

TAX BRIEFING

REVENUE'S NEW STRUCTURE



Implementation of Revenue's New Organisational Structure

Introduction

Last May's issue of *Tax Briefing*, issue 52, carried an article outlining the progress of Revenue's restructuring project. The implementation of our new structure has continued steadily since then and this article concentrates on particular developments in the four new geographic regions.

Before going into detail, Revenue wants to acknowledge that telephone callers did experience difficulty in contacting Revenue offices during a key change-over period at the end of October when the level of enquiries was exceptionally high. It caused inconvenience and frustration to taxpayers and practitioners which we very much regret.

Regional Structure

Our operations are now built around four clearly defined regions, each with a broadly equal share of the case base.

- Border Midlands West (Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo,

Monaghan, Offaly, Roscommon, Sligo, Westmeath)

- Dublin (City and County)
- East & South East (Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford, Wicklow)
- South West (Clare, Cork, Kerry, Limerick).

The regions are subdivided into Revenue districts. Each district is responsible for the customer service, compliance and audit functions for the taxes and duties for persons in its geographical area. For example, the Kerry District in Tralee deals with Excise Duties as well as PAYE/PRSI. The regions also have new special teams to identify and tackle Revenue risk in an intensive and co-ordinated way.

Re-assignment of Case Base

All customers should by now be assigned to their appropriate Revenue region and district. In the case of business customers, their tax and duty affairs are now dealt with in the district where the business is managed and controlled. PAYE customers are dealt with in the district where they reside (which may be different to their employers' locations). Company directors are assigned to the same district as the company in which the main directorship is held. In consequence of all these changes, responsibility for many cases which were previously dealt with in one region has moved to another region.

Practitioners are advised that all general tax enquiries or enquiries relating to clients tax affairs should be directed to the relevant Revenue District, contact details follow.

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Tax Briefing is produced by:
Operations Policy and Evaluation Division,
 Communications Policy & Evaluation Branch,
 Revenue Commissioners,
 Ardilaun House,
 St. Stephen's Green West,
 Dublin 2.

Editor: Allen Finnegan

Telephone: 01 - 647 5000, Ext. 75440

Assistant Editor: Bernard King

Telephone: 1890 236 336, Ext. 45515

Fax: 01 - 6445560

E-mail: taxbrief@revenue.ie

Design: Ana Duncan

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KEY DATES

December 2003

14 PAYE/PRSI

P30 monthly return and payment for November 2003

14 Dividend Withholding Tax

Return and payment of DWT for November 2003

14 Relevant Contracts Tax

RCT30 monthly return and payment for November 2003

1-21 Corporation Tax

2nd Instalment PT for APs ending between 1-30 June 2003

1st Instalment PT for APs ending between 1-31 January 2004

Returns for APs ending between 1-31 March 2003

Pay Balance on APs between 1-31 March 2003

1-31 Corporation Tax

Returns of Third Party Information for APs ending between 1-31 March 2003

January 2004

14 PAYE/PRSI

P30 monthly return and payment for December 2003

14 Dividend Withholding Tax

Return and payment of DWT for December 2003

14 Relevant Contracts Tax

RCT30 monthly return and payment for December 2003

19 VAT

VAT3 return and payment for period Nov/Dec 2003

VAT3 Annual return for year ended December 2003

1-21 Corporation Tax

2nd Instalment PT for APs ending between 1-31 July 2003

1st Instalment PT for APs ending between 1-29 February 2004

Returns for APs ending between 1-30 April 2003

Pay balance on APs ending between 1-30 April 2003

1-31 Corporation Tax

Returns of Third Party Information for APs ending between 1-30 April 2003

31 Capital Gains Tax

Payment on gains arising between 1 October 2003 to 31 December 2003

February

14 PAYE/PRSI

P30 monthly return and payment for January 2004

14 Dividend Withholding Tax

Return and payment of DWT for January 2004

14 Relevant Contracts Tax

RCT30 monthly return and payment for January 2004

15 Relevant Contracts Tax

RCT35 return for year ended 31 December 2004

15 PAYE/PRSI

Issue P60 2003, to each employee

Due date submission of Form P35 for year ended 31 Dec 2003

1-21 Corporation Tax

2nd Instalment PT for APs ending between 1-31 Aug 2003

1st Instalment PT for APs ending between 1-30 March 2004

Returns for APs ending between 1-31 May 2003

Pay balance on APs ending between 1-31 May 2003

1-31 Corporation Tax

Returns of Third Party Information for APs ending between 1-31 May 2003

March

14 PAYE/PRSI

P30 monthly return and payment for February 2004

14 Dividend Withholding Tax

Return and payment of DWT for February 2004

14 Relevant Contracts Tax

RCT30 monthly return and payment for February 2004

19 VAT

VAT3 return and payment for period January/February 2004

1-21 Corporation Tax

2nd Instalment PT for APs ending between 1-30 September 2003

1st Instalment PT for APs ending between 1-30 April 2004

Returns for APs ending between 1-30 June 2003

Pay balance on APs ending between 1-30 June 2003

1-31 Corporation Tax

Returns of Third Party Information for APs ending between 1-30 June 2003



REVENUE'S NEW STRUCTURE

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Exceptions to Regional Approach

There are some exceptions to this regional approach:

- The very largest companies and the wealthiest individuals will have all of their tax and duty affairs dealt with in a new Large Cases Division. This Division has already contacted its customers.
- The stamping of instruments such as conveyances and leases, and the payment of stamp duty, will be possible at any of our three Stamp Duty Offices, in Dublin, Cork and Galway, regardless of where the customer resides.
- Capital Acquisitions Tax will continue to be dealt with centrally in the Stamping Building, Dublin Castle, as a transitional arrangement for some months.
- Open audit cases will be brought to finality by the official who was dealing with the case prior to the re-assignment of the case base.
- "Pay and File" returns should, of course, continue to be sent via our Revenue On-Line Service or to the Collector General, PO Box 354, Limerick.

New Locations

A number of location and accommodation changes have been made to facilitate our new structure in recent weeks.

These are largely in the Dublin area and include new Revenue locations such as Ardilaun House on St. Stephen's Green and Ashtowngate on the Navan Road.

New Regional PAYE LoCall 1890 Number

A new regional LoCall 1890 service for PAYE enquiries from employees, aimed at further improving general response times, came into effect in early November as follows:

- PAYE employees residing in the Border Midlands West Region 1890 777 425
- PAYE employees residing in the Dublin Region 1890 333 425
- PAYE employees residing in the East & South East Region 1890 444 425
- PAYE employees residing in the South West Region 1890 222 425.

Revenue On-Line Service (ROS)

Our Revenue On-Line Service (ROS) continues to provide the quickest and most efficient way for business customers to conduct their business with Revenue. For more information on the full range of services available in ROS, please visit our website at www.revenue.ie. ♦

District Contact Points

Contact points for Revenue's new districts are set out below:

Region	Regional Office & Districts	Address	Telephone
Dublin	Regional Office	Apollo House, Tara Street, Dublin 2	01 - 633 0890
	City Centre (Dublin city postal areas 1 & 2)	14/15 Upper O'Connell Street, Dublin 1	01 - 865 5000
	South City (Dublin City south of the Liffey excluding postal area 2)	85-93 Lower Mount Street, Dublin 2	1890 236 336
	North City (Dublin City north of the Liffey excluding postal area 1)	14/15 Upper O'Connell Street, Dublin 1	01 - 865 5000
	South County (Local Authority area)	Plaza Complex, Belgard Road, Tallaght, Dublin 24	01 - 647 0700
	Fingal (Local Authority area)	Block D, Ashtown Gate, Navan Road, Dublin 15	1890 236 336
	Dun Laoghaire/Rathdown (Local Authority area)	Lansdowne House, Lansdowne Road, Dublin 4	01 - 631 6700
	Dublin Regional PAYE LoCall Number for Employees 1890 333 425		

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Region	Regional Office & Districts	Address	Telephone
South West	Regional Office	Government Offices, Sullivan's Quay, Cork	021 - 432 5000
	Cork East (includes City Centre, North City and North County east of the Mallow Road)	Government Offices, Sullivan's Quay, Cork	021 - 432 5000
	Cork South West (includes South City and South County)	Government Offices, Sullivan's Quay, Cork	021 - 432 5000
	Cork North West (includes rest of City and County)	Government Offices, Sullivan's Quay, Cork	021 - 432 5000
	Limerick	River House, Charlotte's Quay, Limerick	061 - 212 700
	Clare	River House, Charlotte's Quay, Limerick	061 - 212 700
	Kerry	Government Offices, Spa Road, Tralee, Co. Kerry	066 - 718 3100
	South West Regional PAYE LoCall Number for Employees 1890 222 425		
Border Midlands West	Regional Office	Custom House, Flood Street, Galway	091 - 536 300
	Galway County	Hibernian House, Eyre Square, Galway	091 - 536 000
	Galway/Roscommon (Galway City and Co. Roscommon)	Hibernian House, Eyre Square, Galway	091 - 536 000
	Mayo	Michael Davitt House, Castlebar, Co. Mayo	094 - 903 7000
	Sligo (includes counties Sligo, Leitrim and Longford)	Government Offices, Cranmore Road, Sligo	071 - 914 8600
	Donegal	Government Offices, High Road, Letterkenny, Co. Donegal	074 - 916 94 00
	Westmeath/Offaly	Government Offices, Pearse Street, Athlone, Co. Westmeath	0906 - 421 800
	Louth	Government Offices, Millennium Centre, Dundalk, Co. Louth	042 - 935 3700
	Cavan/Monaghan	Government Offices, Millennium Centre, Dundalk, Co. Louth	042 - 935 3700
	Border Midlands West Regional PAYE LoCall Number for Employees 1890 777 425		
East & South East	Regional Office	Government Offices, The Glen, Waterford	051 - 862 700
	Tipperary	Government Offices, Stradavoher, Thurles, Co. Tipperary	0504 - 287 00
	Kilkenny (includes counties Kilkenny, Carlow and Laois)	Government Offices, Hebron Road, Kilkenny	056 - 776 0700
	Waterford	Government Offices, The Glen, Waterford	051 - 862 700
	Wexford	Government Offices, Anne Street, Wexford	053 - 633 00
	Kildare, Meath & Wicklow Customer Service	Grattan House, Lower Mount Street, Dublin 2	01 - 647 4000
	Kildare Audit/Compliance	Plaza Complex, Belgard Road, Tallaght, Dublin 24	01 - 647 0700
	Meath Audit/Compliance	Block D, Ashtown Gate, Navan Road, Dublin 15	01 - 827 7000
	Wicklow Audit/Compliance	4 Claremont Road, Sandymount, Dublin 4	01 - 631 6500
	East & South East Regional PAYE LoCall Number for Employees 1890 444 425		



REVENUE'S NEW STRUCTURE

Region	Business Units	Address	Telephone
Large Cases Division	Construction, Property, Mining and Energy	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Drink, Tobacco and Multiples	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Financial Services (Banking)	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Financial Services (Insurance)	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Financial Services (Pension Schemes)	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Healthcare, ICT & Manufacturing	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	High Wealth Individuals	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Oil industry and Motor distribution	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Services, Media and Leisure	Setanta Centre, Nassau Street, Dublin 2	01 - 647 0710
	Food	Francis Street, Sarsfield House, Limerick	061 - 488 400

CGT - REMINDER

Payment date for 2003 Later Period – 31 January 2004.

The due date(s) for payment of capital gains tax changed for disposals arising in 2003. Details of these changes were set out in earlier editions of *Tax Briefing*, most recently in Issue 53 (August 2003) which gave a broad outline of the new payment dates. This note is to remind you that all capital gains tax due in respect of gains arising in the period 1 October 2003 to 31 December 2003, the **2003 later period**, is due for payment on the 31 January 2004.

A separate capital gains tax payslip for this Later Period, for use by both self-assessment and non self-assessment individuals is available from the Collector General's Division by phoning 1890 20 30 70 or from Revenue's website www.revenue.ie. ♦

New 8 Digit RCTDC Relevant Contracts Tax

New 8 Digit RCTDC / C45 Form

In order to address some security issues which have arisen in recent weeks it is necessary to introduce a new 8 digit RCTDC/C45 security number with effect from 1 February 2004. This replaces the current 6 digit form which is used by a Principal Contractor when making a payment to an uncertified Sub-Contractor. Only the new 8-digit RCTDC/C45 should be used from 1 February 2004 and any unused stocks of the 6-digit RCTDC/C45 should be returned to the Revenue District responsible for the Principal Contractor's tax affairs.

All Principal Contractors have been contacted and issued with an application form to enable them to apply for a stock of the new RCTDC/C45s. Only contractors who engage uncertified Sub-Contractors are required to apply. The application form has to be fully completed, signed and returned to the Principal Contractor's Revenue District no later than 2 January 2004 in order that all applications may be processed before 1 February 2004.

Practitioners, who assist Principal Contractors in completing RCTDC/C45s, are asked to ensure that their clients use only RCTDC/C45s issued to them. ♦



BUDGET 2004

Summary

Tax Credits and Exemptions

PAYE Tax Credit increased from €800 to €1,040 for 2004. Exemption Limit for Single/Widowed persons 65 years of age and over increased from €15,000 to €15,500 and from €30,000 to €31,000 for Married Persons for 2004.

Trade Union Subscriptions

Tax relief at the standard rate for subscriptions paid to Trade Unions has been increased from €130 to €200 for 2004. This equates to a tax credit of €40.

Benefit-in-Kind

Preferential Loans

The “specified” rate in respect of home loans is being reduced from 4.5% to 3.5%. This change is effective from 1 January 2004.

Dental Insurance

Tax relief at the standard rate will apply to premiums paid for dental insurance for non-routine dental treatment where the policy is for dental insurance only.

Scéim na bhFoghlaimeoirí Gaeilge

Income received by approved households in Gaeltacht areas under Scéim na bhFoghlaimeoirí Gaeilge will be exempt from income tax from 1 January 2004.

Farmer Taxation

Farm Pollution Control

The special scheme of capital allowances for farm pollution control has been extended to 31 December 2006.

Leased Land Exemption

The exemption of income derived from certain leases of farmland has been increased as follows:

- From €5,079 p.a. to €7,500 p.a. for leases between 5 and 7 years, and
- From €7,618 p.a. to €10,000 p.a. for leases of 7 years or more.

The age limit for qualifying lessors has been reduced from 55 to 40.

All of the above changes are effective from 1 January 2004.

Tax Incentive Schemes

The qualifying period for investments in the following tax incentive schemes is being extended from 31 December

2004. The revised termination dates are set out below. The extension in respect of the Urban, Rural and Town Renewal Schemes for expenditure on **commercial** and **industrial** projects is subject to EU approval.

The existing conditions for relief remain unchanged except for those noted below.

Scheme	New Termination Date
Urban Renewal Scheme	31 July 2006
Rural Renewal Scheme*	31 July 2006
Town Renewal Scheme*	31 July 2006
Living Over the Shop Scheme*	31 July 2006
Multi-Storey Car Parks Scheme	31 July 2006
Park and Ride Scheme*	31 July 2006
Student Accommodation Scheme	31 July 2006
Buildings used for Third Level Purposes	31 July 2006
Film Relief Scheme**	31 Dec 2008

* Full planning application must be received in the planning authority by 31 December 2004

** Cap on eligible funding increased to €15m from 1/1/2005. Changes to the Film Relief Scheme are subject to EU approval.

Business Expansion Scheme (BES)

The BES is being extended for a three year period to 31 December 2006. The BES company limit is increased from €750,000 to €1,000,000. In certain circumstances individuals investing in 2004 will have the option of claiming tax relief for either 2003 or 2004.

Seed Capital Scheme

The seed capital scheme is being extended for a three year period to 31 December 2006. The new BES company limit of €1,000,000 will also apply to the Seed Capital Scheme.

Capital Allowances

Hotels and Holiday Camps/Holiday Cottages

The qualifying period for capital allowances is being extended from 31 December 2004 to 31 July 2006. Full planning applications must have been received in the planning authority by 31 May 2003. Existing conditions remain unchanged for expenditure incurred on Hotels and Holiday Camps on or after 4 December 2002, for planning applications received after 31 May 2003.



BUDGET 2004

Summary

Corporation Tax

Research and Development Tax Credit

A new 20% tax credit for qualifying research and development expenditure is being introduced for companies engaged in in-house qualifying research and development undertaken within the European Economic Area.

The credit is subject to a number of conditions and full details of the scheme, which is subject to EU approval, will be included in the Finance Bill 2004.

Disposal of a Substantial Shareholding in a Trading Subsidiary

The Finance Bill 2004 will introduce provisions exempting Irish resident companies from capital gains tax on the disposal of a substantial shareholding in their trading subsidiaries in the EU, or in countries with which Ireland has a double taxation agreement. Changes to the provisions on double taxation relief where dividends are paid to the parent company will also be introduced.

Full details will be included in the Finance Bill 2004.

Relief for Investment in Renewable Energy Generation

There is an extension for the qualifying period for tax relief for corporate investment in certain renewable energy projects from 31 December 2004 to 31 December 2006. This extension, which is subject to EU approval, will come into operation by way of commencement order to be made by the Minister for Finance.

Value Added Tax (VAT)

VAT "flat rate addition"

The VAT "flat rate addition" payable to unregistered farmers will be increased from 4.3% to 4.4% with effect from 1 January 2004. The associated VAT rate for livestock etc., will also increase to 4.4% from the same date.

VAT Anti-Avoidance Measure

The VAT provision applies to developers who are in the business of selling houses and apartments through linked contracts for the sale of a site and the provision of building services. The measure puts beyond doubt that VAT is to be accounted for on both contracts.

This change is effective from midnight on 3 December 2003.

Excise Duty

Tobacco

The excise duty on a packet of 20 cigarettes is increased by 25 cent (including VAT) with a pro-rata increase on other tobacco products.

Auto Diesel

The mineral oil tax on auto diesel is being increased by 5 cent per litre (including VAT).

Petrol

The mineral oil tax on petrol is being increased by 5 cent per litre (including VAT).

All the above changes are effective from midnight on 3 December 2003.

Stamp Duty

Stamp Duty Exemption on Intellectual Property

The Finance Bill 2004 will provide a stamp duty exemption for transfers of "intellectual property" such as copyright, patents and trademarks. Full details of the exemption will be published in the Finance Bill 2004.

PRSI & Health Contributions

From 1 January 2004 the contribution ceiling for employees' PRSI is increased from €40,420 to €42,160.

The reduced employers' PRSI rate of 8.5% for class AO employees remains unchanged.

Class A (Normal rate at which contributions are made)

Income (€)	Employer	Employee
Up to 42,160	10.75%	6% (includes 2% Health Contribution)
Over 42,160	10.75%	2% (Health Contribution)

Employees will continue to be exempt from PRSI on the first €127 p.w. (The weekly exemption of €26 for employees on a modified PRSI rate also remains unchanged).

Employees earning less than €287 p.w. will be exempt from PRSI and those earning less than €356 p.w. will be exempt from the Health Contribution of 2%.

Class S (Self-Employed)

Income (€)	Rate
All income	5% (includes 2% Health Contribution)

Self-Employed persons are exempt from the Health Contribution of 2% where the annual income is less than €18,512. Minimum annual PRSI contribution is €253. ♦



P35 END OF YEAR RETURN

2003

All registered employers should by now have received their P35 forms for completion for the tax year ended 31 December 2003.

Please note that the postal address for the completed forms has been changed and is now:

*Office of the Revenue Commissioners,
Collector General's Division,
PO Box 354,
Limerick.*

For your convenience a pre-addressed envelope was included in the P35 pack that issued to employers in recent weeks.

The deadline for receipt of P35 Returns is the 15 February 2004.

P35 Help-line

The P35 Help-line is available again this year to assist employers and practitioners in completing the returns. The Help-line number is 1890 254565 and calls are charged at local call rates. The Help-line will remain open until 8pm Monday - Friday during weeks commencing 26 January and 2 February 2004.

New P35 Declaration

The P35 Declaration and Payslip have now been combined and are contained in the bottom third of the form. The top part of the form contains the employers name, address and registration number together with guidelines on the completion of the combined declaration and payslip. The complete page should be returned. The new format is required so that the latest technology can be used to capture and process the data.

Accurate Completion

Practitioners and employers should make every effort to ensure that the P35 is fully and accurately completed and that all the information required on the P35 has been provided. An incomplete return does not fulfil an employer's legal obligation to make a return. Furthermore, if employee

data is omitted it can cause unnecessary hardship for individuals in obtaining their social welfare entitlements. Practitioners and employers who fail to provide proper and complete P35 returns may increase compliance costs for themselves and also risk a penalty.

Revenue is using the most up to date technology to capture and process data, and the accurate and timely processing of returns will be greatly improved by practitioners and employers adhering to the following:

- **Ensuring that the declaration/payslip is only used for the employer to whom it is issued.** This is because each form is pre-coded with details that are unique to that employer.
- **Returning the original forms.** The technology used by Revenue to process returns is designed to operate with original forms. The forms should be completed clearly and legibly in accordance with the instructions provided. Photocopies should not be used. Additional stationery is available from the *Employers P35 Unit* by calling the Help-line number - 1890 25 45 65.
- **Ensuring that each employee's PPS No. is included.** The employee PPS No. is crucial in ensuring that the social insurance records of employees are updated. If in exceptional cases, the employee's PPS No. is not available, the employee's name, address, and date of birth must be included on the return. In the absence of this information employees may face great difficulties in claiming social insurance benefits.
- **Fully completing each form.**

Revenue On-Line Service (ROS)

The Revenue On-Line Service (ROS) provides customers with the simplest, quickest and most efficient method of filing P35 Returns and making payments.

The Revenue OnLine Service has numerous benefits for customers and practitioners including:

- Instant access to your own or your client's Revenue account including data regarding returns outstanding, payments made and due.
- Confidential and Secure Channel for the electronic filing of Returns and payment of liabilities due.
- Instant acknowledgement of returns and payments filed.
- A 'rollover' feature in the ROS offline facility, which enables all relevant data to be carried forward from one year to the next.
- A faster and more efficient service.
- Prompt repayments if any refund due is claimed on the P35 Return.
- Savings in time and money.
- Simple user-friendly forms. No paper forms required.
- Instant and accurate calculation of liability.
- Online and offline filing facilities.
- Facility to print P60's for employees and copies of the P35 Declaration and employee details.

In order to register for ROS all you need to do is select the Revenue On-Line Service link from the Revenue homepage at www.revenue.ie. From the ROS homepage click on "How to become a ROS customer" and simply follow the simple three step process.

Further information regarding ROS, including details of other services are available on the ROS homepage, which also includes Frequently Asked Questions and demonstrations on the main facilities provided. If you have any additional queries you can contact the P35 Help-line.



P35 END OF YEAR RETURNS

2003

Practitioner's Clients Registered

Practitioners using the Revenue On-Line Service should ensure that all their clients are registered under their TAIN number on Revenue's system for PAYE/PRSI purposes. Practitioners registered for ROS can use ROS to check their client list and the tax heads for which each client is set up. A list of any clients **not registered under the TAIN for PAYE/PRSI**, which should include each employer registration number, can be emailed to p35helpline@revenue.ie. Alternatively, a typed list can be faxed to the P35 Help-line at fax number: 067 - 32371. The list can be posted to:

*P35 Help-line,
Collector General's Division,
Government Offices,
Nenagh,
Co. Tipperary.*

A minimum of two weeks should be allowed to have clients updated.

Employers with Computer Payrolls

Employers who use a computerised payroll package can also file the P35 Return through ROS if their software package is compatible with ROS. A full list of compatible packages is available on the ROS homepage. The software vendor should be contacted if there is any doubt as to whether a payroll package is compatible with ROS.

Employers with Manual Payrolls

P35 Returns for employers with manual payrolls can also be returned electronically via ROS with no paper forms required.

As stated earlier all employers will by now have received their P35 forms for the 2003 tax year. Practitioners are advised to get the original forms from their clients in good time to complete the returns and file them by the February 15 deadline. Where large numbers of requests for additional and replacement stationery are made close to the deadline,

practitioners and employers may experience some delay in receiving these forms and as a consequence, miss the deadline.

Employers with no Employees

A return indicating zero liability must be made for registered employers who had no employees during the tax year.

Overpayments

To ensure prompt repayment/offset of any refund due, the amount of the refund should be claimed at line D on the P35 declaration/payslip.

Supplementary P35 Returns

A supplementary P35 return is required where an employee is not listed on the original P35 Return. A Supplementary Return should not be submitted in advance of the original P35 Return.

When submitting a Supplementary P35 Return it is important to ensure that:

- The correct stationery is used,
- 'Supplementary' is clearly written on the Declaration,
- The Declaration is fully completed, and
- A P35L/P35LT form is completed for all supplementary returns.

Amendments to P35 Returns

An amendment changes the P35 declared liability and/or the employee details entered on the original P35 Return.

Where an employer or practitioner wishes to amend P35 employee details already submitted on paper or on disk, a P35 Amendment Form should be completed and returned to:

*P35 Amendments Section,
Collector General's Division,
Government Offices,
Nenagh,
Co. Tipperary.*

This form is available on the Revenue Website at the following

location: Publications/Leaflets & Guides/Collector-General/CG 6 P35-End of Year returns.

The form can also be obtained by ringing the P35 Helpline and any queries in relation to the completion of this form should be directed to the P35 Help-line.

When submitting an amendment to a P35 Return it is important to ensure that:-

- The tax year is specified, and
- The employers registration and employee PPS number are quoted.

Interest

Interest charges are payable where an employer has been underpaying PAYE/PRSI liability throughout the year and thus gaining an unfair cash flow advantage over those employers who make timely returns/payments (See **Tax Briefing** Issue 46). In deciding whether to apply interest charges Revenue will have regard to the nature of the balance paid with the P35. Situations involving minor adjustments, where the bulk of the liability has been properly paid throughout the year, will, as hitherto, not be subject to interest charges.

Penalties

Employers who fail to return their P35 by the 15 February deadline are liable to a penalty of €630 and this penalty increases by €630 per month that the return remains outstanding subject to a maximum of €2,535. These penalty provisions will be vigorously applied in the case of non-compliant employers.

With a deadline of 15 February there is no justification for employers failing to make their return on time. Any employer who fails to return on time faces a real risk of being penalised and the possibility of a tax audit. In addition, the names of all non-compliant employers who have penalties imposed by the Courts are published. ♦



SPECIAL COLLECTION SYSTEM

The vast majority of Irish employees who are liable to PRSI are on the PAYE system. For these employees, PRSI is collected by Revenue on behalf of the Department of Social & Family Affairs. For employees who have earnings which are not subject to the PAYE system of taxation, PRSI is paid directly to the Department of Social & Family Affairs through the **PRSI Special Collection System**.

This latter group of employees includes:

- Those whose earnings are paid from an employer's office or residence outside the State, where the employer is not registered for PAYE with Revenue.
- Certain employees of Embassies who do not register as employers in Ireland.

- Those who are liable for PRSI but who hold an Exclusion Order which authorises payments from their employment to be made without deduction of PAYE.
- Those working in another country and paying tax abroad but who are retained on the Irish Social Insurance system by virtue of an E101 Certificate, Certificate of Coverage issued under a Bilateral Agreement with another state, or where the country of work is not covered by EC Regulations or by a Bilateral Agreement, by virtue of *Social Welfare (Consolidated Contributions and Insurability) Regulations, 1996 (SI 312/96)* as amended.
- Domestic Employers who are employed in the home of their employer on domestic duties only and who earn less than €38 per week in the domestic employment (see leaflet IT 53).

PRSI

- Certain persons who are self-assessed for Income Tax purposes but classified as employees for PRSI purposes, e.g., Sub-Post Masters, Social Welfare Branch Managers, medical professionals employed on a fee basis by the various Health Boards.
- FÁS Trainees.

Any enquiry about the PRSI Special Collection System can be addressed to:

*PRSI Special Collection Section
Social Welfare Services Office
Government Offices
Cork Road
Waterford*

Tel: 051 - 356010

051 - 356011

Fax: 051 - 877838

e-mail: spc@eircom.net ♦

REDUNDANCY PAYMENTS

Redundancy Payments and Re-Engagement of Employees

Background

An article on Revenue's view on the tax treatment of payments made under an arrangement whereby an employee is made "redundant" and is immediately re-engaged by the same employer appeared in **Tax Briefing** Issue 22 (June 1996). As a number of queries have again been received on this matter, this article is reproduced here, with the legislative references updated to show the relevant sections of the *TCA 1997*.

Redundancy

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

Tax treatment of payments

The tax treatment of any payment depends on the nature and character of the payment being made and the real nature of the agreement between the parties involved (i.e., between the employer and employee).

The reliefs afforded in *Section 201* and *Schedule 3 TCA 1997* are conditional on the lump sum payment being chargeable to tax under the provisions of *Section 123 TCA 1997*.

Section 123 TCA 1997 (payments on retirement or removal from office or employment) imposes a charge to tax on certain payments which are "not otherwise chargeable to income tax" and which come within the meaning of *Section 123(2) TCA 1997*.

Any charge under *Section 123* in respect of a payment made on retirement or removal from office

Income Tax

or employment must be made on the basis that the payment is not an emolument arising from an office or employment and must be founded in general income tax law and case law.

Where a payment is from an office or employment and is in the nature of income, it is chargeable to tax under the ordinary rules of *Schedule E*, by virtue of *Section 112 TCA 1997* [*Section 112* applies to salaries, fees, wages, perquisites or profits whatsoever from an office or employment].

Also, a sum paid under a contract of employment at the termination of employment [i.e. where there is a prior title to the sum and it is in the nature of a supplement to remuneration] is chargeable to tax under the ordinary rules of *Schedule E* [i.e. under the provisions of *Section 2 TCA 1997*]. ♦



SHARE ACQUISITIONS

VAT

VAT Recovery on Professional Expenses

The Story so Far

The question of entitlement to VAT deductibility on expenses incurred in connection with transactions in shares, particularly the acquisition or disposal of subsidiaries, or shareholdings in subsidiaries, by means of purchase or sale of shares, has been a matter of debate between Revenue and practitioners for some time. It has recently become more pressing given the judgment of the European Court of Justice (ECJ) in *Cibo Participations SA* (Case C-16/00).

Under Irish VAT law, as under European law, transactions in shares and other securities are exempted activities. Consequently, there is no entitlement to VAT deductibility on any expenses incurred in connection with an acquisition or disposal of shares (apart from VAT on services deemed to be supplied outside the EU) (Section 12(1)(a) and (b)(ii) *Value Added Tax Act, 1972*).

The VAT treatment of expenses incurred in connection with transactions in shares was confirmed in discussions of the VAT Committee in Brussels following which an unanimous guideline was issued to the effect that

"VAT levied on costs incurred in connection with a transfer of shares was not deductible since those costs related to transactions that were exempted under Article 13.B(d) 5 of the Sixth VAT Directive".

How the Polysar Judgement clarified the issue

Subsequent Judgements of the ECJ consistently held that

"a holding company whose sole purpose is to acquire holdings in other undertakings without involving itself directly or indirectly in the management of those undertakings without prejudice to its rights as a shareholder, does not have the status of taxable person and has no right to deduct tax under Article 17 of the Sixth VAT Directive" (Polysar Investments Netherlands BV-Case C-60/90 - Paragraph 17).

"However, it is otherwise where the holding is accompanied by direct or indirect involvement in the management of the companies in which the holding has been acquired without prejudice to the rights held by the holding company as shareholder" (Polysar - Paragraph 14).

Holding Companies and Supply of Management Services

The question of the distinction to be drawn between a holding company's rights as shareholder and its involvement in management of its subsidiary was discussed in a number of the ECJ cases chiefly *Polysar* as follows, and was further developed in *Floridienne SA & Berginvest SA* (Case C-142/99) and in the *Cibo* case:-

"The national court has pointed out that Polysar's activities are concerned solely with the holding of shares in subsidiary

companies. It seems to me that such activities, which are undertaken in the exercise of shareholders' rights do not constitute 'economic activities' within the meaning of the directive. The exercise of those rights includes, for instance, participation in the general meeting of the subsidiary's shareholders, the exercise of the right to vote at the meeting and the possibility of influencing company policy thereby and, where appropriate, involvement in the decision appointing the company's directors or officers and/or apportioning the subsidiary's profits, as well as the receipt of any dividends declared by the subsidiary or the exercise of shareholders' preferential rights or options".

"Nor, in my view, is there any question of economic activities independently carried on within the meaning of Article 4(1) of the Sixth VAT Directive in the case of activities which the holding company, or persons acting in its name, carries out in its capacity as director or officer of a subsidiary company. A director or officer of the company does not act on his own behalf but only binds the (subsidiary) company whose instrument he is; in other words, where he acts in the exercise of his duties under the company instruments, there is no question of his acting 'independently' (Polysar - Paragraph 6 of Advocate General's opinion).

In the *Welthgrove BV* case (C-102/00) in answer to the question as to whether the mere fact that a holding company involves itself in management of its subsidiary constitutes taxable activity, the Court replied that:

"the mere involvement of a holding company in the management of its subsidiaries without carrying out transactions subject to VAT under Article 2 of the Sixth VAT Directive cannot be regarded as an economic activity within the meaning of Article 4(2) of the Sixth VAT Directive" (Paragraph 17). As laid down in the Floridienne and Berginvest judgement direct or indirect involvement "in management of subsidiaries must be regarded as an economic activity within the meaning of Article 4(2) of the Sixth VAT Directive insofar as it entails carrying out transactions which are subject to VAT by virtue of Article 2 of that directive, such as the supply by Floridienne and Berginvest of administrative, accounting and information technology services to their subsidiaries" (Paragraph 19).

The Cibo Case

And so we come to the *Cibo* case. *Cibo* was a holding company involved in management of its subsidiaries. The crucial questions for consideration by the Court were:

- What are the criteria for establishing involvement by a holding company in its subsidiaries, i.e., is it provision of paid services, the running of a group of companies, or de facto management precluding independence on the part of a subsidiary, or some other factor?

and

- If the receipt of dividends remains outside the scope of value added tax, what are the implications for the right to deduct?

(Continued on page 12)



SHARE ACQUISITIONS

Continued from page 11

The judgement recognised that there is no **direct** link between the services purchased by a holding company in connection with its acquisition of a shareholding in a subsidiary but that such costs are part of the taxable person's general costs and therefore, they do have a direct link with the business as a whole:-

"Clearly, there is no direct and immediate link between the various services purchased by a holding company in connection with its acquisition of a shareholding in a subsidiary and any output transaction or transactions in respect of which VAT is deductible. The amount of VAT paid by the holding company on the expenditure incurred for those services does not directly burden the various cost components of its output transactions in respect of which VAT is deductible. That expenditure does not form part of the costs of the output transactions which use the services" (Paragraph 32).

"On the other hand, the costs of those services are part of the taxable person's general costs and are, as such, cost components of an undertaking's products. Such services therefore do, in principle have a direct and immediate link with the taxable person's business as a whole (see BLP Group, paragraph 25, Midland Bank, paragraph 31, and Abbey National, paragraphs 35 and 36)" (Paragraph 33).

"In this connection, it is clear from the first paragraph of Article 17(5) of the Sixth VAT Directive that, where a taxable person uses goods and services in order to carry out both transactions in respect of which VAT is deductible and transactions in respect of which it is not, he may deduct only that proportion of the VAT which is attributable to the former" (Paragraph 34).

Review of Treatment where circumstances of CIBO are replicated

We have reviewed our VAT treatment of cases involving the acquisition by a holding company of a subsidiary to which it will provide management services "precluding independence on the part of a subsidiary". Revenue understands this to mean that the judgement applies where the subsidiary is directly managed by the holding company and does not have its own independent management capability. Revenue will implement the judgment where the circumstances of the Cibo case are replicated.

A holding company involved in management of its subsidiaries has two activities:

- (1) It has acquired a holding of shares in a company - a non-taxable activity
- (2) It will supply management to the newly acquired subsidiary - a taxable activity.

The acquisition costs relate to both activities and an apportionment must be made to correctly reflect the extent to which the dual-use inputs are used for the purpose of its taxable (deductible) and non-taxable (non-deductible) activities (Section 12(4) Value Added Tax

Act, 1972 and VAT (Apportionment) Regulations, 2000 (S.I. 254 of 2000) are relevant.

Attribution of Costs must distinguish between taxable and non-taxable activities

Clearly, as held by Advocate General Fennelly in the Floridienne case, a significant proportion of the inputs would relate to the non-taxable activities. For inputs relating to non-taxable transactions the Advocate General has stated that

"A taxable person may only deduct that proportion of its inputs which may properly be assigned to its economic activities. Every taxable person is obliged by Article 22(2) of the Sixth VAT Directive to keep accounts in sufficient detail to permit application of the value added tax and inspection by the tax authority, while Article 22(4) requires every taxable person to submit a return within an interval to be determined by each Member State, which may not exceed two months following the end of each tax period, although it may not exceed a year. The taxable person who seeks to exercise the right to deduct in circumstances where some of its VAT inputs may relate to non-taxable activities is obliged to establish, to the satisfaction of the relevant tax authorities, the proportion of those inputs which it claims are attributable to taxable transactions and thus capable of being deducted".

Article 19(1) of the Sixth VAT Directive is, however, inapplicable. It can apply only in cases where taxable but exempt activities are mixed with taxable ones, since, otherwise, as in this case where the applicants only engage, in my opinion, in taxable and non-taxable activities, there is no difference between the numerator and the denominator of the fraction which that provision envisages. It is therefore for the national court, in the final instance, to determine the extent to which some of the deductible VAT inputs claimed by the applicants may in fact have related to the exercise, respectively, of its non-taxable shareholding activities and its intra-group lending activities and to exclude those inputs from the right of deduction claimed by them" (Paragraphs 38 and 39).

Apportionment of Costs

The next stop therefore is to arrive at a method for the apportionment of the costs between the management activity and the share acquisition activity. The normal method is (taxable turnover ÷ total turnover) x inputs.

Where this method does not give an accurate reflection of the costs attributable to the taxable activity another method must be applied. Paragraph 5 of VAT (Apportionment) Regulations, 2000 (SI No. 254 of 2000) provides that the deductible amount shall be:

"(a) the proportion which -

- (i) correctly reflects the extent to which the dual-use inputs are used for the purposes of that person's deductible supplies or activities, and
- (ii) has due regard to the range of that person's total supplies and activities".



SHARE ACQUISITIONS

In the case of acquisition of shares in a subsidiary, the amount deductible must be determined on a case by case basis to reflect the above paragraph of the Regulations. In this regard Revenue will consider suggested methods of apportionment which reflect these requirements (see Revenue's "Guide to Apportionment of Input Tax").

VAT Deduction on Expenses Relating to Share Issues

Following publication by the Appeal Commissioners of a decision concerning a claim for recovery of professional

VAT

fees arising from a proposed issue of shares enquiries have been received as to whether a change in Revenue practice will ensue. Revenue's view continues to be that such expenditure does not relate to a taxable supply and is not deductible. Accordingly, there is no change in Revenue policy as regards recovery of VAT on expenses relating to an issue of shares. ♦

APPROVED PROFIT SHARING SCHEMES

Income Tax

Approved Profit Sharing Schemes

[Approved for the purposes of Chapter 1, Part 17, *TCA 1997* and Schedule 11 of that Act.] - Interaction with a Direct Demerger.

Reconstructions and Amalgamations

In *Tax Briefing*, Issue No. 48 (June 2002) Revenue detailed the appropriate tax relieving provisions in relation to company reconstructions and amalgamations. In brief, where shares are distributed in specie, the provisions of *Sections 586 and 587, TCA 1997* do not apply, since both sections require that shares be issued. In addition, *Section 535 TCA, 1997* (i.e., disposals where capital sums are derived from assets) does not apply since a distribution is chargeable as income in the hands of the recipient.

Direct Demergers

Arising from a number of queries received, Revenue would like to clarify the taxation position of a distribution in specie from a demerged company where shares have been appropriated to participants of an approved Profit Sharing Scheme and the Release Date for those shares has not been reached (at present three years from the Date of Appropriation).

The following treatment will apply in circumstances where a company makes a distribution to its shareholders consisting of shares in another company that is its 100% subsidiary.

Income Tax

No charge to income tax will arise where a distribution in specie is made by the company whose shares are used for the purposes of the scheme, where all of the following circumstances apply:

- The relevant scheme shares have been appropriated to participants of the scheme and the scheme shares

have not reached their Release Date (at present three years from the Date of Appropriation)

- The scheme shares are retained by the Trustees until the Release Date
- The scheme is continued by the company and
- The distributed shares are retained by the Trustees and not passed to the participants until the Release Date.

Capital Gains Tax

Where **this tax treatment applies**, the original base cost for capital gains tax purposes must be apportioned over the original and distributed shares by reference to their market value at the date of distribution of the shares.

Application for approval for the foregoing tax treatment

Prior approval must be sought before the forgoing tax treatment can apply. Applications for approval may be submitted to Personal Income Tax, Direct Taxes Interpretation & International Division, Dublin Castle, Dublin 2 together with :

- A copy of the document covering the transaction
- An outline of the mechanism (step by step) by which the proposed transaction will take place
- A tax analysis of the transaction detailing the appropriate legislative provisions
- A copy of the Tax Information Sheet issued by the company covering the transaction which details how the shareholding percentages were revised and
- A synopsis diagrammatic representation of the group organisational structure pre and post restructure.

This practice is subject to review. ♦



REVENUE ON-LINE SERVICE

Update

Pay & File Update

Nearly 110,000 2002 Forms 11 together with nearly €750m in payments were filed through ROS this year. Revenue would like to thank those practitioners who used the service. This figure far exceeded the expectations for this year and a significant strain was put on the service during the last few filing days. This resulted in some practitioners experiencing delays in the submission of returns and payments to ROS. Revenue apologise to customers who experienced delays and want to confirm that no one will be penalised who made a genuine effort to meet the filing deadline. Steps are already being taken to ensure that a much improved service will be in place as soon as possible.

Gift & Inheritance Tax Returns

The Gift and Inheritance Tax Return IT38 for gifts/inheritorances taken after 5 December 2001 has been available for filing in ROS since September. This form is available in an offline version only. The form can be downloaded, by selecting the download button in the ROS offline application, click on the refresh button and then download the form.

Electronic Versions of Employer Tax Credit Certificates (P2Cs) For ROS Customers

Since November 2003 All ROS Customers with an active Employers registration, have automatically been provided with Tax Credit Certificates (TCC) functionality for their employees and will automatically receive any TCC amendments via ROS. These customers will no longer receive paper output from Revenue.

Employers who sign up to ROS are provided with the option to set their P2C (Employer copy of TCC) preference as part of the second step

in the application to become a ROS customer.

An 'Opt Out' facility is available for Employers who decide that they do not want to avail of this service on ROS. New ROS customers who chose this option will continue to receive TCC output on paper/diskette. Any existing customers who opt out will revert to paper TCCs.

The TCC election function is accessible through the 'Profile' tab on the ROS customers Service Page.

Note that this TCC functionality is not available to tax agents acting on behalf of employers.

December 2003 Developments

The latest phase of ROS, featuring the following developments, is due for release this month.

- Relevant Contracts Tax Form C35
- VIES returns
- Intrastat return
- Introduction of Web Services for Corporation Tax.

Relevant Contract Tax Form RCT35

With the next release of ROS a facility will be provided to allow customers with RCT obligations to file their annual RCT 35 return. This return is available in both online and offline versions, and, in line with all other ROS returns is user friendly and contains the necessary validations to assist the filer in their task.

Parallel with the "paper" world, there is no payment option available with this return. However, if when completing this annual return it is discovered that a payment is due for any month, an additional payment can be made online by selecting the appropriate month and completing the relevant RCT 30 payment with the amount due.

ROS will also facilitate the filing of "nil" RCT35 Returns, if applicable, by both individual customers and agents acting on their behalf.

All Tax Agents with RCT registered clients who have been authorised to represent them for this tax head also now have this return available to them for filing.

Intrastat Returns

Of particular importance to all VAT registered customers and their Agents in this release is the introduction of both Intrastat and VIES returns to ROS. The addition of these returns to ROS customers completes the entire suite of returns that VAT registered business may have obligations to complete.

The ROS Intrastat return is available in an offline option only and the first year that returns can be completed for is 2003, with the 2004 return available in January. A copy of the CN database for each year is also available for download with each relevant year. The return can be completed by any ROS customer or by Tax Agent with VAT registered customers duly authorised to do so. In addition, Intrastat returns can also be completed by a Third Party Declarant on behalf of a client.

This application provides features such as setting up Line Models, Foreign Exchange rates, PSI Goods Codes, and also Importing Line items in CSV or Flat File formats. Also provided is a search facility on the CN database to enable customers to retrieve the correct commodity code applicable to their goods.

An upload facility is also provided for any Third Party ROS compatible package. Software developers, who may be interested in providing a ROS compatible Intrastat package can obtain a copy of the XML schema from the ROS Home Page, click Downloads, and scroll down to Intrastat.



REVENUE ON-LINE SERVICE

Continued from page 12

VIES

The VIES facility introduced to ROS provides customers with a facility to complete, either online or offline:

- Monthly returns
- Quarterly returns
- Annual A1 return
- Annual A2 return.

Similar to Intrastat, the ROS VIES options is available to all ROS VAT registered customers and to all Tax Agents with VAT registered customers. In addition, VIES returns are also available for completion to all Third Party Declarants on behalf of their clients. Customers are also provided with a "Nil" return option.

A copy of the XML schema for VIES returns is also available for any third Party Software company who is interested in building a ROS VIES compatible package. Access the ROS home page, click Downloads, and scroll to VIES to obtain your copy.

Introduction of Web Services for Corporation Tax

This allows customers or their agents to seamlessly interact with ROS via their tax preparation software. This facility was made available for Income Tax earlier this year and in addition to the filing of these tax returns there are also web services for:

- Customer Information Service
- Inbox Services

- ROS Debit Instruction
- Agent Client List
- Administrator Services.

The December release also makes available all forms for 2004 including the 2003 Income Tax Form 11

P35 2003 Enhancements

A series of enhancements to the ROS P35 form are also being made available, these include:

- A P 35 Offline summary Print option on the summary page. This will display all the details captured on the summary page and include "signature and date" fields similar to that produced on the VAT3 and P30 offline returns.
- An opportunity to upload, a batch, with a number of files for the same outstanding P35 period, for the same customer is also provided. This allows customers to create a number of P35 files, e.g. one for directors, one for office workers, etc and then upload in a batch all the files to ROS in a single transaction.

Please note that the maximum number of employees for this return for an online P35 Return is 15. If there are in excess of 15 employees the ROS offline P35 return must be used.

Like To Know more about ROS?

ROS presentations will re-commence on Tuesday mornings at ROS Headquarters, Trident House, Blackrock, Co. Dublin.

The presentations will start at 10.00am from Tuesday 6th of January. While each presentation will give a general overview of ROS they will also cater for the needs of different sectors, e.g. IT, CT, Employers, VRT, etc.

If you would like to attend one of our presentations please book your place by contacting us at rosmanager@revenue.ie

When applying please state your particular area of interest and preferred date.

Alternatively you can contact your local ROS Liaison Officer (RLO) directly. Details of all RLOs can be found in the Help section on the ROS homepage.

New ROS CD

An updated version ROS CD is now available on request from the ROS Information Desk contact roshelp@revenue.ie ♦



REVENUE OPINIONS

Guidelines for taxpayers and practitioners seeking Revenue opinions on tax consequences of certain complex or unusual transactions appeared in issue 48 of **Tax Briefing** (June 2002). As a result of the recent reorganisation of Revenue, some of the contact addresses have changed.

Transactions requiring Statutory Clearance

All of the issues listed under the heading Transactions requiring Statutory Clearance are now dealt with by:

*Direct Taxes Interpretation and International Division
Dublin Castle
Dublin 2*

This includes the approval of Profit Sharing and Share Option Schemes - *Section 509 - 519D TCA 1997*, which is dealt with by the Personal Income Tax Unit of Direct Taxes Interpretation and International Division.

Office of the Chief Inspector of Taxes

All of the issues listed under this heading are now dealt with by Direct Taxes Interpretation and International Division - again with the proviso that queries in respect of taxpayers who have had withholding tax deducted should be made to the taxpayer's own Revenue District Office.

Issues formerly dealt with by Technical Services CGT Unit are now dealt with in:

*Direct Taxes Interpretation and International Division,
Capital Gains Tax Unit,
New Stamping Building,
Dublin Castle,
Dublin 2.*

Dublin Audit District 5 (DAD 5) (Financial Services, Banking, and Insurance)

Financial services, banking, and insurance are now dealt with in:

*Large Cases Division,
Setanta Centre
Nassau St.
Dublin 2*

VAT

Based on specific information supplied, Direct Taxes Division, VAT Interpretation Branch will give an opinion on the correct VAT treatment of a complex transaction in accordance with EU and Irish VAT legislation. ♦

Contact Addresses and Phone Numbers

Name	Address	Phone	Fax	e-mail
Large Cases Division	Setanta Centre Nassau St. Dublin 2	01 - 6470710	01 - 679 5814	
Direct Taxes Interpretation & International Division	Revenue Commissioners Dublin Castle, Dublin 2	01 - 6475000	Incentives 01 - 6710012 Other Reliefs 01 - 6799287	dirtaxe@revenue.ie
Direct Taxes Interpretation & International Division, Professional Services Withholding Tax	Business Income Tax, Ship Street, Dublin Castle, Dublin 2	01 - 6475000		
VAT Interpretation Branch	Dublin Castle Dublin 2	01 - 6748858	01 - 679 5236	vatinfo@revenue.ie
Capital Taxes, Stamp Duty Technical Unit, CAT Technical Unit	New Stamping Building, Dublin Castle, Dublin 2	01 - 6475000	Stamp Duty 01 - 679 3261 CAT 01 - 679 4115	captax@revenue.ie
Custom and Residence Division	Government Offices, Nenagh, Co. Tipperary	1890 25 45 65	067 - 32916	charities@revenue.ie

Contact should only be made directly with those offices listed above when statutory clearance is required or, an opinion on a specific issue is being sought as outlined in the article Revenue Opinions, in **Tax Briefing** Issue 48 (June 2002). ♦



EXTRACTS FROM ACCOUNTS

Queries

In the last issue of *Tax Briefing* we answered a number of questions that were posed regarding the completion of the *Extracts from Accounts* pages. A number of new questions were raised since then and some of these are summarised below.

1 In the notes to Form CT1 2003 it is stated that only certain companies must fill in the *Extracts from Accounts* pages.

Does the word “company” include branches in addition to companies resident in Ireland? The definition of “company” in tax legislation for companies generally excludes branches.

If the business submits a Form CT1 and fits the turnover criteria then it should complete the *Extracts from Accounts* pages.

2 In the explanatory notes to the Form CT1 2003 it states “Group companies where the consolidated turnover of the group is over €13m must likewise submit a full set of accounts with their return. If the company is the only member of a group which files its returns in Ireland, then this rule is based on its turnover only”.

- (a) Does the word company include an Irish branch of a foreign group?
- (b) If there are more than one company/branch of a foreign group filing returns in Ireland are they obliged to complete *Extracts from Accounts* pages based on the turnover of :
 - Both companies,
 - Each individual company,
 - The worldwide group?

(a) See answer to question 1.

(b) They are obliged to complete the *Extracts from Accounts* pages based on the turnover of both companies.

3 If a company has more than one trade, question 18 and 19 in the article in *Tax Briefing* issue 53 states that if separate accounts are kept for each trade then separate *Extracts from Accounts* pages should be submitted. Is this correct?

With regard to the Form CT1 only one *Extracts from Accounts* pages should be completed. This should be an amalgam of the separate accounts, if these are prepared separately. Question 18 and 19 in *Tax Briefing* issue 53 deal with the Form 11 only.

4 What information should be completed for “other income” at line 3. The notes to the Form CT1 suggest that income taxable under a separate heading (rent, dividends, interest) should not be included. What income should be entered here?

We do not want duplication of information. As investment income is returned on the Form CT1 itself we are not looking for it to be included in the *Extracts from Accounts* pages. The term ‘Other Income’ is used to facilitate customers who may not be happy to describe their main income as ‘Sales, receipts or turnover’ or as GMS income.

5 Should shipping companies that have elected to be taxed under the tonnage tax regime complete the *Extracts from Accounts* pages?

No. As these companies file a supplement to the return, Form CT1 Supplement - Tonnage Tax Profits, there is no requirement to complete the *Extracts from Accounts* pages.

6 In the case of an unlimited company could you confirm that the *Extracts from Accounts* pages does not have to be completed for such companies? If this is the case do unlimited companies still have to submit corporation tax computations and financial statements?

No. Where the turnover is under €13m the *Extracts from Accounts* pages should be completed.

7 If a company prepares its financial statements in a foreign currency should the figures be converted to euro before completing the *Extracts from Accounts* pages?

Yes. The *Extracts from Accounts* pages, like the rest of the tax return must be completed in euro.

8 In the Notes to the Accounts section a company should tick the relevant boxes that apply to its situation. Can you confirm that:

- Ticking the relevant box is sufficient to fulfil its obligations in this section
- If companies wish to include additional information they should do so in the notes box if it will clarify understanding
- Companies will not be penalised if they do not fill in additional information in the notes box

This is correct.

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EXTRACTS FROM ACCOUNTS

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9 “Gross Trading Profits” is defined as being ‘the gross profit of the business after adjusting for opening and closing stocks and input costs’ in the Guide to Completing 2002 Tax Returns.

If my client is a manufacturing company, and “the cost of sales” includes the following items, purchases, stock movement, light & heat, depreciation, insurance, rent & rates and so on, will my Gross Trading Profit be “Turnover” less “Cost of Sales”.

The brief answer is yes.

In general, the extract represents a list of headings found in a set of accounts. If a customer has no information under particular headings or has additional headings not included in the list then we do not want the information. In the context of a manufacturing company, if, to arrive at gross profit as described in your accounts, the deductions as described have first to be made, then you should continue to do so. The extract is intended for transcription, not recalculation, (in general - e.g. not in the case of “other expenses”).

10 When completing *Extracts from Accounts* should Tax refunds due to a company be included in box no.18 (Debtors and prepayments) or box no. 24 (Tax creditors) or somewhere else.

If you normally include this in Debtors and prepayments or in tax creditors then continue to do so. If you normally have a separate heading for tax refunds due then since we do not have a heading in our extract we are not currently looking for the information.

In general, the extract represents a list of headings generally found in a set of accounts. If a customer has no information under particular headings or has additional headings not included in the list then we do not want the information.

11 In Line 12 of the Form CT1 is it the details of actual bad debts that is required, or is it simply the bad debt provisions?

It is the provision for bad debts that is required.

Queries on completion of Form CT1 for Financial Services companies

Insurance/Reinsurance Companies

12 The *Extracts from Accounts* have to be completed where a company has turnover of less than €13,000,000. What is turnover for an insurance/reinsurance company?

Turnover is “earned premiums net of reinsurance” plus “net investment income”. Ignore claims, administration expenses and acquisition expenses.

13 At Line 1 on the Form CT1 (Sales/receipts/turnover) can you confirm whether this is Gross premiums written, Net premiums written, Earned premiums net of reinsurance.

No, this is only sales/receipts/turnover. It doesn’t apply where a company has no sales/receipts/turnover.

14 Where a company is availing of the funded basis for tax purposes, what figure is to be inserted on Line 1? Is it the underwriting income extracted directly from the accounts or is it the underwriting income released from the fund in the current year as per tax computation.

It is the figure from the accounts and not from the tax computation.

15 At Line 3 on the Form CT1 (Other Income) can you confirm whether this is Gross investment income, Investment income net of investment expenses, Investment income net of investment expenses, foreign exchange gains/losses on investments and unrealised gains and losses.

No. This line does not apply to the items listed. Leave it blank.

16 At Line 4 on the Form CT1 (Purchases) can you confirm whether this is outward reinsurance premiums.

No this is only purchases. It does not apply where a company has no purchases.

17 At Line 5 on the Form CT1 (Gross Trading Profits) can you confirm whether this is the difference between earned premiums net of reinsurance less claims incurred net of reinsurance. Does other income as per Line 3 have to included here?

This is “earned premiums net of reinsurance” minus “Claims incurred net of reinsurance” plus “net investment income”

18 At Line 14 on the Form CT1 (Provisions including bad debts) can you confirm whether this is the change in the net provision for claims, technical provisions as per balance sheet or other.

No, this only includes Bad Debts

19 Claims are the biggest expense of an insurance company - do they fit on Line 15 (Other Expenses) along with all other expenses included in the profit and loss account and not already listed above.

No, only administration expenses and acquisition expenses are entered here. Claims have already been included in arriving at gross trading profits.



EXTRACTS FROM ACCOUNTS

Queries

20 Does Line 21 on the Form CT1 (Creditors and Accruals) include Technical provisions?

Yes

21 Would Line 46 on the Form CT1 (Change in nature of Company's / business activities) include an insurance company changing from writing one line of business and moving into another as would be noted in the principal activities?

No, as the company is still in the insurance business. This is only relevant where the company totally changes its business.

22 Do the answers to questions 13 to 22 incl. also apply to Life Assurance Companies bearing in mind the distinction between the old and the new basis business?

Yes

23 In relation to Special Purpose Vehicles ("SPV") what is the turnover figure to use at Line 1 on Form CT1 (Sales/receipts/turnover) in the following example:

The P&L comprises of

Interest Income	15,000,000
Interest Expense	14,000,000
Net income	1,000,000
Other income	500,000
	1,500,000

What figure do I use for Turnover in deciding whether the €13 million limit is exceeded. Do I take

the gross income figure of €15 million, the net figure of €1.5million or €15.5 million?

Take the interest income of €15 million plus other income of €500,000 (assuming this is trading income) giving a total of €15.5 million. Take €15 million interest income if the other income is not trading income.

24 The same issues arise for our Leasing clients - whether turnover is calculated on a Gross v Net basis.

As with SPV's follow the accounts and not the tax computation.

General Queries

25 When converting the financial statements of a company from a currency other than Euro, do we use the average rate of exchange for profit and loss account, and closing rate of exchange for balance sheet items?

Yes.

26 What happens for companies going into liquidation - does the extracts of accounts have to be filled out even if there are only management accounts available?

Yes, complete the *Extracts from Accounts* pages based on management accounts and follow up with an accountant's final report. ♦



REVENUE NEWS

Update

Change of Address.

If you have recently changed address and wish to continue to receive **Tax Briefing** you should email taxbrief@revenue.ie.

Practitioners should note that the **Tax Briefing** mailing addresses are held separately from the central Revenue mailing list which is based on practitioners Tax Adviser Identification Number (TAIN). Accordingly, changes notified to any Revenue District Office requesting a change to the agent TAIN number will not automatically be made to the **Tax Briefing** mailing list.

New Leaflets

The following new information leaflets have been published:

Employer's Guide to operating PAYE and PRSI for certain benefits

Leaflet IT3 - *What to do about Tax when you Separate*

Leaflet CGT 2 - *Capital Gains Tax - Revised Due dates for 2003 and following years*

A New Structure for Revenue



Updated Leaflets

Leaflet CGT1 - *Guide to Capital Gains Tax*

Copies of these leaflets are available from *Revenue Forms & Leaflets Service* at 1890 306706, any tax office or on our website at www.revenue.ie

Case Registration

As part of Revenue's restructuring, Taxes Central Registration Office (TCRO), formerly based in Arus Brugh, Cathedral St., Dublin 1, has been disbanded. All applications for registration, and any subsequent correspondence regarding changes of address etc. should be forwarded to the Revenue Office dealing with the customer's tax affairs.

Companies Unit

Please note that the Companies Unit which is part of the City Centre District, Dublin Region, deals with the following functions on a **National** basis:

- Applications for company restorations
- Applications for Voluntary Strike-Off
- Applications for statements under *Section 44(5) Companies (Amendment)(No.2) Act 1999* - real and continuous link with economic activities being carried on in the State
- Forms 11F CRO (Statements of Particulars).

Correspondence regarding the above should be forwarded to :

*Companies Unit,
City Centre DRD,
9 - 15 Upper O'Connell St.,
Dublin 1. ♦*

REVENUE eBRIEF

Informing you of important Revenue news and developments as they take place

We are pleased to announce the introduction of a new service for tax-practitioners and other interested parties. From January next, we will issue periodic email bulletins, known as **Revenue eBrief**, to alert you to important news and developments as they occur.

We will be communicating immediately with all electronic subscribers to **Tax Briefing**, as their e-mail addresses are already on our data base. If you wish to receive **Revenue eBrief** you may do so by forwarding your e-mail address to EBrief@revenue.ie

Further enquiries to:

Paddy Ryan
Telephone: 01 6475486
e-mail: padryan@revenue.ie

Ciaran Pringle
Telephone: 01 6475460
e-mail: cpringle@revenue.ie

Martina West
Telephone: 01 6475459
e-mail: mwest@revenue.ie

Dermot O'Shannon
Telephone: 01 6475457
e-mail: doshanno@revenue.ie ♦