



The annual Fitzgerald & Partners Budget Breakfast Briefing was held at the Blue Haven Hotel, Kinsale with guest speaker Ciarán Desmond, Tax Expert.

Mr Desmond began by discussing the current shortfall in exchequer revenues compared to the targets set for the year. Expenditure cuts of €1.4 billion being introduced to deal with the shortfall are mainly in the health, education and social protection sectors. The main changes are the fuel allowance being reduced from a 32 to 26 week, job seekers allowance being based on a 5 day instead of 6 day week and an increase in the Drug Payment Scheme threshold from €120 to €132 per month. Mr. Desmond commented that it was the first time since he began speaking at the Fitzgerald & Partners budget briefing that there was no change to income tax. Wages and Salaries in January 2012 will be no less than wages in December 2011 so people will continue to have discretion on how they spend their income. Although there was no change to PRSI, the Finance Minister did comment that there would be a broadening of the PRSI base in 2013 to cover rental, investment and other forms of income.

In order to remove the incentive for absenteeism, the first 36 days of "Illness and Occupational Injury" benefit will no longer be exempt from tax. Another change which will negatively affect employers will be the reduction in the government redundancy rebate from 60% to 15% from January 2012.

To help stimulate the property market, mortgage interest relief will increase from 15% to 25% for first time buyers who purchase property in 2012. For non first time buyers, the rate will increase from 10% to 15%. In addition, to help those first time buyers who purchased houses at the height of the property boom between 2004 and 2008, the rate of mortgage interest relief has been increased from 25% to 30%.

In relation to deposit interest, the rate of DIRT is being increased by 3%. Mr. Desmond also noted that PRSI will apply on deposit interest from 2013 in addition to the DIRT and USC paid.

One of the few positive notes is that the Corporation Tax rate will remain the same at 12.5% as agreed in the programme for Government. The exemption from Corporation Tax for companies with a liability of less than €40,000 for the first three years has been extended for companies that commence trade up to 2014.



The R&D Credit has been increased with the first €100,000 now benefiting on a volume basis. The credit also continues to apply to R&D expenditure over €100,000 on an incremental basis. Outsourced R&D limits have also been increased which will be a welcome addition to smaller companies who outsource their R&D requirements.

As a replacement to BES investments, the finance minister introduced a new Employment Investment & Incentive Scheme to run until December 2013. This scheme will allow investment of up to €10 million for companies carrying on relevant trading activities. The added advantage of the EIS scheme over BES is that the investor must only hold the shares for three years with initial tax relief of 30% on investments up to 150,000 in a given tax year.

Other increase in taxes included the increase in both CAT and CGT from 25% to 30% with immediate effect. The Group A threshold for CAT which includes gifts and inheritance from a parent to a child has been reduced from €332,084 to €250,000.

On excises the only change was a 25 cent increase in the price of 20 cigarettes from midnight on 6th December 2011. However, the increase in VAT from 21% to 23% and the increase in carbon tax will mean the price of petrol and diesel will also increase. There will also be an increase in Motor Tax from January 2012 with the increases depending on the CO<sub>2</sub> bands and cc rates.

Managing Partner, Cormac Fitzgerald thanked everyone for attending and also thanked Ciaran Desmond for his informative and detailed presentation. He invited clients to contact him at the offices of Fitzgerald & Partners for any specific queries on how the budget impacts their own business.

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## CHANGE IN VAT RATE

The standard rate of VAT has increased from 21% to 23% with effect from 1 January 2012. All goods and services currently subject to the standard VAT rate of 21% will be affected by the Budget change.

The following list includes items that will be subject to the increased rate of VAT:

**Drink & Cigarettes:**

Alcohol, soft drinks, fruit juices, bottled waters, cigarettes and other tobacco;

**Transport fuels:**

Petrol, auto diesel, motor oil and liquid petroleum gas;

**Vehicles:**

Cars, lorries etc., car accessories, tyres, motorcycles, pleasure boats, mobile homes;

**Consumer Goods:**

Adult clothing, adult footwear, jewellery, cosmetics, pottery and glassware, sports goods, stationery, toys, bicycles, CD/DVDs, computers, electrical equipment, carpets & floor coverings, furniture, soft furnishings, household goods;

**Hiring/Leasing:**

Hiring and leasing of equipment and vehicles, television rental, DVD/video rental;

**Certain Services:**

Accountancy services, advertising, haulage, telecommunications, professional services (legal), toll roads;

**Confectionery:**

Sweets, chocolates, ice cream, crisps, peanuts.

**Note:** the above list is not exhaustive

The increase in the standard rate of VAT will not affect goods and services that are currently subject to the zero rate, the 13.5% reduced rate or the 9% reduced rate. These rates are not being changed in the Budget.

**Do traders have to pass on the VAT increase to their customers?**

- VAT is a consumer tax and it would be normal practice for traders to pass on a VAT increase to their customers.
- Traders are obliged to account to Revenue for VAT at the appropriate rate.
- Where supplies of standard-rated goods or services are made to business customers, the trader is obliged to show VAT separately at the new rate on the invoice. Business customers are entitled to claim the VAT back, subject to normal VAT rules.
- Where supplies are made to private consumers and other non-registered persons, the consideration at which the trader sells goods or services is VAT-inclusive. From 1 January 2012, the consideration will include VAT at 23%.

**What is the situation for businesses on the invoice basis of accounting for VAT?**

Where traders account for VAT on the sales or invoice basis they must account as follows:

- sales to businesses - at the rate in force at the time they issue the invoice or are required to issue the invoice, whichever is the earlier.
- sales to private individuals or other non-registered persons - at the rate in force at the time of the supply.

**What is the situation for businesses on the cash basis of accounting for VAT?**

Traders who account for VAT on the cash basis are not liable for VAT on their supplies until they receive payment. However, where they make supplies before 1 January 2012 but receive payment on or after 1 January they should account for VAT on those supplies at the 21% rate. Such traders must account for VAT at 23% on goods and services supplied on or after 1 January.

**Credit Notes**

Any VAT credit note or debit note relating to a supply of goods or services which contains a VAT adjustment and which is issued to a VAT-registered person, a public body or an exempt person on or after 1 January 2012 should show VAT at the rate in force at the time the original invoice was issued.

**Contracts Existing on 1st January 2012**

Where a contract to supply goods or services is entered into before 1 January 2012, and the contract is not completed until after that date, the agreed VAT inclusive price may be subject to an appropriate adjustment due to the change in the VAT rate, unless there is agreement to the contrary between the contracting parties.

**Stock on Hands on 1st January 2012**

A trader who is registered for VAT on 1 January 2012 must account for VAT at the 23% rate on standard rated stock supplied after that date, even though the trader may have purchased this stock at the 21% VAT rate before that date.



# 10 TIPS TO HELP YOUR BUSINESS SUCCEED

To succeed in business today, you need to be flexible and have good planning and organisational skills. Many people start a business thinking that they'll turn on their computers or open their doors and start making money - only to find that making money in a business is much more difficult than they thought. You can avoid this in your business ventures by taking your time and planning out all the necessary steps you need to reach to achieve success. Read on to find out how.

## 1. Get Organised

To be successful in business you need to be organised. Organisation will help you complete tasks and stay on top of things to be done. A good way to do this is to create a to-do list each day - as you complete each item, check it off your list. This will ensure that you're not forgetting anything and you're completing all the tasks that are essential to the survival of your business.

## 2. Keep Detailed Records

All successful businesses keep detailed records. By keeping detailed records, you'll know where the business stands financially and what potential challenges you could be facing. Just knowing this gives you time to create strategies to overcome the obstacles that can prevent you from being successful and growing your business.

## 3. Analyse Your Competition

Competition breeds the best results. To be successful, you can't be afraid to study and learn from your competitors. After all, they may be doing something right that you can implement in your business to make more money.

## 4. Understand the Risks and Rewards

The key to being successful is taking calculated risks to help your business grow. A good question to ask is "What's the downside?" If you can answer this question, then you know what the worst-case scenario is. This knowledge will allow you to take the kinds of calculated risks that can generate tremendous rewards for your business.

## 5. Be Creative

Always be looking for ways to improve your business and to make it stand out from the competition. Recognise that you don't know everything and be open to new ideas and new approaches to your business.

## 6. Stay Focused

The old saying that "Rome was not built in a day" applies here. Just because you open a business doesn't mean that you're going to immediately start making money. It takes time to let people know who you are, so stay focused on achieving your short-term goals and give the rest time to come together on its own.

## 7. Prepare to Make Sacrifices

The lead-up to starting a business is hard work, but after you open your doors, your work has just begun. In many cases, you have to put in more time than you would if you were working for someone else. In turn, you have to make sacrifices, such as spending less time with family and friends in order to be successful.

## 8. Provide Great Service

There are many successful businesses that forget that providing great customer service is important. If you provide better service for your customers, they'll be more inclined to come to you the next time they need something instead of going to your competition.

## 9. Be Consistent

Consistency is a key component to making money in business. You have to consistently keep doing the things necessary to be successful day in and day out. This will create long-term positive habits that will help you make money over the long term.

## Conclusion

Starting and running a successful business can be rewarding and challenging. Success requires focus, discipline and perseverance. However, success will not come over night - it requires a long-term focus and that you remain consistent in challenging environments.

## CHANGE TO THE OPERATION OF THE UNIVERSAL SOCIAL CHARGE FROM 1 JANUARY 2012

From 1st January 2012 the basis by which the Universal Social Charge (USC) is deducted will change from the week 1 basis to a cumulative basis. The operation of cumulative USC will mirror that presently used in PAYE. USC thresholds will be managed in the same manner in which Cut-Off-Points are presently managed in PAYE.

As a result of this change, amendments will be made to a number of PAYE forms and outputs from 1 January 2012, they include:

- Employer(s) tax credit certificate (P2C)
- Employees Tax Credit Certificate (TCC)
- The Form P60
- The Form P45

The Revenue On-line System (ROS) will also be upgraded to accommodate this change.

**Should you have any queries on this, please call us today on 021 477 4500.**

## MANDATORY ON-LINE TAX RETURN FILING

Mandatory electronic payments and filing, using Revenue's Online Service (ROS), is part of Revenue's strategy to establish the use of electronic channels as the normal way of conducting tax business.

ROS is an internet facility which provides you with a quick and secure facility to pay tax liabilities, file tax returns, access your tax details and claim repayments. The ROS facilities are available 24 hours a day, 7 days a week, 365 days a year. You can benefit from an extension to existing deadlines for paying tax and filing returns where you both pay and file using ROS. The existing time limits have been extended to the 23rd of the month for Corporation Tax, Relevant Contracts Tax, VAT and Employer PAYE/PRSI.

You may have received a letter from Revenue notifying you that all payments and returns due must be electronically filed using ROS. The following information is provided to support and help you to pay and file electronically.

### Who is required to pay and file electronically in phase 3B?

#### PHASE 3B

Employers with 10 or more employees, not already covered in Phase 3A will be required to pay and file returns electronically for 1st October, 2011.

Customers can make electronic payments to Revenue by means of a ROS Debit Instruction (RDI).

### How RDI operates

Once the RDI is set up the customer can start to make payments in respect of various taxes. However **the customer must initiate each payment by going online** and authorising Revenue to deduct the stated amount from their bank account. Only the exact amounts authorised by ROS customers or their agents on their behalf are deducted from bank accounts.

The requisite amounts are never deducted by Revenue in advance of the due dates, even where returns are filed early (unless the payment date is amended by the ROS customer or an instruction is received by Revenue to amend the payment date). Revenue will only deduct the tax owed following authorisation from the customer.

## HOUSEHOLD CHARGE

As you are aware a household charge of €100 per dwelling is being introduced in 2012 per the Budget. We set out below some details in relation to same for your information.

All owners of residential property as at 31st January 2012, subject to a number of exemptions, are liable to pay the household charge by the **31st March 2012**.

The charge does apply to those paying the NPPR €200 charge also. If a building is divided into flats or bedsits, the charge applies to each flat or bedsit. i.e. 4 bedsits means €100 x 4 = €400 payable.

The charge is payable on-line at [www.householdcharge.ie](http://www.householdcharge.ie) - you will need your PPS number and address of property to pay. The payment can also be made by cheque, postal order etc. to the Local Government Management Agency or County/ City Council offices. It can be paid by 4 instalments on the 13th March, 14th May, 13th July and 10th September 2012.

It is each residential property's owner responsibility to register and pay the charge, there will not be invoices sent regarding same. There will be late payment fees and interest charges applied for unpaid amounts. These will continue to accrue for 12 years after the charge became due and will have to be discharged before transfer or sale of a property.

## PAYMENT OF TAX BY CREDIT CARD



Customers can pay tax (excluding Domicile Levy) to Revenue by credit card [limited to VISA and Mastercard]. Arrangements to pay by credit card can only be made, for the moment, by telephone. Revenue's dedicated payment by credit card telephone service is available Monday to Friday 9:00-17:00 hours on 1890 27 37 47 (international customers +353 1 828 8045).

Payment by credit card is an acceptable form of payment for ROS Mandatory e-Filers. It is also an acceptable form of payment to qualify for extended ROS payment deadlines.

A person wishing to pay by credit card must pay a transaction charge, purely related to third party fees incurred by Revenue, in the provision of this service, of 1.69% of the value of the payment.

**Should you wish to discuss any of the above, please do not hesitate to call us on 021 477 4500.**

Please note there are some **exemptions** as follows:

- Residential properties that are part of the trading stock of a business and have not been sold or been the source of any income since construction,
- Residential property vested in a Minister of the Government or the Health Service Executive,
- Residential property vested in a housing authority, including property where households are purchasing their homes under the Shared Ownership Scheme and where the local authority still retains an ownership stake,
- Voluntary and co-operative housing,
- Residential property to which commercial rates apply,
- Residential property owned by a charity or comprised in a discretionary trust, and
- Residential property where a person has to leave their house due to long-term mental or physical infirmity (e.g. a person that has moved into a nursing home).

**There is also an unfinished housing estate waiver.** If you have any query in relation to which estates qualify please contact the Planning and Housing Policy Section of the Department of Environment, Community and Local Government at the following numbers: (053) 911 7398; (053) 911 7402; (053) 911 7397; (053) 911 7399.