

TAX BRIEFING

Office of the Chief Inspector of Taxes

Issue 31 - April 1998

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Customer Service Unit,
Office of the Chief Inspector of
Taxes,
4th Floor
Setanta Centre,
Nassau Street,
Dublin 2

Editor:
Telephone No.

Assistant Editor:
Telephone No.
Fax No.

John Leamy
(01) 6716777 Extn. 4325
Rosemary O'Rahilly
(01) 6716777, Extn 4310
(01) 6710960

While every effort is made to ensure that the information given in this publication is accurate, it is not a legal document. Responsibility cannot be accepted for any liability incurred or loss suffered as a consequence of relying on any matter published herein.

(FOI) ACT 1997 - Comes into operation

The Freedom of Information came into operation on 21 April 1998. The Act gives members of the public new statutory rights, i.e.

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

Routinely available information outside the FOI Act

Revenue currently makes much information routinely available to the public. Such information continues to be available informally without the need to use the FOI Act. For example, to the extent that tax offices have, to-date, provided information or copies of documents relating to a taxpayer to the taxpayer or his or her agent, this service will be unaffected by the FOI Act 1997.

Section 16 Information

In addition, in accordance with *Section 16 of the FOI Act*, Revenue rules, procedures, practices, guidelines interpretations and precedents have been compiled in CD Rom format and the CD will be available for purchase. The "Section 16" compilation is being made available on CD due to the volume of materials involved and the need to provide the compilation, which will have to be updated regularly, at reasonable cost.

Access to information under the FOI Act.

The FOI Act is designed to allow access to information held by public bodies which would NOT otherwise be available. Access to information under the Act is subject to certain exemptions and involves specific procedures and time limits. A Guide to:

- The structure of Revenue
- How to obtain information under the FOI Act

is now available in all tax offices.

The following records come within the scope of the Act:

- All records relating to personal information, i.e. relating to an individual, held by Revenue, regardless of when created, where the request is made by the individual concerned
- All other records created from the commencement date, i.e. 21 April 1998
- Any other records necessary for the understanding of a record created on or after 21 April 1998.

By virtue of the new statutory rights mentioned above, a person has a right to:

- Access to records held by Revenue
- Correction of personal information relating to himself or herself held by Revenue where it is incomplete, incorrect or misleading
- Access to reasons for decisions made by Revenue directly affecting himself or herself.

Confidentiality

The Act asserts the right of members of the public to obtain access to official information to the greatest extent possible consistent with the public interest and the right to privacy of individuals.

The right to privacy is central to each person's dealings with public bodies. The Freedom of Information Act 1997 contains numerous exemptions, providing strong protection for the confidentiality of personal information, commercially sensitive information and other information given in confidence to public bodies. Confidentiality is, of course, fundamental to the relationship between taxpayers and Revenue.

Exemptions

In addition to protecting personal, commercially sensitive and other information given in confidence to Revenue, Part III of the FOI Act 1997 provides exemptions from disclosure where, for example, disclosure could:

- Prejudice the effectiveness of any tests, examinations, investigations, enquiries and audits undertaken by Revenue
- Prejudice enforcement of, compliance with or administration of taxes and duties
- Disclose Revenue's position in any negotiations.

Examples of exempt records include:

- Case selection criteria for investigations and audits
- Instructions in relation to the checking procedures for reliefs and repayments
- Files in relation to ongoing audits or investigations.

Request for information under the FOI Act

Application must be made **in writing**. All requests for information should:

- Contain the full name and address of requester, including phone/fax no's
- Clearly specify or describe the information requested - (the more specific the request the better will we be able to identify the record requested - please give as much detail as possible)
- State that the information is sought under the Freedom of Information Act.

If information is desired in a particular form i.e. photocopy, computer disc, etc. this should also be mentioned in the application and this preference will be accommodated where possible.

If a person making a Freedom of Information request has difficulty in identifying the precise record required, the staff of the FOI Central Unit will be happy to assist in preparing the request.

Revenue is obliged to:

- Acknowledge the request within 2 weeks after the receipt
 - Notify the requester of the decision within 4 weeks of the receipt.
- Should the information requested be held by another public body the request will be directed to that public body within 2 weeks of its receipt and the requester will be notified accordingly.

Section 28(2)(b) of the FOI Act 1997 provides for the disclosure of personal information to a requester other than the person to whom the information relates, for example a practitioner acting on behalf of a client, where the requester is so authorised in writing by the person concerned.

Requests for information under the FOI Act should be addressed to the
Freedom of Information Central Unit,
5th Floor Wicklow House,
South Great George's St.,
Dublin 2,
Ireland.

Telephone: 01 - 702 0850 Fax: 01 - 670 8418

E-Mail requests: A request may be initiated by E-Mail. In this instance an application form will be sent to the requester for completion. The request will be processed when the duly signed application form is received by Revenue. **Note:** When making E-Mail requests please include full name and postal address.

E-Mail Address: info@foi.revenue.ie

Decisions

Subject to the provisions of the Act, Revenue may decide:

- to grant or
- refuse to grant the request or
- to grant part of it

If the decision is that the request is to be granted wholly or in part, Revenue can determine the form and manner in which the right of access will be exercised. Whatever the decision, Revenue will give notice to the requester, in writing, of the decision and determination. If the request is refused, whether wholly or in part, Revenue are obliged to give reasons for the refusal. If the giving of access is deferred, the reason for deferral and the period of deferral must be specified.

Review Procedures

The requester may seek an **internal** review of the initial decision which will be carried out by an official at a higher level, than the decision maker, if:

- The requester is dissatisfied with the initial response received i.e. refusal of information, form of access, charges, etc. or
- The requester has not received a reply within 4 weeks of his or her initial application. This is deemed to be a refusal of the request and allows the requester to proceed to internal review.

Requests for internal review should be submitted in writing to the FOI Central Unit at the address shown above.

Such a request for internal review must be submitted within 4 weeks of notification of the initial decision. Revenue must complete the review within 3 weeks. Internal review must normally be completed before an appeal may be made to the Information Commissioner.

The Information Commissioner

Generally, matters can only be appealed to the **Information Commissioner** after the process of internal review has been completed.

With some exceptions, application for review by the Information Commissioner must be made within 6 months of receiving notice of the decision or such further period as is determined by the Information Commissioner to be reasonable in the circumstances.

Appeals in writing may be made directly to the Information Commissioner at the following address:

*Office of the Information Commissioner,
18 Lower Leeson Street,
Dublin 2.*

Telephone: 01-678 5222 Fax: 01-661 0570

Further Information in relation to FOI

Practitioners should refer to the Guide mentioned above for further detail in relation to application procedures, internal review and appeals to the Information Commissioner and for details of the charges involved.

COMPLIANCE INITIATIVES 1998 - An Update

In the February issue of **Tax Briefing** details of the 1998 Returns Compliance programme were outlined. The purpose of this article is to give you an update on progress and details of further plans for 1998.

Income Tax

After the low filing rate in 1995/96 there has been a noted improvement in the Returns Compliance filing rate for 1996/97 - back to the rates achieved in prior years. It should be noted also that in real terms this is an increase of c.11,000 actual returns submitted.

Your assistance and co-operation in improving the timely filing rates this year is much appreciated.

Due to technical difficulties beyond our control the letters to non-filing taxpayers did not issue on 18 March as planned but they were all issued by 26 March 1998. Any inconvenience caused is regretted. These letters have recently been followed up with red reminder letters and Districts will commence the telephone/visit campaign in May. Prosecutions are ongoing on the 1995/96 non-filers and will shortly include 1996/97 non-filers where appropriate.

Corporation Tax

The filing rate achieved for the 1996 returns is 72% i.e. an increase of 3% at the same date last year. Thank you for your co-operation in achieving this improvement.

By now the telephone and visiting campaigns have commenced countrywide. Specific attention is being focused on the persistent non-filers who have a number of returns outstanding. Every effort is being made this year to bring these cases up to date. Your assistance in identifying companies that have ceased, been dissolved etc. is vital for this programme. Please contact your local tax office to update them on the current status of these companies.

Your attention is also drawn to the initiatives recently announced by the **Companies Registration Office** in relation to non-filers:

- In a special issue of *Iris Oifigiúil* the Companies Office published a list of almost 5,000 companies that were struck off the register on 19 December 1997 and were dissolved
- It is now their intention over the coming months to strike off all companies that have not filed their company returns, under Section 311 Companies Act 1963.

Further details will be outlined in the next issue of **Tax Briefing**.

THE EURO and TAX - Technical Tax Issues

In Issue 30 we indicated that technical tax issues relating to the euro would be covered in *Tax Briefing* during 1998. Recently introduced legislative measures relating to the single currency are contained in *Section 47 and Schedule 2 Finance Act 1998*. Therefore, it is appropriate at this time to address the technical issues of general application which are covered in the 1998 Finance Act, namely:

- Exchange gains and losses - [*Paragraph 1 Schedule 2 Finance Act 1998*]
- Companies with non-IR£ functional currency - [*Paragraph 5 Schedule 2 Finance Act 1998*]
- Capital Gains Tax implications for foreign currency gains/losses arising otherwise than in the course of a trade - [*Paragraph 9 Schedule 2 Finance Act 1998*]
- Computational rules for Capital Gains Tax - [*Paragraph 10 Schedule 2 Finance Act 1998*].

The tax treatment of the cost of converting to euro and indeed the Year 2000, is dealt with on page 8.

Exchange gains and losses in trading companies

Section 79 Taxes Consolidation Act 1997 clarifies the tax treatment for trading companies of exchange gains and losses derived from converting cash balances and trade creditor balances. It also sets out the tax treatment of exchange gains and losses arising from hedging contracts. Essentially the section provides that the tax treatment of exchange gains and losses on these items should follow accountancy treatment which is governed by SSAP 20. This provides that exchange gains and losses on these items are brought into the profit and loss account regardless of whether they are realised or unrealised. Exchange gains and losses of companies arising in a trading context on these items are, therefore, brought into account for tax purposes. Exchange gains and losses arising on non-trading assets (e.g. investments) are not governed by Section 79 but are subject to normal capital gains tax rules. Where the investment is in the form of cash in a bank please see the paragraph “CGT Foreign Currency Gains/Losses arising otherwise than in the course of a trade” overleaf.

Paragraph 1 Schedule 2 Finance Act 1998 ensures that any gains or losses arising to a trading company on 1 January 1999 as a result of the conversion of a currency to the euro will be treated for tax purposes in same way as gains or losses on foreign currency transactions are treated under *Section 79 Taxes Consolidation Act 1997*.

Companies with non-IR£ functional currency

Section 402 Taxes Consolidation Act 1997 provides that companies which have a functional currency other than Irish pounds can compute their **capital allowances** and **loss relief** in that non-Irish currency. The Section sets out how to deal with a situation where a company changes its functional currency and essentially ensures that total allowances or losses to be given cannot exceed the amount of capital expenditure or original losses, expressed in the new functional currency at the exchange rate pertaining at the time the expenditure was incurred or the loss arose.

Some companies will have a balance of capital allowances or a balance of losses forward in their non-Irish functional currency as at 1 January 1999. If that is a currency of a euro-participating State, those balances will be converted to euros on 1 January, 1999 - as will the functional currency of the company. *Paragraph 5 of Schedule 2 Finance Act 1998* amends *Section 402 Taxes Consolidation Act 1997* to

cater for the introduction of the euro. It provides that a change in functional currency brought about **solely** by the introduction of the euro shall not be treated as a change in functional currency for the purposes of Section 402. The balance of capital allowances or losses should, therefore, be converted to euro by use of the conversion rate between the euro and the original functional currency.

Where, on or after 1 January 1999, a company changes its functional currency from a non-euro currency to the euro, capital expenditure incurred prior to 1 January 1999 or allowances computed by reference to such capital expenditure is, under *Paragraph 5*, to be expressed in terms of Irish pounds using the exchange rate pertaining at the date the expenditure was incurred. These Irish pound amounts should then be converted to euro using the fixed conversion rate between the Irish pound and the euro. The same treatment applies in respect of pre - 1 January 1999 losses.

Paragraph 5 ensures that the total capital allowances granted or to be granted (or losses allowed or to be allowed) is equal to the amount of the capital expenditure (or original loss) measured in Irish pounds at the date the expenditure was incurred (or the loss arose).

Capital Gains Tax - Foreign Currency Gains/Losses arising otherwise than in the course of a trade

Under *Section 28 Taxes Consolidation Act 1997*, capital gains tax is charged in respect of chargeable gains accruing to a person on the disposal of assets. Under *Section 532 Taxes Consolidation Act 1997*, any currency other than Irish currency is an asset for the purposes of capital gains tax. Accordingly, a chargeable gain/allowable loss can arise to a person buying and selling foreign currency otherwise than in the course of trade. That gain/loss is computed by reference to the corresponding Irish pound value of the purchase price and the sale proceeds.

Cash Holding

On the introduction of the euro, a holding in cash of a currency of another euro-participating State will become a holding of Irish currency. As no disposal will take place at that time and the holding will now be in Irish currency, neither a chargeable gain nor an allowable loss will arise in relation to this asset.

Bank Accounts

Where, however, the foreign currency is held in a bank account, the asset is the debt denominated in foreign currency owed by the bank. On the disposal of this asset a gain or loss can arise, again computed in terms of the Irish pound cost of acquiring the asset and the Irish pound value of the disposal proceeds.

As at 1 January 1999, where an account has previously been in the currency of another euro-participating State, it will become denominated in the same currency as the currency of Ireland. In other words, the euro event will cause a bank account denominated in the currency of another euro-participating State to be denominated in Irish currency. Any gain or loss inherent in the asset (the debt) will crystallise at that time. *Paragraph 9 of Schedule 2 Finance Act 1998* sets out the tax treatment of a bank account denominated in a foreign currency which on 1 January 1999 becomes a bank account denominated in euro, the then Irish currency. The exchange gains or losses which would arise on the disposal of that account on 31 December 1998 are deemed to arise on that day.

However, while a capital loss can be utilised immediately, any capital gain arising is not liable to capital gains tax until the account is disposed of i.e. the funds are

withdrawn from the account. The part disposal rules apply where there is a partial withdrawal of funds from the account.

Capital Gains Tax - computational rules

Paragraph 10 of Schedule 2 Finance Act 1998 addresses how the cost of an asset acquired in a foreign currency is to be translated into the currency of the State for the purposes of the computation of capital gains tax liability on its subsequent disposal.

Bentley v. Pike [1981 STC 360]

The present method of translation is based on the UK judicial decision of *Bentley -v- Pike* [1981 STC 360]. In that case, it was held that where an asset is acquired using a foreign currency, the allowable cost of the asset, (i.e. the cost to be used in the Irish pound CGT computation on its disposal), is the IR£ equivalent at the date of acquisition using the exchange rate at that time. Paragraph 10 ensures that this method of translation will also apply where assets, which are disposed of after 1 January 1999, were acquired prior to 1 January 1999 in a currency of another participating Member State.

Example

A person acquired an asset on 1 May 1998 for 10,000 DM. Suppose the rate of exchange at that date is 2.5 DM = IR£1. The person disposes of that asset on or after 1 January 1999 for 10,000 DM. At the date of disposal, both the Deutsch Mark and the Irish Pound will be expressions of the euro. Suppose that 2.4 DM = IR£1 = 1 euro* at this date.

Following Bently -v- Pike and paragraph 10, the acquisition cost is 10,000 DM = IR£4,000 = 4,000 euro.

The disposal proceeds are 4,167 euro giving a gain of 167 euro.

*rates given are for illustration purposes only

Further information can be obtained by contacting our EMU Unit at:

Telephone: 01 - 679 2777

Ext. 4148/4817

Fax: 01 - 679 3352

E-mail: emuunit.dubcastle1@revenue.irlgov.ie

Rounding of Currency Amounts

A paper on the introduction of the euro and the rounding of currency amounts has been issued by the European Commission. Copies are available from the European Commission at:

Telephone: 01-662 5113

EURO / YEAR 2000 - Changeover Costs

Background

Revenue are receiving an increasing number of queries on how business costs incurred to deal with the “millennium bug” and the introduction of the euro will be treated for tax purposes. Most of the queries relate to the costs incurred on computer software and hardware, on adapting point-of-sale equipment such as cash registers and vending machines, and on training costs.

Revenue vs. Capital Expenditure

The starting point in dealing with this issue is to understand the basic difference between costs of a revenue nature (which can generally be written off in full for tax purposes in the year in which they are incurred), and costs of a capital nature for equipment (which, in most cases, can be written off for tax purposes over 7 years). In this regard - although there are some exceptions such as finance leases - the capital/revenue classification for tax purposes will generally follow accountancy principles. For accountancy purposes, costs are of a capital nature if they give rise to an asset. Where costs are incurred in adapting existing assets, it is necessary to assess whether the expenditure enhances the economic benefit of the asset (by extending its service potential) or simply maintains its standard of performance, as originally assessed. In the former case, the costs are of a capital nature and will qualify for capital allowances; in the latter case, the costs can be written off for tax purposes as incurred.

Software Costs

Software to deal with the year 2000 problem or the euro changeover can either be bought in or developed/adapted in-house. In either case, the principles outlined above

will determine whether the costs will be of a capital or a revenue nature. As a general rule, these costs are likely to be of a revenue nature, and therefore can be written off for tax purposes as they are incurred.

They represent no more than a modification of existing assets to deal specifically with the millennium bug and the euro. They will only be capital where the new software acquired or the adaptation of existing software clearly results in an enhancement beyond the original standard of performance and is not a mere maintenance of its service potential. Any software expenditure of a capital nature can be written off for tax purposes over 7 years in the same way as plant and machinery.

Hardware Costs

It may be that existing hardware (computers, cash registers, vending machines etc.) may also need to be modified to cope with year 2000 and the euro. Again, the capital/revenue distinction, as outlined above, must be made to determine the tax consequences. As with software, the cost of modifications to maintain the equipment's service potential can be written off for tax purposes as incurred. The cost of new hardware, or the cost of enhancing existing hardware beyond the asset's originally assessed standard of performance, can be written off for tax purposes over 7 years (i.e. 15% in years 1 to 6; and 10% in year 7).

Training etc.

The costs of training, and other costs such as informing customers, changing stationery etc., will generally be of a revenue nature and can be written off for tax purposes as incurred.

The changes in the 1998 Finance Act to facilitate the introduction of the euro are explained separately on page 6 of this issue.

New Registration Form

Introduction

A new registration form, STR, (Small Trader's Registration) will be introduced shortly on a trial basis to provide a more customer-friendly form for the small sole trader who wishes to register under any or all taxheads.

Who can use Form STR?

Form STR is aimed at an individual setting up in business who anticipates a turnover of less than £100,000 per annum. This figure has been chosen more as a guide than as an absolute cut-off point. Many customers will not be sure of their anticipated turnover. However, in terms of simple commencement cases, it should generally be possible to establish whether Form STR or Form TR 1 is the more suitable.

For example, in the case of a person who inherits or takes over a business, or an individual who has been operating in the black economy but has now been obliged to register, there should be sufficient information available about the size, scale and nature of the operation to decide which form to use. Similarly, an individual registering as a property developer is likely to have a substantial turnover where the TR 1 would be the more appropriate form.

Although it depends on the scale and nature of the new business, Form STR should be suitable for most basic sole trader registrations. It includes most of the requirements of the TR 1. It is not suitable, however, for partnerships or trusts or for non-resident

individuals registering in relation to their Irish operations. More detailed information about partners or trustees, for example, is required to register these cases and Form TR 1 is designed accordingly.

Form TR 2 should continue to be used for registering companies.

INCOME TAX - Agency Workers

Taxation of individuals engaged through agencies

Background

There appears to be a perception that employment agency workers cannot be regarded as employees for taxation purposes. Revenue do not regard the taxation of workers engaged through agencies any differently to the taxation of workers engaged by any other means. In fact, over the years many agency workers have always been regarded as employees and PAYE/PRSI has been operated by the agencies, where the agency is obliged to pay the person placed with a client. In contrast, PAYE/PRSI has been operated by the client, where the client is obliged to make the payment to the person placed with them.

Employee/Self-Employed

Where there is a doubt or a disagreement as to the status of an agency worker it is necessary to examine the case by reference to the facts. The terms of the engagement need to be examined to determine whether the agency worker is an employed person or a self-employed person. Such examination should include the written terms, as well as any oral, implied or inferred terms, (the written terms may not necessarily describe the full relationship between the parties) and any other relevant information deemed necessary to form an opinion as to the status of the worker.

Operation of PAYE/PRSI

Where the agency worker is regarded as an employed person, again the perception appears to exist that there is difficulty in determining who the employer is for the purpose of operating PAYE/PRSI. The PAYE system has always recognised the uniqueness of a “paying employer”, who may not be an employer in the strict sense. In fact, a pensioner can be an “employee” and the body paying the pension can be an “employer” for the purpose of operating the PAYE system.

Chapter 4 Part 42 and the Income Tax (Employments) Regulations 1960 deal with the administration of the PAYE system. Section 983 Taxes Consolidation Act 1997 gives the following definitions:

- *employer*
means any person paying any emoluments’
- *employee*
means any person in receipt of emoluments’
- *emoluments*
means anything assessable to income tax under Schedule E, and references to payments of emoluments include references to payments on account of emoluments.’

Similar definitions are contained in *Article 2 of the Income Tax (Employments) Regulations 1960*. There are also complementary definitions in Social Insurance, Health and Employment & Training legislation for the purpose of collecting PRSI and Levies through the PAYE system.

Consequently, Revenue’s view is that, in general, **the person who is contractually obliged to make the payment to an employed agency worker is the employer** for the purpose of collecting income tax and PRSI/Levies through the PAYE system.

This position is also consistent with Employment legislation, insofar as it relates to a person employed through an employment agency.

VAT - Change in Repayment System

Change in system of VAT repayments

Practitioners will recall that Issue 30 of *Tax Briefing* provided details on the changeover to the Direct Repayment System for all VAT repayments with effect from 1 July 1998. If traders have not already provided to the Collector-General details of their bank/building society account to which repayments may be credited, they should do so immediately.

Substantial delays will be experienced by traders awaiting repayments who have not provided these details before 1 July 1998.

The details required are:

- Name and Address of Trader
- VAT Number
- Name and Address of Bank/Building Society
- Branch Sort Code
- Bank/Building Society Account Number.

If practitioners or traders require any further information or assistance on this matter they may contact:

*Collector-General's Office,
Sarsfield House,
Francis Street,
Limerick.*

Telephone: 061 - 310310
(For Dublin Callers: 01 - 677 4211)
Fax: 061 - 401013.

REMOVAL/RELOCATION EXPENSES - Change in Procedures

Change in procedure regarding Advance Revenue Clearance

Statement of Practice - SP IT/1/91 set out Revenue's practice in regard to certain removal/relocation expenses which were incurred by employees and reimbursed or borne by their employer. The Statement outlined the expenses which could be reimbursed without giving rise to a charge to tax.

One of the conditions governing the Statement was that prior approval had to be obtained from the tax office before an employer could make qualifying payments free of tax.

With effect from **April 1998**, specific prior 'approval' by Revenue will not now be required in respect of the removal/relocation expenses covered by this Practice.

Removal/Relocation Expenses

Introduction

It is an established principle under tax law that, where an employer pays or reimburses the personal expenses for an employee, the amount paid or reimbursed is to be treated as part of the employee's remuneration and taxed accordingly. In strictness this principle applies to payments made towards the costs incurred by an employee in moving house to take up employment at a new location.

However, it has long been accepted by Revenue that the application of the principle to tax certain removal/relocation expenses should be relaxed in genuine cases of employees having to incur expenses to move to a new employment location and the payment made by the employer towards the expenses results in no net overall benefit to the employee.

Since 1991 Revenue have accepted that the practice may be applied to similar payments made to or on behalf of an employee taking up employment with a new employer.

Conditions which must be satisfied

The conditions which must be satisfied to allow the removal/relocation expenses covered by this Practice to be paid free of tax are as follows:

- (a) The reimbursement to the employee or payment directly by the employer must be in respect of removal/relocation expenses actually incurred
- (b) The expenses must be reasonable in amount
- (c) The payment of the expenses must be properly controlled
- (d) Moving house must be necessary in the circumstances.

Expenses covered by the Practice

In general, the expenses which can be reimbursed without giving rise to a charge to tax would be those incurred directly as a result of the change of residence and would include:

- Auctioneer's and solicitor's fees and stamp duty arising from moving house
- Removal of furniture and effects
- Storage charges
- Insurance of furniture and effects in transit or in storage
- Cleaning stored furniture
- Travelling expenses on removal
- Temporary subsistence allowance while looking for accommodation at the new location (subject to a maximum of 10 nights at the appropriate subsistence rate as per the schedule in **Leaflet IT54** on Employees' Subsistence Expenses). The vouched rent of temporary accommodation for a period not exceeding three months (this may not be paid concurrently with the temporary subsistence referred to above).

With the exception of any temporary subsistence allowance, all payments must be matched with receipted expenditure. The amount reimbursed or borne by the employer may not exceed expenditure actually incurred.

Any reimbursement of the capital cost of acquiring or building a house or any bridging loan interest or loans to finance such expenditure would be subject to tax.

In effect payment free of tax is restricted to the reimbursement of actual outgoings of a revenue nature incurred at the time of the move.

Procedures being put on a self-assessment basis

In line with Revenue's desire to ease the compliance burden on taxpayers, and following similar moves regarding Employees' Subsistence Expenses, the procedures are being put on a self-assessment basis. With effect from April 1998, specific prior 'approval' by Revenue will not now be required in respect of the removal/relocation expenses covered by this Practice. However, please see below regarding the keeping of records and the auditing of these records.

Records to be kept - Audit of Records

All records relating to the removal/relocation expenses covered by these procedures should be retained by the employer and may be examined in the event of an audit. These records must be kept for six years unless an Inspector of Taxes indicates otherwise.

FED - Definition

Foreign Earnings Deduction

Definition of 'qualifying day' Section 823 TCA 1997

Revenue have been asked to clarify our interpretation of 'qualifying day' for the purposes of the foreign earnings deduction (FED). In particular, clarification has been sought as to whether the **day of departure** is a 'qualifying day' for the purposes of the FED.

Revenue's view is that 'qualifying days' are generally those days (i.e. midnight to midnight) where the individual is absent from the State for the purpose of performing the duties of the office or employment and which are part of a continuous period of absence of at least 14 days.

Day of Departure

Where an individual has left the State before midnight, that day of departure will count as a qualifying day for the purposes of the relief where it is followed by a continuous period of absence of at least 13 days. Outstanding claims for relief will be settled on this basis.

RESORTS - Transitional Arrangements

Seaside Resort Scheme

Background

Section 355 Taxes Consolidation Act 1997 introduced a ring-fence on capital allowances on holiday cottages or apartments. Section 355, subsection 5 provides for certain transitional arrangements which deal with **pipeline projects**. The purpose of this note is to clarify the terms of those transitional arrangements.

Subsection 5(a)(ii) applies to situations where, before 5 April 1996 "an application for planning permission for the construction of the holiday cottage or apartment was received by a Planning Authority".

Planning applications

It has come to our attention that certain of the Planning Authorities, who have responsibility for planning matters in areas designated under the Scheme, do not differentiate between planning applications for private residences and those for holiday homes.

Where the Planning Authority did not differentiate in this way Revenue are prepared to accept that a pre-April 1996 planning application for dwellings relates to holiday homes, provided that:

- Documentary evidence (e.g. letter from Local Authority, copies of plans, correspondence exchanged with architects etc.) is furnished which demonstrates that the development in question was, at the outset, intended as a development of holiday accommodation by the original planning permission applicant and was not intended as a development of domestic dwellings,
and
- The Local Authority has no objection from a planning point of view to the use of the dwellings as holiday homes.

Those persons seeking to rely on *subsection (b) of Section 355(5)* must provide a Planning Authority affidavit which specifically refers to holiday-type accommodation.

With regard to *subsection (5)(a)(i)*, where a binding contract was entered into before 5 April 1996, the subsequent planning application must be made on the basis that the development is to be a development of holiday-type accommodation.

Queries

Any queries in relation to this article can be made to:

Direct Taxes Administration,

Incentives Branch,

Dublin Castle,

Dublin 2.

Telephone: 01 - 679 2777

Ext. 4018

Fax : 01 - 679 3314.

SHARE SCHEMES - Restricted Shares

Introduction

Shares acquired by employees on the exercise of options/rights and under other employee share offer schemes may be subject to a restriction or clog where disposal is prohibited for a number of years. The focus of this article is on such shares and is based on current practice.

In it we outline Revenue's:

- View on the market value of such shares at the date of acquisition
- Practice of abating the gain chargeable to income tax
- View on the base cost for capital gains tax purposes.

Market value at date of acquisition

Two issues arise as to whether or not:

- shares with a prohibition on sale, and
- the same shares without a prohibition on sale

have the same market value for income tax purposes.

It is our view that **a restriction on the sale of a share does not affect the market value of such a share.**

Abatement of gain chargeable to income tax

Revenue recognises that a restriction on the sale of shares could be said to reduce the benefit acquired by the individual particularly, for example, where the individual would like to dispose of the shares immediately but is prohibited. Revenue are prepared, in cases where there is a genuine restriction, to allow the following % abatements on the gain chargeable to income tax:

No. of years of restriction on sale	Abatement
1 Year	10%
2 Years	20%
3 Years	30%
4 Years	40%
5 Years	50%
over 5 Years	55%

Example

Share offer granted/option exercised (short option*)	1/3/98
Subscription/exercise price	£4,000
Market value at 1/3/98	£5,000
Restriction on sale of share	3 years

Income Tax - 1997/98

Market Value	£5,000
Price paid	<u>£4,000</u>
Gain	£1,000
Abatement (30%)	<u>£300</u>
Amount chargeable to income tax	£700

* Special rules apply to **long options/rights** i.e. those capable of being exercised later than 7 years from the date of grant. In such cases income tax is also chargeable at the date on which the option/right is granted. The amount chargeable at that date is the difference between the market value of the asset at the time the option/right is granted and the consideration for which the asset may be acquired. Any tax so charged can be deducted from any tax subsequently charged on the exercise, assignment or release of the option/right.

Base cost for Capital Gains Tax purposes

Where an income tax abatement is given the base cost for Capital Gains Tax purposes is as follows:

On the exercise of an option/right

- Cost of the option/right, if any, and
- Price paid for the shares on the exercise, and
- Any amount charged to income tax* (*Section 128(10) Taxes Consolidation Act 1997*).

Under other employee share offers where the benefit is assessable

- Price paid for the shares, and
- Any amount charged to income tax*.

*This is the abated amount i.e. in the above example, £700. Indexation is available by reference to the date expenditure is incurred. Where an amount charged to income tax forms part of the cost that date is the date the tax is paid.

Alteration of terms

In cases where the original restriction on the sale of the shares is either removed or amended, the income tax charge will be amended to reflect such change. A similar adjustment will be made in cases where the shares are disposed of prior to the end of the clog period.

Requirements

Companies wishing to avail of the abatement should contact their local Inspector of Taxes. Any alteration to the terms of the grant/award, as mentioned in the previous paragraph, should also be notified to the Inspector.

Details of:

- All grants of options/rights, and
- Allocations of shares under any options/rights

must be made to the Inspector not later than 30 days after the end of the tax year in accordance with *Section 128(11) Taxes Consolidation Act 1997* on Form SO 2.

Details of other share awards should be included in Form P11D in accordance with *Section 897 Taxes Consolidation Act 1997*

Anti-avoidance

The prohibition on the disposal of shares must be for genuine commercial reasons and not simply used for the purpose of tax avoidance. The above practice will be subject to review and Revenue reserve the right to amend or withdraw it.

SHARE OPTION SCHEMES - Residence

Introduction

An individual is liable to income tax under Schedule E in respect of any gain arising on the exercise, assignment or release of a share option obtained by that person on or after 6 April 1986 as a director of a company or an employee in accordance with *Section 128 Taxes Consolidation Act 1997*. The tax treatment of Irish individuals enjoying rights under Irish share option schemes is relatively straightforward. The introduction of a non-resident element does, however, complicate the position. The purpose of this article is to explain the tax position for income tax and capital gains tax when a non resident element is present.

Irish resident individuals - Income Tax

Where an individual realises a gain by the exercise, assignment or release of any share option, obtained by that individual on or after 6 April 1986 as a director or an employee of a company, and *Section 71(3) Taxes Consolidation Act 1997* (remittance basis) does not apply in charging to tax the profits or gains of that employment, the individual is chargeable to tax under Schedule E for the year of assessment in which the gain is realised. A charge arises even if the share option is granted before the employment commences or after the employment ceases if it is granted by reason of the individual's employment.

The amount of the gain chargeable is the difference between:

- The market value of the share(s) at the time of acquisition, and
- The aggregate amount or value of the consideration, if any, given for the share(s) and for the grant of the share option.

Where a share option is capable of being exercised later than seven years after it is obtained a charge to tax may arise at the date of grant of the share option.

The charge is calculated on the difference between:

- The market value of the share(s) at the date the share option is obtained, **and**
- The consideration for which the share(s) may be obtained on the exercise of the option. (If this consideration is variable the least amount of the consideration is taken into account.)

In addition tax is charged when the share option is exercised. Any tax charged in respect of the grant of the share option is allowed as a credit against the tax chargeable on the subsequent exercise of the share option.

Irish resident and domiciled individuals - Capital Gains Tax

On a subsequent disposal of the shares the individual may be liable to capital gains tax. The cost of the shares for capital gains tax purposes is:

- The price paid for the shares on the exercise of the option, plus
- The cost of the option, if any, plus
- Any amount charged to income tax under Schedule E.

Indexation is available, subject to the normal rules, by reference to the date the expenditure is incurred. In the case of any amount charged to income tax under Schedule E that date may be taken to be the date the tax is paid.

Individuals leaving Ireland - Income Tax

The liability to tax is determined by the residence position of the individual at the time the option is granted. If the individual is resident in Ireland at the time of the grant of the share option he/she is liable to income tax under Section 128 Taxes Consolidation Act 1997 at the date of grant of the option, if appropriate, and at the date of exercise of the option even if he/she is no longer resident in the Ireland at that time.

Individuals leaving Ireland - Capital Gains Tax

An individual who is neither resident nor ordinarily resident in Ireland at the date of disposal of shares acquired on the exercise of an option is only liable to capital gains tax if the shares disposed of constitute an asset for the purposes of *Section 29(3) Taxes Consolidation Act 1997*.

Individuals coming to Ireland - Income Tax

An individual may acquire a share option before he/she arrives in this country and while in this country exercise that option. No liability to tax arises under *Section 128 Taxes Consolidation Act 1997* in respect of the exercise of such an option if there is no connection between the Irish employment and the granting of the option and there is no tax planning or avoidance involved.

Individuals coming to Ireland - Capital Gains Tax

An individual who is resident but not domiciled in Ireland at the date of disposal of shares acquired on the exercise of an option may be liable to capital gains. However, if the shares are registered outside Ireland and the United Kingdom the extent of the charge is limited to the amounts remitted.

If the shares are registered in Ireland or the United Kingdom or if the individual is domiciled in Ireland the capital gains tax liability is computed in the normal way. The cost of the shares for capital gains tax purposes is:

- The price paid for the shares on the exercise of the option, plus
- The cost of the option, if any.

(Any gain chargeable to tax in another State on the exercise of the option does not form part of the cost for capital gains tax purposes.)

PROMPT PAYMENT ACT - Treatment of Interest Payments

Prompt Payment of Accounts Act 1997

General

The Prompt Payment of Accounts Act 1997 came into effect on 2 January 1998 and applies to goods and services supplied on or after that date.

The Act provides that certain purchasers who obtain goods or services from a supplier must pay for those goods or services by a prescribed payment date. Where payment is not made by this date, the purchaser must pay to the supplier an interest penalty in addition to the amount due for the goods or services.

The annual rate of interest is 11.75%. This is calculated from the period beginning on the day after the prescribed payment date and ending on the date when the payment is made.

Purchasers liable for the interest penalty on late payment include Government Departments, public bodies and their subsidiaries and contractors on public sector contracts.

Tax treatment of interest paid under the Prompt Payment of Accounts Act 1997

VAT

Interest is calculated on the VAT inclusive amount of the payment for goods or services. VAT is not charged on the interest as the interest is not regarded as consideration for the supply of goods or services.

Income Tax/Corporation Tax

The interest is regarded as a trade expense which is tax deductible in computing the profits of the person making the payment (i.e. the purchaser).

The interest is taxable in the hands of the recipient (i.e. the supplier). Although strictly chargeable under Case III of Schedule D, it may be included as a trade receipt and accordingly assessed under Schedule D Case 1.

Tax Clearance Certificates

The Act does not require payment of an amount due to a supplier who has failed to comply with a request to provide a tax clearance certificate. It extends the time limits for payments where there are delays in furnishing tax clearance certificates.

Professional Services Withholding Tax (PSWT)

Where interest is paid on foot of payments which are payments for professional services, within the meaning of *Section 520 Taxes Consolidation Act 1997*, PSWT should not be deducted from the interest. When completing Forms F45 for issue to specified persons (i.e. suppliers), accountable persons should exclude interest amounts.

Withholding Tax on interest payments by companies and to non-residents

Interest paid under the Prompt Payment of Accounts Act 1997 is yearly interest. Accordingly, *Section 246 Taxes Consolidation Act 1997* (deduction of tax at the standard rate) applies where penalty interest is paid by:

- A company* to a person whose usual place of abode is in the State
- or**
- Any person to another person whose usual place of abode is outside the State.
- Where *Section 246* applies, the person by or through whom the payment is made must deduct and remit to Revenue tax at the standard rate in force at the time the payment is made.

In practice, Revenue will not require tax to be deducted under *Section 246* from payments of penalty interest under £100.

* “Company” in this context means any body corporate. A body corporate is a succession or collection of persons having in the estimation of the law an existence and rights and duties distinct from the individual persons who form it from time to time [Murdoch, Dictionary of Irish Law]. Examples of bodies corporate are companies registered under the Companies Acts, government departments and local authorities.

REVENUE JOB ASSIST - New Tax Incentives

Introduction

Section 16 Finance Act 1998 provides relief to encourage the long-term unemployed to take up employment and also gives an incentive to employers to employ such individuals. These measures are known as **Revenue Job Assist**. Section 16 inserts two additional Sections into the Taxes Consolidation Act 1997.

Benefit to employees

Section 472A Taxes Consolidation Act 1997 contains provisions to allow a deduction to be made from the total income of a qualifying long term unemployed person in each of 3 tax years after he or she takes up employment. An additional deduction is also available in respect of each qualifying child.

Benefit to employers

Section 88A Taxes Consolidation Act 1997 contains provisions for a double deduction in computing the profits of a trade or profession in respect of earnings, and the employer’s PRSI contribution on those earnings, paid to a qualifying employee in the first 36 months of a qualifying employment.

Employees

The allowance is available to an individual who takes up a qualifying employment, who has been continuously unemployed for the immediate 12 months prior to taking up the job and who has been in receipt of :

- Unemployment Benefit
- or**
- Unemployment Assistance
- or**
- One-Parent Family Payment.

Time spent on:

- Certain FÁS training courses (non-apprenticeship)
- The Community Employment Scheme
- The Job Initiative programme
- The “Workplace” 5 week job experience programme
- The Back to Education scheme administered by the Department of Social, Community and Family Affairs

will also count as periods of unemployment for **Revenue Job Assist** provided the individual was in receipt of Unemployment Assistance, Unemployment Benefit or One-Parent Family Payment immediately before going on the course or scheme.

Qualifying employment

A qualifying employment is one where the emoluments from it are charged to tax under Schedule E (generally PAYE) and which:

- Starts on or after 6 April 1998
- Is for a minimum period of 30 hours per week
- Is capable of lasting at least 12 months.

Specifically excluded from the terms of the scheme are the following:

- An employment from which the previous holder of the employment was unfairly dismissed
- An employment with an employer who has reduced the workforce by redundancy in the 26 week period prior to employing a qualifying individual
- An employment which is primarily commission based i.e. over 75% of the earnings derive from commissions.

Special tax allowances

The special tax allowances are an extra personal tax allowance and a tax allowance for each qualifying child. The amounts are as follows:

- ***Extra Personal Tax Allowance***

Year 1	£3,000
Year 2	£2,000
Year 3	£1,000
- ***Child Tax Allowance for each qualifying child***

Year 1	£1,000
Year 2	£666
Year 3	£334

The qualifying individual can claim the allowance for 3 years of assessment. The claimant has the option of commencing with the year of assessment in which the employment commences or the year of assessment following that in which the employment commences.

This is to ensure that the benefits of the allowance are not diluted owing to an employment commencing late in a tax year. Unused allowances from one tax year cannot be carried forward to a later year.

The tax allowances can only be set against income from the new job which has been taken up.

An individual can only have one 3 year period of claim in his or her lifetime.

Married Couples

The allowance is available to qualifying individuals irrespective of their marital status. It is available to both spouses in married cases, provided each is a qualifying individual for the purposes of the allowance.

Each spouse can have a different period of claim e.g. in a tax year where one spouse is in the first year of claim and the other spouse is in the third year of claim, the couple, assuming no qualifying children, are entitled to an allowance of £4,000 for that tax year i.e. £3,000 for the first mentioned spouse and £1,000 for the other spouse. The allowances are due to each spouse against his or her own emoluments from the qualifying job. The allowance or any unused portion of the allowance is not transferable between spouses. This position is similar to the current rules for granting the PAYE Allowance.

Child allowance

The additional child allowance is due for each qualifying child resident with the claimant for the whole or part of a year of assessment. The definition of a qualifying child is the same definition as that used for One- Parent Family Allowance i.e. a child who is:

- Under 16 years of age
- or**
- Over 16 years of age and receiving full time instruction at a university, college, school etc.
- or**
- Over 16 years of age and incapacitated either physically or mentally, having become so either while undergoing full time instruction or while under 21 years of age
- and**

a child of the claimant or if not a child of the claimant, is in the custody of and maintained by the claimant.

The following points should be noted:

- Unlike One-Parent Family Allowance, there is no restriction made if the child has income in excess of £720
- Only one allowance of £1,000, £666, or £334 can be granted in respect of each qualifying child
- The amount of the allowance to be granted in respect of each qualifying child (£1,000, £666 or £334) depends on which year of the 3 year period the claim is made for e.g. a child born in Year 2 of the 3 year period will qualify for an addition of £666 and not £1,000

Where two or more people are able to claim for the same qualifying child, there is provision for splitting the allowance.

- If the child is maintained by only one of the claimants, that individual will be entitled to the child allowance
- Where the child is maintained by one or more qualifying claimants, the allowance can be split in the proportion that they maintain the child or in such manner as they jointly notify in writing to the tax office.

Secondary Benefits

Under **Revenue Job Assist** claimants can retain their medical card for 3 years from the date they return to work. They can also retain other secondary benefits such as

rent/mortgage subsidy, fuel allowance etc. for 3 years provided their income is less than £250 weekly.

Changing jobs

An employee may change or re-commence employment once during this period and keep the allowance, provided the second job is also a qualifying employment. The allowance will be the allowance appropriate to the relevant year in the 3 year period.

Directors

The allowance is not available to a proprietary director or the spouse of such a director. The position is therefore similar to the rules for granting the PAYE Allowance. The allowance is available to qualifying children of proprietary directors and children of the self-employed who are full-time employees in the businesses of their parents, provided the relevant conditions are met.

Employers

Double deduction

An employer who takes on an employee under **Revenue Job Assist** is entitled to a double deduction in computing the profits or gains of the trade or profession for:

- Emoluments paid to a qualifying individual in respect of a qualifying employment **and**
 - The employer's PRSI contribution in respect of those emoluments
- for the period of 36 months beginning on the date the qualifying employment commenced. There is no option for the employer as to when the double deduction starts.

There is no limit on the number of "qualifying employees" an employer can take on, provided the jobs are "qualifying jobs".

The double deduction is not due if the employer is benefiting or has benefited from other employment schemes in respect of the new employment. However, provided tax affairs are in order, an employer who takes on employees under the Scheme may also qualify for the existing PRSI Exemption Scheme for the first two years of employment. In this situation the double deduction for the first two years will refer solely to the emoluments, the employer's PRSI contribution for these two years being NIL. Employers can get information on the PRSI Exemption Scheme from the Department of Social, Community and Family Affairs at telephone no. 01-7043867. The double wage deduction ceases when the qualifying employee ceases to be employed. If he or she is replaced by a further qualifying employee and if the terms of the scheme have not been breached, a separate double wage deduction for that second individual is due for a 3 year period.

If he or she is replaced by a non-qualifying individual or if other conditions of the scheme are not met a double wage deduction is not due. (e.g. if an employee is dismissed in Year 3 in order to claim a double deduction for a further 3 years for a different qualifying individual, the double deduction is not due.)

The allowance is not due if the qualifying individual or his or her employer, is benefiting or has benefited from other employment schemes **in respect of the new employment**. This will particularly rule out the allowance if:

- The employee is in receipt of the Back to Work Allowance administered by the Department of Social, Community and Family Affairs in respect of the new employment

- The employer has benefited from the Jobstart programme administered by FÁS in respect of the new employment.

Further Information

The following leaflets giving details of Revenue Job Assist are now available:

Leaflet IT 58

Information for Employees

Leaflet IT 59

Information for Employers

These leaflets are available from any tax office or from the **Revenue Forms & Leaflets Service** at 01 - 878 0100.

SCHEDULE D - CASE I & II - Food and Subsistence Expenses

Introduction

This article concerns deductions allowable in computing profits for tax purposes in respect of food and subsistence expenses of self-employed individuals. The treatment of employees' (including directors') subsistence expenses is dealt with in **Leaflet IT 54**.

Cost of Meals

It is a long established principle that the cost of meals taken at the place of business are not allowable expenses 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. Where such costs are not allowable they may not be apportioned to allow extra costs incurred from the necessity of eating away from home or from the place of business.

Costs of meals may be incurred wholly and exclusively for business purposes where a business by its nature involves travelling (for example, in the case of self-employed long distance lorry drivers) or where occasional business journeys outside the normal pattern are made. A reasonable level of expenses incurred in these circumstances may be deducted from business profits.

Where a business trip 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 self-employed long distance lorry drivers spend the night in their cabs rather than taking overnight accommodation, the costs incurred on 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.

CAPITAL ALLOWANCES - Transitional Arrangements

Capital Allowances Restrictions

The Minister for Finance, in his budget speech on 3 December 1997, announced a number of restrictions on the capital allowances on buildings that an individual passive investor can claim against non-rental income. These restrictions are contained

in Sections 409A and 409B Taxes Consolidation Act 1997 [as inserted by Section 30 Finance Act 1998].

Certain transitional arrangements were also provided for pipeline projects where specified conditions are met. This note deals with one aspect of these transitional measures and its purpose is to provide clarification and guidance for persons seeking to rely on its terms.

Section 409A(5)(b)(ii) which deals with industrial buildings and other premises and Section 409B(4)(b)(ii) which deals with hotels, state that the restrictions will not apply, where the following conditions exist:

- An application for planning permission for the work on the building in question has been received by a planning authority before 3 December 1997 or a detailed plan had been prepared and detailed discussions had taken place with a planning authority before that date

and

- Expenditure on the building in question is incurred under an obligation entered into by an individual before:

(I) 3 December 1997

or

(ii) 1 May 1998, pursuant to negotiations which were in progress before 3 December 1997.

This condition "*pursuant to negotiations which were in progress before 3 December 1997*" is explained in subsections 6(b) and 5(b) of Sections 409A and 409B, respectively. These state that unless preliminary commitments or agreements in writing were entered into before budget day, then the condition above will not be satisfied.

Revenue's view on preliminary commitments or agreements in writing

An individual seeking to come within the terms of this aspect of the transitional measures and thereby claim unrestricted capital allowances must be able to demonstrate, through pre-budget written evidence, that he/she was committed before budget day in a preliminary manner to the project. This does not mean that a binding contract or agreement had been entered into but is more in the nature of an agreement reached or a commitment given, which subject to certain conditions, e.g. planning permission being obtained, continuation of tax allowances etc. The agreement or commitment is, however, something more substantive than a mere expression of interest by an investor in a project.

Evidence

The type of written evidence which is acceptable to Revenue can include evidence of payments of deposits, signed heads of agreement, exchanges of correspondence between investor(s) and developer. Copies of minutes of meetings and conversations may also be relevant, where other supporting documentary evidence is available. It is imperative that any written evidence pre-date the budget. Revenue will not accept letters, affidavits or statutory declarations which retrospectively verify events taking place before budget day, as evidence on their own, but will, very exceptionally, use them where there is other strong supporting evidence of a commitment or agreement. These comments apply equally where there is more than one investor involved in the project, written evidence must be provided in respect of each investor, together with his/her respective interest in the project.

Agent

Revenue recognises that there are circumstances in which one individual (referred to here as an agent) may give a commitment for an investment in a project on behalf of a number of individuals. The agent may or may not be an investor in the project. The requirements of the legislation, in Revenue's view, are no different where these circumstances exist to those required where no agent is involved. Evidence of a pre-budget preliminary commitment or agreement in writing must be provided together with an explanation of the circumstances whereby the agent was appointed.

Additionally, Revenue should be supplied with written evidence that each individual investor who has been committed by the agent was a party to the project before the commitment was given and it must also be possible to demonstrate his/her respective interest in the project. Again, statements providing retrospective confirmations will not be accepted on their own but will, very exceptionally, be used where there is other strong supporting evidence of the identity of the investor.

It should be noted that Revenue cannot, in any circumstances, provide confirmation to any investor whose identity was unknown at the time the commitment was given, on the grounds that the transitional arrangements do not apply in such cases.

Claims for unrestricted Capital Allowances

While the sections require the claimant to prove that he/she comes within the terms of the transitional provisions, the ordinary rules of self-assessment apply. Claims for unrestricted capital allowances (i.e. cases which come within the transitional provisions) may be made in the ordinary way. In case of doubt the expression of doubt facility (*Section 955(4) Taxes Consolidation Act 1997*) should be used.

Alternatively, investors may seek confirmation that the transitional arrangements apply to their investment. When doing so, they should provide **all** available documentation from all sources (e.g. developer, solicitors, accountants, other investors etc.) in order to allow Revenue to give careful consideration to the request.

Requests for confirmation should be sent to:

*Declan Rigney,
Direct Taxes Administration Division,
Incentives Branch,
Dublin Castle,
Dublin 2.*

Telephone: 01 - 702 4105

Fax: 01 - 679 3314.

Corporate Donations

TAX RELIEF FOR CORPORATE DONATIONS

Section 61 Finance Act 1998 introduced a scheme of tax relief for companies who make donations to **eligible charities** on or after 6 April 1998. An **eligible charity** means any body in the State which is authorised in writing by Revenue. Copies of an Explanatory Leaflet and Application Form for Authorisation can be obtained from:

Revenue Commissioners,

Charities Section,

Government Offices,

Nenagh,

Co. Tipperary.

Telephone: 067 - 33533

Ext. 3316

(or if calling from Dublin
01 - 677 4211)
or from your local tax office.

CHARITIES - Deeds of Covenant

Section 792(1) to (4) Taxes Consolidation Act 1997 make provision for tax effective covenanted payments by individuals/companies to:

- Universities and Colleges in the State to enable them to carry out **research**
- Universities, Colleges and Schools in the State to assist them in the **teaching of the natural sciences.**

Confusion has arisen in the past in relation to payment dates stated in such Deeds of Covenant. The legislation states that a covenant must be payable **“for a period which is or may be three years or longer”**. Thus, a Deed of Covenant taken out for a period which is less than three years is ineffective for tax purposes. However, a Deed of Covenant taken out for three years which stipulates that the first payment is to be made on the date of execution of the covenant and the final payment is to be made on the last day of the final year, is effective as there is a period of three years between the due dates for the first and last payments.

Example

If a Deed of Covenant is executed on 1 April 1995 and the first payment is made on that date and the last payment is made on 31 March 1998 as stipulated in the Deed, then the Deed is effective for tax purposes as there is a period of three years between the first and the last payments.

In cases where the Deed of Covenant does not specify payment dates, the Deed of Covenant **has to be for a period of four years** in order for Revenue to be satisfied that there is at least three years between the first and the last payment.

Before any Deed of Covenant is entered into, covenantors should ensure that Revenue have confirmed that the proposed scheme to carry out research/teach the natural sciences qualifies for the tax reliefs available. Explanatory leaflets CHY 3,4,5 and 6 which contain sample deeds of covenant are available to covenantors and covenantees from:

*Revenue Commissioners,
Charities Section,
Government Offices,
Nenagh,
Co. Tipperary.*

Telephone: 067 - 33533
Ext. 3310

(01 - 677 4211 if calling from Dublin)

Natural Sciences

UPDATED LIST OF THE NATURAL SCIENCE SUBJECTS

Section 792 Taxes Consolidation Act 1997 allows covenanting relief **“to any university, college or school, being a university, college or school in the State for the purpose of assisting such university, college or school to teach any one or more of the natural sciences,.....”**

Charities Section in conjunction with the Department of Education and Science have reviewed the list of natural sciences to take into account scientific developments since the list was last updated in 1959. The updated list is printed on page 27 and copies can be obtained from: *Revenue Commissioners, Charities Section, Government Offices, Nenagh, Co. Tipperary.* Telephone: 067 - 33533

Ext. 3308/ 3310 (or if calling from Dublin 01 - 677 4211) or from your local tax office.

LIST OF NATURAL SCIENCES

March 1998

Analytical Biology	Electronics	Nutrition
Analytical Chemistry	Embryology	Obstetrics &
Analytical Science	Endocrinology	Gynaecology
Anatomy	Engineering Science	Oceanography
Animal Breeding	Environmental Chemistry	Optics
Animal Physiology	Environmental Science	Optoelectronics
Animal Science	Environmental Studies/Waste	Organic Chemistry
Anthropology	Equine Science	Organometallic
Applied Physics	Experimental Physics	Chemistry
Aquaculture	Fermentation (including	Paediatrics
Astronomy, (descriptive &	Fermentation Technology)	Palaeontology
observational)	Food Science	Parasitology
Astrophysics	Forensic Science	Particle
Atomic and Molecular	Forestry	Physics
Physics	Genetics (together with a	Pathology
Bacteriology (including	separate specialisation in	Pharmacology
Mycology, Parasitology	Human Genetics)	Pharmacy
and Virology)	Geochemistry	Photochemistry
Biochemistry (including	Geology	Photonics
Industrial Biochemistry)	Geophysics	Physical Chemistry
Biology	Haematology	Physics
Biomechanics	Histology	Physiology
Biomedical Science	Human Genetics	Plant Genetics
Biophysics	Human Nutrition	Plasma Physics
Bioprocess Engineering	Hydraulics	Polymer Science
Bioprocessing	Hydrogeology	Polymer Chemistry
Biosensors	Hydrology	Treatment
Biotechnology	Immunology (including	Protein Engineering
Botany (including	Immunotechnology)	Psychiatry
Cytology, Plant	Information Technology	Psychology
Pathology, Plant	(including Informatics)	Psychopharmacology
Physiology, Taxonomy)	Inorganic Chemistry	Quantum Physics
Cell & Tissue Centre	Instrumentation (Physics)	Radiation Physics
Cell Biology	Laser Science	Radio astronomy
Chemistry (including	Marine Science	Radiography
Applied Chemistry,	Materials Science	Relativistic Physics
Analytical, Inorganic	Mathematical Physics	Science of Materials
Organic, Physical,	**Mathematics (including	Sensors (Physics)
Theoretical)	Applied Mathematics)	Solid-state Physics
Classical Physics (Heat,	Mechanics	Spectroscopy
Optics, Electricity and	Medical Laboratory Science	Sports Science
Magnetism - Fluid	Medical Physics	Statistics
dynamics etc.)	Metallurgy	Supramolecular
Clinical Medicine	Meteorology	Chemistry
Colloid Science	Microbiology (including	Theoretical Chemistry

Community Health	Industrial Microbiology)	Theoretical Physics
* Computer Science	Microbial Genetics	Toxicology
Computational Chemistry	Modelling and Simulation	Veterinary Anatomy
Computational Physics	(Physics)	Veterinary
Condensed Matter	Molecular Biology	Microbiology
Cosmology	Molecular Genetics	Veterinary Pathology
Crop Breeding	Mycology	Veterinary
Crop Science	Nanotechnology	Pharmacology
Crystallography	Nuclear and Particle Physics	Veterinary Physiology
Earth Science		Virology
Ecology		Wood Science
Ecophysiology		Zoology

* **Computer Science**

Computer Science is not a natural science subject in itself but it is added to the list as it is regarded as assisting the teaching of the natural sciences.

** **Mathematics covers**

Pure (Arithmetic, algebra, geometry, trigonometry, calculus, etc.). Applied (Mechanics, hydraulics, statistics etc.).

Mathematics is not strictly a science, and pure mathematics can be done without any reference to the physical world. Nevertheless, as a high degree of mathematical competence is essential for ability in practically all the natural sciences, mathematics is usually regarded as a scientific subject from an educational point of view.

RENTAL INCOME - Allowable Expenses

Accountancy Fees

Issue 25 of *Tax Briefing* contained an article on rental income. The article covered the tax treatment of accountancy fees incurred for the purposes of preparing a rent account and management expenses incurred by property rental companies. We have been asked to respond to *the following questions* which were asked in relation to the article.

- **What is a rent account?**

A set of accounts relating to a rental property or properties is commonly known as a rent account.

- **Do accountancy fees include the actual cost of keeping records, maintaining primary documents and preparing financial statements?**

Yes. Receipts for accountancy fees which are claimed as a deduction against rental income should be held by the claimant.

- **Are fees in respect of company audits which are statutorily required to be carried out treated as allowable?**

Yes.

- **Are amounts in excess of the 10% and 15% limits in respect of directors remuneration automatically disallowed?**

No. The 10% and 15% limits are the limits below which remuneration will not be queried by the Inspector. Amounts above these limits are not automatically disallowed, although they may be queried by the Inspector.

Pre-Letting Expenses

We have been asked whether pre- letting expenses are allowable. The question arises following the introduction of *Section 82 Taxes Consolidation Act 1997* which allows a Case I/Case II deduction for certain pre-trading expenses. It has been suggested that, since Case V deductions are computed by applying Case I principles, a corresponding deduction should be allowed for pre letting expenses. The correct position is that **no deduction is allowable for pre-letting expenses**. The technical explanation for this is as follows:

The list of Case V expenses which are allowed as deductions in computing profit rent is given in *Section 97(2) Taxes Consolidation Act 1997*. *Section 97(3) Taxes Consolidation Act 1997* applies Case I principles in computing the amount which is allowable - it does not authorise any deductions. Only deductions specifically authorised by *Section 97(2)* are allowable.

A deduction for pre-letting expenses is not specifically authorised by *Section 97(2)*.

In addition, under *Section 97(3)*, the amount of the deductions authorised under *Section 97(2)* is the amount which would be deducted under Case I if the receipt of rent were deemed to be a trade carried on during the currency of the lease or the period during which the recipient of the rent was entitled to that rent. Accordingly, *Section 97(3)* is triggered only where there is receipt of rent. Since, in a pre-letting situation there is no receipt of rent, *Section 97(3)* does not invoke *Section 82 Taxes Consolidation Act 1997* for the purpose of authorising a deduction of pre-letting expenses.

In considering amounts allowable under *Section 97(2)*, regard should be had to *Section 105* which disallows interest payable and rent payable in respect of premises before the premises in question is first occupied for the purposes of a trade or undertaking or as a residence.

LEASING

Defeasance Payments

In many leasing transactions, the lessee enters into a defeasance agreement with a third party where, in consideration for an upfront payment, the third party agrees to make the rental payments under the lease. Revenue takes the view that the upfront payment (the defeasance payment) is a Capital item.

Tax Treatment

Irrespective of the capital nature of the payment Revenue are prepared to allow the defeasance payment to be deducted as an expense provided the amount is written off over the life of the lease.

P35 - End-of-Year Return

Introduction

By now all registered employers will have received their P35 stationery. As usual the deadline for submission of fully completed returns is 30 April. Returns should be sent to the:

*Employers (P35) Unit,
Government Offices,
Nenagh,
Co. Tipperary.*

A P35 Helpline is available at 067 - 33533 or 677 4211(01 area) to deal with any queries on completion of the forms.

Employers with computer payrolls

This year we are asking all employers with computer payrolls to submit their employee details on diskette. The diskette is an attractive alternative to making paper returns and the benefits include:

- Less form filling
- Tax-free allowance details can be supplied on diskette in subsequent years
- Less time required to make the return.

Virtually all computer payroll systems can produce the P35 employee details on diskette. It is simply just a matter of choosing the diskette option from the menu.

Detailed advice on the diskette system can be obtained by contacting John Grace at the above telephone number.

Employers with manual payrolls

This year, in an effort to simplify matters further for manual payroll users, P35 forms for manual completion no longer require pence. It will now suffice to enter pounds only with no decimal points or pence. Practitioners also have the option of returning employee details on a pre-formatted diskette provided by Revenue.

The system offers a user friendly method of inputting the employee details on the diskette which is then returned to the Employers (P35) Unit. The benefits of this system for practitioners are:

- The P35 Declaration becomes the only form for manual completion
- P60's can be printed from the diskette via a laser printer
- Multiple employer returns can be made on one diskette
- Basic validation of the data entered on the diskette is provided
- The diskette contains help facilities to aid completion.

To avail of this package or for more details please contact Ciaran Hanley or Tom McGrath at the P35 Helpline telephone number.

General

All Employers

Employers and practitioners can assist Revenue to achieve accurate and timely processing of returns by:

- Ensuring the forms and giro are only used for the employer to whom they are issued. This is because each form is pre-coded with details unique to the specific employer.
- Returning the original forms only (not photocopies). The computer technology used by Revenue to process returns is designed to operate with original forms.
- Entering the correct RSI number for each employee on the P35 Listing
- Fully completing each form.

Employers with no employees

A return indicating zero liability must be made for registered employers who had no employees during the tax year.

Residential Property Tax

While Residential Property Tax was abolished with effect from 5 April 1997, a Clearance Certificate procedure remains in place in relation to the sale of certain residential properties to assist Revenue in collecting outstanding tax.

The value threshold relating to the Residential Property Tax Certificate of Clearance procedure has been increased to **£138,000** in accordance with the indexation provisions in the legislation.

The new threshold, which relates exclusively to the Tax Clearance procedure, applies to house sales contracts executed on or after **5 April 1998**. From that date, where the sale consideration for residential property exceeds £138,000, the vendor must provide the purchaser with a certificate from Revenue indicating that all Residential Property Tax due **for years for which the tax was in operation** has been paid.

INTERNATIONAL ISSUES - Withholding Tax Rates

Updated List of Withholding Tax Rates

COUNTRY	YEAR	WITHHOLDING TAX RATES %		
		Dividend(s)	Interest	Royalties
Australia	1984	15	10	10
Austria	1964	0(b) / 10	0	0 / 10(m)
Belgium	1973	0(b) / 15	15	0
Canada	1958	0(c) / 15	15(j)	0(n)
Cyprus	1952	0	0	0 / 5(o)
Czech Rep.	1997	5(d) / 15	0	10
Denmark	1994	0(b)(d) / 15	0	0
Estonia	*	5(d) / 15	10	5(p) / 10
Finland	1990	0(b)(e) / 15	0	0
France	1966	0(b) / 10(f) / 15	0	0(q)
Germany	1959	0(b) / 15(g)	0	0
Hungary	1997	5(h) / 15	0	0
Italy	1967	0(b) / 15	10	0
Israel	1996	10	5(k) / 10	10
Japan	1974	10(d) / 15	10	10
Korea (Rep.)	1992	10(e) / 15	0	0
Latvia	1999	5(d) / 15	10	5(p) / 10
Lithuania	*	5(d) / 15	10	5(p) / 10
Luxembourg	1968	0(b) / 5(d) / 15	0	0
Netherlands	1965	0(b)(d) / 15	0	0
New Zealand	1989	15	10	10
Norway	1967	0(d) / 10	0	0
Pakistan	1968	15 / 0-35(i)	No Limit	0
Poland	1996	0(d) / 15	0(k) / 10	10
Portugal	1995	0(b) / 15	0(l) / 10	10
Russia	1996	10	0	0
Spain	1995	0(b)(d) / 15	0	5(r) / 8(s) / 10
South Africa	1998	0	0	0
Sweden	1988	0(b) / 5(e) / 15	0	0
Switzerland	1965	10(d) / 15	0	0
UK	1976	0(b)(c) / 15	0	0
United States	1998	5(c) / 15	0	0
Zambia	1967	0	0	0

*Will not be in force before January 1999 at the earliest.

Notes

- (a) Ireland does not charge withholding tax on dividends
- (b) Per EC Parent-Subsidiary Directive (25% holding)
- (c) Inter-corp. rate - 100% holding (see other conditions in treaty)
- (d) Inter-corp. rate - 25% holding
- (e) Inter-corp. rate - 10% holding
- (f) Inter-corp. rate - 50% holding
- (g) Subject to variation - see treaty
- (h) 10% holding

- (i) For an Irish individual recipient (not engaged in trade or business in Pakistan through a permanent establishment) - the withholding tax rate is the Pakistani tax rate (currently graduated scale to a top rate of 35%) which would have applied if he/she were a Pakistani resident liable to tax on total world income.
- (j) From Ireland - domestic standard rate applies
- (k) Certain credit sales and bank interest
- (l) Certain Government loans
- (m) If the recipient holds more than 50% of the payer company
- (n) Literary, dramatic, musical or artistic copyrights (other than for films or tv) - otherwise domestic rate applies
- (o) For films (not tv)
- (p) For use of industrial, scientific, or commercial equipment
- (q) Excluding films - domestic rate applies
- (r) Literary, dramatic, musical or artistic copyrights
- (s) Films, tapes and lease payments

DTA's - Update

Following a second and concluding round of negotiations with Romania a Double Taxation Agreement was initialled in Dublin on 28 January 1998. It is proposed that this agreement will be advanced to the stages of signature and ratification later this year with the intention that it can have effect in 1999.

CAT/PROBATE TAX - Indexation Factors

A new Statement of Practice (SP-CAT 1/98) dealing with the index factors to be used in calculating Capital Acquisitions Tax (CAT) and Probate Tax liabilities up to and including 1998 is now available.

For CAT purposes, in respect of taxable gifts/inheritances taken in the following years, the index factors to be used are:

1990	1.04
1991	1.076
1992	1.109
1993	1.145
1994 (prior to 11 April)	1.160
(To be applied to the threshold amount)	
1994 (on or after 11 April)	1.160
1995	1.188
1996	1.217
1997	1.237
1998	1.256
(To be applied to the class threshold)	

The indexed class thresholds since 1996 are:

Class	Relationship	Indexed Class Threshold		
		1996	1997	1998
A	for example: son/ daughter	£182,550	£185,550	£188,400
B	for example parent/niece/ nephew/brother/sister/g randchild	£24,340	£24,740	£25,120
C	for example: stranger/cousin	£12,170	£12,370	£12,560

Exception: A parent qualifies for the Class A threshold where he/she takes an immediate absolute inheritance on the death of a child.

In relation to **Probate Tax**, the index factors and the exemption thresholds are as follows:

Year	Index Factor	Exemption Threshold (£)
1993	-	10,000
1994	1.015	10,150
1995	1.039	10,390
1996	1.065	10,650
1997	1.082	10,820
1998	1.098	10,980

A copy of the new Statement of Practice is available from the Capital Taxes Division's *Taxpayer Information Service*, Fax No. 01 - 679 0049, or from the *Revenue Forms & Leaflets Service* at telephone: 01 - 878 0100.

CAT/PROBATE TAX - Interest on Unpaid or Overpaid Tax

Capital Acquisitions Tax

The rate of interest payable on unpaid tax has been reduced from 1.25% per month or part of a month to 1% per month or part of a month (*Section 41 Capital Acquisitions Tax Act 1976*). The rate of interest payable on refunds of tax has been reduced from 0.6% per month or part of a month to 0.5% per month or part of a month (*Section 46(1) Capital Acquisitions Tax Act 1976*). These revised rates apply in respect of interest chargeable or payable for any month or part of a month commencing on or after the date of the passing of the Finance Act 1998. Details of the provisions are contained in *Section 133 Finance Act 1998*.

Probate Tax

The rate of interest on overdue Probate Tax has been reduced from 1.25% per month or part of a month to 1% per month or part of a month. The discount for Probate Tax which is paid within nine months of the date of death is also reduced from 1.25% per month or part of a month to 1% per month or part of a month. The amended rates apply where the period in respect of which interest is to be charged, or a discount falls to be made, commences on or after the date of the passing of the *Finance Act 1998*. Details of the provisions are contained in *Section 127 Finance Act 1998*.

STAMP DUTY

Interest on unpaid or overpaid duty

Interest chargeable under the provisions of *Section 15(1) Stamp Act 1891* for any period commencing on or after the date of the passing of the *Finance Act 1998* will be charged at the reduced rate of 1% per month or part of a month. Interest charges incurred for any period prior to this date will continue to be charged at the rate of 1.25% per month or part of a month. The interest rates chargeable under other sections of the stamp duty code have also been amended.

In addition, the interest rates payable on refunds of duty have been amended. The rate of interest on refunds of Companies Capital Duty has been reduced from 9% per annum to 6% per annum, while the rate of interest on stamp duty refunds made under the provisions of *Section 112 Finance Act 1990* has been reduced from 1% per month or part of a month to 0.5% per month or part of a month.

Full details of these amendments can be found in *Section 124 Finance Act 1998*.

REVENUE NEWS - Update

Change of Address

Wexford tax district is now located at:

Government Buildings,

Anne Street,

Wexford.

Telephone: 053 - 45555

Fax: 053 - 47207

New Information Leaflets

Leaflet IT 57 Relief for Investment in Films - March 1998

Leaflet IT 58 Revenue Job Assist (Information for Employees)

Leaflet IT 59 Revenue Job Assist (Information for Employers)

Copies of these leaflets can be obtained from the *Revenue Forms & Leaflets Service* at 01 - 878 0100 or from any tax office.

Form CT1

Form CT1 has been re-designed to cater for the recent changes in corporation tax rates. The VSA sections have been omitted from the revised form and a separate computation sheet, Form VSA(CT), will be available shortly for those wishing to use it. Practitioners own computation sheets are, of course, equally acceptable.

Issue of Returns for 1997/98

The number of Returns issued for 1997/98 is as follows:

Form 12	84,509
Form 12 Directors	54,108
Form 11	209,891
Form 11 Short	42,963
Form BP1	7,761
Form AG12	22,999
Form 1	2,854
Form 1 Firms	14,546
Form 46G	27,822
Form 54 Claims	21,328
Form 54D	18,421

Conversion Rates

Sterling

The average rate of exchange for Sterling for the year ended 5 April 1998 is:

Stg£1 = IR£1.1092

The daily and monthly rates for 1997/98 are given in the chart on page 36

Other Currencies

The chart on page 37 sets out conversion rates for a range of currencies supplied by the Central Bank.

Lloyds Conversion Rates

Year ended 31 December 1993 et seq.:

For members of Lloyds resident in the Republic of Ireland, in respect of accounts closed in the calendar year 1993 and later, the conversion of sterling to IR£'s should be calculated by reference to the sterling commercial selling rate on the last market day of the calendar year in which the account is closed. Rate for year ended 31 December:

1993	Stg £1 =	IR £1.0317
1994	Stg £1 =	IR £0.9995
1995	Stg £1 =	IR £0.9687
1996	Stg £1 =	IR £0.9926
1997	Stg £1 =	IR £1.1416

Sterling (Commercial Selling) Rate 1997/98 Punt Equivalent of Sterling Pound

Calculated by reference to the daily rate given to persons cashing sterling cheques valued between £500stg and £2500stg as supplied by AIB Plc.

DATE	APR 6 - MAY 5	MAY 6 - JUNE 5	JUNE 6 - JULY 5	JULY 6 - AUG 5	AUG 6 - SEPT 5	SEPT 6 - OCT 5	OCT 6 - NOV 5	NOV 6 - DEC 5	DEC 6 - JAN 5	JAN 6 - FEB 5	FEB 6 - MAR 5	YEARLY APR 5
	AVERAGE											
6	NONE	1.0747	1.0946	NONE	1.1013	NONE	1.0929	1.0983	NONE	1.1635	1.1628	1.1905
7	1.0325	1.0770	NONE	1.1105	1.0911	NONE	1.0923	1.1025	NONE	1.1635	NONE	NONE
8	1.0395	1.0712	NONE	1.0834	1.0823	1.0488	1.0959	NONE	1.1217	1.1716	NONE	NONE
9	1.0390	1.0644	1.0793	1.0817	NONE	1.0466	1.0959	NONE	1.1192	1.1990	1.1671	1.1926
10	1.0395	NONE	1.0672	1.0823	NONE	1.0504	1.0971	1.0965	1.1230	NONE	1.1641	1.1905
11	1.0384	NONE	1.056	1.0811	1.0747	1.0449	NONE	1.1019	1.1204	NONE	1.1581	1.1933
12	NONE	1.0537	1.0793	NONE	1.0782	1.0504	NONE	1.1080	1.1173	1.1635	1.1675	1.1983
13	NONE	1.0593	1.0504	NONE	1.0747	NONE	1.0965	1.1105	NONE	1.1758	1.1751	1.1998
14	1.0411	1.0660	NONE	1.0893	1.0684	NONE	1.0983	1.1074	NONE	1.1696	NONE	NONE
15	1.0433	1.0633	NONE	1.0911	1.0724	1.0510	1.0870	NONE	1.108	1.1730	NONE	NONE
16	1.0449	1.0610	1.0537	1.0881	NONE	1.0433	1.0870	NONE	1.1117	1.1703	1.1813	1.1933
17	1.0444	NONE	1.0554	1.0881	NONE	1.0554	1.0881	1.1099	1.1117	NONE	1.1779	NONE
18	1.0460	NONE	1.0588	1.0893	1.0747	1.0532	NONE	1.1099	1.1186	NONE	1.1841	1.1969
19	NONE	1.0683	1.0644	NONE	1.0707	1.0644	NONE	1.1080	1.1280	1.173	1.1855	1.2012
20	NONE	1.0694	1.0638	NONE	1.0764	NONE	1.0965	1.1093	NONE	1.1751	1.1820	1.1969
21	1.0406	1.0700	NONE	1.0911	1.0782	NONE	1.0947	1.1136	NONE	1.1730	NONE	NONE
22	1.0406	1.0747	NONE	1.0977	1.0655	1.0689	1.1007	NONE	1.1299	1.1648	NONE	NONE
23	1.0428	1.0655	1.0712	1.1062	NONE	1.0852	1.0941	NONE	1.1293	1.1682	1.1827	1.2012
24	1.0406	NONE	1.0753	1.1031	NONE	1.0852	1.1001	1.1148	1.1325	NONE	1.1765	1.2048
25	1.0428	NONE	1.0730	1.1130	1.0678	1.0805	NONE	1.1136	NONE	NONE	1.1758	1.2019
26	NONE	1.0644	1.0947	NONE	1.0701	1.0811	NONE	1.1105	NONE	1.1648	1.1855	1.2026
27	NONE	1.0740	1.0747	NONE	1.0582	NONE	NONE	1.1123	NONE	1.1648	1.1898	1.2077
28	1.0428	1.0667	NONE	1.1038	1.0689	NONE	1.0983	1.1173	NONE	1.1621	NONE	NONE
29	1.0438	1.0724	NONE	1.1001	1.0633	1.0864	1.1031	NONE	NONE	1.1792	NONE	NONE
30	1.0616	1.0724	1.0747	1.1013	NONE	1.0893	1.1013	NONE	1.1429	1.1792	NONE	1.2114
31	NONE	NONE	1.0989	1.0941	NONE	NONE	1.0989	NONE	1.1416	NONE	NONE	1.2180
1	1.0929	NONE	1.0707	1.1013	1.0650	1.0947	NONE	1.1236	NONE	NONE	NONE	1.2107
2	1.0718	NONE	1.0811	NONE	1.0604	1.0959	NONE	1.1325	1.1416	1.1806	1.1933	1.2165

3	NONE	1.0764	1.0764	NONE	1.0610	1.0995	1.1056	1.1287	NONE	1.1716	1.1884	1.2114	
4	NONE	1.0875	NONE	NONE	1.0526	NONE	1.1031	1.1274	NONE	1.1744	1.1891	NONE	
5	NONE	1.0793	NONE	1.1013	1.0515	NONE	1.1025	1.1179	1.1442	1.1716	1.1891	NONE	
mtly avg	1.0464	1.0696	1.0721	1.0951	1.0708	1.06876	1.0968	1.1125	1.1260	1.1718	1.1788	1.2020	1.1092

CONVERSION RATES - Foreign Currencies

Fiscal Year Average Market Mid-Closing Exchange Rates v. Irish Pound

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
U S Dollar	1.5917	1.6771	1.441	1.5171	1.6048	1.6051	1.4611
Sterling	0.9179	0.996	0.9576	0.9746	1.0263	1.0116	0.8902
Deutschmark	2.6712	2.6122	2.4134	2.3623	2.2973	2.4923	2.5926
French Franc	9.0844	8.8474	8.2717	8.1325	7.9607	8.438	8.7124
Dutch Guilder	3.0089	2.9406	2.7091	2.6488	2.5724	2.7955	2.9199
Belgian Franc	54.99	53.79	50.46	48.64	47.23	51.34	53.50
Danish Krone	10.3231	10.0743	9.4937	9.2952	8.9241	9.5694	9.8743
Italian Lira	1998.93	2189.19	2311.51	2427.69	2583.78	2500.8	2544.55
Greek Drachma	299.25	331.94	340.77	361.74	374.84	393.84	411.41
Spanish Peseta	167.69	176.76	192.91	198.86	197.23	209.95	219.12
Portuguese Escudo	231.36	229.06	241.01	243.05	240.24	253.21	263.41
Japanese Yen	211.65	208.84	155.22	150.44	155.19	180.92	179.24
Swiss Franc	2.3407	2.3647	2.1086	1.9884	1.8776	2.0844	2.1348
Swedish Krona	9.6875	10.3668	11.3854	11.4479	11.2042	11.0045	11.3911
Norwegian Krone	10.4533	10.601	10.3968	10.33	10.1331	10.4499	10.6821
Finnish Markka	6.7385	8.0209	8.1706	7.5123	6.9929	7.5312	7.7961
Austrian Schilling	18.8	18.39	16.98	16.62	16.16	17.54	18.24
Hong Kong Dollar	12.3501	12.9714	11.1441	11.7282	12.4129	12.4186	11.3127
Canadian Dollar	1.8325	2.0612	1.8884	2.0967	2.1864	2.1847	2.0481
Australian Dollar	2.061	2.3364	2.1075	2.045	2.159	2.0358	2.0461
ECU	1.3038	1.3105	1.25	1.2419	1.2439	1.3048	1.3175
E.E.R. Index	67.27	69.69	65.12	65.65	67.4	69.01	65.59

This is a fiscal year rate as supplied by the Central Bank. The rates offered commercially to private customers by the associated banks may differ (see table on page 25 showing the sterling commercial selling rate calculated by reference to the daily rate given to persons cashing sterling cheques valued between £500stg and £2500stg).

On making a return of foreign income to the Inspector of Taxes the taxpayer may use the rate of exchange obtained by him/her in respect of the foreign currency, provided that method of conversion is used consistently.

CAPITAL GAINS TAX - Multipliers

Year Expenditure Incurred ↓	Capital Gains Tax Multiplier for Disposal in year ended 5 April									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1974/75	5.009	5.221	5.355	5.552	5.656	5.754	5.899	6.017	6.112	6.215
1975/76	4.046	4.217	4.326	4.484	4.568	4.647	4.764	4.860	4.936	5.020
1976/77	3.485	3.633	3.726	3.863	3.935	4.003	4.104	4.187	4.253	4.325
1977/78	2.988	3.114	3.194	3.312	3.373	3.432	3.518	3.589	3.646	3.707
1978/79	2.760	2.877	2.951	3.059	3.117	3.171	3.250	3.316	3.368	3.425
1979/80	2.490	2.596	2.663	2.760	2.812	2.861	2.933	2.992	3.039	3.090
1980/81	2.156	2.247	2.305	2.390	2.434	2.477	2.539	2.590	2.631	2.675
1981/82	1.782	1.857	1.905	1.975	2.012	2.047	2.099	2.141	2.174	2.211
1982/83	1.499	1.563	1.603	1.662	1.693	1.722	1.765	1.801	1.829	1.860
1983/84	1.333	1.390	1.425	1.478	1.505	1.531	1.570	1.601	1.627	1.654
1984/85	1.210	1.261	1.294	1.341	1.366	1.390	1.425	1.454	1.477	1.502
1985/86	1.140	1.188	1.218	1.263	1.287	1.309	1.342	1.369	1.390	1.414
1986/87	1.090	1.136	1.165	1.208	1.230	1.252	1.283	1.309	1.330	1.352
1987/88	1.054	1.098	1.126	1.168	1.190	1.210	1.241	1.266	1.285	1.307
1988/89	1.034	1.077	1.105	1.146	1.167	1.187	1.217	1.242	1.261	1.282
1989/90	-	1.043	1.070	1.109	1.130	1.149	1.178	1.202	1.221	1.241
1990/91	-	-	1.026	1.064	1.084	1.102	1.130	1.153	1.171	1.191
1991/92	-	-	-	1.037	1.056	1.075	1.102	1.124	1.142	1.161
1992/93	-	-	-	-	1.019	1.037	1.063	1.084	1.101	1.120
1993/94	-	-	-	-	-	1.018	1.043	1.064	1.081	1.099
1994/95	-	-	-	-	-	-	1.026	1.046	1.063	1.081
1995/96	-	-	-	-	-	-	-	1.021	1.037	1.054
1996/97	-	-	-	-	-	-	-	-	1.016	1.033
1997/98	-	-	-	-	-	-	-	-	-	1.017

NOTE : The year 1974/75 means the year commencing on 6 April 1974 and ending on 5 April 1975.

Other years are described similarly.

No indexation is available for expenditure made within 12 months prior to the date of disposal.