



MONEY MATTERS

with Derek Madden & Company



Keeping Your House in Order

The Institute of Certified Public Accountants have issued a bulletin containing the "Potential Traps for the Small Business Trader/ Professional" and it examines the common 'traps' that come to light when a business has been selected for revenue audit.

The following is a small extract from the bulletin. The full bulletin can be found at www.cpaireland.ie or email us at info@maddenco.ie and we will forward you on a copy.

"As the economic uncertainty continues, those lucky enough to still be in business might think that it is enough to concentrate their efforts more on keeping their business afloat than on keeping their tax affairs in order. While it is true that "every penny counts" that goes into the Exchequer, nevertheless such businesses will not be rewarded for their tax contributions to the Exchequer by allowing any slippage in tax compliance. In fact the opposite is the case – Revenue officials are now under more pressure than ever before to collect the tax that is owed, whether it be tax returned but unpaid (e.g. PAYE/VAT returns made without a tax payment) or tax incorrectly calculated. The focus of this bulletin is on the latter. Where tax/PRSI is understated and the liability eventually comes to light, not only will the tax/PRSI have to be paid but will have to be accompanied by; interest and penalty (the penalty is a rate of up to 100% of the underpaid tax/PRSI). Interest is charged at a daily rate of 0.274% (0.322% prior to 1 July 2009) on fiduciary taxes. The 100% penalty can be substantially mitigated where an "unprompted disclosure" is made and there is co-operation with Revenue in bringing the tax affairs up to date. Failure to put one's tax affairs in order can lead to publication as a tax defaulter and/or prosecution.

Individuals who lost their jobs and were forced to set up their own business (because they could not find alternative employment) are likely to be more at risk for tax non compliance. Starting out with very limited financial resources, they might not be in a position to engage tax or other professionals at the outset for advice on their legal and tax obligations. On the basis that they expect not be making a profit in the early years, they can mistakenly fall into the trap of thinking that registering and accounting for tax is not a priority in those early years. A liability for say, VAT/PAYE is not profit related and in some circumstances registration for one or both taxes may be required at commencement of the trade/profession."

The topics in this bulletin were chosen by the Institute chosen because of their tendency to be regular "traps" and usually only come to light when a business has been selected for Revenue audit.

The topics covered in the Article Include: PAYROLL, VAT and TAX CLEARANCE CERTIFICATES.

News in Brief

VIES Return

Irish businesses who supply goods to VAT registered customers in other EU Member States without charging Irish VAT are required to submit a VIES return each month/quarter. Many businesses are not aware that from 1 January 2010 this

obligation was extended to the supply of services.

VIES returns can be submitted either monthly or quarterly and must include details of all VAT registered customers in other Member States to whom you have supplied goods or services without charging Irish VAT.

Failure to file a VIES return can result in a penalty of €4,000.

If you are involved in Supply of Goods or Services to other Member States please register with VIMA (VIES INTRASTAT & Mutual Assistance) as soon as possible.

Changes to the operation of Relevant Contracts Tax (RCT) - C2 Applications

Subject to a commencement order to be signed by the Minister for Finance, the new electronic RCT system will be introduced on 1st January 2012.

In Revenue eBrief 34/11 Revenue advised that principal contractors would be able to notify contracts on-line from 28th November 2011. This facility will now be available from 5th December 2011. Principal contractors may access the new RCT system on or after 5th December to view, notify or amend contracts.

eBrief 67/11 - As a consequence of the change of date, there is additional time for submitting C2 applications. However, applications received after 17th November will not be processed in time for the zero rate to apply from 1st January.

Last Chance

There is only a few weeks left to claim your 2007 tax refund so if you have been putting it off it's time to get going!

Simplified Filing Arrangements 2012

Revenue will shortly be writing to those businesses identified as qualifying for simplified filing arrangements from 1 January 2012. Members will be aware that simplified filing arrangements for VAT, PAYE/PRSI and RCT, are available to smaller businesses with liabilities below certain thresholds. This allows them to file returns on a less frequent basis than the standard.

Businesses identified as qualifying for simplified filing are automatically enrolled in the arrangement by Revenue. This means that if clients wish to continue to file on the standard basis, they will need to contact Revenue to "opt out". Clients may have a preference to continue to file "as normal" if, for example, they are in a permanent VAT refund position or wish to pay VAT as soon as possible rather than building up your liability.



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