Advanced Taxation

Republic of Ireland (ROI)

Course Manual

Professional, Practical, Proven

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Foreword

This text has been developed by Accounting Technicians Ireland for use by students participating in our programme of study and preparing for our examinations. While every effort is made to ensure that the information outlined in this text is accurate, Accounting Technicians Ireland and the Author cannot accept the responsibility for lack of, or perceived lack of, information contained herein.

The text is intended to be a sufficiently detailed synopsis of the current syllabus material (and knowledge level required thereof) in relation to this module.

Students should take particular note of the weighting attaching to this module, as clearly outlined in the syllabus. It is on the basis of this weighting that students should prepare their own timetable for study.

On the completion of each chapter, students should refer to the relevant questions dealing with that chapter. Ideally, students should not continue with subsequent chapters until they have completed the questions attaching to the chapter currently under review.

The solutions to the questions are provided under separate cover and although they are the suggested solutions, tutors and students should recognise and appreciate that there might very well be different approaches which would, under examination conditions, be perfectly acceptable.

We recommended that, in order to get the full benefit of the question and answer concept, students should not refer to the solution until they have made a full and genuine attempt at each question.

We also recommend that when students have attained an understanding of each chapter studied, in addition to the questions provided, they should access the Accounting Technicians Ireland website (**www.accountingtechniciansireland.ie**) for past papers and "sit them under exam conditions". This will allow students to improve their time management skills and their approach to each type of question.

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Acknowledgement

The 2013-14 edition was compiled by Ms. Anne Tynan. Anne is an Associate Member of both the Irish Tax Institute and Chartered Accountants Ireland.

Referencing

For the purposes of consistency, all references to “he” or “she” will be referred to as “he” in this publication. No other implication whatsoever is implied from this policy.

For the purposes of presentation, all references to “euro” or “sterling” will be referred to as “euro” in this publication. No other implication whatsoever is implied from this policy.

SYLLABUS

Advanced Taxation

Mandatory Module

Republic of Ireland (ROI)

Advanced Taxation (ROI)

Subject Status	**Mandatory**
Terminal Exam	100%
Module Pass Mark	50%
Learning Modes	Direct Lectures, Workshops, Tutorials, Self-Directed Learning
Pre-requisite:	Financial Accounting, Taxation and either Business Management or Law & Ethics

Key Learning Outcome

The key objective of this module is to ensure that learners build on the competencies gained in Taxation and develop a knowledge and understanding of more advanced taxation issues for individuals, businesses and corporate entities.

Key Syllabus Elements and Weightings

1. Administration and Procedures 15%
2. Personal Tax Management.. 45%
3. Business Tax Management 40%

Learning Outcomes linked to Syllabus Elements

Administration and Procedures

On completion of this aspect of the module, learners will have acquired the following knowledge, competencies and know-how: -

(a) An understanding of the role of legislation and practice, Revenue Authorities, the Accounting Technician and the tax payer in the operational structure of the tax system including ethical and tax compliance issues

(b) An ability to communicate effectively with individuals and Revenue authorities regarding compliance issues and the issue of tax clearance certificates

(c) An appreciation of the Revenue Charter, Revenue powers and audit procedures

(d) An ability to complete appropriate Revenue forms and demonstrate knowledge of the Revenue On-line System

Personal Tax Management

On completion of this aspect of the module, learners will have acquired the following knowledge, competencies and know-how:-

(a) An ability to understand, explain and demonstrate the impact of residence, ordinary residence and domicile on the tax affairs of individuals

(b) An ability to quantify the tax liability of individuals to include computations at an advanced level

(c) An understanding of the principles and scope of the charge to Capital Gains Tax for Irish resident individuals including a knowledge of and understanding of appropriate reliefs and exemptions

(d) An understanding of the principles and scope of the charge to PRSI under Class A and Class S and Universal Social Charge

Business Tax Management

On completion of this aspect of the module, learners will have acquired the following knowledge, competencies and know-how:-

(a) An ability to communicate effectively with individuals and the Revenue Commissioners in a professional manner regarding the tax and ethical implications of business transactions

(b) An appreciation of the implications of employment v self employment and an ability to make a determination using the 'Badges of Trade'

(c) An ability to reconcile information contained in financial statements with tax returns submitted and report on the consequences to include calculation of the tax liabilities involved

(d) An understanding of the principles and scope of the charge to Corporation Tax and an ability to compute tax liabilities of Irish resident companies

(e) An understanding of Relevant Contracts Tax and an appreciation of the VAT issues involved with intra EU transactions, imports and exports

Advanced Taxation (ROI)

Specific Functional Knowledge and Competencies	Understanding	Application	Analysis
ADMINISTRATION AND PROCEDURES (15%)			
A practical understanding of the role of legislation and practice			
Overview of tax legislation and procedures	●		
Methods and treatment of tax collection mechanisms, direct assessment, self-assessment, and withholding taxes	●	●	
Communicating with Revenues Authorities regarding issues resulting from business transactions including compliance issues			
Procedures for the raising of assessments and collection of taxes	●	●	
Appeal procedures and expression of doubt	●	●	
Imposition of penalties for the late payment of tax and late filing of return (excluding criminal procedures)	●	●	
Payment of tax and preliminary tax payments	●	●	
Communication with relevant parties in writing in a professional manner	●	●	
Issues and implications of business transactions for individuals and corporate entities			
Requirements regarding notification to Revenue	●	●	
Requirements in respect of maintenance of books and records	●	●	
Taxation consequences arising from business transactions	●	●	●
Revenue Charter, Revenue powers and audit procedures			
Revenue Charter, Revenue powers and Revenue audit at a basic level	●		
Provision of information to Revenue Authorities			
Information requirements of the Revenue and resulting obligations	●	●	

Specific Functional Knowledge and Competencies	Understanding	Application	Analysis
Role of the Accounting Technician including ethical responsibilities			
Relevant professional ethical issues	●	●	
Tax clearance certificates			
Administration procedures and use of clearance certificates	●	●	
Requirements necessary for the issue of a certificate	●	●	
Completion of appropriate Revenue forms			
Completion of main tax forms; Form 11 and 11e, CT1, VAT 3, Return of Trading Details (VAT) and the use of the Revenue Online Service (ROS) for the submission of returns and the payment of tax	●	●	
PERSONAL TAX MANAGEMENT (45%)			
Residence, ordinary residence and domicile			
Definition of residence, ordinary residence and domicile.	●		
Personal tax computations at an advanced level including the impact of claiming loss relief			
Calculation of income, the amount chargeable and the tax payable including marginal relief calculations	●	●	
Charges on income	●	●	
Reliefs, allowances, deductions, tax credits and exemptions	●	●	●
Trade losses and claiming loss relief	●	●	
Rental income and losses (Schedule D Case V) including premiums on leases and uneconomic lettings	●	●	
Employment income and benefit in kind (Schedule E) including provision of motor vehicles, medical insurance, preferential loans and living accommodation	●	●	
Special treatment for company directors	●	●	
Social Welfare benefits and pensions including unemployment and disability benefits	●	●	

Specific Functional Knowledge and Competencies	Understanding	Application	Analysis
Taxation of married, separated and divorced couples			
Taxation of married, separated and divorced couples including year of marriage and separation	●	●	
Year of death in respect of deceased individuals and their spouses	●	●	
PRSI for classes A and S			
Principles and scope of the charge to PRSI (Class A and Class S) and USC	●	●	
Scope and charge to Capital Gains Tax including the computation of liability resulting from capital transactions			
Principles and scope of the charge to Capital Gains Tax	●	●	
The charge to tax on Irish resident individuals and companies on gains arising in the State	●	●	
The computation of gains and losses, the amount chargeable and the tax payable	●	●	●
Reliefs, allowances, deductions and exemptions	●	●	
Residence, ordinary residence and domicile	●		
Time of disposal and location of assets	●	●	
Capital gains and losses made by married couples	●	●	
Assets passing on a death	●	●	
Treatment of assets held at 6 April 1974	●		
Part disposals	●	●	
Grants received after 5 April 1974	●	●	
Application of market value rules to connected person disposals	●	●	
Disposals of shares	●	●	
Chattels and wasting chattels	●	●	
Enhancement expenditure	●	●	
Personal exemption	●	●	

Specific Functional Knowledge and Competencies	Understanding	Application	Analysis
Capital losses	●	●	
Indexation relief	●	●	
Principal private residence relief	●	●	
BUSINESS TAX MANAGEMENT (40%)			
Communications and ethics			
Communicating with clients / the Revenue Commissioners in a professional manner regarding taxation implications of business transactions	●	●	
Dealing with relevant ethical issues	●	●	●
Determination of employment or self employment including ‘Badges of Trade’	●		
Definition of the ‘Badges of Trade’	●	●	
Use of the ‘Badges of Trade’ in the determination of employment or self employment.	●	●	
Contracts of employment and contract for services	●	●	
Taxation of business profits including the calculation of adjusted profits and the basis periods of assessment			
Income and losses from trades and professions (Schedule D Case I & II) including pre trading expenditure and lease transaction costs (tax adjusted profits)	●	●	●
Commencement and cessation rules for Schedule D Case I and Case II	●	●	
Capital allowances for plant and machinery (including motor vehicles), balancing allowances and charges for assets purchased on or after 4 December 2002	●	●	
Charges on income	●	●	
PRSI classes A and S	●	●	
Professional services withholding tax	●	●	
Relevant Contracts Tax			
Obligations of a principal contractor with regard to payments to sub contractors	●	●	

Specific Functional Knowledge and Competencies	Understanding	Application	Analysis
Administrative procedures, completion of forms and payment of relevant taxes	●	●	
Conditions necessary for the issue of a sub contractors certificate	●	●	
VAT issues regarding supply of goods and services, intra EU transactions, imports and exports			
Principles of the operation of Value Added Tax	●	●	
Place and time of supply of goods and services	●	●	
Taxable persons and registration	●	●	
Election to register	●	●	
Intra EU transactions, imports and exports	●	●	
Exemption and VAT rates	●	●	
Accounting for VAT, sales and cash receipts basis	●	●	●
Calculation of VAT liability including input credits and output VAT	●	●	
2/3 rule, cocktail rule, gifts and self supply	●	●	
Reconciliation of VAT returns to financial statements	●	●	
Reconciliation of VAT /PAYE returns and financial statements			
Extraction and reconciliation of relevant information from financial statements	●	●	
Quantification of tax liabilities arising from discrepancies highlighted	●	●	
Principles and scope of the charge to Corporation Tax for Irish resident companies including close company provisions			
Principles and scope of the charge to Corporation Tax for Irish resident companies	●	●	
Accounting periods	●		
Dividend income received (FII)		●	
Dividends and distributions paid		●	
Definition and effect of close company provisions	●		

Specific Functional Knowledge and Competencies	Understanding	Application	Analysis
Taxation treatment of directors loans and current account balances	●	●	
An understanding of the basic residency rules for companies			
Implications of a company being resident or non resident	●		
Preparation of corporation tax computations for private limited companies			
The computation of income and chargeable gains, the amount chargeable and the tax payable	●	●	
Reliefs, deductions and exemptions	●	●	
Schedule D income and losses (with same exclusions as for Income Tax)	●	●	●
Capital allowances for plant and machinery (including motor vehicles) including balancing allowances and charges for assets purchased on and after 4th December 2002	●	●	
Dividend withholding tax	●	●	

Assessment Criteria	
Assessment Techniques	100% Assessment based on the final exam.
Format of Examination Paper	The Paper Consists of SEVEN Questions which will examine all key syllabus elements to ensure that learning outcomes are achieved **SECTION A** THREE Compulsory Questions **SECTION B** FOUR Questions - Answer TWO ***All Questions carry equal marks.*** ***There will be one (only) multiple choice question in Section B.***
Sample Paper	Each of the 3 sample papers will examine appropriate parts of this syllabus

Essential Reading	Advanced Taxation (Republic of Ireland) (Second Year) **Author:** Accounting Technicians Ireland
Supplementary Reading	Martyn, J. and Reck, P. *Taxation Summary,* Irish Taxation Institute (Edition based on Finance Act 2013)
Web Resources	www.AccountingTechniciansIreland.ie www.taxinstitute.ie www.revenue.ie www.thepost.ie www.charteredaccountants.ie www.cpaireland.ie
Other Resources	Business and Finance Accountancy Ireland, ICA Ireland Irish Times Business Section Sunday Business Post Irish Tax Review Revenue E Brief

PART A

The Taxation System

Taxation is a major economic tool and the operation of an efficient tax system is essential. This section looks at the Irish tax system, including:

- The rules that determine who is liable to pay Income Tax in Ireland
- How tax law is formulated and implemented
- An outline of the various systems used to collect Income Tax
- A detailed analysis of the self assessment system.

LEARNING OUTCOMES

Upon completion of this section you should be able to:

1. Determine individuals chargeable to Income Tax in Ireland using the rules of residence, ordinarily resident and domicile.
2. Explain the sources of tax law and the functions of the divisions of the Revenue Commissioners.
3. Explain the systems used to collect Income Tax.
4. Advise in relation to the Self Assessment system, the calculation of preliminary Income Tax and penalties for non-compliance.
5. Explain the system of Revenue Audits.

REVISION RESOURCES

EXAM QUESTIONS: ***Sample and Past papers*** are available from the website of Accounting Technicians Ireland and are essential aids when studying Advanced Taxation topics.

CHAPTER 1 - THE TAXATION SYSTEM

1.1 THE FORMATION OF TAXATION POLICY

As taxation policy changes on an annual basis, with the introduction each year of a new budget, some of the rules in taxation will change from one year to the next. This is what makes studying taxation challenging and interesting. However, it also means that when preparing any tax calculations it is important to ensure that you refer to the rules that are applicable to the tax year that the computation is required for.

In order to understand the broader issues in relation to taxation it is important to be familiar with the forms of taxation and the types of taxes that fall under these forms of taxation.

1.2 FORMS OF TAXATION

1.2.1 Direct Taxation

This refers to taxation that is levied directly on an individual or a business and is proportionate to their earnings or gains. The main taxes that fall under this heading are Income Tax, Corporation Tax, Capital Gains Tax and Capital Acquisition Tax.

1.2.2 Indirect Taxation

These taxes are levied on transactions, primarily the sale of goods and services. The most commonly known indirect tax is Value Added Tax, a tax that is charged on the sale of goods and services. Other indirect taxes are Stamp Duty, Customs Duties and Excise Duties.

1.3 TYPES OF TAXES

The following is a brief outline of each of the main taxes:

Income Tax	Charged primarily to individuals on income earned
Corporation Tax	Charged to companies on profits earned
Capital Gains Tax	Charged on capital profits on the disposal of assets
Capital Acquisition Tax	Charged to individuals on gifts or inheritances received
Value Added Tax (VAT)	Tax charged primarily on sales of goods and services
Stamp Duty	Charged primarily on documents transferring assets (e.g. property / shares)
Customs Duty	Charged on the importation of goods into the EU
Excise Duties	Charged on certain goods (e.g. alcohol, tobacco, fuel)

Income Tax, Corporation Tax, Capital Gains Tax and VAT are examinable in Advanced Taxation (ROI).

1.4 SOURCE OF TAX LAW

Tax law goes back many years and the announcements in each year's budget are the primary amendments to that legislation.

1.4.1 Taxes Consolidation Act (TCA) 1997

This legislation combines all sources of tax law in relation to Income Tax, Corporation Tax and Capital Gains Tax. It is updated annually for all changes to the law. This means that there is a different version of the TCA 1997 published for every tax year, with each version containing the rules that are applicable for that particular year.

The legislative process which gives rise to the annual revision to the TCA 1997 is achieved in the following way:

1. Each year after the government announces its budget, the changes to the tax legislation are incorporated by way of the Finance Bill.
2. The Finance Bill will then be debated in the Houses of the Oireachtas and some amendments may be made to the draft Finance Bill at the committee and report stages. Therefore, what is announced in the budget will not always end up being the final rules for a tax year.
3. The Finance Bill will eventually be voted through the Dáil, signed by the President and become the Finance Act.
4. The Finance Act is then incorporated into the TCA 1997 and other tax acts. Therefore, the TCA 1997 is updated each year to take account of changes to the taxation system as they are introduced.

1.4.2 VAT Consolidation Act 2010

The other primary tax legislation is the *VAT Consolidation Act 2010.*

VAT was first introduced as a condition of Ireland's entry into the EU at that time, although similar taxes did exist before VAT was introduced. VAT legislation was originally contained in the Value Added Tax Acts 1972-2010 together with VAT regulations issued. However, similar to the TCA 1997, the Acts and Regulations were combined into the VAT Consolidation Act 2010 (VATCA 2010). This is now the primary VAT legislation and is also updated each year to include any amendments to tax law included in the annual Finance Act.

There are other pieces of legislation covering the other taxes but the two Acts discussed above deal with the areas to be covered in this syllabus.

1.4.3 Case Law

Decisions from court cases involving tax issues can impact on tax legislation, including decisions from the European Court of Justice.

1.5 TAX COLLECTION SYSTEM AND THE REVENUE COMMISSIONERS

The management of the taxation system is the responsibility of the Office of the Revenue Commissioners. This is a division of the Department of Finance and is ultimately under the control of the Minister for Finance. The Office of the Revenue Commissioners is divided into a number of sections, each with their own area of responsibility.

The core business is the assessment and collection of taxes and duties. The Revenue Commissioner's mandate derives from obligations imposed by statute and by the Government and as a result of Ireland's membership of the European Union. In broad terms the work of the Revenue Commissioners includes -

1) Assessing, collecting and managing taxes and duties that account for over 92% of Exchequer revenue.
2) Administering the Customs regime for the control of imports and exports and collection of duties and levies on behalf of the EU.
3) Working in co-operation with other state agencies in the fight against drugs and in other cross departmental initiatives.
4) Carrying out agency work for other government departments.
5) Collection of PRSI for the Department of Social Protection.
6) Provision of policy advice on taxation issues.

The Mission Statement of the Revenue Commissioners is "To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls".

1.6 PERSONS CHARGEABLE TO INCOME TAX IN IRELAND

Before discussing (and revising) the rules in relation to the calculation of Income Tax, it is important to understand who is liable to pay Income Tax in Ireland. There are certain rules that are used to decide where (what country) an individual should pay Income Tax. Each country has its own rules, and the following are the rules that apply in the Republic of Ireland. The liability to Income Tax will be based on three different factors:

1. Residence
2. Ordinarily Resident
3. Domicile.

1.6.1 Residence

An individual will be considered resident in Ireland when he is present in the State (the Republic of Ireland) for either:

- 183 days in a tax year, or
- 280 days over two tax years, the current and the preceding tax year (known as the 280 day rule).

However, when an individual spends less than 30 days in Ireland in a tax year, he will not be resident in that tax year, even if he otherwise meets the 280 day rule.

A day is counted as a day present in the State where the individual is present here at any time during that day.

Example 1

An individual leaves Ireland on 10 January 2013 after living here for a number of years.

Number of days spent in Ireland:

2013 10 days

2012 365 days

Under the two year rule, he has spent 365 + 10 days = 375 days in Ireland. He would therefore be considered Irish resident in 2013 under the 280 days rule. However, the 30 day rule will override this and he will be non-resident in 2013 as he has spent less than 30 days in Ireland in 2013.

Example 2

An individual is present In Ireland for the following number of days:

2013 20 days

2012 365 days

In 2012 he is considered resident as he is present in the State for more than 183 days.

In 2013 he is not considered resident in the State. Although he is present in the State for more than 280 days in 2012 and 2013, he is present for less than 30 days in 2013 and therefore he will not be resident in the State in 2013.

Example 3

An individual is present In Ireland for the following number of days:

2013 31 days

2012 229 days

In 2012 he is considered resident as he is present in the State for more 183 days.

He has spent a total of 260 days in Ireland in the two years 2012 and 2013. He is not resident in the State in 2013 as he is not present in the State for more than 280 days in 2012 and 2013 combined

Example 4

An individual is present In Ireland for the following number of days:

2013	100 days
2012	175 days
2011	120 days

In 2012 he is resident as, even though he has less than 183 days in 2012, he has in excess of 280 days (295 days) in 2011 and 2012 combined.

In 2013 he is not resident as he is not present in the State for more than 183 days in 2013, or for more than 280 days combined in 2012 and 2013.

1.6.1.1 Elect to be resident / "Split Year" claim

An individual can elect to be resident from the date that he arrives in Ireland in one tax year, with the intention of being resident in the following tax year. This can be availed of where an individual would not satisfy either the 183 day or 280 day residence rules above but wants to be considered resident in the year if applied only to an employment. An election to be resident will mean that the individual will be considered tax resident in Ireland from the date that he arrives in the State. This relief applies in respect of employment income only. An individual may wish to elect to be resident in order to claim tax credits when calculating his Income Tax liability in the year in which he moves to Ireland.

Example

John arrives in Ireland on 1 October 2013 to live here for three years. As he is only present in Ireland for 92 days in 2013 he is not resident. However, he can elect to be resident from 1 October 2013 as he intends to be resident in 2014 also.

1.6.2 Ordinarily Resident

Ordinarily resident is linked to the definition of residence but is of a more long-term or permanent nature. An individual is treated as ordinarily resident when he has been resident in Ireland for the three preceding tax years.

Example 1

If an individual is resident for 2010, 2011 and 2012 he will become ordinarily resident on 1 January 2013.

An individual will not cease to be ordinarily resident until he has been non-resident for the three preceding tax years.

Example 2

If an individual is ordinarily resident in 2009 and is non-resident in 2010, 2011 and 2012 then he will cease to be ordinarily resident on 1 January 2013. Therefore, he will remain ordinarily resident for three years after he leaves Ireland.

If he was resident in Ireland in 2012, he would not cease to be ordinarily resident in 2013.

1.6.3 Domicile

Domicile is a legal concept that is not defined in the TCA 1997. Generally, a person is regarded as domiciled in the country which he considers to be his natural home.

The principles of domicile are:

- No person can be without a domicile
- No person can have more than one domicile at one time
- An existing domicile is presumed to continue until it is proven that a new domicile has been acquired. Therefore, a domicile cannot simply be abandoned without intentionally acquiring a new domicile.

There are three types of domicile:

1. Domicile of Origin – a person is born with a domicile of origin, normally that of the father. A domicile of origin cannot be abandoned. It can only be lost by the acquisition of a new domicile of choice.
2. Domicile of Dependence – the domicile of a minor (child under 18) is dependent on his father (or his mother where the parents are not married).
3. Domicile of Choice – An individual can acquire a new domicile by a combination of residence and intention. They must establish a residence with the new country with no intention of returning to the 'old' country.

A person is born with a domicile of origin and the only way that this can be changed is to show that he has established a new domicile of choice. The person has to be able to clearly demonstrate that he has permanently moved to a new country and has no intention of ever returning to his country of origin.

It is quite difficult to prove a change of domicile and where an individual does not change his domicile he will always revert to his domicile of origin.

1.6.4 Consequences of Residence, Ordinarily Resident and Domicile

Once an individual's status in relation to each of the above (residence, ordinarily resident, domicile) has been established it is then possible to determine what sources of income are liable to Income Tax in Ireland. They are broken down into a number of categories as follows:

Category 1 – Resident and Domiciled

An individual who is resident and domiciled in Ireland is liable to Income Tax in Ireland on their worldwide income. If an individual is resident and domiciled, ordinarily resident status does not impact on the income liable to Irish Income Tax.

Example

Jack is domiciled and resident in Ireland. Jack is self-employed and carries on his trade in Ireland. He also has a number of investments abroad from which he receives an annual income. These investments include rental income from a property in Portugal, dividend income from shareholdings in Australian and US companies and interest income from an Isle of Man bank account.

Jack is subject to Income Tax in Ireland on his worldwide income. Therefore, all of the sources of income above are required to be included in Jack's Irish Income Tax computation and return.

Category 2 - Not Resident but Ordinarily Resident and Domiciled

An example of this is an Irish person who moves abroad to work. In the first three years after he leaves he will continue to be ordinarily resident.

The individual will be subject to Irish Income Tax on worldwide income except income from a foreign employment, trade, profession which is wholly exercised / carried on outside of Ireland and foreign income which does not exceed €3,810.

Example

Stephen is Irish domiciled. He moved to Canada in January 2012 and has not returned to Ireland since then. He is therefore not resident in Ireland in 2013 but continues to be ordinarily resident. Stephen is employed in Canada and carries out all of his duties relating to that employment in Canada and occasionally in the US. Stephen had purchased a property in Ireland in 2002 and has rented this while he is abroad. He receives rental income of €700 per month from this property. He also receives an annual dividend from a shareholding in a UK company. The dividend is approximately €200 per annum.

Stephen is ordinarily resident and domiciled in Ireland in 2013. He is subject to Irish Income Tax on the rental income from the Irish property. He is allowed to exclude the employment income received in Canada on the basis that all of the duties are carried on outside of Ireland. He can also exclude the UK dividend income as it is less than €3,810.

Category 3 – Ordinarily Resident, but Not Resident and Not Domiciled

An example of this is a foreign person who lived in Ireland for more than three years. After he leaves he will continue to be ordinarily resident for a further three tax years.

Individuals in this category will be liable to Income Tax on Irish source income and foreign income remitted (brought into) to Ireland with the exception of:

- Income from a trade, profession or employment where all of the duties are carried on outside the State
- Any foreign Investment income up to €3,810.

Example

John, who is domiciled in Australia, moved from Australia to Ireland on 5 March 2008. He lives in Ireland until 4 January 2013 when he returns to Australia. All of his income in 2013 arises from either an employment or a trade that he carries on outside of Ireland. He will therefore not be subject to Income Tax on this income in Ireland on the basis that he does not remit any of this income to Ireland.

In addition if he has foreign investment income up to €3,810 he will have no Irish Income Tax liability on this. If the foreign investment income exceeds this amount, all of the investment income remitted to Ireland is taxable in Ireland.

Category 4 – Resident, Ordinarily Resident but Not Domiciled

An example of this is a foreign national who has been resident in Ireland for more than three years and continues to live in Ireland.

All of the individuals in this category will be liable to Income Tax on the remittance basis. Where this applies, the individual is taxed on the following:

- All Irish source income
- All other foreign income only to the extent that it is brought into Ireland (with the exception of certain employment income)
- Employment Income – where the duties of an employment are exercised in Ireland the salary relating to the duties is taxable in Ireland, even when paid outside of Ireland and not remitted.

Example

Peter is US domiciled. He moved to Ireland in 2006. He has been resident in Ireland since 2006 and became ordinarily resident in 2009. Peter is employed by a US multinational company in Ireland. All of the duties of the employment are exercised in Ireland. He receives a small amount of deposit interest from an Irish bank account. He also has interest from a US bank account, dividend income from shares in the US multinational company and rental income from a property in the US.

During 2013, Peter bought shares in a number of Irish companies. To fund the investments he transferred €10,000 of his US rental income to his Irish bank account.

Peter's Irish Income Tax computation for 2013 will include his Irish employment income, Irish deposit interest and the €10,000 remitted into Ireland. The interest income from his US bank account and the dividend income from the US multinational company will not need to be included in his Irish Income Tax computation for 2013 on the basis that the income was not remitted into Ireland.

Category 5 – Not Resident, Not Ordinary Resident

An individual in this category will be liable to Irish Income Tax on Irish source income only. Domicile of the individual is not relevant.

Irish source income would include income from a rental property situated in Ireland, interest from an Irish bank account and dividends received from an Irish company.

Example

William is UK domiciled and has never lived in Ireland. He is employed by a large financial services company in London. He is very successful and has a number of investments across the world. These include investments in a number of commercial properties in Ireland from which he receives annual rental income. He also holds shares in two Irish plc companies from which he receives dividend income on an annual basis. He also has investments in the UK, US, Australia and China from which he receives income.

William is not resident or ordinarily resident in Ireland. He is therefore only subject to Income Tax in Ireland on Irish source income. His Irish Income Tax computation will therefore include only the income from the Irish rental properties and the shareholdings in the Irish plc companies.

Summary

The chart below gives a summary of these rules:

Resident	Ordinarily Resident	Domicile	Income subject to Irish Tax
✓	N/A	✓	Worldwide Income
X	✓	✓	Worldwide Income excluding: • Trade, profession employment income where all of the duties carried on outside the State. • Foreign Investment income up to €3,810.
X	✓	X	Irish Source Income + Foreign Income remitted excluding: • Trade, profession employment income where all of the duties carried on outside the State. • Foreign Investment income up to €3,810.
✓	✓	X	Irish source income + Foreign income remitted to Ireland + Employment income where the duties are carried out in Ireland
X	X	N/A	Irish source income only

Domicile Levy

The annual 'domicile levy' in the amount of €200,000 will apply to 'relevant' individuals. To be considered a 'relevant individual' the following conditions must be met:

1) The individual is domiciled in Ireland in that tax year,
2) The world wide income of the individual for the tax year is greater than €1m,
3) The individual's final Irish Income Tax liability is less than €200,000, and
4) The market value of Irish property owned by the individual on 31 December of the tax year is greater than €5m.

Worldwide income is determined before any deductions and exemptions as if the individual was resident in Ireland in that tax year. No account is taken of foreign tax paid.

Irish Income Tax paid will be allowed as a credit against the domicile levy payable. However, Universal Social Charge paid is not allowable as a credit in calculating the levy payable.

The levy is payable by 31 October (under the self assessment system) following the valuation date.

Example

Ian is Irish domiciled but moved to Barbados a number of years ago. In 2012, he has worldwide income of €1,200,000, including Irish income of €100,000. The market value of his Irish owned property on 31 December 2012 is €10m.

Ian's tax adviser has prepared his Irish Income Tax computation for 2012 and advises Ian that his Irish Income Tax liability for 2012 is €40,000. As this is less than €200,000 and Ian meets the criteria of a 'relevant' individual, he must pay the domicile levy.

The domicile levy payable by Ian for 2012 is €160,000 (domicile levy of €200,000 less credit for Income Tax payable of €40,000). The levy is payable by 31 October 2013 (31 October following the valuation date of his Irish property, 31 December 2012).

1.7 THE TAX YEAR

The current Income Tax year runs in line with the calendar year – from 1 January to 31 December each year. The tax year from 1 January 2013 to 31 December 2013 is referred to as the 2013 tax year.

Prior to 2001, the tax year ran from 6 April to the following 5 April. Therefore, the tax year from 6 April 1995 to 5 April 1996 was known as the 1995/96 tax year.

In 2001 the tax year ran from 6 April 2001 to 31 December 2001. This was referred to as the 2001 tax year, or the short tax year. This allowed for the transition to the calendar tax year.

1.8 CLASSIFICATION OF INCOME FOR INCOME TAX – THE SCHEDULAR SYSTEM

Different sources of income are classified in different categories and different rules apply to each category of income. The rules can vary for each category in relation to the calculation of the income, the allowable expenses and the basis of assessment for that income.

The main classifications of income are as follows:

Schedule Classification	Income Source
Case I	Income from a trade (a self employed carpenter)
Case II	Income from a profession (a self employed solicitor)
Case III	Investment income not subject to tax at source Foreign income – foreign employments, foreign rental income and foreign investment income
Case IV	Irish deposit interest subject to DIRT Covenant income received Other miscellaneous income
Case V	Irish rental income
Schedule E	Irish employments, pensions and directors fees
Schedule F	Dividends from Irish resident companies

The following chapters will revise each source of income in more detail and the calculation of the tax liability that arises in respect of each source.

1.8.1 Exempt Income

Certain income is exempt from Income Tax. The following exemptions are the most common:

- An individual or married couple whose total income is within certain specified exemption limits
- Social Welfare Child Benefit
- Statutory Redundancy Payments
- Lottery and Betting winnings
- Life Assurance Proceeds
- Interest paid on An Post Saving Certificates and Instalment Saving Scheme.
- Qualifying Artists Income up to a certain limit
- Income from Childcare Services up to €15,000 per annum
- Rent a Room relief (covered under Case V, see section 3.2.3.9).

1.9 PAYMENT OF INCOME TAX – AN OVERVIEW

Income Tax was the largest contributor to the State finances in 2012, contributing approximately €15.2bn to the Exchequer. (VAT was the second largest contributor with Exchequer returns of €15.2bn including customs and excise duties). In order to collect the taxes it is necessary to have in place an efficient system. For Income Tax, the two main ways in which tax is collected by the Revenue Commissioners are (1) the PAYE system and (2) the Self Assessment system.

1.9.1 PAYE System

Pay As You Earn (PAYE) is deducted at source from all income earned from employment. The employer has a responsibility to deduct the correct amount of Income Tax from an employee's earnings and pay this amount to the Revenue Commissioners each month. Where an employee has no other sources of income, all of their tax will be paid through this system. The PAYE system was covered in detail in Taxation (ROI).

1.9.2 Self Assessment System

This applies to all income not covered by the PAYE system. It is where the taxpayer makes direct payments to the Collector General. This is dealt with in detail later in this chapter.

1.9.3 Withholding Taxes

In addition to the above two collection systems there are withholding taxes that are applied to certain payments. These are amounts of tax deducted from payments at source (by the person making the payment) and are generally deducted at a flat rate. When deducted they are normally available as a tax credit for the individual receiving the payment against their total Income Tax liability for the year. The use

of withholding taxes as tax credits will be covered in Chapter 2, but the following are the most common withholding taxes.

1.9.3.1 Deposit Interest Retention Tax (DIRT)

This is deducted from interest paid on deposit accounts by banks and building societies in Ireland. All payments of interest on deposit accounts are subject to DIRT, unless specifically exempt. The current standard rate of DIRT was increased to 33% from 1 January 2013.

The following individuals are entitled to receive interest without deduction of DIRT;

- Individuals or their spouses who are 65 years of age or over at any time during the tax year and their total income does not exceed the relevant tax exemption limit,

Or

- Individuals or their spouses who are permanently incapacitated by physical or mental infirmity from maintaining themselves.

The operation of DIRT and the calculation of Income Tax on interest income are covered in more detail in Chapter 2.

1.9.3.2 Professional Services Withholding Tax (PSWT)

This is also referred to as Professional Services Retention Tax (PSRT). This is a withholding tax on professional services fees paid by government and government bodies. Where an ‘accountable person’ makes a payment to an individual or a company in respect of professional services he must withhold 20% of the payment and pay it over to the Revenue Commissioners.

Accountable Person

The deduction must be made by an accountable person in order for the withholding tax to apply. Generally this covers any payments out of public funds from state bodies. It includes payments from:

- All government departments
- HSE
- RTE
- ESB
- An Bord Bia
- Semi state bodies
- State sponsored bodies
- Central Bank of Ireland

Professional Services

The withholding tax is only deducted from payments for professional services. This includes fees for the following services:

- Medical, dental, pharmaceutical, optical, veterinary
- Architectural, engineering and surveying

- Accountancy, auditing, financial services, marketing, advertising and consultancy
- Solicitors, barristers
- Training services on behalf of FAS.

When the payment is made, the net amount is paid and the recipient is provided with a Form F45, which provides details of the amount of the gross payment and the tax deducted. This form can then be used by the recipient of the payment to claim a credit for the tax deducted in the Income Tax computation.

A credit is given against the Income Tax or Corporation Tax arising on the profits earned in the basis period. The credit is given as a refundable tax credit to the taxpayer and if the amount of tax owed is less than the withholding tax deducted, then the excess is refunded to the taxpayer.

Example

John, a solicitor provided legal services to RTÉ, an accountable person, in June 2013 for €10,000. When he submits his invoice he will receive a payment of €8,000 and RTÉ will withhold tax of €2,000 on the payment. He will be provided with a Form F45, showing details of the gross payment (€10,000) and tax deducted (€2,000).

John prepares his annual accounts up to 30 September 2013. These accounts will form the basis of assessment for the tax year 2013.

His Income Tax computation will include the gross income received of €10,000 in the Case II figure. He will also have a refundable tax credit on his computation of €2,000. If John invoiced RTÉ more than once during his accounting period he would include all of the income in his tax return. The refundable tax credit would be the total amount of tax deducted from the payments received.

1.9.3.3 Relevant Contracts Tax (RCT)

Relevant Contracts Tax applies to subcontractors working in the construction industry, forestry operations and meat processing industries. It is a system of withholding tax introduced in an effort to ensure that the subcontractors were paying the correct amount of Income Tax and VAT on the amounts that they were invoicing.

In order to understand the application of RCT there are a number of definitions that you should be familiar with.

Principal Contractor

A principal contractor includes any of the following:

- A builder or other contractor in the construction industry who subcontracts all or part of his contract
- A person carrying on business which includes the erection of buildings, development of land, meat processing, forestry operations including cutting, preserving and sawmilling
- A local authority
- A Minister of State
- Any board established under statute
- A person who carries on any gas, water, electricity, dock, canal or railway undertaking.

Relevant Contract

This is a contract where one person is liable to another person to:

- Carry out relevant operations
- Be responsible for carrying out such operations
- To furnish his own labour or the labour of others to carry out the operations.

Relevant Operations:

This includes any of the following:

- Construction, alteration, repair, extension, demolition or dismantling of buildings or structures
- Installation in a building of a system of heating, lighting, air conditioning, sound proofing, ventilation, power supply, drainage, sanitation, water supply and burglar or fire protection
- The development of land
- Construction, alteration, repair, extension or demolition of any works forming part of the land, including walls, roadworks, power lines, telecommunications systems, water mains
- External or internal cleaning of a building so far as carried out as part of the construction, alteration, repairs, extension of the building
- Forestry operations and meat processing operations.

RCT places an obligation on a 'principal contractor' to meet specific compliance requirements in relation to payments made to subcontractors in connection with a 'relevant contract' (similar to the operation of PSWT by accountable persons). The withholding tax is paid over to the Revenue Commissioners on behalf of the subcontractor, who is then entitled to offset this against tax liabilities owed to the Revenue Commissioners.

Since 1 January 2012, the Revenue Commissioners have moved to an online system for operating RCT. The principal contractor:

- Must register on Revenue Online Service (ROS) as a principal contractor
- Must notify the Revenue Commissioners through ROS when he enters into a relevant contract with a subcontractor. [Referred to as *contract notification*] The principal contractor should establish the identity of the subcontractor engaged on a relevant contract. It is the principal contractor's responsibility to take sufficient care to ensure the proper identify of all subcontractors. The Revenue Commissioners will acknowledge the *contract notification* and advise the principal contractor of the rate of RCT applicable to the subcontractor
- Must notify the Revenue Commissioners through ROS immediately before making a payment to the subcontractor under the relevant contract. This notification should include details of the gross amount to be paid [Referred to as *payment notification*]. The Revenue Commissioners will acknowledge the *payment* notification and confirm the rate and amount of RCT to be deducted from the payment by the principal contractor [Referred to as *deduction authorisation*].
- Must file periodic (monthly/quarterly) returns (this will be pre-populated online by the Revenue Commissioners based on *payment notifications* and *deduction authorisations*) and submit payment of RCT to the Revenue Commissioners.

There are three rates of RCT that the Revenue Commissioners can apply to payments, 0%, 20% and 35%. As mentioned above, the Revenue Commissioners will confirm the rate of RCT on the *deduction authorisation* issued to the principal contractor. In general, the rate advised will depend on the subcontractor's tax compliance record. A subcontractor, who has a good compliance record and previously qualified (prior to the introduction of the online system) for 0% rate, will continue to receive payments with 0% RCT deducted. The Revenue Commissioners will apply 35% RCT in the following cases:

- No tax reference number is provided by the subcontractor to the principal contractor
- The subcontractor is not known to the Revenue Commissioners
- Where there are serious compliance issues to be addressed by the subcontractor.

In all other cases, the Revenue Commissioners will apply 20% RCT.

A subcontractor is not required to register on ROS. The Revenue Commissioners will notify a subcontractor of a relevant contract (when received from the principal contractor) and will advise of any changes to the RCT rate applicable to payments to be made to the subcontractor. The subcontractor should also obtain a copy of *deduction authorisations* from the principal contractor, although the Revenue Commissioners will automatically credit to the subcontractors tax record any RCT deducted from payments under a relevant contract.

1.10 SELF ASSESSMENT SYSTEM

The Self Assessment system applies to all 'chargeable persons'. Chargeable Persons are defined as "a person who is chargeable to tax for that period".

A PAYE individual (i.e. an individual in employment whose income is taxed through the PAYE system) who has another source of income that is not subject to PAYE has an option to have this other income incorporated into their tax credit certificate, thus ensuring that the tax on the other source of income is collected through the PAYE system. Examples of other income might include rental income or dividend income. Where this applies the individual will not be considered a chargeable person. This exclusion can only apply where the gross amount of the other income is less than €50,000 in a year and the net assessable amount of the other income is less than €3,174. Therefore, if a PAYE individual has other income that exceeds €50,000 or the assessable amount of the income exceeds €3,174, he will be regarded as a chargeable person and will be subject to self-assessment rules.

Therefore, the individuals considered to be chargeable persons are:

- All self employed individuals (people carrying on their own business including farming, professions or vocations)
- All individuals, including employed individuals, who have any other source of income where the tax is not collected through the PAYE system, for example:
  - Profits from rents
  - Investment income
  - Foreign income and foreign pensions
  - Maintenance payments to separated persons

    - Fees
    - Profit arising on exercising various share options/share incentives.
- All Proprietary Directors - A proprietary director is an individual who owns in excess of 15% of the share capital of a company. There are special rules relating to such directors and these are set out below in section 1.10.3.

1.10.1 Duties of a Chargeable Person

All chargeable persons have a number of obligations each year:

1) Pay Preliminary Income Tax for the current tax year
2) Pay the balance of Income Tax for the previous tax year
3) File an Income Tax return for the previous tax year.

1) Preliminary Income Tax payment

An individual must calculate and pay an amount of Preliminary Income Tax by 31 October each year. There are a number of options available for calculating preliminary Income Tax and this tends to be the area that taxpayers have most difficulty getting correct.

Preliminary tax is an advance payment of the tax liability for the current tax year. Therefore, some of the tax may have to be paid before the income is actually earned.

However, as it may not be possible to accurately calculate the amount of Income Tax due before the end of the tax year, the Revenue Commissioners have provided a number of options for an individual to choose from when deciding how much Preliminary Income Tax to pay.

The options available are as follows:

1. 90% of the estimated final liability for the current year, or
2. 100% of the self assessment liability for the previous year, or
3. 105% of the liability for the pre-preceding year. This option is only available if the following conditions are satisfied:
    - The amount must be paid by monthly direct debit, over a minimum of eight months starting on 1 May
    - If this option is being used for the first time then the payments must be made over three equal instalments from October to December
    - This option cannot be used if the liability in the pre-preceding year was nil.

The taxpayer must ensure that he pays at least the lowest amount calculated using the three options listed above. He can always pay an amount in excess of this if he wishes.

Example

Preliminary Income Tax for 2013, which is required to be paid by 31 October 2013, can be based on the lowest of the following:

1. 90% of the expected liability for 2013 (current year)
2. 100% of the liability for 2012 (previous year)
3. 105% of the liability for 2011 (pre-preceding year) where the taxpayer has made an arrangement with the Collector General to make payments via regular direct debits.

Where the payment is made under option one or two above it must be paid by 31 October in order to avoid interest charges.

Where the payment does not satisfy one of the rules above, or is made after the 31 October, interest will be applied at a rate of 0.0273% per day up to 30 June 2009. From 1 July 2009, interest will be applied at a rate of 0.0219% per day or part thereof.

Detailed example of Preliminary Income Tax calculation

John Smith was employed and paid all of his tax under the PAYE system in 2011. In 2012, he commenced working as a self employed individual and his final Income Tax liability was €5,000 for the year. His liability for 2013 was €8,500.

His preliminary tax obligations are as follows:

2011 He is not a chargeable person (as he was a PAYE individual with no other source of income) so he does not have to make any payment.

2012 As he is a chargeable person, he is obliged to make a Preliminary Income Tax payment by 31 October 2012. He must pay a minimum of the following:

- 90% of the estimated 2012 liability - €5,000 x 90% = €4,500 or
- 100% of 2011 liability – nil
- 105% of 2010 liability – no information is provided for 2010, this option is therefore not available.

Therefore he can pay nil Preliminary Income Tax in 2012 as this is the lower of the two options available. If he pays nil Preliminary Income Tax on 31 October 2012, he will pay the full liability for 2012 on 31 October 2013 when he files the tax return for 2012. However, there will be no interest on this payment as he has satisfied the minimum Preliminary Income Tax requirement.

2013 As he is still a chargeable person he must make a Preliminary Income Tax payment by 31 October 2013. He must pay a minimum of the following:

1. 90% of 2013 liability - €8,500 x 90% = €7,650, or
2. 100% of 2012 liability - €5,000, or
3. 105% of 2011 liability. This option cannot apply as there was nil liability in 2011.

He must pay a minimum of €5,000 by 31 October 2013 to avoid being charged interest. The balance of Income Tax due for 2013 will be paid on 31 October 2014. Assuming John pays €5,000 preliminary tax for 2013, the balancing payment will be €3,500 (€8,500 - €5,000) on or before 31 October 2014.

A summary of the payments required are as follows:

31 October 2012	Preliminary tax for 2012	€0
31 October 2013	Balancing payment for 2012	€5,000
	Preliminary tax for 2013	€5,000
	Total	€10,000

Margin of Error

To allow for minor miscalculations, small underpayments of tax will not be subject to interest and penalties provided certain conditions are met.

The following conditions must be satisfied in order to avail of the relief:

1. The maximum allowable error is the greater of the following:
   - €635, or
   - 5% of the tax payable (subject to a ceiling of €3,175)
2. The return must be a complete return submitted within the deadline - 31 October following the end of the year of assessment
3. Where there has been an error that fits into the above criteria then the additional amount must be paid by 31 December in the year following the year of assessment.

Where the additional tax is paid in accordance with the above rules then the payment is deemed to have been received by the Revenue Commissioners within the specified time limits.

Example

Vanessa estimated her Income Tax liability for 2013 to be €11,000. She paid Preliminary Income Tax based on 90% of his amount (as it was less than her 2012 final liability). She therefore paid €9,900 on 31 October 2014.

She received a number of new clients before the end of 2013 and unexpectedly earned additional income in November and December 2013. Her final liability for 2013 was actually €11,600. Based on this Vanessa should have paid Preliminary Income Tax of €10,440 (€11,600 x 90%). Interest would be payable on the balance owed from 31 October 2013 to the date of payment. However, as the error is less than €635, Vanessa will not be penalised (subject to) interest provided that she pays an additional €540 by 31 December 2014 and files her tax return by 31 October 2014.

2) Pay the Balance of Income Tax for the previous tax year

When filing the Income Tax return for the previous year the taxpayer must also calculate their total Income Tax liability for that year and pay any balance due by 31 October. As the individual completes the Income Tax return and calculates the Income Tax, the system is known as self assessment.

For example, the balance of Income Tax for 2012 must be paid by 31 October 2013, together with filing the Income Tax return for 2012.

3) Filing Income Tax Return

A chargeable person is obliged to file an Income Tax return with the Revenue Commissioners for the previous year.

The Income Tax return must be filed by 31 October following the end of the year of assessment. This gives a taxpayer 10 months after the end of a tax year to collate all of the information required and finalise any accounts figures, before he must file his tax return.

For example, the Income Tax return for the 2012 tax year must be filed by 31 October 2013.

The return should show the following information:

- Details of all sources of income
- Claims for all allowances and credits
- Calculation of Income Tax liability (or refund, if applicable).

The return must be signed by the taxpayer, or an agent of the taxpayer.

A self employed individual completes a Form 11 and an employed individual completes a Form 12.

When a taxpayer fails to file a valid Income Tax return within the specified time limit a surcharge is imposed. A valid return will contain a true and correct disclosure of all sources of income and all expenses, allowances and credits relating to that tax year.

Surcharge for late filing of returns

Even where the full tax liability has been discharged (by Preliminary Income Tax payments or otherwise), a surcharge may arise where the tax return is not made by 31 October of the following year.

This surcharge that can be applied is:

- 5% of the tax liability if the return is made within two months of the filing date (i.e. before 31 Dec), subject to a maximum surcharge of €12,695
- 10% of the liability if more than two months late, subject to a maximum of €63,485.

The surcharge is calculated on the final Income Tax liability, including PRSI and Universal Social Charge and after all refundable tax credits but before taking into account the amount of Preliminary Income Tax paid for that year.

Example

John's final tax liability for 2013 is €10,000 and he paid Preliminary Income Tax of €9,000 in relation to this. He filed his tax return for 2013 on 1 December 2014. The correct filing date was 31 October 2014. The return is therefore late and a surcharge will apply. His final liability for 2013 will now be:

Income Tax liability as calculated	€10,000
Add surcharge for late filing - 5%	€500
Total Liability	€10,500

Surcharge and Preliminary Tax

Where a surcharge is imposed for late filing not only can it increase the tax liability for the year, but it can then result in the Preliminary Income Tax payment being insufficient, giving rise to interest charges.

Example

Take the example of John above. His final position is now as follows:

Income Tax liability as calculated	€10,000
Add surcharge for late filing - 5%	€500
Total Liability	€10,500
Preliminary Income Tax paid	€9,000
Balance due	€1,500

As a result of his liability increasing with the addition of the surcharge, the following consequences arise:

1. He owes an additional €500 in surcharge tax.
2. His preliminary tax is no longer within the 90% rule. As a result he will be charged interest on the full balance outstanding of €1,500. This interest will be charged from the date that the preliminary tax was originally due, which was 31 October 2012. Therefore by the time he submits his return the interest will be calculated from 1 November 2013 – 1 December 2014.

   Interest in the amount of €129.76 (€1,500 x 0.0219% x 395 days) will be charged.

Expression of Doubt

Where a taxpayer is filing his Income Tax return and he is unsure about the treatment of a particular item on the return he should draw the Revenue Commissioner's attention to the matter. He does this by making an 'expression of doubt'. Where a taxpayer includes an expression of doubt the return that he makes will be deemed to be a valid return, even where the treatment of the item is incorrect. This will only apply is the expression of doubt is genuine.

For example, if a taxpayer is unsure about how to tax certain income or whether an expense qualifies as a deduction against income, he can draw the Revenue Commissioner’s attention to the item by making an expression of doubt about the treatment of the item. This will allow the Revenue Commissioners to examine the item in question and decide on the correct treatment. Where the taxpayer has treated the item incorrectly no surcharge will be applied and any balance of tax arising will not be subject to interest on any additional tax arising due to the incorrect treatment of the item.

Where an expression of doubt is not made in relation to any item of income or expenditure and it is subsequently deemed to be incorrectly treated in the Income Tax return, then the taxpayer can have a surcharge imposed as he has failed to file a valid Income Tax return by the specified date, and he may also be charged interest if an underpayment of tax arises.

Revenue Online System (ROS)

The following taxpayers are required to pay and file returns electronically:

- All taxpayers who are VAT registered
- Individuals who avail of certain reliefs and exemptions. These reliefs and exemptions include retirement annuity contracts, PRSA contributions, relief for Additional Voluntary Contributions, Film relief and interest relief on loan to acquire shares in a company or partnership
- All taxpayers whose tax affairs are dealt with by Large Cases Division and all Government Departments
- All companies
- All trusts
- All partnerships
- Self employed individuals filing a return of payments to third parties
- Self employed individuals subject to the high earners restriction
- Self employed individuals benefiting from or acquiring Foreign Life Policies, Offshore Funds or other offshore products
- Self employed individuals claiming a range of property based incentives (Residential Property and Industrial Buildings Allowances).

Therefore, a significant number of taxpayers are now required to meet their self-assessment obligations electronically. All other taxpayers have the right to continue to file a paper return, but can also avail of electronic payment and filing. The returns filed through the ROS system will require the same information as the paper returns.

The service provides for the electronic filing and payment of over 21 different taxes and duties including:

- Income Tax: Form 11
- Corporation Tax: Form CT1
- PAYE Employers: Monthly P30s, Annual P35s and Forms P45 and P46
- VAT: Bi-monthly VAT3s, Annual Return of Trading Details (RTD), VIES and INTRASTAT
- Dividend Withholding Tax.

ROS also provides online facilities to the PAYE customer. PAYE employees can carry out a wide range of activities via ROS. They can view and amend personal details, amend tax credits, apply for refunds of tax including medical expenses relief, return additional sources of income, re-allocate tax credits between spouses and request a review of prior year tax liabilities.

1) Payments

ROS can facilitate the payment of tax liabilities electronically. There are three payment methods currently available in ROS:

- ROS Debit Instruction (RDI)
  The Debit Instruction method requires that customers must complete a ROS Debit Instruction (RDI) in order to make payments for any of the taxes available in ROS. The RDI includes details of the ROS customer's bank account from which Revenue can collect the appropriate liability at the due date. The RDI can be completed on-line by the taxpayer or his tax agent on the ROS site, digitally signed and digitally transmitted to Revenue. Once the RDI has been set up on ROS, the taxpayer or agent acting on his behalf authorises the payment for the requisite amount and period.
- Laser Card/Credit Card/Debit Card
  When a payment is due and is being paid on-line, the details of the taxpayer's bank debit card are input and each individual payment is authorised by the customer.
- Online Banking
  Online banking can be used for paying outstanding Income Tax liabilities only.

For each of these payment methods only the exact amounts authorised by a ROS customer or his agent are deducted from bank accounts. The amounts are never deducted by the Revenue Commissioners in advance of the due dates, even where returns are filed early. If for whatever reason a customer does not wish to make a payment that is due or is only making a partial payment, the Revenue Commissioners will not deduct the tax owed without authorisation from the customer.

Maintain Books and Records

The taxpayer must keep full and accurate records of the business from the commencement date. This can be in the form of a simple summary of an Income Statement. He can prepare the accounts himself or have an accountant do it. The records must be sufficient to enable the taxpayer to make a proper return of income for tax purposes and will depend on the nature and size of the trade, business or source of income.

The definition of records includes accounts, books of account, documents and any other data maintained manually or by any electronic, photographic or other process relating to:

- all sums of money received and expended in the course of carrying on the trade, profession or other activity and the items to which the receipt and expenditure relate to
- All sales and purchases of goods and services relating to the trade, profession and other activity
- The assets and liabilities of the trade, profession or other activity
- All transactions which constitute an acquisition or disposal of an asset for capital gains tax.

Linking documents are defined as documents drawn up in the making up of accounts which show details of the calculations linking records to the accounts. Records and linking documents must be retained for a period of six years after the completion of transactions to which they relate. In the case of a chargeable person under the self assessment system who files his return late, the six year period runs from the end of the year in which the return is filed. Records must be kept for six years unless Revenue advises otherwise.

Failure to keep proper records or failure to keep them for the necessary six years by a chargeable person is a Revenue offence. Heavy fines and/or imprisonment can be imposed on conviction for a Revenue offence. A person who fails to maintain required books and records will be liable to a penalty of €3,000.

1.10.2 Issue of Assessments

The Inspector of Taxes is entitled to issue an assessment to a taxpayer:

- Before 31 October, if a return has been delivered prior to this date, or
- Any time after 31 October following the tax year.

The assessment will be based on the details contained in the tax return submitted by the taxpayer, unless the Inspector of Taxes did not receive a return or was not satisfied with the return received. In this case the Inspector of Taxes can issue an estimated assessment.

The assessment for tax can be amended by the Inspector of Taxes at any time within four years of the end of the year of assessment in which the return is made. Therefore if the Income Tax return for 2013 is submitted to the Revenue Commissioners in 2014, the Inspector of Taxes can amend the assessment any time up to 31 December 2018. This is the general time limit; there are certain circumstances where a return can be amended outside of the four year time limit. The four year limit will not apply when;

- A tax return has not been filed
- The Revenue Commissioners are not satisfied with the return filed
- The Revenue Commissioners have reasonable grounds to believe that the return was completed in a fraudulent or negligent manner.

Appeals against assessments

A taxpayer cannot appeal against an assessment if the assessment contains all of the information that was included by the taxpayer on the tax return.

Where the Inspector of Taxes issues an estimated assessment, the taxpayer can appeal once they satisfy the following conditions:

- The outstanding tax return must be lodged
- They must pay the correct amount of tax outstanding based on the return
- The appeal must be lodged within 30 days of the issue of the assessment.

A valid appeal must be:

- In writing

- Identify each item in the estimated assessment being appealed
- Specify the grounds for the appeal in respect of each item.

1.10.3 Proprietary Directors and Self Assessment

A director who owns in excess of 15% of the share capital of a company is referred to as a proprietary director. These directors will be in receipt of a salary from the company and will have PAYE deducted from this salary. However, the tax system still treats them similar to a self employed individual.

There are additional rules that must be taken into account when calculating the tax liability for a proprietary director.

- A proprietary director is not entitled to a PAYE credit when calculating his Income Tax liability in respect of the income from that company
- A proprietary director may be subject to PRSI at the self employed rates
- A proprietary director is obliged to file a tax return each year, regardless of the fact that all of the Income Tax may be paid through the PAYE system. In order to ensure that the director is brought into the self assessment system there are special rules that apply to the calculation of a surcharge if the director files a tax return after the required filing date. The normal rule for surcharge calculation is to impose an additional 5% / 10% of the tax due, as an additional penalty for late filing. This amount is calculated on the tax due after deducting all refundable tax credits. Where a director is in receipt of a salary only, often there will be no liability outstanding at the end of the year. If there is no liability then the surcharge would be nil and the director is not penalised for not filing his return.

  In order to ensure that this does not arise, the surcharge amount for a director is calculated on the tax liability before taking into account the PAYE paid. Therefore a director could have paid the correct amount of tax through the PAYE system and still owe tax due to a surcharge.

Example

Frank is a proprietary director of F Ltd. His only source of income is his salary of €80,000 from F Ltd. During the year he paid PAYE of €22,480 on his salary and this is his full Income Tax liability for the year. Frank does not file a tax return for 2012 until February 2014 as he was not aware that he needed to do so. The return should have been filed by 31 October 2013. He is therefore liable to a surcharge of 10% as he is more than 2 months late filing the tax return. His final position for 2012 will now be as follows:

Total Income Tax	€22,480
Surcharge for late filing (10%)	€2,248
	€24,728
Less PAYE paid	(€22,480)
Tax due	€2,248

1.11 REVENUE AUDITS

The fundamental principle of the self assessment system is that returns filed by compliant taxpayers are accepted as the basis for computing tax liabilities. As the self assessment system is based on the taxpayer's calculations and declarations, the Revenue Commissioners need to have a system in place to verify the amounts being returned by taxpayers to ensure that they are including the correct figures on the return. This system is known as the Revenue Audit programme. A Revenue Audit gives the Revenue Commissioners the opportunity to do a more detailed examination of the items on a tax return to ensure that the income and claims for allowances and credits are correct.

The primary objective of the Revenue programmes is to promote voluntary compliance with the tax system. The audit programme is mainly concerned with monitoring tax compliance. Its' functions include;

- Determining the accuracy of a return, declaration of tax liability or claim to repayment for VAT, PAYE/PRSI, etc.
- Identifying additional liabilities or other matters requiring adjustments, if any
- Collecting the tax, interest and penalties, where appropriate
- Publishing the names of tax defaulters where it applies
- Specifying remedial action required to put taxpayers on a compliant footing where errors or irregularities are discovered during the course of the audit
- Considering what procedural or other changes are necessary to facilitate counter-evasion activities
- Where strong indications of serious tax evasion emerge in cases, referring them to Prosecutions Division to evaluate suitability for prosecution.

The Revenue Commissioners will normally use one of the following criteria to select tax returns for Revenue Audit:

1. Selection on a random basis. The Revenue Commissioners state that a certain portion of all Revenue Audits each year are randomly selected.
2. Selection is based on an investigation into a particular trade or activity. The Revenue Commissioners will frequently carry out investigations into particular industries that may focus on certain practices within the industry. Involvement in an industry that is part of an investigation can result in a Revenue Audit of a taxpayer.
3. Selection is based on third party information received. This information can often be obtained by the Revenue Commissioners as a result of an audit of another taxpayer, or from information provided by financial institutions as part of special investigations by the Revenue Commissioners. Examples of this would include the special investigations into non-resident bank accounts and insurance products.
4. Selection is based on inconsistent figures contained in the tax returns. The Revenue Commissioners will collect and collate information in relation to certain industries, relating to standard costs and gross profit margin. A taxpayer may be chosen from Revenue Audit if the details in the taxpayers' accounts vary from the standards for the industry sector.

Except where there has been fraud or neglect, or certain other situations, there is a time limit within which a return may be audited. This is currently 4 years from the end of the year of assessment in which the return is submitted.

1.11.1 Types of Audits

There are two types of audit that can be carried out.

A desk audit normally involves the Revenue Commissioners raising a query about a specific item in a tax return. This is usually done by letter or telephone. An example of this would be where the Revenue Commissioners asks the taxpayer to provide all of their medical receipts as evidence of the claim submitted.

A field audit is a more extensive examination. This will involve the Revenue Commissioners visiting the taxpayer and carrying out a detailed examination of all the books and records of the business, plus any relevant documentation in relation to amounts claimed as allowances or credits in their tax return.

There are certain procedures that will be followed when a Revenue Audit is being carried out. The taxpayer will receive notification of the Revenue Audit from the Revenue Commissioners in writing. This will give the taxpayer a period of time in which to prepare for the audit.

1.11.2 Conduct of a Field Audit

Opening Meeting

At the opening meeting for the audit the taxpayer has an opportunity to make a voluntary disclosure. A qualifying voluntary disclosure will set out in writing any errors or omissions in relation to the income declared or allowances or expenses claimed in the relevant period. This must include details of the amounts involved and a calculation of the tax and interest arising on these items. The statement must be signed by the taxpayer and be accompanied by payment for the amount outstanding.

Where a taxpayer makes a qualifying voluntary disclosure at the beginning of a Revenue Audit this may entitle them to a reduction in penalties on the final settlement. The standard penalty that can be charged is 100% of the tax underpaid. However, with a voluntary disclosure and cooperation this can be reduced (see table below). The taxpayer is required to pay the full amount of the tax and interest on the underpaid tax. In addition to this, by making a voluntary disclosure the taxpayer can avoid publication of the settlement.

A qualifying disclosure can be either prompted or unprompted.

- An unprompted disclosure is a disclosure that is made before the taxpayer is notified of an audit, or contacted by Revenue regarding an enquiry or investigation relating to his tax affairs.
- A prompted disclosure is a disclosure made after an audit notice has issued but before an examination of the books and records or other documentation has begun.

At the opening Revenue Audit meeting the Revenue Commissioners will ask the taxpayer about their personal expenditure commitments and details of all assets that the taxpayer owns, including cars and holidays home. The purpose of this is to collate information in relation to the taxpayer that would not appear on a tax return and to see if the level of earnings returned by the taxpayer is reasonable in comparison to the expenditure and wealth of the taxpayer.

Audit

The Revenue Commissioners will also ask detailed questions about the operation of the business, getting a detailed analysis of goods sold or services supplied by the business, types of customers and an outline of how the accounts system is managed in relation to this.

The Revenue Commissioners will then either take the books and records away, or if the taxpayer has accommodation to facilitate it, they will spend a number of days at the taxpayer's premises, examining the books and records.

Audit Settlement / Conclusion

After the detailed examination of the books and records the Revenue Commissioners may have further queries that they will require answers to. On receipt of the answers, and assuming the answers are satisfactory to the Revenue Commissioners, they will either:

- State that they are satisfied and agree no further liability arises
- State that they are satisfied and issue a computation of the final liability they consider to be outstanding
- State that they are not satisfied and seek further clarification.

Interest and Penalties

The audit settlement, where one arises, will involve unpaid tax as well as interest and penalties. Penalties range from 3% to 100% of tax underpaid and interest is charged at a rate of 0.0219% per day since 1 July 2009. Payment of the settlement must be received within one month of the taxpayer making an offer in settlement; otherwise the interest charge will be re-computed.

Fraud or negligence is required to be present before a penalty becomes due. Fraud involves the taxpayer knowingly making a false representation recklessly or careless as to whether it was true or false. Negligence infers lack of care in doing something, failure to exercise care and diligence, or omission to do something that a reasonable person would do / commission of something that a reasonable person would not do.

Penalties must be mitigated by the Revenue Commissioners to a level appropriate to the circumstances of the case. The Revenue Auditor will consider mitigation of the penalty based on the category of tax default concerned. Categories of default and penalties are set out in the following table;

No Qualifying Disclosure	Category of Default	No Co-operation	Co-operation only
All defaults where there is no qualifying disclosure	Careless behaviour without significant consequences	20%	15%
	Careless behaviour with significant consequences	40%	30%
	Deliberate behaviour	100%	75%

Further level of mitigation based on co-operation and whether the taxpayer has made a qualifying disclosure in respect of the detail;

Penalty Table 1	Category of Default	Qualifying Disclosure	
All defaults where there is a qualifying disclosure	Penalty table for defaults that occurred on or after 24/12/2008	Prompted qualifying disclosure and co-operation	Unprompted qualifying disclosure and co-operation
All defaults where there is a qualifying disclosures in this category.	Careless behaviour without significant consequences	10%	3%
First qualifying disclosure in these categories	Careless behaviour with significant consequences	20%	5%
	Deliberate behaviour	50%	10%
Second qualifying disclosure in these categories	Careless behaviour with significant consequences	30%	20%
	Deliberate behaviour	75%	55%
Third or subsequent qualifying disclosure in these categories	Careless behaviour with significant consequences	40%	40%
	Deliberate behaviour	100%	100%

Review / Appeal Procedures

Generally it should be possible to reach agreement with the Inspector of Taxes who is carrying out the audit. However, the taxpayer has various rights of review with regard to the audit procedure. Where the taxpayer and the Inspector of Taxes cannot reach agreement it can be referred to the Internal Review procedure, or for appeal to be heard by the Appeal Commissioners, who are government appointed non-judicial tax experts.

Further appeal, in the form of a full rehearing, can be made to the Circuit Court / High Court / Supreme Court.

1.11.3 The Charter of Rights

Revenue auditors must operate with the framework of The Charter of Rights. The Charter is a statement of taxpayer's rights and an affirmation by the Revenue Commissioners of their determination to protect these rights. The main features of the Charter and their application to audits are as follows;

1. Courtesy and Consideration
    - Audits must be conducted in an efficient, courteous and professional manner.

2. Presumption of Honesty
   - Auditors must fully consider explanations given and contentions made by the taxpayer in relation to any particular issue in dispute before accepting or rejecting these explanations and contentions
   - The taxpayer must be advised of reasons where explanations and contentions are not being accepted.

3. Information

   A taxpayer is entitled to ask for and have made available to him;
   - Workings of the Revenue Auditor supporting proposals for settlement
   - Guidance on the type of evidence required to support explanations and contentions
   - Guidance on his statutory obligations in relation to return filing, record maintenance and tax payments
   - Details of the Revenue policy on charging interest and penalties.

4. Impartiality and Integrity
   - Cases must be dealt with objectively
     1) The Revenue Auditor must be very careful not to do anything or accept anything which might have the effect of compromising his integrity or weakening his official position
     2) The Revenue Auditor must not engage in an audit of any case which involves a family member or where a potential conflict of interest exists.
   - The Revenue Auditor must seek to collect only the correct amount of tax, and must therefore advise the taxpayer of;
     1) Additional reliefs, deductions or allowances which may be claimed
     2) Errors in accounts, returns, submissions and/or computations which overstate the tax liability.

5. Privacy and Confidentiality
   - The Revenue Auditors must exercise care to ensure the security of;
     1) Taxpayer’s books, records, accounts, etc.
     2) Commercial or other information in their possession in relation to the enterprise being reviewed (method of manufacturing, etc.)
     3) Official papers.
   - The Revenue Auditor should be conscious when questioning family members in the presence of other family members or business partners.

6. Review Procedures
   - A taxpayer can request that a review be undertaken;
     1) At local level by the District Manager, or
     2) By the Regional Director, or
     3) By the Principal Inspector of Taxes, or
     4) Jointly by the Principal Inspector of Taxes and an External Reviewer.
   - The External Reviewer is a suitably qualified person to perform the review function, selected from outside the Revenue Commissioners.

7. Compliance Costs
    - As soon as it appears to a Revenue Auditor that the tax return is substantially correct, the audit is terminated
    - Only significant material points are pursued.
8. Consistent Administration
    - A consistent approach is required to charging interest and penalties and publication of the taxpayer's name.

1.12 REVENUE POWERS

Tax legislation contains a range of powers which enables the Revenue Commissioners to carry out all of its functions, both in relation to complying and non-complying taxpayers. Revenue powers may only be exercised by specially commissioned / authorised Revenue officials. The Revenue officials must operate within the terms of The Charter of Rights and exercise their powers subject to legal provisions and constraints contained in the relevant legislation.

The Revenue powers include the following;

- Access to information and documents held by financial institutions
- Access to information and documents held by other third parties (i.e. third parties other than financial institutions)
- Access to books, records and information in the possession of the taxpayer
- Powers relating to the verification of the returns made by financial institutions of deposit interest retention tax (DIRT)
- Miscellaneous other powers

More exceptional powers, to be used in certain limited circumstances, include;

- Search for records and goods
- Detention and seizure of goods
- Entry into private residences in accordance with a Court Order or search warrant
- Arrest persons in certain limited circumstances in accordance with the law.

1.13 TAX CLEARANCE CERTIFICATES

In certain circumstances a taxpayer may be required to obtain a tax clearance certificate from the Revenue Commissioners. The certificate will only be issued to the taxpayer if all tax liabilities have been paid up to date and all relevant returns have been correctly filed.

A clearance certificate is normally required in order to tender for work from government departments and semi state bodies. It will also be required in order to apply for certain licenses, e.g. for publicans and auctioneers, and for the application for certain grants.

1.14 ETHICS AND THE ACCOUNTING TECHNICIAN

The Board of Management of Accounting Technicians Ireland has produced a Code of Professional Ethics for use by members and students. The Code aims to assist members to develop an ethical approach to their work, among other objectives. All members should comply with 5 fundamental principles, which have been set out by the International Federation of Accountants. The 5 fundamental principles are as follows:

1. Integrity

   Members should be straightforward and honest in all professional and business relationships. Integrity implies fair dealing and truthfulness.

2. Objectivity

   Members should be fair and should not allow bias, conflict of interest or undue influence of others to override professional or business judgement. Objectivity may be threatened or appear to be threatened by acceptance of gifts/services/favours/hospitality by a member, or the spouse or dependent children of a member, from a work colleague or a person having or proposing to have a contractual relationship with the member, or the member's employer.

3. Professional Competence and Due Care

   Members have a continuing duty to maintain professional knowledge and skill at a level required to ensure that a client receives the advantage of competent professional service based on current developments in practice, legislation and techniques. Members should act diligently and in accordance with applicable technical and professional standards when providing professional services. Professional competence requires specific education, training, assessment or examination in professionally relevant subjects and a period of relevant work experience in finance or accountancy.

4. Confidentiality

   Members should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority or unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the member concerned or third parties.

5. Professional behaviour

   Members should comply with relevant laws and regulations and should avoid any action that discredits the profession. In marketing and promoting themselves and their work, members should not bring the profession into disrepute. Members should be honest and truthful and should not make exaggerated claims for the services that they are able to offer, the qualifications they possess, or experience that they have gained, or make disparaging references or unsubstantiated comparisons to the work of others.

Students may refer to the Code of Professional Ethics available on the Institute's website and the International Federation of Accountants (www.ifac.org) for further reading.

PRACTICE QUESTIONS

PART A – THE TAXATION SYSTEM

The following questions examine the key areas you are expected to know for this particular subject, and will assist you significantly in your preparation for your examination in May/August. In addition, sample papers for this subject can be downloaded from **www.AccountingTechniciansIreland.ie**

Question 1

State the rules for deciding an individual's residence in Ireland for a tax year.

Outline the taxation implications of the following:

- Being Irish resident and Irish domiciled
- Being Irish resident and not Irish domiciled
- Being non-resident but ordinarily resident in Ireland

Question 2

Philippe, a French domiciled person, arrives in Ireland on 1 August 2008 and stays until 12 January 2013.

- Explain to Philippe the rules relating to ordinarily resident.
- Outline, giving reasons for your answer, the years for which Philippe will be considered ordinarily resident under Irish domestic law.

Question 3

Greg, a US citizen works for a US multinational company. In 2011 he was asked to come to Ireland for a short assignment at the company's Irish operation. The project that Greg was assigned subsequently became much larger and the assignment was subsequently extended. Since 2011 Greg has spent the following days in Ireland:

2011 – Total 32 days

2012 – Greg moved to Ireland on 19 July and stayed for the remainder of the year

2013 – Greg lived in Ireland for the year. However, he spent 40 days on holidays outside of Ireland.

Prior to coming to Ireland in 2011 he had never been here before.

In 2013 Greg has the following income:

Salary from US multinational - €350,000 paid from the US. He remits €120,000 of this.

UK dividend income - €4,200 lodged into his UK bank account.

US rental income - €18,000 lodged directly into his US bank account.

Write a letter to Greg explaining his Irish Income Tax position in each of the three tax years. The letter should include an explanation of the income that will be used to calculate his Irish Income Tax liability in 2013.

Question 4

Explain how the withholding tax system for subcontractors operates. Your answer should refer to the following:

- Who the system applies to?
- What type of work it applies to?
- How it is possible to avoid the withholding tax?

Question 5

Mary (a solicitor) has contacted you stating that she has had Professional Services Withholding Tax (PSWT) deducted from a payment received by her business. You are required to write an email to Mary to explain the PSWT system to her, including who is obliged to deduct PSWT and what type of services it relates to. As you have not received much information from Mary about the payment, you should include some examples to illustrate your explanation.

Question 6

Andrew has been self employed for many years. His Income Tax liability for 2012 was €30,000 and for 2013 is €10,000.

- Outline the due dates for the payment of Andrew's 2013 Income Tax liability and the amount that he is required to pay on each date.
- By what date must he file his Income Tax return for 2013 in order to avoid a surcharge?
- Assume Andrew files his Income Tax return for 2013 on 3 January 2015 calculate the surcharge due.

Question 7

a) Explain the rules for calculating Preliminary Income Tax.

b) Explain briefly the purpose of a Revenue Audit.

Question 8

Pat, a client of the accounting practice that you work for, has received notification from the Revenue Commissioners that he has been selected at random for a Revenue Audit. Pat is anxious to know the process involved in the audit. You are required to write a letter to Pat advising him in relation to the conduct of a field audit and outline Pat's rights in relation to the audit procedure.

Question 9

Orla has recently set up her own business. She is a conscientious person and would like to use the Revenue Online Service (ROS) to deal with her tax affairs. As she is not familiar with the system, she has asked you to provide her with some background information. Write a letter to Orla providing her with details of how ROS can be used by the taxpayer and the benefits of using the online service. You should advise Orla if she is obliged to use ROS to deal with her tax affairs.

Question 10

You are the training manager in a small practice of accountants. As a result of some recent issues that have arisen in the office, you have been asked to write a memo to all staff outlining their responsibilities to act in an ethical and professional manner. Prepare a draft memo outlining the 5 fundamental principles of ethical behaviour.