

TAX BRIEFING



ISSUE 13- January 1994

Introduction

At the beginning of a new year, we again invite practitioners to suggest matters which they consider would be appropriate for inclusion in Tax Briefing during the coming year.

At this time also, it is opportune to draw attention to the increased number of company tax returns (forms CT1) received during last year which did not include details of surcharge on close company undistributed investment/estate income or income tax due on loans to participants/annual payments (see paragraph 3.2).

We ask practitioners to ensure that all their staff are familiar with the guidelines included with Issue 12 of Tax Briefing regarding the making of enquiries to Revenue offices. Where these guidelines are followed we are able to provide a better service to practitioners in circumstances where there is a real need for assistance.

Included with this issue is an index of the subjects covered in Issues 1 to 12 of Tax Briefing, which we hope practitioners will find useful.

Joe Lynch

Editor - Tax Briefing

The Tax Amnesty Scheme 1993

Practitioners will by now be aware of the terms of the "General Amnesty" and the "15% Incentive Amnesty". In these final days before the deadline for availing of the amnesties, it is important for your clients that they do not "miss the boat" by overlooking the fact that :

- To comply with the General Amnesty, payment of all outstanding taxes must be made by 14 January 1994
- Taxes due under the "15% Incentive Amnesty", by those who made a declaration to the Chief Special Collector on or before 21 December 1993, must also be paid by 14 January 1994.
- A correct and timely tax return is made for 1992/93, by 31 January 1994,

As this is the final opportunity for people to get their tax affairs in order, we would ask practitioners to advise any client, who may not yet have decided to comply with the legislation, to do so now. Remember, it is obligatory for anyone within the scope of the legislation to comply with it.

1. General

1.1 Expression of Doubt

Where it is intended to make an expression of doubt under Section 14(4), FA 1988, it must accompany the return. Practitioners can assist Revenue in this regard by ensuring that the expression of doubt is clearly displayed on the first page of the covering letter. An expression of doubt which is not highlighted or is in the middle of a lengthy covering letter may not be seen under the return is being screened, thereby delaying the examination of the expression of doubt.

Correspondence on the expression of doubt can be minimised by ensuring that all relevant facts and documentation, concerning the matter on which the doubt is expressed, are supplied with the return.

1.2 Taxes Central Registration Office

Practitioners are reminded that registration for tax purposes of new businesses located in Dublin and surrounding counties is now dealt with in the Taxes Central Registration Office.

All correspondence concerning new registrations, including:

- VAT Registrations (form VAT 1)
- Employer PAYE/PRSI Registrations (form REG 2)

together with correspondence, concerning existing registrations, including:

- Notification of Cessation of Business
- Changes of Agent
- Change of Client/Agent Address

should be sent to the :

**Taxes Central Registration Office,
9/15 Upr. O'Connell Street,
Dublin 1**

Fax No. (01) 874 6078

Tel No. (01) 874 6821

1.3 Third Party Returns

Statement of Practice SP-IT/2/92 deals with practical aspects of third party returns, including the information which must be included in a return. In Issue 9 of Tax Briefing (para 1.7) we also gave answers to queries, which continue to arise, regarding what matters are required to be included in third party returns. Practitioners might usefully refer to these before making enquiries to tax offices.

Third Party Returns for 1992/93 are required to be filed by 31 January 1994.

Reminder

**Return Filing Date for 1992/93
Tax Returns (Income Tax & Capital Gains Tax) is
31 January 1994**

Make sure your clients don't incur a surcharge

And/or lose the benefit of the Amnesty

2. Income Tax

2.1 Non-liable Persons

Revenue does not require tax returns from persons who are clearly not liable to tax on an ongoing basis. We exclude significant numbers of such persons from our "liver records" every year, where it is clear that they will not have a liability to tax for the foreseeable future.

We ask practitioners, when submitting tax returns, to highlight any cases where, based on their knowledge of their clients, they consider the obligation to file an annual return should be waived. This will assist Revenue staff in deciding what cases should be removed from the live record.

We would emphasise that cases should be highlighted only where it is clear that, due to the level of the trade, activity or income, there is not prospect of liability to tax in the foreseeable future. As a general guide, there should be no prospect of liability for a period of three to five years and the level of activity should be such that there is little prospect of liability arising beyond that period. For example, a trader with a significant level of activity who is unlikely to have a liability for (say) three years due to accumulated losses or capital allowances, but who would be expected to return to profitability and a tax liability thereafter, would not be removed from Revenue's live records.

At all times, the removal of the obligation to make a tax return is subject to self assessment principal.

Accordingly, if a person's situation changes, the onus is on him/her to advise Revenue accordingly and to pay tax and submit a tax return.

2.2 New arrangements for the Taxation of Married Couples

Practitioners are reminded that, for the tax year 1994/95 and future years, married couples can decide which spouse is to be the "assessable spouse" (Section 10, FA 1993).

[Under present arrangements, where married couples are jointly assessed, the husband is the assessable person. He is chargeable to tax on the joint income of the couple; he makes the couple's tax returns and received the main notification of tax-free allowances/notice of assessment.]

From 1994/95 onwards the following arrangements will apply, unless married couples nominate an assessable spouse:

- For couples married since **5 April 1993** who wish to be jointly assessed, the assessable spouse will be the one with the higher income (which may be husband or wife)
- For couples married **prior to 6 April 1993** who are jointly assessed, the present arrangements whereby the husband is the assessable spouse, will continue.

Where a couple want to nominate an "assessable spouse" for a year of assessment, the nomination election must be made before 6 July in that year.

However, married couples who pay tax under PAYE and who wish to nominate the assessable spouse, **especially those who have married since 5 April 1993**, should contact the tax office without delay. By doing so, it will ensure that their tax-free allowances will be allocated between them as they wish from the start of the 1994/95 tax year. It will also ensure that correspondence from the tax office will be addressed to the nominated assessable spouse.

If, on the other hand, married couples are happy with the present arrangements, no action is required.

A leaflet explaining the tax treatment of married couples is available from tax offices. It contains a simple form on which a couple who wish to change can:

- nominate the assessable spouse and

- say how the couple's total tax-free allowances are to be allocated.

It should be noted that the overall liability to tax of a married couple, will remain the same regardless of which spouse is the assessable spouse.

2.3 Urban Renewal Schemes

Practitioners will be aware that the deadline for incurring qualifying expenditure, eligible for urban renewal relief, in "designated areas" other than the Customs House Docks Area and the Temple Bar Area, was extended in the Finance Act 1993 to 31 July 1994, provided that the foundations have been laid by 30 November 1993.

In order to assist ongoing projects which faced difficulties in meeting the 30 November deadline, the Minister for Finance abolished that proviso in October last. Accordingly, qualifying expenditure incurred up to 31 July 1994 will be eligible for relief. The Minister also made it clear that the overall deadline will remain at 31 July 1994. [the overall deadlines for the Customs House Docks Area and Temple Bar Area are 24 January 1997 and 5 April 1996 respectively.]

2.4 Community Enterprise Development Programme (CEDP) Projects

CEDP Projects with FAS were introduced in twelve PESP pilot areas from 1 October 1992. Contracts are normally granted for a twelve month period. Income earned by participants resident in these areas was treated as not taxable where the projects commenced in the period from 1 October 1992 to 30 September 1993

Income earned by participants from such projects commencing on or after 1 October 1993 is subject to PAYE in the normal way. Where contracts with FAS which commenced prior to 1 October 1993 are extended, the income earned by participants from the beginning of the extended period will also be taxable.

2.5 Double Taxation Relief for Individuals

Districts are frequently asked by practitioners to reconcile double taxation relief (DTR) contained in a notice of assessment with the figure which practitioners considered to be due. In this respect it should be noted that DTR is not automatically equal to the amount of foreign tax incurred. We would also point out that the calculation of DTR for assessment purposes is a computerised process - staff in the tax districts do not

calculate it. We are not aware of any difficulty with the computerised formula, which has been in use for many years.

To assist practitioners to understand the DTR granted in an assessment, we explain relevant terms and set out the steps currently used in calculating DTR.

The legislation governing DTR is contained in Schedule 10 to the Income Tax Acts, 1967, together with the relevant double taxation conventions/agreements.

DTR is available in respect of foreign income received by Irish residents from countries with which we have double taxation conventions/agreements, to the extent that such agreements/conventions provide for the granting of credit (direct and/or indirect).

Relief is given by regrossing the foreign income (net of foreign tax) at the lower of the Irish effective rate and the effective rate of the relevant foreign country and bringing that regrossed income into the final computation of liability to Irish tax. Credit is then given in respect of the regrossed foreign income at the lower effective rate. [DTR is calculated separately on each foreign source. Foreign tax incurred on one source is not available for set-off against another source.]

Effective Rate

The expression “effective rate” (also known as the “appropriate rate”) means the rate at which the taxpayer has borne (or is liable to bear) tax on total income.

The expression “foreign effective rate” means the rate at which the taxpayer has borne (or is liable to bear) tax on foreign income.

Foreign taxes may comprise

- an underlying tax

and

- a withholding tax

and the sum of these taxes combines for form which is known as the “foreign effective rate”.

Example

		Total Tax Borne
Company Profits	100	
Foreign underlying tax @ 40%	40	40
Dividend	60	
Foreign withholding tax @ 15%	9	9
Net Dividend	51	49

The foreign effective rate in this case is 49%

Amount of foreign income chargeable to tax in Ireland

The amount of the foreign income chargeable to tax in Ireland is calculated by regrossing the foreign income (net of foreign tax) by the lower of either:

- the Irish effective rate
- or
- the foreign effective rate.

Amount of credit for foreign tax

The credit for the foreign tax deducted is not automatically the actual amount of the foreign tax incurred. It is arrived at by multiplying the amount of foreign income finally included in the computation of the liability by the lower effective rate.

This can also be stated as the difference between:

- the amount of the foreign income chargeable to tax in Ireland,

and

- the amount of the net foreign income (after deduction of foreign tax).

The following steps are carried out to determine the amount of DTR.

Step 1 - Calculate Total Income (Provisional) chargeable to Irish Tax

Total Income is the gross income, including the foreign income (inclusive of direct foreign tax suffered) - if the foreign income is a dividend bearing a tax credit, the dividend plus tax credit must be included -

Less the following deductions:

Schedule E expenses,
Capital allowances,
Losses forward,
Loan interest,
Retirement annuity relief,
Retainable charges, charges
Relief for gifts for education in the arts
{from 1984/85 onwards},
Relief for gifts to 'Cospoir'
[from 1986/87 onwards]
Manufacturing dividend relief (section 14 FA 1986)
[for years 1986/87 to 1991/92 inclusive],
Relief for new shares purchases on issue by employees
[for years 1986/87 onwards]
Pension contributions
President's Award Scheme
Maintenance payments.

Step 2 - Calculate Taxable Income (Provisional)

Taxable Income is total income less personal allowances and relief

Step 3 - Calculate Irish Tax Liability (Provisional)

Irish Tax Liability is the tax on taxable income after deduction of

Credit for relieved dividends,
Age exemption,

But before deductions in respect of:-

Double taxation relief;
Loss relief set off from another year;

Overpayment set off
PAYE tax paid

Tax Paid directly (e.g. Preliminary Tax)
Withholding Tax
Deposit Interest Retention Tax
Taxed Income
Credits on distributions
Unrelieved dividends.

Step 4 - Calculate the Effective Rates (also known as the appropriate tax rate).

Foreign effective rate

The effective rate in respect of foreign income is computed by dividing the tax paid in the foreign country on the relevant foreign income by the amount of the relevant foreign income (inclusive of the tax) which is subject to double taxation.

Irish effective rate

The Irish effective rate is computed using the following formula:

$$\frac{L}{M} \times 100 = \text{Irish Effective Rate}$$

Where:-

M is the total income (as calculated above - step 1)

and

L is the Irish tax liability (as calculated above - step 3)

Step 5 - Regress Foreign Income at the Lower Effective Rate

The foreign income (net of foreign tax deducted) is regressed at the lower effective rate to determine the amount of foreign income chargeable to Irish income tax using the following formula:-

$$\frac{\text{Foreign Income (Net)}}{(100 - \text{Effective rate})} \times 100 = \text{Regress Foreign Income}$$

Step 6 - Calculate Final Liability to Irish Tax

Include all sources of income, including revised gross foreign income (from step 5)

Allow all deductions, allowances, relieves and tax credits.

The DTR in respect of each foreign income source is calculated by reference to the regressed foreign income at the relevant lower effective rate.

Maximum credit for foreign tax

It should be noted that the DTR cannot exceed to the amount of Irish tax on the same income.

Example An Irish resident individual has the following sources of income for 1992/93:
(all amounts are converted to IR£)

Case I profits	£15,000	
Capital Allowances	£500	
Case V (Irish Rents)	£2,700	
Schedule F (Irish Distr)	£206	(Tax credit £34)
UK Employment Pension	£3,000	
UK Dividend	£500	(Tax credit £165)
US Common Stock Dividend	£600	(Gross before 15% withholding tax)
US Rents	£1,000	(Gross before 15% withholding tax)

The individual is married, jointly assessed, aged 67 and paid £1,000 to his adult child during 1992/93 under a deed of covenant.

Step 1 - Calculate Total Income (Provisional)

Case I	£15,000
Less Wear & Tear	500
Cave V	2,700
Schedule F (206+34)	240
UK pension	3,000
UK Dividend (500+165)	165
US Dividend	600
US rents	<u>1,000</u>
	22,705
Less Covenant	<u>1,000</u>
Total Income (provisional)	21,705

Step 2 - Calculate taxable income (provisional)

Less Married Personal Allowance	4,200
Age allowance	<u>400</u>
	4,600

Taxable Income (provisional) 17,105

Step 3 - calculate Irish Tax Liability (provisional)

14,980 @ 27%=	4,036.50
2,155 @ 48%=	<u>1,034.40</u>
	5,070.90

Add tax due on Convent 270.00

(1,000 @ 27%) 5,340.90

Credit for Relieved Dividend

$$\frac{[240 - (34 \times 100)]}{27} = 114 @ 48\% = 54.72$$

Provisional Irish Liability 5,286.18

Step 4 - Calculate the Effective Rates

Irish Effective Rate $\frac{5,286.18 \times 100}{21,705} = 24.35$

US Effective Rate

On US Rents (US tax deducted) = 15%
 On US Dividends = 49%

[Includes indirect tax as well as 15% withholding - see earlier which shows how 49% figure is calculated]

Step 5 - Regress Net Foreign Income at Lower Effective Rate

US Rents

Gross Rents	1,000
Less Tax withheld	<u>150</u>
Net Rents	850

Regress at Lower

Effective rate (15%) $\frac{850 \times 100}{(100-15)} = 1,000$

US Common Stock Dividend

Gross Dividend	600
Less Tax Withheld	<u>90</u>
Net Dividend	510

Regress at **Lower**

$$\text{Effective Rate (24.35\%)} \frac{510 \times 100}{(100 - 24.35)} = 674$$

UK Dividend

For an Irish Resident Individual the UK Effective Rate on UK Dividends is generally 15%. At this is lower than the Irish Effective rate in this example it is the rate at which the UK Dividend is regrossed.

Dividend Received	500.00
Tax Credit	<u>165.00</u>
	665.00
Less 15% UK tax	<u>99.75</u>
Net UK Dividend	565.25

$$\text{Regress @ 15\%} \frac{565.25 \times 100}{(100 - 15)} = 665$$

[In effect, where the UK effective rate is the lower rate, the gross dividend (i.e. dividend plus tax credit) will always be the assessable figure for an individual.]

UK Pension from Previous Employment

Under Article 17 of the Ireland/UK Double Taxation Convention this income is taxable only in Ireland (the country of which taxpayers is resident). [If the income arose from an employment in the UK on which tax was correctly deductible, the net income would be regrossed at the lower effective rate, to establish the amount chargeable to Irish tax.]

Step 6 - Compute Final Liability to Irish Tax

Case 1	£15,000	
Less Wear & Tear	<u>500</u>	14,500

Case V	2,700
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Schedule F	240
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UK Pension	3,000
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UK Dividend	665
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US Dividend	674
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US Rents	<u>1,000</u>
	22,779
Less Covenant	<u>1,000</u>
Total Income	21,779

Less Married personal allowance	4,200
Age Allowance	<u>400</u>
	4,600

Taxable Income	17,179
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14,950 @ 27% =	4,036.50
2,229 @ 48% =	<u>1,069.92</u>
	5,106.42

Add Tax Retained (Covenant)	
(1,000 @ 27%)	<u>270.00</u>

Liability to Irish Tax £5376.00 The following credits are deductible:

Credit for Relieved

Dividend 114 @ 48% =	
	54.72

Credit for Unrelieved

Dividend 126 @ 27% =	
	34.02

Credits for Double Taxation Relief

UK Dividends 665 @ 15%	= 99.75
Dividends 673 @ 24.22%	= 163.00
US Rents 1,000 @ 15%	= 150.00

Total Credits deductible

From liability £501.49

Net Liability £4,874.93

Preliminary Tax Paid

Balance Payable/Repayable

2.6 Farming - Stock Valuation

With the change to the new basis of granting relief for stock increases from 6 April 1993 (introduced by Section 28, Finance Act 1993), farmers who may in the past have understated their stock levels are being given an opportunity to put their **opening stock** values for the basis period for 1992/93 tax year on a proper footing, without exposure to a review of earlier years. Naturally, having put their stock values on a correct footing, farmers are expected to maintain them on a correct footing thereafter.

The correct basis for valuing stock is the lower of cost and market value.

In view of the difficulties that can arise in determining cost, the following percentages of market value are accepted as approximating "cost" in accordance with existing accepted Revenue practice:

Cattle 60% of market value of cattle bred on the farm or brought as immature stock

Sheep and Pigs 75% of market value of sheep/pigs bred on the farm or bought as immature stock

Harvested Crops: 75% of market value

Once animals have matured, they are to be included at an unchanged valuation from the date of maturity onwards (or at actual market value, if lower).

- Female animals are regarded as mature when they produce their first issue.
- Male animals are regarded as mature when they go into service.

For the purposes of updating opening stock values for the basis period for 1992/93, mature animals must be valued at 60% or 75% (as appropriate) of the market value at the date the animals became mature - **not at the beginning of the basis period for 1992/93.**

Alternatively they can be valued at market value, if lower.

Example:

A heifer produced its first calf in the year ended December 1989 (i.e. it became mature stock in that year), at which stage its market value was £1,000. Its market value on 1 January 1992 was £1,200.

The opening and closing value at which the animal is to be included in the accounts for the year ended 31/12/1992 is £600 (60% of £1,000 - i.e. the value at 31/12/1989).

Practitioners with clients who wish to avail of this opportunity to adjust stock levels are requested to clearly outline this in the covering letter submitted with the 1992/93 return and to submit a schedule showing how the revised opening stock figure is established.

Practitioners who have already submitted clients' 1992/93 returns on the old basis, may submit revised computations on or before 31 January 1994.

3. Corporation Tax

3.1 Late Submission of Returns - Restriction of Claims to Relief

Statement of Practice SP-GEN/1/93 outlines Revenue practice regarding return filing dates etc. While the rate of time returning filing continues to improve, practitioners are reminded of the necessity to submit returns on time. Practitioners are generally aware that failure to file a timely return can lead to a surcharge arising where there is a liability to tax. However, the position of companies availing of/surrendering “excess losses” etc. is not always recognised.

Practitioners should note that, under Section 55 of Finance Act 1992, claims to the following reliefs are restricted where tax returns for accounting periods ending on or after 1 April 1992 are not submitted on time:

Claims Affected	Extent of Restriction
Excess Capital Allowances under Section 14(6), CTA 1976	50% of the amount otherwise available
Loss relief under Sections 16(2) and 19(2), CTA 1976	50% of the amount normally claimable
Group Relief Claims tax other than group relief	50% of profits as reduced by any other relief from
Group Relief - Surrender of “Loss” within section 116, CTA 1976	50% of the “Losses” available
Advance Corporation Tax - Set-off against Corporation Tax of earlier Accounting Period (S.39(2), CTA 1976)	50% of the available ACT
Surrender of Advance Corporation Tax (S.45(1), CTA 1976)	50% of the excess ACT

The following examples show how these restrictions apply in various situations:

Example 1.

Company A Ltd.'s profits for tax purposes, in the accounting period ended 30/6/91, are £10,000. The company makes a trading loss of £2,000 in the accounting period ended 30/6/92; other income and gains for the accounting period are £500. The company makes a timely claim under Section 16(2) to have the trading loss set against the profits of accounting periods ended 30/6/92 and 30/6/91. However, the tax return for the accounting period ended 30/6/92 was delivered to the Inspector after the specified return date.

The company's liability to corporation tax for accounting period ended 30/6/92 is computed as follows:

	£
Profits	500
Section 16(2) relief	
500 x 50%	<u>250</u>
Chargeable to tax	250

The amount of loss of £2,000 available for set off against the profits of accounting period ended 30/6/91 is £750. If section 55 had not been enacted the amount available would have been £1,500 (£2,000 - £500). £750 is 50% of this.

The balance of the loss of £1,000 is available for carry forward to subsequent accounting periods.

Example 2

B Ltd. Is a 75% subsidiary of A Ltd. For the whole of the accounting period of 12 months ended 31 December 1992. The returns of the companies for the 12 months to 31 December 1992 show the following:

A Ltd	£
Trading Profits	36,000
Losses forward	18,000
Rent from letting factory	6,000
Capital allowances in respect of factory	9,600
Charges paid	7,200

B Ltd.	£
Trading Loss	12,000
Other income	3,600

B Ltd claims relief under section 16(2) CTA 1976. A Ltd claims relief in respect of excess capital allowances under section 14(6) CTA 1976 and also with the consent of B Ltd the maximum amount of group relief which can be surrendered by B Ltd. Both A Ltd and B Ltd delivered their returns to the Inspector after the specified return date.

The respective situations are as follows:

A Ltd	£	£
Case I		18,000
Case V		Nil
		18,000
Charges	7,200	
Excess Capital allowances		
(9,600-6,000) x 50%	<u>1,800</u>	<u>9,000</u>
		9,000
Group Relief (9,000x50%)		<u>4,500</u>
Profits Chargeable		4,500

Excess Capital Allowances carried forward against Case V : £1,800

B Ltd

Profits	3,600
Loss S.16(2) (3,600x50%)	<u>1,800</u>
Profits Chargeable	1,800

Trading Loss	12,000
Allowed S.16(2)	<u>1,800</u>
	10,200

Available for surrender (12,000x50%)	6,000
Amount surrendered	4,500

Loss forward [12,000-(1,800+4,500)]	5,700
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Example 3

The facts are the same as in Example 2 except that A Ltd delivered its return on time, while B Ltd did not.

A Ltd	£	£
Case 1	18,000	
Case V	<u>Nil</u>	
	18,000	
Charges	7,200	
Excess Capital allces	<u>3,600</u>	
	7,200	
Group Relief	6,000	
Profits Changeable	1,200	

B Ltd

Profits	3,600
Loss S.16(2)	<u>1,800</u>
Profits Chargeable	1,800

Trading Loss	12,000
Allowed S.16(2)	<u>1,800</u>
	10,200

Available for surrender - 50%	6,000
Amount surrendered	6,000
Loss Forward	4,200

Example 4

The facts are the same as in Example 2 except that B Ltd delivered its return on time, while A Ltd did not.

A Ltd	£	£
Case 1		18,000
Case V		<u>Nil</u>
		18,000
Charges	7,200	
Excess Capital allces	<u>1,800</u>	
		9,000
Group Relief		<u>4,500</u>
Profits Changeable		4,500

B Ltd

Profits	3,600
Loss S.16(2)	<u>3,600</u>
Profits Chargeable	Nil
Trading Loss	12,000
Allowed S.16(2)	<u>3,600</u>
Available for surrender	8,400
Amount surrendered	4,500
Loss Forward	3,900

3.2 Incomplete Company Tax Returns

Districts report a significant increase in the number of cases where the following matters are not completed on company tax returns (forms CT1):

- surcharge on close company's undistributed investment & estate income (Section 101/162, CTA 1976) - PANEL 17 on Form CT1
- Income tax due on loans to participators/annual payments (Sections 98/151, CTA 1976 - PANEL 18 on Form CT1.

It should be noted that returns submitted without such matters being dealt with, where there is a liability under these headings, are not full and true returns. Some practitioners may, depending on the circumstances, have clients with incomplete returns of this kind being subjected to an interest charge and a surcharge for failure to submit a correct return (as well as the additional tax due).

Practitioners are requested to ensure that returns submitted by their staff are fully complete in these and to all other respects.

3.3 Investment /Rental Companies

Audit Districts have noted that many investment/rental companies fail to keep adequate records as required by law. This creates significant problems when such cases are selected for Revenue Audit and can result in prolonged audits and expense for the company. Practitioners are asked to ensure that they make their clients aware of their obligation to maintain proper books and records and to retain such records for a period of six years after the end of the accounting period for which a tax return is filed.

4.Capital Taxes

4.1 Residential Property Tax

Have your clients made their 1993 Residential Property Tax returns?

The deadline for submitting a timely return for 1993 was 1 October 1993.

If you have clients who have not yet made returns, they should do so immediately. A return (Form RP1) must be made if a person's residential property was worth more than £91,000 on 5 April 1993. This legal requirement applies even if the household income is below the income exemption limit of £28,100. If tax is payable, payment should be sent with the return.

Practitioners should note in particular that a person who is resident but not domiciled in Ireland is obliged to take **full foreign income** into account when calculating income for Residential Property Tax purposes. [This is in contrast to the position for Income Tax where only foreign income remitted to the State is chargeable to tax.] The relief under Section 76(3) Income Tax Act, 1976, (remittance basis) does not apply for Residential Property Tax purposes.

Information on all aspects of Residential Property Tax is available from the Capital Taxes Office in Dublin Castle Telephone : 6792777 Exts. 4628, 4629 and 4630.

4.2 Stamp Duty

New Guide

A new guide to stamp duty has been published. The guide "Stamp Duty" (reference SD1) is in brochure

form. It sets out the general principles of stamp duty and the rates chargeable on various instruments. Copies are available at the public counters of the Stamp Duty offices in Dublin and Cork, or on request from :

Capital Taxes Office, (Stamp Duties),
Stamping Building,
Dublin Castle,
Dublin 2
Telephone (01) 6792777.

Stamp Duty Office,
Governments Buildings
Sullivan's Quay,
Cork.
Telephone (021) 968783

Levy

Payments in respect of the levy on certain premiums of insurance (non-life) for the quarter ending 31 December 1993 are due on or before 30 January 1994.

5 VAT

Advance Payment of VAT - Value-Added Tax (Threshold for Advance Payment) Order, 1993 (S.I. No. 303 of 1993)

Section 19(6) of the VAT Act requires that an advance payment of VAT be made in December 1993, and subsequent years, by taxable persons whose net annual VAT liability exceeds threshold. The order increases this threshold from £120,000 to £300,000.

Regulations

The Minister For Finance has made the European Communities (Value-Added Tax) Regulations, 1993, (S.I. No. 345 of 1993). These regulations provide that taxable persons who are required to make an advance payment of VAT under Section 19(6) of the VAT Act, as modified by S.I. No. 303 of 1993, may opt to make such advance payment on the basis of their actual November VAT liability rather than on the basis provided for in the Act (i.e. one-twelfth of their total net VAT for the relevant year).

Copies of the above Order and Regulations are available from the Government Publications Office, Sun Alliance House, Molesworth Street, Dublin 2, Prices 30p and 50p respectively (postage 36p extra).

6. Collector- General

6.1 Completing the VAT 3 Return

Practitioners are reminded to ensure that the entries for INTRA-EC TRADE (INTRASTAT) in respect of “Total Goods to other EC Countries” (Box E1), and “Total Goods from other EC countries” (Box E2) are properly and fully completed on each occasion. The word NIL should be clearly shown in either or both of these Boxes, as relevant, where there is no amount to be entered

6.2 VAT Repayments

The VAT Repayments section of the Collector-General’s Office which deals with VAT Repayments claims from registered persons has moved to Shelbourne House, Shelbourne Road, Dublin 4. The main telephone line is (01) 660 6111. The direct telephone lines are as follows:

Vat registration

Number Ended	Telephone Number
1 and 2	(01) 661 2340
3 and 4	(01) 668 1752
5 and 6	(01) 668 1623
7 and 8	(01) 668 1532
9 and 0	(01) 668 1720

6.3 Tax Payment Issues

The Collector-General’s Office would like to thank tax practitioners for their assistance in ensuring the timely payment of 1993/1994 Preliminary Tax by their clients.

The GIRO facility for payment of Preliminary Tax was availed of by 12,000 people during the peak intake period and this office appreciated the efforts of those practitioners who recommended the GIRO facility to their clients as a method of making payment.

An Automated Remittance Processing System was implemented in the Office of the Collector-General in October 1993. This system uses the coded information (OCR) contained on the payslip to appropriate the payment to the correct taxpayer’s file. It is not possible to manually amend the OCR information and using one taxpayer’s payslip to remit tax for another, even where

names etc. are amend, could have the effect of having the payment credited by reference to the OCR information.

A substantial number of payments, to which no payslips are attached, are still received from taxpayers and tax practitioners. It would appear to be the practice in some offices to send in the cheque with a letter attached rather than the relevant payslip. The revenue Commissioners produces an agent’s copy of the Notice of Preliminary Tax, which contains a Payslip, in each case where an agent’s name is on file. Incidentally, in excess of 70% of cases have an agent.

The message to practitioners is: whether paying tax directly to the Collector-General or by GIRO the correct form must accompany the payment. NEVER use any taxpayer’s preprinted payslip for anyone other than the taxpayer for whom it was issued.

The use of the correct form will ensure that the payment is brought to account correctly and that receipts are issued promptly. In addition, submitting incorrect payments slips could leave a taxpayer exposed to potential interest charges if payments are not credited correctly.

6.4 Central Enquiry Unit

Tax practitioners should note that details of charges and payments may be had for their clients on request by fax to the Central Enquiry Unit at (01) 679 8224, or by post to Apollo House, Tara Street, Dublin 2.

Where no agent is shown on record or an agent other than the one requesting information is on record, it is essential that a letter be submitted from the taxpayer authorising the release of details to the relevant agent.

6.5 Collector-General’s Office

The following areas of the Collector-General’s Office are now located in Sarsfield House, Francis Street, Limerick.

- Employer’s PAYE/PRSI Monthly Collection.
- Employer’s PAYE/PRSI Installments.
- Employer’s PAYE/PRSI Solicitor-Sherriff Enforcement.
- Income Tax (Self Employed).
- Corporation Tax.

- Capital Gains Tax.
- Residential Property Tax.
- Income Tax Relevant Contracts (Construction, Timber and Meat Processing Industries).

Enquiries (telephone, written and personal callers) relating to **collection** of these taxes should be directed to the Collector-General's Office, Sarsfield House, Limerick.

Telephone number for callers outside the (01) area is: (01) 6774211

Telephone number for callers in the (01) area is : (01) 310310

The Fax number is : (01) 312500

Payments should continue to be made to the Cash Office, Apollo House, Tara Street, Dublin 2.

Queries in regard to **assessment** are appropriate to the relevant tax district.

Double Taxation Negotiations

Since our previous report in July 1993, we can report that discussions have commenced/ been completed on the negotiation of Double Taxation Treaties with the following countries:

Denmark- A new Treaty was ratified on 8 October 1993, (S.I No.286 of 1993). Copies are available from the Government Publications Office.

Finland- A new Treaty was ratified on 26 November 1993, (S.I.No 289 of 1993).It will have effect as from 1 January 1990. Copies are available from the Government Publications Office.

Greece- Discussions at official level on a comprehensive Double Taxation Treaty have commenced.

Hungary- Discussions at official level on a comprehensive Double Taxation Treaty have been completed. It is hoped that the new Treaty will be signed in early 1994

Israel- Discussions at official level on a comprehensive Double Taxation treaty have commenced. A second round is scheduled for April 1994

Italy- A new Treaty has been negotiated and it is hoped it will be signed in early 1994.

Poland- Discussions at official level on a comprehensive Double Taxation Treaty are substantially completed. It is hoped that the Treaty will be signed in 1994

Spain- A Treaty has been agreed at official level and it is hoped it will be signed shortly.

Discussions are ongoing with Austria, Canada, France, Norway and Russia.