

TAX BRIEFING

BOGUS NON-RESIDENT ACCOUNTS



Statement of Practice

Practitioners should, by now, be familiar with the **Statement of Practice** issued by Revenue on 2 May 2001 in relation to **Bogus Non-Resident Account Holders** and their liabilities. The Statement is published on the Revenue website www.revenue.ie. It gives notice that Revenue will be dealing with the undisclosed liabilities of bogus account holders in **two stages**:

- **Stage 1** - the encouragement stage - offers significant benefits to account holders who make a full disclosure and payment by 15 November of all previously undisclosed liabilities. These benefits include
 - no publication,
 - 100% cap on interest and penalties, and
 - no investigation for prosecution.

- **Stage 2** - the enforcement stage - will begin after 15 November and will involve Revenue using powers, given by the *Finance Act 1999*, to complete the lists of bogus non-resident account holders, many of whom have already been identified in the course of the DIRT look-back audits (which also used *Finance Act 1999* powers). Revenue will ensure that each identified bogus account holder, who has not taken the opportunity to disclose and pay voluntarily by 15 November, will be individually investigated.

Bogus account holders who seek practitioners' advice should be left in no doubt about Revenue's commitment and determination to identify them after 15 November and to investigate those who have not disclosed and paid. "Die-hard" account holders who fail to take the opportunity now being given will regret their failure.

The newspaper advertisement reprinted on page 3 emphasizes the need for account holders to contact tax advisers without delay. Practitioners who undertake this work should proceed as soon as possible with preparing the computations leading to disclosure on form BNR1 and payment. This will enable practitioners to make requests in good time for information, from Revenue and other sources, and will ease the pressures on all concerned which may arise if there is a last-minute rush closer to the 15 November deadline.

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Revenue



KEY DATES

July

- 5 Income Tax**
Deadline for claiming Separate Assessment
- 5 Income Tax**
Deadline for nominating Assessable Spouse
- 14 PAYE/PRSI**
P30 monthly return and payment for month ended 5 July
- 14 DWT**
Return and payment of DWT for month ended 30 June
- 14 RCT**
C30 monthly return and payment for month ended 5 July
- 19 VAT**
VAT 3 return and payment for period May/June
- 1-28 Corporation Tax**
Preliminary Tax for APs ending between 1-31 January
- 1-31 Corporation Tax**
Returns for APs ending between 1-31 October
- 1-31 Corporation Tax**
Returns of Third Party Information for APs ending between 1-31 October

August

- 14 PAYE/PRSI**
P30 monthly return and payment for month ended 5 August
- 14 DWT**
Return and payment of DWT for month ended 31 July
- 14 RCT**
C30 monthly return and payment for month ended 5 August
- 1-28 Corporation Tax**
Preliminary Tax for APs ending between 11-28 February
- 1-31 Corporation Tax**
Returns for APs ending between 1-30 November
- 1-31 Corporation Tax**
Returns of Third Party Information for APs ending between 1-30 November

September

- 14 PAYE/PRSI**
P30 monthly return and payment for month ended 5 September
- 14 DWT**
Return & Payment of DWT for month ended 31 August
- 14 RCT**
C30 monthly return and payment for month ended 5 September
- 19 VAT**
VAT 3 return and payment for period July/August
- 1-28 Corporation Tax**
Preliminary Tax for APs ending between 1-31 March
- 1-30 Corporation Tax**
Returns for APs ending between 1-31 December
- 1-30 Corporation Tax**
Returns of Third Party Information for APs ending between 1-31 December

BOGUS NON-RESIDENT ACCOUNTS

Continued from page 1

Revenue accepts that, to compute liabilities by 15 November, estimates will have to be used in cases where information is incomplete. We in Revenue will do our best to provide information from our files (marginal rates for particular years etc.) where requested.

Revenue has conducted a nationwide programme of seminars for practitioners on the Statement of Practice. We will shortly be issuing further guidance and explanations in relation to the Statement in a booklet in "question and answer" format.

Practitioners, with queries in relation to the operation of the Statement of Practice, may contact their local tax

office. They may also contact the Underlying Tax Project Office directly as follows:

Email utproject@revenue.ie

Fax 01 8655151

Telephone 01 8655156.

The deadline of 15 November MUST be met to qualify for the benefits set out in the Statement of Practice. Revenue is determined to identify and investigate those who do not disclose and pay voluntarily - and there will be no deferral of the Stage 2 process of enforcement beyond 15 November. ■



Bogus non-resident account holders

15 NOVEMBER DEADLINE FOR VOLUNTARY DISCLOSURE

If you've had a bogus non-resident account and failed to declare all your tax liabilities to Revenue

YOU SHOULD CONTACT YOUR TAX ADVISER NOW TO ENSURE THERE IS SUFFICIENT TIME TO CALCULATE YOUR LIABILITIES.

For full details of how the voluntary disclosure arrangements will affect you, visit the Revenue website www.revenue.ie, phone the Information Line 01 8655156 or call your local Tax Office.

Act now...before it's too late!

Revenue 
www.revenue.ie

*Bogus non-resident accounts are accounts which were at any time treated by a financial institution as being exempt from deposit income retention tax (DIRT) on the grounds that no person ordinarily resident for since 1994, resident in the State was beneficially entitled to interest in the account while, in fact, a person so beneficially entitled was ordinarily resident for since 1994, resident in the State.

PAY & FILE SYSTEM



Changes to Return Filing and Payment Dates under Self Assessment

Introduction

Section 78 Finance Act 2001 provides for the introduction of common tax return filing and payment deadlines for self assessed income tax and capital gains tax. The section also makes a number of other changes to the self assessment system which are either consequential to the introduction of these common deadlines or which are designed to make the system work more effectively.

Overview

This new Pay and File system provides for a single date for

- ◆ Payment of Preliminary Tax [PT] for Income Tax [31 October in the current tax year]
- ◆ Tax return filing for the previous tax year for Income Tax and Capital Gains Tax [31 October in the year following the tax year]
- ◆ Payment of the balance of Income Tax for the previous tax year [31 October in the year following the tax year]
- ◆ Payment in full of Capital Gains Tax for the previous tax year [31 October in the year following the tax year].

The legislation is amended so that Income Tax and Capital Gains Tax returns will initially be sent to the Collector-General. Corporation tax returns will continue to be sent to the appropriate Inspector. This change will allow taxpayers to pay and file at the one time. The single due date [31 October] will apply for the payment of Preliminary Tax [Income Tax] for the current year, balance of Income Tax and full amount of Capital Gains Tax for the previous year and Income Tax and Capital Gains Tax returns for the previous year. This date is referred to as the **specified return date**.

The new Pay and File system applies to Income Tax and Capital Gains Tax for the short tax "year" 2001 and subsequent years and to Corporation Tax for accounting periods ending on or after 1 April 2001. This article is

concerned mainly with the Income Tax and Capital Gains Tax changes.

As regards Corporation Tax, the rule for preliminary tax payments by companies is modified. The current rule requires preliminary corporation tax to be paid within 6 months of the end of the accounting period. Where this date is after day 28 of a month the preliminary tax is required to be paid by day 28 of the month. These rules are modified so that the Minister for Finance may make an order for preliminary corporation tax to be paid by such earlier date in the month in which the normal payment date falls as the Minister specifies in the order.

When will the changes commence to have effect?

The changes apply to income tax and capital gains tax for the short tax "year" 2001 [6 April 2001 to 31 December 2001] and subsequent years.

Income tax PT payments for the short tax "year" 2001 will be due by 31 October 2001, rather than 1 November 2001 (with balance of tax due by 31 October 2002). Income tax PT for the calendar tax year 2002 will be due by 31 October 2002 (with balance of tax due by 31 October 2003).

Capital gains tax PT for the tax year 2000/01 will, as before, be due on 1 November 2001, but taxpayers may wish to combine the CGT PT payment with payments due on or before 31 October 2001. As regards the short tax "year" 2001 the full amount of CGT will be due by 31 October 2002. Similarly, the full amount of CGT for the calendar tax year 2002 will be due by 31 October 2003.

Income tax and CGT returns for the 2000/01 tax year will be due by 31 January 2002. These returns will be made to the Inspector of Taxes, as heretofore. The returns due for the short tax "year" 2001 will be due by 31 October 2002 and will be made to the Collector-General. Similarly, the returns due for the calendar tax year 2002 will be due by 31 October 2003.

Date	Due
31 October 2001	PT Income Tax for short tax "year" 2001
1 November 2001	CGT payment for 2000/01
31 January 2002	IT & CGT returns for 2000/01 [made to Inspector of Taxes]
30 April 2002	Balance of income tax for 2000/01
31 October 2002	PT Income Tax for calendar tax year 2002
31 October 2002	Income Tax balance for short tax "year" 2001 CGT payment for short tax "year" 2001
31 October 2002	IT & CGT Returns for short tax "year" 2001 [made to the Collector-General]

PAY & FILE SYSTEM

Preliminary Tax

Capital Gains Tax [CGT]: At present, CGT Preliminary Tax is paid by 1 November following the end of the tax year and the tax return is due by 31 January following the November payment date. Under the Pay and File system CGT PT is obsolete in the context of common tax return and tax payment dates. This means that the CGT due for the short tax “year” 2001 will be payable by 31 October 2002 and the CGT Return will also be due by the same date.

Income Tax: For the short tax “year” 2001 and subsequent tax years Income Tax PT will be due by 31 October in the tax year. In order to meet the PT payment obligations the minimum PT payable is the lower of:

- ◆ 100% of the preceding year’s liability [the 100% rule],
- ◆ 90% of the current year’s liability [the 90% rule], and
- ◆ 105% of the liability of the pre-preceding year, for those paying PT under the Direct Debit arrangements.

Because of the short tax “year” 2001 arising from the changeover to the calendar tax year, there are special rules as regards the minimum PT payments to be made by those taxpayers wishing to avail of the 100% rule or the Direct Debit arrangement. The minimum PT payable for the years concerned is summarised in the following table:

Tax Year	Short tax “year” 2001	2002	2003	2004
100% rule	74% of 2000/01 liability	135% of 2001 liability	100% of 2002 liability	100% of 2003 liability
Direct Debit	78% of 1999/00 liability	105% of 2000/01 liability	142% of 2001 liability	105% of 2002 liability

Due date for payment of balance of income tax

The due date for payment of the balance of income tax will be on or before 31 October in the year following the tax year to which the payment relates.

Example: For the short tax “year” 2001 PT will be due on or before 31 October 2001 and the balance of tax will be payable on or before 31 October 2002.

As has applied up to now, the due date for the balance of tax can be back-dated to the PT due date where the taxpayer has not complied with PT requirements. These requirements are that:

- PT is paid
- PT is paid when it is due and payable and

- The amount of PT paid is sufficient to come within the PT rules.

Where the PT requirements are not complied with, the due date for the payment of tax is the PT due date.

Example: A taxpayer pays PT for the short tax “year” 2001 on 3 December 2001 i.e. late payment of PT. The PT was due and payable on or before 31 October 2001. Any balance of tax due for the short tax “year” will be treated as due on 31 October 2001.

Calculating PT

Where a taxpayer wishes to rely on the 100% rule but has not received an assessment for the preceding tax year by 31 October he/she will have to calculate the tax liability for the tax year for which the return is being made. In such cases, the PT payment due will be based on the taxpayer’s calculation.

A new *section 958(3A)* gives a measure of relief where:

- a taxpayer has made a return by 31 October
- the return contains all material facts necessary for the making of a correct assessment for the tax year
- the taxpayer has not received an assessment by 31 October and
- pays an amount of tax on or before the **specified return date** which is inadequate.

Where the amount of tax paid on or before 31 October is less than the liability for the tax year in question by not more than 5%, subject to a maximum of £2,500 [£3,175], the additional tax for that year will be due and payable on or before the following 31 December. Where the tax paid is less than the liability by not more than £500 [£635], the 5% test will not apply and the additional tax will be due and payable on or before 31 December.

Where a taxpayer makes a payment of additional tax for the preceding year in these circumstances and makes a further payment of PT for the current year by 31 December in the tax year so as to come within the 100% rule, the additional PT will be deemed to have been paid by the PT due date [31 October in the tax year].

Example: A taxpayer submits her 2002 return on 27 October 2003. She calculates her liability for the year 2002 to be £20,000. She has already paid income tax PT £17,000 for 2002. She wishes to make a payment of PT for 2003 by reference to the 100% rule and accordingly makes the following payments with her return:

Income Tax 2002 balance	£ 3,000
PT 2003 [100% Rule]	£ 20,000
Total payment	£ 23,000

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PAY & FILE SYSTEM

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When the taxpayer's assessment for 2002 issues, the liability turns out to be £21,000. Since the difference is less than 5% of the liability [$£21,000 \times 5\% = 1,050$], the additional tax is due on or before 31 December 2003.

Preliminary Tax: If she wishes to avail of the 100% rule she can make the additional payment of £1,000 by 31 December 2003. This is deemed to have been made on 31 October 2003.

Accordingly, she makes the following payments by 31 December 2003

Additional tax due for 2002	£1,000
Additional PT for 2003	£1,000
Total	£2,000

Changes in accounting dates

As indicated in Issue 43 [page 27] of **Tax Briefing** a review of the preceding year where there is a change in the period to which accounts are made up is brought within the pay and file provisions. The new *subsection (8A) of section 958* provides that the tax due for the preceding year is due on or before the due date for payment of the tax for the year of change.

Example: A trader who usually makes up accounts for the year ended 30 June changes his accounting period to 31 December. The first accounts for the new period are for the 18 months ending 31 December 2003.

Tax Year 2003: The basis period for the year 2003 is the profits of the year ended 31 December 2003. The due date for payment of tax for this year, provided the trader has complied with the Preliminary Tax rules is 31 October 2004.

Tax Year 2002: The preceding year must be reviewed in accordance with *section 65(3) Taxes Consolidation Act 1997*.

Where the profits of the year ended 31 December 2002 i.e. the **corresponding period** to the basis period for the tax year 2003] exceed the profits of the year ended 30 June 2002 [the original basis period for 2002] the basis period for 2002 is changed to the **corresponding period**.

The additional tax due for 2002 as a result of the revision is due on 31 October 2004 [the due date for the 2003 tax]. This additional tax is payable whether or not the assessment for 2002 has been amended.

The additional tax is not taken into account in calculating the minimum PT payment required for 2003.

Worked Example:

Assume in the example above the profits as adjusted for tax purposes were as follows:

Year ended 30 June 2002	£ 50,000
Period 18 months ended 31 December 2003	£105,000

Tax Year 2003: The basis period is the year ended 31 December 2003

Profits = $£105,000 \times 12/18$	£ 70,000
Assume tax liability after tax credits etc. =	£ 20,000
Assume PT paid 31 October 2003	£ 18,000
	[100% rule]
Income Tax due 31 October 2004	£2,000

Tax Year 2002: The original basis period was the year ended 30 June 2002

Profits =	£ 50,000
Assume tax liability after tax credits etc. =	£ 18,000
Profits of corresponding period [Year ended 31 December 2002]	
Profits 6 months ended 30 June 2002 =	
$£50,000 \times 6/12 =$	£25,000
Profits 6 months ended 31 December 2002 =	
$£105,000 \times 6/18 =$	<u>£35,000</u>
Total profits year ended 31 December 2002 =	£60,000
Already assessed	<u>£50,000</u>
Additional profits to be assessed	£10,000
Tax @ 42% [say]	£ 4,200
Payments due on or before 31 October 2004	
Income Tax 2003	£ 2,000
Income Tax 2002 [additional]	£ 4,200
	[section 65(3) revision]
PT 2004 [assume 100% rule used]	£20,000
Total:	£26,200

Note the PT payment for 2003 [based on the original 2002 liability] is not rendered insufficient by the additional tax payable for 2002 due to the *section 65(3)* revision.

Payment of PT by direct debit

The rules for the payment of preliminary tax by means of direct debit are revised to make them more attractive to taxpayers. On joining the direct debit scheme a taxpayer will be entitled for the first year in which the direct debit applies to meet the PT payment obligations by way of a minimum of three equal instalments in that year. In following years, the taxpayer will be entitled to meet his or her obligations by way of a minimum of eight equal instalments in the tax year.

REVENUE AND THE CHANGEOVER TO EURO



Introduction

Ireland is preparing for a major change on 1 January 2002 when euro notes and coins will be introduced. Revenue is committed to ensuring a successful transition to the euro. The following article outlines how and when Revenue will switch all our customers' tax and customs affairs to euro. It also outlines how certain individuals and businesses can switch their tax affairs at an earlier date if they so wish.

Revenue will automatically switch all tax and customs reporting and payments to euro and the details of the automatic changeover are set out later in this article. However, in accordance with existing arrangements for the transition period, (i.e. 1 Jan. 1999 to 31 Dec. 2001) certain individuals/businesses may, if they wish, switch their tax affairs to euro in advance of these automatic changeover dates. Revenue recommends that businesses, should avail of this option where possible in order to avoid potential IT and accounting bottlenecks at the end of 2001.

Revenue recently issued a new booklet entitled *Euro Changeover Guide* (June 2001) which details how it will deal with the changeover. This is available from the *Revenue Forms and Leaflets Service* at 01-8780100 and also from the Revenue website at www.revenue.ie.

How to Switch Early To Euro

- For Customs and Excise Duties (including VAT at import), Stamp Duties and Capital Acquisitions Tax (CAT) individuals/businesses can choose the currency denomination on a transaction-by-transaction basis.
- For all other taxes, (VAT, Employers' PAYE/PRSI, Corporation Tax, Income Tax, Capital Gains Tax etc.), if they wish to switch to euro, individuals/businesses must complete a '**euro election form**'. On election, Revenue will issue euro denominated forms /statements / receipts etc.

The detailed information on switching early to euro is available in an earlier guide, *Revenue and the Euro - a Business Guide* (November 1998). Copies of this guide and euro election forms are available from Revenue's Euro Changeover Unit (Lo-call 1890 200 256) or from our website at www.revenue.ie

Unless an appropriate election form is completed, Revenue will issue Irish pound denominated forms and generally continue to conduct individuals'/businesses' tax

affairs in Irish pounds until the automatic changeover, outlined later in this article, takes effect.

Over the changeover period, customers will receive some forms denominated in euro and some in Irish pounds. These must be completed in the denomination required on the form.

To ensure that the election to switch to euro takes effect from the chosen commencement date, individuals/businesses need to choose when to return the election form to Revenue. The following schedule sets out the lead times between receipt of the completed election form by Revenue and the issue of euro denominated forms, assessments, etc.

Tax	Election Form Must be Returned to Revenue:
VAT	<p>Bi-Monthly Returns: In the first month of the bi-monthly period for which individual / business wants the election to take effect.</p> <p>Monthly Returns: Before the start of the month for which the individual/business wants the election to take effect.</p> <p>Annual Returns: At least one month before the end of the individuals'/businesses' VAT accounting period.</p>
Employers' PAYE/PRSI	Two weeks prior to the start of the income tax month for which the individual/business wants the election to take effect.
Income Tax/Capital Gains Tax Corporation Tax/Capital Gains Tax	} Election will take effect within one week of receipt of the election form, from which point all assessments, return forms etc will be issued in euro.
Relevant Contracts Tax and Professional Services Withholding Tax	
VIES/Intrastat	Three weeks prior to the start of the income tax month for which individual / business wants the election to take effect.
	Two weeks prior to the commencement of the reporting period for which individual / business wants the election to take effect.

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REVENUE AND THE CHANGEOVER TO EURO

Continued

Automatic Changeover

All those who do not elect to switch to euro in the transition period will have their tax and customs affairs automatically switched to euro as outlined immediately below. A more detailed table titled **First Euro Return Calendar** setting out the first period for which returns must be completed in euro is shown at page 9.

FOR TRANSACTIONS/EVENTS OCCURRING AFTER 31 DEC 2001
(Imports / Exports, Stamp Duty, Inheritances etc)

→ Returns and declarations must be completed in euro

FOR ACCOUNTING/REPORTING PERIODS ENDING AFTER 31 DEC 2001
(Tax year of Assessment, Accounting Periods etc)

→ Returns must be completed in euro

FOR ACCOUNTING/REPORTING PERIODS ENDING ON OR BEFORE 31 DECEMBER 2001 WITH A RETURN FILING DATE IN 2002

The following returns must be completed in Irish pounds unless an 'election' to complete them in euro is received

- Annual Return of Employers' PAYE/PRSI (P35 Return)
- Annual Return of Income Tax
- Annual Return of Corporation Tax
- Annual Return of Capital Gains Tax
- Annual Return of VAT Trading Details (RTD)
- Annual Return of Relevant Contracts Tax (C35)
- Annual Return of Professional Services Withholding Tax (F35)
- Monthly Intrastat Return
- Monthly/Quarterly VIES Return

Some returns will require the bottomline amounts to be expressed in both euro & Irish pounds.

All payments must be in euro.

The following **MUST** be completed in euro

- Bi-Monthly/Monthly/Annual VAT Return (VAT3)
- Monthly Return of Employers' PAYE/PRSI (P30)
- Payment of Preliminary Corporation Tax
- Return of Dividend Withholding Tax
- Monthly Return of Relevant Contracts Tax (C30)
- Monthly Return of Professional Services Withholding Tax (F30)

All payments must be in euro.

REVENUE AND THE CHANGEOVER TO EURO

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First Euro Return Calendar

This schedule details the first period from which returns must be completed in euro only and the relevant due date.

Tax	First Return which must be completed in Euro	Due Date
VAT	VAT 3 Bi-Monthly Return for Nov/Dec 2001	19 Jan 2002
	VAT 3 Monthly Return for Dec 2001	19 Jan 2002
	VAT 3 Annual Return for year ending Dec 2001	19 Jan 2002
	Annual Return of VAT Trading Details for year ending Jan 2002 (RTD)	19 Feb 2002
Employers' PAYE/PRSI	P30 Monthly Return for Dec 2001	14 Jan 2002
	P35 Annual Return for year ending Dec 2002	15 Feb 2003
Self Assessed Income Tax	Balance of Tax for 2000/01	30 April 2002
	Income Tax Return for tax year ending Dec 2002	31 Oct 2003
	Payment of Preliminary Tax for tax year ending Dec 2002	31 Oct 2002
Corporation Tax	Corporation Tax Return for accounting periods ending on or after 1 January 2002	1 Oct 2002 onwards
	Payment of Preliminary Tax for accounting periods ending on or after 1 July 2001	1 Jan 2002 onwards
Capital Gains Tax	Return of Capital Gains for tax year ending Dec 2002	31 Oct 2003
Dividend Withholding Tax	Return for month ending Dec 2001	14 Jan 2002
Professional Services Withholding Tax	Monthly Return/Declaration for Dec 2001	14 Jan 2002
	Annual Return/Declaration for year ending Dec 2002	15 Feb 2003
Relevant Contracts Tax	Monthly Return/Declaration for Dec 2001	14 Jan 2002
	Annual Return/Declaration for year ending Dec 2002	15 Feb 2003
Intrastat	Return for month ending 31 Jan 2002	14 Feb 2002
VIES	Return for month ending 31 Jan 2002	28 Feb 2002
	Return for quarter ending 31 March 2002	30 April 2002
Stamp Duty	Forms (e.g. Particulars Delivered forms, Adjudication Warrants, Companies Capital Duty B5 forms and Composition Duty return forms) must be completed in euro for events/transactions occurring after 31 Dec 2001	
CAT Inland Revenue Affidavit, Gift/Inheritance Tax Return, Discretionary Tax Return	Forms and declarations must be completed in euro for events/transactions occurring after 31 Dec 2001	
Customs and Excise VRT	Forms and electronic declarations must be completed in euro for events/transactions occurring after 31 Dec 2001	

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REVENUE AND THE CHANGEOVER TO EURO

Continued

Payroll Systems and Employers' / Employees' PAYE/ PRSI

Employers

Short Tax 'Year' Ending 31 December 2001

Staying in Irish Pounds

For the short tax 'year' (6 April 2001 to 31 December 2001), employers that have not elected to switch their PAYE/PRSI affairs to euro can operate their payroll in Irish pounds and complete their P35 return in Irish pounds. However, any P35 balancing payment must be made in euro.

The monthly P30 return form for December 2001 (filing date: 14 Jan 2002) must be completed in euro. Employers can calculate their December 2001 PAYE/PRSI liability in Irish pounds in the normal way, but must convert these amounts to euro (using the fixed conversion rate) for inclusion on the P30 return. Examples of how to convert Irish pound amounts to euro are shown in the paragraph titled '*Conversion and Rounding*' on page 12.

Switching Early

Employers may, if they wish, switch their payroll systems to euro in advance of 1 January 2002. Where employers do this, they should complete their P30 and P35 returns in euro. To switch these to euro, employers must complete the appropriate euro election form - see earlier paragraph titled '*How to Switch Early to Euro*'.

Employers that switch their payroll system to euro before 1 January 2002 can, if they wish, continue to pay employees in Irish pounds until the end of 2001, whether by cheque or by Electronic Funds Transfer (EFT). The Forfás EMU Business Awareness Campaign have advised employers to consult with staff before switching salary payments to euro or making any adjustments to employee's payslips.

First Full Calendar Tax Year 2002

All P30 and P35 returns will be denominated in and must be completed in euro. Revenue will issue either Employee Certificates of Tax Credits and Standard Rate Cut-Off Point or Tax Deduction Cards (TDC's) in euro to all employers before the beginning of the new tax year.

Employees

Short Tax 'Year' Ending 31 December 2001

Revenue will deal with employees in Irish pounds for the short tax 'year' - 6 April 2001 to 31 December 2001. Accordingly, all Notices of Tax Credits and Standard Rate Cut-Off Point were issued in Irish pounds, with the weekly/monthly/annual amounts expressed in both euro and Irish pounds. Employees must make their Income Tax Returns in Irish pounds and any end of year reviews will issue in Irish pounds. Some employees will receive euro denominated P60s and P45s from their employers. Revenue will accept these and make the necessary conversions. All repayments issued from 1 January 2002 will be denominated in euro.

First Full Calendar Tax Year 2002

Revenue will deal with employees exclusively in euro. Accordingly Notices of Tax Credits and Standard Rate Cut-Off Point, P60s and P45s issued for that year will be denominated in euro only. Employees must make their annual Income Tax Return in euro and any end of year reviews will issue in euro.

Accounting and Invoicing

Annual Accounts

Annual accounts submitted with Corporation Tax or Income Tax returns for accounting periods ending after 31 December 2001 must be denominated in euro. For example, individuals/businesses with an accounting year ending 31 January 2002 must submit their tax returns and accounts in euro.

Persons who elect to switch their Corporation Tax or Income Tax affairs to euro during the transitional period must submit their annual accounts to Revenue in euro with euro denominated Corporation Tax or Income Tax return.

Invoicing

Until 1 January 2002, businesses may issue invoices in Irish pounds or in euro or in both. They will, in all probability receive invoices in both euro and Irish pounds. Each of the invoices must clearly stipulate the denomination in which it is issued. Revenue will not require dual display of amounts on invoices, but dual display of some or all of the amounts on an invoice will be permissible.

From **1 January 2002** invoices must not be issued in Irish pounds.

REVENUE AND THE CHANGEOVER TO EURO



Underlying Records and Audit Trails

Invoices issued and received must be organised and maintained in such a way as to ensure that audit trails are sustained. If businesses have elected to deal in euro, there is no requirement to convert each individual Irish pound invoice or transaction into euro. However, they must group all such Irish pound invoices/transaction together and convert the appropriate totals for inclusion in their returns.

Historical Records

The statutory requirement for businesses to keep proper records and accounts and to retain these for six years remains unchanged.

Where it is the practice of the business to retain a 'hard' or 'soft' copy version of its accounting records in the original reporting currency, then the business should continue to retain such copies.

Where the accounting records are retained electronically on a 'live' system, these will be acceptable in either original reporting currency or euro equivalent format. In

such cases, historical records may be converted from the original currency to euro, provided that they leave a complete audit trail of transactions.

Where businesses have not converted their historic records to euro, but have installed new systems on changeover this may necessitate the retention of the original software and the hardware to facilitate accessing the historic records after the changeover.

Businesses are advised that these requirements are without prejudice to any other legal, statutory or professional regulatory requirements.

Revenue Audit

Tax returns covering the period in which the changeover occurred may be selected for audit as part of the normal Revenue Audit selection procedures. In this instance, taxpayers should give consideration to the procedures that they have put in place to safeguard the reliability of the underlying books and records, which incorporate converted transactions and closing balances. Clear audit trails and detailed linking papers and reconciliations must be available for Revenue inspection. ■

EDI VAT MESSAGES



Transitional Period

From 1 January 2002 all EDI VAT Messages must be in euro. Until that date traders in the EDI System have the option of continuing to issue EDI VAT Invoices, Credit Notes, Debit Notes, etc. in Irish pounds or of switching to euro for some or all of their trading partners. Where trading parties agree on an earlier changeover date, each party must notify this change in advance to his/her Inspector of Taxes, specifying the date from which the change will take effect. From the specified date all EDI VAT Messages between the relevant parties must be denominated exclusively in euro.

All EDI VAT Messages, as detailed in and required by S.I. 269 of 1992, should detail the currency of the message. This applies also to the Tax Control Message. If for technical reasons the Tax Control Message does not have a currency capability, detailing the currency in the EDI Invoice Message only will suffice; this applies to earlier releases of the EDI Tax Control Message and software. VAT reports (Tax Control and Monthly Statement as required by S.I. 269 of 1992) are required per trading partner in one currency only - either euro or Irish Pounds.

The EDI Invoice and Tax Control Messages must both be contained within the same transmission file.

Switching the denomination of EDI messages to euro as described above does not imply that the trader's accounting system should also be switched to euro. However, where accounts continue to be maintained in Irish pounds, the trader must ensure that euro denominated transactions are correctly converted and accurately incorporated in the accounts of the business and that proper audit trails are maintained. Similarly, such a switch does not affect the denomination of a trader's VAT return. Where a trader wishes to switch their VAT or any other tax return to euro they must complete the appropriate euro election form, which may be obtained from:

*Euro Changeover Unit,
Collector-General's Office,
Sarsfield House,
Limerick.*

email: cg-general@revenue.ie
Telephone: 1890 200 256. ■

REVENUE AND THE CHANGEOVER TO EURO

£

Conversion and Rounding

The fixed conversion rate between the euro and Irish pound is **1 euro = IR£0.787564**. The full rate must be used for all conversions. Converted amounts should be rounded to the nearest cent or penny as follows: where the third decimal place is four or lower you should round down to the nearest cent/penny; where it is five or higher round up.

Examples of conversions are provided below:

TO CONVERT IRISH POUND AMOUNTS TO EURO

To Convert IR£80.00 to Euro

$$\text{IR£}80 \div 0.787564$$

$$= 101.57905$$

$$= \text{€}101.58$$

Conversion Rule IR £ → £

Divide the Irish pound amount by the conversion rate.

Round the resulting amount to two decimal places - round down where the third figure after the decimal point is 4 or lower and round up where it is 5 or higher.

To Convert IR£100.00 to Euro

$$\text{IR£}100 \div 0.787564$$

$$= 126.97380$$

$$= \text{€}126.97$$

TO CONVERT EURO AMOUNTS TO IRISH POUND

To Convert €80.00 to Irish Pounds

$$\text{€}80.00 \times 0.787564$$

$$= 63.00512$$

$$= \text{IR£}63.01$$

Conversion Rule £ → IR £

Multiply the Irish pound amount by the conversion rate.

Round the resulting amount to two decimal places, round down where the third figure after the decimal point is 4 or lower and round up where it is 5 or higher.

To Convert €126.00 to Irish Pounds

$$\text{€}126.00 \times 0.787564$$

$$= 99.23306$$

$$= \text{IR£}99.23$$