

TAX BRIEFING

Office of the Chief Inspector of Taxes

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Key Dates

March

- 1** ***PAYE***
Bulk Issue of TFA certs and Employer TDC's commences.
Income Tax
Last date for authorisation for payment of Preliminary Tax for 1998/99 by direct debit.
- 14** ***PAYE/PRSI***
Monthly remittance for month ended 5 March 1998.
- 19** ***VAT***
Remittance for period January/February.
- 1-28** ***Corporation Tax***
Preliminary Tax and ACT for A.Ps. ending between 1-30 September 1997.
- 1-31** ***Corporation Tax***
Returns for A.Ps. ending between 1-30 June 1997.
Returns of Third Party Information for A.Ps. ending between 1-30 June 1997.

April

- 3** ***Income Tax & PAYE***
Tax Return Forms for 1997/98 to issue.
- 14** ***PAYE/PRSI***
Monthly remittance for month ended 5 April 1998.
Employees should receive Form P60 for 1997/98.
- 1-28** ***Corporation Tax***
Preliminary Tax and ACT for A.Ps. ending between 1-31 October 1997.
- 1-30** ***Corporation Tax***
Returns for A.Ps. ending between 1-31 July 1997.
Returns for Third Party Information for A.Ps. ending between 1-31 July 1997.
- 30** ***PAYE/PRSI***
P35 for year 1997/98.
Income Tax
Payment of any balance of tax for 1996/97.

COMPLIANCE - 1998 Initiatives

In the last issue of **Tax Briefing** (Issue 29, December 1997) your attention was drawn to the Income Tax return filing deadline of 31 January 1998. This was subsequently extended concessionally to Monday 2 February 1998. The benefits of filing on time were highlighted. You may have seen or heard the Revenue countrywide media campaign launched in January to encourage timely filing - *to avoid a big fine... make your return on time!*

The filing deadline has now passed. At the point of going to print however, we are unable to report on the return filing figures. This article will focus on the Compliance initiatives planned for 1998 in the pursuit of the non-filers.

Corporation Tax

All company secretaries who have not filed Corporation Tax Returns for 1996 accounting periods on or before 9 January received letters in January. It is now proposed, in early March, to issue each tax District with their lists of non-filers so that they can be pursued by telephone, interview, visit, prosecution, record examination or enforcement of the tax as appropriate. Each District will receive details of cases that have some or all returns outstanding for the years 31 December 1991 et seq. While priority will be given to the more persistent non-filer cases, it is intended to impact on every case. [Last year the persistent non-filer programme was not available until late summer and it overlapped with work ongoing in the districts since January.] This year Districts have details on all cases from the outset. There will be far greater recourse to prosecution than in prior years.

Income Tax

The Income Tax programme will be pursued along the same lines as last year. However, the campaign will start earlier. The problems identified in the programme last year have all been addressed and with the benefit of the experience of last years' programme, we hope to have a more efficient and effective Returns Compliance operation in 1998. There will be far greater recourse to prosecution than in prior years.

- All individuals, including directors, who have not filed their 1996/97 Tax Return by 10 March 1998 will receive a letter at their home address circa 18/19 March. **You are reminded that, if returns are filed before 31 March 1998, the reduced surcharge rate of 5% applies. Thereafter the rate is 10%. So, even if the returns are late at this stage, it is possible to restrict the late filing surcharge to 5% of the tax liability by filing before 31 March 1998**
- Cases that commenced between 6 April 1995 and 5 April 1996 will receive a separate letter as they may have two returns outstanding for 1995/96 and 1996/97. Cases that commenced after 6 April 1996 will not be contacted.
- Tax Districts will be provided with details of their non-filers from 1991/92 et seq. All cases will be pursued by telephone, interview, visit, prosecution, record examination or enforcement of the tax as appropriate.
- Following a successful prosecution programme in 1997 in which a number of persistent non-filers were fined up to 5,000, it is intended that a significant number of suitable cases will continue to be pursued through the Courts under *Section 1078 Taxes Consolidation Act* [formerly Section 94 Finance Act 1983].

- All non-filer cases are screened for possible examination of books and records. The more serious non-filers will be referred directly to Audit from Compliance for an examination of the books and records. A number of these type of cases were pursued in 1997 with very significant results (including the payment of interest and penalties).
- Notwithstanding the prosecution and record examination activity, the pursuit of any outstanding tax remains a priority. From 1998 onwards Inspectors of Taxes will be referring tax directly to the sheriff and solicitors for enforcement action. If appropriate, attachment notices will be issued by the District Inspector.

In 1998, Revenue intend to build on the success of the 1997 Returns Compliance initiatives and to continue to concentrate time and resources on this programme. Persistent non-filing will not be permitted to continue. Every effort will be made to reach finality in these cases.

Your co-operation as agents with the 1997 initiatives is appreciated. Once again we are asking for your support in our endeavours in 1998.

- Lists of your non-filing clients can be requested from your local District in March (CT) and in May (IT). It is hoped that by next year we will have overcome the technical difficulties and you will get this data at the outset.
- As in 1997, we will not always be sending out written notification of visits but we will try to advise in advance that a visit is scheduled.
- If you know that a case has ceased, dissolved, gone into liquidation, died, gone unknown or should in fact be deemed "NNL" - nil net liability, please contact the relevant tax office immediately so that these cases can be dealt with appropriately.
- Please continue to advise your clients to file any outstanding returns now to avoid any further contact from the Compliance units

The Revenue Returns publicity campaign will continue over the coming months alongside the various initiatives outlined above.

EMPLOYMENT GRANTS - Update

Tax Briefing Issue 26 contained an article on the tax treatment of employment grants and recruitment subsidies. Two of the sections mentioned under the heading “Exempted Payments” - Section 18 FA 1982 [*now Section 225 Taxes Consolidation Act 1997*] and Section 40 FA 1986 [*now Section 226 Taxes Consolidation Act 1997*] were amended by the 1997 Finance Act.

Section 225 Taxes Consolidation Act 1997 [formerly Section 18 Finance Act 1982]

The section now reads as follows:

- (1) *This section shall apply to an employment grant made under -
section 25 of the Industrial Development Act, 1986, or
section 12 of the Industrial Development Act, 1993.*
- (2) *A grant to which this section applies shall be disregarded for all the purposes of the Tax Acts*

The previous reference in the section was to the Employer’s Employment Contribution Scheme and Section 2 of the Industrial Development (No 2) Act, 1981. The exemption now covers grants made by the successor bodies to the Industrial Development Authority under the Industrial Development Act, 1993 and applies to grants made before and after the passing of the Finance Act 1997.

Section 226 Taxes Consolidation Act 1997 [previously Section 40 Finance Act 1996]

Section 40 Finance Act 1997 amended Section 40 Finance Act 1996 which provided that certain employment grants and recruitment subsidies which are paid to employers who employ a person or persons under certain employment schemes are to be free of tax in the hands of the employer. Section 40 Finance Act 1997 extended this tax treatment, **with effect from 6 April 1997**, to employment grants or subsidies paid under:

- The Employment Support Scheme which is administered by the National Rehabilitation Board
- and**
- The Pilot Programme for the Employment of People with Disabilities which is administered by The Rehab Group.

P35 - On Diskette

New Diskette system available for tax practitioners

A new pre-formatted diskette is now available to assist practitioners who will be completing P35 for clients who do not have a computerised payroll system.

The system offers practitioners a simpler and more cost effective method of inputting P35 end-of-year details on diskette. The benefits of this scheme are:

- The P35 Declaration will be the only form that will have to be manually completed
- It provides a facility for the printing of the P60's for employees of the client. (A new computer compatible P60 has been designed and will be made available to those practitioners who wish to avail of the new system)
- It will enable practitioners supply details of multiple employers on the one diskette
- Some validation has been built into the system which will capture basic input errors
- Help facilities will also be provided.

The pre-formatted diskette will be available from February 1998. Practitioners wishing to avail of this package or who require further information, should contact: Ciaran Hanly at 067 - 33533 Ext. 3144 or in the greater Dublin area telephone: 01 - 6774211.

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

VAT - No Further Cheque Repayments

Change in system of VAT repayments with effect from 1 July 1998

In December 1996 the Collector-General introduced a further customer service initiative whereby VAT registered traders can have their repayments paid directly to a nominated Bank or Building Society Account.

There has been an enthusiastic response to this initiative and the Direct Repayment System will replace the cheque payment method for all VAT registered customers with effect from:

1 JULY 1998

From that date, there will be no cheque repayments and it will only be possible to receive a VAT repayment where details of a nominated Bank or Building Society account have been provided to the Collector-General. These details can be included on the VAT 3 return form.

They can also be provided separately to the Collector-General, including, in particular, the following information:

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

Full information on this scheme has already featured in Issue 26 of **Tax Briefing**. However, if practitioners or customers should require further details they should contact:

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

Telephone: 061- 310310

Fax: 061 - 401013

VAT - Cash Basis

Cash Receipts Basis of accounting for VAT

Practitioners will recall that last July the annual turnover threshold for eligibility for the cash receipts basis was increased from £250,000 to **£500,000**. There is a cash flow benefit to be obtained by qualifying traders in changing to a cash receipts basis of accounting for VAT.

Some practitioners have expressed concern that, at the time of changing to the cash receipts basis, a trader might be obliged to account for VAT twice in relation to the same supply - initially during the taxable period when the invoice issues and subsequently in a later taxable period when payment is received. This is not correct. Where VAT in relation to a supply has already been accounted for prior to authorisation to use the cash basis, no further liability arises when payment is subsequently received. (Section 14(1A)(b) of the VAT Act refers).

Practitioners dealing with clients who wish to change to the cash receipts basis should notify their local tax office giving details of their turnover for the last twelve months and an estimate of their likely turnover for the next twelve months.

THE EURO and TAX - Revenue Services

Introduction

On **1 January 1999** Economic and Monetary Union (EMU) will commence and the euro will become the currency of participating Member States. Conversion rates between participating national currencies and the euro will be irrevocably fixed. Euro notes and coins will be introduced on 1 January 2002, and national notes and coins will be withdrawn, within six months.

During the transition phase, which runs from 1 January 1999 until 1 January 2002, euro notes and coins will not be available, national currency notes and coins will continue to circulate in this period. However, it will be possible to carry out transactions in euro through the banking system. For example, it will be possible to hold a euro bank account and to make or receive payments in euro electronically. Revenue has been preparing since 1995 for this major change, and has already informed business in general terms of our changeover plans. In April 1997, we published our booklet - " *Preparing for the Euro, A Guide for Business on the Taxation and Customs aspects of the Changeover to the Euro* ". In December 1997, we issued our **Eurolink** leaflet to all employers. As well as informing business about our changeover plans, this leaflet also included advice from the Forfás EMU Business Awareness Campaign on planning for the euro.

In the coming months we will intensify our information campaign to ensure that business is informed in good time of the options available to them. As part of this campaign, we now publish the first in a series of articles in **Tax Briefing** dealing with aspects of the new currency as they will impact on the tax affairs of businesses

This article focuses on:

- The services which Revenue will offer business on Ireland's entry into EMU
- The dates from which the services may be availed of
- How businesses can elect to change their tax operations to euro.

Future articles in the series will include coverage of the following:

- Changeover procedures for:
 - Corporation Tax
 - Income Tax (non-PAYE)
 - Capital Gains Tax
 - Employer's PAYE/PRSI
 - VAT
 - Relevant Contracts Tax
- Details of how payments of tax can be made in euro and the circumstances in which tax repayments will be made in euro
- Record keeping issues arising on the changeover to euro by a business
- Technical taxation issues relating to the introduction of the new currency.

Revenue's euro services

The decision for each business as to when to change its operating currency to euro will be influenced by trade factors including, for example, the operating currency of suppliers or customers of the business. Obviously, when a business switches its operating currency to euro, changes to administrative procedures including tax administration will follow. Revenue is committed to administering the tax system in a manner which allows businesses to discharge their tax obligations with minimum

interference to their day to day operations. In the context of the introduction of the euro, we aim to do this by:

- Being as flexible as possible in facilitating our customers who wish to switch to euro at an early stage in the transition phase while simultaneously providing the usual range of services to those who continue to operate in Irish pounds
- Keeping our customers fully informed of the options available to them from a tax point of view.

From Ireland's entry into EMU:

Revenue will accept payment of tax in either Irish pounds or euro. Businesses may submit returns and declarations in euro for:

- **Corporation Tax**
in respect of accounting periods ending on or after 1 January 1999
- **Income Tax**
for those under the Self-Assessment system with effect from 1998/99
- **Capital Gains Tax**
for disposals on or after 1 January 1999
- **Employe's PAYE/PRSI**
with effect from 1999/00
- **VAT**
in respect of bi-monthly periods after 1 January 1999

From 1 January 1999 - the following:

- **Capital Acquisitions Tax**
returns completed in euro
- **Stamp Duty**
for returns/instruments denominated in euro
- **Customs & Excise Duties**
- **VIES & INTRASTAT Returns.**

Electing for euro

The facility to make returns and declarations in euro for taxes other than for Customs and Excise duties, Stamp Duty and Capital Acquisitions Tax will require an irrevocable election by taxpayers to adopt the euro as the reporting currency for those taxes. In the transition phase, we will assume that customers wish to continue paying tax and making returns in Irish pounds until we receive an election from them indicating that they wish to deal with us in euro. The election will be made by completing a short election form on which customers will indicate the euro services they require. This form will be available towards the end of 1998 and will be issued to all customers to facilitate their election for euro services either from 1 January 1999 or at any time during the transition phase.

We recognise that businesses may not wish to switch to euro for all taxes at the same time. For example, a company may wish to conduct its Corporation Tax affairs in euro at the earliest opportunity while continuing to operate its payroll in Irish pounds until the end of the transition phase. Alternatively, a company may wish to switch to euro for VAT purposes only. Accordingly, it will be possible to switch to euro for VAT only or for Corporation Tax/Income Tax/Capital Gains only. We will be as flexible as possible in allowing businesses choose the most appropriate option. Further details regarding election options will be given in **Tax Briefing** later in 1998.

The decision to switch the operations of a business to euro is a major one. We anticipate that businesses will take this decision only after careful consideration of all the issues which are relevant to them. We expect that when a business has decided to switch to euro, it will not revert to operating in Irish pounds.

We will be advising our customers that they should elect to have their tax affairs dealt with in euro only when they are certain that there will be no reversion to Irish Pounds. We recommend that practitioners advise their clients about this.

Revenue documentation

Forms

We will produce euro and Irish pound versions of forms during the transition phase. Thus, businesses which elect for euro services will receive the euro version of forms, while customers staying with IR£ operations will continue to receive the IR£ version of forms. It is particularly important that tax practitioners and agents who may be dealing with the tax affairs of both euro and IR£ clients use the appropriate version of forms for the purpose of payments and returns on their clients behalf.

Outputs from Revenue

Following the introduction of the euro on 1 January 1999 outputs from Revenue for 'euro customers' will be in euro, where possible. For example, a tax demand for a euro customer which covers periods pre and post January 1999, will be shown in euro. Notices of assessment for Income Tax, Corporation Tax and Capital Gains Tax, issuing in respect of periods prior to the changeover by the customer to euro, will continue to issue in IR£ and will show the final amount (i.e. tax payable or repayable) in both denominations. Euro bank giros will attach to such notices of assessment. Repayments of tax will be in euro for businesses which have elected for euro services. This will be the case whether the repayment is in respect of a pre-euro or post-euro period. Further details about repayments will be given in a later article in this series.

Fixed Conversion Rate

The conversion rate between the Irish Pound and the euro will be **irrevocably** fixed on 1 January 1999.

Sooner or later, every business will have to switch their operating currency to euro. From the time a business switches to operating in euro, accounts and tax computations will have to be prepared in the new currency. All Irish pound amounts which are carried or brought forward from a pre-euro tax period must be converted at the fixed Irish pound/euro rate of exchange. During the transition phase, businesses which continue to operate in Irish pounds may be dealing with suppliers, customers etc. who operate in euro. In addition, businesses which switch to euro at an early stage may be trading with persons operating in Irish pounds. For the purposes of book-keeping, preparing accounts and completing tax returns, businesses and tax practitioners/agents should ensure that

- All amounts are entered in the correct currency expression
- The necessary currency conversions at the fixed conversion rate have been made.

Technical taxation issues

Certain technical taxation issues will arise as a result of EMU. These are currently under consideration and will be given coverage in **Tax Briefing** later in 1998.

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

Telephone: 01 - 679 2777

Ext. 4148/4817

Fax: 01 - 679 3352

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

VAT - EU Supplies

Irish VAT registered traders who supply goods or services or incur deductible expenses in other Member States of the EU

Irish VAT traders **who make supplies of goods or services in other Member States of the EU** may be required to register for VAT in those Member States. It should be noted that a trader does not need to have an establishment in a Member State to be required to register for VAT there. Whether registration is required is determined by the place of supply of the goods or services involved as set out in the Sixth VAT Directive and the relevant legislation in the Member State concerned. Initial enquiries on whether a trader has an obligation to register for VAT outside the state can be made with the traders local tax office or direct to the authorities in the other Member State.

Irish VAT registered traders **who are charged VAT in other Member States of the EU** on deductible expenses incurred in connection with their taxable supplies may, under the Eight VAT Directive and subject to whatever conditions are laid down by that Member State, be entitled to a refund of the VAT charged on those expenses. Details of the addresses for enquiries in connection with registration requirements and refunds due under the Eight VAT Directive in other Member States are set out on pages 31, 32 & 33..

VAT - Trade-Ins

Moveable goods excluding motor vehicles

There appears to be some confusion among dealers and practitioners on the subject of trade-ins. From a VAT perspective the concept of a Trade-In has been abolished since **1 July 1995** following the implementation of the Seventh VAT Directive on the taxation of second-hand goods. Prior to that date the supply of a new good and the acquisition of the trade-in was treated as a single transaction and the dealer was liable to tax on the balance paid by the customer.

Under the post 1 July 1995 arrangements there are two distinct transactions:

- The supply by the dealer of the new item giving rise to a VAT liability on the **full value**
- The purchase and subsequent supply by the dealer of the second-hand item.

The VAT treatment of the purchase and supply will vary depending on whether the goods are Margin Scheme Goods or not.

Margin Scheme Goods*

If the purchase is made by the dealer from any of the following:

- A private individual
- A VAT exempt trader
- A taxable trader who was not entitled to deduct tax under Section 12 on the acquisition of the goods

- Another dealer selling margin scheme goods

The dealer is not entitled to claim input credit but is only liable to account on his margin when the item is resold.

* Margin Scheme Goods are defined in Section 10A, VAT Act 1972 as amended.

Non Margin Scheme Goods

If the dealer purchases the item from a VAT registered trader, the latter must issue a VAT invoice and account for the VAT on his periodic VAT return. The purchasing dealer can claim VAT input credit in the normal manner based on possession of a valid VAT invoice. He is of course liable to VAT on the full value of the second-hand good when he resells same.

Paragraph 5.5 of the 1994 Guide to Value Added Tax is no longer valid and should be disregarded.

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or other website text.

CUSTOMER SERVICE - Developments

Increase in personal callers

The total number of personal callers to tax offices in 1997 was 600,518. Of this total 184,337 called to the *Central Revenue Information Office* during 1997. As a result of the increase in personal callers a decision was taken to locate a new Information Office in Tallaght. The decision to locate an Information Office in Tallaght was taken with a view to making the service more directly accessible to customers.

The location is particularly convenient for residents of Kildare, Wicklow, South Dublin, and, of course, Tallaght itself.

The **Information Office** offers a comprehensive taxation service to all taxpayers who call there, no matter where they live or work. Staff are on hand to help with the completion of tax forms, to help with applications for tax-free allowance certificates, and generally to answer whatever tax queries customers may have. Staff have on-line access to Revenue's main computer records and can bring each caller's tax affairs up on-screen ensuring an immediate response.

The Office was officially opened by the **Minister for Finance Mr. Charlie McCreevy T.D.** on 30 January 1998. A new **Vehicle Registration Office** also located in Tallaght was officially opened on the same date.

The **Vehicle Registration Office** deals with all aspects of Vehicle Registration Tax, covering both new and second-hand vehicles. Staff are available to assist customers in all matters relating to VRT. The services provided include a dedicated central Telephone Enquiry Office for VRT matters and Internet E-mail access. This E-mail facility removes the problem of distance for customers who may have a query and are not able to call to the office in person. A further new service due to open before the end of March will enable callers to obtain a quotation of the VRT payable on any vehicle on a self-service basis using a user-friendly interactive Information Kiosk.

Customer Service Standards

The Minister also launched Revenue's booklet "**Customer Service Standards**" which sets out the standards of service which Revenue's customers may expect to receive in all of its 130 offices around the country. It also contains details of contact points for obtaining Revenue information, a list of Information Leaflets and reminder of key tax dates.

The publication of these standards will assist Revenue in measuring its performance and evaluating the standard of service delivery to its customers. The results of this evaluation will be published each year in Revenue's Annual Report.

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

The addresses of both offices in Tallaght are:

- Tallaght Revenue Information Office,
Level 2,
The Square,
Dublin 24.
- Vehicle Registration Office,
St. Johns House,
High Street,

Tallaght,
Dublin 24.

FINANCE BILL 1998 - Non-Budget Items

The following are some of the non-Budget items included in the 1998 Finance Bill.

Relief for new shares purchased on issue by employees

Holding period

Section 479 Taxes Consolidation Act 1997 provides tax relief on newly issued shares purchased by employees of Irish companies, subject to a lifetime cap of £5,000 on the value of shares purchased. The relief is withdrawn if the shares are disposed of within 5 years. This 5 years holding period is being reduced to **3 years** in respect of shares disposed of after the publication of the Finance Bill. This brings the relief into line with a similar requirement regarding the holding of shares acquired under Approved Profit Sharing Schemes.

Elimination of multiple penalty

The withdrawal of relief under *Section 479 Taxes Consolidation Act 1997* can be triggered by the disposal by the employee within the holding period of **any** shares of the same class in the company as those to which he has been granted relief, for example, shares acquired under an Approved Profit Sharing Scheme. Where a charge to tax arises under the profit sharing legislation in respect of that disposal (i.e. because the shares are disposed of within the required holding period) there is in effect a double charge to tax on the disposal. The same problem arises as between "Section 479" relief and the BES, profit sharing and the BES and, indeed, all three provisions which, in certain circumstances, could result in a triple tax penalty in respect of a single disposal of shares. The Finance Bill contains provisions to secure that there will be no more than one tax penalty, if appropriate, in such circumstances.

Covenants

When tax relief for covenants was restricted in 1995 in the context of the introduction of free third level education, a special hardship provision was included to cover certain households with dependent children, mainly cohabiting couples, who were at that time using covenants to covenant income to the non-working partner. The hardship provision is due to lapse on 6 April 1998. This hardship provision is being extended for a further period of two years to **6 April 2000**.

Amendments to Relevant Contracts Tax legislation (subcontractors)

The system will now be extended to the white meat (poultry) trade, to certain related activities in the meat industry generally and to certain haulage operations. This extension arises from ongoing work by Revenue to counter black economy concerns and will take effect from 6 October 1998 to allow time for the industry to adjust and for the administrative procedures to be put in place.

1997 Enterprise Zones

The 1997 Finance Act extended the enterprise zone status of certain existing designated areas until 31 July 1998. The Act also designated three new areas as

enterprise zones (in Gallanstown - Cherry Orchard, Finglas - Ballymun and Rosslare Harbour) and provided for areas around the seven regional airports to be given enterprise zone status by Order. The enterprise zone scheme was submitted to the EU for approval as a State aid and this approval was given on 16 December 1997. However, the Commission approval extends only until 31 December 1999 and not 30 June 2000 as specified in the 1997 Act for the new areas. The Bill carries through this amendment. In the case of the regional airports, no specific area around any airport has yet been designated and it will be necessary to submit each such area to the EU Commission for approval when designated by Order.

Capital Allowances for 3rd level education

Section 843 of the Taxes Consolidation Act 1997 allows capital allowances on certain infrastructural projects in publicly funded third level educational institutions where at least half of the cost of the project is to be met by private subscriptions. The Bill now allows third level institutions coming under the Higher Education Authority Act 1971 which are not publicly funded to qualify. The Bill also contains a small technical amendment to clarify the operation of the section.

Capital Gains Tax - rollover relief for greyhound tracks

The Bill extends CGT rollover relief to greyhound tracks on the same basis as currently applies to racecourses under the 1997 Finance Act. This will allow the capital gains tax liability on the proceeds of the sale of development land owned by the greyhound tracks to be rolled over once the proceeds are re-invested in track facilities and structures.

IFSC / Shannon

Transactions in foreign currency

Sections 110 and 446 Taxes Consolidation Act 1997 include restrictions on the carrying out of certain activities by companies certified for the IFSC to those activities involving foreign currency. The purpose of these restrictions was to prohibit dealings and transactions by IFSC companies in Irish currency. On the assumption that Ireland joins EMU from the outset, on 1 January 1999, the euro will become the currency of this State and of other EU Member States joining EMU. References to "foreign currency" as occurs in Sections 110 and 446 would no longer be relevant in the context of EMU and these references will be deleted by Ministerial order with the introduction of the euro.

Other amendments to *Sections 445 and 446 Taxes Consolidation Act 1997*, will remove the Irish currency restrictions contained in the certificates already issued to Shannon and IFSC companies under these sections. Further measures to deal more generally with the introduction of the euro are also included in the Finance Bill.

Amendment to collective funds legislation

Section 734 Taxes Consolidation Act 1997 grants tax transparency to funds (specified collective investment undertakings - SCIUs) managed in the IFSC/Shannon. Such tax transparency involves exemption of income at the level of the fund; the investors may be taxed on the income in their own jurisdiction. While, in general, unit holders in an SCIU must be non-residents there are exceptions to this rule e.g. an IFSC/Shannon company ("a specified company") where not more than 25% of the share capital is owned directly or indirectly by Irish residents. The legislation as currently drafted

does not, however, cater for such companies owned by non-residents through an Irish holding company.

The Bill, therefore, extends the definition of “specified company” to allow IFSC/Shannon companies to be owned through an Irish holding company.

Capital Gains Tax

Retirement Relief

Under current legislation if a life interest in an estate is disposed of other than on death, the trustees are deemed to dispose of and reacquire the assets, thus giving rise to a capital gains tax liability. The Finance Bill extends capital gains tax retirement relief to situations where a life tenant, who is at least 55 years of age, relinquishes his or her interest in favour of the remainderman provided that the other conditions of retirement relief are satisfied.

Clearance Certificate

Under current legislation, if the consideration for the disposal of certain assets exceeds £100,000 the vendor must obtain a clearance certificate from Revenue, otherwise the purchaser must deduct 15% from the purchase price. An Irish tax resident is entitled to a certificate on the basis of his residence while a non-resident must pay any CGT arising before a certificate is issued. With the recent increase in house prices a considerable amount of administrative work is being generated by this requirement. It is proposed to increase the limit to **£150,000** to simplify the administrative burden on taxpayers and on Revenue.

Small Gains annual exemption limit

The current capital gains tax exemption limits are £1,000 per individual and effectively £2,000 per married couple. The Budget announced that from 6 April 1998 the small gains exemption limit would be £500 per individual irrespective of marital status. *It has been decided to increase this to £1,000 p.a.* The Bill provides for this revised amount.

Stamp Duty - cheques, etc.

Cheques, bank drafts and other types of payment order are chargeable to Stamp Duty if they are drawn in the State. The current rate of Stamp Duty is 7p per cheque, bank draft or order.

Two amendments to the current charging provisions are set out in the Bill. These will:

- Charge stamp duty only on cheques and bank drafts which are drawn (i.e. written) on an account in the State. All other instruments, e.g. promissory notes, will continue to be charged to Stamp Duty if they are drawn in the State. This measure will simplify administration and counter avoidance in certain cases.
- Put the current practice of not charging Stamp Duty on standing orders and direct debits on a statutory footing.

CAT - Appeals

The Bill provides that, in order to appeal a CAT assessment, a taxpayer must first lodge a return and pay tax in accordance with that return. This will bring the appeals provision in relation to CAT into line with that which applies in the case of other taxes.

Value-Added Tax

Treatment of AI Services and sales of bovine semen

With regard to the VAT treatment of Artificial Insemination Services and sales of bovine semen, the Bill provides as follows:

- The VAT rate on sales of bovine semen by registered persons will be reduced from 21% to 12.5%
- AI stations (and any other licensed operators) will be obliged to register and account for VAT in respect of their sales of semen straws, where those sales exceed the annual goods registration threshold of £40,000. This measure will place the AI stations and other traders on an equal footing for VAT purposes in respect of sales of bovine semen.
- The Bill will clarify that supplies of AI services by registered persons, where such arise, will also be taxable at 12.5%
- It will be open to the AI stations to retain their non-taxable flat-rate farmer status in respect of AI services. However, this will entail separating their business into entities dealing with the farming and non-farming aspect of their business. If they take this option, they will be taxable in respect of their sales of bovine semen only.

These changes will take effect from 1 July 1998.

Definition of place of supply

Two changes are being made to the definition in VAT law of the place of supply of services in the case of telecommunication and financial services. Under Irish VAT law the place of supply to non-business customers is deemed to be the place of residence of the customer. In the case of non-EU visitors to the State, this definition would allow certain telecommunication services e.g. phonecards, phone services to be supplied to such visitors to the State without charging VAT (at 21%). In the case of financial services, the definition would allow suppliers to claim a VAT credit on inputs used in the provision of financial services to such non-EU visitors. Since financial services are exempt from VAT no VAT credit can normally be claimed on inputs in respect of services provided in the EU. The definition of place of supply will be changed in these cases from the country of residence of the customer to the country where the effective use and enjoyment of the service occurs. The EU Sixth VAT Directive allows for such a change of definition.

New definition for cider

Alcoholic lemonades are taxed in accordance with the rate applicable to the drink classification concerned (normally made wine or spirits). These rates are broadly equivalent at the normal strengths of alcoholic lemonades. However following a decision of the Appeal Commissioners a new definition of cider is required to ensure that cider-based alcoholic lemonades do not benefit from the lower rate of duty for cider and to restore equivalence of taxation for alcoholic lemonades regardless of their source.

Tax Clearance

Solicitors and barristers operating under the Criminal Legal Aid scheme are not, at present, subject to tax clearance procedures. The Finance Bill, therefore includes, a provision which will facilitate the extension of such procedures to solicitors and barristers under the Free Legal Aid scheme.

Tax Relief for company donations to eligible charities

The Bill provides that tax relief for company donations to eligible charities will apply to **all** charities and not just domestic charities as announced in the Budget.

Commencement Rules for Income Tax

Sections 65 and 66 of the Taxes Consolidation Act 1997 set out the tax assessment rules which apply to traders and professionals commencing business. There is evidence of abuse in this area whereby some individuals have artificially contrived to keep substantial amounts of income outside the charge to tax. Provisions are now included in the Finance Bill to remedy this situation. They provide that the trading profits of the second year running from 6 April to 5 April will be taxable in full in all cases.

BES transitional measures

The aggregate amount that a company can raise under the BES was reduced from £1 million to £250,000 with effect from Budget Day.

To cater for projects that were well advanced prior to Budget Day, the Budget night Financial Resolution included transitional arrangements for such BES Projects.

To satisfy the transitional arrangements for individual companies raising their own funds the following conditions, inter alia, had to be met:

- The shares in the company had to be issued before 30 June 1998
- The company must prove to the Revenue Commissioners that before Budget Day it had the intention to raise money under the BES
- In addition, certain companies also needed to have had binding contracts in place committing them to spend at least 25% of the money they intended raising.

These transitional arrangements caused unintended difficulties for a small number of companies who fall foul of the requirements particularly the 25 per cent expenditure commitment.

To ease the transitional problems the Finance Bill will extend the transitional arrangements as follows:

- Projects that had been certified prior to 3 December 1997 by a development agency will be able to raise the amount for which they were certified. (The need for binding contracts will not apply in these cases).
- The deadline for the issue of shares to investors is being extended in all cases from 30 June 1998 to 30 September 1998.

Seed Capital Scheme

The BES reduction to £250,000 also affected the Seed Capital Scheme. To ensure that the Budget day change does not impact unduly the Bill will now allow seed capital projects to raise £500,000 provided that no more than £250,000 of the £500,000 is raised under the BES. This means that a seed capital project can raise the full £500,000 under the Seed Capital Scheme or a combination of seed capital finance and BES funds e.g. £250,000 seed capital finance and £250,000 BES.

Capital Allowances

The Bill amends the transitional provisions in the Budget day Financial Resolution restricting the availability of Capital Allowances in certain cases. The amendments to the qualifying conditions for transitional relief are as follows:

- Extension of the deadline for investors to sign a binding contract from 1 February 1998 to 1 May 1998
- Removal of the condition to have individual investors in place prior to the Budget for any project where the IDA had in the 2-year period prior to 3 December 1997 given approval for grant aid
- As an alternative to the condition of receipt by the planning authority of a planning application before Budget Day, to provide a condition involving Revenue being satisfied that detailed discussions had taken place before that date with the planning authority, as supported by an affidavit from that authority.

In addition, where one of the individual investors pulls out of a project after signing a contract to invest, the remaining investors will be allowed to increase their contributions to cover the funding deficit. Where an original investor dies, the Bill provides that a substitute investor will be allowed. There will also be a technical change to deal with refurbishment situations which were not dealt with in the Budget day transitional provisions.

Whitefish Fleet

The Bill provides for accelerated capital allowances to encourage investment in and the renewal of the Irish Whitefish fleet. The reliefs are aimed at personal and corporate investors and owner operators of vessels. An accelerated capital allowance of 50% in Year 1 available against all income will apply on expenditure incurred over a 3 year period on vessels approved by BIM.

Transfer of Assets Abroad

The Bill amends *Section 806 Taxes Consolidation Act 1997* arising out of the “Willoughby” case in the UK. It is possible that the section could be interpreted to apply only if the transfer took place while a taxpayer was ordinarily resident in the jurisdiction. The UK Revenue acted to close this loophole in their 1997 Finance Act and this year’s Finance Bill includes an amendment to provide that, irrespective of when the transfer of assets took place, a liability to Irish tax will arise in such cases for Irish resident or Irish ordinary resident taxpayers.

CAT business relief

Business relief under Capital Acquisitions Tax allows the value of business assets to be written down by up to 90% of their value for taxation purposes. The relief applies to the extent that the business of the individual, partnership or company consists of relevant business assets. It has been pointed out that the legislation excludes foreign subsidiaries of Irish companies for the purposes of capital acquisitions tax business relief. However, this was not the original intention of the legislation and it is proposed to redress this situation in the Finance Bill.

Value-Added Tax

VAT Self Supply rules

A recent case has brought to light a deficiency in the relevant provisions in the VAT Act where goods which were acquired free of VAT under the transfer of business rules, were diverted to non-business use without payment of VAT. The Bill will close off this loophole in the self supply rules.

Reduction in VAT on magazines and other printed materials

The Bill will reduce the rate of VAT from 21% to 12%, from 1 May 1998, on certain periodicals and journals, and on brochures, leaflets and similar printed material, other than purely advertising material. The 12% rate is the rate applying to newspapers. The Bill will also confirm that the rate of 21% will continue to apply to printed diaries which are also personal planners.

Time Limits

To reduce the exposure of the Exchequer to claims for VAT refunds, the Bill will reduce *the time limit* within which a VAT refund may be claimed from ten years to six years. Accordingly, VAT refund claims in respect of VAT taxable periods arising from 1 May 1998 will be subject to the new six year time limit. There will be transitional arrangements in relation to VAT taxable periods before 1 May 1998.

Income Tax, CGT - Self-Assessment pay and file rules

The Bill proposes to amend the current provisions under self assessment for the payment of preliminary income tax and the filing of tax returns by harmonising the deadlines by which the tax is paid and tax returns are filed. It is proposed to unify these deadlines at 30 November on and from 30 November 1999. The effect of these proposals is illustrated by the following example:

Pay Preliminary Tax for 1999/2000

Existing Deadline 1 Nov 1999

Proposed Deadline 30 Nov 1999

File Return for 1998/99

Existing Deadline 31 Jan 2000

Proposed Deadline 30 Nov 1999

Pay Balance of Tax for 1998/99

Existing Deadline 30 April 2000

Proposed Deadline 30 April 2000

Revenue have also undertaken to reduce the amount of documentation required to be filed by taxpayers with the return under the new self-assessment arrangements. There will be consultation with practitioners through the Tax Administration Liaison Committee in implementing these new pay and file arrangements.

The Bill also provides that CGT will also be paid **in full** on 30 November after the tax year in which the gain was made. At present, payment of 90% is required on 1 November after the tax year with the balance payable the following 31 January or, if later, within one month of the assessment being made.

There will also be changes to the direct debit system for payment of preliminary tax to allow instalments to be aligned with the tax year rather than the calendar year as at present. These changes will take effect for the tax year 1999/2000.

Reduction in interest charged or paid by Revenue

The present rate of interest charged by Revenue on overdue or underpaid tax is 1.25% per month simple interest or 15% on an annual basis. The Bill will reduce this rate to either 1% per month or 12% per annum. The rate of interest paid by Revenue on certain categories of overpaid tax is fixed by Order at 0.6% per month or 7.2% on an annual basis. This interest is tax free. It is proposed to reduce the rate on overpaid tax

to either 0.5% per month or 6% p.a. which is broadly in line with the reduction in the rate charged on overdue tax.

Publication of Appeal Commissioners decisions

Under tax law a taxpayer can appeal an assessment to the Appeal Commissioners who are independent of Revenue. There is no provision in law to allow decisions by the Appeal Commissioners or by the Circuit Court to be published. It is proposed in the Bill to allow the Appeal Commissioners to publish their decisions where they consider publication to be appropriate (for example, where decisions have a precedent value). This provision will afford taxpayers and their advisors more information on the application of tax law.

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INTERNATIONAL ISSUES - DTAs & Effective Rates

Current position on Ireland's Double Taxation Agreements

Ireland has comprehensive double taxation agreements with thirty countries.

Developments during 1997

During 1997, a replacement agreement with the United States and a new agreement with South Africa were concluded. Both came into effect in January 1998. Also in 1997, new agreements were signed between Ireland and the Baltic States (Estonia, Latvia and Lithuania). The Latvian and Lithuanian agreements were ratified by Ireland during 1997. It is expected that ratification of all three Baltic States agreements will be completed on both sides in 1998 and that they will come into effect at the beginning of 1999.

Planned developments for 1998

The Irish treaty network continues to be expanded and updated. There are ongoing negotiations with Mexico, Romania, Malaysia and Greece which are expected to be finalised during 1998. Negotiations with India are also continuing.

The renegotiation of a number of older agreements is also underway. These include our treaties with Belgium, Italy, and Norway.

The start of new negotiations with Egypt, the Slovak Republic, Turkey, China and Argentina is also planned for 1998.

Copies of Double Taxation Agreements may be purchased from:

*Government Publications Sales Office,
Sun Alliance House,
Molesworth Street,
Dublin 2.*

Telephone: 01 - 661 3111

Fax: 01 - 475 2760

International matters are dealt with in the following areas:

International tax policy and treaty negotiations.

*International Section,
Revenue Commissioners,
Dublin Castle,
Dublin 2.*

Telephone: 01 - 679 2777

Fax: 01 - 679 3314

Administration of tax treaties (claims, etc.) and residence rules.

International Claims, Residence and Charities Unit,

Revenue Commissioners,

Government Offices,

Nenagh,

Co. Tipperary.

Telephone: Callers in the (01) area:

6774211

Callers outside the (01) area:

067 - 33533

Fax: 067 - 32373

Double Taxation Relief - Foreign Effective Rates

The following is an updated list of foreign effective rates:

Austria	41%
Belgium	48%
Canada	47%
France	46%
Germany	42%
Italy	47%
Japan*	47%
Luxembourg	44%
Norway	35%
USA**	42%

* The Corporation tax rate in Japan is expected to be reduced by 3% from 1 April 1998 from 37.5% to 34.5%. Therefore the foreign effective rate for Japan from that date will be 44%.

** Under the provisions of the new Ireland/US Double Taxation Convention portfolio investors will not be entitled to credit for underlying taxes. They are only entitled to credit for withholding taxes (15%).

Note:

The Double Taxation Conventions with Cyprus, Pakistan, Russia and Zambia contain similar provisions. Because of the number of possible rates of withholding tax / underlying tax which could apply in those countries, no acceptable effective rate can be published for them.

CGT - Norwich Union plc Shares

Share Identification ('FIFO')

Background

On the demutualisation of Norwich Union Life Insurance Society in June 1997, a large number of Irish members received both 'free' and 'discounted' shares in Norwich Union plc.

Allowable cost

The allowable cost of the respective shares for capital gains tax purposes is the actual amount paid [see *Section 588 Taxes Consolidation Act 1997*- formerly Paragraph 5A to Schedule 2, Capital Gains Tax Act 1975 as inserted by Section 70 Finance Act 1997]. Therefore, the shares acquired at no cost (the 'free' shares) have a 'nil' base cost for capital gains tax purposes while the 'discounted' shares are treated as acquired at the actual price paid.

'First-In-First-Out' rules

Where a person acquired both 'free' and 'discounted' shares as part of the flotation and subsequently disposed of part of the holding, the question of the 'First-In-First-Out' rule in *Section 580 Taxes Consolidation Act 1997* [formerly Paragraph 4 Schedule 1 Capital Gains Tax (A)A 1978] arises.

Due to the manner in which the shares were acquired, it may not be possible to identify which shares were acquired 'first' for the purpose of the FIFO rule. In the circumstances, Revenue will accept in practice that the shareholder may nominate from which block of shares the disposal has been made.

Example

An individual who acquired 915 10p Ord. Norwich Union plc. shares (300 'free' & 615 at 'discount') and sells 500 of them in November 1997 may nominate the block of shares from which the disposal was made [i.e. the individual may claim that the shares which he/she sold included all part or none of the free shares, as required].

Computations

When preparing capital gains tax computations on the above basis for a client, practitioners should show the total number of shares acquired on flotation, identify separately the number of 'free' and 'discounted' shares involved, and specify the block out of which the disposal was made.

CAPITAL ACQUISITIONS TAX - Budget Changes - December 1997

Inherited house relief

House inherited by brothers/sisters aged over 55

For the purpose of determining the taxable value of a house inherited on or after 3 December 1997 by brothers or sisters aged over 55 and to which the conditions (a) to (d) inclusive set out in Leaflet CAT 7 (July 1997 edition) apply, the relief from Inheritance Tax is increased to 80% or £150,000 whichever is the lesser.

House inherited by other close relatives

A new relief from Inheritance Tax has been introduced for a person who satisfies all of the following conditions:

- Inherits a house on or after 3 December 1997
- Is either a brother, sister, nephew, niece, grandparent or grandchild of the disponent and is of any age
- Resided in the house continuously with the disponent for a period of not less than 10 years ending on the date of the inheritance
- Is not beneficially entitled in possession to any other house
- Does not benefit from agricultural relief (see Leaflet CAT 5) in respect of the house.

The relief allows for the market value of the house to be reduced for the purpose of determining its taxable value by 80% or £150,000 whichever is the lesser.

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FREEDOM OF INFORMATION - A Whole New Era

Introduction

D-Day for Freedom of Information (FOI) is **21 April 1998**. On that date the Freedom of Information Act 1997 will come into effect for Government Departments and Offices - for some public bodies the effective date is later. From 21 April any person will be entitled to seek access to information held by a Department or Office whether that information relates to the person enquiring or to policy matters dealt with by the Department or Office.

By this date also Revenue like other Government Departments and Offices will issue two very important publications:

- A Guide to its Structure and Functions
and
- A Manual of Instructions and Guidelines

The Guide

The Guide (required under Section 15 of the FOI Act) will give details of:

- Revenue's structure and a brief description of the activities carried out by each Division within Revenue
- The type of information held by each Division
- Contact points for access to information under FOI
- The procedures for making requests under FOI
- The wide range of information already available to the public which does not require a request to be made under FOI. The avenues of appeal available to anyone who is unhappy with a decision made by Revenue and the procedure involved
- The appeals procedure where an FOI request is refused (entirely or in part).

The Guide will be updated as structures and functions in Revenue change. The Guide will be available in printed form and on Revenue's home page on the Internet - <http://www.revenue.ie>

Manual of Instructions

The second publication is the **Manual of Instructions**. This will be an extensive publication which is required under Section 16 of the FOI Act. This Manual will include, for example:

- The rules, guidelines, procedures and practices, covering the whole range of Revenue activities, which Revenue staff use in making decisions
- Information on the full range of Revenue activities from assessment and collection of Taxes to Customs and Excise activities
- Information on taxes and duties ranging from Income Tax to Vehicle Registration Tax and Excise duties on spirits.

Precedents

We will also publish an index to the precedents which we currently draw upon in making decisions. However, by far the greater part of the material being published by Revenue will be contained in the Manual of rules, guidelines, procedures and practices i.e. the Manual of Instructions. Current precedents, reflecting interpretations which have not been set out in the Manual, have proved less numerous than might

have been expected prior to the review of the files in question for the purposes of creating the index required by the Act.

Electronic access

The instructions in the Manual range from recent instructions right back to Customs Instructions written over fifty years ago. When all of these instructions are brought together they will amount to many thousands of pages. While the newer instructions are already in electronic format, the older ones are on paper. Because of the sheer volume of material, it would not be very helpful to the public to produce the amalgamated Manual on paper. Revenue recognises that the only practical way of providing access to the entirety of these materials and to keep them up to date is to produce the material in an electronic form. We are therefore converting all instructions into electronic format. This will facilitate and assist the reader in navigating through this vast body of information. Electronic links will be added between related material to help readers navigate through the information to find just what they want.

This publication will be freely available to the public on the **Internet**. It will also be available on PCs in public areas of designated public offices. When people find the information which interests them, they can **print** it and take it away with them. Where a member of the public has difficulty in finding the information which they seek, assistance will be provided. Of course, this new presentation of instructions will also be supplied electronically to Revenue staff via the internal Intranet or where necessary on stand-alone PCs.

Information already publicly available

Revenue already publishes an extensive range of guides and leaflets covering the various taxes and duties and the rules relating to these. These publications are available at our public offices and will remain available. The new guide to Revenue will set out the details of the publications available and will thereby increase the public's awareness of this useful material. Where information is already available on request from the various Divisions, it will continue to be available, and the public will not be asked to go through the formality of requesting this under FOI. What FOI is about is providing much more information.

The New Era

FOI heralds a new era for Revenue staff. For years Revenue staff like all other civil servants were restricted by the Official Secrets Act from releasing information in our files. From April we will not just be allowed, but will be encouraged and, in fact, obliged to provide information which is to be disclosed under the new law. Disclosure of information will, of course, be subject to the limitations set out in the Act

Information to be disclosed

In general the Act relates to new information created after April 1998. There are however some exceptions. In the case of personal information relating to the requester, the Act applies to old information still held on file, as well as, to new information arising after April 1998. There is also an exception where older "non-personal" information is needed to understand the newer information of that kind.

Limitations to the type of information which can be accessed

There are, of course, other limitations to the type of information which can be accessed. These are covered by exemptions within the Act. These are common sense restrictions.

The first and most important restriction is on access to personal information. For those members of the public who are worried about their personal information becoming available to all who ask for it, there is protection within the Act. There are provisions to protect personal information from access by third parties and to protect information given in confidence. Where exceptionally it is considered that the public interest requires the release of personal information to a third party, the person to whom the information relates must be consulted before any action is taken. Apart from such very exceptional instances access to personal information will be restricted to the individual concerned and to third parties to whom they have given consent. Information which would compromise law enforcement, security or the finances of the State will also be exempt. The amount of information which is exempt will however be very small when compared to the amount which will be accessible, and the general principle will be to grant the greatest extent of access consistent with the protections and restrictions set out in the Act.

The public, by having access to Revenue's instructions, will gain a greater understanding of how decisions affecting them are made, and will have a clearer picture of how to appeal any decision with which they are unhappy.

What type of information is likely to be requested?

It has been found in other countries, where similar legislation has been implemented, that nine out of ten request are for access to the requester's own file. What this figure conceals is the number of accesses to the published rules and guidelines of the organisation (**The Manual**). Since this material is free to be browsed without any formality or request, the number of accesses is not recorded. It is quite likely that these type of accesses will be far more frequent than requests for access to personal files.

The requests for access to the person's own file will not be restricted to the 'personal' information on that file. Also included are requests for information relating to decisions made. There is a very important provision in the FOI legislation which entitles the person to a statement of the reasons for a decision affecting him or her. This means that in the case of any decision made after April 1998, a request can be made for the reason for the decision years later. If reasons are not adequately recorded at the time decisions are made, it will be difficult to determine what the exact reasons were at a later stage. This means a renewed emphasis on the discipline of recording all reasons clearly.

The benefits for Revenue

The preparation for Freedom of Information has placed a huge burden on all Divisions throughout Revenue. To picture the scale of this effort we can just look at two examples.

The Chief Inspector of Taxes Office has been carrying out a major project to review all instructions, rewrite them where necessary and amalgamate them into a single set of instructions which will be set out in the same order as the new Taxes Consolidated Act.

This consolidated set of instructions in relation to income tax, corporation tax and capital gains tax will be available as part of the Manual from April 1998.

On the Customs front, where a large proportion of instructions are very old, a major review of all General Orders (GOs) has taken place with a view to removing any which are obsolete and updating those which require updating. The Customs Volumes (Books of Instructions) some of which stretch back more than fifty years, are also being looked at to identify the material which is still applicable and to rescind material which is obsolete. These will also be in the Manual.

These are just two examples. Major work is being carried out in the other Divisions also. This review and consolidation of all of our instructions will make them much more convenient for our staff. Making our up to date instructions available electronically throughout the organisation is undoubtedly the greatest move forward to have ever occurred in this area. Staff throughout Revenue, like the public, will have the facility to electronically navigate through instructions in search of the information they need. From April 1998 the update of these instructions will take place electronically and the revised instructions will be available throughout the organisation without delay.

Summary

We look forward to this new era of openness and will do all within our power to assist members of the public in gaining access to the information they require.

IFSC - Audit Report

Revenue have revised the format of the Auditor's report required under the terms of IFSC company certificates. Reports in the revised format are required with returns due after **31 March 1998**.

Unqualified Audit Report

Auditor's Report to the Board of Directors of IFSC Co Pursuant to Section 446 Taxes Consolidation Act 1997

1. In accordance with the Certificate issued by the Minister for Finance under Section 446 Taxes Consolidation Act 1997 the company is required to establish and apply formal procedures to ensure that, in the course of its trading operations to which the Certificate refers, the company will not, either directly or indirectly, acquire assets or receive services from or dispose of assets to or provide services to or for, a person who would be regarded as connected with the company for the purposes of the Corporation Tax Acts, unless as such transactions are on an arm's length basis.
2. The Revenue Explanatory Memorandum dated 25/4/1997 indicates that, for the purposes of this Certificate a transaction or a series of transactions can be taken to be on an arm's length basis if or they can be explained without reference to prohibited arrangements as defined in the said Revenue Explanatory Memorandum.
3. The Revenue Explanatory Memorandum outlines the procedures referred to in Paragraph 1 above. We have reviewed these procedures and carried out tests on a sample of transactions for the year ended ____/____/19__.

4. In our opinion, on the basis of our review and tests, these procedures are adequate for the purposes stated and the company adhered to them in relation to transactions having material effect on the company's profitability for the year ended ____/____/19__.
5. We also report that in performing our audit of the financial statements for the year ended ____/____/19__, to enable us to report under Section 193 of the Companies Act 1990, nothing, regarding the pricing of connected party transactions that was material in relation to the company's activities, came to our attention which could not be explained without reference to prohibited arrangements.

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REVENUE NEWS - Latest

New Information Leaflets

Companies Capital Duty

Leaflet CCD 1 setting out the general operation and administration of Companies Capital Duty is now available.

How to Complain to Revenue

Leaflet CS3 outlines Revenue's complaints procedure.

Lump Sum Payments

Leaflet IT21 outlines the tax treatment of lump sum payments on redundancy /retirement.

Copies of the above leaflets can be obtained from the

Revenue Forms & Leaflets Service at 01 - 878 0100 or from any tax office.

Appeal Commissioners

The Office of the Appeal Commissioners Dublin appeal sittings will take place at:

8th Floor,

Fitzwilton House,

Wilton Place,

Dublin 2.

Telephone: 01 - 662 4530

Fax: 01 - 661 1892

Form CT1

Forms CT1 are currently being changed to take account of the changes in corporation tax rates announced in the Budget. Practitioners should note that there may be some slight delay in the issue of these forms and any inconvenience caused is regretted.

Student Nurses

Student nurses engaged on the post October 1994 General Nursing Registration/Diploma Programme are :

- To be regarded as students [student status was a planned feature of the Programme], and
- Not to be regarded as employees of the Health Board/Hospitals.

The payments made to student nurses under the above programme are not taxable.

Medical Insurance

The following is an updated list of 'Authorised Insurers' in the State. [New additions shown in bold]

- BUPA Ireland Ltd
- CIE Clerical Staff Hospital Fund
- ESB Staff Medical Provident Fund
- ESB Marina Staff Medical Provident Fund
- Goulding Voluntary Medical Scheme
- Irish Life Assurance plc Medical Aid Society

- Irish Life Assurance plc Outdoor Staff Benevolent Fund
- **Motorola Medical Aid Society**
- New Ireland/Irish National Staff Benevolent Fund
- Prison Officer's Medical Aid Society
- St. Paul's Garda Medical Aid Society
- Sun Alliance Insurance Co.
- **Transport Hospital Fund**
- VHI

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VAT - Registration & Repayment Addresses

8th and 13th Directive VAT Repayment Units

Bureaux de remboursement de la TVA

België

Centraal BTW-kantoor voor buitenlandse belastingplichtigen

Bisschoffsheimlaan 38, 38A

1000 BRUSSEL

Tel. (+32) (2) 218 29 05

Fax (+32) (2) 219 27 91

Belgique

Bureau Central de TVA pour assujettis étrangers

Boulevard Bisschoffsheim 38, 38A

1000 BRUXELLES

Tel. (+32) (2) 218 29 05

Fax (+32) (2) 219 27 91

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Told- og Skatteregion Sønderborg

Hilmar Finsens Gade 18

6400 SØNDERBORG

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Deutschland

Bundesamt für Finanzen

Friedhofstraße 1

53225 BONN

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Ελλάς

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Σίνα 2-4

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Fax (+30) (1) 364 54 13

Greece

Ministry of Finance

14th Directorate of VAT and Indirect Taxes

Sina 2-4

10672 ATHENES

Tel. (+30) (1) 364 72 03

Fax (+30) (1) 364 54

VAT information for foreign traders

Renseignements de TVA pour les assujettis étrangers

België

Centraal BTW-kantoor voor buitenlandse belastingplichtigen

Van Orleystraat 15

1000 BRUSSEL

Tel. (+32) (2) 218 38 60

Fax (+32) (2) 223 35 12

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