

TAX BRIEFING

CAPITAL GAIN TAX



Introduction

Finance Act 2003 introduced important changes to the due date(s) for payment of capital gains tax for disposals arising in 2003, as first announced by the Minister for Finance in last December's Budget. Details of the revised dates were set out in earlier editions of *Tax Briefing* (Issue 51, page 4 and Issue 52, page, 12) and are repeated below. The purpose of this article is to remind practitioners of the revised due dates and to advise that we will shortly be embarking on an advertising campaign, including newspaper advertising and the production of a small leaflet, to alert all potential taxpayers to the earlier capital gains tax due dates for disposals in 2003. The changes to the due date for 2003 capital gains tax mean that some taxpayers will have to pay **both** their 2002 and 2003 capital gains tax on 31 October next as set out below.

Dates for Payment

Prior to the changes for 2003 capital gains tax was, in general, due 10 months after the end of the year of assessment. Thus for example, capital gains tax for the tax year 2002 is due

on 31 October 2003. There is no change to this due date.

However, **for disposals taking place in 2003 the due date has been brought forward to either:**

- **31 October 2003** (for disposals between 1 January 2003 and 30 September 2003 inclusive, described as **'the initial period'**)
or
- **31 January 2004** (for disposals between 1 October 2003 and 31 December 2003, described as **'the later period'**).

In future years the due date for payment of capital gains tax will follow the dates as set out below:

Disposal	Tax Due By
On or before 30 September in the tax year - Initial Period	31 October in that tax year
From 1 October to 31 December in the tax year - Later Period	31 January in the following tax year

In addition to payment of capital gains tax due for the 2003 initial period, 31 October 2003 remains the due date for payment of capital gains tax liability on gains arising in the year 2002.

Making the payment

For income tax self-assessment taxpayers the Pay and File payslip attached to the personalised 2002 tax returns (Form 11, Form 11E and Form 1) caters for the payment of capital gains tax for 2002 and the 2003 'initial period'. Blank, or non personalised, capital gains tax payslips, for 2002 and 'the initial

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KEY DATES

August

- 14 PAYE/PRSI**
P30 monthly return and payment for July 2003
- 14 DWT**
Return and payment of DWT for July 2003
- 14 RCT**
RCT30 monthly return and payment for July 2003
- 1-21 Corporation Tax**
2nd Instalment PT for APs ending between 1-28 February 2003
1st Instalment PT for APs ending between 1-30 September 2003
- 1-30 Corporation Tax**
Returns for APs ending between 1-30 November 2002
Returns of Third Party Information for APs ending between 1-30 November 2002

September

- 14 PAYE/PRSI**
P30 monthly return and payment for August 2003
- 14 DWT**
Return and payment of DWT for August 2003
- 14 RCT**
RCT30 monthly return and payment for August 2003
- 19 VAT**
VAT3 return and payment for period July/August 2003
- 1-21 Corporation Tax**
2nd Instalment PT for APs ending between 1-31 March 2003
1st Instalment PT for APs ending between 1-31 October 2003
- 1-30 Corporation Tax**
Returns for APs ending between 1-31 December 2002
Returns of Third Party Information for APs ending between 1-31 December 2002

October

- 14 PAYE/PRSI**
P30 monthly return and payment for September 2003
- 14 DWT**
Return and payment of DWT for September 2003
- 14 RCT**
RCT30 monthly return and payment for September 2003
- 1-21 Corporation Tax**
2nd Instalment PT for APs ending between 1-30 April 2002
1st Instalment PT for APs ending between 1-30 November 2003
Returns for APs ending between 1-31 January 2003
Pay balance due on APs between 1-31 January 2003
- 1-31 Corporation Tax**
Returns of Third Party Information for APs ending between 1-31 January 2003
- 31 Income Tax**
Preliminary Tax 2003
Pay balance of 2002 tax liability
Return of income for 2002
- 31 Capital Gains Tax**
Payment for 2002
Payment due on gains arising between 1 January 2003 to 30 September 2003
Return of Capital Gains for 2002

November

- 14 PAYE/PRSI**
P30 monthly return and payment for October 2003
- 14 DWT**
Return and payment of DWT for October 2003
- 14 RCT**
RCT30 monthly return and payment for October 2003
- 19 VAT**
VAT3 return and payment for period September/October 2003
VAT3 return plus any payment for AP's ending between 1-31 October 2003
- 21 Income Tax**
Revised Pay and File date for customers who both file and pay through ROS (conditions apply)
- 1-21 Corporation Tax**
2nd Instalment PT for APs ending between 1-31 May 2003
1st Instalment PT for APs ending between 1-31 December 2003
Returns for APs ending between 1-28 February 2003
Pay balance due on APs between 1-28 February 2003
- 1-30 Corporation Tax**
Returns of Third Party Information for APs ending between 1-28 February 2003



CGT

(Continued from page 1)

period', will be available for all other taxpayers for the capital gains tax liabilities due on 31 October 2003.

In addition, self-assessed and non self-assessed individuals will require a separate capital gains tax payslip for 'the later period' due on 31 January 2004. Payslips will be available from the Collector-General's office by phoning 1890 20 30 70, or from any Revenue office.

Capital Gains Tax return

The date for submission of the capital gains tax return has not changed. This remains 31 October in the year following the tax year in which the gain arose.

A PAYE taxpayer should make this return on a Form 12 or Form 12 Directors as appropriate, and a self-assessed individual should make the return on a Form 11 or Form 11E. Trusts and Estates should make the return on a Form 1. Individuals who are not required to make an income tax return, including non-residents, should make their capital gains tax return on a Form CG1. ■

EDITORIAL

Change of Editor

Due to recent changes in work assignments I have taken over the editorship of Tax Briefing. It is a great honour to be associated with this excellent publication which I am sure you will agree has served its readership, both practitioners and Revenue staff, well since 1990.

My aim will be to ensure that the magazine continues to serve your needs and is responsive to your feedback as has been the case in the past. I will, in particular, be very happy to receive your suggestions in relation to subjects for inclusion, in future issues.

I look forward to working with Bernard King (Assistant Editor) and Ana Duncan (Publisher) in the future. The former Editor, Eugene Lucey, has asked me to express gratitude on his behalf to all contributors for articles written during the period of his editorship. On your behalf I would like to thank him for his outstanding work, during his time at the helm.

Allen Finnegan

FIRST ACTIVE PLC

CGT

Following High Court approval, under *Section 73 Companies Act 1963*, First Active PLC made a repayment of capital to its shareholders in June 2003. This repayment was achieved by means of a bonus issue of new ordinary shares on a 2 for 1 basis followed by the cancellation of these shares in exchange for a payment of €0.56 per bonus share.

By virtue of *Section 584(3) TCA 1997* the bonus shares are deemed to have been acquired at the same time, and at no additional cost, as the shares giving rise to the bonus issue.

A reduction of capital, in accordance with *Section 72 Companies Act 1963*, is a form of repayment of share capital for the purposes of *Section 175 TCA 1997*. Consequently, any repayment of share capital so arising would not be treated as a distribution, but would instead represent a disposal for capital gains tax purposes.

- For shareholders who hold 'free' shares only there is no base cost. The sum received in respect of the bonus shares is chargeable in full, subject to the availability of allowable losses and the personal exemption.
- FIFO rules will apply where shareholders acquired shares on different occasions. Thus, shares acquired at an earlier date, including the attaching bonus shares, are deemed to have been disposed of first. Where shares were purchased it will be necessary to adjust their base cost for the purpose of calculating the allowable costs.

All chargeable gains arising in the period 1 January 2003 to 30 September 2003 should be aggregated and the tax payable, after allowable losses and the personal exemption, should be remitted to the Collector-General in Limerick by 31 October 2003 - see article on page 1. ■



EXTRACTS FROM ACCOUNTS ("Accounts Menus") Form 11/CT1

Introduction

The last publication of *Tax Briefing* (Issue 52 May 2003, page 7) touched on the Extract from Accounts requirement in the 2002 Income Tax and 2003 Corporation Tax returns and promised to revisit the matter again in this edition.

Since the last *Tax Briefing* there had been a growing amount of interest in the subject and a consequent urgency in getting Revenue's clarifications published. In the circumstances, in July last, we circulated practitioner's representative bodies with an advance 'draft' copy of the article to be produced in this edition of *Tax Briefing* and we also posted a copy of it on our website.

The following is the final article, which has been altered slightly from the advance 'draft', for editorial purposes, and to take account of some feedback received. Also, the Questions and Answers (Q&A) section has been edited to reduce repetition and incorporate new questions that have arisen since the draft article was circulated. It is intended that the Q&A section be expanded as new queries arise and these will be covered in future editions of *Tax Briefing* and made available on the Revenue website.

It is hoped that the following material will answer most, if not all, of the queries raised to-date and allay any 'fears' that practitioners and individuals alike, may have in relation to the completion of the *Extracts from Accounts*. However, given the nature of the subject, new queries will undoubtedly arise from time to time and we will issue further clarification as appropriate. Any queries or comments can continue to be made through your local Revenue office.

Please note that paper returns submitted without the *Extracts from Accounts* details completed will result in the forms being

returned for completion and this could result in surcharges for late filing.

Background

The subject matter of *Extracts from Accounts* (sometimes referred to as 'accounts menus') has been in the public domain since early 2000. In summer of 2000 a consultation document was published seeking views on data to be captured in the Revenue On-Line Service (ROS), including accounts information among other things. This was advertised in the national media at the time.

The *Extracts from Accounts* were published in summer 2001 and observations sought from practitioners, software companies and any interested bodies. Indeed, it was in response to feedback on the 'extracts' and the capture of information that Revenue agreed to postpone the introduction of the 'extracts' for 'paper filers' - from October 2002, until October 2003 - because of the pressures on practitioners from the introduction of the Euro and the Calendar Tax Year.

Paper Returns Requiring 'Extracts from Accounts' Details

In order to ensure equality of treatment between paper and electronic filers, Revenue announced in October 2000 that paper filers would be required, as of a certain date, to submit the same level and format of data as electronic filers. Revenue also confirmed at the time that electronic data would not be subject to electronic interrogation until the same data from paper filers was captured.

In line with the foregoing, both the 2002 Income Tax Returns and the 2003 Corporation Tax Returns now request '*Extracts from Accounts*' information from both electronic and paper filers.

What are 'Extracts from Accounts'?

Extracts from Accounts are exactly what the term suggests. They are no more than figures extracted from the business/company accounts and tax adjustment calculations that were traditionally prepared.

It is important to remember that the requirement to complete *Extracts from Accounts* in no way affects the necessity to prepare proper accounts or the manner in which accounts should be prepared for tax purposes, i.e., for tax purposes, accounts have to be prepared in accordance with the ordinary rules and conventions of commercial accountancy. The accounts, like any other documents in support of the return, should be retained in case they are required by Revenue for audit or verification purposes.

When completing the 'extracts' you may have nothing to enter under some headings, as that section may not apply to you. You must, however, complete each section that is relevant and for which you have an entry in the accounts. Depending on how the accounts are prepared, it may be necessary to aggregate some figures to arrive at a figure to be included in the *Extracts from Accounts*. For example, at item 9 on page 5 of the 2002 Income Tax Form 11 you would have to aggregate the total of Motor, Travel and Insurance if these are shown separately in the accounts.

The 'extracts' represent a list of items which will be used, in conjunction with other Revenue data, to profile the case. They do not try to represent a complete set of accounts.

Therefore, they will not, nor is it intended that they should, 'add-up' or 'balance' like they do in the full set of accounts. All that is required is the input of relevant items. They are as generic as possible to suit as many trades as possible. With the benefit of practical experience it may be



EXTRACTS FROM ACCOUNTS

Forms 11/CT1

necessary/desirable to alter these in the future and any changes will be done in consultation with the various representative bodies.

Completion of Extracts from Accounts by Practitioners/Taxpayers

Revenue are relying on the practitioner/taxpayer to input figures as best he/she judges possible in any particular case. It should not be necessary to re-analyse the accounts prepared. Nonetheless, we expect that in areas of uncertainty that individuals and practitioners complete the 'extracts' to the best of their ability.

The same duty of care that applies in completing the income figures on the tax return applies to the completion of the account extract details.

Revenue can give a certain amount of 'comfort' with regard to 'innocent errors' in the completion of the 'extracts'. The most likely outcome that would result is that in applying risk analysis a rule would trigger because some ratio, for example, would show the business as being outside the norm.

However, risk analysis will be applied to much more than the accounts information, and it will be in the

context of a taxpayer's complete risk profile that a case might ultimately be selected for audit. An error, therefore, in completing the *Extracts from Accounts* details will not of itself necessarily result in contact from Revenue. [See separate article on Revenue's New Risk Analysis System on page 18 of this issue of *Tax Briefing*.]

Electronic Filing Through ROS

At present ROS is designed in such a way that unless certain 'fields' in the *Extracts from Accounts* pages are completed you will not be able to file the return electronically. It was designed in this way to ensure that the *Extracts from Accounts* were not overlooked and to encourage maximum level of completion. While only certain of the *Extracts from Accounts* 'fields' in ROS are 'required' fields, this should not be taken to mean that it is sufficient only to complete these fields. On the contrary, similar to paper filers, ROS filers are required to complete each section that is relevant and for which there is an entry in the accounts. Also, just like paper filers, it may be necessary to aggregate some figures to arrive at a figure to be included in the *Extracts from Accounts*.

As ROS is currently designed you must enter a figure in one of the 'required' fields to proceed to the next step. All 'required' fields must be completed where the information is available from the accounts. If the information is not available from the accounts or the field is not relevant to the circumstances of the case a "0" should be entered. Some practitioners have expressed concern that such an entry might automatically highlight the case for attention in Revenue and that this places them at a disadvantage to paper filers who may leave the same field 'blank' on the paper return. This is not the case. As stated already above, from October 2003, all data whether submitted electronically through ROS or on a paper return will be captured electronically for risk analysis purposes and will be treated in exactly the same manner.

Examples of Completion of Extracts from Accounts

Set out on pages 6 - 9 are examples of actual sets of accounts and adjusted profit computation together with how they relate to the *'Extracts from Accounts'* pages.

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EXTRACTS FROM ACCOUNTS

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Sample Extracts from Accounts

The following represents a sample set of accounts and adjusted profit computation for a sole trader with a turnover less than €13 million and how they relate to the Extract from accounts pages. Out of a possible 32 items this person only has to enter twenty-two. These accounts are modelled on a real submission.

Profit and loss account for y/e 31/12/2002		Balance Sheet at 31/12/2002	
Sales	169971	Fixed Assets	
Cost of sales		Buildings	21500
Opening stock	23500	Fixtures and fittings	1926
Purchases	110679	Motor vehicles	11200
Less closing stock	16350		34626
	(117829)	Current Assets	
Gross profit	52142	Stock	16350
Expenses		Debtors	13366
Rent rates and services	26		29716
Wages	6614	Liabilities	
Advertising	585	Creditors	23990
Telephone postage and stationery	264	Bank overdraft	22261
Motor and travel	1160	Term loan	21100
Insurance	2361	Leasing obligations	8817
Interest	4948		(78168)
Repairs	687	Assets less Liabilities	(11826)
Accountancy	900	Capital Account	
Depreciation Fixtures	640	Balance brought forward	(13476)
Depreciation Motor	5934	Capital introduced	2584
Lease interest	988	Profit for year	27243
Light and heat	281	Drawings	(28177)
Sundry	561		(11826)
Profit on disposal	(1050)		
	(24899)		
Profit for year	27243		

Adjusted Profit Computation	
Profit per accounts	27243
Add back	
Depreciation	6574
Private motor	525
Lease interest	988
	35330
Less	
Profit on disposal	1050
Lease charges	4510
Taxable profit	29770



EXTRACTS FROM ACCOUNTS (“Accounts Menus”) Forms 11/CT1

EXTRACTS FROM ACCOUNTS - Pages 5 and 6 must be completed only where you have income shown on pages 3, 4 or 7.

PPS No. 7654321G

	Trade 1	Trade 2	Trade 3
ACCOUNTS INFORMATION Period	From 01 / 01 02	1 / 1 02	1 / 1 02
	to 31 / 12 02	1 / 1 02	1 / 1 02
Income	€	€	€
1. Sales / Receipts / Turnover	169971		
2. Receipts from Government Agencies (DMS, etc.)			
3. Other Income including tax exempt income			
Trading Account Items			
4. Purchases	110679		
5. Gross Trading Profit	52142		
Expenses and Deductions			
6. Salaries / Wages, Staff costs	6614		
7. Sub-Contractors	0		
8. Consultancy, Professional fees	900		
9. Motor, Travel and Subsistence	1160		
10. Repairs / Renewals	687		
11. Depreciation, Goodwill / Capital write off	6574		
12. Provisions including bad debts (Indicate (+) or (-) opposite)	8964		
13. Other Expenses (Total)			
Capital Account and Balance Sheet Items			
14. Cash / Capital introduced	2584		
15. Drawings (Net of Tax and Pension contributions)	25177		(Say tax paid €3,000)
16. Closing Capital Balance (Indicate (+) or (-) opposite)	-11826		
17. Stock, Work in progress, Finished goods	16350		
18. Debtors and Prepayments	15366		
19. Cash/Bank (Debit)	0		
20. Bank / Loans / Overdraft (Credit)	43361		
21. Client Account Balances (Debit)			
22. Client Account Balances (Credit)			
23. Creditors and Accruals	25990		
24. Tax Creditors			
25. Net Assets (Indicate (+) or (-) opposite)	-11826		
Extracts from Adjusted Profit Computation			
26. Net Profit per Accounts	27243		
27. Net Loss per Accounts			
Adjustments			
28. Motor Expenses	525		
29. Donations (Political and charitable) / Entertainment			
30. Light, Heat and Phone			
31. Net gain on sale of fixed / chargeable assets	1050		
32. Net loss on sale of fixed / chargeable assets			

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EXTRACTS FROM ACCOUNTS

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Sample Extracts from Accounts

The following represents a sample set of accounts and adjusted profit computation for a professional with a turnover less than €13 million and how they relate to the Extract from accounts pages. Out of a possible 32 items this person only has to enter eighteen. These accounts are modelled on a real submission.

Trading and Profit and loss account for y/e 31/12/2002

Income

Fees receivable	98221	
GMS payments	30334	
		128555

Expenses

Wages and salaries	8,204	
Rent and rates	7101	
Professional indemnity	1596	
Medical supplies	821	
Books and periodicals	69	
Light and heat	2835	
Professional fees	2000	
Repairs and maintenance	977	
Printing, postage and stationery	3334	
Advertising	200	
Telephone	3467	
Motor expenses	2722	
Travelling expenses	2672	
Security	203	
Bank interest and charges	1377	
Canteen	2141	
Sundry	1354	
Subscriptions	11751	
Depreciation Fixtures and fittings	51	
Depreciation Equipment	1919	
Depreciation Motor	12360	
Loan interest	9249	
Lease finance charges	5670	
Profit for year		46482

Balance Sheet at 31/12/2002

Fixed Assets

Land and Buildings	61295	
Plant and machinery	3983	
Fixtures and fittings	1121	
Equipment	16800	
Motor vehicles	75360	
		158559

Current Assets

Cash at bank	600	
		600

Current Liabilities

Bank loans	9375	
Creditors	15023	
Accruals	8918	
		(33316)

Creditors over one year

Bank	126083	
Leasing	65202	
		(191285)
		(65442)

Assets less Liabilities

Capital Account

Balance brought forward	(23008)	
Capital introduced	13162	
Profit for year	46482	
Drawings	(102078)	
		(65442)

Adjusted Profit Computation

Profit per accounts	46482
Add back	
Depreciation	14330
Private motor and travel	1320
Lease interest	5670
Less	
Lease charges	12510
Taxable profit	55292



EXTRACTS FROM ACCOUNTS ("Accounts Menus") Forms 11/CT1

EXTRACTS FROM ACCOUNTS - Pages 5 and 6 must be completed only where you have income shown on pages 3, 4 or 7.

PPS No. 7654321G

	Trade 1	Trade 2	Trade 3
ACCOUNTS INFORMATION Period	From 01 / 01 / 02	01 / 01 / 02	01 / 01 / 02
	To 31 / 12 / 02	31 / 12 / 02	31 / 12 / 02
Income			
1. Sales / Receipts / Turnover	98221		
2. Receipts from Government Agencies (GMS, etc.)	30334		
3. Other income including tax exempt income			
Trading Account Items			
4. Purchases			
5. Gross Trading Profits			
Expenses and Deductions			
6. Salaries / Wages, Staff costs	8204		
7. Sub-Contractors	0		
8. Consultancy, Professional fees	2000		
9. Motor, Travel and Subsistence	5394		
10. Repairs / Renewals	977		
11. Depreciation, Goodwill / Capital write off	14330		
12. Provisions including bad debts (Indicate (+) or (-) opposite)			(+/-)
13. Other Expenses (Total)	51168		
Capital Account and Balance Sheet Items			
14. Cash / Capital introduced	13162		
15. Drawings (Net of Tax and Pension contributions)	80078	(Say tax paid €22,000)	
16. Closing Capital Balance (Indicate (+) or (-) opposite)	-65442		(+/-)
17. Stock, Work in progress, Finished goods			
18. Debtors and Prepayments			
19. Cash/Bank (Debit)	600		
20. Bank / Loans / Overdraft (Credit)	135458		
21. Client Account Balances (Debit)			
22. Client Account Balances (Credit)			
23. Creditors and Accruals	23941		

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	Trade 1	Trade 2	Trade 3
24. Tax Creditors			
25. Net Assets (Indicate (+) or (-) opposite)	-65442		(+/-)
Extracts from Adjusted Profit Computation			
26. Net Profit per Accounts	46482		
27. Net Loss per Accounts			
Adjustments			
28. Motor Expenses	1320		
29. Donations (Political and charitable) / Entertainment			
30. Light, Heat and Phone			
31. Net gain on sale of fixed / chargeable assets			
32. Net loss on sale of fixed / chargeable assets			

(Continued on page 10)



EXTRACTS FROM ACCOUNTS

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Frequently Asked Questions

There follows a list of frequently asked questions on the subject of *Extracts from Accounts*, together with Revenue's response to those questions. This will be expanded upon as new queries arise and will be reproduced on the Revenue website and in *Tax Briefing* as appropriate.

Questions and Answers on the *Extracts from Accounts*

1 Can I submit paper accounts and write 'as per the attached accounts' on the Form 11 (CT1) and not complete the Extracts from Accounts pages?

No. Paper accounts are not an acceptable substitute for completion of the Extracts from Accounts pages, unless your turnover is in excess of €13 million or you are carrying on business in partnership. Remember the *Extracts from Accounts* pages are not a set of accounts, only an extract of selected items from the accounts. They are not a substitute for the trading accounts. Accounts still have to be prepared as before in accordance with the ordinary rules and conventions of commercial accounting and only certain figures from these accounts are requested in the *Extracts from Accounts* pages. The accounts, like any other documents in support of the return, should be retained in case they are required by Revenue for audit or verification purposes.

2 With regard to lines 26 and 27, is it the profit per the accounts, or the adjusted profit figure for tax purposes that is required? The line asks 'Net Profit per Accounts' but the heading reads 'Extracts from Adjusted Profit Computation'

The figure required is the net profit/loss from the accounts, before adjustment for add-backs/deductions are made.

3 My client has more adjustments to the adjusted profit computation than listed in the Extracts from Accounts pages. Where do I list the remaining items?

The *Extracts from Accounts* is a selection of items for transcription from a customer's set of accounts/statements/income and expenditure record, etc. It is not a replacement for what a customer has done previously. The financial statements and adjusted profit computations must be prepared as heretofore and retained by you or your client - see also answer to question 1.

4 On the Form 11, lines 28 to 35 list details of certain types of adjustments to the profit per the accounts to arrive at the adjusted net profit (loss). As this list is not exhaustive, when these listed

adjustments are taken from the profit (loss) per the accounts on line 26(27) the result will be different than the Case I figure returned. Will my client automatically receive enquiry letters in this case?

No. As with the menu of accounts items this is only a representative selection of possible adjustments. For example, we don't mention the depreciation add-back which would feature in most cases.

5 If I submitted accounts, which form the basis period for this return, with a previous return, do I have to complete the Extracts from Accounts pages?

No. If accounts were previously submitted with a prior year's tax return, it is not necessary to enter the data in the return now being completed. You should however clearly state which year's tax return the accounts were submitted with (preferably on page 5 of the Form 11, and page 3 of the Form CT1).

6 How do I approach completion of the return where the accounting period does not end within the tax year?

Enter the figures per the accounts and indicate the accounting period covered. If the accounts also cover the following year it will not be necessary to enter them on that year's return, but instead a reference should be made that the accounts information has already been submitted. (See answer to question 5)

7 In the case where a client previously had a year end of say 5 April and in 2002 decided to change the year end to 31 December, there is a nine month set of accounts. Obviously for Panel 1 (2 or 3) of the Form 11 the nine month period plus three months of the previous accounts must be used. For the Extracts from Accounts pages is it the nine month set of accounts that is used or do we have to take the figures from the nine months and add in three months of the prior accounts to each of the required fields?

Enter the nine months accounts only.

8 If the period of account is long and two Form CT1s are required, both of which contain the Extracts from Accounts pages, do I enter the accounts information in one or both of the returns? Do I apportion the figures on a pro rata basis?

Complete the *Extracts from Accounts* pages on the form CT1 for Accounting Period 1 only, giving the figures for the full period of the accounts. The Form CT1 for Accounting Period 2 should contain a reference that the figures have already been supplied - see question 5.



EXTRACTS FROM ACCOUNTS (“Accounts Menus”) Forms 11/CT1

9 Where a person who is a sole trader does not complete the *Extracts from Accounts* pages, is his/her return a valid return?

No. If you have an entry in panel 1 (2 or 3) of the return, you must complete the *Extracts from Accounts* pages. Only those carrying on business in partnership and those with a turnover in excess of €13 million, should submit paper accounts and financial statements, and leave the *Extracts from Accounts* pages blank. In all other cases, where these pages are not completed, the Form 11/11E/CT1 will be returned for completion. (Unless the accounts were previously submitted - see question 5.)

10 If I am required to send in paper accounts, where should I send them?

Where required (see question 9) the accounts, computations and schedules should accompany the return to the Collector-General. **Remember to quote the reference number** on these attachments and state which return they support.

11 An individual is carrying on business in partnership with their spouse. Previously a single set of accounts, filed under their own PPS number, was submitted. Can I continue to do this and only complete one column of the *Extracts from Accounts*?

All partnerships should be registered for tax under a separate reference number. A separate return, Form 1(Firms) completed by the precedent acting partner, together with a set of accounts should be submitted to the tax office. In these cases the individual partners do not complete the *Extracts from Accounts* pages on their own Form 11 with regard to this trade/profession, but they must enter the partnership number in panel 1 (2 or 3) where requested.

12 My client is carrying on business in partnership. I submit paper accounts with the partnership return - Form No 1(Firms). What accounts information do I have to enter on his/her Form 11?

None. See answer to question 11.

13 In determining whether the obligation to file paper accounts with the Form CT1 exists, should group turnover (for the purposes of the €13m test) be consolidated on a global basis rather than solely on an Irish basis?

If the company is the only member of a group which files its returns in Ireland, then it can file according to the appropriate turnover rules based on its Irish turnover, solely.

14 Is there a minimum number of entries I have to complete on the *Extracts from Accounts* pages to make the return valid? If so, what are they?

Where there is an entry in the accounts, there should be a corresponding entry in the *Extracts from Accounts* pages. The more complete the *Extracts from Accounts* pages are, the more accurate a profile of the customer we will have. A risk profile of the customer will be created based on the information supplied in these pages, in the rest of the tax return, third party returns, etc. Non-completion of certain entries, for which you have data in the accounts, may ultimately leave your client more susceptible to contact from Revenue. (See separate article on Risk Analysis System on page 18.)

15 My client is a small trader who usually has never prepared a full set of accounts or balance sheet, and instead has drawn up statements of income and expenditure. How do I deal with Capital Account and Balance Sheet items as requested?

Basically, you can continue to submit as you have always done. However see answer to previous question. If the extent of the business is such that we would have expected a full set of accounts in previous years, non-completion of the Capital Account and Balance Sheet Items may not give an accurate profile of your client.

16 What if I make a mistake in some of the entries?

The same duty of care that applies in completing the income figures on the tax return applies to the completion of the account extract details.

However, risk analysis will be applied to much more than the accounts information, and it will be in the context of a taxpayer's complete risk profile that a case might ultimately be selected for audit. An error, therefore, in completing the accounts menu will not of itself necessarily result in contact from Revenue. (See also answer to question 14.)

17 If I am unclear or uncertain as to the technical basis for the analysis of certain items (for example, whether an item of expenditure constitutes a repair of capital expenditure, or where there is a doubt regarding items in the provision for bad debts) do I need to make an expression of doubt in relation to the figure provided on the accounts menus?

The *Extracts from Accounts* pages should reflect what is in the accounts. If there is an expression of doubt, under Section 955(4) TCA 1997, this should be dealt with as before, i.e., noted on page 1 of the Form 11/CT1, and a covering letter sent in with the return.

(Continued on page 12)



EXTRACTS FROM ACCOUNTS

Continued from Page 11

18 For some clients, who may have more than one trade, it has been our practice to prepare a Profit and Loss Account for each trade and one Capital Account and Balance Sheet reflecting the assets and liabilities of all trades. How do we complete the Capital Account and Balance Sheet sections for each trade?

If different accounts (or income and expenditure accounts) are kept for each trade then separate *Extracts from Accounts* pages should be submitted for each. Basically, you should continue to submit as you have always done. If you prepare two income and expenditure accounts and one composite balance sheet then you should complete the *Extracts from Accounts* accordingly.

19 If I have more than three trades, 'Trade 3' column of the *Extracts from Accounts* on the Form 11 will be an amalgam of two or more sets of accounts. Will the result of a mixing of trading details leave me more open to audit, when this column is screened electronically?

While the mixing of trade details may distort the picture somewhat Revenue customers will be profiled over a wide range of areas, including compliance behaviour, third party information, other taxheads, etc. The mixed trade details in the third column are unlikely to have a major impact on a customer's overall risk profile. (See also separate article on Risk Analysis System on page 18.)

20 What precisely are 'Government Agencies' for the purposes of line 2?

This includes income from Government Departments; e.g. GMS payments, Free Legal Aid, Department of Agriculture payments, etc.

This is to facilitate taxpayers who identify such income separately and people whose income is solely from a Government source.

21 How am I to treat the amortisation (as distinct from the receipt) of capital grants?

The figure input should be whatever figure is used in the accounts.

22 What is meant by "purchases" in line 4? Is it solely the pure cost for materials purchased, or also at the cost of conversion? For example in a manufacturing environment, am I only to take the cost of raw material purchased, and not any direct other cost such as royalties, direct power, etc.

What we are looking for in 'Purchases' will in most instances be the cost of materials. Where this is not the case, whatever is included before arriving at the gross profit should be given.

23 Does the entry in line 14 Form CT1 (line 12 Form 11) refer to movement in provisions for bad debts, stock provisions, etc. (i.e., not the overall amount of the provision concerned)?

Yes. This line refers to the movement in provisions. The plus indicates a positive move in the provision, i.e., an increase, while the minus indicates a decrease.

24 I assume that tax creditors in line 24 includes income/corporation tax, PAYE, PRSI, VAT, and levies. What is the position regarding stamp duty, as usually such cost would be included in the cost of acquiring an asset, and would not be separately identified. What is the position regarding deferred taxation?

Tax creditors include all tax liabilities owing that are usually shown under this heading. Stamp duty should be left wherever you normally charge it in the accounts. Details of deferred tax are not required.

25 With regard to 'Other Expenses' (Line 13 Form 11, Line 15 Form CT1) is this every expense which does not fall under any of the other headings?

Yes.

26 Where should 'Stock Relief' be accounted for in the '*Extracts from Accounts*' pages?

We do not require this information in the *Extracts from Accounts*. All we ask for is net profit/loss per accounts. As previously mentioned, the information requested in the *Extracts from Accounts* pages is only a selection of certain information from the accounts. It is not a reproduction of the set of accounts. (See answers to questions 1 and 3.)

27 'Accountants Report' (Form 11) is virtually unknown for unincorporated businesses. Limited comment may be provided in respect of solicitors, etc. (insofar as clients' moneys are held) or for certain investment intermediaries. The position is the same with respect to questions 37 - 40 (Form 11) relating to change of accounting policies. Can Revenue confirm that for unincorporated entities, these boxes should invariably be left blank?

Yes. The provision of a section on notes to the accounts is to facilitate businesses where such notes are prepared.

28 What does entering a tick in the *Notes to the Accounts* boxes represent? Does it mean that no problem exists, or does it mean that there is a problem?

Ticking the boxes in the *Notes to the Accounts* means that there is such a note or qualification in the financial statements. Further information can be provided in the white space below the boxes on the return.



EXTRACTS FROM ACCOUNTS (“Accounts Menus”) Forms 11/CT1

29 On the Corporation Tax return, at lines 34 & 35 (net gain/loss on sale of fixed/chargeable assets) should the accounting profit/loss on sale of assets or the tax adjusted profit/loss on sale of assets (before adjustment for CT purposes) be entered here?

The figure which should be entered is the figure that would normally be included in the add-back computation.

30 Will I be less susceptible to Revenue audit if I file my return and accounts information on paper rather than through ROS?

No. Revenue has given a guarantee that electronic filers will be no more susceptible to audit than paper filers.

31 If I give less information am I reducing my chances of being audited?

Where we would anticipate more information should have been provided based, for example, on the size of the business or the amount of tax paid, the absence of information may raise a customer's risk profile and result in contact of some sort from Revenue. To minimise this possibility it is in customers' own interests to provide Revenue with as much information as possible, where available. (See answer to question 14.)

32 Depending on the trade/profession both lines 3 and 13 Form 11 (lines 3 and 15 Form CT1) could be disproportionately higher in some cases compared to the norm. A farmer, for instance, may have the bulk of his/her expenses listed on line 13 (other expense) if it relates to feedstuffs, fertilizers, etc. When interpreting the results produced by the *Extracts from Accounts*, will the electronic screening programmes have access to the remainder of the information captured in the return?

Revenue customers will be profiled over a wide range of areas, including compliance behaviour, third party information, other taxheads, etc. The accounts information will only form part of that profile, and will not have an undue impact on a customer's overall risk profile. The results of rules relating to certain broad fields such as those mentioned will be weighed to allow for alternative possibilities in the information provided. (See answer to question 14.)

33 If I prepare the *Extracts from Accounts* as presented on the new paper return, does Revenue still have a requirement for the traditional style accounts being available for audit or will the linking papers to the *Extracts from Accounts* suffice?

See answer to question 1.

34 In the ROS return, one 'suggested' method to circumvent the required fields is to enter nil in the box. Will this be interpreted as an entry of nil, and therefore will I be more susceptible to audit? This is of particular relevance with regard to line 15 - drawings. An entry of nil would suggest that no drawings were made, rather than no balance sheet was prepared.

Ideally we would like all customers to estimate what they drew from the business to live on during the year. However, an undue inference will not be drawn from a nil figure in drawings where an income and expenditure account was always prepared. This will not be the case in respect of businesses with large turnovers where it would be reasonable to expect that good business practice would require maintenance of proper financial statements.

35 On the Corporation Tax return, at lines 27 (loss on ordinary activities before taxation) and 35 (Net loss on sale of fixed/chargeable assets) should a negative figure or a positive figure be entered?

The wording of the question tells us it was a loss.

36 If the trading income is small, can I enter it in Panel 8 on the Form 11 for 2002 (Fees, Commissions etc. not included elsewhere) and not complete the *Extract from Accounts* pages?

No. Trading/Professional income, assessable Schedule D Case I/II, should be entered only in Panels 2, 3, or 4 of the Form 11. Taxpayers with entries in these panels are required to complete the *Extracts from Accounts* pages. Fees, commissions, etc., which do not arise from a trade or profession and which were not charged to tax under Schedule E, should be entered in Panel 8. This income is chargeable under Schedule D, Case IV. Fees, commissions, etc., which were charged to tax under Schedule E, should be included in Panel 19. ■



PRSI

Voluntary PRSI Contributions

If an individual is no longer covered by compulsory PRSI as an employee or self employed contributor and is aged between 16 and 66, he/she may opt to pay Voluntary Contributions. Voluntary Contributions can help maintain or improve his/her pension entitlements. They do not provide cover for short-term benefits. To become a voluntary contributor an individual must:

- Have at least 260 weeks PRSI paid in either employment or self employment, and
- Apply within 12 months after the end of the tax year during which he/she last paid PRSI or had a PRSI 'credit'.

Rates of Contribution

The amount of an individual's Voluntary Contribution in any tax year is a percentage of his/her income up to a fixed limit. If an individual has no income or their income is low, their Voluntary Contribution can be at a fixed amount.

For more information about voluntary PRSI see information leaflet SW 8 or contact:

Voluntary Contributions Section
Department of Social and Family Affairs,
Cork Road,
Waterford

Telephone: Waterford (051) 35 6000
Dublin (01) 704 3000

e-mail: volcons@eircom.net ■

INVESTMENTS UNDER S. 481

Proposals for Investments under Section 481 TCA 1997: Advance Opinions

The purpose of this note is to clarify the circumstances in which Revenue will give an opinion in advance of a Section 481 Investment taking place and to bring the procedures in line with the general Revenue guidelines on advance opinions.

The Revenue guidelines envisage requests for an opinion on specific issues arising from a proposal. In such circumstances, Revenue is prepared to issue an opinion setting out their interpretation of the legal point at issue. The Revenue guidelines on advance opinions were included in *Tax Briefing* Issue 48. Where there is a concern in relation to interpretation of Section 481 in a specific circumstance, then Revenue will be prepared to issue an opinion on the issue on receipt of the information set out in these Guidelines.

Revenue is sometimes asked to give a general opinion that the Section 481 investment proposal would satisfy the requirements of the Section. It is not possible for Revenue to evaluate all aspects of an investment scheme before the investment is in place and all the facts are known. Any general opinions given have been qualified to such an extent as to render them meaningless. For this reason and to avoid any confusion for investors, opinions will, in future, be given only on specific aspects of a proposal as envisaged in the guidelines published in *Tax Briefing*. ■

BOGUS NON-RESIDENT ACCOUNTS

Statement of Practice SP-Gen 1/01 set out the approach that Revenue would adopt in relation to the pursuit of taxpayers with underlying tax liabilities who held bogus non-resident deposit accounts. This group of taxpayers were given an opportunity to make a voluntary disclosure in relation to all their outstanding tax liabilities on or before 15 November 2001.

As part of this voluntary disclosure scheme the Revenue Commissioners stated that it would examine a

Review of Forms BNR 1

representative selection of cases for review as regards the amounts disclosed. This review process has now concluded and all taxpayers who have been selected for review have been notified.

Notice has been given to any taxpayers who did not satisfy the conditions of 15 November 2001 voluntary disclosure scheme, that their submissions are ineligible. ■



VEHICLE REGISTRATION TAX

Crew Cabs



Crew cabs are vehicles which, consist of a double cab with two rows of seats, can accommodate a driver and a minimum of three and a maximum of six other persons, and have a substantial goods area to the rear of the cab. Typical examples

of commercial crew cabs would be large heavy vehicles used by ESB/Telecom Eireann for transporting crew and goods/cargo. These vehicles attract category C classification with a VRT rate of €50.

It was found that a particular type of **light** double cab vehicle, which had dual capability for both commercial and private usage qualified unintentionally for category C classification (€50 - VRT). Increasingly, such vehicles were being purchased as car substitutes and detracting from the Category A (22.5%, 25%, 30% of Open Market Selling Price (OMSP)) VRT yield.

Section 101 Finance Act 2003 amended

the definition of crew cab vehicles, ensuring that larger genuine commercial vehicles of this type continue to obtain category C classification, while smaller type vehicles with the dual purpose of commercial and private usage are classified as category B, attracting a VRT rate of 13.3% of the OMSP of the vehicle, **effective from 1 July 2003.**

Regulations with respect to the prescription of qualifying criteria for Category B/C crew cab status have been formulated by Revenue and are effective as and from 1 July 2003. These are available on the Revenue website, www.revenue.ie. ■

NEW VAT TREATMENT OF VEHICLES

VRT/VAT

New VAT treatment of vehicles registered by distributors or dealers prior to sale

With effect from 1 May 2003, there are new rules about the VAT treatment of vehicles registered by motor distributors or motor dealers (referred to further as 'dealers') in their own name. As a consequence of these new rules, the Vehicle Registration Tax (VRT) refund scheme for demonstration vehicles has been abolished. The legal basis for the new VAT rules is provided by *Section 120 Finance Act 2003*.

Vehicles to which the new rules apply

The vehicles affected by the new rules are those which are classified for VRT purposes as category A vehicles (cars in general), together with motor cycles. The purchase of these vehicles, otherwise than as stock-in-trade (i.e. purchases of vehicles for resale), is non-recoverable for VAT purposes.

Vehicle registered on or after 1 May 2003

With effect from 1 May 2003, where a dealer registers a car or a motor cycle in the dealer's own name, the vehicle is treated as having been removed from stock-in-trade. This removal results in a 'self-supply' for VAT purposes. This means that a dealer who has recovered VAT on the purchase or importation of the vehicle, must account for VAT on that vehicle in the VAT return for the period in which the vehicle is registered in the dealer's name, as if the vehicle had been sold at cost price.

Vehicle subsequently sold on

When the dealer subsequently sells that vehicle to a customer, the dealer will be entitled to make a claim on the VAT return to recover an amount of 'residual input credit', as well as having to account for the VAT due on the sale. Effectively, this means that the vehicle is treated as if it were bought by the dealer from a third party, for sale as a second hand vehicle. The basis for calculating the residual input credit is the cost price (inclusive of VAT and VRT).

As the residual input credit is only available at the time of the sale of the vehicle to a customer, both the claim for the residual input credit and the output liability due on the sale of the vehicle must be accounted for in the same VAT return. The effect of this mechanism is that the residual input credit will be offset against the output liability. The dealer's net liability on this transaction will be the difference between the cost price (inclusive of VAT and VRT) and the sale price. **However, the residual input credit cannot exceed the amount of VAT due on the sale. If the cost price (inclusive of VAT and VRT) is greater than the sale price, the residual input credit is limited to an amount equal to the VAT charged on the sale price i.e. the dealer's net liability on this transaction would be nil.**

Further information on the new rules is available in an information leaflet titled 'New VAT treatment of vehicles registered by distributors or dealers prior to sale' which is available on the Revenue website at www.revenue.ie ■



RENTAL INCOME

Mortgage Protection Policy Premiums



Allowable deductions under the tax law relating to rental income are provided for in *Section 97(2) TCA 1997*. *Section 97(2)(d)* authorises a deduction in respect of “the cost of ...management of the premises borne by the person chargeable and relating to and constituting an expense of the transaction or transactions under which the rents or receipts were received, not being an expense of a capital nature”.

In strictness mortgage protection policy premiums are arguably not

part of the cost of management of the premises but relate more to the management of the landlord’s financial affairs than to the management of the premises. Such expenditure could also be argued to be capital in nature. However, Revenue recognise that financial institutions insist that such policies are put in place when sanctioning borrowings. Accordingly, Revenue, having reviewed the position, is prepared to treat mortgage protection policy premiums paid as an allowable deduction in computing rental income for income and corporation tax purposes.

The new treatment applies to returns submitted after 1 January 2002. Returns already submitted will not be reopened.

Practitioners should note that this treatment only applies to mortgage protection policy premiums. Such a policy is aimed at covering the full amount left outstanding on a

person’s mortgage should they die. It is often called decreasing term insurance, as the amount that needs to be covered reduces every time a payment is made, with the result that premiums are lower than those for straight insurance. This type of policy should not be confused with other products often offered by life assurance companies such as mortgage payment protection policies, keyman insurance or endowment policies. These are a form of short/straight term insurance which pay out if an individual becomes unemployed or ill and are not normally linked to a person’s life. Revenue does not allow this latter type of policy premium as a rental income deduction.

Practitioners should also note that mortgage protection plan policies linked to a person’s life are life assurance policies, the proceeds of which are taxed in accordance with *Section 593 TCA, 1997*. ■

PATENT ROYALTY INCOME

Section 234 TCA 1997

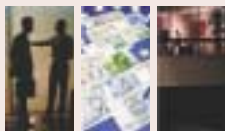
Section 234 TCA 1997 sets out the requirements for claiming exemption in respect of patent income. Where the patent income is being paid by a connected party, the legislation requires that the payer of the royalty must use the patent for the purpose of activities which would be regarded as the manufacture of goods within the meaning of *Part 14 TCA 1997* or would be so regarded if they were carried on in the State by a company. Recently Revenue has received requests from practitioners to provide clarification of this

requirement in the context of the phasing out of manufacturing relief.

Phasing out of manufacturing relief was effected by means of an amendment to the definition of “relevant accounting period” contained in *Section 442(1) TCA 1997*. In the case of a trade which commenced on or after 23 July 1998, the amended section provides that the term “relevant accounting period” for the purposes of the relief means an accounting period or part of an accounting period of a company ending on or before 31 December 2002. Thus a company

which commenced trading on or after 23 July 1998 will not qualify for manufacturing relief after 31 December 2002.

This does not affect its entitlements under *Section 234* however and it is confirmed that the exemption contained in *Section 234* will continue to apply in a situation where the payer of the royalty is engaged in manufacturing activities within the meaning of *Part 14* but is precluded from claiming the relief because of the provisions of *Section 442*. ■



PAYMENT OF TAX ON SHARE OPTIONS RTSO

Introduction

Section 8, Finance Act 2003 (Section 128B TCA 1997) provides for a new scheme of payment of income tax in respect of unapproved share options exercised **on or after 30 June 2003**. In the case of share options exercised on or after this date an amount, known as Relevant Tax on a Share Option (RTSO), must be paid to the Collector-General not later than **30 days** after the date on which the share option is exercised.

Liability to income tax does not generally arise (and therefore payment of RTSO is not required) where share options are granted under Revenue approved share option schemes. However, there are exceptions to this rule which are detailed below.

Calculation of RTSO

RTSO is payable on the gain (i.e., the difference between the market value of the shares at the date of exercise of the option and the option price) and calculated at the higher rate of income tax in force for the year in which the option is exercised (currently 42%).

If a person considers that his/her income for the year will be chargeable at the standard rate of income tax only, (currently 20%) a written application can be made to the tax office dealing with the person's tax affairs seeking approval to pay RTSO at the standard rate. This approval must be obtained in advance of making payment of RTSO calculated at the standard rate.

Example of calculation

Example of calculation based on current higher rate of income tax (42%)

Share option exercised on 10 July 2003.

Market value of shares at 10 July 2003	€50,000
Option price	€30,000
Share option gain	€20,000
Amount of RTSO (€20,000 at 42 %*)	€ 8,400

*approval in advance required to calculate RTSO at standard rate

Payment of RTSO

Form RTSO1 is to be used for the purpose of making an RTSO payment to the Collector-General. This form is available on the Revenue website at www.revenue.ie or can be obtained by phoning 1890 20 30 70.

Date for payment.

The due date for payment of RTSO is 30 days after the date the share option has been exercised. As with other tax liabilities, interest is due on late payment.

Failure to pay RTSO

Failure to pay a tax liability, or to pay on time, can result in enforced collection through the Sheriff, Court proceedings or a Notice of Attachment under Section 1002

TCA 1997. Enforcement carries additional costs to any interest penalty charged.

Preliminary Tax

An RTSO payment is not to be regarded as a payment of Preliminary Tax. Any RTSO payable is to be disregarded in calculating the amount of Preliminary Tax to be paid for a year.

Completing a Return of Income

When a share option, giving rise to an income tax liability, has been exercised a Return of Income for the tax year in which the share option has been exercised must be completed. Revenue will arrange to issue the Return form in any case where RTSO is paid during the course of the year. The Return form should be completed with details of all taxable income for the tax year, including the gain on the exercise of the share option. The RTSO already paid will be set against the total income tax liability for the year.

Revenue Approved Share Option Schemes

There are two types of Revenue approved schemes:

- An approved Savings-Related Share Option Scheme and
- An approved Share Option Scheme.

Where the conditions of the approved scheme are complied with at both the Date of Grant of the share option and at the Date of Exercise a charge to income tax does not generally arise on the exercise of the share option and therefore no liability to RTSO arises.

There are, however, two limited circumstances when an income tax charge will arise on the exercise of a share option that was granted under a Revenue approved scheme. These are:

- Where a share option is exercised under an approved Savings-Related Share Option Scheme and, within three years from the Date of Grant of the share option, the company (that has granted the share option) is taken over, has a share reconstruction or is voluntarily wound up, etc.
- Where a share option is exercised under an approved Share Option Scheme and the shares acquired are sold within three years from the Date of Grant of the share option.

When either of these circumstances arises, RTSO is due and payable to the Collector-General within 30 days.

Further information

Any enquiry regarding calculation of the RTSO liability should be addressed to the individual's tax office or telephone 1890 60 50 90.

Any enquiry regarding payment of RTSO should be directed to the Office of the Collector-General, telephone 1890 20 30 70. ■



REVENUE'S NEW RISK ANALYSIS SYSTEM



Risk - the current position

The process of implementing a computerised risk based approach to Revenue audit and compliance has now commenced. A Risk Analysis system, *Eskort*®, was commissioned at the end of March 2003. The 'rules team' based in St. John's House in Tallaght is currently collecting and programming rules for the system. Tools for selecting analysed cases and for facilitating officers in managing their caseloads are also in development.

It is intended to run a pilot program in the coming months primarily aimed at compliance in the fiduciary taxes area. This program will be extended to include the identification of risk in the debt management area. In the first quarter of 2004 Income tax and Corporation Tax risk profiles will be prepared.

The overall plan is to have a fully operational, pan-Revenue risk system in place by 2005.

Objective

The Revenue Statement of Strategy 2003 - 2005 states that Revenue will prioritise:

"Development of advanced risk assessment and case targeting tools (which) will help ensure that we target our compliance resources including audit and investigation to where they are most needed"

The objective of the Risk Analysis program is to analyse all Revenue customers across a number of profiles by applying 'rules' to all data available. We will then score them with regard to their risk to Revenue, i.e., evasion, non-payment, failure to file returns, etc., and optimise our resources by targeting those customers who merit our attention the most. Our ambition is to screen our complete business taxpayer base at least once a year with rules which ensure that non, or even poor compliance is included and scored in the risk profile.

Examples of the type of analysis applied in other administrations and being considered here include:

- Ratios of profitability against peer groups

- Ratios based on data in tax returns and financial accounts
- Risk indicators relating to individual tax-heads
- Risk indicators across two or more tax-heads
- Analysis of a taxpayer's compliance history
- Sector/geographic specific rules
- Changes in significant variables from year to year etc.
- Comparison of returns to other Revenue-held data, such as Third Party and assets information

What new opportunities does the system provide?

- All data can be included in generating the customer's profile
- We can apply all rules to every taxpayer
- We can analyse risk over time
- Identify deterioration in customer's compliance levels
- Measure our customer compliance levels year-on-year
- We will be able to apply all rules consistently and
- Apply consistent Risk Scoring.

These opportunities will allow us provide an enhanced and equitable validation process over the entire customer base.

What does all this mean for taxpayers and practitioners?

- ◆ Revenue can highlight cases with most risk, anticipate cases which are becoming a risk, and target these risk cases in a timely fashion.
- ◆ By switching to electronic analysis we can free resources to tackle evasion more thoroughly. Revenue will have more, better-focused interventions as officers will be doing less manual screening, and will be directed towards specific areas of risk.
- ◆ It will be possible for Revenue's programmes to be more easily switched, focused or targeted depending on emerging risks.
- ◆ Non-compliance will not provide an opportunity to escape analysis, as it will also be scored¹. This should encourage greater compliance.
- ◆ In addition to the generation of a risk profile based on the absence of returns, it will also evaluate the 'back' year when it is subsequently received, i.e., the system is not confined to analysis of the 'latest' tax period.
- ◆ The new system will provide the opportunity to focus more on the taxpayer than on individual returns.

¹i.e. when rules are applied to returns information, customers who have not filed their returns will be scored on the absence of the return.



REVENUE'S NEW RISK ANALYSIS SYSTEM

- ◆ All customers will be subject to risk analysis and thereby we will be able to demonstrate a fair and equitable approach by Revenue across the entire taxpayer base.
- ◆ Our new case management system which is being developed in conjunction with the risk analysis rollout will ensure improved co-ordination and management of contacts with customers.
- ◆ Customers can be assured that the data we are collecting is being applied to measure overall risk and that by identifying our serious risk cases we will be better able to minimise contact with the compliant taxpayer.

We will, continue with random and function specific (e.g. BNR) audit programmes. Random audits will also be required for control purposes to ensure the rules we are developing are generating the correct cases.

Data

Initially risk analysis will be applied to data currently held in Revenue's computer systems. However, Revenue's LINKs team has reviewed all Revenue data to ensure that its value is optimised as a corporate resource and to make it accessible by all users in the format which best facilitates the business requirements of Revenue. As a result we expect to be able to quickly identify additional key data we need for effective risk profiling and the means needed to ensure that it is accessible for electronic risk analysis.

Following this year's return filing season, for example, we will have arrangements in place to capture certain additional data, such as financial accounts information, from the 2002 tax returns. A request for Tender seeking suitable contractors for this work issued at the end of June and we expect to appoint the successful tenderer in October.

Guarantee on using electronic data

Risk Analysis will be applied equally to all customers and, where information can be supplied to Revenue in either electronic or paper formats, the Revenue Commissioners reiterate their commitment that the new Risk Analysis System be applied only when the same data has been captured electronically from paper filers also.

ROS filers, therefore, will be no more subject to risk analysis or audit than anyone else.

Conclusion

Tax evasion is a concern for all of us - compliant taxpayers, practitioners and Revenue. The activities of tax evaders are a cost on everyone who pays their fair share. This new system is intended to assist us in concentrating Revenue resources against the non-compliant and as such will be welcomed by everyone else.

For further information contact the Risk Evaluation, Analysis and Profiling Team at email:

riskprofiling@revenue.ie ■

FORM 11 AND CT1 ATTACHMENTS

Clarification

Tax Briefing issue 52 (May 2003) contained an article on Forms 11 and CT1 Attachments. At the end of the article the following text was included erroneously:

*"The issue of the initial letter of enquiry dealing with the verification of validation process will preclude the customer from availing of the benefits associated with an **unprompted qualifying disclosure**. However the customer will be able to avail of the benefits associated with the making of a **prompted qualifying disclosure**."*

We have received a number of queries regarding this statement. Revenue now wishes to clarify the situation. The issue of the initial letter of enquiry dealing with the verification or validation process **will not** preclude the customer from availing of the benefits associated with an unprompted qualifying disclosure. The following text should be included as a replacement for the text quoted above:

*"Some customers may be selected for Revenue Audit because of incorrect claims for allowances discovered as a result of the checking procedures. Some customers may also be selected for audit if appropriate documentation to support the claim is not submitted within the appropriate timeframe. Where such audits arise, it should be noted that these customers can no longer avail of the benefits associated with an **unprompted qualifying disclosure**. They will of course be able to avail of the benefits associated with the making of a **prompted qualifying disclosure**."*

It was never Revenue's intention to remove the unprompted disclosure option where such requests for documentation have issued. Of course once the case has been selected for audit and the audit letter has issued, an unprompted disclosure is no longer an option. Revenue wish to apologise for any confusion caused. ■



PROFESSIONAL SERVICES WITHHOLDING TAX FA 2003

Amendment of Chapter 1 (Payments in Respect of Professional Services By Certain Persons) Part 18 and Schedule 13 TCA 1997

This article deals with amendments to the legislative provisions governing Professional Services Withholding Tax in the Finance Act 2003 including:

- Additions and amendments to *Schedule 13* (list of accountable persons authorised to operate Professional Services Withholding Tax.)
- Amendment to the definition of Relevant Payment
- Introduction of provisions to raise assessments on accountable persons
- Extension of audit powers to include audits of accountable persons.

Section 10 FA 2003 relates to the Professional Services Withholding Tax scheme, which provides for the deduction of income tax at the standard rate by accountable persons (Government Departments, Local Authorities, Semi-State Bodies etc.) when making payments for professional services to individuals and companies.

The current statutory list of accountable persons, set out in *Schedule 13 TCA 1997*, has been amended to take account of 19 bodies who are authorised to deduct Professional Services Withholding Tax from payments for professional services, with effect from 1 May 2003. These have been added to the list as follows:

121. Human Rights Commission.
122. Pensions Ombudsman.
123. Refugee Appeals Tribunal.
124. The Dublin Institute for Advanced Studies.
125. Pre-Hospital Emergency Care Council.
126. Sustainable Energy Ireland - The Sustainable Energy Authority of Ireland.
127. The Health Insurance Authority.
128. Commission for Aviation Regulation.
129. Railway Procurement Agency.
130. The National Council on Ageing and Older People

131. National Qualifications Authority of Ireland (NQAI).
 132. BreastCheck, The National Breast Screening Programme.
 133. The National Council for the Professional Development of Nursing and Midwifery.
 134. Mater and Children's Hospital Development Ltd.
 135. The National Consultative Commission on Racism and Interculturalism.
 136. Office of Tobacco Control.
 137. The Marine Casualty Investigation Board.
 138. National Treasury Management Agency as regards the performance of functions by it conferred on, or delegated to, it by or under *Part 2, National Treasury Management Agency (Amendment) Act 2000*. (State Claims Agency).
 139. National Development Finance Agency
- In addition to the above, two further amendments have been made to *Schedule 13* as follows:

- The removal of one body -

The National Pensions Reserve Fund Commission

- A change of name in another

Horse Racing Ireland, formerly: The Irish Horseracing Authority.

Section 10 FA 2003 amends the definition of relevant payment to exclude a payment made by one accountable person to another in reimbursement of a relevant payment.

Also, the Revenue Commissioners are now empowered to raise assessments on accountable persons, if such persons either refuse or neglect to pay over professional services withholding tax to the Revenue Commissioners.

Finally, *Section 159 FA 2003*, extended the Revenue Commissioners powers of inspection, with the introduction of *Section 904J TCA 1997*, thus enabling the Revenue Commissioners to carry out on-site audits of accountable persons. ■



JEFFERSON SMURFIT SHARES

CGT

Capital gains tax implications for holders of Jefferson Smurfit Group plc shares on the takeover of the company by MDCP Acquisitions Limited.

Introduction

MDCP Acquisitions Limited ("MDCPA") acquired Jefferson Smurfit Group plc ("JSG") shares in a takeover of that company by means of the following series of transactions:

◆ The Share Split

JSG subdivided each of its issued Ordinary €0.30 shares into 10 Ordinary €0.03 shares (the "share split").

◆ "Spin off" of SSCC Shares

In a court approved capital reduction, JSG's shareholding in Smurfit Stone Container Corporation ("SSCC") was cancelled and new SSCC shares were issued directly to JSG's shareholders ("the spin-off"). JSG shareholders received 1 common share in SSCC for every 16 Ordinary €0.30 shares held before the 10 for 1 split.

◆ Cancellation of Shares

In exchange for the SSCC shares spun off and to complete the capital reduction, JSG cancelled 4 out of every 10 Ordinary €0.03 shares held after the split.

◆ Acquisition by MDCPA ("the offer")

MDCPA then acquired the remaining JSG shares as follows: * A cash payment of €2.15 for each JSG share held before the share split or * Loan notes of €1.00 per €1.00 of cash consideration to which they were entitled or * A combination of cash and loan notes at the choice of the shareholder.

An individual who was tax resident or ordinarily tax resident in Ireland at the time of the takeover is subject to Irish capital gains tax in the 2002 tax year on any gain arising on the disposal of JSG shares pursuant to the 'spin off' and the offer.

The Share Split

The share split is considered a reorganisation under *Section 584 TCA 1997* and is therefore not considered a disposal for capital gains tax purposes. JSG shareholders are treated as if they acquired their shareholding of ten new JSG Ordinary €0.03 shares on the same date and at the same cost as when they acquired their original JSG Ordinary €0.30 share.

"Spin off" of the SSCC Shares

The "spin off" of SSCC shares was payment for the redemption, repayment or purchase of its own shares by JSG in accordance with the proposed scheme of capital reduction and *Section 175 TCA 1997* applies.

On receipt of the SSCC shares a part disposal arose to JSG shareholders. *Section 547(1)(b) TCA 1997* deems the consideration received in respect of the part disposal to be equal to the market value of the SSCC shares received by the shareholder on 3 September 2002, the date the offer was declared unconditional. Revenue accept that the market value of SSCC shares on this date was €13.67 i.e. US\$13.6101 converted to Euro at the exchange rate prevailing at 4.30pm on 3 September 2002 of €1 = US\$0.9959

1. The SSCC Formula

Sale Proceeds

Value of SSCC shares received =

$$\frac{\text{€13.67} \times \text{number of Ord €0.30 shares held}}{16} = \text{SP1}$$

Less Base Cost (indexed if appropriate)

$$\frac{\text{Original base cost}^* \times \text{sales proceeds i.e. SP1}}{\text{Sales proceeds, i.e. SP1} + \text{Market value of remainder}}$$

$$\text{i.e. number of Ord €0.30 shares held} \times \text{€2.15} = \text{B}$$

$$\text{Gain} = \text{SP1} - \text{B (indexed)}$$

* The base cost of an individual's JSG holding must be attributed to each individual tranche of shares purchased taking account of the impact of any rights, bonus and scrip issues taken up on the holding.

The acquisition by MDCPA

Cash

The acceptance of the cash offer for the remaining JSG shares held following the capital reduction constitutes a disposal of those shares giving rise to a capital gains tax charge on the difference between the cash received and the base cost attributable bearing in mind that a portion of the base cost will have been allocated for CGT purposes against the part disposal arising on the 'spin off' of the SSCC shares.

2. The Cash Offer Formula

Sale Proceeds

$$\text{Number of Ord €0.30 shares held} \times \text{€2.15 each} = \text{SP2}$$

Less Base Cost (indexed if appropriate)

$$\frac{\text{Original base cost}^* - \text{B}}{\text{(from the SSCC formula above)}} = \text{C}$$

$$\text{Gain} = \text{SP2} - \text{C (indexed)}$$

* The base cost of an individual's JSG holding must be attributed to each individual tranche of shares purchased taking account of the impact of any rights, bonus and scrip issues taken up on the holding.

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JEFFERSON SMURFIT SHARES

Continued from Page 21

Loan Notes

An exchange of JSG shares for an element of loan notes [MDCP Acquisitions I - Floating Rate Guaranteed Unsecured Loan Notes 2007] will not be treated as a disposal for capital gains tax purposes under *Section 584 TCA 1997*. No chargeable gain will arise until such time as the loan notes are transferred, disposed of or redeemed. The base cost attributable to the loan notes will be the portion of the original base cost of the JSG shares relating to the holding not disposed of on the distribution of the SSCC shares, i.e. the appropriate proportion of "C" above (see The Cash Offer Formula). The loan notes are deemed to have been acquired on the same date as the acquisition of the original JSG holding.

Cash and loan notes

Where an individual elected to receive a combination of cash and loan notes, CGT will be payable on the cash element. As outlined above, no chargeable gain arises in respect of the loan note element until such time as the loan notes are transferred, disposed of or redeemed. The calculation will take account of the value of loan notes received in order to ascertain the appropriate base cost attributable to the cash element.

3. The Loan Note And Cash Offer Formula

Sale Proceeds

Amount of cash received

= SP3

Less Base Cost (indexed if appropriate)

Original base cost* - B
(from the SSCC formula above) x amount
of cash received i.e. SP3

amount of cash received i.e. SP3 +
value of loan notes received

= D

Gain = SP3 - D (indexed)

* The base cost of an individual's JSG holding must be attributed to each individual tranche of shares purchased taking account of the impact of any rights, bonus and scrip issues taken up on the holding.

Example

An individual made an original purchase of one tranche of 5,000 shares at a cost of €2.0124 per share on 30 January 1985. On 15 July 1985, he took up a bonus issue of 1 for 2 and on 21 September 1992 took up another bonus issue of 1 for 1. The individual accepted, on 17 October 1994, a rights issue of 1 for 10 at €4.19 per share and took up a further bonus issue of 1 for 1 on 8 June 1995. Therefore, on 3 September 2002, he held 33,000 shares in JSG in respect of the original 5,000 shares purchased. The following are the capital gains tax implications of the takeover, in the three different scenarios as outlined above, on this individual's JSG shareholding.

a) Receipt of €2.15 cash per share and SSCC shares.

Where an individual held 33,000 shares in JSG, the sale proceeds received on the takeover is equal to €70,950 plus 2,062 SSCC shares at a market value of €13.67.

1. The SSCC Formula

Sale Proceeds		€	
SSCC shares	2,062 shares @	13.67	28,187
Less Base Cost			
10,062	x	<u>28,187</u>	2,860
		28167 + 70,950	
Indexed x 1.633			4,670
Enhancement Expenditure (94/95) Rights Issue			
6,285	x	<u>28,187</u>	1,786
		28167 + 70,950	
Indexed x 1.248			2,229
Gain on Receipt of SSCC shares			21,288

2. The Cash Offer Formula

Sale Proceeds			
Cash	33,000 shares @	2.15	70,950
Less Base Cost			
10,062	-	2,860	7,202
Indexed x 1.633			11,761
Enhancement Expenditure (94/95) Rights Issue			
6,285	-	1,786	4,499
Indexed x 1.248			5,615
Gain on Receipt of Cash			53,574



JEFFERSON SMURFIT SHARES

CGT

b) Receipt of Loan Notes and SSCC shares

An exchange of JSG shares for an element of loan notes will not be treated as a disposal for capital gains tax purposes. No chargeable gain will arise until such time as the loan notes are transferred, disposed of or redeemed.

1. The SSCC Formula

Sale Proceeds	€		
SSCC shares	2,062 shares @	13.67	28,187

Less Base Cost

10,062	x	<u>28,187</u>	2,860
		28167 + 70,950	

Indexed x 1.633	4,670
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Enhancement Expenditure (94/95) Rights Issue

6,285	x	<u>28,187</u>	1,786
		28167 + 70,950	

Indexed x 1.248	2,229
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Gain on Receipt of SSCC shares	21,288
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Note

The base cost for a subsequent disposal of the Loan Notes is €7,202 (i.e. €10,062 - €2,860) with allowable enhancement expenditure of €4,499 (i.e. €6,285 - €1,786).

c) Receipt of part cash part Loan Notes and SSCC shares

The individual took cash of €43,000 and €27,950 worth of Loan Notes.

1. The SSCC Formula

Sale Proceeds	€		
SSCC shares	2,062 shares @	13.67	28,187

Less Base Cost

10,062	x	<u>28,187</u>	2,860
		28,167 + 70,950	

Indexed x 1.633	4,670
-----------------	-------

Enhancement Expenditure (94/95) Rights Issue

6,285	x	<u>28,187</u>	1,786
		28,167 + 70,950	

Indexed x 1.248	2,229
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Gain on Receipt of SSCC shares	21,288
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2. The Loan Note and Cash Offer Formula

Sale Proceeds		
Cash		43,000

Less Base Cost

(10,062 - 2,860) x	<u>43,000</u>	4,365
	43,000 + 27,950	

Indexed x 1.633	7,128
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Enhancement Expenditure (94/95) Rights Issue

(6,285 - 1,786) x	<u>43,000</u>	2,727
	43,000 + 27,950	

Indexed x 1.248	3,403
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Gain on Receipt of Cash	32,469
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Note

The base cost for a subsequent disposal of the Loan Notes is €2,837 (i.e. €10,062 - (€2,860 + €4,365)) with allowable enhancement expenditure of €1,772 (i.e. €6,285 - (€1,786 + €2,727)). ■



VAT ON ELECTRONICALLY SUPPLIED SERVICES ROS

Introduction

A Special scheme for VAT on electronically supplied services came into effect on 1 July 2003. Under this scheme electronically supplied services supplied to private consumers in the EU by businesses that have no physical presence in the EU, are now liable to VAT in the Member State of the consumer. The rate applicable is the standard rate of VAT in that member state.

An "electronically supplied service" is one that is delivered over the Internet (or an electronic network which is reliant on the Internet or similar network for its provision) and is heavily dependent on information technology for its supply – i.e. the service is essentially automated, involving minimal human intervention and in the absence of information technology does not have viability. An indicative list of such services is given in Annex L of the 6th EU VAT Directive.

This special scheme enables the non-EU supplier to choose one EU country in which to register and pay VAT, regardless of the Member State in which the supplier's private consumer resides. Once registered the supplier must make returns, declaring the VAT due on all the on-line sales to consumers within the EU. A special return form will be provided under which the supplier must provide a breakdown of all electronic supplies to customers in each Member State.

What businesses are eligible to use the special scheme?

A business is eligible to use the special scheme if it:

- Supplies electronically supplied services to private consumers who reside in the EU
- Is not established within the EU, and
- Is not otherwise registered (or required to be registered) for VAT in any Member State.

Register for this scheme using ROS

Revenue are setting up a register of non-EU suppliers who opt to register in this country under the scheme. The registration process is only available electronically through the Revenue On-Line Service (ROS). The ROS home page has been specifically re-designed to cater for this potential new customer base and now includes a new section for Non EU customers. A new registration and digital certificate retrieval process has been designed and implemented, in addition to the new special VAT return.

Registration

ROS offers the applicant a dual function at the registration stage:

- They receive their VAT identification number (the special VAT number for electronic services supplies) under the special scheme, and
- They receive their system password enabling them retrieve their digital certificate and gain access to ROS.

On registration, businesses are asked to supply the following details:

- ◆ Name and postal address
- ◆ Electronic addresses including website addresses
- ◆ National tax number, if any
- ◆ A statement that the supplier is not registered for VAT within the EU, and
- ◆ The date from which the supply of electronically supplied services to EU consumers commences.

In addition to the above, due to the high levels of security attached to the digital certificate process, non-EU businesses are also requested, during the registration process, to input an access code. This code will act as a shared piece of information between the business and the Irish Revenue and will never be displayed on any screen or any correspondence issued from Revenue to the business. The sole purpose of this code is to identify the business at digital certificate retrieval stage.

Further Information

ROS provides its existing customer base with both email and telephone helpdesk facilities. For this VAT scheme these facilities are also available to any business that elects to register in Ireland under this scheme. Contact details are:

Email: roshelp@revenue.ie

ROS helpdesk: 00 353 1 277 1178

In addition to the ROS helpdesk, Revenue are also providing an additional email help facility in relation to any enquiries of a technical VAT nature at euvat@revenue.ie.

There is also a VAT Information Leaflet No. 2/03, *Electronically Supplied Services and Radio & Television Broadcasting Services* which is available on the Revenue website, www.revenue.ie under publications/leaflets & guides/VAT. ■



PAY AND FILE 2003

IT and CT

Introduction

The Pay and File deadline for Income Tax customers, 31 October 2003, is approaching. The first Pay and File deadline for Corporation Tax will also arise in October 2003. The main purpose of this article, which follows on from the previous article in *Tax Briefing*, Issue 52 (page 7) is:

- To advise that Statement of Practice SP - GEN/1/93 (Surcharge and other Penalties or Restrictions for Late Submission of Tax Returns) is being withdrawn, both for Income Tax and Corporation Tax.
- To advise that the only extended time limit in place for 2003 is for Income Tax customers who both pay and file through ROS
- To remind you of the changes that have taken place, particularly with regard to Corporation Tax..

Statement of Practice

The guide *Pay & File and the 2001 Income Tax Return*, which issued last year, announced the suspension of Statement of Practice SP-GEN/1/93 with regard to the application of surcharges in relation to Income Tax returns for the short tax 'year' 2001. With the inclusion of Corporation Tax into the Pay and File regime this Statement of Practice is now withdrawn in relation to:

- Income Tax returns for the year 2002 et seq.
- Corporation Tax returns for accounting periods ending on or after 1 January 2003.

Income Tax

There is an extended deadline of filing and payment for Revenue On-Line Service (ROS) income tax customers. The date for making the return and the date of payment will be extended to 21 November 2003, where both the return **and** payment are made through ROS. If the return is made through ROS on or before 21 November and the payment is being made through ROS, then the payment will not be debited until 21 November 2003.

With the exception of those who both pay and file through ROS, the special arrangements with regard to the extension to the filing and payment dates that applied in 2002 do not apply in 2003. This in effect means that for all individuals, regardless of the level of tax liability, unless they use ROS to both pay and file, the deadline remains 31 October 2003.

A guide, *Pay and File and the 2002 Income Tax Return* is now available. This guide sets out the only special arrangement in place this year, as mentioned above, and details the various payment options available.

Corporation Tax

In July last a leaflet, '*Pay and File & the 2003 Corporation Tax Return*' was sent to all companies on our records. Some of the more significant changes outlined in the leaflet are:



Pay and File

The main change for Corporation Tax, brought about by the introduction of Pay and File, is that any balance of tax due, in respect of accounting periods ending on or after 1 January 2003, is now due on the return filing date, nine months after the end of the company's accounting period. Companies are now required to **pay and file** on the same date. In addition, if the accounting period ends after the twenty-first day of the month, the filing date and payment date have been brought forward to the 21st of the month. Thus, for a company with an accounts year ending on 31 January 2003, the latest date for paying the tax and filing the return is 21 October 2003.



Under Pay and File, therefore, there is now an onus on the company to calculate its tax liability **before** submitting its return and it must also pay any balance of tax due at the same time as submitting its return. The easiest and most efficient way to do this is through the Revenue On-Line Service (ROS). You can access ROS through the Revenue website at www.revenue.ie

Change in Place of Filing

Under Pay and File the location for filing Corporation Tax returns has changed. Returns for accounting periods ending after 1 January 2003 should no longer be sent to the local tax office but should instead be sent to the Office of The Collector-General, PO Box 354, Limerick.

Personalised return/payslip

The 2003 Pay and File return has a personalised barcode, printed on the front page, to assist the Collector-General's Office in capturing the date of receipt. The return will also have a personalised payslip, to assist in the payment of any balance of tax due at the time of submitting the return. However, if you avail of ROS, there is no need to use the payslip.

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PAY AND FILE 2003

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Changes to Payment Dates

In general, Corporation Tax is currently payable in three stages, with Preliminary Tax payable in two instalments, the first, one-month prior to the end of the accounting period and the second payable six months after the end of the accounting period. The final payment, i.e. any balance of tax, is payable not later than nine months after the end of the accounting period (together with the return under Pay and File) - **see Table 1**. In addition, where an accounting period ends after the twenty-first day of the month, the payment date has been brought forward to the twenty-first day of the month, as follows:

- ◆ For accounting periods ending after 1 January 2003, both the second instalment and the balance of tax must now be paid on or before the twenty-first day of the month
 - ◆ For accounting periods ending after 2 July 2003, all payments must be paid on or before the twenty-first day of the month.
- **see Table 2.**

The amount of Preliminary Tax due in each instalment is dealt with in *Tax Briefing* Issue 48 (June 2002).

[The tables below give some examples of the payment dates both prior to and post 1 January 2003:]

Table 1. Accounting Periods ending before 21st day of the month

	Accounts Period Ended (A.P.E.)	1st Instalment	2nd Instalment	Balance
Position for A.P.E. 31/12/02 and prior (see note)	A.P.E. 20/12/02	20/11/02	20/06/03	One month after assessment issues from Inspector
New Position A.P.E. on/after 1/1/03	A.P.E. 09/02/03	09/01/03	09/08/03	09/11/03
	A.P.E. 17/07/03	17/06/03	17/01/04	17/04/04
	A.P.E. 20/08/03	20/07/03	20/02/04	20/05/04

Table 2. Accounting Periods ending after 21st day of the month

	Accounts Period Ended (A.P.E.)	1st Instalment	2nd Instalment	Balance
Position for A.P.E. 31/12/02 and prior (see note)	A.P.E. 31/12/02	28/11/02	28/06/03	One month after assessment issues from Inspector
New Position A.P.E. on/after 1/1/03	A.P.E. 31/01/03	28/12/02	21/07/03	21/10/03
	A.P.E. 30/07/03	21/06/03	21/01/04	21/04/04
	A.P.E. 23/08/03	21/07/03	21/02/04	21/05/04

[**Note:** For accounts periods ended on or before 31 December 2002, the return was due 9 months after the end of the accounting period with the balance of tax payable one month after the Inspector issued a notice of tax assessment based on the return submitted.]

New methods of payment/refund

You can now pay Corporation Tax liabilities using the Single Debit Authority (SDA) method of payment. Simply enter the amount to be debited from the company's bank account in the SDA field on your payslip and supply the bank details of the companies account to be debited.

If the company is in a refund position and wishes to have the refund credited directly to the companies bank account, simply complete the "refunds due" field with the amount of the refund and supply the bank details of the companies bank account to be credited.

Electronic Filing and payment through ROS.

ROS offers the quickest, easiest and most convenient way for a company to meet its tax obligations under Pay and File as it provides an instant, accurate and timely calculation of the company's final liability. There are other benefits from being a ROS customer. For example, the company can also get instant secure access to its tax records. It also gets an immediate acknowledgement of all transactions. ■



REVENUE ON-LINE SERVICE

Update

Additional features were added to the Revenue On-Line Service (ROS) in June 2003. These enhancements, which add some very significant facilities to the existing service, are to ensure the continued and timely updating of ROS for the benefit of all its customers.

■ Pay & File Incentive

There is an extension to the Income Tax Pay and File deadline for ROS customers to the 21 November 2003, provided they both pay and file through ROS.

21 November 2003

Tax Returns and payments due for ROS customers.

- 2002 Income Tax return
- Payment of Preliminary Tax (Income Tax) for 2003
- Payment of balance of Income Tax for 2002
- Payment of Capital Gains Tax for 2002
- Payment of Capital Gains Tax for the initial period 2003 (1 Jan. - 30 Sept. 2003)
- **2003 Corporation Tax Form**
The offline Corporation Tax Form CT1, for account periods ending in 2003, is available.
- **Payment of Corporation Tax**
Facilities are in place for the payment of Corporation Tax balancing amounts due in 2003. The methods of payment of Corporation Tax are either by Laser Card or ROS Debit Instruction.
- **Capital Gains Tax**
ROS now caters for the change in the payment dates for Capital Gains Tax. The new payment dates for Capital Gains Tax are now 31 October in respect of gains arising on disposals made between 1 January and 30 September of the same year, and 31 January in respect of gains arising on disposals made between 1 October and 31 December of the previous year.
- **New 'Confirm Transaction Screen'**
A new step has been added, at the request of ROS Customers, when filing Returns and making Payments. This new step will appear after the Payment Page and, depending on what option you have chosen, you will be asked to:
 - a) confirm payment (if ROS Debit Instruction or Laser chosen),
 - b) confirm File Return Only (if File Return Only chosen), or
 - c) confirm Intention to Pay (if On Line Banking chosen, only available for Income Tax)
 before you Sign and Submit the transaction.
- **Web Services for Income Tax**
This facility enables ROS customers, who have a web services enabled ROS compatible third party software

package, to seamlessly submit Form 11's to Revenue directly from their third party software.

In addition to filing returns, web services facilities have also been developed for

- Customer Information Services
- Inbox Services
- ROS Debit Instruction
- Agent Client List
- Administrator Services ROS customers, who wish to avail of these new developments, should contact their third party software providers to ensure that their packages are both ROS compatible and web enabled.
- **Form 11 2002**
The Income Tax return, Form 11 for 2002, will be available for filing on ROS for all customers **registered for Income Tax**. This facility will ensure that returns can now be filed on ROS for all customers registered for Income Tax, including those who had not been issued with a return by Revenue.
- **VAT on Electronically Supplied Services**
ROS now provides VAT registration and return filing options under the new special scheme for non EU established businesses who wish to register for this new VAT procedure in Ireland. This has been introduced by the EU with effect from 1 July 2003. For further details see article on page 24.

Email help facilities are available for customers with enquiries on VAT on electronically supplied **services at** euvat@revenue.ie
- **New ROS Home Page**
There is a new look ROS home page where information is grouped under a selection of new tabs for ease of reference and access, e.g. system requirements, ROS services and facilities, ROS compatible software packages etc.
- **Software Update**
A list of Software Companies who have advised ROS that they have developed "ROS compatible" software packages is now available on the re-designed ROS Home Page. (Downloads tab)
- **New Face to Face ROS registration.**
A new ROS registration system, which is designed to reduce the number of steps in the registration process from three to two, is now available. A business or agent wishing to register for ROS can now do so at a Revenue office with a ROS Liaison Officer (RLO) presence. A full list of RLO's is available on the Help screen on the ROS home page.

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REVENUE ON-LINE SERVICE

Continued from page 27

■ Administrators can amend email addresses

ROS users who hold an administrator Certificate can now amend any linked individual's email address.

■ Vehicle registration users

The overnight large batch upload facility for birth certificates has been changed to allow for all day processing. This extends the same day registration facility.

Forthcoming Developments.

The ROS system continues to expand and develop. By the end of September at the latest, a number of additional enhancements to facilitate Pay & File will be available. The main items are listed below.

- ◆ At present on ROS access to customer information is two years plus the current year. This is being expanded to seven years plus the current year. This should eliminate the need to request paper statements of account from the Collector-General.

- ◆ In response to a situation in 2002 where tax agents were unable to submit returns for unregistered clients a facility is being introduced where returns will be taken in through ROS and assessments will issue when the central register is updated.

- ◆ ROS has also taken the opportunity to significantly expand the functionality to more platforms and improve the offline launcher performance.

- ◆ The declaration, payment and filing screens will be made more user friendly.

- ◆ The Gift and Inheritance Tax Return for Capital Acquisitions Taxes [IT38] will be available from the end of August.

Furthermore, **before the end of 2003**, ROS will also include the following services:

- Employers using ROS will receive their employee Tax Credit Certificates and any subsequent amendments electronically. They

will be able to download the certificates directly into their payroll system.

- The addition of the following returns

- Relevant Contract Tax C35 Annual Return
- Intrastat Returns
- VIES Returns
- Annual Forms for 2004 including the Form 11.

Our information desk, which continues to expand, is available Mondays to Thursdays from 8.30 am - 6.30 pm and Fridays from 8.30 am - 6:00 pm at LoCall 1890 20 11 06.

The operating hours will be extended coming up to the Pay and File deadline if required. Alternatively you can email us at roshelp@revenue.ie

If you want to know more about ROS you should contact your local ROS Liaison Officer (RLO). Contact details for all RLO's are listed on the ROS Help page, accessible through the revenue website www.revenue.ie. ■

REVENUE NEWS

Update

Updated Leaflets

The following leaflets have been updated and are available from the Revenue website at www.revenue.ie, or from the Revenue Forms & Leaflets Service at LoCall: 1890 306 706

Pay and File and the 2002 Income Tax Return

Pay and File and the 2003 Corporation Tax Return

Leaflet IT48 - Starting in Business - A Revenue Guide

Leaflet IT49 - VAT for Small Businesses - A Revenue Guide

Leaflet CG16 - Relevant Tax on a Share Option

Third Party Returns

There are important changes to the method of filing third party returns for 2004. The technical specifications on Third Party

Returns are on the Revenue website at www.revenue.ie under services / electronic services.

Taxes Consolidation Act 1997 - Guidance Notes

Taxes Consolidation Act 1997 (as amended by subsequent Acts up to and including the Finance Act, 2003), Guidance Notes are now available on the Revenue website at www.revenue.ie, and can be downloaded in both PDF and MS Word format.

Like to know more about ROS?

ROS presentations commenced on Monday 11 August, at ROS Headquarters, Trident House, Blackrock, Co. Dublin.

These presentations commence at 9.30am and will run during August and September.

While each presentation will give a general overview of ROS they will also cater for the needs of the different sectors, e.g., IT, CT, Employers, VRT etc.

If you would like some hands-on experience on ROS, why not attend one of our presentations.

To book your place please contact rosmanager@revenue.ie

When applying please state your particular area of interest and preferred date. *Come and test-drive ROS at your ease.*

Alternatively you can contact your local ROS Liaison Officer (RLO) directly. Details of all RLO's can be found on the Help screen on the ROS home page, accessible through www.revenue.ie. ■