

# TAX BRIEFING



ISSUE 1 - December 1990

## Introduction

Welcome to "Tax Briefing".

This is the first issue of what will be a regular information bulletin for tax practitioners. The aim will be to present useful information in an informal manner. While every effort will be taken to ensure that the information given is correct, the bulletin is not a legal document.

The bulletin will contain material on Income Tax, Corporation Tax, Capital Gains Tax and VAT as well as the Capital taxes administered by the Capital Taxes Branch of the Revenue Commissioners. It will also include material from the Office of the Collector-General in relation to collection of taxes. Revenue is very conscious of the vital role played by tax practitioners in the success of self assessment. We are also conscious of the need of practitioners to be informed on operational developments and requirements. This is the rationale behind Tax Briefing. It will be used to highlight matters which are likely to be of concern to tax practitioners generally. For example, operational procedures, significant changes in Revenue practices, reminders of relevant deadlines etc. will be covered. We feel that practitioners are fully informed regarding developing Revenue requirements this will work to our mutual benefit.

It is intended that the bulletin will normally be issued on a quarterly basis. However, additional bulletins may be issued from time to time if the need arises.

There will not be a "Letters to the Editor" feature in the bulletin. However, the views of tax practitioners on content or points of general interest which they would like to see included, or any aspect of the bulletin, will be welcome and may be addressed to:

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## Income Tax

### Payment of Preliminary Tax 1991/92

It may seem strange that this topic should receive the prime spot in this first issue of Tax Briefing. However, the matter is of such importance that we consider needs to be highlighted now so that tax practitioners will have time to consider how they and their clients will be affected and make plans accordingly.

Preliminary Tax for 1991/92 will be payable on or before 1 November 1991. To avoid any problems with the 100% rule for the purpose of 1991/92 Preliminary Tax, practitioners may prefer if their clients receive assessments for 1990/91 before 1 November 1991.

Assessments for 1990/91 (and future years) will not normally be made until a Tax Return for that year is submitted. While it is not necessary to submit a 1990/91 Tax Return until 31 January 1992, it is recommended that tax practitioners should aim to have their clients' Returns submitted as soon as possible after 5 April 1991 so that they can be processed in time to have assessments made before 1 November 1991.

Otherwise, tax practitioners will themselves have to calculate their clients' liabilities for 1990/91 prior to 1 November 1991, advise their clients to pay Preliminary Tax in accordance with their calculation and hope it agrees with the figure ultimately assessed. As practitioners would, for that calculation, need all the information required to complete the Tax Return, the most efficient approach would be to complete the Return, the most

efficient approach would be to complete the Return and file it early. Remember that although the consequential assessment for 1990/91 would be raised at an early stage, there would be no requirement for taxpayers to pay any additional tax for 1990/91 before 31 January 1992 - a disincentive that previously existed to file Tax Returns early was removed by the Finance Act 1990.

## **1. Income Tax**

### **1.1 1990 Income Tax Returns Latest Date for Filing**

The latest date for filing of the 1990 Income Tax Returns is 31 January 1991. If returns are not filed by that date, 1990/91 income tax liabilities will be subject to surcharge. The surcharge is automatic. It cannot be waived at the discretion of the Inspector of Taxes.

### **1.2 Preliminary Tax 1990/91.**

Some taxpayers specified certain amounts of Preliminary Tax for 1990/91 but only paid part of that amount before 1/11/90. For example, Preliminary Tax £20,000 was specified as payable on Payslip but only £10,000 was paid.

Practitioners should note (and advise their clients accordingly) that in such cases demands are not issued for unpaid balances of declared Preliminary Tax. The Preliminary Tax paid is set against the liability to tax when an assessment for 1990/91 is made which might not be until after 31/1/1992. Taxpayers should therefore pay the balance of any preliminary Tax unpaid without delay so as to minimise interest liability.

Don't forget that, where due, PRSI, Health Contribution and Employment & Training Levy are treated as "tax" for Preliminary Tax purposes - even where there may be no other liability to income tax. For 1990/91 some taxpayers specified "Nil" on their Preliminary Tax Payslips, where some amount of Preliminary Tax would have been expected.

### **1.3 Capital Allowances and the 1990 Income Tax Return.**

Some practitioners have included capital allowance computations for 1990/91 when submitting clients' 1990 Income Tax Returns. Except where the basis period for the year ended 5/4/1990 is actual (e.g. commencement or cessation) a capital allowance computation is not required with the 1990 Income Tax Return.

Capital allowance claims for 1990/91 should be submitted with the 1990/91 Return.

Where, in the case of an ongoing (not a commencing or ceasing) trade/profession etc., a balancing charge arises on a disposal of assets in the year ended 5 April 1990 (the drop out year), it will be assessable for the 1990/91. Although the balancing charge should strictly be included in the 1990 Income Tax Return, the Revenue will not insist on this provided the balancing charge is included in the capital allowance computations for 1990/91, submitted with the 1990/91 Tax Return.

### **1.4 Income Tax Returns. Guidelines on completion**

Under Self assessment, taxpayers are expected to submit fully completed Tax Returns. This means that all relevant computations/schedules as well as claims for allowances and reliefs should be included. Inadequately completed Tax Returns cause Revenue staff enormous processing problems. These often result in inaccurate assessments which, in turn, give rise to correspondence between practitioners and clients, practitioners and Revenue, and taxpayers and Revenue. The time wasted on this results in delays in dealing with more important matters.

The standard of completion of Income Tax Returns is generally very good and this has contributed vitally to the success of self assessment. Some problems do however arise occasionally.

A special plea is therefore being made to tax practitioners to aim to have their clients' tax returns fully completed before they are submitted to

Revenue. The following guidelines are given to highlight problem areas:-

- The precise details required under a particular heading on the Return must be given. Entries such as “as before”; “details to follow” are not acceptable and should not be used. Entries such as “per accounts” or “see schedule” are not satisfactory - the appropriate figure should be entered on the Return.
- Returns should not be submitted until they are fully completed and all required computations and schedules are enclosed. The submission of relevant information in piecemeal fashion is obviously inefficient.
- The profit figure shown on the Return must be adjusted profit for tax purposes. A computation showing how the profit was calculated should be included.
- Where capital allowances are being claimed, the practitioner is expected to submit a computation showing the calculation of the amount claimed.
- Where BES relief is claimed. Form RICT 3 or RICT 5 (as appropriate) should always be submitted with the return.
- When corresponding with Tax Offices, taxpayers full names and RSI numbers should be quoted accurately (RSI Number must have seven digits - the additional alphabetic character at the end is not essential but, if known, should be included). If the case is a new one, the full address should also be given.
- Occasionally practitioners use photocopies of blank returns addressed to other clients and omit to change some or all of the following: Name, address, RSI number. This causes confusion and delay in processing such returns. Hopefully, the issue of Returns directly to practitioners will eliminate this practice.

Copying payslips causes similar problems for the Collector-General.

- Dividend counterfoils need not be submitted with returns. To make a proper return it is necessary to categorise the distributions - e.g.

manufacturing, export sales relief etc. Where there is insufficient room on the return to include all the details separate schedules should be prepared and enclosed. The total net distributions and related tax credits under each category must be stated on the Return. The submission of bundles of counterfoils with “see dividend counterfoils” on the return as not acceptable.

- In commencement cessation cases Revenue require to know the person’s previous subsequent tax history so that assessments can be finalised in a single operation. This information should be established and supplied to Revenue automatically - this will prevent further correspondence later.

Revenue also require appropriate computations of assessable profits for opening - closing years.

If a client’s accounting period changes, the appropriate revision (if any) of the previous year’s chargeable profit, should be submitted with the return for the year in which the change occurs.

- Where losses are concerned, a clear statement of how the losses are to be relieved should be given.

## 1.5 Correspondence with Tax Offices

### Is your letter really necessary?

When the current year basis of assessment is fully operational, Self Assessment should mean that practitioners / taxpayers correspondence with Revenue in any tax year should normally be limited to:

- (A) Submission of Preliminary Tax payslip with remittance for current years assessment to Collector-General.
- (B) Submission of Tax Return and relevant documents for previous year of assessment to Tax District
- (C) Payment of any additional tax shown to be due for the previous year on receiving an assessment.

Practitioners can help to ensure that this is achieved by observing the guidelines on completion of Tax returns outlined above and by looking at their own existing procedures - in particular the amount of correspondence with Tax offices - to see if they can be streamlined.

Letters with Returns which contain relevant information, for example, explanatory notes supporting items in the return or computations etc. should of course continue. On the other hand letters which simply say "I enclose my clients payslip for xxxx and cheque for xxxx are not necessary and in any instances have to be detached in a special process in Revenue offices before the main item can be processed.

It appears that some employees in some firms write to or phone Tax Offices with general queries on legislation without utilising the firm's own available resources. Tax Offices are not geared to answer such queries. If, exceptionally, practitioners have an enquiry in relation to a particular taxpayer in respect of events which have occurred, they may raise the matter in writing giving full particulars - the phone is obviously not an ideal medium for such queries.

We in Revenue will monitor our operations with the objective of having:-

Returns processed promptly,  
assessments issued in accordance with returns,  
any resulting refund of tax repaid promptly.

## **2. Corporation Tax**

### **2.1 Obligation to make a return.**

We issue forms CT1 for all companies which we perceive as being engaged in any activity (e.g. trade, investment etc) or having assets. All such companies are required to return these forms - even if, in the particular accounting period, there is no liability to corporation tax. Under self assessment it is, of course, the responsibility of any company which is a chargeable person to make a Return - whether one has been issued or not. Returns must be made within 9 months of the end of an accounting period, whether or not there is a liability

for that accounting timely compliance is encouraged. It is essential if companies are to keep their Corporation Tax affairs up to date. Failure to lodge a return, or a timely return, will place a company in a "non-compiler" category. "Non-compilers" can expect to be confronted with enforcement measures.

### **2.2 Preliminary Tax Payments**

Preliminary Tax payments in respect of accounting periods ending on or after 1 April 1990 should include:

Income tax on payments  
(section 151, CT Act 1976) and  
Surcharge on undistributed income  
(sections 101/162, CT Act 1976).

These items are now treated as Corporation Tax (Sections 47-49, Finance Act 1990).

### **2.3 Advance Corporation Tax.**

For accounting periods ending on or after 1 April 1990, the A.C.T. Return is to be made to the Inspector at the time of making the return of profits on the form CT1 (even though the A.C.T. remains payable to the Collector General within 6 months after the end of the accounting period).

The form ACT 1 has been modified to reflect the new situation and, when completed, it should be submitted with the form CT1 (Finance Act 1990). To facilitate payment of A.C.T. to the Collector-General, a payslip (ACT P) has been devised. Supplies of forms ACT 1 and payslips ACT P are available from Districts on request.

### **2.4 Remittances**

Payment of Preliminary Tax, ACT and any balance of CT due on assessment should be made directly to the Collector-General's office at Apollo House, Tara Street, Dublin 2.

## 2.5 FORM CT1. Guidelines on completion

### Signature.

The completed form CT1 must be signed before submission. If not, the form will be returned by the District for signature.

### Items submitted with Returns (form CT1)

While the standard of completion of form CT1 has generally been high, we would like to stress the importance of ensuring that only information relevant to a Return is included on or with that return. As returns for each accounting period are processed separately, we recommend that matters relating to an accounting period other than that covered by the return being submitted, should be dealt with separately - not as part of the submission made with the Return for an unrelated accounting period.

### Period of Account

A single form CT1 can cover at a maximum a period of 12 months. If accounts are prepared for a period longer than one year, they are regarded as covering a number of accounting periods. A completed form CT1 must be submitted for each accounting period, none of which can exceed 12 months.

### Manufacturing Relief.

Any claims for Manufacturing Relief must be made in Panel 16 of the form CT1. It is not sufficient to charge the profits to tax at 10%. If the claim is not made in Panel 16, relief will not be granted.

### Deposit interest received or credited.

Gross deposit interest received or credited during the accounting period should be entered in Panel 7, page 2 of the form CT1 at Code D6. The related DIRT Credit should be entered in Panel 19 of the form CT1 (finance Act 1990) under "other income tax borne on income received" (Code T6).

### More than one trade

Where the company has more than one trade the aggregate of the adjusted trading profits and losses should be entered in Panel 1 of page 2 "Profits per accounts as adjusted". The related capital allowances should be claimed in panel 2. Accounts for each trade should, of course, be submitted with the form CT1.

### VSA- (Voluntary Self Assessment)

Use of the VSA column on form CT1 is optional at this stage. Completion of the VSA column only does not satisfy the requirement to make a return.

All figures must be entered on the first figures column on form CT1.

## 3. Capital Taxes

### 3.1 Residential Property Tax.

Payments in respect of the valuation date 5 April 1990 were due on or before 1 October 1990. Interest on late payments is charged at the rate of 1.25% per month.

### 3.2 Stamp duty

(A) From 1 November 1990, any instrument effecting a transfer or lease of land, which does not contain an appropriate statement certifying whether or not it comes within the ambit of Section 112 Finance Act, 1990 (Stamp duty on transfers of building land), will not be accepted for stamping.

(B) New Stamp Duty rates on Conveyances and leases apply to instruments executed on or after 1 September 1990.

(C) Statements of practice in relation to Stamp duty on purchases of new residential properties (SP-SD/2/90), and agreements as to payments of stamp duty on instruments (composition agreements) SP-SD/3/90 are available on request from Stamps Branch. Phone 6792777 extns. 2254, 2256.

### 3.3 Companies Capital Duty

(A) New administrative procedures will be introduced in early 1991 to harmonise the functions of the Companies Registration Office. The principal change will entail the payment of Stamp duty (if due) before the lodgement of returns with the Companies Registration office.

(B) Payments in respect of the levy on Collective Investment Undertakings (Section 109 Finance Act, 1990) and the levy on certain premiums of insurance (Section 92 Finance Act, 1982 as amended) for the quarter ending 31 December 1990, will be due on or before 30 January 1991.

(C) A Statement of Practice in relation to the levy on Collective Investment Undertakings SP-SD/1/90 is available on request from Companies Capital Duty Section. Phone 6792777 extns. 2193, 2274.

### 3.4 Capital Acquisitions Tax

(A) A fifty minute video "Capital Acquisitions Tax - Self Assessment" was launched on 20 October 1990. The video, a joint venture of the Revenue Commissioners and the Incorporated Law Society of Ireland, is an educational aide designed to help tax advisers and practitioners refresh their basic skills in preparing CAT assessments. Queries to Chris Mahon, Director - professional Services, The Incorporated Law Society of Ireland, Blackhall Place, Dublin 7.

(B) A taxpayer advisory service is not available on a quarterly basis in Cork, Galway, Waterford and Limerick. Officers for Capital Taxes Branch are available to give service on individual cases, and will be prepared to finalise cases, accept payments of tax and issue certificates of discharge etc. for details contact Mr. Eddie McCarthy in Capital Taxes Branch (Tel. 679277 extn 2247)

(C) Two Statements of Practice on Capital Acquisitions Tax were issued in October 1990. The first (SP-CAT/2/90) concerns indexation of the CAT thresholds introduced in the Finance Act, 1990. The second (SP-CAT/3/90) deals with the

criteria for Section 60 policies of insurance. Both are available from Capital Taxes Branch.

## 4. VAT

### Telecommunication Services

With effect from 1 January 1991, VAT at the rate of 10% will be levied on telecommunications services supplied by Bord Telecom Eireann. Equipment such as answering machines, fax machines, telex machines etc., supplied by BTE will be liable at the 23% rate.

### Horses and Greyhounds

With effect from 1 January 1991, the supply, importation and hire of horses and greyhounds will become liable to VAT at the rate of 2.3%.

### VAT Registration.

New VAT1 registration forms were introduced on 8 October 1990. Applicants for registration should specify whether an individual/partnership form or a body Corporate.

## 5. Collector-General

### 5.1 Self Assessment Tax

The Collector-General's Office would like to take this opportunity to thank tax practitioners for their response in remitting the 1990/91 Preliminary Tax.

In addition to the Preliminary Tax remitted by the due date the Central Enquiry Unit coped with about 7,500 personal callers, many of whom were tax practitioners calling on behalf of their clients.

### 5.2 Getting payments right first time.

Practitioners can help the Collector-General's office maintain good service to the taxpayer by providing proper accounting instructions with the taxpayers payments i.e. use the accounting documents originally supplied for that taxpayer (e.g. VAT3, P30, preliminary Tax Payment Slips or Demands).

Problems arise when photocopies of documents supplied for other taxpayers or periods are used by practitioners, as very often manual amendments made these are incomplete.

If the appropriate accounting documents are not used, clear and specific instructions as to where payments should be credited (i.e. tax type, year/month/period and appropriate amount) should be provided by the practitioners.

While the submission of incorrect accounting instructions does not delay the lodging of money to the Exchequer, it may cause delays in crediting a taxpayers account, giving rise to consequent unnecessary inconvenience to the taxpayer.

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Where still relevant it has been incorporated  
into a Tax and Duty Manual  
or other website text.