



## TAX BRIEFING

### STANDARD RATING

1999/2000



#### Standard Rating of Allowances & Operation of PAYE for 1999/2000

##### Background

In recent years a number of tax reliefs, such as mortgage interest relief and medical insurance relief, have been standard rated. As announced by the Minister for Finance in the Budget, for the tax year commencing 6 April 1999 the personal allowances will also be standard rated. Two issues arise as to how the changes will affect:

- ▼ Employee's tax-free allowance certificates
- ▼ The operation of PAYE by employers.

This article covers both issues.

##### Employees

##### Standard Rating of Personal Allowances

For the tax year commencing 6 April 1999 the Single and Married Person's Allowance and the PAYE Allowance will be fully standard rated - this means that relief will be given at the standard rate of tax of 24%.

The Widowed Person's and the One-Parent Family Allowances will be part standard rated - this means that part of the relief will be given at 24% and part will be given at the employee's top tax rate (24% or 46%).

##### Tax-Free Allowance Certificates

Before the start of the tax year, Revenue decide, based on the most up to date information, whether an employee will be liable for tax at the standard rate or at the higher rate for the new tax year.

Where an employee is designated as liable at the standard rate of tax [table A (single/widowed) or R (married couple)], unrestricted relief will be given in the certificate of tax-free allowances, for all allowances. The result is that the full amount of all the allowances will be shown on the certificate and the employee will have the benefit of these allowances at the standard rate.

Where an employee is designated as liable at the higher rate of tax, a table B (single/widowed) or table S (married couple), certificate is issued. Standard rated allowances will appear on these certificates as a figure, which when relief is applied at 46%, will result in the employee getting the benefit of these allowances at the standard rate of tax.

##### Tax Tables

Allowances and reliefs which are standard rated are not deductible in arriving at taxable income and, as such, cannot be used to reduce gross income for the purposes of determining which tax table should apply.

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## KEY DATES '99

### March

**1 PAYE**  
Bulk Issue of TFA certs and Employer TDC's.

**14 PAYE/PRSI**  
Monthly remittance for month ended 5 March 1999.

**19 VAT**  
Remittance for period January /February.

**1-28 Corporation Tax**  
Preliminary Tax and ACT for A.Ps. ending between 1-30 September 1998.

**1-31 Corporation Tax**  
Returns for A.Ps. ending between 1-30 June 1998.  
Returns of Third Party Information for A.Ps. ending between 1-30 June 1998.

### April

**5 Income Tax & PAYE**  
Tax Return Forms 1998/99 to issue.

**14 PAYE/PRSI**  
Monthly remittance for month ended 5 April 1999.

**1-28 Corporation Tax**  
Preliminary Tax and ACT for APs ending between 1-31 October 1998.

**1-30 Corporation Tax**  
Returns for APs ending between 1-31 July 1998  
Returns of Third Party Information for APs ending between 1-31 July 1998

**30 Income Tax**  
Payment of any balance of tax for 1997/98



STANDARD RATING OF ALLOWANCES etc.

(continued from page 1)

To ensure that the correct tax is deducted during the tax year and that undercharges do not arise, it is important that employees are on the correct tax table from the commencement of the tax year. The following situations can arise:

- Employee has been designated Table A or R when B or S is appropriate - employee will end up paying more tax at the end of the tax year when he/she moves on to the higher rate.
- Employee has been designated Table B or S when A or B is appropriate - undercharge arises because of the incorrect allocation of a Table Allowance.

The correct tax table should be determined as follows:

- Deduct any non-standard rated allowances from estimated gross income
- Compare the remaining figure with the tax band of £14,000 (£28,000)
- If the remaining figure is less than £14,000 (£28,000) - Table A (R) applies
- If the remaining figure is greater than £14,000 (£28,000) - Table B (S) applies.

Each employee's tax-free allowance certificate for 1999/2000 will contain a personalised legend which will assist him/her in checking that he/she is on the correct tax table. This legend will appear on each employee's certificate as follows:

Table A or R Case  
"to ensure the correct amount of tax is deducted you must be on the correct tax table. Your gross income has been estimated at "Less than £X\*." If this is incorrect you should contact your tax office."

Chart 1 - Personal Allowances

Personal Allowances 1999/2000		Figure shown on Tax-Free Allowance Certificate		
		Table A or R (24% Tax Rate)	Table B or S (46% Tax Rate)	
Personal Allowance	Amount of Allowance	Figure in Tax-Free Allowances	Figure in Tax-Free Allowances	Calculation * Part of Allowance Standard Rated
Single Person	£4,200	£4,200	£2,192	$(£4,200 \times 24\%) \div 46\% = £2,192$
Married Couple	£8,400	£8,400	£4,384	$(£8,400 \times 24\%) \div 46\% = £4,384$
Widowed Person	£4,700	£4,700	£2,692	$(£4,200 \times 24\%) \div 46\% = £2,192$ $£500 + £2,192 = £2,692$
PAYE	£1,000	£1,000	£522	$(£1,000 \times 24\%) \div 46\% = £522$
One-Parent Family Allowance				
Widowed Person	£3,700	£3,700	£3,198	$(£1,050 \times 24\%) \div 46\% = £548$ $£2,650 + £548 = £3,198$
Other Person	£4,200	£4,200	£3,698	$(£1,050 \times 24\%) \div 46\% = £548$ $£3,150 + £548 = £3,698$

Chart 2 - Tax Tables, Rates & Bands

TAX TABLE	TABLE ALLOWANCE	TAX BANDS
Single/Widowed		
A	Nil	£14,000 @ 24% Balance @ 46%
B	£6,696	All @ 46%
Married		
R	Nil	£28,000 @ 24% Balance @ 46%
S	£13,392	All @ 46%
Marginal Relief Cases		
Z	Nil	All @ 40%

Table B or S Case  
"to ensure the correct amount of tax is deducted you must be on the correct tax table. Your gross income has been estimated at "Greater than £X\*." If this is incorrect you should contact your tax office."

\*£X is calculated as the standard rate band (£14,000/£28,000) plus the non standard rated allowances included in the certificate of tax-free allowances.

### Married Couples

The changes in standard rating of allowances and widening of the tax bands may mean that one spouse has a greater allowance and the other spouse has a lesser allowance (1999/2000 as compared with 1998/99).

An example of this would be in a higher rate case where one spouse has all of the allowances and the other has only the PAYE Allowance. For 1998/99 the certificate will show PAYE Allowance £800 at Table S.



## STANDARD RATING OF ALLOWANCES etc. (continued from page 3)

The same certificate in 1999/2000 will show PAYE Allowance £1000 = allowance of £522. i.e. ( $\text{£1000} @ 24\%$ )  $\div 46\%$

**If a married couple wish to change the way in which the allowances are divided between them they will need to contact their tax office.**

### Employers

#### Background

Where an employee's income can be accurately estimated at the beginning of the tax year the correct tax rate (24% or 46%) can be designated from the outset. Therefore, where an employee is clearly liable at either the 24% or 46% rate there will be no problem. Difficulties can arise where an employee's income cannot be accurately estimated from the beginning of the tax year or where the employee's circumstances change during the year.

In these cases, where Table A or R (24%) has been designated the employer will need to know the point at which each employee should move to the higher rate of 46%. For years up to 1998/99 employers have been advised to commence deducting tax at the higher rate when an employee's taxable pay exceeded the standard rate band i.e. £10,000/£20,000 for 1998/99.

The allowances and reliefs which have been standard rated cannot be used to reduce gross pay for the purposes of determining the employee's band of taxable income. As these allowances and reliefs will vary in each case the tax office will specify for each employee the point at which he/she should move to the higher rate of tax to ensure that the correct tax is deducted.

#### Procedures for 1999/2000

For the tax year 1999/2000 the existing cumulative allowance-based, PAYE system and the method of arriving at taxable pay (i.e. gross pay less tax-free allowances) will remain unchanged. The system is being adapted slightly to cater for the standard rating of allowances. The most significant change will be for standard rate employees who pay tax on Table A or R.

From 6 April 1999, in cases where **the Tax Table indicated on the certificate is Table A or R, the employer will be advised of the cut-off point at which the employee should start to be taxed at the higher rate of 46%.**

The Table A and R cut-off point will be an amount calculated as the difference between the standard rate band of £14,000 (individual) or £28,000 (married couple) and the employee's standard rated allowances included in the certificate of TFA.

This figure will be clearly shown on the certificate (or tax deduction cards, tape/diskette as appropriate) as follows **"deduct tax on the first £X of taxable pay @ 24% Balance @ 46%".** The £X is the cut-off point and taxable pay in excess of this amount is taxed at 46%.

#### Note:

The cut-off point does not apply to Table B or S employees as the certificate which issues in respect of these employees instructs that tax be deducted at the 46% rate throughout the year.

The example on page 5, opposite, illustrates how this will operate in cases where a Table A or R certificate of Tax-Free Allowances is issued but where the employee becomes liable at the higher rate during the year.

#### Notice to Employers

A notice has issued to all employers notifying them of the changes and advising them to ensure that any necessary adjustments are made to their payroll systems to give effect to the changes required from 6 April 1999. Copies of the notice are available from any tax office or from the **Revenue Forms & Leaflets Service at (01) 878 0100.**

#### Notice to Employees

An information leaflet for employees outlining the changes has been included with each certificate of TFA which issued for 1999/2000. Copies of this leaflet are also available from any tax office or from the **Revenue Forms & Leaflets Service at (01) 878 0100.**

These notices can also be downloaded from Revenue's Web site at <http://www.revenue.ie>.



## Example

Widow entitled to personal allowance £4,700, one-parent family allowance £3,700 & PAYE allowance £1,000. Estimated earnings £18,000. TFA Certificate issues at Table A and includes a note to the employer to “**deduct tax on the first £7,750 of taxable pay @ 24% Balance @ 46%.**” Earnings actually amount to £28,000. The system will collect the correct tax as follows

PAYE System			End of year review		
		£			£
Earnings		28,000	Earnings		28,000
Less:			<b>Less non standard rated allces: (b)</b>		
Personal Allowance	4,700		Personal Allowance	500	
One-parent family allowance	3,700		One-parent family allowance	<u>2,650</u>	<u>3,150</u>
PAYE Allowance	<u>1,000</u>	<u>9,400</u>	Taxable		<u>24,850</u>
Taxable		<u>18,600</u>			
Tax @ 24%	(a) 7,750	<u>1,860</u>	Tax @ 24%	14,000	3,360
Tax @ 46%	Balance	<u>4,991</u>	Tax @ 46%	Balance	<u>4,991</u>
<b>Tax deducted</b>		<b><u>6,851</u></b>	Gross Tax due		<u>8,351</u>
			<b>Credit standard rated allowances (c)</b>		
			Portion of personal allowance	4,200	
			Portion of one-parent family allowance	1,050	
			PAYE Allowance	<u>1,000</u>	<u>1,500</u>
			Total credit @ 24%	<u>6,250</u>	<u>1,500</u>
			Net tax due		<u>6,851</u>
			Tax Deducted		<u>6,851</u>
			Balance due		<u>Nil</u>

The figures (a) , (b) and (c) above are calculated as follows:

- (a) The cut-off point is calculated by reducing the amount of the tax band £ for £ by the amount of standard rated allowances which have been included in the TFA and therefore have been used to reduce taxable income.

	£
Lower rate band applicable ( <i>Widow</i> )	14,000
Standard rated allowances	
Personal allowance	4,200
One-parent family allowance	1,050
PAYE allowance	<u>1,000</u>
<b>Cut-Off Point</b>	<b><u>7,750</u></b>

- (b) Non standard rated allowances and (c) Standard rated allowances

ALLOWANCE	(b) Portion on which relief is due at marginal rate	(c) Portion on which relief is due at standard rate	TOTAL
Personal Allowance	£500	£4,200	£4,700
One-Parent Family Allowance	£2,650	£1,050	£3,700
PAYE Allowance	-	£1,000	£1,000
<b>TOTALS</b>	<b>£3,150</b>	<b>£6,250</b>	<b>£9,400</b>

In the example above if the earnings of £28,000 were spread evenly throughout the year the cut-off point of £7,750 would be reached in week 22 as follows:

Gross weekly pay	(£28,000/52)	£538.46
Weekly tax-free allowance	(£9,400/52)	£180.77
Cumulative gross pay to week 21	(£538.46 x 22)	£11,846.12
Cumulative tax-free allowances to week 21	(£180.77 x 22)	<u>£3,976.94</u>
Cumulative taxable pay		<u>£7,869.18</u>





## HEPATITIS C

## Compensation Payments

### Introduction

Section 191 Taxes Consolidation Act 1997 exempts from income tax compensation payments made by the Hepatitis C Tribunal or similar payments awarded following the institution of civil action for damages in respect of personal injury.

### Exemption

These payments are treated for income tax purposes in all respects as if they arose out of a civil action for damages for personal injury. The provisions of Section 189 Taxes Consolidation Act 1997 dealing with personal injury awards apply. Any investment income (Case 111, Case IV, Case V, Schedule C or Schedule F) arising from the compensation payment is exempt from income tax if the individual is **permanently and totally incapacitated by reason of**

**mental or physical infirmity from maintaining himself or herself.** The investment income must be the sole or main income of the individual concerned.

*[Individuals who have been diagnosed positive for Hepatitis C antibodies or Hepatitis C virus will only qualify for exemption in respect of any investment income arising from the compensation payment if he/she is permanently and totally incapacitated by reason of mental or physical infirmity from maintaining himself/herself, as a result of the infection.]*

### Sole or Main Income

Sole or main income means more than 50%. Social Welfare benefits and pensions paid in respect of the same injury or disability that gave rise to the payment of the Hepatitis C compensation will not be taken into account when calculating whether the investment income is

the sole or main income of the individual. If a couple are assessed under the provisions of Section 1017 Taxes Consolidation Act 1997, (aggregation basis) the "sole or main" test is applied only to the income of the incapacitated spouse, and not to the aggregated income of both spouses in determining if the exemption is due.

### Return of Income

Income exempt under the provisions of Section 189 Taxes Consolidation Act 1997 is not taken into account in computing total income for tax purposes. However, this does not relieve the individual of the obligation to include this income when making returns of total income.

## RELEVANT CONTRACTS TAX (RCT)

## Finance Bill '99 update

The Finance Bill 1999 has introduced proposals for some changes in the operation of Relevant Contracts Tax (RCT). Subject to the passing of the Bill by the Oireachtas and the enactment of those provisions, the following changes in relation to collection of RCT will become operative with effect from 6 April 1999:

- ▼ The statutory basis of collection and recovery of RCT will be changed from an annual basis to a monthly basis
- ▼ Principal contractors and persons required to do so by notice in writing from Revenue will be required to submit a monthly RCT return - RCT 30 - **[including a nil return, where appropriate]** to the Collector-General's Office of the amount of tax, if any, which that person was liable to deduct from

payments made to uncertified sub-contractors and to remit that tax with the return.

*[To date, principal contractors were only required to submit an RCT 30 in respect of months in which they had deducted RCT from sub-contractors.]*

- ▼ The RCT monthly return will be simplified and will take the form of a declaration with a payslip attached. There will no longer be a requirement on the principal contractor to submit copies of RCTDCs to the Collector-General.
- ▼ Revenue will have the power to make regulations to provide for the raising of monthly estimates where a principal contractor fails to make a monthly return. These will be made by Revenue in due course.

### Further Information

Queries on the proposed changes relating to the collection of RCT can be addressed to:

RCT Collection Helpdesk,  
Office of the Collector-General,  
Sarsfield House,  
Francis Street,  
Limerick.

Telephone: 1890 203070  
e-mail: [cg-general@revenue.irlgov.ie](mailto:cg-general@revenue.irlgov.ie)



## THE EURO & TAX

### Euro Conversion Rates

The irrevocably fixed conversion rates between the euro and the currencies of the Member States adopting the euro are:

1 euro =	40.3399	Belgian francs
	1.95583	German marks
	166.386	Spanish pesetas
	6.55957	French francs
	0.787564	Irish pounds
	1936.27	Italian lira
	40.3399	Luxembourg francs
	2.20371	Dutch guilders
	13.7603	Austrian schillings
	200.482	Portuguese escudos
	5.94573	Finnish marks

### Conversion of Tax Allowances

The following chart shows the euro equivalent of tax allowances for 1999/2000

PERSONAL ALLOWANCES 1999/2000		
Marital Status Allowances	IR£	Euro
Single Personal Allowance	4,200	5,333
Married Couple Allowance	8,400	10,666
Widowed Personal Allowance	4,700	5,968
One-Parent Family Allowance		
Widowed Person	3,700	4,699
Other Person	4,200	5,333
Limit of Child's Income	720	915
Widowed Parent Allowance		
Bereaved in 1998/99	5,000	6,350
1997/98	4,000	5,080
1996/97	3,000	3,810
1995/96	2,000	2,540
1994/95	1,000	1,270
Other Allowances		
Age Allowance		
Single	400	508
Married	800	1,016
<b>Dependent Relative Allowance</b> (max)	110	140
Blind Allowance		
Blind Allowance (both spouses Blind)	1,000	1,270
	2,000	2,540
Incapacitated Person		
Allowance for employing a carer (max)	8,500	10,793
Incapacitated Child		
(max)	800	1,016
Limit of Child's Income	2,100	2,667
Rent Allowance (55 and over)		
Single (max)	1,000	1,270
Married (max)	2,000	2,540
PAYE Allowance	1,000	1,270

## Conversions

### Conversion of Exemption Limits

The following chart shows the euro equivalent of tax exemption limits for 1999/2000

EXEMPTION LIMITS 1999/2000		
	IR£	Euro
Single/Widowed		
Under 65	4,100	5,206
65 and Over	6,500	8,254
Married		
Under 65	8,200	10,412
65 and Over	13,000	16,508
Increase for Qualifying Children		
Increase for each Child		
1st and 2nd Child	450	572
3rd & subsequent Children	650	826
Rate for Marginal Relief	40%	40%

### Conversion of Tax Bands etc.

The following chart shows the euro equivalent of tax rates, bands and table allowances for 1999/2000

INCOME TAX RATES & RATE BANDS		
	IR£	Euro
Single/Widowed	1st 14,000 @ 24% Balance @ 46%	1st 17,777 @ 24% Balance @ 46%
Married	1st 28,000 @ 24% Balance @ 46%	1st 35,554 @ 24% Balance @ 46%

TAX TABLE ALLOWANCE		
	IR£	Euro
Table B	6,696	8,503
Table S	13,392	17,006

### Emergency Rates

The euro converted amounts in relation to the emergency procedures are

EMERGENCY RATES		
	IR£	Euro
Week 1 - 4	81	103
Month 1	350	445



## INCOME TAX

## Commencement Rules

### Basis of assessment at commencement of trade or profession 1998/99 et seq.

#### General

Different rules apply to the Case I and Case II profits to be charged to tax where there is a:

- set of accounts made up for a period greater or lesser than one year
- change of accounting date
- commencement of a trade or profession
- Cessation of a trade or profession.

This article is confined to the special basis applicable at **commencement** of a trade or profession. In particular, it reflects the provisions of *Section 8 Finance Act 1998*, which amended *Section 66 TCA 1997* to counter a possible abuse of the basis of assessment for the second year trading.

#### Commencement Basis - First Year

In the case of the commencement of a trade or profession the assessment for the first year is based on the profits or gains arising from the date of commencement to the following 5 April.

#### Commencement Basis - Second Year (For years 1998/99 et seq.)

The assessment for the second year depends on the:

- ▼ Number of accounting periods ended in the year
- and/or
- ▼ The length of the accounting period.

#### One set of accounts for a period of 12 months ending in second year of assessment

If there is only one set of accounts ended in the second year of assessment and these are for 12 months then the individual is chargeable to income tax on the profits from these accounts.

#### Example 1

Business commenced  
1 November 1997  
Profits 12 months ended 31 October 1998 - £12,000  
Profits 12 months ended 31 October 1999 - £24,000

##### First Year - 1997/98

Assessable on profits from 1/11/97 to 5/4/98  $\text{£}12,000 \times 5/12 = \text{£}5,000$

##### Second Year - 1998/99

As there is only one set of accounts ended in the second year (1998/99) and these accounts are for a period of 12 months then the taxpayer is assessable on accounts for 12 months ended 31/10/98 i.e.  $\text{£}12,000$ .

#### One set of accounts for a period in excess of 12 months

If there is only one set of accounts for the accounting period ending in the second year of assessment and the period to which the accounts relate is in excess of 12 months then the individual is taxable on the profits for 12 months ended on the date up to which the accounts are made up.

#### Example 2

Business commenced  
1 November 1997  
Profits 16 months ended  
28 February 1999 - £32,000

##### First Year - 1997/98

Assessable on profits from 1/11/97 to 5/4/98  $\text{£}32,000 \times 5/16 = \text{£}10,000$

##### Second Year - 1998/99

Assessable on  
 $\text{£}32,000 \times 12/16 = \text{£}24,000$

#### More than one set of accounts for periods ending in second year of assessment

If there is more than one set of accounts for periods ended in the second year of assessment then the taxpayer is assessable on the profits for 12 months ended on the later accounting date providing it is 12 months after commencement.

#### Example 3

Business commenced  
1 November 1997. Taxpayer makes up accounts as follows:

Profits 6 months ended  
30 April 1998 - £21,000  
Profits 10 months ended  
28 February 1999 - £40,000

##### First Year - 1997/98

Assessable on profits from 1/11/97 to 5/4/98  $\text{£}21,000 \times 5/6 = \text{£}17,500$

##### Second Year - 1998/99

Taxpayer is assessable on £47,000 i.e.

Profit for 10 months ended  
28/2/1999  $\text{£}40,000$

Profit for 2 months to  
30/4/98 ( $\text{£}21,000 \times 2/6$ )  $\text{£}7,000$

**Total**  $\text{£}47,000$

#### Other Cases

In all other cases the assessment for the second year of assessment is based on the full amount of the profits or gain in the year of assessment i.e. on an actual basis 6 April to 5 April. This method of assessment will arise where there is no accounting period ended in the second year of assessment or where one accounting period ends in the second year of assessment and this accounting period ends less than 12 months after the date of commencement.

#### Third Year Assessment

The assessment for the third year is based on the 12 month accounting period ending in that year (*Section 65 TCA 1997*). Where the amount of the assessment for the second year exceeds the actual profits of the second year the taxpayer may elect in writing to the Inspector when submitting the return of income for the third year of assessment to have the assessment for the third year reduced by the excess.





### Example 4

Business commenced  
1 October 1997  
Profits year ended 30/9/98 - £16,000  
Profits year ended 30/9/99 - £12,000

Original assessments will have been made as shown in the table below.

The taxpayer may claim when submitting the Return of Income for 1999/2000 to have the assessment for 1999/2000 reduced by the excess of the assessed profits for 1998/99 over the actual profits for 1998/99 (year ended 5 April 1999).

Assessed profits	£16,000
Actual profits	
(i.e. 6/12 of y/e 30/9/98,	
+ 6/12 of y/e 30/9/99)	£14,000
Excess	£2,000

The revised assessment for 1999/2000 is therefore £10,000 (i.e. £12,000 less £2,000).

### Commencement - Return Filing and Payment Dates

#### Return Filing

Section 1084 (4) TCA 1997 provides that in a situation where a new trade or profession is set up and commenced within a year of assessment and no other trade or profession is carried on, the due date for submission of the return for that year will be the due date for the second year.

This provision was introduced to recognise the fact that the first year's accounts might not have been finalised by the time the first year's return was due.

### Example 5

Trade commenced 1 February 1998  
Returns prepared for 12 months to 31 January 1999

But for the provisions of Section 1084 (4), the return would have to be filed by 31 January 1999, i.e. before the actual profit figures were known. The filing of the return may now be deferred until 31 January 2000.

#### Payment Dates

There is some confusion regarding the due date(s) for payment of tax in commencement situations. Some practitioners **wrongly** thought that, because the return filing deadline for the first year is extended to the return filing deadline for the second year, a similar deferral is provided for payment of tax.

The due date for payment of the first year's tax liability is the normal specified date for that year. Continuing the example above this means that:

- Due date for Preliminary Tax 1997/98 is 1 November 1997 [NIL Preliminary tax may be paid based on the 100% of previous year's liability rule.]
- Due date for Preliminary Tax 1998/99 is 1 November 1998
- Due date for payment of balance of 1997/98 liability is 30 April 1999

While a Nil preliminary tax may be paid for 1997/98 in the above example, this would lead to a taxpayer having to pay Preliminary Tax for 1998/99 on 1 November 1998 and **ALL** 1997/98 income tax on 30 April 1999. This may cause cash-flow problems for taxpayers. Practitioners should consider advising their clients to make provision for such payments or to consider entering into a direct debit arrangement from the first year so as to avoid such cash-flow problems.

**Practitioners should remind clients of their possible exposure to interest charges if they fail to pay the appropriate tax on a timely basis.**

### Example 4 (Table)

ASSESSMENTS	BASIS PERIOD	ASSESSABLE PROFITS
1st Year - 1997/98	1/10/97 - 5/4/98	£8,000
2nd Year - 1998/99	1/10/97 - 30/9/98	£16,000
3rd year - 1999/2000	year ended 30/9/99	£12,000



## DIVIDEND WITHHOLDING TAX (DWT)

## Finance Bill 1999

### Introduction

This article firstly sets out a brief summary of the DWT scheme as contained in the 1999 Finance Bill and as passed by Dáil Éireann. A more detailed description of the scheme follows on pages 11-18.

### Summary of Scheme

In general, DWT will apply at a rate of 24% to dividends paid and other distributions made on or after 6 April 1999 by **all** companies resident in the State. DWT will not apply, however, where the resident company is also a collective investment undertaking but not an offshore fund. DWT will apply to **all** "relevant distributions" except:

- ▼ Dividends paid to Ministers of the Government in their capacity as such Ministers **and**
- ▼ Distributions made by an Irish resident subsidiary company to its parent in another EU Member State where withholding tax is prohibited under the EU Parent Subsidiaries Directive.

### Relevant Distributions

The term "relevant distributions" includes **all** payments normally treated as a distribution for income tax and corporation tax purposes. It includes:

- ▼ Normal cash dividends and non-cash dividends
- ▼ Expenses incurred by close companies in providing benefits or facilities for a participator in the company
- ▼ Excess interest paid by close companies to directors
- ▼ Scrip dividends of both quoted and unquoted companies, that is, additional share capital of a company taken in lieu of a cash distribution.

### Exemptions

Provision is made for an exemption from DWT for relevant distributions made to persons who are beneficially entitled to the distributions and who are within one of the following categories:

- An Irish resident company
- A pension scheme
- A qualifying employee share ownership trust
- A collective investment undertaking
- A charity.

To qualify for exemption, the persons concerned must make the appropriate declaration of entitlement to exemption as set out in the new *Schedule 2A* being inserted into the *Taxes Consolidation Act 1997*.

### Special transitional arrangements for non-residents

DWT will not apply in the case of a distributions made in the period from 6 April 1999 to 5 April 2000 to persons (whether or not beneficially entitled to the distributions) who are within one of the following categories:

- A person whose address in the share register of the company is in a country with which Ireland has a tax treaty ("a tax treaty country") or in another EU Member State
- A non-resident company which is ultimately controlled by persons who are resident for tax purposes in a tax treaty country or another EU Member State
- A non-resident company the principal class of shares of which, or of a company of which it is a 75% subsidiary, is substantially and regularly traded on a recognised stock exchange in a tax treaty country or another EU Member State, or on such other stock exchange approved by the Minister for Finance.

### Exemption from DWT for non-residents from 6 April 2000

Exemption from DWT will apply from 6 April 2000 only to those non-resident persons who are beneficially entitled to the distributions and who are within one of the following categories:

- Persons (other than companies) who are neither resident nor ordinarily resident in the State and who are resident for tax purposes in a tax treaty country or in another EU Member State
- Non-resident companies which are ultimately controlled by persons who are resident for tax purposes in a tax treaty country or in another EU Member State
- Non-resident companies the principal class of shares of which or of a company of which it is a 75% subsidiary is substantially and regularly traded on a recognised stock exchange in a tax treaty country or in another EU Member State, or on such other stock exchange approved by the Minister for Finance.

To qualify for exemption from 6 April 2000, the persons concerned must make the appropriate declaration of entitlement to exemption as set out in the proposed new *Schedule 2A* to the *Taxes Consolidation Act 1997*.

### Intermediaries and Authorised Withholding Agents

Special arrangements are provided to deal with the common situation whereby distributions are paid through intermediaries. Provision is also made to allow intermediaries to become authorised withholding agents. Distributions can be made by companies to an authorised withholding agent without deducting DWT, but the authorised withholding agent then effectively steps into the shoes of the company and must, if appropriate, apply DWT when paying on the distributions to the beneficial owners of the distributions.



## Returns and Payment of DWT

Payment of DWT deducted in any month will have to be paid to the Collector-General within 14 days of the end of the month and be accompanied by a return giving details of the distributions and the recipients of the distributions.

*What follows is a detailed description of the DWT scheme as set out in the Finance Bill as passed by Dáil Éireann which includes definitions, exemptions, non-residence, role of intermediaries and authorised withholding agents and the mechanisms for collection of the tax.*

## Scope of DWT

In general, DWT will apply to dividends paid and other distributions made on or after 6 April 1999 by **all** companies resident in the State. DWT will not apply, however, where the resident company, not being an offshore fund within the meaning of *section 743 TCA 1997*, is a collective investment undertaking within the meaning of *section 734 TCA 1997* or an undertaking for collective investment within the meaning of *section 738 TCA 1997*.

DWT will apply to **all** “relevant distributions” except:

- ▼ Dividends paid to Ministers of the Government in their capacity as such Ministers,

*and*

- ▼ Distributions made by an Irish resident subsidiary company to its parent in another EU Member State where withholding tax is prohibited under the EU Parent/Subsidiaries Directive (*section 29 Finance Bill 1999* **proposes** to amend *section 831 TCA 1997* to provide for this exemption).

It should be noted that for DWT purposes the term “relevant distribution” (defined in *section 172A TCA 1997*) includes **all** payments normally treated as a distribution for

income tax and corporation tax purposes, viz. normal cash dividends and non-cash dividends; expenses incurred by close companies in providing benefits or facilities for a participator in the company (*s.436 TCA 1997*); excess interest paid by close companies to directors (*s.437 TCA 1997*); and scrip dividends of quoted companies, i.e. additional share capital of a quoted company taken in lieu of a cash distribution (*s.816(2)(b) TCA 1997*). It **also** includes scrip dividends of unquoted companies, i.e. any amount assessable and chargeable to tax under Case IV of Schedule D by virtue of *section 816(2)(c) TCA 1997*, being an amount equal to the amount which a person would have received from an unquoted company if the person had elected to receive a distribution in cash instead of in the form of additional share capital of the unquoted company.

## Deduction of DWT

### General Rule

The substantive charge to DWT is set out in *section 172B TCA 1997*. The general rule (*subsection (1) of section 172B*) is that DWT at 24% must be deducted from the relevant distribution; the recipient of the distribution must allow the deduction; and the company is acquitted and discharged of so much money as is represented by the deduction as if that amount of money had actually been paid to the recipient.

### Scrip Dividends

The general rule does not apply in the case of scrip dividends, whether of a quoted or unquoted company. Instead (*subsection (2) of section 172B*), the company must reduce the amount of additional share capital to be issued to the person to whom the distribution is to be made by such an amount as will secure that the value of the additional share capital issued to that person does not exceed an amount equal to the amount that person would have received, after deduction of DWT, if that person had received the distribution in cash

instead of in the form of additional share capital. The recipient of the distribution must allow this reduction, and the company is acquitted and discharged of so much money as is represented by the reduction as if that amount of money had actually been paid to the recipient. The company is then liable to pay to the Collector-General an amount (which is treated as a deduction of DWT) equal to the DWT which would have been required to be deducted had the general rule applied.

### Non-cash distributions

Similarly, the general rule does not apply in the case of other non-cash distributions made by companies. In such cases (*subsection (3) of section 172B*), the recipient receives the “gross” distribution but the company must pay to the Collector-General an amount (which is treated as a deduction of DWT) equal to the DWT which would have been required to be deducted from the distribution had the general rule applied. The company is entitled to recover that amount from the recipient of the distribution as a simple contract debt in a court of competent jurisdiction.

## Exemption from DWT for certain resident persons

Provision is made in *section 172C TCA 1997* for an exemption from DWT for relevant distributions made to recipients (referred to in the legislation as “excluded persons”) who are beneficially entitled to the distributions and are within one of the following categories:

- An Irish resident company
- A pension scheme
- A qualifying employee share ownership trust
- A collective investment undertaking
- A charity.

To qualify for exemption, the recipient must make to the company making the distribution the



## DIVIDEND WITHHOLDING TAX (DWT)

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appropriate declaration of entitlement to exemption as set out in the proposed new *Schedule 2A TCA 1997*.

The company must (*section 172B(4) TCA 1997*) exercise a duty of care and verification in relation to such declarations. In cases where the recipient receives the distribution through one or more qualifying intermediary or through an authorised agent, the appropriate declaration must be made to the qualifying intermediary or as the case may be, the authorised withholding agent, from whom the recipient receives the distribution made by the company.

### Transitional arrangements for certain non-residents in first year of DWT

Special transitional arrangements are made in *subsection (1) of section 172D TCA 1997* in relation to the first year of operation of the DWT system in the case of relevant distributions made to non-resident persons. DWT will not apply in the case of a distributions made in the period from 6 April 1999 to 5 April 2000 to a recipient (whether or not beneficially entitled to the distribution) who is within any one of the following categories:

- (a) A person (whether an individual, company or unincorporated body) whose address in the share register of the company is in a country with which Ireland has a tax treaty ("a tax treaty country") or in an EU Member State (other than Ireland)
- (b) A company [not already qualifying under (a)]:
  - (i) which is not resident in the State and is ultimately controlled by persons who are resident for tax purposes in a tax treaty

country or an EU Member State other than Ireland, and

- (ii) which, before the making of the distribution, has given the company making the distribution a certificate from its auditor certifying that it is such a company

- (c) A company [not already qualifying under (a)]:

- (i) the principal class of shares of which are substantially and regularly traded on a recognised stock exchange in a tax treaty country or an EU Member State other than Ireland, and

- (ii) which, before the making of the distribution, has given the company making the distribution a certificate from its auditor certifying that it is such a company

- (d) An intermediary (because of (a)) this would involve only intermediaries whose address on the share register is in Ireland or in a country which is not another EU Member State or a tax treaty country) which, before the making of the distribution, has advised the company making the distribution that it is to receive the distribution on behalf of:

- (i) a person (whether an individual, company or unincorporated body) whose address in the records of the intermediary is in a tax treaty country or an EU Member State (other than Ireland)

- (ii) a company within (b)(i) which, before the making of the distribution, has given the intermediary a certificate from its auditor certifying that it is such a company,

- (iii) a company within (c)(i) which, before the making of the distribution, has given the intermediary a certificate from its auditor certifying that it is such a company, and

- (iv) another intermediary [not with (i) above] which, before the making of the distribution, has advised the first-mentioned intermediary that it is to receive the distribution on behalf of:

- ~ A person [whether an individual, company or unincorporated body] whose address in the records of that other intermediary is in a tax treaty country or an EU Member State (other than Ireland),

- ~ A company within (b)(i) which, before the making of the distribution, has given that other intermediary a certificate from its auditor certifying that it is such a company, and

- ~ A company within (c)(i) which, before the making of the distribution, has given that other intermediary a certificate from its auditor certifying that it is such a company.

### Exemption from DWT for certain non-residents

Provision is made in *subsections (2) to (4) of section 172D TCA 1997* for an exemption from DWT for relevant distributions made on or after 6 April 2000 to recipients (referred to in the legislation as "qualifying non-resident persons") who are beneficially entitled to the distributions and are within one of the following categories:





- Persons (other than companies) who are neither resident nor ordinarily resident in the State and who are resident for tax purposes in a tax treaty country or in an EU Member State other than Ireland
- Companies not resident in the State which are ultimately controlled by persons who are resident for tax purposes in a tax treaty country or an EU Member State other than Ireland
- Companies the principal class of shares of which, or of a company of which they are a 75% subsidiary, is substantially and regularly traded on a recognised stock exchange in a tax treaty country or an EU Member State other than Ireland.

To qualify for exemption, the recipient must make to the company making the distribution the appropriate declaration of entitlement to exemption as set out in *paragraphs 8 and 9 of the proposed new Schedule 2A TCA 1997*. In cases where the recipient receives the distribution through one or more than one qualifying intermediary or the authorised withholding agent, the appropriate declaration must be made to the qualifying intermediary or through an authorised withholding agent, from whom the recipient receives the distribution made by the company.

### Declarations by Non-Residents

It should be noted (*paragraph 8(f) of Schedule 2A*) that a declaration of exemption made by a qualifying non-resident person, not being a company, must be accompanied by a certificate of tax residence from the tax authority in the country of the person's residence. A declaration made by a non-resident company must (*paragraph 9(f) and (g) of Schedule 2A*) be accompanied by a certificate from the company's auditor certifying that it is ultimately controlled by residents of EU Member States (other than Ireland) or treaty countries and by a certificate from the Revenue

Commissioners certifying that the Commissioners have received the auditor's certificate and are satisfied that that certificate is true and correct. The certificates given in accordance with these provisions are to be effective only for the period from the date of issue until 31 December in the fifth year following the year in which the certificate was issued. Consequently, if title to exemption from DWT is to be maintained, the certificates will have to be renewed at the end of such period.

It should also be noted that if the qualifying non-resident person is a trust, the declaration of exemption must (*paragraph 8(g) of Schedule 2A*) be accompanied by two certificates, namely, a certificate signed by the trustee or trustees of the trust showing the names and addresses of the beneficiaries and settlors of the trust and a certificate by the Revenue Commissioners certifying that the first certificate has been furnished to them and that they are satisfied that it is true and correct.

### Distributions made through qualifying intermediaries

Special measures are provided (sections 172E TCA 1997) to deal with the common situation where distributions are made through intermediaries (e.g. nominees and custodians). DWT will not apply (subsection (1) of section 172E) to distributions made through one or more qualifying intermediaries for the benefit of persons beneficially entitled to the distributions who are non-liable persons (i.e. excluded persons or qualifying non-resident persons).

To be a qualifying intermediary, an intermediary must (*subsection (2) of section 172E*):

- Be resident for tax purposes in the EU or in a tax treaty country
- Enter into a qualifying intermediary agreement with the Revenue Commissioners, and
- Be authorised by Revenue as a qualifying intermediary.

*In addition (subsection (4) of section 172E), the intermediary must:*

- Hold (or be wholly owned by a person who holds) a banking licence in an EU Member State or a tax treaty country
- Be a member of a recognised stock exchange in the EU or in a tax treaty country, or
- Otherwise be suitable to be a qualifying intermediary.

Provision is also made (*subsections (5) of section 172E*) for the maintenance by Revenue of a list of qualifying intermediaries which can be made available to any person, and (*subsections (6) and (7) of section 172E*) for the revocation of an authorisation of a person as a qualifying intermediary.

### Intermediary Agreement

Under a qualifying intermediary agreement (*subsection (3) of section 172E*), an intermediary must undertake to accept, retain for 6 years and make available for inspection all declarations of exemption and notifications made to the intermediary in connection with the DWT scheme.

The intermediary must also undertake to:

- ▼ Exercise a duty of care and verification in relation to such declarations and notifications
- ▼ Operate the DWT scheme (including the making of returns to Revenue) correctly and efficiently
- ▼ Provide to Revenue an annual auditor's report on the intermediary's compliance with the agreement
- ▼ Allow for the verification of such compliance by Revenue in any manner considered necessary.

The agreement may also require the provision of a bond or guarantee by the intermediary to protect the Exchequer against fraud or





## DIVIDEND WITHHOLDING TAX (DWT)

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negligence in the operation of the agreement and the DWT scheme.

### Obligations of qualifying intermediary in relation to distributions received

A qualifying intermediary which is to receive, on behalf of its clients, relevant distributions made by a company resident in the State, or amounts representing such distributions paid-on to it by another qualifying intermediary, is required (*subsection (1) of section 172F TCA 1997*) to maintain two separate funds in relation to such distributions and amounts, an **"Exempt Fund"** and a **"Liable Fund"**. The Exempt Fund is to include (*subsections (2) and (3) of section 172F TCA*) only those clients who are:

- ▼ Non-liable persons who have made to the qualifying intermediary the appropriate declaration of exemption referred to in *Schedule 2A TCA 1997* and
- ▼ Other qualifying intermediaries who have advised the qualifying intermediary that the distributions, or amounts representing such distributions, to be paid-on to them by the qualifying intermediary are to be received by them on behalf of persons in their Exempt Funds.

The Liable Fund is to include (*subsection (4) of section 172F TCA 1997*) the remainder of the qualifying intermediary's clients.

As is the case where distributions are made directly by a company to a qualifying non-resident person, a declaration of exemption made by such a person to the qualifying intermediary must be accompanied by, in the case of declaration by a person other than a company, a certificate of tax residence from the tax authority in the country of the person's residence. In the case of a declaration by a company, a certificate from the company's

auditor certifying that it is ultimately controlled by residents of EU Member States (other than Ireland) or treaty countries and a certificate from Revenue certifying their satisfaction with the auditor's certificate. The certificates referred to are effective only for the period from the date of issue until 31 December in the fifth year following the year in which the certificate was issued. Consequently, if a qualifying non-resident person is to remain eligible to be included in the qualifying intermediary's Exempt Fund, the certificates will have to be renewed at the end of such period.

Similarly, if the qualifying non-resident person is a trust, the declaration of exemption made to the qualifying intermediary must be accompanied by two certificates, namely, a certificate signed by the trustee or trustees of the trust showing the names and addresses of the beneficiaries and settlors of the trust and a certificate from Revenue certifying that the first certificate has been furnished to them and that they are satisfied that it is true and correct.

The qualifying intermediary must (*subsection (1) of section 172F*) notify the company making the distributions, by way of notice in writing, as to whether the distributions to be received by it from the company are to be received for the benefit of persons in its Exempt Fund or Liable Fund. The company will apply DWT only to the distributions which relate to the Liable Fund. The qualifying intermediary must also (*subsection (5) of section 172F*) update its Exempt Fund and Liable Funds as often as may be necessary and must notify the company, by way of notice in writing, of all such updates. The company must (*subsection (6) of section 172F*) apply DWT to a distribution unless it has been notified by the qualifying intermediary that the distribution is to be received by the qualifying intermediary for the

benefit of a person in its Exempt Fund.

### American Depositary Receipts

Special arrangements are made (*subsections (3)(d) to (f) of section 172F*) in the case of Irish companies through American depositary banks using investment instruments known as American Depositary Receipts or ADRs.

ADRs are US dollar denominated negotiable instruments which allow US investors to trade in non-US securities. ADRs are traded in the main US stock exchanges, New York, AMEX, and NASDAQ and provide non-US companies easy access to the US capital markets. In recent years many of the large Irish quoted companies as well as emerging new companies have raised substantial capital in the US via ADRs.

The proposals in the Bill generally require a "chain" of certification, from the individual shareholder through any intermediaries (including depositary banks up to the Irish dividend paying company, before the dividend can be paid gross. This is in line with the normal practice internationally. It ensures that only genuine residents of tax treaty countries will be able to avail of the exemption. However, the volume of US investment in Irish companies via ADRs is so great that the burden of the certification "chain", and the associated paperwork, would be unduly onerous. Thus, American depositary banks who receive dividends from Irish companies and pass them on to the US ADR holders are allowed a less rigorous certification procedure. Specifically, the depositary bank will be allowed to receive, and pass on, the dividend from the Irish company gross:

- ▼ where the depositary bank's ADR register shows that the direct beneficial owner has a US address on the register, but

# Revenue

without being supported by a certificate of US tax residence, *and*

- ▼ if there is a further intermediary such as a mutual fund between the depositary bank and the beneficial shareholder, where the depositary bank receives confirmation from the intermediary that the beneficial shareholder's address in the intermediary's records is in the US, but again, without being backed up by a certificate of US tax residence.

In effect, the procedures for exemption from DWT would operate on an "address system" for that part of the chain of ownership which is below a depositary bank but only where the ultimate individual owner's recorded address is in the US.

## Annual Return

The qualifying intermediary is obliged (*subsection (7) of section 172F*) to make an annual return to Revenue showing:

- The name and address of each company from which it receives distributions on behalf its clients and of each other qualifying intermediary from which it receives amounts representing such distributions on behalf of its clients
- The amount of each such distribution
- The name and address of the clients to whom the distributions or amounts representing the distributions were given by the qualifying intermediary, *and*
- Whether those clients were non-liaible persons.

The return must be made (*subsection (8) of section 172F*) not later than 21 May following the end of the income tax year in an electronic format approved by the Revenue Commissioners. (Initially, it is envisaged that the returns will be made on computer diskette.) If the Revenue Commissioners are

satisfied that the qualifying intermediary has not got the facilities to make the return electronically, the return may (*subsection (9) of section 172F*) be made in writing in a form prescribed or authorised for that purpose by the Revenue Commissioners.

## Authorised withholding agents

A company which makes a relevant distribution to an authorised withholding agent, who is to receive the distribution on behalf of another person, must (*subsection (1) of section 172G TCA 1997*) make the distribution without operating DWT. (The authorised withholding agent then, effectively, steps into the shoes of the company and must operate the DWT scheme when it pays on the distributions, or amounts representing such distributions, to its clients).

To be an authorised withholding agent, a person must (*subsection (2) of section 172F*) be an intermediary and must:

- Be resident in the State for tax purposes
- Enter into an authorised withholding agent agreement with Revenue, *and*

- Be authorised by Revenue as an authorised withholding agent.

In addition (*subsection (4) of section 172G*), the intermediary must:

- Hold (or be wholly owned by a person who holds) a banking licence in an EU Member State or a tax treaty country
- Be a member of a recognised stock exchange in the EU or in a tax treaty country, *or*
- Otherwise be suitable to be an authorised withholding agent.

Under an authorised withholding agent agreement (*subsection (3) of section 172G*), an intermediary must undertake to accept, retain for six years and make available for inspection all declarations of exemption and notifications made to the intermediary in connection with

the DWT scheme. The intermediary must also undertake to:

- ▼ Exercise a duty of care and verification in relation to such declarations and notifications
- ▼ Operate the DWT scheme, including the making of returns to the Collector-General, correctly and efficiently
- ▼ Pay to the Collector-General any DWT required to be included in such returns
- ▼ Provide to Revenue an annual auditor's report on the intermediary's, *and*
- ▼ Allow for the verification of compliance in any manner considered necessary by Revenue.

Provision is also made (*subsection (5) of section 172G*) for the maintenance by Revenue of a list of authorised withholding agents which can be made available to any person, and (*subsections (6) and (7) of section 172G*) for the revocation of an authorisation of a person as an authorised withholding agent.

## Obligations of authorised withholding agent in relation to distributions received

An authorised withholding agent must (*subsection (1) of section 172H TCA 1997*) give notice in writing to each company from which it is to receive relevant distributions on behalf of other persons of the fact that it is an authorised withholding agent. This allows those companies to make the distributions to the authorised withholding agent without applying DWT. In the absence of such notification, the company must (*subsection (3) of section 172H*) apply DWT to the distributions.

On receiving the distributions, the authorised withholding agent effectively steps into the shoes of the company which made the distributions. It must (*subsection (2) of section 172H*) operate the DWT scheme as if it were the company



## DIVIDEND WITHHOLDING TAX (DWT)

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which had made the distributions and as if the paying-on of the distributions, or amounts representing the distributions, to its clients were the making of the distributions by the authorised withholding agent at the time the distributions were actually made by the company. Thus, the authorised withholding agent must, if appropriate, deduct DWT when it pays on the distributions, or amounts representing the distributions, to its clients and must account for that tax to the Collector-General.

### Statement to be given to recipients of distributions

Every company which makes, and every authorised withholding agent which is treated as making, relevant distributions must (*subsection (1) of section 172I TCA 1997*) give each recipient a statement in writing showing:

- The name and address of the company making the distribution and, if an authorised withholding agent is involved, the name and address of that agent
- The name and address of the person to whom the distribution is made
- The date the distribution is made
- The amount of the distribution
- The amount of the DWT (if any) deducted from the distribution.

The requirement to furnish such a statement can be satisfied (*subsection (2) of section 172I*) by including the information required on the dividend counterfoil issued in accordance with *section 152(1) TCA 1997*.

### Credit or repayment of DWT

Where the person beneficially entitled to a distribution has suffered DWT in a year of assessment, that person may claim (*subsection (1) of section 172J TCA 1997*) to have the DWT set off against that person's

liability to income tax for that year and, if the DWT exceeds that liability, to have the excess refunded. If such a person is not within the charge to income tax, a claim may be made (*subsection (2) of section 172J*) for a refund of the DWT deducted.

If such a person has suffered DWT and is a non-liaible person in relation to DWT, or would be such a person if the requirement to make the necessary declaration of exemption set out in *Schedule 2A TCA 1997* had not been necessary, the person may claim (*subsection (3) of section 172J*) a refund of DWT.

Claims must (*subsection (4) of section 172J*) be supported by the statement in writing given to the person in accordance with *section 172I(1) TCA, 1997* and (*subsection (5) of section 172J*) such other evidence as Revenue considers necessary to establish entitlement to the refund or set-off of DWT.

### Returns, payment and collection of DWT

Persons charged with deducting DWT, i.e. companies and authorised withholding agents, must (*subsection (1) of section 172K TCA 1997*) make a return to the Collector-General for any month in which they make, or (in the case of an authorised withholding agent) are treated as making, any relevant distributions. The return must be made within 14 days of the end of the month, and must show:

- ▼ The name and tax reference number of the company which actually made the distributions
- ▼ If an authorised withholding agent is making the return, the name of that agent
- ▼ The name and address of each person to whom a distribution was made or treated as made in the month concerned

- ▼ The date on which the distribution was made to each such person
- ▼ The amount of each such distribution
- ▼ The amount of the DWT, if any, deducted from each such distribution or, in the case of scrip dividends and other non-cash distributions, the amount, if any, to be paid to the Collector-General as if it were a deduction of DWT in relation to each such distribution
- ▼ The aggregate of all such amounts.

The return must be made (*subsection (7) of section 172K*) in an electronic format approved by the Revenue Commissioners. (Initially, it is envisaged that the returns will be made on computer diskette.) If the Revenue Commissioners are satisfied that the company or authorised withholding agent concerned has not got the facilities to make the return electronically, the return may (*subsection (8) of section 172K*) be made in writing in a form prescribed or authorised for that purpose by the Revenue Commissioners.

### Assessment of DWT

The DWT required to be included in the return is (*subsection (2) of section 172K*) due at the same time as the return itself, i.e. within 14 days of the end of the month and is payable to the Collector-General without the making of an assessment. However, an assessment may be made on the company where DWT or any part of it is due and has not been paid.

An Inspector may (*subsection (3) of section 172K*) make an estimated assessment of DWT on a company or authorised withholding agent if it appears to him/her that a distribution has been omitted from the return or if he/she is otherwise dissatisfied





with a return. The tax under such an assessment is, for the purpose of interest payable on unpaid tax, treated as having become payable at the time when it would have been payable had a correct return been made. In addition, where a distribution is incorrectly included in a DWT return, an Inspector may (*subsection (4) of section 172K*) make all necessary assessments, adjustments or set-offs so as to secure that the resultant liabilities to tax of the company or authorised withholding agent or of the person beneficially entitled to the distribution are the same as they would have been if the distribution had not been incorrectly included in the return.

While, normally, DWT is due and payable without the making of an assessment, the due date for the payment of DWT in respect of which an assessment has issued is (*subsection (5) of section 172K*) one month after the date of the assessment. However, that due date cannot displace an earlier due date which would have been applicable under *subsection (2) of section 172K*. If the assessment is appealed, the appropriate earlier due date continues to apply. Any tax overpaid on determination of an appeal against such an assessment will be repaid.

## Interest

The provisions of the Income Tax Acts relating to assessments, appeals, collection and recovery of income tax and interest thereon apply equally (*subsection (6)(a) of section 172K*) to the assessment of DWT.

An interest rate of 1% per month or part of a month applies (*subsection (6)(b) of section 172K*) from the due date on any outstanding DWT which is payable without the making of an assessment.

The payment and procedural provisions of *section 1080 TCA 1997* which apply to interest on assessed taxes are applied (*subsection (6)(c) of section 172K*) to interest payable on DWT which is payable without the

making of an assessment. *Subsections (2) and (4) of section 1080 TCA 1997* provide, respectively, for interest not to be payable if less than £1, and certification of an interest debt by the Collector-General in legal proceedings for the recovery of outstanding interest.

Finally, where an assessment to DWT is made so that the normal interest charge would arise under *section 1080 TCA 1997*, that section will apply (*subsection (6)(d) of section 172K*) with the omission of *subsection (1)(b)* which deals with the date as from which interest is payable in a case where there is an appeal against an income tax assessment.

That provision is not required in the case of an assessment to DWT because the due date for payment of interest in such a case is set out in *subsection (5) of section 172K* which applies whether or not there is an appeal against such an assessment.

## Reporting of distributions made under stapled stock arrangements

A small number of Irish resident companies have arrangements with associated non-resident companies whereby shareholders can elect to take distributions either from the resident company or the non-resident company. These arrangements are generally referred to as “stapled stock arrangements”. Where under a stapled stock arrangement a non-resident company makes distributions in any month, the resident company is required (*subsection (2) of section 172L TCA 1997*) to make a return to Revenue within 14 days of the end of the month showing:

- ▼ The name and tax reference number of the resident company
- ▼ The name and address of the non-resident company which made the distributions
- ▼ The name and address of each person to whom a distribution

was made in the month concerned

- ▼ The date the distribution was made to that person, and
- ▼ The amount of that distribution.

The return must be made (*subsection (3) of section 172L*) in an electronic format approved by the Revenue Commissioners. (Initially, it is envisaged that the returns will be made on computer diskette.)

If Revenue are satisfied that the company or authorised withholding agent concerned has not got the facilities to make the return electronically, the return may (*subsection (4) of section 172L*) be made in writing in a form prescribed or authorised for that purpose by the Revenue Commissioners.

## Delegation of powers and functions

The Revenue Commissioners may (*section 172M TCA 1997*) delegate their powers and functions under the DWT scheme to nominated officers.

## Declarations of exemption

The proposed new *Schedule 2A TCA, 1997* contains details of the declarations which must be furnished by non-liaible persons to companies, qualifying intermediaries or, as the case may be, authorised withholding agents if such persons are to obtain exemption from DWT. A declaration made by a non-resident person (not being a company) must (*paragraph 8(f) of Schedule 2A*) be accompanied by a certificate of tax residence from the tax authority in the country of the person’s residence.

A declaration made by a non-resident company must (*paragraph 9(f) and (g) of Schedule 2A*) be accompanied by a certificate from the company’s auditor certifying that it is ultimately controlled by residents of EU Member States (other than Ireland) or treaty countries and by a certificate from Revenue certifying that they have



## DWT

received a copy of the auditor's certificate and are satisfied that it is true and correct. As stated earlier in these notes, the three types of certificate referred to above are (*paragraph 2 of Schedule 2A*) effective only for the period from the date of issue until 31 December in the fifth year following the year in which the certificate was issued.

Consequently, if title to exemption from DWT is to be maintained, the certificates will have to be renewed at the end of such period.

It should also be noted that if the qualifying non-resident person is a trust, the declaration of exemption must (*paragraph 8(g) of schedule 2A*) be accompanied by two certificates, namely, a certificate signed by the trustee or trustees of the trust showing the names and addresses of the beneficiaries and settlors of the trust and a certificate by the Revenue Commissioners certifying that the first certificate has been furnished to them and that they are satisfied that this is true and correct.

## Revenue offences and penalties

**Section 22 Finance Bill 1999 also proposes:**

- ▼ (paragraph (b) of the section refers) to amend *section 1078 TCA 1997* to include in the list of "Revenue offences" failure to deduct DWT from relevant distributions and failure to pay DWT to the Collector-General and
- ▼ (paragraph (d) of the section refers) to amend *Schedule 29 TCA 1997* to render liable to penalties a person who fails to make a DWT return or a resident company who fails to make a return of distributions made by an associated company under a stapled stock arrangement.

## ASSIGNING CASES

### Tax Adviser Identification Number (TAIN)

Difficulties and delays can arise in assigning a case to a practitioner if the proper information is not included on forms. The TAIN should always be entered in the boxes provided on all Tax Registration and Tax Return Forms.

The Agent name entered on forms should be the full official name e.g. if officially known as John Murphy & Co. this should be entered on the forms as distinct from say Murphy & Co.

## Use of T.A.I.N.

If an internal Client Reference is in use this should also be entered in the Client Reference boxes provided on the forms.

Practitioners requiring any information in relation to TAIN references should contact the:  
*Taxes Central Registration Office,  
Arus Brugh,  
9/10 Upper O'Connell Street,  
Dublin 1.*

Telephone: 01 - 874 6821  
Fax: 01 - 874 6078

## Staff Suggestion Schemes

### Clarification

**Tax Briefing** - Issue 32 contained a detailed article on the subject of Staff Suggestion Schemes. The article set out the conditions which had to be satisfied to enable employers to make payments under such schemes without the necessity to deduct tax under the PAYE system.

The article indicated that a Statement of Practice would shortly issue on the subject. A Statement of Practice will not now be issued and practitioners should operate on the basis of the conditions as outlined in the **Tax Briefing** article.

Supplies of **Tax Briefing** - Issue 32 containing the article can be obtained from:  
*Customer Service Unit,  
Office of the Chief Inspector of Taxes,  
4th Floor Setanta Centre  
Nassau Street,  
Dublin 2*

Telephone: 01-671 6777  
Fax: 01-671 0960

## Share Schemes

### Clarification

Revenue's current practice in relation to the taxation of shares issued to employees/directors which are subject to a prohibition on disposal, is set out in **Tax Briefing** - Issue 31 - April 1998.

Following a number of queries received, Revenue would like to clarify the following points

- The prohibition on disposal must be an absolute prohibition, and must be for genuine commercial reasons
- The award/grant of shares to employees/directors in companies other than the 'employer' company or its parent company, is not covered by the practice.





## COMPLIANCE PROGRAMME 1999

## Revenue Tax Returns

### Introduction

Issue 34 of *Tax Briefing* included a reminder of the filing date for Income Tax Returns and the benefits of timely filing. It also briefly outlined details of the commencement of the Corporation Tax Returns Compliance Programme for 1999. This article sets out further details of:

- Key dates for the Income Tax and Corporation Tax Programmes
- The benefits of filing Income Tax Returns before 31 March 1999
- Some changes to the Income Tax/Corporation Tax programme for 1999
- The results of the overall programme in 1998
- Some items of interest that have arisen in cases that were sent for criminal prosecution for non-filing in 1998.

### Key Dates

#### c.15/16 March

Letters are issuing to all taxpayers who have not filed their 1997/98 Income Tax returns.

Letters are also issuing to taxpayers who commenced between 6 April 1996 and 5 April 1997 signalling their requirement to file Returns for both 1996/97 and 1997/98.

Practitioners will receive a letter for each of their cases that are receiving a non-filing letter. This letter will cover both commencement cases and 1997/98 only cases.

#### 9 April

This is the last day for tax offices to mark up receipt Income Tax Returns before the issue of 'red reminder' letters to the continuing non-filers.

#### c.14/15 April

Reminder letters will issue to 1997/98 Income Tax non-filers still on record.



Some recent newspaper headlines reporting prosecutions for non-filing of returns

#### c.10 May

Districts will commence the Income Tax defaulter programme i.e. telephoning, interviewing and visiting non-filers.

### Benefits of filing Income Tax Returns before 31 March 1999

For Tax Returns submitted between 2 February 1999 and 31 March [both dates inclusive], the surcharge is 5% of the income tax liability for 1997/98. The maximum surcharge in this instance is £10,000.

For Tax Returns submitted after 31 March 1999, the surcharge is 10% of the income tax liability for 1997/98. The maximum surcharge in this instance is £50,000.

**Submitting income tax returns before 31 March 1999 may save your clients money.**

### Some changes to the 1999 programme

- ▼ Practitioners will receive a letter for each Income Tax client who has not filed Returns by the dates outlined above. These letters will issue at the same time as the letter is issuing to your clients. This facility has not been available for the last few years due to technical difficulties. It is hoped to extend this next year to Corporation Tax but this cannot be confirmed yet. In the interim practitioners can get, on request, lists of their non-filing company cases from tax offices in March.
- ▼ Cases that have returns outstanding for very old years will be separated and targeted for collection and enforcement this year. Prosecution activity etc. for non-filing in these cases will continue simultaneously. Enforcement activity includes sheriff and solicitor action or the issue of an attachment notice.

(continued on page 20)



## COMPLIANCE PROGRAMME 1999

(continued from page 19)

▼ Persistent non-filers will again receive priority attention in 1999. Cases that have previous convictions for non-filing and/or cases that have not paid the fines from previous convictions will be specifically targeted. These cases may also be referred to audit for an examination of the books and records.

▼ The prosecution system for non-filing has been reviewed and a number of changes have been proposed. For 1999 the changes largely centre on streamlining the procedures between tax offices, State Solicitors and the Revenue Solicitor to get more cases to Court quicker. Further proposals are under consideration and you will be kept informed of any changes.

### 1998 Results

#### Income Tax Returns received as a percentage of Returns issued

##### 1994/95

31 Jan 1998	31 Dec 1998
93%	95%

##### 1995/96

31 Jan 1998	31 Dec 1998
91%	95%

##### 1996/97

31 Jan 1998	31 Dec 1998
77%	93%

#### Corporation Tax Returns received as a percentage of Returns issued

##### 31 December 1994

1 Jan 1998	31 Dec 1998
81%	83%

##### 31 December 1995

1 Jan 1998	31 Dec 1998
79%	82%

##### 31 December 1996

1 Jan 1998	31 Dec 1998
68%	82%

### Numbers of Cases

Moving away from percentages perhaps more meaningful figures relate to actual numbers. Of cases that were reviewed under the Returns Compliance programmes in 1998 over **41,000** actual cases were worked to conclusion during the year. This includes 10,000 companies. A significant number of cases were found to have ceased, be dormant or dissolved or were more appropriate to the periodic review 'no net liability' categories.

Practitioners are once again reminded to contact the tax office as soon as you become aware that your client has ceased, died, liquidated etc. This should eliminate a lot of unnecessary and inappropriate correspondence etc. continuing to issue to both you and your client.

### Prosecutions for Non-Filing

There was a dramatic increase in the numbers of cases pursued through the criminal prosecution route for non-filing in 1998 (under Section 1078 TCA 1997). In 1997 a total of 291 people were convicted for failure to file returns and preliminary figures show that this number has more than doubled in 1998. The majority of these cases were persistent non-filers.

### Points of interest that arose at Prosecution Hearings

- Some District Court judges did not allow tax practitioners to represent their clients as the hearings were a criminal and not a tax matter
- Jail sentences which were imposed in a number of cases are currently under appeal
- Bench warrants were issued for some taxpayers who did not attend the hearings
- Non payment of fines were actively pursued and warrants were executed in full by the Gardaí.

### Conclusion

Clearly the results outlined above show the effectiveness of the programmes to date.

It is acknowledged that as the numbers of taxpayers registering as self employed increases at a very high rate every year, the duties of tax compliance becomes even more important for practitioners and for Revenue.

However, under self assessment, Revenue has a definite obligation to all complying taxpayers to carry out Compliance programmes to ensure that **every** non-complying taxpayer is pursued for outstanding returns and payments. Revenue will continue to pursue this objective through its various Compliance programmes in 1999.

We recognise that the majority of taxpayers and practitioners do comply with the tax filing rules and we thank you all for your continuing cooperation.



CAT & PROBATE TAX

Indexation Factors

Gift & Inheritance Tax

For Capital Acquisitions Tax purposes, in respect of taxable gifts or inheritances taken in the following years, the index factors to be used are:

1990	1.04
1991	1.076
1992	1.109
1993	1.145
1994 (prior to 11 April)	1.160
(To be applied to the threshold amount)	
1994 (on or after 11 April)	1.160
1995	1.188
1996	1.217
1997	1.237
1998	1.256
1999	1.286
(To be applied to the class threshold)	

The indexed class thresholds since 1996 are:

Class	Relationship	1996	1997	1998	1999
A	for example: son/ daughter	£182,550	£185,550	£188,400	£192,900
B	for example: parent/ niece/nephew/brother/ sister/grandchild	£24,340	£24,740	£25,120	£25,720
C	for example: stranger/ cousin	£12,170	£12,370	£12,560	£12,860

**Exception:**  
A parent qualifies for the Class A threshold where he/she takes an immediate absolute inheritance on the death of a child.

Probate Tax

The exemption threshold for Probate Tax below which no tax is chargeable is £10,000, index-linked by reference to the Consumer Price index. The index factors and the exemption thresholds are as follows:

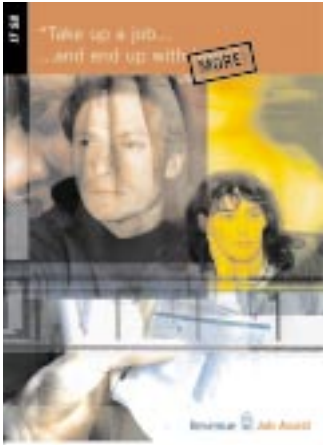
Year	Index Factor	Exemption Threshold (£)
1993	-	10,000
1994	1.015	10,150
1995	1.039	10,390
1996	1.065	10,650
1997	1.082	10,820
1998	1.098	10,980
1999	1.125	11,250

Further Information

Further information can be obtained from:  
*Capital Taxes Division, Taxpayer Information Service, Dublin Castle, Dublin 2.*  
Telephone: 01 - 679 2777 Exts. 4593/4597

REVENUE JOB ASSIST

Special Categories



Introduction

Section 16 Finance Act 1998 provides tax relief to encourage the long-term unemployed to take up employment

and also gives an incentive to employers to employ such individuals. These measures are known as **Revenue Job Assist**. A detailed article on the operation of the scheme was included in *Tax Briefing* - Issue 31 of April 1998.

Special Categories

The legislation contains a provision whereby a member of a special category of persons can qualify for relief if that special category of persons has been approved, for the purposes of *Section 472A Taxes Consolidation Act 1997* by the Minister for Social, Community and Family Affairs with the consent of

the Minister for Finance. This approval has now been made in respect of the following category of persons with effect from 1 January 1999:

**People in receipt of Disability Allowance or Blind Person's Pension for a period of at least 12 months.**

If such an individual takes up a qualifying employment which commences on or after 1 January 1999, he or she will qualify for the Job Assist Allowance and his/her employer will qualify for the Double Wages Deduction.



## CAPITAL GAINS TAX

### Procedure for obtaining CGT Clearance Certificates (CG50A's)

#### Background

The following is intended as a guide for practitioners and solicitors who wish to apply for Capital Gains Tax (CGT) clearance certificates on behalf of their clients.

#### General

Where the consideration for the disposal of certain assets exceeds £150,000, (for disposals prior to 27 March 1998 the limit was £100,000), the person paying that consideration must deduct 15% and remit it to Revenue unless the vendor produces a CGT clearance certificate (Form CG50A). The assets in question are specified in *Section 980(2) Taxes Consolidation Act 1997*. The most common form of such assets which practitioners and solicitors meet on a day to day basis is land and buildings.

#### Q.1 How do I apply for a clearance certificate on behalf of my client?

Application is made on Form CG50. Blank Form's CG50 may be obtained on request from any tax office or by telephoning the *Revenue Forms & Leaflets Service* at 01 - 878 0100. This service is available 24 hours a day.

The completed form should be sent directly to the Inspector of Taxes who deals with the tax affairs of your client (the vendor). It is very important that it is properly completed and sent to the Inspector of Taxes at the correct tax office as experience has shown that delays arise in processing applications because application forms are incorrectly completed and/or incorrectly addressed. (See Q.5 & 6)

*Note that CGT is not administered centrally like other capital taxes such as stamp duty and capital acquisition tax. It is administered by the different tax offices spread around the country. For convenience a list of the various tax offices with addresses and phone numbers is included at the end of this article.*

#### Q.2 When should I apply for a clearance certificate on behalf of my client?

At the earliest possible time. For instance, in the case of a sale, once a contract for sale is in existence application should be made immediately. At the latest, applications should be posted so that they are received in the tax office at least **5 working days** in advance of the closing date (this may mean actually posting the application 6/7 days in advance of the closing date). The issue of a clearance certificate in time for the closing date cannot be guaranteed if the 5 day rule is not observed. If the closing date on the contract for sale has elapsed at the time of making the application, confirmation will be required that the consideration has not passed and a revised closing date must be specified.

#### Q.3 What conditions must be met to obtain a clearance certificate (Form CG50A) ?

The certificate (Form CG50A) can be obtained if any one of the following conditions is satisfied

- ▼ The person making the disposal is resident in Ireland **or**
- ▼ No capital gains tax is payable in respect of the disposal **or**
- ▼ The capital gains tax chargeable in respect of the disposal (and any previous disposal) of the asset has been paid.

## Clearance Certificates

In the latter two instances you must demonstrate to the Inspector, with supporting computation, payment etc., as appropriate, that the relevant condition is satisfied. For example, in the case of an application by a non-resident person, you must show that either no CGT is payable or, if CGT is payable, you must attach a computation of the tax payable and pay any such tax together with any tax chargeable on any gain accruing in any earlier year on a previous disposal of the asset.

The grounds for the application should be clearly marked on the Form CG50 and **only one option should be specified**.

#### Q.4 What information is necessary when completing the application form (Form CG50) ?

The form is straightforward and contains detailed explanatory notes of what is required.

To complete the form you will need to know and arrange for the insertion of (in the order required on the application form) the:

- Name and address of the tax office which deals with the tax affairs of the vendor (your client) (see Q.5)
- Name, address and tax reference number of the vendor (your client) (see Q.6)
- Consideration involved
- Full description of the asset
- Name and address of the person acquiring the asset
- Date of contract for sale (with copy contract attached)
- Date on which the vendor acquired the asset
- Grounds for application i.e. resident, no tax payable, tax already paid as appropriate (see Q.3)
- Signature of the vendor (see Q.9)





- Capacity in which application is made. (see Q.9)

**Q.5**  
**What do I do if I do not know the name/address of my client's tax office ?**

First, ask your client for the information. (If your client is a company, the company Secretary should be able to provide the details.) The name and address of your client's tax office is available from either his/her annual tax-free allowance certificate, notice of assessment to tax and/or correspondence with his/her tax office. If you are still unsure, telephone the local tax office (if phoning from a provincial region) or, if phoning from Dublin, telephone the *Central Telephone Information Office at 01 - 878 0000*, explain the problem, giving the client's tax reference number and ask for the correct District/address.

**Q.6**  
**What do I do if my client does not know his/her tax reference number?**

Again, as for Q.5 above, ask your client to examine his/her annual tax free allowance certificate, notice of assessment to tax and/or correspondence with his/her tax office : the tax reference number will be shown on any such documentation. If the information is still not available, contact the local tax office as per Q.5 above.

*Telephone requests for details of either a client's tax reference or tax office should only be made after making every effort to obtain these direct from the client. Please also note that for security and confidentiality reasons you may be required to provide some evidence that you are acting with the authority of the vendor.*

**Q.7**  
**What do I do if my client does not have a tax reference number ?**

There will be a small number of such cases. These might include cases where an individual's income is

below the tax exemption limit (e.g. individual whose only income is an old age pension) or where a person is non-resident and has no Irish income tax liability. In such circumstances the application will normally be processed in the local tax office for the area in which the applicant resides (if Irish resident). In the case of a non-resident person the application will normally be processed by reference to the address in which the Irish resident agent (Solicitor /Accountant etc.) resides. Applications of this nature in relation to the Dublin area should be addressed to either:

- ▼ *Dublin Tax (Income Tax) District*, (individuals/trusts) **or**
- ▼ *Dublin Tax (Corporation Tax) District*, (companies/corporate bodies).

In provincial areas applications should be directed to the local tax office. A list of tax offices is included on page xx.

**Q.8**  
**Is a certificate required where the consideration is exactly £150,000?**

**No.** A certificate is only required if the consideration exceeds £150,000.

**Q.9**  
**Can an Agent sign on behalf of a client?**

**No.** The application must be signed by the person chargeable i.e. the vendor. In the case of an individual the application should be signed by that individual. In the case of a company it should be signed by the Secretary of the company, or other officer performing the duties of Secretary. In the case of a corporation or other body of persons the application should be made by the Treasurer, Auditor or Receiver. For trusts or unadministered estates the application should be made by the trustees or the personal representatives.

**Q.10**  
**Where there is more than one vendor who must sign the application ?**

In the case of the disposal of an asset where there are multiple vendors a single application should be made and this should be signed by each of the vendors. The tax references of each of the vendors should be provided and the application may be sent to any one of the vendor's tax office's which will process the application, liaising with other tax offices as necessary.

**Q.11**  
**In the case of a husband and wife jointly assessed to tax must each spouse sign the application ?**

In general an application signed by one spouse only will be accepted.

**Q.12**  
**Where the disposal is by an Executor/Administrator etc. in the administration of an Estate, where should the CG50 application be sent?**

If tax returns were made on behalf of the deceased's estate - as distinct from the personal pre-death tax returns of the deceased - the application should be made direct to the tax office to which the estate's tax returns were made.

If no tax returns were made on behalf of the estate the application may, in practice, be made to the tax office that dealt with the pre-death tax affairs of the deceased. In all such cases it would be helpful if the deceased's tax reference number was quoted. If the deceased did not have a tax reference proceed as per Q.7, having regard to the pre-death address of the deceased.

*(continued on page 24)*





## CAPITAL GAINS TAX

(continued from page 23)

### Quick Checklist

- ▼ Is the application (form CG50) completed if full ? (see Q.4)
- ▼ Have the grounds for the application been correctly stated ? (see Q.3)
- ▼ Has your client signed the CG50 ? (see Q.9)
- ▼ Have I attached a copy of the contract ?
- ▼ Am I sending the application to the correct tax office ? (see Q.1)
- ▼ Is the client non-resident ?  
If so, the application must be accompanied by a computation of any gain arising and payment of any tax due. (see Q.3)

*Finally, if after completing the form you are still unsure whether you are addressing the correspondence to the correct tax office you should phone in advance to confirm the position. Any follow-up enquiries about the application should be made direct to the tax office to which the application was made.*

*Also, any telephone enquiries in relation to specific clients should be made to the client's own tax office: telephone enquiries of a general nature should be made to the local tax office if phoning from outside Dublin or to the Central Telephone Information Office at Telephone: 878 0000 if phoning from the 01 area.*

### Provincial Tax Offices:

#### Addresses and Telephone Numbers

##### **Athlone Tax District,**

Government Offices,  
Pearse Street,  
Athlone,  
Co. Westmeath.  
Telephone: 0902 - 92681

##### **Castlebar Tax District,**

Michael Davitt House,  
Castlebar, Co. Mayo  
Telephone: 094 - 21344

##### **Cork Tax District,**

Government Buildings,  
Sullivans Quay,  
Cork.  
Telephone: 021 - 966077

##### **Dundalk Tax District,**

Earl House,  
Earl Street,  
Dundalk,  
Co. Louth.  
Telephone: 042 - 32251

##### **Galway Tax District,**

Hibernian House,  
Eyre Square,  
Galway.  
Telephone: 091 - 563041

##### **Kilkenny Tax District,**

Government Buildings,  
Hebron Road,  
Kilkenny.  
Telephone: 056 - 52222

##### **Letterkenny Tax District,**

Government Offices,  
High Road, Letterkenny,  
Co. Donegal.  
Telephone: 074 - 21299

##### **Limerick Tax District,**

River House,  
Charlotte Quay,  
Limerick.  
Telephone: 061 - 318711

##### **Sligo Tax District,**

Government Offices,  
Cranmore Road,  
Sligo.  
Telephone: 071 - 60322

##### **Thurles Tax District,**

Stradavoher,  
Thurles,  
Co. Tipperary.  
Telephone: 0504 - 21544

##### **Tralee Tax District,**

Government Offices,  
Spa Road,  
Tralee,  
Co. Kerry.  
Telephone: 066 - 21844

##### **Waterford Tax District,**

Government Buildings,  
The Glen,  
Waterford.  
Telephone: 051 - 873565

##### **Wexford Tax District,**

Government Buildings,  
Anne Street,  
Wexford.  
Telephone: 053 - 45555

### Dublin Tax Offices:

#### Addresses and Telephone Numbers

##### **Dublin Tax (Income Tax) District,**

1A, Lower Grand Canal Street,  
Dublin 2.  
Telephone: 01 - 661 6444  
(Self Employed Individuals/Trusts)

##### **Dublin Tax (Corporation Tax) District,**

Lansdowne House,  
Lansdowne Road,  
Dublin 4.  
Telephone: 01 - 668 9400  
(Companies)

##### **Dublin Directors District,**

Hawkins House,  
Hawkins Street,  
Dublin 2.  
Telephone: 01 - 677 5004  
(Company Directors)

##### **Dublin PAYE No. 1 & PAYE No. 4,**

Arus Brugh,  
9/15 Upper O'Connell Street,  
Dublin 1.  
Telephone: 01 - 874 6821  
(Employees)

##### **Dublin PAYE No. 2 & PAYE No. 3,**

85/93, Lower Mount Street,  
Dublin 2.  
Telephone: 01 - 661 6444  
(Employees)

##### **Claims Section,**

Findlater House,  
28/32, Upper O'Connell Street,  
Dublin 1.  
Telephone: 01 - 874 6821  
(Charities)

## CAPITAL GAINS TAX

## Queries

In this article, we give details of some recent CGT queries made to Revenue and a summary of our responses to the queries.

### Rollover Relief

**Q.** An asset is owned personally by an individual and is used for the purposes of a trade carried on by a company in which the individual is a major shareholder. Where the individual sells the asset and re-invests the proceeds in another asset which is also used for the purposes of the trade carried on by the company, will rollover relief apply to a gain on the disposal of the original asset?

**A.** *Section 597 Taxes Consolidation Act 1997* provides for rollover relief where a qualifying asset which has been used for the purposes of a trade is disposed of by the person carrying on that trade. In the circumstances outlined, the person who disposed of the asset is the individual shareholder in the company, whereas the person carrying on the trade is the company itself. As the asset is not disposed of by the person carrying on the trade, rollover relief is **not** available on a gain on the disposal of the asset.

### Appropriation of Assets to Trading Stock

**Q.** Do the provisions of *Section 596(1) TCA 1997* - which deal with appropriations to stock in trade - apply where an asset held as a capital asset in one trade is appropriated to the trading stock of another trade carried on by the same person?

**A.** *Section 596 TCA 1997* deals with the CGT consequences on the appropriation of assets to and from stock in trade. *Subsection 1* deals with the appropriation of a capital asset to stock in trade. It provides that, for CGT purposes, the appropriation is deemed to be a disposal of the asset at full market value.

It has been suggested that the wording of subsection (1) made it unclear as to whether the section only had application where a single trade was carried on, i.e. that the subsection might not apply where an asset was held as a capital asset (e.g. farmland) of a trade already carried on by a person where that person commences to carry on another trade (e.g. builder/land developer) into which he appropriates the farmland as stock in trade of the new trade.

Revenue's view is that the reference in the subsection to **"the trade"** is a reference to the trade into which the asset has been appropriated so that the fact that the asset was held as a capital asset in another trade carried on by that person does not affect the application of the section. Accordingly, the subsection **does apply** where an asset already held as a capital asset in one trade is appropriated to a new trade.

For completeness it should be mentioned that a measure of relief from the deemed disposal is provided for in *subsection 3 of Section 596*.

### Development Land / Right of Way

**Q.** What rate of CGT is applicable to a gain on the grant of a right of way over development land which has planning permission for residential development?

**A.** The general CGT rate of 20% effective since 3 December 1997 does not apply to disposals of development land **other than** to disposals of development land:

- By an individual where the total consideration is respect of all such disposals made in a tax year does not exceed £15,000
- In the period from 23 April 1998 to 5 April 2002 to a housing authority for the purposes of the Housing Acts.
- In the period from 23 April 1998 to 5 April 2002, where, at the time of disposal, the land has planning permission for residential development.

Revenue's view is that where a chargeable gain accrues on the grant of a right of way over development land which has planning permission for residential development, the right of way itself does not have planning permission for residential development. Accordingly, the gain accruing on the grant of the right of way is chargeable to capital gains tax at 40%.

By way of general note, annual profits or gains in respect of receipts from easements are chargeable to income tax under Schedule D Case V. In contrast, a charge to capital gains tax arises where a right of way is disposed of.



## US DIVIDENDS

### Encashment Tax on US Dividends

*Section 833 Taxes Consolidation Act 1997* (previously *Section 358 Income Tax Act 1967*; previously *Section 12 Finance Act 1950*) allowed the Revenue Commissioners to make regulations in relation to the 1949 Ireland/US Double Taxation Convention. Statutory Instrument 381 of 1951 contained regulations made under *Section 12 Finance Act 1950* which provided that, exceptionally in the case of US dividends, paying agents were allowed to give a credit, against the standard rate of encashment tax they deduct, for the 15% withholding tax deducted in the US.

*Section 833 TCA 1997* has now been repealed (by *Section 48 Finance Act 1998*) and the 1951 regulations, which were expressly concerned with US dividends which suffered 15% withholding tax under the 1949 Convention, do not apply to US dividends covered by the new Double Taxation Convention with the US. As a consequence **Paying Agents are required to deduct the full standard rate of encashment tax for US dividends, without any credit for US withholding tax.**

**Revenue will insist on strict compliance with this provision from 6 April 1999.**

## EMPLOYER'S P35

### Background

Issue 30 of *Tax Briefing* gave details of a new pre-formatted diskette system which can be used by practitioners to complete P35 returns electronically for clients instead of using the current handwritten forms. This provides an attractive alternative option to the current methods.

The system was developed in consultation with practitioners to simplify the P35 process and to reduce the labour intensive form filling operation. The views and concerns expressed during the development phase have been taken into consideration and incorporated into this latest version. The system was tested by selected practitioners last year and the feedback received from those practitioners was very positive.

### Diskette Package

In view of the success of the pilot project a copy of the diskette package is now being made available to all practitioners with this issue of *Tax Briefing*. Apart from the P35 Declaration, the enclosed diskette package includes everything you need in order to make your client's manual payroll P35 returns. The system is easy to use - all that is required is to follow the instructions on the enclosed leaflet and send your return on diskette to Revenue in the pre-addressed envelope which is also included in the package. You are encouraged to use this product and if you require further assistance please contact Ciaran Hanley or Tom McGrath at the telephone numbers listed. We will also be happy to receive any comments or suggestions you might have in relation to the system.

## on Diskette

### Benefits

Some of the benefits mentioned by users of the system include:

- ▼ The facility to print P60's
- ▼ The facility to print P35 Summary Reports for reference purposes, if required
- ▼ The provision whereby multiple employers returns can be made on one diskette
- ▼ The fact that basic validation rules have been built into the system thereby detecting errors at input stage and thus reducing later queries from Revenue
- ▼ The inclusion of a *Help* facility.

The P35 Declaration will be the only form that will require manual completion. This may change in the future as it is planned to include a facility to allow for submission of such returns over the Internet as part of the **Revenue On-Line Service**.

### Further Information and Assistance

In order to get maximum benefit from the new system, new P60 forms, which have been specially designed for use with laser printers, will be required. If you do not already have a supply of these forms you can order them now from Tom McGrath or Ciaran Hanley at 067-33533 ext. 3158/3144. Practitioners in the Dublin area can phone 01-677 4211 and be connected to the Nenagh Office at local call rates.

If you have Internet access the software on the diskette can be downloaded from Revenue's Web Site <http://www.revenue.ie>.



## REVENUE “CONTAX” PROJECT Integrated Taxation Processing

### Integrated Taxation Processing - A Common Framework for all Taxes

#### Background

Over the last number of years Revenue has made a significant investment in improving its computer systems through the **Consolidated approach to Tax** administration programme, known as **CONTAX**. The objective of the CONTAX programme is to treat the taxpayer as a single customer for all taxes and free-up staff for caseworking by improving the efficiency of our systems.

#### Common Registration System (CRS)

The first component of CONTAX, the *Common Registration System (CRS)*, - brought together registration details (registration number, name, address etc.) for each tax type (Income Tax, VAT, etc.) into a single Revenue customer register and information relating to practitioners into an agents file. A major benefit of CRS is that any change of customer details or agent details (e.g. address) need only be notified to Revenue once and that change will be automatically applied to all taxes for which the customer is registered.

#### Active Intervention Management (AIM)

Another component of CONTAX is AIM, introduced into all areas of Revenue as a caseworking approach to payment and return compliance and debt management. It also provides a coordinated approach across all taxes for identifying and tracking various categories of non-compliant customers and to pursuing them through to enforcement, where necessary. This case-working approach enables Revenue deal with non-compliant customers more efficiently.

### Integrated Taxation Processing (ITP)

This is the last major component of the CONTAX programme. It will be a common system for returns issuing, returns processing, and the main collection activities for all the major taxes. ITP will merge fully with CRS and AIM and provide a fully integrated computer support for Revenue's major business functions.

#### Phased implementation approach

The various taxes will be incorporated into the ITP system on a phased basis. PAYE/PRSI (Employers) will be the first tax to convert to ITP in April 1999. VAT will be implemented in 2000 and further taxes will follow at regular intervals. Since many of the benefits of ITP flow from a common approach to a number of different taxes, the major benefits of ITP will not be realised until the second and subsequent taxes are added.

#### The Benefits of ITP for customers and agents

ITP is an important part of Revenue's ongoing effort to improve customer service. In particular, the new system will :

- Enable faster and more comprehensive answers and improved response to telephone queries by giving our staff improved access to information e.g.
  - ~ By recording more details on customer payments (e.g. Bank Sort Code, cheque number) we will be in a better position to quickly identify specific payments which are the subject of enquiry.
  - ~ Each assessment, demand, return etc. produced by ITP will have a unique identification number and staff will be able to recall the details on screen

once a customer quotes this number.

- Provide immediate access to the customer's balance for each tax thereby improving our ability to deal with queries from customers or their agents
- Enable Revenue produce periodic statements of account which will show details of all payments received since the last statement and matters outstanding on the customer's account, including any balance owed. It is intended that, in time, these statements will replace individual payment receipts.
- Provide the facility for direct on-line input of payment and return details which were previously hand-written and key-punched to computer tape. This will result in:
  - ~ The vast majority of payments and returns being input directly to ITP without the need for hand written forms
  - ~ Customer accounts being more reliable since information is validated on input.
- Improve refund/repayment processing
  - ~ Many existing manual checks will be automated. This will result in a faster turnaround time for processing claims.
  - ~ Where additional information is required from another area within Revenue the request can be routed on-line by ITP to the appropriate area thus replacing paper based referral systems. This will improve the time for processing repayment claims.

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## REVENUE "CONTAX" PROJECT (continued from page 27)

~ ITP will, subject to pre-defined rules, automatically process credit remaining in a customer's account by either setting the credit against existing liabilities or making the refund. A statement of account notification will issue to the customer giving details of how the credit was handled.

- Standardise Revenue's forms ensuring that they are consistent across taxes. As part of developing the new PAYE/PRSI (Employers) system the returns [P30 and P35] and demand forms have been re-designed. Employers will be sent the new P30 in April to make their first PAYE/PRSI payment for the tax year 1999/2000 i.e. for the period 6 April to 5 May 1999.

ITP provides Revenue with a system which will support Employers doing business in either euros or Punts in the transition period until 2002. In fact, the ITP database holds all money amounts in euros and the system converts IR£ transactions to euros. It will also handle the 'Year 2000' date problem.

### Longer term benefits

Longer term when all the major taxes have been included in the ITP system further benefits will be realised such as more flexible access to a wider range of data across taxes which will improve our compliance management techniques. ITP will also provide extra customer facilities by availing of developments arising in information technology e.g. allow customers to view their tax accounts over the Internet, facilitate electronic exchange of information [E-filing] etc.

## VEHICLE REGISTRATION TAX



### Trade Access to the Vehicle Registration Tax (VRT) Used Car Valuation System

The Used Car Valuation System is a computer program combined with an extensive database of used cars which is maintained by Revenue for the purpose of assessing the amount of VRT payable on each individual used car declared for registration. As part of their upkeep of the system Revenue takes cognisance of market prices in the State and the program takes account of factors such as age, condition and mileage of each used car.

The system is constantly updated. Previously, importers of used cars who required VRT assessments in advance of registration obtained the necessary information either from a Vehicle Registration Office or the Central Vehicle Office in Rosslare.

Following the successful launch of the VRT Information Kiosk (see *Tax Briefing* - Issue 32), the new software program which was developed for the kiosk has been enhanced to enable a snapshot of the mainframe program to be transferred to **CD ROM**. This is now available to regular importers of used cars. It is a Windows based application which can be installed on any PC or laptop running on Windows 3.1, 95, 98, NT 3.5 or NT4. While the discs are provided free of charge at intervals of about 6 weeks, the user will require a licence to use the software on payment of a once off fee of £60.50 incl. VAT. The service is restricted to regular importers of used cars only.

## Used Car Valuations

The software also enables the user to print VRT assessments, as required.

The CD ROM should prove particularly useful to those purchasing used cars abroad and marketing them in the State. Further information on this development is available from:

*VRT Administration Branch,  
Stamping Building,  
Dublin Castle,  
Dublin 2.*

Telephone: 01 - 679 2777  
ext. 4048.



## INTERNET SITE

## Update

### REVENUE'S WEB SITE <http://www.revenue.ie>

Since the December 1998 edition of *Tax Briefing* we have provided the following on our web site:

#### ▼ **Value-Added Tax**

An extensive listing which shows the rate of Value-Added Tax (VAT) applicable to over 2,500 goods and services is now available

#### ▼ **Audit**

Code of Practice for Revenue Auditors

#### ▼ **Budget '99**

Information on the main tax changes announced in the Budget on 2 December 1998

#### ▼ **1999 Finance Bill**

Preliminary List

#### ▼ **CAT**

Index threshold for Capital Acquisitions Tax - 1999

#### ▼ **PAYE**

Notices to Employers & Employees on the operation of PAYE for the Tax Year 1999/2000

#### ▼ **Euro**

Conversion Rates

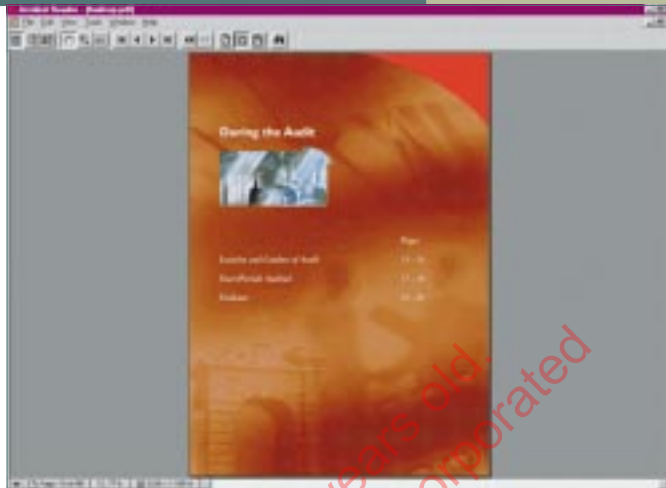
#### ▼ **Intrastat**

Free downloadable software to help you complete Intrastat Returns with easy access to technical support for the software's installation and use

#### ▼ **P35**

Free downloadable software which can be used by practitioners to complete P35 returns.

All of these items can be found in the "What's New" section of the site. Further information on the P35 software can be found on page 26 of this issue.



*Shown here is a snapshot of the "Code of Practice for Revenue Auditors" as presented on the Revenue Web Site. The site is updated regularly as new publications are made available*

We have also established a 'Small Business Page' where we brought together all information of interest to small and medium enterprises. This page can be accessed from a hyperlink on the Home Page. As always, your views on our internet service are welcome and can be e-mailed to:

**[custserv@revenue.irlgov.ie](mailto:custserv@revenue.irlgov.ie)**

#### **VIMA on the Web**

Revenue's web-site now includes a section dedicated to VIMA. This is the Dundalk-based Revenue office responsible for the processing of Intrastat and VIES returns. You will find a hyperlink to the VIMA pages under "What's New".

The web pages include a general description of Intrastat, VIES and VIMA in the form of frequently asked questions. They also provide all the information you need when you want to contact VIMA.

VIMA supplies a software package called IDEP that is provided by Eurostat and customised for use in Ireland. It helps produce the Intrastat Return.

This software has been available by post on diskette from VIMA until now, but the web-site provides an alternative method of delivery that is familiar to all Internet users.

#### **Technical Support**

The "systems" staff in VIMA will answer any questions you have in relation to the installation and use of the IDEP package, regardless of how you received it. This support is available during office hours, and can be accessed by phone, fax, and now also by e-mail, (details below). The e-mail address, and of course the fax, allow you to send your query to VIMA outside normal hours, and it will be addressed as soon as possible.

#### **Help Desk**

Our help desk staff are waiting for your call, and are ready to answer any questions you have in relation to Intrastat and VIES. For example, have you concerns about the implications of the Euro for these returns, or about how returned goods should be treated?

We can take your calls during office hours, or you can send your query by fax or e-mail to:

VIMA,  
Office of the Revenue Commissioners,  
Newry Road,  
Dundalk.

Phone: 042 - 9326262

Fax: 042 - 9336184

LoCall 1890-251010

e-mail: **[vima@revenue.irlgov.ie](mailto:vima@revenue.irlgov.ie)**



## DIRECT DEBIT

## Payment of Income Tax Preliminary Tax

### Background

This article highlights the main features of the direct debit scheme for Preliminary Tax as it will operate from 6 April 1999 arising from the changes introduced by the *Finance Act 1998 to Section 958 Taxes Consolidation Act 1997*. The main change is that direct debit instalments will be paid throughout the tax year rather than throughout the calendar year.

A new Statement of Practice [No CG/1/99] on the operation of the direct debit scheme is enclosed with this issue of **Tax Briefing**. This Statement of Practice replaces the 1996 edition [CG/1/96] on the same subject.

### Preliminary Tax Rules - Minimum amount payable

The minimum amount of preliminary tax which must be paid is the lower of:

- ▼ 90% of the tax liability for the actual year of assessment
- or
- ▼ 100% of the tax liability for the preceding year of assessment
- or
- ▼ **in the case of direct debit participants only**, 105% of the tax liability for the **pre- preceding** year of assessment.\*

\* The 105% rule does not apply where the income tax payable for the pre-preceding year is Nil.

A liability to interest charges arises where a customer fails to comply with the preliminary tax rules.

### Direct Debit Scheme

The direct debit scheme for Preliminary Tax is designed to spread the burden of preliminary tax payment evenly **throughout the tax year** [previously payments were

made throughout the calendar year in which the due date for the payment of preliminary tax fell]. Direct debit payments made in a tax year will be credited against the Preliminary Tax which normally falls due on 1 November for that tax year. For example, direct debit payments made during 1999/2000 will be credited against the Preliminary Tax payment normally due on 1 November 1999 for the 1999/2000 year of assessment.

### Main Features of the Direct Debit Scheme

- Allows the customer to spread the Preliminary Tax payments throughout the tax year and thus avoid a large lump sum payment on 1 November
- Payments by direct debit can be made in a maximum of twelve instalments and a **minimum of ten**. Where less than twelve instalments are involved the customer can decide the month or months in which a direct debit deduction is not to be made. However, irrespective of the number of instalments involved, a minimum of 70% of the Preliminary Tax payable for a tax year must be paid on or before 31 December of that tax year.
- Completion and return of a direct debit mandate form is required from any customer wishing to participate in the scheme. This authorises the Collector-General to collect Preliminary Tax through the direct debit scheme. Deductions based on the completed mandate form will be made on the 9th of each month.
- Completed mandate forms should be returned to the Collector-General at least 20 days before deductions are to commence. For example, if deductions are to commence on 9 April, the mandate form should be reach the Collector-General by 21 March at the latest.
- The latest date for the first instalment under the direct debit scheme is 9 June in the year of assessment. This would apply in the case of a customer opting for ten instalments, omitting deductions on 9 April and 9 May. The completed mandate form should, therefore, in such an instance, be returned to the Collector-General no later than 21 May.
- The amount of Preliminary Tax to be debited to a customer's bank account on a monthly basis may be increased or decreased at any time by the customer subject to the agreement of the Collector-General. In making adjustments, customers should bear in mind that a minimum of 70% of the Preliminary Tax payable for a tax year must be paid on or before 31 December of that tax year.
- To revise the amount of the direct debit deduction, a customer simply needs to advise the Collector-General, in writing, of the new monthly deduction amount. This written notification should be returned to the Collector-General at least 10 days before the revised deduction amount is to take effect.
- At the end of the tax year, each customer participating in the direct debit scheme will be issued with a statement of all direct debit payments made during that tax year and will be invited to review the adequacy of the amount of the monthly deduction so as to ensure compliance with the minimum payment requirements for the next tax year.
- Once a customer has joined the direct debit scheme, deductions will continue to be made in accordance with the most up to date instructions provided by the customer for subsequent years, unless the customer notifies the

(continued from page 30)

Collector-General that participation in the direct debit scheme is being ceased.

## Enquiries

Further information on the direct debit scheme for the payment of Income Tax Preliminary Tax and mandate forms may be obtained by telephone: 01 - 671 6998, by writing to the

Office of the Collector-General,  
Apollo House, Tara Street, Dublin 2

or by contacting your local tax office.

## TAX BRIEFING SURVEY

## Results



### Rating of the overall content of Tax Briefing in terms of usefulness

Very useful	66%
Useful	34%

### Topics which are of most interest to practitioners

Income Tax  
Budget/Finance Act Updates  
Capital Gains Tax  
Value-Added Tax  
Compliance  
Audit  
Corporation Tax

### Average rating of the content of articles

Excellent	35%
Good	56%
Fair	8%
Poor	1%

### Average rating of technical detail in articles

Too much technical detail	3%
Right amount	89%
Not enough	8%

### Clarity and readability of articles

Very clear and readily understandable	69%
Fairly clear	31%

### Use of practical examples to explain issues

Very useful	76%
Useful	24%

### Rating of Design & Layout

Excellent	45%
Good	54%
Fair	2%

## Introduction

Thanks again to all practitioners who took the time to reply to the survey sheet which issued with **Tax Briefing** Issue 33. In addition to the ratings which are outlined below, we received quite a number of suggestions regarding topics for inclusion in future issues and useful comments and suggestions on improvement to the content and layout of the magazine. We will do our best to implement as many of the suggestions as possible to ensure that the magazine continues to meet your needs.

*The main results of the survey were as follows:*

**Number of Practitioners who replied** 409

<b>Type of organisation</b>	
Accountancy Practice	85%
Tax Consultancy	9%
Solicitor's Practice	6%

**Overall rating of Tax Briefing as a means of communicating Revenue information to practitioners**

Very Effective	65%
Effective	35%



## VALUE ADDED TAX

### VAT on printing and printed matter

Following the changes introduced in May 1998 to simplify the rating structure relating to publications, an information leaflet was issued outlining the various rates applicable to printed matter. The information leaflet distinguishes between leaflets devoted to advertising (21%) and other leaflets (12.5%).

**Revenue accepts that this distinction is difficult to administer and has decided that all leaflets whether devoted to advertising or not, should benefit from the lower rate.**

(The remaining content of the leaflet remains unchanged and it will be revised in due course.)

### VAT on telecommunications services

Special provisions in the 1997 and 1998 Finance Acts relate to changes in the VAT rules concerning telecommunications services. An information leaflet (No. 7) is now available detailing the effect of these provisions.

### VAT treatment of Auctioneers, and Auction and Agency sales

An information leaflet, No. 5/98 is also available in relation to the VAT treatment of auctioneers, and auction and agency sales. The leaflet deals with the implementation of the Seventh Directive, the provisions of which were transposed into Irish VAT law by the 1995 Finance Act.

Copies of all leaflets mentioned above are available from local tax districts, the **Revenue Forms & Leaflets Service** at 01 - 878 0100 or from  
VAT Administration Branch,  
Dublin Castle,  
Dublin 2.

Telephone: 01 - 679 2777

## REVENUE NEWS

### Central Revenue Information Office - One Millionth Customer

The Central Revenue Information Office (CRIO) celebrated its one millionth customer on Friday 11 December 1998. The CRIO, which is based in Cathedral St., off O'Connell St., Dublin 1, opened for business in 1992. **Revenue Chairman Dermot Quigley** and **Chief Inspector Chris Clayton** were on hand to congratulate *Ms. Michelle Nelson*, the millionth customer, and to pay tribute to the staff of the CRIO on the level of customer service provided by the office since its opening. Customer service is very important for Revenue as approx. 750,000 taxpayers visit us and almost four million make telephone calls to Revenue Offices each year. Revenue's aim is to provide the best possible service and in doing so help people to meet their tax obligations.

### Cheques enclosed with Tax Returns

Practitioners should note that if a cheque is being enclosed with a tax return or other correspondence this fact should be highlighted in a covering letter. A number of cases have come to light where cheques have been stapled between other documents such as accounts, computations and other documentation. This practice may lead to the cheque being inadvertently filed with the documentation with resultant demands issuing in error to clients. If you have submitted cheque(s) on behalf of client(s) and have not received a receipt you should contact the tax office involved to ensure that the cheque has been processed.

As a general rule, cheques should **not** be enclosed with Returns, Accounts etc. but should be sent directly to the Collector-General with the appropriate accounting instructions.

## Update

### New Guides on Relevant Contracts Tax

Two new guides on Relevant Contracts Tax have been issued:

#### IT63

Relevant Contracts Tax  
(Construction, Forestry & Meat Processing Industries) - Guide for Principal Contractors

#### IT 64

Relevant Contracts Tax  
(Construction, Forestry & Meat Processing Industries) - Guide for Sub-Contractors

The guides are available from the **Revenue Forms & Leaflets Service** at 01 - 878 0100 or from local tax offices.