



Finance Act 1996 introduces changes for Relevant Contracts Tax

Introduction

Relevant Contracts Tax (RCT) applies to payments made by a principal contractor to a subcontractor in respect of **relevant operations** in the construction industry, the meat processing industry and certain areas in the forestry industry (Section 17 Finance Act 1970). Tax is deducted by a principal contractor on payment to a subcontractor unless the principal contractor has received a relevant payments card (C47) for the subcontractor. A relevant payments card is issued only for subcontractors who have a current C2. Where tax is deducted, the principal contractor gives the subcontractor a certificate (Form C45, now replaced by a Form RCTDC), which the subcontractor uses to claim credit for or repayment of the tax.

Gangs

From the outset, the existence of the "gang system" has been recognised in the legislation. Special provisions applied to payments to a gang or group (Regulation 9 of the RCT regulations).

A gang is a loose group of subcontractors, generally of the same trade who come together to undertake a relevant contract with a principal contractor. The contract with the principal may be with one member of the gang or with the gang collectively. Payment is usually made to the gang leader (the payee). Section 41 Finance Act 1996 treats a partnership in respect of which a principal contractor has not received a relevant payments card as a gang for the purposes of the legislation.

Payments to Gangs

Principal contractors will have no difficulty in most cases in deciding if a payment is made to a gang. Where the principal contractor is unsure, the following guidelines may be of assistance.

In general gangs consist of labour only subcontractors. However, the term gang is not confined to such subcontractors. Where a payment covers work done by a number of subcontractors, the principal contractor should consider whether the payment is being made to a gang.

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Unless the principal contractor is satisfied that the subcontractor to whom the payment is being made carries on an established business in the course of which s/he employs subcontractors, it is advisable to treat the payment as made to a gang.

Finance Act 1996

From the passing of the Finance Act 1996 on 15 May 1996, Section 41 changes the RCT treatment of payments to gangs where the relevant contract was entered into on or after that date. The following is a summary of the position relating to contracts entered into before the passing of the Act and contracts entered into on or after the passing of the Act.

Relevant contracts entered into prior to the passing of the Finance Act 1996:

Regulation 9 of the Relevant Contracts Regulations 1971 applies:

Principal contractor **has not** received a relevant payments card in respect of the payee:

- ❖ The principal contractor deducts tax @ 35% and gives the payee a C45. The payee distributes the payment and gives each subcontractor a C45 (sub), which entitles the individual gang member to a credit for his share of the tax deducted from the payment.

Principal contractor **has** received a relevant payments card in respect of the payee:

- ❖ The principal contractor makes the payment gross to the payee. The payee is treated as a principal contractor and operates RCT on distributing the payment to gang members.

Relevant Contracts entered into on or after passing of the Finance Act 1996 on 15 May 1996:

Section 41 Finance Act 1996 deems a relevant contract to exist between the principal contractor and each member of a gang. RCT applies as if payments to which an individual gang member is entitled were made **to that gang member**, even though payment is made to some other person.

The status of the payee is no longer relevant.

Principal contractor **has not** received a relevant payments card in respect of the **gang member**:

- ❖ The principal contractor deducts tax @ 35% from the part of the payment to which the gang member is entitled and issues an RCT Deduction Certificate (Form RCTDC - this form replaces the form C45) to the gang member.

Principal contractor **has** received a relevant payments card in respect of the **gang member**:

- ❖ The principal contractor makes the **part of the payment to which the gang member is entitled** without deduction of tax and enters this amount on the relevant payments card.

Individual gang members must give the Principal Contractor details of the amount due to them.

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TAX BRIEFING

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

Editor: John Leamy
Telephone No. (01) 671 6777, Extn. 4325.

Assistant Editor: Rosemary O'Rahilly
Telephone No. (01) 671 6777, Extn. 4310
Fax No. (01) 671 0960

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Example of the New System

A sub-contracting gang, consisting of a leader and two other members, carries out work for a Principal Contractor who has received a Relevant Payments Card (Form C47) from the Inspector of Taxes for the leader but not for the other gang members. The contract was entered into in June 1996.

On 1 July 1996, the Principal Contractor is due to make a payment to the gang leader of £5,000 for work completed having been advised that the amount attributable to each gang member is as follows:

Member A (Leader)	£2,000
Member B	£1,700
Member C	£1,300

As the Principal Contractor has received a Relevant Payments Card (Form C47) for Member A the amount attributable to him is paid gross. Details of the payment are entered on Form C47.

As the Principal Contractor does not hold Relevant Payments Cards

(Form C47) for Members B or C he/she must deduct tax of £1,050 (i.e. £3,000 @ 35%). The Principal Contractor will issue a Relevant Contracts Tax Deduction Certificate (Form RCTDC) to members B and C which may be used by them to claim credit for/repayment of the tax deducted.

Summary

Member A	
Gross	£2,000
less Tax	Nil
Net	£2,000

[Enter on C47]

Member B	
Gross	£1,700
less Tax	£595
Net	£1,105

[Issue RCTDC]

Member C	
Gross	£1,300
less Tax	£455
Net	£ 845

[Issue RCTDC]

Payment made to Gang Leader	£3,950
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Change in Forms

As indicated above, the form C45 is being replaced by the form RCTDC.

Payments to gangs or groups under relevant contracts entered into before 15 May 1996 should continue to be entered on form C45 - this includes the C45(sub), which is not included on the new form.

All other payments from which the Relevant Contracts Tax is being deducted should be entered on form RCTDC. Where the principal contractor has not received a supply of these forms, the existing forms C45 may continue to be used. However, the principal contractor should apply to the tax office for a supply of forms RCTDC as soon as possible.

Further Information

Further information on the operation of the system together with the relevant forms can be obtained from your local tax office.□

New Regulations

The Revenue Commissioners have amended the Income Tax Relevant Contracts Tax (RCT) Regulations 1971. The new Regulations:

- ❖ make amendments consequent on Section 41 Finance Act 1996 which relates to payments to gangs or groups of sub contractors
- ❖ require persons about to enter into a relevant contract on or after 6 July 1996 to complete a joint declaration
- ❖ provide that documentation prepared by a principal contractor relating to a subcontractor must include the subcontractor's RSI number and date of birth.

Completing Declarations

In general, a relevant contract is a contract under which a sub contractor carries out work for a principal contractor in the

Construction, Forestry and Meat Processing Industries. A contract of employment **cannot** be a relevant contract. PAYE applies to any payment made under a contract of employment.

With effect from **6 July 1996**, it will be necessary for persons who intend to enter into a relevant contract to complete a declaration (**Form RCT1**). The declaration will confirm that the parties to the proposed contract, having examined the guidelines published by the Revenue Commissioners, (which are printed on the reverse of the declaration) as to the distinction between Relevant Contracts and Contracts of Employment, have satisfied themselves that the contract they propose to enter into is **not** a contract of employment.

It should be borne in mind that a person who is self employed contractor in one job is not

necessarily a self employed contractor in the next job.

Accordingly, a declaration must be completed:

- ❖ whether or not the sub contractor holds a certificate of authorisation (Form C2)
- ❖ when entering into each new relevant contract, irrespective of whether the parties have completed a previous declaration.

In the case of a gang or group, the gang leader and each member must complete a declaration separately with the principal contractor. This is because each gang member is deemed, under Section 41 Finance Act 1996, to enter into a relevant contract with the principal contractor.

Copies of the regulations are available from the
Government Publications Office,
Molesworth Street,
Dublin 2.
Cost £1.00 (Postage 0.48p)

Transfer of Pension Rights between Irish & UK Schemes

Introduction

A revised pensions transfer agreement has been finalised by the UK Pensions Scheme Office and the Irish Revenue. All matters relating to Irish Revenue approval are dealt with by Retirement Benefits District which is part of the Office of the Chief Inspector of Taxes.

The purpose of the agreement is to facilitate, on a reciprocal basis, the transfer of pension rights where, on a change of employment, an individual moves from one jurisdiction to the other. The agreement is a modernised version of the previous one and follows the Pensions Protocol to the Ireland/UK Double Taxation Agreement.

Most employees who are members of an occupational pension scheme have three options available to them on leaving service with an employer. The options available are:

- ❖ take a transfer payment representing the value of the employee's accrued pension benefits to an approved scheme operated by the new employer.
- ❖ take a refund of employee contributions in lieu of other benefits. The refund is subject to tax at 25%.
- ❖ leave the accrued pension benefits in the current employer's scheme.

When the first option is taken and involves a transfer from an Irish to a UK Scheme, or vice versa, the transfer may take place without the need to consult the Revenue. The only requirement is that the Trustees of the transferring scheme must ensure that the receiving scheme is a Revenue approved one.

Transfers from the Republic of Ireland to the United Kingdom

Where a member of an occupational pension scheme in the Republic of Ireland becomes a member of a United Kingdom pension scheme which is:

- ❖ a "statutory scheme" as defined in Section 612(1) Income and Corporation Taxes Act (ICTA) 1988*
or
- ❖ accepted by the Board of Inland Revenue as an "exempt approved scheme" for the purposes of Chapter 1, Part XIV ICTA 1988* **or**
- ❖ a personal pension scheme approved under Chapter IV, Part XIV ICTA 1988* (but not a "transfers only" scheme as described in paragraph 3.1b or IR 76)

a transfer payment may be made in respect of that member from the Republic of Ireland scheme to the United Kingdom scheme.

The service in respect of which the transfer payment made will be treated as if it were service in the United Kingdom for the purposes of:

- ❖ the charge to United Kingdom tax under Section 598 or 599 ICTA 1988* in the event of any subsequent refund to the individual of his/her contributions, or the commutation in special circumstances of the whole of his/her pension
- ❖ determining Schedule E liability on the pension if the individual resides outside the United Kingdom after retirement.

Transfer payments may be made from Republic of Ireland schemes which are either "statutory schemes" or "exempt approved schemes".

Payments may not be made from retirement annuity contracts or retirement annuity contracts or retirement trust schemes approved respectively under Section 235(1) and 235(4) Income Tax Act 1967**.

Before a transfer payment is made by a Republic of Ireland scheme the administrator must ascertain from the trustee or administrator of the receiving scheme the section and Act under which it is approved in the United Kingdom.

Transfers from the United Kingdom to the Republic of Ireland

Where a member of a United Kingdom occupational or personal pension scheme becomes a member of an occupational pension scheme in the Republic of Ireland which is:

- ❖ a "statutory scheme" as defined in Section 13(1) Finance Act 1972**

or

- ❖ a scheme accepted by the Revenue Commissioners as an "exempt approved scheme" for the purposes of Chapter II Part 1 Finance Act 1972** (including "annuity" or "buy out bonds").

a transfer payment may be made in respect of that member from the United Kingdom scheme to the Republic of Ireland scheme.

The service in respect of which the transfer payment is made will be treated as if it were service in the Republic of Ireland under Section 21 or 22 Finance Act 1972**

- ❖ in the event of any refund to the individual of personal contributions or of the commutation in special circumstances of the whole of the individual's pension
- ❖ for the purposes of determining Schedule E liability on the pension if the individual resides outside the Republic of Ireland after retirement.

Further Information

Further information on the operation of the schemes can be obtained from:

Retirement Benefits District,

6th Floor, Lansdowne House,
Lansdowne Road,
Dublin 4.
Telephone No. (01) 668 9400
Fax No (01) 668 6512.
or

Pension Schemes Office,
Inland Revenue,
Yorke House, P O Box 62,
Castle Meadow Road,
Nottingham, NG2 1 BG,
United Kingdom. □

*UK Legislation

** Republic of Ireland Legislation

VAT Update

Second Simplification Directive

E.U. Council Directive 95/7/EC commonly called the **Second Simplification Directive** has been brought into effect from 1 January 1996 by the European Communities (Value-Added-Tax) Regulations 1995.

The Regulations cover two areas:

- ❖ changes in the VAT treatment of work on movable goods, in particular contract work

and

- ❖ changes in the way VAT on transport charges is assessed when the charges arises from the importation of goods from outside the E.U.

The changes introduced by the Regulations have important implications for:

- ❖ Irish Traders who carry out services such as repairs or other work on movable goods for traders from other Member States of the E.U.
- ❖ Irish Traders who send movable goods for similar type services to be carried out by traders based in other countries in the E.U.

Provisions to give effect to the changes necessary in primary VAT legislation and to make further consequential changes are contained in Sections 88, 89 and 90 of the Finance Act 1996.

Flexible Annual Accounting

The Revenue Commissioners propose to introduce flexible annual accounting for VAT later this year.

Current Arrangements

Traders who remit their VAT under either the annual remitter scheme or the direct debit scheme are currently required to submit their annual VAT 3 return (which includes the return of trading details for VAT) for **a fixed twelve month period ending on 31 August**. In the case of bi-monthly remitters, they are also required to make their annual return of trading details for VAT for the same twelve month period.

These arrangements are inconvenient for many businesses as this date may not correspond with the date up to which the business accounts are prepared.

Flexible Annual Accounting

Flexible annual accounting means that these annual VAT returns can be prepared for **any period of twelve months** which best suits the accounting arrangements of each VAT trader rather than being tied to the twelve month period ending on 31 August. As the accounting period will be flexible, traders can, of course, continue to complete these returns for the period ending on 31 August if that is the most convenient arrangement.

All traders registered for VAT have received information on the new flexible arrangements with a request for details of the accounts year end date which they wish to use for the purpose of submitting these VAT returns. Practitioners are asked to remind their clients to notify the Collector-General's Office of the relevant details.

Further Information

Further detailed information on the operation of the new flexible arrangements will soon be issued to VAT registered traders. In the meantime, further information in relation to flexible annual accounting can be obtained from:

*Office of the Collector-General,
Sarsfield House,
Francis Street,
Limerick.*

Telephone No. (061) 310310
[Dublin callers (01) 677 4211]
and ask for the VAT Accounting helpline. □

VAT Treatment of Second-hand Vehicles

Introduction

A number of changes in the VAT treatment of second-hand vehicles were introduced with effect from 1 July 1995. These changes arose out of the implementation of the EU Seventh VAT Directive (94/5/EEC) in the Finance Act 1995. This article sets out the main features of the new scheme.

Trade-In

The old VAT rules covering trade-ins have been abolished with effect from 1 July 1995. Prior to that date, when a vehicle was traded-in against the purchase of a new vehicle, VAT was chargeable on the amount of the cash settlement only. The subsequent sale of the traded-in vehicle was taxable on the consideration payable on that sale.

From 1 July 1995, if a dealer accepts a vehicle as a trade-in against the purchase of a new vehicle, both the sale of the new vehicle and the acceptance of the trade-in are treated as two separate transactions for the purposes of accounting for VAT:

- ❖ in respect of the sale of the new vehicle the dealer must account for VAT on the full consideration he/she is entitled to receive on that sale, i.e. the total of the cash settlement plus the value of the trade-in and this total should equal the amount that would be received if the new car was sold for cash.
- ❖ the trade-in is treated as the purchase of a second-hand vehicle, and a VAT deduction can be claimed by the dealer. If the dealer receives a VAT invoice from the person supplying the trade-in, the deduction is claimed in the normal way. Otherwise, if it is a **qualifying vehicle**, the dealer claims a deduction of the **residual VAT** included in the purchase price.

Qualifying Vehicle

A qualifying vehicle is a vehicle bought by a dealer as stock-in-trade for resale from one of the following:

- ❖ a private individual in Ireland or in another Member State of E.U.
- ❖ a business in Ireland or in another Member State of the E.U. which could not claim a VAT credit on its purchase of the vehicle or which is not obliged to issue a VAT invoice in respect of the sale of the vehicle

- ❖ another motor dealer in Ireland who claimed residual VAT on his purchase of the vehicle
- ❖ a motor dealer in another Member State selling the vehicle under the special scheme for the taxation of second-hand goods in that other Member State.

The vehicles on which a dealer can claim residual VAT are therefore, those which are sold or traded-in to the dealer by a person who was not entitled to deduct any VAT in relation to the original purchase of that vehicle.

A dealer may also claim a deduction of residual VAT on a vehicle which is sold or traded-in by another dealer who took a deduction of residual VAT on the original purchase of that vehicle.

Residual VAT

Residual VAT is deductible in the VAT period in which the vehicle is purchased. To claim the residual VAT the motor dealer should add the amount of the residual VAT to the amount of VAT charged on any other deductible purchases and enter that total on the VAT 3 return for that period.

The amount of the residual VAT is calculated at the rate of VAT chargeable on the supply of motor vehicles in the Member State where the person selling the vehicle to the dealer is based. The purchase price is always treated as VAT inclusive.

Where a motor dealer claims residual VAT on the purchase of a qualifying vehicle, he/she must be able to support that claim by an invoice or settlement voucher, completed in accordance with the appropriate Regulations.

Example

If the qualifying vehicle is bought from an individual or business in Ireland, where the current rate of VAT is 21%, the residual VAT is calculated as follows:

Assume purchase price £10,000

Residual VAT:
£10,000 x 12/121 £ 1,736

Clawback

The amount of residual VAT deducted by the dealer in respect of the purchase of a qualifying vehicle must not be more than the amount of VAT charged by the dealer on the subsequent sale of that vehicle.

If a qualifying vehicle is sold for less than it was bought for, an adjustment must be made in the VAT return covering the period of the sale, to reduce the amount originally claimed.

Example

Qualifying vehicle
purchased for £10,000

Residual VAT claimed
in VAT 3 for
period of purchase £ 1,736
[Sold for £9,000 including VAT]

VAT on sale accounted
for in VAT 3 for
period of sale £ 1,562
(£9,000 x 21/121)

Amount of clawback which must be
deducted from VAT
on purchases in VAT 3
for period of sale £ 174

The clawback will not apply to vehicles taken into stock prior to 1 November 1995.

Invoicing -

Changes from 1 July 1996

Where a dealer sells a vehicle on which he has claimed residual VAT, he/she may not issue a VAT invoice for the customer to claim input credit. Therefore, where a qualifying vehicle is sold to another taxable person, the invoice issued must not show VAT separately and must include the following endorsement:

“Special Scheme - this invoice does not give the right to an input credit of VAT”.

Because of the impact of this rule on the car leasing sector, its introduction was postponed until **1 July 1996**. From that date, it will not be acceptable for a motor dealer to issue a normal VAT invoice in respect of the sale of a vehicle on which he/she has claimed deduction of residual VAT.

Supply of vehicles outside the State

Special rules apply in relation to vehicles sold to customers outside the State and further information is available on this if required.

Further Information

An information leaflet “VAT Treatment of Second-hand Vehicles” setting out details of the scheme is available from the tax office. ☐

Tax Administration Liaison Committee (TALC)

Main TALC and the TALC Sub-Committees

Main TALC's membership is as follows:

Revenue

Frank Mullen Liam Hennessy
Liam Irwin Robert Harrington
Sean Moriarty Brian McCabe
Norman Gillanders

Practitioners

CCAB - 1
Pam Kearney (Chairperson)
Vivion Nathan Brian Purcell

Institute of Taxation

Frank Hussey John Bradley

Law Society

Caroline Devlin

Sub-Committees

The membership of TALC's three current Sub-Committees - Auditing, VAT and Technical - is as follows:

AUDITING

Revenue

Sean Moriarty Padraig O'Morain
Tony Hanrahan

Practitioners

CCAB - 1
Pam Kearney Marie Barr
Eamonn Griffin

Institute of Taxation

Noel Corcoran Frank Hussey

Law Society

Eamonn O'Connor

VAT

Revenue

Marion Casey Norman Gillanders
Sean O'Seaghda Brendan Sheeran

Practitioners

CCAB - 1
William Hennigan
Fergus Gannon John Roche

Institute of Taxation

Frank Sheedy Denis Cremins
Dermot O'Brien

Law Society

Peter Maher

TECHNICAL

Revenue

Muriel Hinch John Reid
John Shine

Practitioners

CCAB - 1
Brian Purcell Jimmy Skehan

Institute of Taxation

Michael Mullins John Bradley

Law Society

Liam Quirke

AD-Hoc Groups

To date, three Ad-Hoc Groups have been established to consider the following areas of the tax system:

Dissemination of Information

The membership is:

Revenue

Liam Hennessy Joe Lynch

Practitioners

CCAB - 1
Pam Kearney

Institute of Taxation

John Bradley

Law Society

Peter Maher

At its first meeting, the Group decided to consider the following issues:

◆ The feasibility of publication of

- ❖ Guidance Notes on Consolidated Taxes Bill (when published) and on the annual Finance Bill
- ❖ Guidance Notes on technical taxation issues
- ❖ More technical subjects in Tax Briefing
- ❖ Guidance Notes on Revenue practices in specific areas - e.g. Urban Renewal.

- ◆ Consistency of approach by Revenue and Practitioners in relation to requests for, and responses to, guidance on interpretation of specific issues. (The existing guidelines on making enquiries to Revenue offices will be looked at in this context.)

Compliance Costs/SMEs

The membership is:

Revenue

Robert Harrington Liam Irwin
Norman Gillanders

Practitioners

CCAB - 1
Brian Purcell

Institute of Taxation

Frank Hussey

Law Society

Patricia Rickard - Clarke

The first meeting of this Group took place in late May.

Capital Taxes (Incl. CGT)

The membership is

Revenue

Michael Brennan Brian McCabe

Practitioners

CCAB - 1
Vivion Nathan

Institute of Taxation

Julia Burke

Law Society

Caroline Devlin

The Group has identified three initial priority issues which it will examine with a view to delivering tangible results by the end of 1996:

- ❖ The simplification and review of forms and administrative procedures in relation to share valuations.
- ❖ Procedures to deal with the problem of delays in the certification of Inland Revenue affidavits for CAT purposes where there is no RSI number.
- ❖ Examine the possibility of introducing a joint application form for clearance certificates for both CGT and RPT.

Tax practitioners or Revenue officials who wish to make submissions or to offer views to main TALC or any of its Sub-Committees or Ad-Hoc Groups are invited to do so through their respective representatives. □

Simplified procedures for Stamp Duty exemption

Introduction

Section 113 Finance Act 1996 has simplified the procedures for claiming stamp duty exemption on new houses and apartments which come within the provisions of Section 49 Finance Act 1969 (i.e. houses/apartments falling within certain floor area limits laid down by the Department of the Environment).

Exemption

Instruments executed on or after 15 May 1996, and which give effect to the purchase of a **new** house or apartment which carries a Department of the Environment floor area certificate, should no longer be presented to the Stamp Duty Office for adjudication. The requirement for the adjudication stamp has been abolished. The Land Registry and the Registry of Deeds will accept such instruments for registration purposes where the instrument contains the following statement.

"It is hereby certified that

(a) this instrument gives effect to the purchase of a house/apartment [delete as appropriate] upon the erection thereof; and

(b) on the date of execution of this instrument, there exists a valid floor area certificate (within the meaning of Section 4 (2) (b) Housing Miscellaneous Provisions Act 1979) in respect of the said house/apartment [delete as appropriate]."

It is still necessary to present the deed, together with the form ST21, for the impression of the 'Particulars Delivered' stamp.

Further Information

For further information contact:

Christine Kelly,
**Stamp Duty Office,
Dublin Castle,
Dublin 2.**

Telephone: (01) 679 2777
Ext. 4558/4559

or

Luke Byrne or Bobby Lee,
**Stamp Duty Office,
Government Buildings,
Sullivan's Quay,
Cork.**

Telephone: (021) 968783.

Practitioners are reminded that:

Exemption under Section 49 Finance Act 1969, applies only to houses or apartments where there is a valid "Floor Area Certificate" in existence. The certificate is issued by the Department of the Environment.

Relief under Section 112 Finance Act 1990, as amended, does not apply where there has been any redevelopment or refurbishment of pre-existing buildings. ☐

Maintenance Payments and Levies

The purpose of this note is to clarify the treatment of maintenance payments for the purposes of calculating levies.

Treatment

An individual is exempt from payment of levies on that portion of his/her income from which any maintenance payments are **made** for the benefit of the other party to a marriage. (This provision does not apply for PRSI purposes.)

The recipient of maintenance payments continues to be chargeable to PRSI and levies on the maintenance payments subject to the normal limits. ☐

Finance Act 1996 - Summary

Introduction

The following is a brief summary of the main provisions of the Finance Act 1996. Some of these topics will be covered in greater detail in future editions of Tax Briefing.

CHAPTER 1

Relief for Home Alarm Systems

Section 5 provides for a relief from income tax in respect of expenditure incurred on the purchase and/or installation of a burglar alarm system* in the home of a person aged 65 years or over who lives alone.

- ❖ Relief is available on expenditure of up to £800 incurred in the period 23 January 1996 to 5 April 1998
- ❖ Relief is available at the standard rate of income tax (currently 27%)
- ❖ The relief may be claimed by either the person himself/herself or by a relative who has incurred the expenditure on behalf of the person

*This has been extended to include personal security systems.

Benefit-in-Kind - Cars

Section 6 provides for a reduction of 20% in calculating the car benefit-in-kind for employees who:

- ❖ spend 70% or more of their working time away from their place of work
- ❖ travel more than 5,000 business miles per annum
- ❖ work 20 hours or more a week on average

Employees who claim relief under this section will be obliged to maintain a log book which:

- ❖ contains a record, maintained on a daily basis, of their business use of the car for the year of assessment

- ❖ contains relevant details of distances travelled, nature and location of business transacted and amount of time spent away from the employer's place of business

- ❖ is certified by the employer as being, to the best of his/her knowledge and belief, true and accurate.

The relief is an alternative to the existing high mileage tapering relief and applies for years 1996/97 et seq.

Hepatitis C Tribunal Awards

Section 9 provides that compensation payments awarded by the Hepatitis C Tribunal will not be subject to income tax.

Awards made will be treated in all respects as if they were court awards and the provisions of Section 5 Finance Act 1990, which in certain circumstances, exempts from tax investment income arising from court awards will also apply to Tribunal awards.

Exemption of income from Leasing of Farm Land

Section 10 increases the exemption of income from leasing of farm land as follows:

	Existing Exemption	New Exemption
5 or 6 year lease	£3,000	£4,000
7 years +	£4,000	£6,000

- ❖ The new exemption limits apply in respect of leases made on or after 23 January 1996.
- ❖ The lease must be in writing and be for at least 5 years.
- ❖ The lessor must be over 55 years of age or be unable to farm due to permanent incapacity.
- ❖ The land must be leased to an individual who is unconnected with the lessor and who uses the land for the purposes of farming.

Valuation of Farm Stock

Section 11 deals with the basis of valuing farm stock on the cessation of the trade of farming. The parties involved in the transfer can jointly elect to have the stock transferred at its book value instead of its market value if a sale or transfer for valuable consideration has not taken place.

This provision applies with effect from 6 April 1995.

Relief for New Shares purchased by Employees

Section 12 amends the overall lifetime limit on the purchase of shares by employees in their employing company from £3,000 to £5,000 for 1996/97 and subsequent years. Relief is granted by way of an income tax deduction.

It also extends the relief to part-time employees and part-time directors for the year 1996/97 and subsequent years.

Retirement Annuity Relief

Section 13 provides that with effect from 1996/97 persons aged 55 years or over, will be allowed to deduct up to 20% of "net relevant earnings" in respect of premiums paid to secure a retirement annuity. The maximum relief for persons under 55 remains at 15% of "net relevant earnings".

Artists Exemption

Section 14 amends the provisions which provide for exemption from tax of certain earnings of writers, dramatists, composers, painters and sculptors.

The exemption is being extended, for 1996/97 and subsequent years, to individuals who, though not resident in the State, are ordinarily resident and domiciled in the State and not resident elsewhere.

Relief for Tuition Fees paid to Approved Colleges

The basic provisions for this relief are included in Section 6 Finance Act 1995 and come into effect in 1996/97.

Tax relief at the standard rate (currently 27%) will be available in respect of tuition fees paid

- ❖ on an individual's own behalf or on behalf of a spouse, child or a person in respect of whom the individual is or was the legal guardian
- ❖ to an approved college
- ❖ for an approved **full time undergraduate** course of at least 2 years duration.

Section 15 of the Finance Act 1996 has extended the provisions to provide tax relief at the standard

rate (currently 27%), in respect of fees paid for **part-time undergraduate** courses in publicly funded third level institutions and in private colleges. This relief will

- ❖ apply to fees paid for certain undergraduate courses of at least 2 years duration
- ❖ be confined to students who are paying their own fees
- ❖ be confined to students attending undergraduate courses for the first time.

In respect of both provisions relief will not be available for any part of the tuition fees which are met directly or indirectly by grants, scholarships etc.

The Minister for Education has indicated that:

- ❖ tax relief will be available on tuition fees paid for an approved full time undergraduate course subject to a maximum level of £2,500
- ❖ a preliminary list of approved colleges will be available within a matter of weeks
- ❖ in relation to part-time students the Department of Education are currently making arrangements for the implementation of the relief, including the question of the fee levels that will qualify for tax relief.

CHAPTER II

Business Expansion Scheme

The Business Expansion Scheme and the Seed Capital Scheme are being extended to 5 April 1999.

A new certification procedure has been introduced for the Business Expansion Scheme where a company intends to raise funds in excess of £250,000 reduced by any amounts previously raised through the BES by the company or its associated companies.

Both schemes have been extended to include investment in the production, publication, marketing and promotion of qualifying musical recordings.

The Business Expansion Scheme has also been extended to trading activities on an exchange facility established in the Customs House Docks Area. This extension will apply up to 5 April 1998 and is subject to an overall investment cap of £2 million for this period, and a limit of £100,000 for each qualifying company.

CHAPTER III

Resort Areas

Section 30 deals with the scheme of tax relief for the renewal and improvement of certain resort areas.

Double rent allowance and capital allowances cannot **both** apply in the case of holiday cottages and apartments, whether registered or listed, and other self-catering accommodation.

Capital allowances for all holiday cottages, apartments and other self-catering accommodation in resort areas can only be offset against rental income, including rental income from other sources, or against the income from the trade of operating holiday cottages, apartments and other self-catering accommodation where such a trade is being carried on.

Relief for Investment in Films

Section 31 provides that:

Relief for investment in films is to be extended for a further 3 years to 22 January 1999 where the investor is a company, or 5 April 1999 in any other case.

- ❖ There is a total annual investment limit of up to £6 million for a company and its connected companies. However, a corporate investment in any one film cannot exceed £2 million.

- ❖ For individual investors, only 80% of the investment made will qualify for relief (subject to the overall limit being 80% of £25,000).

- ❖ The minimum period for which shares in the company must be held to qualify for Capital Gains Tax exemption is reduced from three years to one year.

- ❖ The investment must be made directly in the film company.

- ❖ Tax Relief will only be available from the date of commencement of principal photography.

Employment Grants or Subsidies

Section 40 provides that certain employment grants or subsidies which are made to employers on or after 6 April 1996 in respect of new employment provided by them are to be exempt from corporation tax and income tax, as appropriate.

Patent Royalties and Related Distributions

Section 32 deals with the tax exemption which applies to patent royalties and to dividends paid by companies out of exempt income derived from such royalties.

Where royalties are paid to a person by a connected person, only so much of the royalties as would be paid between two parties acting at arm's length will be exempt from tax.

A company which incurs expenditure on research and development can, for an accounting period, make tax exempt distributions out of income derived from royalties received from a connected company up to a certain measure of that expenditure. That measure is the research and development expenditure incurred by the company, its group companies and companies under common ownership in that accounting period and the previous two accounting periods.

Alternatively, a company receiving royalties in respect of a patent can apply to the Revenue Commissioners for a determination that the Revenue Commissioners are satisfied that the patented invention involved radical innovation and was patented for bona fide commercial reasons and not primarily for the purpose of avoiding liability to tax. If such a determination is made, the restriction limiting the amount of tax exempt distributions will not apply.

CHAPTER IV

Corporation Tax

Section 44 provides for a 30% rate of Corporation Tax to be applied to the first £50,000 (specified amount) of a company's income.

- ❖ Capital gains will not qualify for the 30% rate.
- ❖ The specified amount is divided where there are associated companies.
- ❖ The specified amount will be reduced pro-rata in the case of accounting periods of less than 12 months duration.
- ❖ Associated companies will be permitted, subject to certain conditions, to jointly elect to allocate the specified amount between them in such manner as they specify.

The 30% rate will apply to company income earned on or after 1 April 1996.

The Form CT1 has been re-designed to cater for this new rate.

Close Company Surcharge

Section 52 provides for a reduction in the surcharge applying to the undistributed trading or professional income of close service companies from 20% to 15%.

The undistributed investment and rental income of such companies will continue to be subject to a surcharge of 20%.

The changes will take effect from 1 April 1996.

CHAPTER V

Capital Gains Tax

Section 60 amends Section 26 of the Capital Gains Tax Act 1975 which provides for retirement relief.

- ❖ Shareholders who reduced their shareholdings in family holding companies, by transfer of shares to a child in the three years prior to 1990, to below the qualifying percentage limits, will now qualify for retirement relief as respects disposals on or after 23 April 1996.

Section 62 amends Section 27 of Finance Act 1993 which provides for roll over relief where an individual reinvests the proceeds of a disposal of shares in a company in new ordinary shares of an unquoted company.

- ❖ An individual who cannot comply with the shareholding/directorships requirements of Section 27 may, nonetheless, benefit from relief provided s/he satisfies the shareholding requirements and commence employment or directorship of the company in which the reinvestment is made at any time within three years of disposing of the shares in the original company and remain so for a period of two years.

- ❖ Relief will be given by way of repayment of capital gains tax.

This relief will have effect in respect of disposal of shares on or after 6 April 1996.

Section 63 amends Section 66 Finance Act 1994 which provided for a reduced rate of 27% on the disposal of shares in certain small and medium sized companies. The section provides that from 6 April 1996, the shares will only have to be held for 3 years prior to disposal.

CHAPTER VI - Relief for Island residential accommodation

CHAPTER VI

Chapter VI provides reliefs for renewal and improvement of residential accommodation on certain islands off the south west, west, and north west coasts of Ireland. The reliefs are :

- ❖ 100% of the construction expenditure incurred on the provision of certain rented residential accommodation on the designated islands
- ❖ 100% of the expenditure incurred on the conversion of certain buildings on the designated islands into rented residential accommodation
- ❖ 100% of the expenditure incurred on the refurbishment of certain buildings on the designated islands which consist of multiple residential accommodation.

Each lease governing the residential accommodation must, in the case of these types of relief, be for a minimum period of 12 months.

Relief is also available in respect of expenditure incurred by owner-occupiers on the construction or refurbishment of certain dwellings on the designated islands.

- ❖ The relief consists of an annual allowance of 5% of the expenditure for 10 years.
- ❖ The dwelling must be the sole or main residence of the individual for the year in question.

The reliefs outlined above will apply in respect of expenditure incurred in the 3 year period from 1 August 1996. The relief is confined to islands accessible by air and sea only, which have been lived on for at least one generation by their current populations.

The designated islands are as follows:

Cork

Bere	Oileán Cléire
Dursey	Hare
Long	Sherkin
Whiddy	

Donegal;

Árainn Mhór	Inis Bó Finne
Inis Fraoigh	Toraigh

Galway

Inis Bó Finne	Oileán Árainn
Inis Meáin	Inis oirr

Mayo

Claggan	Clare
Inishbiggle	Inishcottle
Inishyre	Inishturk

Limerick

Foynes

Sligo

Coney

PART III

Value Added Tax

The amendments to the Value Added Tax Act include a number of amendments which are directly related to the implementation of E.U. Council Directive No. 95/7EC commonly called the Second Simplification Directive.

The VAT rate on the supply of livestock, live greyhounds and the hire of horses is increased from 2.5% to 2.8% from 1 March 1996.

The VAT flat rate addition payable to unregistered farmers is increased from 2.5% to 2.8% from 1 March 1996.

PART IV - CHAPTER I

Stamp Duty

With effect from 1 September 1996, a charge to stamp duty will be imposed on the electronic transfer of shares.

This provision has been introduced to bring into charge transfers of shares effected through CREST, the new "paperless" electronic share transfer and settlement system. CREST will replace the

TALISMAN settlement system currently operated by the Stock Exchange.

The operator instruction (electronic message) notifying a company registrar of a change in ownership of shares is deemed to be an instrument of conveyance or transfer thereby bringing it within the provisions of Section 1 of the Stamp Act 1891.

The ad valorem rate of duty applicable to shares transferred via CREST will be a flat rate of 1%.

PART V

Capital Acquisitions Tax

Agricultural Relief is increased to a flat rate of 75% in respect of gifts or inheritances of agricultural property (including farm machinery, livestock and bloodstock) taken on or after 23 January 1996. The current relief for gifts of land and buildings (i.e. 80% on the first £300,000 and 50% on the balance) will continue in appropriate cases.

Business Property Relief is also increased to a flat rate of 75% (previously 50%) in respect of gifts or inheritances taken on or after 23 January 1996.

Miscellaneous

Section 25 provides, with effect from 6 April 1996, for the exemption from tax of income from greyhound stud fees on the same basis as the exemption from tax of stallion stud fees.

Pre-Consolidation Repeals include inter alia

Repeal of the following words relating to travelling expenses in Schedule 2, Rule 3 Income Tax Act 1967 "or of keeping and maintaining a horse to enable him to perform the same" !

Third World Charities receive tax relief on donations

Section 8 Finance Act 1995 introduced tax relief for designated Third World Charities for donations made to them by individuals on or after 1 July 1995.

Relief

The relief is given to the charity by way of repayment of the tax associated with the qualifying donation. The individual donor does **not** receive any tax relief on his/her donation.

Qualifying Donation

One or more donations in any tax year of not less than £200 and not greater than £750 paid by an Irish resident individual on or after 1 July 1995 to a designated Third World Charity will qualify for relief.

The following conditions must also be satisfied:

The donation must

- ❖ be in the form of money
- ❖ not be repayable
- ❖ not confer any benefit on the donor or any person connected with the donor
- ❖ not be related to the acquisition of property by the charity.

Donations made by instalments (e.g. standing order) will also qualify provided the above conditions are met.

Nature of Relief

Qualifying donations will be treated as having been received by the charity 'net' of income tax at the standard rate of tax (currently 27%). The tax associated with the qualifying donation will be repaid to the charity.

Example

An individual makes a donation of £365 to a designated Third World Charity.

Qualifying Donation £365

Value of Donation
to Charity $£365 \times \frac{100}{73}$ £500

Tax associated with
the Qualifying
Donation $(£500 - £365)$ £135

The tax associated with the qualifying donation is the income tax at the standard rate on the grossed up amount of the donation.

In the above example the tax of £135 will be repaid to the designated charity.

Where the tax paid by the donor is less than the tax associated with the donation, the repayment to the charity is restricted to the tax paid by the donor.

Claims for Relief

The individual donor must complete an 'appropriate certificate' and forward it to the relevant charity to allow it to claim the appropriate repayment. Certificates are available from the designated charities.

Designated Charities.

The charities which have been designated by the Department of Foreign Affairs to date are as follows:

Action Aid Ireland

Agency for Personal Services Overseas (APSO)

Bank of Ireland Group Employees Fund for Third World Charities

Christian Aid

Concern Worldwide

Equestrian Order of the Holy Sepulchre of Jerusalem

Goal

Gorta

Irish National Committee for UNICEF

Oxfam Ireland

Refugee Trust

S.A.F.E. (Support for Afghan Further Education)

Self-Help Development Fund

Trocaire

World Vision of Ireland

Notification will be given of any charities which are designated at a later date.

Further Information

Details of the relief are set out in Leaflet IT28 (Tax Relief for Designated Third World Charities). □

Redundancy Payments and re-engagement of employee's

Background

A number of queries have recently been received concerning the tax treatment of payments made under an arrangement whereby an employee is made "redundant" and is immediately re-engaged by the same employer. The following is the Revenue view on this matter.

Redundancy

The question of whether or not there is a "redundancy" is a question of **fact** to be established by examining the facts and circumstances of each **individual** case.

Tax treatment of payments

The tax treatment of any payment depends on the nature and character of the payment being made and the real nature of the **agreement**

between the parties involved (i.e. between the employer and employee).

The reliefs afforded in Section 115 and Schedule 3 Income Tax Act 1967 are conditional on the lump sum payment being chargeable to tax under the provisions of Section 114 Income Tax Act 1967.

Section 114 Income Tax Act 1967 (payments on retirement or removal from office or employment) imposes a charge to tax on certain payments which are "not otherwise chargeable to income tax" and which come within the meaning of Section 114(2) Income Tax Act 1967.

Any charge under Section 114 in respect of a payment made on retirement or removal from office or employment must be made on the basis that the payment is not an

emolument arising from an office or employment and must be founded in general income tax law and case law.

Where a payment is from an office or employment and is in the nature of income, it is chargeable to tax under the ordinary rules of Schedule E, by virtue of Section 110 Income Tax Act 1967 [Section 110 applies to salaries, fees, wages, perquisites or profits whatsoever from an office or employment].

Also, a sum paid under a contract of employment at the termination of employment [i.e. where there is a prior title to the sum and it is in the nature of a supplement to remuneration] is chargeable to tax under the ordinary rules of Schedule E [i.e. under the provisions of Section 110 Income Tax Act, 1967]. □

Audit - Linking Documents

Background

Audit officers report a continuing difficulty in the area of linking documents. They find that the linking papers, including the nominal ledger, are frequently not available for examination on the first day of the audit. This is causing unnecessary delays which could be avoided.

Legislation

Finance Act 1992 introduced some important changes. It amended Section 6 Finance Act 1968 to include a definition of 'linking documents' and to require that they be retained by the taxpayer in the same way as other business records. At the same time it expanded the

definition of records which an authorised officer has power to inspect, to include linking documents.

Case Law

These legislative amendments were followed in 1995 by a Supreme Court decision on the question of ownership of, and access to the nominal ledger. In 1987 a Judge of the Circuit Court had ruled that the nominal ledger was the property of the accountant and not the taxpayer. The High Court and later the Supreme Court reversed this decision in the case of *Quigley v Burke* (ITR Vol. IV, p.332).

In his judgement delivered on 7 November 1995, Chief Justice Hamilton ruled that

The Appellant herein was entitled to obtain this ledger from his agent.....and consequently this ledger was in his possession or power within the meaning of the Income Tax Act 1967.'

Conclusion

The Supreme Court decision, coupled with the legislative amendments make it absolutely clear that the linking documents are the property of the taxpayer. To ensure that Audits are conducted without any unnecessary delays to auditors, practitioners or taxpayers, practitioners are asked to ensure that all business records, including the linking documents, are available at the commencement of an audit. □

Professional Services Withholding Tax (PSWT) - Commencement & Cessations

Introduction

We have been asked to comment on the following points on allowing credit for PSWT.

Commencement situations

The effect of the decision in the Daly case is that credit for PSWT is now allowed on a current year basis. The administrative arrangements for crediting/repaying PSWT overpaid as a consequence of the decision in the Daly case, are contained in Statement of Practice IT/1/95.

The amount of PSWT credit allowed against income tax for a year of assessment is the PSWT referable to the basis period for that year of assessment. "Basis period for a year of assessment" is defined in Section 13 Finance Act 1987 [Par(a)] as being the period on the profits or gains of which income tax for that year of assessment falls to be computed for the purposes of Case I or II of Schedule D. The proviso to the definition provides that where two basis periods overlap, the period common to both is deemed to fall into the second basis period only [sub-par (i)].

In commencement situations, basis periods usually overlap. Where this happens, the period of overlap is deemed to fall into the second basis period only. PSWT deducted in this period is referable to the second basis period. Credit for this PSWT is allowed accordingly. Example I below illustrates how this operates.

Cessation situations

The proviso to the definition of "basis period for a year of assessment" provides that where there is an interval between the end of a basis period for one year of assessment and the commencement of the basis period for the next year of assessment, the interval is deemed to be part of the second basis period [sub-par (ii) of par (a)]. In cessation situations, there may be such an interval. Example II below illustrates how credit for PSWT is given in a cessation situation where there is an interval between basis periods.

Partnerships

Under Section 20 Finance Act 1987, credit for PSWT borne by a partnership is apportioned between the partners in proportion to the

ratio by which they share the partnership profits to which the PSWT relates.

From time to time, partners, due to the particular circumstances of their partnership agreement, may wish to allocate the credit for PSWT between them other than in accordance with this basis.

Revenue is prepared to consider requests for the allocation of credit for PSWT between partners other than on the strict basis required by the legislation. Such requests should be made in exceptional circumstances only. For example, where one partner is entitled to a repayment of PSWT, while another partner owes a significant amount of tax, consideration will be given to a request to have credit for PSWT allocated in such a way as to reduce/eliminate both the repayment and the tax outstanding.

The partners in question will be required to sign an undertaking that they will not seek credit/repayment of the tax on any basis, other than that agreed. Any application for such treatment should be made to the partnerships local tax office. ☐

Example I

A trade/profession commences on 1 January 1995. First accounts are submitted for the year ended 31 December 1995. Profits for the year are £10,000. PSWT borne in the year is £2,000.

Example II

A trade/profession, for which accounts were made up to 30 November annually, ceased on 30 November 1995. Profits for the year ended 30 November 1995 were £4,800 (PSWT borne was £900). Profits for the year ended 30 November 1994 were £6,000 (PSWT borne was £1,000).

Year of Assessment	1994/95	1995/96	Year of Assessment	1995/96	1994/95
Basis Period for Year of Assessment	1/1/95 - 5/4/95	1/1/95 - 31/12/95	Basis Period for Year of Assessment	6/4/95 - 30/11/95	year ended 30/11/94*
Profits Assessable	£10,000 x 3/12	£10,000	Profits Assessable	£4,800 x 8/12	£6,000
PSWT Credit	Nil*	£2,000*	PSWT Credit	£900**	£1,000

*The period of overlap for the basis periods for 1994/95 and 1995/96 is the period from 1/1/95 to 5/4/95. This is deemed to fall into the basis period for 1995/96 only. Credit for PSWT borne in the period of overlap is referable to the basis period for 1995/96 and is allowed for in this year.

*No revision to actual basis is necessary - Section 58(5)(a) Income Tax Act 1967.

**The interval between the end of the basis period for 1994/95 and the basis period for 1995/96 is the period from 1/12/94 to 5/4/95. It is deemed to be part of the basis period for 1995/96. PSWT borne in this interval is referable to 1995/96 and credit is allowed accordingly.

Delays in the Issue of Notices of Assessment

Delays occurred during the period March/April/early May in the issuing of Notices of Assessment.

In these cases the **date of receipt** of the notices of assessment can be taken as the date of assessment for appeal and payment purposes.

Issue of Returns for 1995/96

The 1995/96 issue of Returns is now completed and the numbers issued were as follows:

Form 12	328,040
Form 11	183,100
Form 11 (Short)	46,383
Form BP1	13,588
Form AG12	20,078
Form 1	3,394
Form 1 Firms	12,948
Form 54 Claims	22,925
Form 54D	19,153

Third Party Returns

A total of 99,886 Third Party Returns will issue in the first two weeks of July.

1996/97 (01) Telephone Directory entries

Your attention is drawn to some entries in the Revenue entry in 1996/97 (01) Telephone Directory at Page 49.

◆ **Entries highlighted in box**

The Telephone No. (01) 874 6821 for "Certificates of Authorisation (C2)" was omitted due to circumstances beyond our control.

◆ At the time the telephone directory went to press certain office relocations were planned. However, due to unforeseen circumstances, these moves have not yet taken place. Accordingly, please note the following:

VAT Enquiries/Audit Districts

Current addresses, telephone numbers and fax numbers are as follows:

Dublin Audit Districts No's 1 & 2

2nd Floor, Findlater House,
28-32 Upr. O'Connell St.,
Dublin 1.

Telephone No. (01) 874 6821
Fax No. (01) 874 0284

These Districts deal with Audit and VAT queries in relation to the Construction & Property Industry.

Dublin Audit District No. 3,

2nd Floor, Hawkins House,
Hawkins Street,
Dublin 2.

Telephone No. (01) 677 5004
Fax No. (01) 677 5003

This District deals with Audit & VAT queries of Professionals & Related Companies.

Dublin Audit District No. 4,
2nd Floor, Lansdowne House,
Lansdowne Road,
Dublin 4.

Telephone No. (01) 668 9400
Fax No. (01) 668 4753

This District deals with Audit & VAT queries of Agribusiness, Fisheries, Farming & Forestry Industries.

Dublin Audit District No. 7,

5th Floor, Lansdowne House,
Lansdowne Road,
Dublin 4.

Telephone No. (01) 668 9400
Fax No. (01) 668 6512

This District deals with Audit & Vat queries of Investment & Rental Income (including Trusts & Investment Co's.)

The details shown for Dublin Audit Districts No's 5, 6, 8, 9 & 10 are correct.

Retirement Benefits District,

6th Floor, Lansdowne House,
Lansdowne Road,
Dublin 4.

Telephone No. (01) 668 9400
Fax No. (01) 668 6512

We regret any inconvenience caused.

Customs Union between Turkey and the European Union

Since 1 January 1996 a Customs Union has been established between Turkey and the European Union. This Union provides for the free movement of goods between the E.U. and Turkey with the exception of European Coal and Steel Community products (ECSC), Euratom and certain agricultural products.

Enquiries regarding the Customs Union can be made to the:

Customs Economic Procedures Unit,
Government Offices,
Nenagh,
Co. Tipperary.
Tel: (067) 33533 Ext. 3204
Fax: (067) 32373.

Return by Employers of Benefits - Forms P11D

A selective issue of **Forms P11D** has taken place in respect of the year ended **5 April 1996**. The Form P11D requires the employers concerned to return details of benefits, non-cash emoluments and benefits not subjected to PAYE provided to employees with emoluments of £1,500 or more for the year **and** to all directors. Only those employers to whom the forms issue will be required to make a return.

A total of 6,744 forms have issued.

Publication of New Audit Guide for the self-employed

A copy of the Guide is enclosed for your convenience.

Revenue Key Points Card for 1996/97

A Key Points Card outlining the main allowances, reliefs etc. for 1996/97 is enclosed with this issue.

New Information Leaflets

Leaflet IT 30

Relief for Expenditure on Approved Buildings and Gardens in the State.

Leaflet IT 31

Tax Relief for Tuition Fees paid to Private Colleges.

Leaflet IT 33

Tax Relief for Home Alarms.

Copies of these leaflets can be obtained from the

Revenue Forms & Leaflets Service

at (01) 878 0100
(This service is available 24 hours a day)

Sterling Conversion Rates

The average rates of exchange for Sterling for recent years are as follows:

Year ended 5 April 96:

STG£1 = IR£0.9679

Year ended 5 April 95:

STG£1 = IR£1.0019

Year ended 5 April 94:

STG£1 = IR£0.9995

The daily and monthly rates for 1995/96 are given in the chart on page 19. **Please note that the table shows the Irish pound equivalent of a Sterling pound.**

Other Currencies

The chart on page 20 sets out conversion rates for a range of currencies based on the fiscal year average market mid-closing exchange rate compared to the IR£.

Thank you

A word of thanks to all our contributors and to all the practitioners who have written to express their views and support.

We continue to welcome the views of practitioners on content or on any topics or points of general interest which they would like to see included.

TABLE OF CAPITAL GAINS TAX INFLATION MULTIPLIERS

Year Expenditure Incurred ↓	Multiplier for Disposal in year ended 5 April									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
1974/75	4.756	4.848	5.009	5.221	5.355	5.552	5.656	5.754	5.899	6.017
1975/76	3.842	3.916	4.046	4.217	4.326	4.484	4.586	4.647	4.764	4.860
1976/77	3.309	3.373	3.485	3.633	3.726	3.863	3.935	4.003	4.104	4.187
1977/78	2.837	2.892	2.988	3.114	3.194	3.312	3.373	3.432	3.518	3.589
1978/79	2.621	2.672	2.760	2.877	2.951	3.059	3.117	3.171	3.250	3.316
1979/80	2.365	2.410	2.490	2.596	2.663	2.760	2.812	2.861	2.933	2.992
1980/81	2.047	2.087	2.156	2.247	2.305	2.390	2.434	2.477	2.539	2.590
1981/82	1.692	1.725	1.782	1.857	1.905	1.975	2.012	2.047	2.099	2.141
1982/83	1.424	1.451	1.499	1.563	1.603	1.662	1.693	1.722	1.765	1.801
1983/84	1.266	1.290	1.333	1.390	1.425	1.478	1.505	1.531	1.570	1.601
1984/85	1.149	1.717	1.210	1.261	1.294	1.341	1.366	1.390	1.425	1.454
1985/86	1.082	1.103	1.140	1.188	1.218	1.263	1.287	1.309	1.342	1.369
1986/87	1.035	1.055	1.090	1.136	1.165	1.208	1.230	1.252	1.283	1.309
1987/88	-	1.020	1.054	1.098	1.126	1.168	1.190	1.210	1.241	1.266
1988/89	-	-	1.034	1.077	1.105	1.146	1.167	1.187	1.217	1.242
1989/90	-	-	-	1.043	1.070	1.109	1.130	1.149	1.178	1.202
1990/91	-	-	-	-	1.026	1.064	1.084	1.102	1.130	1.153
1991/92	-	-	-	-	-	1.037	1.056	1.075	1.102	1.124
1992/93	-	-	-	-	-	-	1.019	1.037	1.063	1.084
1993/94	-	-	-	-	-	-	-	1.018	1.043	1.064
1994/95	-	-	-	-	-	-	-	-	1.026	1.046
1995/96	-	-	-	-	-	-	-	-	-	1.021

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.

STERLING RATE 1995/96 (Punt Equivalent of Sterling Pound)

	Apr 6- May 5	May 6- Jun 5	Jun 6- Jul 5	Jul 6- Aug 5	Aug 6- Sep 5	Sep 6- Oct 5	Oct 6- Nov 5	Nov 6- Jan 6	Dec 6- Jan 5	Jan 6- Feb 5	Feb 6- Mar 5	Mar 6- Apr 5
DATE												
6	0.9847	NONE	0.9713	0.9629	NONE	0.9713	0.9816	0.9779	0.9668	NONE	0.9602	0.9625
7	0.9833	NONE	0.9713	0.9662	0.9648	0.9718	NONE	0.9767	0.9675	NONE	0.9611	0.9629
8	NONE	0.9680	0.9742	NONE	0.9680	0.9723	NONE	0.9771	0.9669	0.9588	0.9615	0.9634
9	NONE	0.9680	0.9728	NONE	0.9680	NONE	0.9819	0.9780	NONE	0.9588	0.9625	NONE
10	0.9847	0.9643	NONE	0.9662	0.9685	NONE	0.9787	0.9763	NONE	0.9579	NONE	NONE
11	0.9823	0.9634	NONE	0.9652	0.9671	0.9713	0.9771	NONE	0.9669	0.9574	NONE	0.9625
12	0.9785	0.9662	0.9709	0.9639	NONE	0.9704	0.9776	NONE	0.9693	0.9560	0.9611	0.9629
13	0.9766	NONE	0.9704	0.9648	NONE	0.9713	0.9780	0.9748	0.9684	NONE	0.9625	0.9606
14	NONE	NONE	0.9723	0.9648	0.9671	0.9718	NONE	0.9739	0.9685	NONE	0.9639	0.9602
15	NONE	0.9704	0.9723	NONE	0.9662	0.9704	NONE	0.9709	0.9685	0.9565	0.9629	0.9602
16	NONE	0.9662	0.9728	NONE	0.9732	NONE	0.9786	0.9714	NONE	0.9556	0.9634	NONE
17	NONE	0.9709	NONE	0.9643	0.9670	NONE	0.9791	0.9692	NONE	0.9569	NONE	NONE
18	0.9718	0.9709	NONE	0.9648	0.9690	0.9695	0.9781	NONE	0.9661	0.9551	NONE	NONE
19	0.9671	0.9713	0.9709	0.9639	NONE	0.9790	0.9784	NONE	0.9681	0.9542	0.9629	0.9606
20	0.9676	NONE	0.9695	0.9615	NONE	0.9788	0.9779	0.9672	0.9692	NONE	0.9615	0.9611
21	0.9723	NONE	0.9704	0.9615	0.9680	0.9780	NONE	0.9699	0.9671	NONE	0.9629	0.9629
22	NONE	0.9732	0.9766	NONE	0.9676	0.9774	NONE	0.9713	0.9677	0.9528	0.9620	0.9634
23	NONE	0.9723	0.9742	NONE	0.9676	NONE	0.9753	0.9704	NONE	0.9542	0.9611	NONE
24	0.9713	0.9737	NONE	0.9625	0.9670	NONE	0.9739	0.9684	NONE	0.9542	NONE	NONE
25	0.9728	0.9728	NONE	0.9611	0.9704	0.9795	0.9735	NONE	NONE	0.9537	NONE	0.9606
26	0.9728	0.9709	0.9690	0.9615	NONE	0.9790	0.9741	NONE	NONE	0.9537	0.9592	0.9602
27	0.9761	NONE	0.9652	0.9611	NONE	0.9780	0.9748	0.9684	0.9680	NONE	0.9592	0.9611
28	0.9785	NONE	0.9634	0.9606	0.9685	0.9780	NONE	0.9691	0.9683	NONE	0.9606	0.9611
29	NONE	0.9666	0.9662	NONE	0.9685	0.9779	NONE	0.9668	0.9687	0.9542	0.9625	0.9602
30	NONE	0.9680	0.9634	NONE	0.9680	NONE	0.9753	0.9662	NONE	0.9547	NONE	NONE
31	NONE	0.9666	NONE	0.9620	0.9676	NONE	0.9753	NONE	NONE	0.9556	NONE	NONE
1	NONE	0.9704	NONE	0.9629	0.9676	NONE	0.9774	0.9659	NONE	0.9569	0.9620	0.9597
2	0.9775	0.9718	NONE	0.9629	NONE	0.9805	0.9781	NONE	0.9569	0.9583	NONE	0.9602
3	0.9728	NONE	0.9620	0.9648	NONE	0.9806	0.9780	NONE	0.9588	NONE	NONE	0.9615
4	0.9766	NONE	0.9634	0.9657	0.9676	0.9803	NONE	0.9662	0.9597	NONE	0.9620	0.9602
5	0.9751	NONE	0.9634	NONE	0.9676	0.9820	NONE	0.9660	0.9602	0.9597	0.9620	NONE
Monthly Average	0.9759	0.9693	0.9694	0.9634	0.9680	0.9759	0.9773	0.9710	0.9661	0.9560	0.9618	0.9613

Yearly Average 0.9679

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

Year	USD	GBP	DEM	FRF	NLG	BEF	DKK	ITL	GRD	ESP	PTE
1989/90	1.4515	0.8983	2.6610	9.0209	3.0005	55.70	10.3217	1947.21	237.36	168.99	227.05
1990/91	1.7024	0.9204	2.6756	9.0216	3.0146	55.13	10.2382	1989.57	271.40	167.32	236.07
1991/92	1.5917	0.9179	2.6712	9.0844	3.0089	54.99	10.3231	1998.93	299.25	167.69	231.36
1992/93	1.6771	0.9960	2.6122	8.8474	2.9406	53.79	10.0743	2189.19	331.94	176.76	229.06
1993/94	1.4410	0.9576	2.4134	8.2717	2.7091	50.46	9.4937	2311.51	340.77	192.91	241.01
1994/95	1.5171	0.9746	2.3623	8.1325	2.6488	48.64	9.2952	2427.69	361.74	198.86	243.05
1995/96	1.6048	1.0263	2.2973	7.9607	2.5724	47.23	8.9211	2583.78	374.84	197.23	240.24

USD	U.S. Dollar	FRF	French Franc	DKK	Danish Krone	ESP	Spanish Peseta
GBP	Sterling	NLG	Dutch Guilder	ITL	Italian Lira	PTE	Portuguese Escudo
DEM	Deutschmark	BEF	Belgian Franc	GRD	Greek Drachma		

Year	JPY	CBF	SEK	NOK	FIM	ATS	HKD	CAD	AUD	IEU	IER
1989/90	208.08	2.3392	9.2784	9.9316	6.1052	18.73	11.3262	1.7145	1.8828	1.2925	65.60
1990/91	239.10	2.2713	9.8577	10.3940	6.3638	18.83	13.2522	1.9743	2.1701	1.2987	68.34
1991/92	211.65	2.3407	9.6875	10.4533	6.7365	18.80	12.3501	1.8325	2.0610	1.3038	67.27
1992/93	208.84	2.3647	10.3668	10.6010	8.0209	18.39	12.9714	2.0612	2.3364	1.3105	69.69
1993/94	155.22	2.1086	11.3854	10.3968	8.1706	16.98	11.1441	1.8884	2.1075	1.2500	65.12
1994/95	150.44	1.9884	11.4479	10.3300	7.5123	16.62	11.7282	2.0967	2.0450	1.2419	65.65
1995/96	155.19	1.9776	11.2042	10.1331	6.9929	16.16	12.4129	2.1864	2.1590	1.2439	67.40

JPY	Japanese Yen	NOK	Norwegian Krone	HKD	Hong Kong Dollar	IEU	E.C.U.
CBF	Swiss Franc	FIM	Finnish Markkaa	CAD	Canadian Dollar	IER	E.E.R. Index
SEK	Swedish Krona	ATS	Austrian Schilling	AUD	Australian Dollar		