

TAXATION I

REVISION SEMINAR 1 – SOLUTIONS

Galway – January 23rd, 2010

Dublin – February 6th, 2010



Section 4: ADMINISTRATION AND PROCEDURES

Summer 2009 Taxation 1 (ROI) Q6 (b)

- Jimmy is obliged under the self assessment system to submit an Income Tax return (Form 11) annually to Revenue on or before 31 October in the year following the end of the year of assessment
- In order to submit a complete and accurate tax return, the records Jimmy maintains must be sufficiently detailed to provide complete and accurate information
- Jimmy must maintain documentary evidence in support of all income earned, expenses incurred and allowances and relief's claimed
- Amongst other information, he must maintain sales invoices, purchase invoices, bank statements, lodgement slips, till receipts, cheque stubs and documentary evidence in support of tax credits claimed e.g. medical expense receipts, college fee receipts, service charge receipts etc

Section 5: THE SELF ASSESSMENT SYSTEM

Autumn 2009 Taxation 1 (ROI) Q5 (5)	C
Pilot Paper 1 Taxation 1 (ROI) Q6 (2)	B
Exam Standard Question	C (€7,050 + €16,075) × 5%
Pilot Paper 3 Taxation 1 (ROI) Q6 (2)	B

Pilot Paper 1 Taxation 1 (ROI) Q2 (i)

Accountants & Co
Any town
Co. Anywhere

Client
Any town
Co. Anywhere

Re: SELF ASSESSMENT OBLIGATIONS

Dear Client,

We refer to our recent meeting / your letter of ... and set out hereunder our response in relation to the various queries raised.

Self Assessment Obligations

The self assessment system places the onus / responsibility on the taxpayer to:

- File an annual tax return (Form 11) on or before 31 October each year for the tax year ending on the previous 31 December
- Pay any balance of tax due for the tax year ending on the previous 31 December
- Pay preliminary tax (inclusive of Income Tax, PRSI and Levies) on account in respect of the current tax year

Tax and Due Dates for Payment

In order to avoid exposure to interest, preliminary tax paid on account annually on 31 October should be the lesser of:

- 90% of the tax liability for the current year
- 100% of the preceding years tax liability, or
- 105% of the pre-preceding years tax liability (where direct debit payments are made)

Late Payment Penalties

- Interest at 0.0219% per day will apply to any underpayment of tax from the due date of payment (31 October) until paid

A surcharge will apply where the tax return is not filed by the specified return filing date of 31 October. Where the tax return is filed:

- Within 2 months of the specified return filing date the surcharge will be 5% of the tax liability subject to a maximum of €12,695
- 2 months or more after the specified return filing date, the surcharge will be 10% of the tax liability subject to a maximum of €63,485

We trust this clarified matters for you. However, should you wish to discuss matters in greater detail, please do not hesitate to contact us.

Yours sincerely

Accountants & Co

Section 6: SCHEDULE D CASE I/II

Summer 2009 Taxation 1 (ROI) Q4 (6)	C $8/8 \times 17,200 + 3/12 \times 37,800$
Autumn 2009 Taxation 1 (ROI) Q5 (6)	A $3/12 \times 15,000 + 6/6 \times 12,100$
Pilot Paper 3 Taxation 1 (ROI) Q5 (a)	2007 €29,280 2008 €29,350 following review 2009 €23,850
Summer 2008 Taxation 1 (ROI) Q6	2002 €11,500 2003 €21,000 2004 €13,875 following review 2005 €25,200 2006 €28,875 following review 2007 €18,025
Summer 2005 Taxation 1 (ROI) Q5 (a)	2002 €34,656 2003 €40,500 following review 2004 €45,300
Autumn 2005 Taxation 1 (ROI) Q5 (a)	2003 €14,800 2004 €22,200 2005 €18,400 following review 2006 €22,500
Summer 2004 Taxation 1 (ROI) Q6 (1)	C

Section 11: SCHEDULE F

Summer 2007 Taxation 1 (ROI) Q6 (4)	C
Summer 2006 Taxation 1 (ROI) Q6 (1)	B
Summer 2005 Taxation 1 (ROI) Q6 (7)	A

Section 12: INCOME TAX COMPUTATIONS

Autumn 2009 Taxation 1 (ROI) Q5 (1)	C
Summer 2009 Taxation 1 (ROI) Q4 (1)	D
Summer 2009 Taxation 1 (ROI) Q4 (2)	B
Autumn 2007 Taxation 1 (ROI) Q6 (1)	B
Autumn 2007 Taxation 1 (ROI) Q6 (3)	B
Summer 2007 Taxation 1 (ROI) Q6 (2)	A
Autumn 2006 Taxation 1 (ROI) Q6 (3)	D
Autumn 2005 Taxation 1 (ROI) Q6 (6)	A
Summer 2005 Taxation 1 (ROI) Q6 (5)	C
Autumn 2004 Taxation 1 (ROI) Q6 (4)	B
Summer 2004 Taxation 1 (ROI) Q6 (5)	A
Summer 2004 Taxation 1 (ROI) Q6 (8)	B
Autumn 2006 Taxation 1 (ROI) Q6 (2)	C
Autumn 2003 Taxation 1 (ROI) Q2 (3)	D
Autumn 2003 Taxation 1 (ROI) Q2 (2)	B
Autumn 2003 Taxation 1 (ROI) Q2 (5)	A

JAMES & AISLING

			Single James	Single Aisling	Joint Assessment
Schedule D					
Case I/II	(49,400 x 10/13)		38,000		38,000
Case III			400		400
Schedule E					
Salary			5,400	22,115	27,515
Pension Deduction			(400)		(400)
TAXABLE INCOME			<u>43,400</u>	<u>22,115</u>	<u>65,515</u>
Taxed:					
36,400	@	20%	7,280		
7,000	@	41%	2,870		
22,115	@	20%		4,423	
65,515	@	20%			13,103
TOTAL TAX			10,150	4,423	13,103
Less: Non-Refundable Tax Credits					
Single Persons Credit			(1,830)	(1,830)	
Married Persons Credit					(3,660)
PAYE Credit (5,000 x 20%)			(1,000)		(1,000)
PAYE Credit				(1,830)	(1,830)
			7,320	763	6,613
Less: Non-Refundable Tax Credits					
PAYE paid at source			(715)	(680)	(1,395)
TAX PAYABLE / (REFUNDABLE)			<u>6,605</u>	<u>83</u>	<u>5,218</u>
Year of Marriage Relief					
James - Single Liability					6,605
Aisling - Single Liability					83
Total					6,688
Less: Joint Assessment Liability					(5,218)
Tax Saving Joint vs. Single Assessments					1,470
Year of Marriage Relief	(1,470 x 8/12)				980

NIAMH & FERGAL

		Single Niamh	Single Niamh
Schedule D			
Case I/II		47,500	
Pension Deduction	(Restricted to 850 x 12)	(9,500)	
Case IV	(322.50 / 75%)	430	
Case V	(800 x 12 less 6,000 x 8/12 x 75%)	3,400	
Schedule E			
Salary			33,450
Bonus			2,130
Schedule F (640 / 80%)			
		800	
TAXABLE INCOME		<u>42,630</u>	<u>35,580</u>
Taxed:			
36,400	@ 20%	7,280	
430	@ 25%	108	
5,800	@ 41%	2,378	
35,580	@ 20%		7,116
TOTAL TAX		<u>9,766</u>	<u>7,116</u>
Less: Non-Refundable Tax Credits			
Single Persons Credit		(1,830)	(1,830)
PAYE Credit			(1,830)
DIRT		(108)	
		<u>7,828</u>	<u>3,456</u>
Less: Non-Refundable Tax Credits			
PAYE paid at source			(3,750)
Sch F DWT		(160)	
TAX PAYABLE / (REFUNDABLE)		<u>7,668</u>	<u>(294)</u>

BRENDA & RICHARD

	Brenda	Richard	Total
Schedule D			
Case I/II		45,680	45,680
Pension Deduction (600 x 6)		(3,600)	(3,600)
Case IV	700		700
Case V (disallow extension costs)		4,210	4,210
Schedule E			
Salary	35,170		35,170
Bonus	3,275		3,275
BIK - Car (19,000 x 12.5% x 5/12)	990		990
Schedule F			
	640		640
TAXABLE INCOME	<u>40,775</u>	<u>46,290</u>	<u>87,065</u>
Taxed:			
72,800 @ 20%	14,560		
700 @ 25%	175		
13,565 @ 41%	5,561		
46,290 @ 20%			
TOTAL TAX	<u>20,296</u>		
Less: Non-Refundable Tax Credits			
Married Persons Credit	(3,660)		
PAYE Credit	(1,830)		
DIRT	(175)		
	<u>14,631</u>		
Less: Non-Refundable Tax Credits			
PAYE paid at source	(6,940)		
Sch F DWT	(128)		
TAX PAYABLE / (REFUNDABLE)	<u>7,563</u>		

TERRY & JUNE

		Terry	June	Total
Schedule D				
Case I/II			21,800	21,800
Case IV	(360 / 75% and split 50% each)	240	240	480
Case V	(1,200 x 2 - all interest pre-letting - disallowed)	2,400		2,400
Schedule E				
Salary		41,350		41,350
Bonus		1,650		1,650
BIK - Loan	(50,000 x 12.5% x 6/12 - 50,000 x 5% x 6/12)	1,875		1,875
Schedule F				
	(192 / 80%)		240	240
TAXABLE INCOME		<u>47,515</u>	<u>22,280</u>	<u>69,795</u>
Taxed:				
45,400	@ 20%	9,080		
22,040	@ 20%	4,408		
480	@ 25%	120		
1,875	@ 41%	769		
TOTAL TAX		<u>14,377</u>		
Less: Non-Refundable Tax Credits				
Married Persons Credit		(3,660)		
PAYE Credit		(1,830)		
Incapacitated Child Credit		(3,660)		
Medical Expenses Credit	(3,650 - 3,200) x 20%	(90)		
DIRT		(120)		
		<u>5,017</u>		
Less: Non-Refundable Tax Credits				
PAYE paid at source		(4,160)		
Sch F DWT		(48)		
TAX PAYABLE / (REFUNDABLE)		<u>809</u>		

RITA

			Rita
Schedule D			
Case IV	(525 / 75%)		700
Case V			5,020
Schedule E			
Salary			48,000
Pension Deduction			(3,450)
Widows Pension			9,850
Schedule F	(192 / 80%)		240
NET STATUTORY INCOME			60,360
PHI Premiums			(800)
TAXABLE INCOME			59,560
Taxed:			
40,400	@	20% (with dependent children)	8,080
700	@	25%	175
18,460	@	41%	7,569
TOTAL TAX			15,824
Less: Non-Refundable Tax Credits			
Widowed Persons Credit			(1,830)
PAYE Credit			(1,830)
One Parent Family Credit			(1,830)
Additional Widowed Parent Credit - Yr1 Bereavement			(4,000)
Dependent Relative Credit			(80)
Trade Unions Subs			(70)
Medical Expenses	(350 + 650 + 170 - 120) x 20%		(210)
Home Interest Credit	(900 x 15%) Non First Time Buyer		(135)
DIRT			(175)
			5,664
Less: Non-Refundable Tax Credits			
Sch F DWT			(48)
TAX PAYABLE / (REFUNDABLE)			5,616