



DEREK MADDEN & COMPANY



Derek Madden & Company welcomes you to our second news letter (February 2010)

Welcome

Since our first newsletter the 2010 budget has come and passed and we intend to issue a special newsletter regarding all the changes contained in the 2010 finance bill. In the meantime a summary of the main budget changes can be found at:

www.taxireland.ie/taxadvice/34582.aspx

About Us

Derek Madden & Company was established in March 2007 with the aim of helping a broad range of businesses meet their compliance obligations in relation to the Revenue Commissioners and the Companies Registration Office. As well as helping to meet all compliance obligations we aim to add value to businesses with regard to saving costs, providing good tax advice and helping businesses grow and enjoy future success.

For a free consultation do not hesitate to contact us.

Income Levy Refunds for PAYE Employees and Pensioners

The Income Levy came into effect on 1st January 2009. It applies to Gross income, (including notional pay), before any relief for capital allowances, losses, or pension contributions. Where the levy was deducted through the PAYE system, in certain circumstances an employee may have overpaid the levy during 2009 and therefore may be due a refund. An application can be made to Revenue for any refund due. Details on how to claim a refund and those who may be entitled to a refund are available at: www.revenue.ie/en/tax/it/income-levy-refunds.html

The extension of Automatic Reporting of Deposit Interest from Financial Institutions

The Revenue Commissioners have extended their voluntary disclosure initiative for undisclosed income or funds held in banks and building societies to credit unions. Taxpayers who had €100,000 or more in aggregate credit union accounts (which included funds not previously declared for tax) at any time between 1st January 2005 and 31st December 2008 have until 31st March 2010 next to make a voluntary disclosure under an initiative announced by the Revenue Commissioners.

Details are available at:

<http://www.revenue.ie/en/about/publications/auto-reporting-of-deposit-interest.html>



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Tax Exemption for Start Up Companies

The Minister for Finance finally signed the commencement order for the tax exemption for new start up companies on 15th December 2009. The exemption, first announced by the Minister in the Budget in October 2008, applies to companies incorporated on or after 14th October 2008 and who commence a new trade in 2009.

Section 31 of Finance (No.2) Act, 2008 provides that a three year exemption will apply to these companies who have a tax liability of less than €40,000 per year by reducing this liability back to nil. Marginal relief will apply where the tax liability is between €40,000 and €60,000 but no relief will apply once the liability exceeds €60,000. In short, the exemption will apply to companies who have a taxable profit of approximately €300,000.

There is some good news for companies that have commenced a new trade in 2010. The Department of Finance has confirmed that it will extend the exemption to companies that commence a new trade in 2010. This amendment will be contained in the Finance Bill which is due to be published on 4th February 2010.

Any company intending to avail of the tax exemption should review Sec 32 of Finance (No.2) Act, 2008 in detail as there are a number of conditions to be satisfied before successfully claiming the exemption. These include:-

- The company must be incorporated on or after 14th October 2008.
- The company must commence a "new trade" in 2009 (to be extended to 2010).
- A "new trade" cannot be previously carried on by another individual or company.
- Trade will not include professions, providing professional services, exercising an employment, or the provision of services to a business entity carrying on a profession or exercising an employment.

Before a company is incorporated and commences to trade with the intention of availing of the tax exemption, appropriate tax advice should be obtained to ensure the company is entitled to avail of the exemption. Derek Madden & Company can assist you in forming a limited liability company or deal with any queries you have in relation to the tax exemption.

The Snippets Corner (A few quick and easy adjustments that might improve your business)

- Be aware that the VAT rate changed in the budget from 21.5% to 21% from the 1st January 2010.
- Beware of over reliance on one or two large customers. If they go - you go. Broaden your base of activities to avoid relying on one or two large customers or suppliers. The success of the business should not be dependent on one or two people outside the control of the business, or even a Government Department.
- A proprietor and his/her family living beyond their means is a threat to a business, this is a problem that most family businesses suffer from. Personal drawings should not exceed profits under any circumstances. The prudent business person should ensure sufficient profits are retained in the business for future developments.
- In relation to credit control, the Institute of Certified Public Accountants in conjunction with the small firms association have issued a leaflet outlining the 35 Best Practice tips for more effective credit control, for a copy of this leaflet email info@maddenco.ie
- If you feel that you may be entitled to a tax refund complete your 2009 Personal Income tax return as early as possible in 2010 in order to help with cash flow. Log on to our website www.maddenco.ie and follow the 'Tax Calculator' links
- From the 1st January 2009 all domestic and non-domestic properties offered for sale or rent requires a Building Energy Rating Certificate to accompany them. Failure to comply is breaking the law.

Disclaimer: This information bulletin is intended to be used for guidance purposes only. For further information you should contact the office directly. Derek Madden & Company cannot be held liable for any error, or for the consequences of any action, or lack of action arising from this bulletin.