

Introduction

The Self-Assessment system is for people who do not pay all of their Income Tax (including PRSI and Health Contribution) under PAYE. Self-Assessment applies for Income Tax purposes to:

- Self-employed individuals, i.e., people carrying on their own trades including farming, professions or vocations,
- Directors,
- Persons receiving income of any kind, e.g., rental income, investment income, etc. where some or all of the tax cannot be collected under the PAYE system.

Self-Assessment gives taxpayers greater control and responsibility over their tax affairs.

This leaflet outlines the main features of the Self-Assessment system. More detailed information is given in Revenue's **Leaflet IT 10 - A Guide to Self-Assessment** and **Leaflet IT48 - Starting in Business - A Revenue Guide**.

Self-Assessment also applies to Capital Gains Tax for all taxpayers (including PAYE taxpayers). Further information on Self-Assessment for Capital Gains Tax is available in Revenue's **Leaflet CGT 1 - Guide to Capital Gains Tax**.

How do I register for Self-Assessment?

You should advise your local Revenue Office when the source of income commences. You can do this by completing a registration form, **Form TRI**. Form TRI is used to register 'Persons', i.e., Individuals/Sole traders, Partnerships, Trusts or Unincorporated Bodies for Income Tax, VAT and, as an Employer, for PAYE/PRSI.

You should also register for PRSI with the Department of Social and Family Affairs by completing **Form SE3**. Form SE3 is available from the Dept. of Social and Family Affairs website www.welfare.ie or from any Dept. of Social and Family Affairs office.

Can I file On-Line?

Once registered for tax purposes you should access the **Revenue On-Line Service (ROS)** through Revenue's website www.revenue.ie and familiarise yourself with the many features of **ROS** as it is the most effective way for you as a Revenue customer to deal with your tax affairs.

ROS is Revenue's secure interactive internet-based facility and is the most effective way for you, or your agent on your behalf, to:

- File your Tax Returns and make payments,
- Obtain details of your Revenue account,
- Calculate your tax,
- Claim repayments,
- Conduct your business on-line 24 hours a day, 365 days of the year.

What is Pay and File?

Under Self-Assessment, there is a common date for the payment of tax and filing of Tax Returns, i.e., **31 October**. This system, known as "**Pay and File**", allows you to file your Tax Return and pay the balance of tax outstanding at the same time. The Pay and File system provides the facility for you, on a single date - **31 October**, to:

- Pay your estimate of tax (Preliminary Tax) for Income Tax for the current tax year,
- File your Tax Return for the previous tax year for Income Tax and Capital Gains,
- Pay any balance of Income Tax due for the previous tax year,
- Pay Capital Gains Tax (CGT) due on disposals made between 1 January and 30 September ('initial period') of the current tax year. (CGT due on disposals made in the period 1 October to 31 December ('later period') should be paid on or before 31 January following the end of the year of assessment.)

What is Preliminary Tax?

Preliminary Tax is your estimate of the income tax payable for the year and must be paid by **31 October**. In calculating your Preliminary Tax you should remember that it includes PRSI and Health Contributions.

The amount of Preliminary Tax you must pay to avoid interest charges is the lower of:

- 90% of your final liability for the current year,
- 100% of your final liability to tax for the immediately previous year or,

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

The minimum Preliminary Tax payable is summarised in the following table:

Tax Year	2004	2005	2006
100% rule	100% of 2003 liability	100% of 2004 liability	100% of 2005 liability
Direct Debit	105% of 2002 liability	105% of 2003 liability	105% of 2004 liability

For the 90% rule see the following example on how to calculate Preliminary Tax.

How do I calculate Preliminary Tax?

In the following example you will not know the final liability for 2004 until after 31 December 2004. For the purposes of calculating Preliminary Tax, €6,500 is shown as the estimate of final liability for 2004.

Example:

Income Tax Year	2002	2003	2004
Final Liability	€6,350	€7,620	€6,500 (estimate)

Calculation of Preliminary Tax

90% of the estimated liability for 2004 = €5,850

100% of the liability for 2003 = €7,620

105% of the liability for 2002 = €6,667

In the above example, to avoid an interest charge for 2004, the minimum amount which must be paid by 31 October 2004 is €5,850. However, if the estimated final liability of €6,500 is lower than the actual final liability for 2004 you will be liable to an interest charge on the difference between the 90% figure of €5,850 and the actual final liability amount.

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

Yes. If you are on Revenue's records as a liable taxpayer you will receive a Preliminary Tax letter. These letters are generally issued in September each year. **However, it is your responsibility to pay sufficient Preliminary Tax even if you do not receive such a letter.**

If you are not on Revenue's records or if your circumstances change and you consider you have a liability for any tax year, it is your responsibility to ensure that you pay Preliminary Tax for that year even though you will not have received a letter.

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

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

How do I pay my Preliminary Tax?

You can pay your Preliminary Tax in any of the following ways:

- You can send the completed payslip with your payment to the Collector-General at the address given on the letter,
- You can pay by Direct Debit
- You can pay through the Revenue On-Line Service (**ROS**) using either ROS Debit Instruction (RDI), Laser Card or On-line banking.

What do I do if I consider I have no Income Tax to pay?

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

What happens if I fail to pay Preliminary Tax?

As mentioned earlier, the Self-Assessment system gives you greater control and responsibility over your tax affairs, and it is in everyone's interest that you co-operate.

Failure to pay Preliminary Tax, if you are liable to pay it, will result in you becoming liable to interest at approximately 1% per month from **31 October** in the year in which the Preliminary Tax was due, until it is paid.

When must I file my Tax Return?

Under the Self-Assessment system, you have a legal duty to file a Tax Return every year.

While Revenue will issue tax returns for all chargeable persons on Revenue's records who are considered to be liable to pay tax, it is ultimately your responsibility to see to it that you get, complete and file your Tax Return on time. Your Tax Return must be sent to the **Collector-General's Division** at the latest by **31 October** after the end of the year of assessment.

However, it is advisable that you file your Tax Return as soon as possible after the end of the tax year. If you do not intend to file your Tax Return electronically through the Revenue On-Line Service (**ROS**) and you want Revenue to calculate your Income Tax liability for you, to assist you in paying the correct amount by **31 October**, you should file your Tax Return as early as possible, at least two months in advance of the due date.

What happens if I do not submit my Tax Returns on time?

Failure to submit your Tax Return by **31 October** after the end of the tax year will result in a surcharge being added to your tax bill for the year.

The surcharge is:

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

What happens after I file my Tax Return?

If you file your Tax Return on-line through **ROS** you will immediately receive an instant acknowledgement of receipt of your Tax Return. If you use the Summary Calculation option when filing your Tax Return electronically, you will get an immediate and accurate calculation of your tax liability. You will receive a Notice of Assessment within a few days. Those who file a paper return will also receive a Notice of Assessment, however, the issue of the assessment may take longer depending on the time of year the return is submitted.

This assessment will show your total tax liability for the tax year, i.e., your Income Tax, PRSI and Health Contribution.

The Preliminary Tax which you will have paid on the previous **31 October** will be credited against your total tax liability and, provided you paid adequate Preliminary Tax, you will be required to pay any additional tax due by **31 October** after the end of the year of assessment.

If you complete the "Statement of Income Tax Liability" panel on your Tax Return and your Inspector accepts it, you will receive a short Notice, which will simply show your tax liability - without giving a detailed analysis of the calculation. If you do not complete this panel or if your Inspector does not accept your calculation, you will receive a detailed Notice of Assessment, setting out all your Income, Tax Credits, Allowances and Reliefs, etc. and showing the amount of your tax liability.

What can I do if I do not agree with my Notice of Assessment?

If you calculated your liability and receive a short Notice of Assessment, which is in accordance with your calculation, there should be no reason for not agreeing with it.

If, however, you receive a detailed Notice of Assessment you should check it carefully against the details submitted by you on your Tax Return. If the assessment is in accordance with your Tax Return and you have made a correct Tax Return then you have no grounds for not agreeing with it.

If the assessment is not in accordance with your Tax Return and you disagree with it, you may appeal against it by writing to your Inspector within 30 days from the date on the Notice of Assessment.

When making your appeal you must:

- Identify the specific matter with which you do not agree,
- Have paid the amount of tax **not in dispute**.

If you fulfil these conditions your appeal will be accepted and your Inspector will discuss your appeal with you and, hopefully, resolve it. If you and your Inspector fail to resolve the matter, you have the right to have your appeal heard by the Appeal Commissioners and, if necessary, you can take your appeal further to the courts.

What do I do if I find I made an error in completing my Return?

If you get an assessment in accordance with your Tax Return but you find you made an error in completing your Tax Return you should write immediately to your local Revenue Office explaining what the error is and how it occurred. Revenue will amend your assessment as necessary to correct the situation.

Further Information

Further information is available in the following Revenue guides which can be obtained from Revenue's website www.revenue.ie, from Revenue's Forms and Leaflets Service by phoning LoCall 1890 30 67 06, or from your local Revenue office:

- Leaflet I.T. 10 - A Guide to Self-Assessment,
- Leaflet I.T. 48 - Starting in Business,
- CGT 1 - Guide to Capital Gains Tax,
- Guide to Completing Tax Returns.

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