or where you hold a medical card.)</b>	

## What happens if I don't pay my Preliminary Tax on time?

If you don't pay your Preliminary Tax by 31 October, if you don't comply with the terms of the direct debit arrangement authorised by the Collector-General, or if the amount of Preliminary Tax you pay is too low, you will have to pay an interest charge. The effect of non-payment or payment of an inadequate amount is that the due date for the payment of the full tax liability for the year becomes due on 31 October. Interest at the rate of 0.0322% for each day or part of a day, approx. 1% per month, is payable on all late payments of tax.

## Returns

### When must I make my Tax Return?

Under the self-assessment system, you have a legal duty to make a tax return every year.

The Inspector of Taxes will issue tax returns to all persons on record who are considered likely to be liable for tax. However, it is your own responsibility to see to it that you get, complete, and return your tax return on time. (See **Pay and File System on page 6 of this Guide.**)

You may also register with the **Revenue On-Line Service (ROS)** if you choose to file your return electronically. More detailed information on ROS is given in **Chapter 10** or you can contact the ROS Help Desk at 1890 20 11 06.

**Your tax return together with payment of any outstanding liability must be sent to the Collector General's Office by 31 October**, after the end of the tax year i.e. your tax return for the year 2002 must be sent to the Collector General's by 31 October 2003. The address to which the form should be sent will be shown on the return.

You should send in your tax return as soon as possible after the end of the tax year i.e. you should send in your tax return for 2002 as soon as possible after 1 January 2003. The earlier you send in your tax return, the sooner you will know your final liability for the tax year - this can be important when it comes to calculating your Preliminary Tax for the following year. If you want Revenue to calculate your tax liability, file your return early.

The return for the tax year in which a new business is set up can be made with the return for the following tax year, if you or your spouse were not carrying on another business during the year in which the new business was set up.

## What happens after I've made my Tax Return?

Your Inspector will issue a notice of assessment in accordance with your return. This will show your total tax liability for the tax year. The Preliminary Tax paid by you will be credited against your total liability and, provided you paid adequate Preliminary Tax, any additional tax due should be paid on or before the 31 October following the year of assessment. If you have overpaid your tax it will be refunded to you.

## What happens if I do not submit my Return on time?

Failure to submit your tax return by 31 October after the end of the tax year will result in a surcharge being added to your final tax bill for the year. The surcharge is:

- 5% of the tax up to a maximum of €12,695 where the return is made within 2 months of the return filing date.
- 10% of the tax up to a maximum of €63,485 where the return is made more than 2 months after the return filing date.

Where a new business is set up the surcharge will not be imposed if the return for the first tax year is made by the return filing date for the following tax year.

## Example - New Business

You commence in business on 1 July 2002 i.e. during the tax year 2002.

- A surcharge will not be imposed if your return for 2002 is submitted by 31 October 2004.
- A surcharge of 5% of the tax up to a maximum of €12,695 will apply if your return is received between 1 November 2004 and 31 December 2004.
- A surcharge of 10% of the tax up to a maximum of €63,485 will apply if your return is received after 31 December 2004.

## What is Tax Clearance?

The purpose of the Tax Clearance scheme is to ensure that Government contracts, grants and state licences are only given to individuals and businesses who are tax compliant. The tax clearance certificate is provided by the Collector-General if your tax affairs are up to date. More detailed information is available from the Collector General's Office at Lo-Call 1890 20 30 70 (Republic of Ireland only).

## When do I pay my Capital Gains Tax liability?

For a **Capital Gains Tax** liability the payment date is changed for disposals on or after 1 January 2003.

The payment date will depend on when the disposal was made during the year:

Disposal Date	Payment Date
On or before 30 September in the tax year	Tax due by 31 October in that tax year
From 1 October to 31 December in the tax year	Tax due by 31 January in the following tax year

Indexation relief on disposals will apply for the period of ownership of the asset up to 31 December 2002 only.

## Where can I get more information on Capital Gains Tax?

There are two Guides available on Capital Gains Tax:

- **Leaflet CGT 1 - Guide to Capital Gains Tax**
- **Leaflet CGT 2 - Capital Gains Tax - Self Assessment**

Both Guides can be obtained from Revenue's Forms and Leaflets Service Lo-Call 1890 30 67 06 (Republic of Ireland only), from Revenue's website [www.revenue.ie](http://www.revenue.ie) or from your local tax office.

## Where can I get more information on completing Tax Returns and Pay and File?

A year specific "**Guide to Completing Tax Returns**" is published each income tax year after the issue of Return of Income Form 11/Form 11E.

A **Pay and File Guide** is also published by Revenue.

Both Guides can be obtained from Revenue's Forms and Leaflets Service by phoning Lo-Call 1890 30 67 06 (Republic of Ireland only), on Revenue's website [www.revenue.ie](http://www.revenue.ie) or from your local tax office.

## 3 Taxable Profits

### How do I calculate my taxable profits?

You calculate your taxable profits by deducting allowable business expenses from your turnover.

### What is my turnover?

Your turnover is the gross amount of income earned by your business before deducting any business expenses i.e. total amounts earned from sale of goods or provision of services. If you are registered for VAT your turnover figure should exclude VAT.

### What happens if my business makes a loss?

If you make a loss on your business activities you can either:

- Set off the loss against other taxable income (if you have any)
- or
- Carry the loss forward to be set against future profits of your business.

You must indicate on your tax return how you wish the loss to be used.

### What expenses can I claim for?

You can claim for any business expense, which you have incurred in order to earn your profits. These expenses are normally referred to as revenue expenditure. Revenue expenditure is your day to day running costs and covers such items as:

- Purchase of goods for re-sale
- Wages, rent, rates, repairs, lighting and heating, etc.
- Running costs of vehicles or machinery used in the business
- Accountancy fees
- Interest paid on any monies borrowed to finance business expenses/items
- Lease payments on vehicles or machinery used in the business

If you are registered for VAT the expenses you claim should be exclusive of VAT.

### What about pre-trading expenses?

A business, whether incorporated or not, can claim for certain pre-trading expenses when calculating the trading income. A deduction is available for pre-trading expenses which:

- Are incurred in the three years prior to commencement of the trade or profession
- Would not normally be allowable.

Examples of pre-trading expenses are:

- Accountancy fees
- Advertising costs
- Costs of feasibility studies
- Costs of preparing business plans
- Rent paid for the premises from which the business operates.

The allowable amounts are treated as having been incurred at the time the business commences. Allowable amounts cannot be set off against income other than income from that business but can be carried forward and set against future profits of the business.

### What expenses can I not claim for?

The general rule is that **you cannot claim for any private expenses i.e.**

- Any expense, not wholly and exclusively paid for the purposes of the trade or profession
- Any private or domestic expenditure e.g. your own wages, food, clothing (except protective clothing), Income tax etc.
- Business entertainment expenditure i.e. the provision of accommodation, food, drink or any other form of hospitality.

You cannot deduct **capital expenditure** in calculating your taxable profits, however you can claim what are known as **capital allowances** on certain expenditure and these are discussed later in this section.

### What about Food and Subsistence Expenses?

It is a long established principle that the cost of meals taken at the place of business is not allowable for tax purposes. In addition, expenses incurred on meals consumed away from the place of business are, in general, not wholly and exclusively laid out for the purposes of the trade or profession since everyone must eat in order to live. Costs of meals may be allowable where a business by its very nature involves travelling, as in the case of self-employed long distance lorry drivers, or where occasional business journeys outside the normal pattern are made.

Where a business necessitates one or more nights away from home reasonable accommodation costs incurred while away from home may be deducted. The cost of meals taken in conjunction with overnight accommodation may also be deducted. Where long distance lorry drivers spend the night in their cabs rather than taking overnight accommodation, the costs of their meals may be deducted.

It is important to note that only expenses actually incurred and for which receipts are available may be claimed. Receipts must be retained for production in the course of a Revenue audit of the business.

### What about expenses, which are partly for business and partly private?

Where expenditure relates to both business and private use, only that part which relates to your business will be allowed. Examples of such expenditure are rent, electricity, telephone charges, etc., where the premises involved is used partly for business and partly for private purposes. These expenses will need to be apportioned to exclude the private use.

### What about motor expenses?

You can claim a deduction for the running expenses of a vehicle used for business purposes. Running expenses incurred are restricted if the cost of the car was over €22,000. This limit applies irrespective of when the car was bought or whether it was bought new or second hand.

The allowable business expenses of cars costing more than €22,000 will be restricted to:

$$\text{Business car expenses} \times \frac{\text{Cost of car} - \text{Cost limit}}{\text{Cost of Car}}$$

### What if I use my car for private travel?

When you use a vehicle for both business and private purposes, a split of both the capital allowances (wear and tear) and running expenses has to be made. To ensure that this split can be properly calculated, you will need to keep records of your total mileage for the year and the total number of miles travelled for business purposes. **Journeys between your home and regular place of work are treated as private and not business.**

#### Example:

You bought a new car on 1 October 2002 for €25,400. Your total running expenses for the year were €2,400 of which 25% relates to private use. Allowable motor expenses are calculated as follows:

Business Expenses €2,400 x 75% = €1,800.

The allowable expenses are restricted to:	€
Business Expenses	1,800
Cost Limit	
<b>Less</b> 1,800 x (25,400 – 22,000)	<u>-241</u>
Cost of Car	25,400
Allowable Expenses	€1,559

### What if I lease an asset for business use?

If you lease an asset for business use, you can claim a deduction for the lease payments as a business expense. If the leased asset is a motor vehicle and the list price is more than €22,000, the allowable amount will be restricted as follows:

$$\frac{\text{Leasing charges} \times \text{€22,000}}{\text{Retail price of vehicle}}$$

### What is Capital Expenditure?

Expenditure is regarded as “capital” if it has been spent on acquiring or altering assets, which are of lasting use in the business, for example, the purchase or alteration of business premises, or the cost of plant, machinery or vehicles. You **cannot** deduct the cost of this type of expenditure in arriving at your taxable profit.

You **can**, however, claim capital allowances on capital expenditure incurred on items such as office equipment, business plant and machinery, vehicles and certain buildings (for example, industrial buildings). Capital allowances take account of the wear and tear on these items and are deducted from your profit figure before you are taxed on it.

### How are Capital Allowances calculated?

Wear and Tear Capital Allowances on Plant and Machinery (including motor vehicles) is calculated on a straight-line basis at a percentage of the net cost. The net cost is the cost less any grants and any VAT, which can be reclaimed.

Depending on when you purchased the item of plant or machinery, the rate of depreciation may vary as follows:

- Expenditure incurred on or after 4 December 2002 wear and tear is calculated at 12.5% of the net cost
- Expenditure incurred between 1 January 2001 and 3 December 2002 wear and tear is calculated at 20% of the net cost
- For plant and machinery purchased prior to and including 31 December 2000 wear and tear is calculated on the basis of 15% for the first six years and 10% for the seventh year.

**Example of Capital Allowances:**

Net cost of plant and machinery (including motor vehicles) purchased on 1 January 2003 is €20,000.

**Wear and Tear computation**

Cost	€20,000
Wear and Tear 2003 to 2010 (12.5% each year) =	€2,500

The full €20,000 is allowed against your profits over 8 years.

For private motor vehicles, wear and tear is calculated at a rate of 12.5% per annum of the net cost. **The net cost however is restricted to €22,000 for all cars.** The capital allowances as calculated will be apportioned to exclude any private use.

The restriction by reference to cost of €22,000 does not apply to a car in use as a taxi or in a car hire business. The annual rates of wear and tear on such cars is 40% on a reducing balance basis.

Further information on calculating Capital Allowances can be obtained in Revenue's "**Guide to Completing Tax Returns**" which is available from Revenue's Forms and Leaflets Service Lo-Call 1890 30 67 06 (Republic of Ireland only), from Revenue's website [www.revenue.ie](http://www.revenue.ie) or from your local tax office.

**How will my tax be calculated?**

First, you must calculate your net profit, and then deduct any allowances and reliefs to which you are entitled to arrive at your taxable income. The following example illustrates the steps involved:

**Calculation of Net Profit**

	€
Sales	120,000
<b>Less Business Expenses:</b>	
Purchases	70,000
Wages	7,000
Light & Heat	800
Rent	1500
Insurance	<u>800</u>
<b>Total Business Expenses</b>	<u>80,100</u>
Net Profit	39,900

**Note:**

- If you are registered for VAT, the above figures will be exclusive of VAT.
- You are liable for income tax and PRSI on your net profit.

**Income Tax Computation 2003**

		€
<b>Net Profit</b>		39,900
Less		
Capital Allowances		<u>-2,000</u>
		37,900
Calculate tax:	28,000 x 20%	5,600
	9,900 x 42%	<u>4,158</u>
		9,758
<b>Tax Credit:</b>		
Single Person's		
Tax Credit	7,600 x 20%	<u>1,520</u>
<b>Total Tax</b>		8,238
PRSI	37,900 x 3%	1,137
Health Contribution	37,900 x 2%	<u>758</u>
<b>Total Liability to Tax, PRSI and Health Contribution</b>		€10,133

If you require further information regarding allowances, reliefs and tax credits available under PAYE you can contact Revenue's PAYE Helpdesk by phoning Lo-Call 1890 60 50 90. Details of personal tax credits and rate bands are contained in **Leaflet IT 1**, which is updated annually.

**Planning for Retirement****What tax relief is available?**

If you are only starting in business retirement may be the last thing on your mind. However, the longer you are paying into a pension fund the greater your retirement income is likely to be.

**Retirement Annuity Contract (RAC)**

In addition to PRSI payments, which go towards providing a Social Welfare pension on retirement you can make provision for your personal pension/retirement income by taking out a Revenue-approved **Retirement Annuity Contract**. You can also make contributions under a Revenue approved policy providing for a lump sum on death before a certain age. This is known as a **Life Policy**. Tax relief, subject to certain restrictions, is available at your top tax rate on premiums paid under both. The overall aggregate annual tax relief i.e. for both a Retirement Annuity Contract and a Life Policy is 15% of net relevant earnings i.e. earnings from self-employment after deducting any losses or capital allowances. In all cases tax-deductible contributions will be calculated by reference to a maximum earnings figure of €254,000, where actual income in any year exceeds this amount.

The percentage of net relevant earnings, which qualify for tax relief is as follows:

Age	% of Net Relevant Earnings
Under 30 years	15%
30 to 39 years	20%
40 to 49 years	25%
50 years and over	30%

If your income comes wholly or mainly from a specified sporting occupation i.e. athlete, badminton player, boxer, cyclist, footballer, golfer, jockey, rugby player, squash player, swimmer or tennis player, you will be able to contribute 30% of your earnings each year, irrespective of your age.

### Example

Your profits from the business are €25,000 in 2003. This figure of €25,000 is also your net relevant earnings. You are aged 35 and paid €2,000 in contributions to a pension fund approved by Revenue.

If your tax rate is 42% the tax relief on the pension payment is €840 ( $€2,000 \times 42\%$ ). Therefore the net payment to the pension fund by you is reduced to €1,160 ( $€2,000 - €840$ ). If your tax rate is 20% the tax relief on the pension payment is €400 ( $€2,000 \times 20\%$ ). Therefore the net payment to the pension fund by you is reduced to €1,600 ( $€2,000 - €400$ ).

Information on how you can choose to use the proceeds of your pension fund are in **Leaflet IT 14 New Pension Options** which is available from any tax office, Revenue Forms and Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only) or from Revenue's website [www.revenue.ie](http://www.revenue.ie)

## Personal Retirement Savings Account (PRSA)

Contributions paid into a **Personal Retirement Savings Account** will benefit from tax relief at an individual's marginal income tax rate. The percentage of Net Relevant Earnings (i.e. earnings from a trade, profession, office of employment after deducting any losses, capital allowances, or expenses) which may be claimed as a deduction in respect of PRSAs are as follows:

Age	% of Net Relevant Earnings
Under 30 years	15%
30 to 39 years	20%
40 to 49 years	25%
50 years and over	30%

The 30% limit will apply, irrespective of age, if your income comes wholly or mainly from a specified sporting occupation, i.e., athlete, badminton player, boxer, cyclist, footballer, golfer, jockey, motor racing driver, rugby player, squash player, swimmer, or tennis player.

An earnings cap of €254,000 will apply also to PRSA's, as with Retirement Annuity Contracts.

Earnings as a proprietary director or proprietary employee of an investment company are not relevant earnings.

The tax relief is non-transferable between spouses in line with existing rules for RAC and occupational pension scheme contributions.

Contributions made by an employer to a PRSA on behalf of an employee are treated as a Benefit-in-Kind of the employee. Such contributions are treated for relief purposes as if made by the employee.

## Contributions to both an RAC and a PRSA

Contributions to an RAC and a PRSA should be aggregated when calculating the maximum tax relief allowable.

For example, a person aged 45 who gets tax relief on 25% of their earnings on contributions to an RAC may contribute an extra 5% to PRSA's making up 30% tax relief in aggregate.

## Certificates PRSA I, PRSA I (Net Pay), PRSA 2 AVC (Net Pay)

Relevant Certificate(s) will be available from the PRSA Provider as follows:

- **PRSA I Certificate** - This certificate will be issued to individuals taking out a PRSA product not linked to an Occupational or Statutory Pension Scheme. **There will be no income tax relief due on contributions made to this type of PRSA if the individual is a member of an Occupational or Statutory Pension Scheme unless he or she has other relevant earnings against which the relief may be allowed.**
- **PRSA I (Net Pay) Certificate** - This certificate will be issued to employees and directors who are not members of an Occupational or Statutory Pension Scheme.
- **PRSA 2 AVC (Net Pay) Certificate** - This certificate will be issued to employees and directors taking out a PRSA AVC product which is linked to an Occupational or Statutory Pension Scheme.

## 4 Basis of Tax Assessments

### What income will be included in my assessment?

Your assessment to tax for any year is normally based on your actual income earned in the tax year i.e. from 1 January to the following 31 December.

If your income consists of profits from a trade, profession or vocation, and your annual accounts are normally made up to a date other than 31 December your assessment will be based on the profits of your accounting year which ends in the tax year.

#### Example:

If your accounts are prepared for the twelve months ending on 31 October, the profits for the period to 31 October 2003, will be taken as your profits for the tax year 2003.

The amount assessed in respect of any other income e.g. Investment Income, Rental Income etc. is based on the actual income earned in the tax year i.e. from 1 January to 31 December.

### What accounting date should I use?

It is up to you to decide the date to which you prepare your accounts. You can prepare your accounts from the date your business started to:

- The following 31 December (i.e. the end of the tax year)  
or
- The date which is 12 months after the date on which you started  
or
- Some other date appropriate to your business.

Most businesses work out their profits once a year, usually to the same date each year, and this is called your accounting year.

However, you are always assessed on your profits for a 12 month period with the possible exception of the year of commencement of the business and the year of cessation of the business.

### How am I taxed in my start up years?

There are special rules for taxation of profits in commencement years:

#### First Year:

You are taxed on the profits of the trade, profession or vocation from the date your business commenced to the following 31 December.

#### Second Year:

You are taxed on the profits of a twelve month period, ending in the second tax year. Generally you are taxed on the basis of the profits for the first year of trading. Where accounts are made up to a number of dates within the second year, special rules apply. You will be taxed on the profits of the 12 months to the latest accounting date ending in the tax year or on the profits of the tax year. Where no accounts are made up to a date within the tax year, you are taxed on the profits of the tax year.

#### Third Year:

You are taxed on the profits of your accounting year in that tax year.

#### Second Year Excess

If the actual profits of the second year from 1 January to the following 31 December are less than the profits assessed the excess will be deducted from the profits to be charged for the following year (the third year). When you are sending in your tax return for the third year, you must ask your Inspector of Taxes to reduce the profits to be taxed in the third year by the amount of the excess.

### Example:

#### Commencing Business

You start in business on 1 July 2003.

Your results for the first three years are as follows:

Year ended		
30/6/2004	Profit	€17,000
30/6/2005	Profit	€15,000
30/6/2006	Profit	€16,000

#### You will be taxed as follows:

##### 2003 - First Year:

Profits from 1/7/2003 to 31/12/2003 take 6 months of your first 12 months profits:

$$€17,000 \times 6/12 = €8,500$$

##### 2004 - Second Year:

12 months profits up to 30/06/2004 = €17,000

##### 2005 - Third Year:

Profits to 30/6/2005 = €15,000

**Calculation of excess for 2nd year:**

Profits taxed in second year	€17,000
Actual profits of second year (1 January 2004 to 31 December 2004)	
6 months of the year ended 30/6/2004	
= €17,000 x 6/12 =	€8,500
6 months of the year ended 30/6/2005	
= €15,000 x 6/12 =	€7,500
	€16,000
Second year excess	€1,000
Since the profits for the second year (€16,000) are less than the amount assessed (€17,000) the excess for the second year, i.e. €1,000, will be deducted from the profits taxable in the third year as follows:	
Profits assessable	€15,000
Less second year excess	- €1,000
Assessable	€14,000

**Note:**

The claim in respect of the second year excess must be made in writing to your Inspector of Taxes no later than 31 October following the third year of assessment [i.e. in the above example the claim must be made by 31 October 2006].

**What happens if I am in business with someone else?**

If your business is set up as a partnership, there are special rules used to calculate the taxable profits. The total profit of the partnership is calculated and is then divided between the partners in accordance with whatever profit-sharing agreement they have made. Each individual partner's tax liability will then be calculated using the same rules that apply to self-employed people working on their own.

**What happens if I need to change my accounting date?**

As your business develops you may find that your original accounting date is inconvenient. For instance, it may coincide with a time when your business is at its busiest. In these circumstances you will be allowed to change your accounting date to a more suitable date. **However, any change in accounting dates should be advised to your tax office and you are obliged to review the preceding year and pay any additional tax due for that preceding tax year, at the same time as you are paying the tax due for the current year. The following example sets out the position.**

**Example:**

A trader who usually makes up accounts for the year ended 30 June changes his accounting period to 31 December. The first accounts for the new period are for the 18 months ending 31 December 2003.

**Tax Year 2003:** The basis period for the year 2003 is the profits of the year ended 31 December 2003. The due date for payment of tax for this year, provided the trader has complied with the Preliminary Tax rules, is 31 October 2004.

**Tax Year 2002:** The preceding year must be reviewed in accordance with Section 65(3) Taxes Consolidation Act 1997.

Where the profits of the year ended 31 December 2002, i.e. the **corresponding period** to the basis period for the tax year 2003, exceed the profits of the year ended 30 June 2002 [the original basis period for 2002] the basis period for 2002 is changed to the **corresponding period**.

The additional tax due for 2002 as a result of the revision is due on 31 October 2004 [the due date for the 2003 tax]. This additional tax is payable whether or not the assessment for 2002 has been amended.

The additional tax is not taken into account in calculating the minimum Preliminary Tax payment required for 2003.

**Worked Example:**

Assume in the example above the profits as adjusted for tax purposes were as follows:

Year ended 30 June 2002	€50,000
Period 18 months ended 31 December 2003	€105,000
<b>Tax Year 2003:</b> The basis period is the year ended 31 December 2003	
Profits = €105,000 x 12/18	€70,000
Assume tax liability after tax credits etc. =	€20,000
Assume Preliminary Tax paid 31 October 2003 =	€18,000
	[100% rule]
Income Tax due 31 October 2004 =	€2,000

**Tax Year 2002:** The original basis period was the year ended 30 June 2002

Profits =	€50,000
Assume tax liability after tax credits etc. =	€18,000

Profits of <b>corresponding period</b> [Year ended 31 December 2002]	
Profits 6 months ended 30 June 2002 = €50,000 x 6/12 =	€25,000
Profits 6 months ended 31 December 2002 = €105,000 x 6/18 =	€35,000
Total profits year ended 31 December 2002 =	€60,000
Already assessed	€50,000
Additional profits to be assessed =	€10,000
Tax @ 42% [say]	€4,200
Payments due on or before 31 October 2004	
Income Tax 2003	€2,000
Income Tax 2002 [additional] [Section 65(3) revision]	€4,200
Preliminary Tax 2004 [assume 100% rule used]	€20,000
Total:	€26,200

**Note :**

The Preliminary Tax payment for 2003 [based on the original 2002 liability] is not rendered insufficient by the additional tax payable for 2002 due to the *Section 65(3)* revision.

## Are there special rules for taxation of profits in the final years?

YES. Where a trade, profession or vocation ceases permanently, the following rules apply in relation to the assessments for the final years.

**Last Year:**

You will be taxed on the profits of your business from 1 January in the final year to the date your business ceases.

**Second-Last Year:**

You will be taxed on the higher of the following figures:

- The profits of the twelve month period ending on the normal accounting date in the second-last tax year  
or
- The profits of the twelve month period from 1 January to the following 31 December in the second-last tax year.

## 5 Taxation of Companies

### How is a Company Taxed?

Companies pay Corporation Tax (C.T.). This tax is charged on the company's profits, which include both income and chargeable gains. A company's income for tax purposes is calculated in accordance with Income Tax rules. Chargeable gains are calculated in accordance with Capital Gains Tax rules.

### What happens if the Company makes a loss?

If you are trading through a company, any losses arising cannot be offset against any other personal income you might have. The losses may be offset against trading income for the same and immediately preceding accounting period on a euro for euro basis. Any unused trading loss may be offset against non-trading income e.g. investment income, rental income but **only on a value basis**. For example if the company has an unused trading loss of, say, €100,000 and investment income of €100,000 the company can get relief for the loss at the rate of 12.5% against the liability on the investment income. Tax due on the investment income is €25,000 and the company can get loss relief of €12,500 leaving a net liability of €12,500. Any unused trade loss is carried forward against future profit only.

### Does Self-Assessment apply to Companies?

YES. The self-assessment system applies to companies.

### Preliminary Tax - Corporation Tax

The payment date for Preliminary Tax for Corporation Tax is being brought forward. This is being introduced over a transitional period of 5 years. The following table illustrates the position for a company with an accounting period ending 31 December:

Accounting Period Ending	Preliminary Tax	
	1st instalment payable	2nd instalment payable
31/12/2002	28/11/2002	28/06/2003
31/12/2003	21/11/2003	21/06/2004
31/12/2004	21/11/2004	21/06/2005
31/12/2005	21/11/2005	21/06/2006
31/12/2006	21/11/2006	

To avoid a charge to interest, the Preliminary Tax paid must be 90% of the final liability for the accounting period.

The following table sets out the arrangements for payment of preliminary (Corporation) tax from 2002 to the end of the transitional arrangements in 2006.

A/C period ending in	1st instalment	Where the company is a small company	2nd instalment
2002	18% of tax liability for a/c period	20% of liability for previous year, if lower	An amount that when added to the first instalment is equal to or greater than 90% of the tax liability for the chargeable period
2003	36% of tax liability for a/c period	40% of liability for previous year, if lower	As above
2004	54% of tax liability for a/c period	60% of liability for previous year, if lower	As above
2005	72% of tax liability for a/c period	80% of liability for previous year, if lower	As above
2006 and subsequent years	90% of tax liability for a/c period	100% of liability for previous year, if lower	As above

If the Preliminary Tax is paid late or the amount paid is too low, interest will be charged at 0.0322% for each day or part of a day, approx. 1% per month, on the balance of tax due.

Further information on Due Date for Preliminary Tax Corporation Tax can be found in **Leaflet CG14** which is available from Revenue's Forms and Leaflets Service by phoning Lo-Call 1890 30 67 06, from Revenue's website [www.revenue.ie](http://www.revenue.ie) or from any tax office. Information is also available from the Office of the Collector General by phoning Lo-Call 1890 20 30 70.

### Returns

A company must submit a return (Form CT1) no later than nine months from the end of the accounting period to which the return relates or by the 21st of the ninth calendar month if earlier. **Pay and File** applies to companies for accounting periods ending on or after **1 January 2003**. Any balance of tax will be due at the same time as the Return Form.

**(See Pay and File System on page 6 of this Guide)**

Form CT1 can also be filed electronically if the company registers with the **Revenue On-Line Service (ROS)**. More detailed information on ROS is given in **Chapter 10** or you can contact the ROS Help Desk at 1890 20 11 06.

If the company fails to submit a tax return on time, a surcharge will be imposed. The surcharge is the same as for income tax i.e.

- 5% of the tax up to a maximum of €12,695 where the return is made within 2 months of the return filing date.
- 10% of the tax up to a maximum of €63,485 where the return is made more than 2 months after the return filing date.

There are also restrictions on the use the company can make of certain reliefs and allowances if the return is not submitted on time.

## What is the rate of Corporation Tax?

There are two rates of Corporation Tax:

### Trading Income:

- 12.5% unless the income is from an excepted trade\* in which case the rate is 25%

### Non-Trading Income\*:

- 25% (e.g. investment income, rental income)

\* Excepted trades include certain land dealing activities, income from working minerals and petroleum activities

## How do I go about setting up a company?

If you wish to set up a company you should consider talking to an accountant and/or solicitor first. **Companies must be registered with the Companies Registration Office, 14 Parnell Square, Dublin 1.** Once a company is registered it is a separate legal entity from the persons who formed it.

Further information on the registration of a company including the electronic filing of Company Registration Office (CRO) forms can be accessed on the CRO website [www.cro.ie](http://www.cro.ie)

If you are setting up a company you may be interested in the **Seed Capital Scheme**. Under this Scheme an employee, who leaves employment and invests by means of shares in a company, which carries on a new business, may be entitled to claim a refund of income tax paid in previous years. See Information **Leaflet IT15 The Seed Capital Scheme: Tax Refunds for New Enterprises**, which is available from any tax office, from Revenue Forms and Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only) or from Revenue's website [www.revenue.ie](http://www.revenue.ie)

## If I set up a Company, how will I be taxed as a director?

If you set up a company, the company will be obliged to register for and operate PAYE/PRSI on your salary as a director.

## How will I be taxed on dividends received from the Company?

You will have to pay income tax on any dividends received by you. However, you will get credit for Dividend Withholding Tax deducted by the company.

## 6 Value Added Tax (VAT)

### What is VAT?

Value Added Tax (VAT) is a consumer tax. It is collected by VAT registered traders, on their supplies of goods and services.

You as a trader pay VAT on goods and services acquired for the business and charge VAT on goods and services supplied by the business. The difference between the VAT charged by you and the VAT you were charged must be paid to the Collector-General. If the amount of VAT paid by you exceeds the VAT charged by you, the Collector-General will repay the excess. This ensures that VAT is paid by the ultimate customer and not by the business.

The following example shows how the VAT system works and demonstrates the amount each person in the chain is obliged to pay to the Collector-General.

It also shows that the consumer pays €5,445 for the finished product of which €945 is VAT.

If you are involved in buying or selling goods within the EU you will need more detailed information and should refer to the comprehensive **“Guide to Value Added Tax”** which is available from any tax office or from Revenue’s Forms and Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only), or from Revenue’s website [www.revenue.ie](http://www.revenue.ie)

### What is a Taxable Person?

A taxable person for VAT purposes is an individual, (other than an employee), a partnership, company etc. who supplies taxable goods and services, in excess of the above limits, in the course of or in the furtherance of business. A person who engages in the acquisition of goods from other Member States of the EU in excess of €41,000 or receives certain taxable services from abroad is also regarded as a taxable person.

	Sale of Goods			VAT		
	Sale Price (excluding VAT)	Add VAT @ 21%	Total Cost to Purchaser	VAT Charged	Credit for VAT Paid	Net VAT paid to Revenue at each stage
Manufacturer	1,000	210	1,210	210	0	(210 - 0) = 210
Wholesaler	1,700	357	2,057	357	210	(357 - 210) = 147
Distributor	3,000	630	3,630	630	357	(630 - 357) = 273
Retailer	4,500	945	5,445	945	630	(945 - 630) = 315
<b>Total VAT payable to Revenue</b>						<b>€945</b>

### Who must register for VAT?

You must register for VAT if you are a taxable person and your annual turnover exceeds or is likely to exceed the following annual limits:

- **€51,000 in respect of the supply of goods**
- **€25,500 in respect of the supply of services**

(For the purposes of deciding if a person is obliged to register, the turnover including VAT may be reduced by an amount equivalent to the VAT borne on purchases of stock for resale.)

You must also register for VAT if you receive taxable services from abroad or if you are a foreign trader doing business in the State other than supplying goods for installation or assembly in the State.

### When should I register for VAT?

You should register for VAT even before starting to supply taxable goods or services, if it is clear, based on your projections, that the limits will be exceeded when the trade or business starts.

### Is registration limited to taxable persons?

NO. If your annual turnover does not exceed the limits set out above you may elect to register for VAT. This may be beneficial in certain circumstances, for example:

- If you are supplying goods or services to other registered persons you can pass on a VAT credit
- If you are supplying zero-rated goods e.g. food, you can claim any VAT incurred on purchases and business expenses.

## How do I register for VAT?

To register for VAT you must fill in a registration **Form STR** if you are an individual and your expected turnover per annum will be less than €127,000, **Form TRI** if an individual and your expected turnover per annum will be over €127,000 or you are a partnership, or **Form TR2** if trading as a company. These forms can be obtained by writing to the Taxes Central Registration Office, Arus Brugha, 9-15 Upper O'Connell Street, Dublin 1, by telephoning the Revenue Forms & Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only), from any tax office or on Revenue's website [www.revenue.ie](http://www.revenue.ie)

## What rate is VAT charged at?

**The standard rate of VAT is 21%:**

This applies to all goods and services that are not exempt or liable at the zero or reduced rates

**Reduced rate of VAT - 13.5%:**

This applies to certain fuels, buildings and building services, certain newspapers, live poultry etc.

**Reduced rate of VAT - 4.3%:**

This applies to livestock, greyhounds and the hire of horses.

**Zero-rated goods and services:**

These include exports, certain food and drink, oral medicine, certain books etc.

**Exempted goods and services:**

These include financial and medical activities.

An extensive list of over 2,500 VAT ratings is available on Revenue's website [www.revenue.ie](http://www.revenue.ie) or if you need further information on the rate at which VAT is charged on goods or services please contact your local tax office.

## What is the difference between exemption and zero-rating?

If you make zero-rated supplies (for example, a book shop or food store) you can claim a repayment of VAT, subject to certain restrictions, on your taxable business expenses (for example shop fittings, cash registers etc.). If you make exempt supplies only (for example, insurance services) you cannot claim a repayment of VAT on taxable purchases (for example, office equipment).

## What if I am a retailer and I sell goods which are liable at different rates of VAT?

There are certain "Retail Schemes" available whereby you can estimate the VAT on your sales based on your purchases. Details of these approved schemes and examples are given in a booklet, **Schemes for Retailers**, which can be obtained from your local tax office.

## When must I account for and pay VAT?

If you are registered for VAT the Collector-General will send you a form VAT3 every two months.

You must complete this form giving details of:

- VAT charged by you for the period
- VAT paid by you for the period
- VAT due to Revenue or repayable to you
- Goods supplied to/received from other Member States of the EU.

In addition, an annual return of trading details i.e. sales and purchases is required. This return will form part of one of the bi-monthly VAT 3's issued to you by the Collector-General.

The **Revenue On-Line Service (ROS)** provides the facility to electronically file the bi-monthly VAT3 and Return of Trading Details and make payments. More detailed information is given in **Chapter 10** of this Guide or you can contact the ROS Help Desk at 1890 20 11 06 or view information on and get direct access to ROS on Revenue's website [www.revenue.ie](http://www.revenue.ie).

You must send the completed form and any VAT payable to the Collector-General not later than the 19th day of the month after the end of the two month period in question i.e. the VAT return for the period January/February must be submitted by 19 March. If you do not have a VAT liability for a particular two month period, the VAT 3 should be returned marked "Nil".

## Can I make my Returns annually?

YES. You can arrange to pay your VAT through the direct debit scheme and make an annual return/declaration of liability. A **Single Direct Debit** instruction can be used for VAT and PAYE/PRSI. (A separate instruction is required for income tax.) There is a more flexible direct debit option for seasonal business, which allows for payment of varying amounts each month to coincide with the seasonal nature of the business. Information **Leaflet CG 7 – Direct Debit – PAYE/PRSI & VAT** gives further information and each includes an application/instruction for direct debit. This leaflet may be obtained by phoning Lo-Call 1890 20 30 70, by writing to the Office of The Collector-General, Apollo House, Tara Street, Dublin 2, from your local tax office, by email at [eft-apollo@revenue.ie](mailto:eft-apollo@revenue.ie) or from Revenue's website [www.revenue.ie](http://www.revenue.ie)

## How do I claim a VAT repayment?

If the VAT incurred by you exceeds the VAT charged by you in any two-month period you will be due a repayment of VAT. You should complete the VAT3 form issued to you and return it to the Collector-General to claim the repayment of VAT due to you. VAT repayments are paid directly by electronic transmission to a bank or building society account nominated by you so it is necessary to provide the Collector-General with details of the bank or building society account to which you wish to have the repayment sent. You can do this on the VAT 3 form.

For further information on VAT Repayments telephone Lo-Call 1890 20 20 33.

## Must I keep special records for VAT purposes?

You must keep your books and records in such a way that your VAT position can be clearly established. This will not generally involve keeping separate records for VAT purposes. See **Chapter 9** for details.

In addition to having Books of Account, which are properly written up and balanced on a regular basis, you must also keep all invoices, credit and debit notes, receipts, vouchers and all other supporting documentation relevant to establishing your VAT position.

These records must be available for inspection by an authorised Revenue Officer.

## How long must I keep records?

You must keep records for **six** years unless your Inspector of Taxes advises you otherwise.

## What about VAT in other EU Member States?

Irish VAT registered businesses who make supplies of goods or services in other Member States of the EU may be required to register for VAT in those Member States. It should be noted that a trader does not need to have an establishment in a Member State to be required to register for VAT there.

Irish VAT registered traders who are charged VAT in other Member States of the EU may, subject to whatever conditions are laid down by that Member State, be entitled to a refund of the VAT charged on those expenses.

Details of the addresses for enquiries in connection with registration requirements and refunds in other Member States of the EU are available on request from your local tax office or the Revenue Forms and Leaflets Service by phoning Lo-Call 1890 30 67 06 (Republic of Ireland only).

## Where can I get more information on VAT?

There are two guides available on VAT:

- A simplified version, **IT 49 - VAT for Small Businesses**
- A more comprehensive version, **Guide to Value-Added Tax**.

Both of these guides, together with a large range of VAT Information Leaflets and Statements of Practice, can be obtained from the Revenue Forms & Leaflets Service by phoning Lo-Call 1890 30 67 06 (Republic of Ireland only), from your local tax office or from Revenue's website [www.revenue.ie](http://www.revenue.ie).

# 7 Employer's PAYE/PRSI

## Must I register as an employer for PAYE/PRSI if I employ staff?

YES. You must register for PAYE/PRSI if you pay:

- €8.00 per week equivalent to €36.00 a month or more, to an employee who has only one employment
- €2.00 per week equivalent to €9.00 a month or more, to an employee who has more than one employment.

**A company must register as an employer and operate PAYE/PRSI on the pay of directors even if there are no other employees.**

## How do I register for PAYE/PRSI?

To register for PAYE/PRSI you must fill in:

- **Form STR** if you are an individual and your expected turnover per annum will be less than €127,000 **or**
- **Form TR1** if an individual and your expected turnover per annum will be over €127,000 or you are a partnership **or**
- **Form TR2** if trading as a company.

These forms can be obtained by writing to Taxes Central Registration Office, Arus Brugh, 9-15 Upper O'Connell Street, Dublin 1, by telephoning the Revenue Forms & Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only), from any tax office or from Revenue's website [www.revenue.ie](http://www.revenue.ie).

These forms can also be used to register for VAT, as explained in the previous Chapter. When you fill in the form and return it to the tax office, you will receive confirmation of your registration as an employer, a registered number for PAYE purposes and detailed information regarding the operation of PAYE/PRSI.

## What happens if I fail to register as an Employer?

If you become an employer and fail to register for PAYE/PRSI purposes, Revenue will compulsorily register you. You will have to pay the PAYE and PRSI which you should have deducted from your employees and paid over to the Collector-General. Interest is payable on the unpaid tax and PRSI at a rate of 0.0322% for each day or part of a day, approximately 1% per month, from the date on which it should have been paid.

## When must I account for and pay PAYE/PRSI?

The total of:

- The tax deducted from the pay of all employees less any tax refunded to them
- plus**

- The total PRSI contributions (the amount deducted from employee's pay plus the amount payable by the employer) must be paid to the Collector-General before the 14th day of the month. For example, if the deductions were made between 1 May and 31 May, payment to the Collector-General should be made between 1 June and 14 June.

A **Form P30 Bank Giro/Payslip** will be issued to you each month. The figures for total tax and total PRSI contributions should be entered on the form together with the gross total which will equal the amount of the payment. If you do not have any PAYE/PRSI liability for a particular month, the Form P30 should be returned marked "Nil".

The **Revenue On-Line Service (ROS)** provides the facility to transmit monthly Forms P30 electronically once you have registered as a ROS customer. Details on how to become a ROS customer are given in **Chapter 10**.

## Can I make my PAYE/PRSI returns annually?

YES. You can arrange to pay your PAYE/PRSI through the **Direct Debit Scheme** and make an annual return/declaration of liability.

Further information on this scheme and Direct Debit mandate forms may be obtained by calling Lo-Call 1890 20 30 70, by writing to the Office of The Collector-General, Sarsfield House, Francis Street, Limerick or from your local tax office.

## What do I have to do at the end of the Tax Year?

At the end of the tax year you must complete end of year **Forms P35, P35L, and P35L/T** which will be sent to you by the Collector-General. These forms must be returned by 15 February. Employers who do not lodge their returns on time may cause their employees unnecessary difficulty and delay when claiming social welfare benefits.

- **Form P35** is a declaration that the details of tax and PRSI being returned are correct.
- **Form P35L** is a list on which the employer makes the return of PAYE and PRSI particulars for each employee for the year.
- **Form P35L/T** is a return of PAYE and PRSI details for any employee for whom the PPS number is not known

If you wish to avail of the **Revenue On-Line Service (ROS)** facility available to electronically file your P35's, you should refer to **Chapter 10** which gives full details of how to register for ROS.

You must also issue a Form P60 to each employee who was in your employment at 31 December. This form shows total pay, tax and PRSI contributions for the year ended 31 December. Blank Forms P60 will be sent to you by the Collector-General. Computer users will receive computerised Form P60 stationery.

### Revenue Job Assist

An employer who employs a person who has been unemployed for at least 12 months may qualify for a double deduction for wages and employer's PRSI contribution for that employee in arriving at taxable income. There are some conditions attaching to the scheme and these are outlined in **Leaflet IT 59** which is available from any tax office or from Revenue Forms and Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only) or from Revenue's website [www.revenue.ie](http://www.revenue.ie)

### Is more detailed information available?

YES. A guide to the operation of the PAYE system for employers, **IT50 - PAYE/PRSI for Small Employers** is available from your local tax office, from Revenue Forms & Leaflets Service by phoning Lo-Call 1890 30 67 06 (Republic of Ireland only) or from Revenue's website [www.revenue.ie](http://www.revenue.ie).

## 8 Paying your Tax and Keeping Things Simple

### Is there any simple way of paying my tax and reducing the number of forms that have to be filled?

We have introduced a number of ways in which you can pay your tax. The simplest of these methods is **Direct Debit** and if you pay your tax in this way you will only need to complete one annual return form in respect of each of the taxes.

### What Tax can I pay by Direct Debit?

You can pay your Preliminary Tax (Income Tax), VAT, and/or Employers PAYE/PRSI by way of Direct Debit.

### How does Direct Debit work?

To avail of Direct Debit you must complete and sign a mandate which allows for agreed monthly deduction(s) from your bank account, for credit to your tax account(s). You remain in total control of the monthly amount(s) you have agreed to pay and the figure can be amended at any time by writing to:

Direct Debit Unit  
Apollo House  
Tara Street  
Dublin 2

or by fax to (01) 6717020.

Direct Debit forms **CG7 (PAYE/PRSI & VAT)** and **CG9 (Income Tax)** are available on Revenue's website [www.revenue.ie](http://www.revenue.ie), from Revenue's Forms and Leaflets service by phoning Lo-Call 1890 30 67 06 (Republic of Ireland only), from Direct Debit Unit by phoning Lo-Call 1890 20 30 70 or from your local tax office.

### What are the advantages of paying my tax by Direct Debit?

#### \* Preliminary Tax (Income Tax)

By paying your Preliminary Tax by Direct Debit you can spread the payment over the tax year for which the tax is due. This is particularly suitable if you find it difficult to make one lump sum payment in October each year.

#### \* Employer's PAYE/PRSI and VAT

You will only have to fill in one annual return as follows:

For PAYE/PRSI you will only need to fill in the Form P35 at the end of the year and you will not have to fill in Forms P30 on a monthly basis

For VAT you will only need to fill in one annual VAT3 form at the end of the year and you will not have to fill in VAT3s on a bi-monthly basis.

Further information on Direct Debit and application forms are available from the Collector-General, Apollo House, Tara Street, Dublin 2, telephone Lo-Call 1890 20 30 70 or from your local tax office.

### How else can I pay my tax?

The tax forms which you receive include customised payslips. These payslips contain details such as your registration number, the tax type and the tax period. Certain payslips allow you to pay your tax either by **Single Debit Authority** or by **Bank Giro**.

#### \* Single Debit Authority

**Single Debit Authority** enables you to make once-off payments directly from your bank account by completing your bank details and a debit amount on payslips attached to:

- Income Tax Pay & File notices
- Capital Gains Tax Pay & File notices
- Return of Income Form I I
- Return of Income Form I I E
- Relevant Contracts Tax/Form RCT 30

#### \* Bank Giro

**Bank Giro** payment of taxes allows you to make the payment through any Bank. If you opt for this method of payment you should allow five working days for your payment to reach the Collector-General and to be credited to your account.

#### \* Revenue On-Line Service (ROS)

**Revenue On-Line Service (ROS)** provides you with the following methods of payment of tax:

- ROS Debit Instruction (RDI)
- Laser Card via ROS
- On-Line Banking via ROS

Further information on **Revenue On-Line Service** payment options is available in **Chapter 10**, page 29, of this Guide.

### \* **Postal Payments**

You can post your payment to the Collector-General's Office, using the pre-paid envelope enclosed with the tax form. A payment receipt will be issued to you by return of post.

### \* **Personal Attendance**

A facility similar to the express lodgement facility offered by banks is provided for delivery of payments over the counter in the Collector-General's offices at Apollo House, Tara Street, Dublin 2 or at Sarsfield House, Francis Street, Limerick, but without the issue of a receipt at the time of delivery.

Payments delivered in time to be included with normal bank lodgements (usually 12:00 Noon) will be credited to the customer's account on the day of receipt. Later payments will be credited on the next working day.

## 9 Keeping Books and Records

### Am I obliged to keep records for tax purposes?

YES. You must keep full and accurate records of your business from the start. You need to do this whether you send in a simple summary of your profit/loss, prepare the accounts yourself, or, have an accountant do it. It is important for you to remember that the figures which are contained in your tax returns, your accounts, or your summary of profits/losses, must be correct. **The records you keep must be sufficient to enable you to make a proper return of income for tax purposes.**

You should bear in mind that you may need to keep accounts for reasons other than tax. For example, your bank may want to see your accounts when considering an application for a business loan.

### What records must I keep?

The type of records you will need to keep will depend on the nature and size of your business.

The records kept must include books of account in which:

- All purchases and sales of goods and services
- and**
- All accounts received and all amounts paid out, are recorded in a manner that will clearly show the amounts involved and the matters to which they relate.

All supporting records such as invoices, bank and building society statements, cheque stubs, receipts etc., should also be retained.

### What information will I need to prepare my accounts?

At the end of the accounting period you will need to have details of:

- Your business takings
- All items of expenditure incurred, such as purchases, rent, lighting, heating, telephone, insurance, motor expenses, repairs, wages etc.
- Any amount of money introduced into the business and its source

- The amount of any cash withdrawn from the business or any cheques drawn on the business bank account, for your own or your family's private use (these items are normally referred to as drawings)
- Amounts owed to you by customers, showing the total amount owed by each debtor
- Amounts owed by you to suppliers, showing the total amount you owe to each creditor
- Stocks and raw materials on hand.

### How should I record these transactions?

The manner in which your transactions are recorded will vary from a full 'double entry' book-keeping system if you want to keep precise control over all business matters, to some system which falls short of a double entry system in one or more respects. Whatever manner in which your books and records are kept they must be capable of showing the amount and source of:

- All income
- All purchases and other outgoings

Simply keeping the bank statements for the business is not enough – it does not fulfil your requirements to keep proper books and records.

Your accountant, if you have one, will advise you on a book-keeping system suitable to your circumstances. The following is an example of some typical books kept by a trader:

## Example of Typical Books

### Sample Sales Book

Date	Customer	Invoice no	Total	VAT	21%	13.5%	Zero
1/9/02	J Black	701	1210	210	1000		
2/9/02	J Browne UK Ltd	702	2000	nil			2000
3/9/02	J Smith & Co.	703	3630	630	3000		

### Sample Purchases Book (\*Note)

						Goods for resale			Goods not for resale		
Invoice No	Date	Supplier	Ref	Total	VAT	21%	13.5%	Zero	21%	13.5%	Zero
1427	2/9/02	J Murphy	1	2420	420	2000					
2356	3/9/02	JBC Ltd	2	1210	210	1000					
7432	5/9/02	ABC Ltd	3	2270	270		2000				
11786	12/9/02	E.S.B.	4	1135	135					1000	

### Sample Cash Book

Date	Source	Total	Debtor	Cash Sale	Misc.	Cash Payments	Lodged
1/9/02	J Smith	1210	1210				1210
2/9/02	Cash Sales	2100		2100		100	2000
3/9/02	Revenue	150			150		150
6/9/02	J Browne	5000	5000				5000

### Sample Cheque Payments Book

Date	Payee	Cheque No	Total	Creditors	Wages	Petty Cash	Expenses
2/9/02	Wages/Salaries	12125	1716		1716		
2/9/02	J Murphy	12126	2420	2420			
3/9/02	JBC Ltd	12127	1210	1210			
4/9/02	Petty Cash	12128	300			300	
15/9/02	E.S.B.	12129	1135				1135

#### \*Note:

In the case of small businesses, there is no need to keep a separate purchases book if a claim is made for VAT input credits on a cash paid basis. The cash/cheque payments books should show the VAT paid to suppliers separately.

## What type of Accounts will I need to prepare?

You will need to prepare and retain accounts as follows:

- A **Trading Account** showing details of goods sold during the period and the cost of those goods, the difference being the gross profit/loss for the period
- A **Profit and Loss Account** showing details of gross profit and the various expenses of the trade during the period, the difference being the net profit/loss of the business for the period
- A **Capital Account** showing details of opening and closing capital, net profit/loss for the period, cash introduced and drawings
- A **Balance Sheet** setting out details of the business assets and liabilities at the end of the period

A Capital Account and Balance Sheet may not always be required, depending on the circumstances and level of your trading activities.

## What accounts data do I submit?

Generally you are no longer required to submit your self-employed business accounts with your return of income. You must still however prepare accounts as discussed above and then **extract** the relevant information from your accounts for entry in the **Extracts From Accounts** pages of the Return of Income Form, **Form II** or **Form IIE**, as applicable. If your turnover is over €13m you must submit a paper copy of the financial statement with computations and supporting schedules to your Tax Office.

## How long must I keep records?

You must keep your records for **six** years unless your Inspector of Taxes advises you otherwise.

## What happens if I fail to keep proper records?

Failure to keep proper records or failure to keep them for the necessary six years, where you are chargeable to tax, is a Revenue offence. If you are convicted of a Revenue offence you face a heavy fine and/or imprisonment.

## Do I need to employ an Accountant?

In order to complete your tax returns and claim the various tax credits and reliefs due to you it is not necessary to employ an accountant or tax adviser. However, for specific advice on book-keeping and financial matters generally it would be in your own interest to engage an accountant or tax adviser. The tax office will normally correspond with your accountant, if you have one, and not with you.

# 10 Revenue On-Line Service (ROS)

## What is the Revenue On-Line Service (ROS)?

**ROS** is an interactive internet based system that allows you, as a Revenue customer, or your agent to:

- File Returns and make payments
- Obtain details of your Revenue account
- Calculate your tax
- Conduct your business electronically

## What are the benefits of using ROS?

The benefits of **ROS** include:

- On-Line calculation facilities
- Simpler user friendly return forms
- Prompt repayments
- Secure 24 x 7 x 365 access
- Instant acknowledgement
- Effective and efficient use of time - no duplication
- Elimination of clerical error

## What facilities does ROS provide?

**ROS** provides, a quick and secure method for the electronic filing and payment, where appropriate, of:

- Form 11 (Self-Employed Individuals)
- VAT 3 (Bi-Monthly VAT Return)
- RTD (Annual Return of Trading Details)
- Forms P30, P35 & P45 for employers
- Corporation Tax: Form CT1
- Environmental Levy
- Vehicle Registration Tax
- Form RCT30 for contractors

ROS also provides a facility where you can view details of your Revenue account including such items as payments, returns and registrations as well as being able to order a Statement of Account.

### Other features include:

- A secure mailbox housed on the ROS site where copies of all documents are kept, these can be accessed at any time using the search facility.
- Both on-line and off-line facilities, the off-line system allows you to complete the forms on your own PC without being logged on to the internet. Once the off-line form is complete simply log on to the ROS site and upload the completed form.
- There is a detailed Help system, as well as Frequently Asked Questions and Demonstrations throughout the site.

- A Lo-Call Helpdesk to assist customers with queries.
- The system operates on most platforms and browsers.
- The system is compatible with screen reader technology for visually impaired customers.
- For agents, an access control system which allows you to control who in your business can carry out transactions on ROS.

## How do I pay my tax using ROS?

There are currently 3 methods of making payments through ROS:

### \* ROS Debit Instruction (RDI)

The Debit Instruction method requires that you must complete a **ROS Debit Instruction (RDI)** in order to make payments for any of the taxes available in ROS. The RDI includes details of your bank account from which Revenue can collect the appropriate liability at the due date. The RDI can be completed on-line by you or your agent on the ROS site, digitally signed and digitally transmitted to Revenue. Alternatively a paper copy can be printed off, signed and sent to by land-mail to Revenue. Once the RDI has been set up on ROS, you or your agent acting on your behalf authorises the payment for the requisite amount and period.

### \* Laser Card

The second payment method currently available in ROS is by way of laser card, when a payment is due and is being paid on line, the details of your laser card are input and each individual payment is authorised by you.

### \* On-line banking facility.

An on-line banking facility was introduced in 2002, for the payment of Income Tax and Capital Gains Tax only, with Allied Irish Bank and Bank of Ireland.

For each of these payment methods only the exact amounts authorised by you or your agent on your behalf are deducted from your bank account. The requisite amounts are never deducted by Revenue in advance of the due dates, even where returns are filed early. If for whatever reason you do not wish to make a payment that is due or you are only making a partial payment, it is important to note that Revenue will not deduct the tax owed without authorisation from you. All payments made through ROS are acknowledged instantly and a receipt will be issued once the payment has been processed by Revenue.

## How do I access ROS?

ROS can be accessed via the Revenue website [www.revenue.ie](http://www.revenue.ie) and then click on Revenue On-Line Service. You can explore a number of features of ROS from the ROS homepage without any requirement to register.

## How do I register for ROS?

ROS has a simple three-step registration process, at the end of which you will be issued with a **Digital Certificate**. Your Digital Certificate enables you to access ROS and utilise its full menu of services. From the ROS homepage click "How to become a ROS customer" and follow the simple 3 step process.

**Step 1:** Apply for a RAN (ROS Access Number), which will be posted by land mail to you.

**Step 2:** Apply for a digital certificate. This will result in the generation of a system password which will also be posted by land mail to you.

**Step 3:** Retrieve your digital certificate.

### NOTE:

To ensure the security of the service the authentication procedure involves **issuing correspondence via land mail**. The whole process typically takes **8 working days**, so you should be sure to start the process well in advance of any filing deadlines that may apply.

## Is ROS confidential and secure?

You want to be certain that information accessed or transmitted on the internet is secure. We have invested considerable time and expertise to safeguard the security of ROS. We are using the latest technologies to ensure a confidential and secure channel for the electronic filing of returns. Confidentiality and integrity of the data transmitted through ROS is assured.

## Am I more likely to be audited if I submit my returns electronically?

You can be assured that you are no more likely to be audited than our customers who use the traditional paper-based method of filing returns.

## Who can I contact with queries on ROS?

The Lo-Call number of the ROS Information Desk is 1890 20 11 06. Staff at the Information Helpdesk will answer your queries on any technical issues concerning ROS, you can also e-mail ROS at [roshelp@revenue.ie](mailto:roshelp@revenue.ie).

ROS Liaison Officers have been appointed in Revenue offices throughout the country to assist with ROS related tax queries. A full list is available on the ROS website.



# 11 Revenue Examination of Returns, Books and Records

## What is a Revenue Audit?

A Revenue audit is a cross-check of the information and figures shown by you in your tax returns against those shown in your business records.

Revenue audit covers the following types of tax returns:

- Income Tax, Corporation Tax or Capital Gains Tax returns and/or
- The returns submitted in respect of VAT, PAYE/PRSI or Relevant Contracts Tax (RCT).
- The returns submitted in respect of Capital Acquisitions Tax.
- A statement of liability to Stamp Duties.

## How are taxpayers selected for audit?

Revenue use three methods of selection. These are:

### Screening tax returns:

The vast majority of audit cases are selected in this way. Screening involves examining the returns made by a variety of taxpayers and reviewing their tax compliance history. The figures are then analysed in the light of trends and patterns in the particular business or profession and evaluated against other available information.

### Projects on business sectors:

From time to time, projects are conducted to examine tax compliance levels in particular trades or professions. The returns for a large number of taxpayers in a particular sector are screened in detail and a proportion of these are selected for audit.

### Random selection:

This is in addition to the first two methods. It means that all taxpayers have a possibility of being audited. Each year, a small proportion of audit cases are selected using this method.

## What advance notice will I be given?

Generally, twenty one days' advance notice in writing is given. The notification letter shows:

- The name of the person who will carry out the audit
- The date and time of the audit
- The year(s), accounting period(s) or VAT tax period(s) which are to be audited.

## What form will the audit take?

Typically, an audit involves a series of steps, as follows:

- On arrival, the auditor identifies himself or herself to you and explains the purpose of the audit.
- You are given an opportunity to disclose to the auditor any inaccuracies in your tax return. Please refer to the *Code of Practice for Revenue Auditors* which sets out the benefits of making a *qualifying disclosure*
- The auditor will examine your books and records to verify that the figures have been correctly calculated and that the tax returns and/or declarations for the different taxes are correct
- If the auditor finds the returns to be largely correct, as is often the case, you will be told so as soon as this becomes clear
- If the auditor finds that adjustments are required, he or she will quantify the adjustments and the additional tax. The details of how the additional tax arises will be discussed with you and you will also be notified in writing
- At the final interview, the auditor will ask for your agreement to the total settlement figure
- Once agreed, the full amount should be paid to the auditor who will issue you with a receipt.

## Will interest be due on any additional tax payable following the audit?

YES. The law provides for interest to be charged on tax underpaid where a taxpayer makes an incomplete or incorrect return. Interest is charged at the rate specified in the legislation.

## Will I have to pay any penalties?

The law provides for monetary penalties to be charged, in addition to tax and interest, where specific breaches of tax law have occurred. Where underpayments of tax arise because of your neglect or fraud, penalties are charged.

## Will details of my audit settlement be published by Revenue?

Publication will only arise where **all** of the following circumstances apply:

- The amount of the settlement (including interest and any penalties) exceeds €12,700
- Penalties charged are in excess of 15% of the tax
- You did not make a full voluntary disclosure before the audit commenced.

If publication applies, your name, address, occupation and the total amount of the settlement will be published at the end of each quarter in Iris Oifigiúil\* and in Revenue's Annual Report.

## Where can I get further information on Revenue audits?

The **Code of Practice for Revenue Auditors** is available from your local tax office, from the Revenue Forms and Leaflets Service at Lo-Call 1890 30 67 06 (Republic of Ireland only) or on Revenue's website [www.revenue.ie](http://www.revenue.ie)

\* Iris Oifigiúil is the weekly bulletin of Government notices and announcements.

# Appendix 1

## Summary of Forms which you may need to complete.

### Registration Forms

<b>STR</b>	Tax Registration form for individuals other than PAYE taxpayers whose expected turnover will be less than €127,000 per annum. To Register for Income Tax (Non-PAYE), Employer's PAYE/PRSI and/or VAT.
<b>TRI</b>	Tax Registration form for individuals other than PAYE taxpayers whose expected turnover will be over €127,000 per annum and for partnerships. To Register for Income Tax (Non-PAYE), Employer's PAYE/PRSI and/or VAT.
<b>TR2</b>	Tax Registration form for Companies. To Register a Company for Corporation Tax, Employer's PAYE/PRSI and/or VAT.
<b>Form 11 F CRO</b>	Statement of Particulars of a Company

### Income Tax Forms

<b>Form 11</b>	Return of Income, Charges and Capital Gains and Claim for Tax Credits, Allowances and Reliefs for the Income Tax Year. The Form 11 includes "Extracts From Accounts" pages.
<b>Form 11 E</b>	Return of Income, Charges and Capital Gains and Claim for Tax Credits, Allowances and Reliefs for the Income Tax Year. (A shorter version of Form 11) This form also caters for small unincorporated businesses and farmers and includes "Extracts From Accounts" pages.
<b>Form 1 (Firms)</b>	Return of Income and Capital Gains of a Partnership. Individual partners also have to make separate returns on Form 11.
<b>Form 12 Directors</b>	Return of Income and Capital Gains and Claim for Tax Credits, Allowances and Reliefs
<b>Form CGI</b>	Capital Gains Tax Return

### Corporation Tax Forms

<b>Form CT1</b>	Corporation Tax Return for Companies.
-----------------	---------------------------------------

### Value Added Tax Forms

<b>VAT 3*</b>	Bi-Monthly VAT Return
<b>VAT 3D</b>	Trader's Record of VAT Returns.
<b>VAT 3G*</b>	Bi-Monthly VAT Return (Irish version)
<b>RTD</b>	Annual Return of Trading Details

### Employer's PAYE/PRSI Forms

<b>Form P30*</b>	Monthly Return by employer of PAYE/PRSI.
<b>Form P35</b>	End-of-year PAYE and PRSI Return.
<b>Form P35L</b>	Return of PAYE/PRSI particulars by an employer for each employee
<b>Form P35L/T</b>	Return of PAYE and PRSI details for any employee for whom the PPS number is not known.

\*Remember you can eliminate the need to complete these forms by electing to pay your VAT and PAYE/PRSI by direct debit. (See **Chapter 6** on page 20 of this Guide.)

All forms listed above are available from the Revenue Forms & Leaflets Service, Lo-Call 1890 30 67 06 (Republic of Ireland only) or from your local tax office. Most forms are also available on Revenue's website [www.revenue.ie](http://www.revenue.ie)

# Appendix 2

## Summary of Leaflets/Guides which may be of further assistance to you

### Leaflets

<b>IT 1</b>	Income Tax Credits, Reliefs and Tax Rates
<b>IT 2</b>	Taxation of Married Persons
<b>IT 10</b>	Guide to the Self Assessment System for the Self Employed
<b>IT 14</b>	New Pension Options - For the Self-Employed and Directors of Family Companies
<b>IT 15</b>	The Seed Capital Scheme: Tax Refunds for New Enterprises
<b>IT 16</b>	Third Party Returns (Automatic Return of Certain Information)
<b>IT 19</b>	Professional Services Withholding Tax
<b>IT 49</b>	VAT for Small Businesses - A Revenue Guide
<b>IT 50</b>	PAYE/PRSI for Small Employers - A Revenue Guide
<b>IT 59</b>	Revenue Job Assist - employers
<b>IT 61</b>	A Revenue Guide to Professional Services Withholding Tax
<b>IT 62</b>	A Guide to Profit Sharing Schemes
<b>IT 63</b>	Relevant Contracts Tax (Construction, Forestry & Meat Processing Industries) – Guide for Principal Contractors
<b>IT 64</b>	Relevant Contracts Tax (Construction, Forestry & Meat Processing Industries) – Guide for Sub-Contractors
<b>CGT 1</b>	Guide to Capital Gains Tax
<b>CGT 2</b>	Capital Gains Tax - Self Assessment
<b>CG 6</b>	P35 End-of-Year Returns
<b>CG 7</b>	Direct Debit: PAYE/PRSI & VAT
<b>CG 9</b>	Direct Debit: Preliminary Tax – Income Tax
<b>CG 10</b>	Relevant Contracts Tax
<b>CG 14</b>	Corporation Tax - Changes to due date for Preliminary Tax
<b>CG 16</b>	Share Options

### Guides

<b>VAT</b>	Guide to Value-Added Tax VAT for Small Business ( <b>IT 49</b> ) Information Leaflet No. 1/99 VAT Treatment of Foreign Firms doing business in Ireland
<b>PAYE</b>	PAYE/PRSI for Small Employers ( <b>IT 50</b> )
<b>I.T.</b>	Guide to Pay and File Guide to Completing Tax Returns

### Statements of Practice

<b>SP-IT/1/92</b>	Third Party Returns - Return of Certain Information
<b>SP-IT/2/92</b>	Preparation of Accounts for Revenue Purposes
<b>SP-IT/1/93</b>	Finance Act 1992 and Directors
<b>CGI/99</b>	Preliminary Tax - Income Tax - Payment by Direct Debit

# Appendix 3

## Lists of Tax Offices and Other Useful Addresses

### Inspector of Taxes

#### Dublin Region

		Area Code	Tel.	E-mail
<b>Companies Registration Office</b>	Parnell House, 14 Parnell Square, Dublin 1	Lo-Call	1890 22 02 26	info@cro.ie
<b>Central Revenue Information Office</b>	Cathedral Street, Off Upper O'Connell Street, Dublin 1		Personal Callers only	
<b>Tallaght Revenue Information Office</b>	Level 2, The Square, Tallaght, Dublin 24		Personal Callers only	
<b>Revenue Information Office</b>	85/93 Lower Mount Street, Dublin 2		Personal Callers only	
<b>Revenue Forms &amp; Leaflets Service</b>	Telephone Service (24 hour service)	Lo-Call	1890 30 67 06	forms@revenue.ie
<b>Taxes Central Registration Office</b>	Arus Brughá, 9/15 Upper O'Connell St, Dublin 1	(01)	8655000	tcro@revenue.ie
<b>Dublin Tax District</b>	1A Lower Grand Canal St, Dublin 2.	(01)	6616444	dubittax@revenue.ie
<b>Dublin Corporation Tax District</b>	Lansdowne House, Lansdowne Road, Dublin 4	(01)	6316700	dubcttax@revenue.ie
<b>Dublin Directors District</b>	Lansdowne House, Lansdowne Road, Dublin 4	(01)	6316700	dubdirs@revenue.ie
<b>Revenue On-Line Service</b>	Trident House, Blackrock, Co. Dublin	Lo-Call	1890 20 11 06	roshelp@revenue.ie
<b>Employer Help Desk</b>	Employer PAYE Enquiries	Lo-Call	1890 23 63 36	

*Employers ringing from outside the Republic of Ireland phone 00-353-1-6474844*

### Inspector of Taxes

#### East South-East Region

		Area Code	Tel.	E-mail
<b>Kilkenny</b>	Government Offices, Hebron Road, Kilkenny	(056)	7760700	kilkentax@revenue.ie
<b>Thurles</b>	Government Offices, Stradavoher, Thurles	(0504)	28700	tipptax@revenue.ie
<b>Waterford</b>	Government Offices, The Glen, Waterford	(051)	862100	wfordtax@revenue.ie
<b>Wexford</b>	Government Offices, Anne Street, Wexford	(053)	63300	wxfrdtax@revenue.ie

## Inspector of Taxes

### Border Midlands West Region

		Area Code	Tel.	E-mail
<b>Athlone</b>	Government Offices, Pearse Street, Athlone	(090)	6421800	athlntax@revenue.ie
<b>Castlebar</b>	Government Offices, Michael Davitt House, Castlebar	(094)	9037000	mayotax@revenue.ie
<b>Dundalk</b>	Millennium Centre, St. Alphonsus Road, Dundalk	(042)	9353700	louthtax@revenue.ie
<b>Galway</b>	Hibernian House, Eyre Square, Galway	(091)	563041	galwaytax@revenue.ie
<b>Letterkenny</b>	High Road, Letterkenny	(074)	9169400	donegtax@revenue.ie
<b>Sligo</b>	Government Offices, Cranmore Road, Sligo	(071)	9148600	sligotax@revenue.ie

## Inspector of Taxes

### South West Region

		Area Code	Tel.	E-mail
<b>Cork</b>	Government Offices, Sullivan's Quay, Cork	(021)	4325000	corktax@revenue.ie
<b>Limerick</b>	River House, Charlotte's Quay, Limerick	(061)	212700	limtax@revenue.ie
<b>Tralee</b>	Government Offices, Spa Road, Tralee	(066)	7183000	kerrytax@revenue.ie

*To contact the Inspector of Taxes office from outside the Republic of Ireland phone 00-353-1-6474444*

## Office of the Collector-General

		Area Code	Tel.	E-mail
<b>P35 Helpline</b>	Government Buildings, Nenagh, Co. Tipperary	Lo-Call	1890 25 45 65	p35helpline@revenue.ie
<b>Direct Debit Section</b>	Apollo House, Tara Street, Dublin 2	Lo-Call	1890 20 30 70	eft-apollo@revenue.ie
<b>Customer Services Tax Clearance</b>	Sarsfield House, Francis Street, Limerick	Lo-Call	1890 20 30 70	cg@revenue.ie
<b>VAT Repayments</b>	Government Offices, Kilrush Road, Ennis, Co. Clare	Lo-Call	1890 20 20 33	regvat@revenue.ie unregvat@revenue.ie

*To contact the Office of the Collector General from outside the Republic of Ireland phone 00-353-1-6330600*

## Department of Social and Family Affairs

		Area Code	Tel.
<b>Self-Employment PRSI Queries</b>	Cork Road, Waterford	(051)	356000 or 7043000
<b>Client Identity Services</b>	Gandon House, Dublin 1	(01)	7043281

Every care has been taken to ensure accuracy in the compilation of this list of contact numbers. However, due to the ongoing restructuring of Revenue some information is liable to change after publication. Any changes will be reflected in future publications.

# Appendix 4

## Timetable of Important Tax Dates

**Remember you can eliminate a lot of this form filling by electing for payment by direct debit and completing only one Annual Return for VAT and PAYE/PRSI.**

### January

- Income tax return for the year which ended on 31 December is issued by the tax office. The return should be completed and returned as early as possible, but no later than the following 31 October
- PAYE/PRSI P30 monthly return and payment due by 14 January
- VAT 3 return and payment for Nov/Dec due by 19 January
- Pay any Capital Gains Tax due on disposals made in the period 1 October to 31 December in the previous tax year by 31 January

### February

- PAYE/PRSI P30 monthly return and payment for January due by 14 February
- P35 for the previous tax year should be submitted by 15 February
- Form P60 must be given to employees by 15 February

### March

- PAYE/PRSI P30 monthly return and payment for February due by 14 March
- VAT 3 return and payment for Jan/Feb due by 19 March

### April

- PAYE/PRSI P30 monthly return and payment due by 14 April

### May

- PAYE/PRSI P30 monthly return and payment due by 14 May
- VAT 3 return and payment for March/April due by 19 May

### June

- PAYE/PRSI P30 monthly return and payment due by 14 June

### July

- PAYE/PRSI P30 monthly return and payment due by 14 July
- VAT 3 return and payment for May/June due by 19 July

### August

- PAYE/PRSI P30 monthly return and payment due by 14 August
- File your tax return for the previous tax year, if you wish Revenue to calculate your final liability before Pay & File due date (31 October), by 31 August

### September

- PAYE/PRSI P30 monthly return and payment due by 19 September
- VAT 3 return and payment for July/August due by 19 September
- Preliminary tax letters will begin to issue. This serves as a reminder that Preliminary Tax must be paid by 31 October

### October

- PAYE/PRSI P30 monthly return and payment due by 14 October
- Pay current year Preliminary Tax by 31 October
- File your tax return by 31 October (issued the previous January). Failure to send your completed tax return by this date will result in a surcharge being added to your final tax bill
- Pay balance of tax for previous year by 31 October
- File Capital Gains Tax return and pay any liability due for the previous tax year
- Pay any Capital Gains Tax due on disposals made between 1 January and 30 September of the current year

### November

- PAYE/PRSI P30 monthly return and payment due by 14 November
- VAT 3 return and payment for September/October due by 19 November

### December

- PAYE/PRSI P30 monthly return and payment due by 14 December

# Charter of Rights

**In your dealings with the Revenue Commissioners, you are entitled to:**

## **Courtesy and Consideration**

To expect that Revenue staff will at all times carry out their duties courteously and considerately.

## **Presumption of Honesty**

To be presumed to have dealt with your tax affairs honestly unless there is reason to believe to the contrary and subject to the Revenue Commissioners' responsibility for ensuring compliance with the law.

## **Information**

To expect that every reasonable effort will be made to give you access to full, accurate and timely information about Revenue law and your entitlements and obligations under it. So that they can do this, Revenue staff are entitled to expect that you will give them all the facts and the full co-operation which they need to deal with your affairs.

## **Impartiality**

To have your affairs dealt with in an impartial manner by Revenue staff who seek to collect only the correct amount of tax or duty, no more and no less.

## **Privacy and confidentiality**

To expect that personal and business information provided by you will be treated in strict confidence and used only for purposes allowed by law.

## **Independent Review**

To object to a charge to tax or duty if you think the law has been applied incorrectly and to ask that your case be reviewed. If the matter cannot be resolved to your satisfaction by Revenue officials you have rights in law to independent review.

## **Compliance costs**

To expect that the Revenue Commissioners and their staff recognise the need to keep to the minimum necessary the costs you incur in complying with Revenue Law, subject to their responsibility to carry out their functions efficiently and economically.

## **Consistent Administration**

To expect that the Revenue Commissioners will administer the law consistently and apply it firmly to those who try to evade paying their lawful share.

This guide does not attempt to cover every issue which can arise in starting up a new business, nor does it aim to give an interpretation of the legislation involved. If you find this guide does not answer all of your questions or if you have additional concerns, please contact your local tax office.



