



DEREK MADDEN & COMPANY



Derek Madden & Company welcomes you to our latest newsletter (November 2010)

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.

With the 2011 budget looming and no doubt it will contain significant heartache for us all, we have decided in this edition we will cover some topics that may save you money, tax and help you improve your business and personal situation if you are in PAYE employment. Don't worry we will cover all the gory details of the budget in our December Newsletter!

Derek Madden

Capital Gains Tax Planning

If you are considering disposing of assets in the near future you might consider delaying the sale of those assets in order to increase cash flow and allow more time to pay any liabilities.

- Gains made between 01st January 2010 and the 30th of November 2010, there is preliminary tax due by the 15th of December 2010.
- Gains made on 01st December 2010 and 31st December 2010 then the preliminary tax is not due until 31st of January 2011.
- Gains held over till January 2011 the preliminary tax is not due until 15th of December 2011. **Care should be taken here as the Capital Gains Tax rate may change in the budget.**

Individuals and the possibility of widening the Tax Band

It makes sense to income shift if possible. If you are married you can widen the 20% band by:

- Shifting income from an earning to a non earning spouse therefore getting up to €72,800 of Income Taxed at 20% instead of €45,400.
- This can be achieved for both director owned family businesses and sole traders providing that your spouse is non-earning or only partially earning in another employment.

Cash Registers

Revenue has recently issued a leaflet on Cash Registers and the obligation to maintain proper books and records to determine tax liability or entitlement to deductibility. It is extremely important for all cash businesses to be fully compliant in order to survive a revenue Audit. We recommend that you read the leaflet which can be found on the revenue's website at the following link.

<http://www.revenue.ie/en/tax/vat/leaflets/cash-registers.html#section7>

Bowling Green, Mallow, Co. Cork. Tel: 022-51752 Fax: 022-42023

Web: www.maddenco.ie Email: info@maddenco.ie

Landlords –

Don't overpay tax by under claiming your mortgage interest

If you have to file an income tax return in relation to rental income earned in 2009, you will probably be aware that the amount of allowable mortgage interest was reduced from 100% to 75% in 2009. What is less well known is that the reduction to 75% applies **only from 7 April 2009** (Budget Day). You can therefore claim 100% of your mortgage interest up until this date. A common misconception is that mortgage interest for the whole of 2009 must be reduced to only 75% (There is no restriction for Commercial Property). However by doing this, you are overstating your rental profits and overpaying tax.

As mortgage interest is the single largest expense which can be deducted against rental income, getting this wrong can cost you hundreds of euro in tax. Unfortunately revenue has also stated that NPPR charges are not permitted to be deducted in arriving at taxable rental profits!



Back by popular demand! It's the snippets corner.

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

- It maybe worthwhile to register for VAT even if you are under the threshold for VAT. (€75,000 turnover per annum if supplying goods and €37,500 for the supply of services). You may elect to register and claim vat back on diesel, phone and stationary costs etc... You will also have to charge VAT on your sales but if your customers are VAT registered this should not make your goods/services dearer to them.
- Don't forget to claim all you home office expenses including light and heat, telephone, broadband, repairs and maintenance, office furniture and home insurance etc... contact the office to discuss these expenses.
- If you are a member of a trade union, you can claim a tax credit of up to €70 for the tax year 2010. It all helps!!!
- R&D credits should be claimed within one year or else you lose them.
- Having difficulty making payments to revenue, revenue are prepared to make installment arrangements, make sure to give the full facts, agree an installment figure and make sure to keep payments up to date.
- All owner managed businesses can't avoid PAYE by simply labeling employees as self employed so we advise all clients to be sure all contractors/outsourced services are that and not employees.
- If you are entitled to Refunds of Foreign Vat you can now apply to Revenue (under ROS) instead of the foreign tax authority which was slow.
- Making a BES or Film investment before 31 December 2010 can reduce an individual's personal tax liability for the year 2010. Tax relief in the current year tax year can be claimed on an investment of up to €150,000 in BES and €50,000 in a film scheme.
- Now is a good time to consider the transfer of assets and/or family owned businesses to the next generation and avail of the potential tax benefits arising from recent declines in asset values and possible future increases in tax rates. As all taxes on gifts, i.e. Capital Acquisitions Tax (CAT), Capital Gains Tax (CGT) and Stamp Duty are calculated by reference to the market value of the assets being transferred, it follows that while property and share values are low, it may be an opportune time to make a gift. All tax implications should be considered and advice sought.
- From a personal tax perspective, now is the time to consider reviewing your business and personal assets to determine if some form of restructuring could be of benefit e.g. sole traders could consider incorporation.

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.