Dear Client,

If you need any help or support please contact our team. Some of our clients are availing of the tax debt warehousing scheme which can be useful. Good to see some positive news in terms of reopening and vaccines to end our year and lead us into 2021.

Some updates in this Ezine :

- **If company Directors are in the UK. What do we need to do to prepare for Brexit ?**

If you trade through an Irish Company but all of the Directors are based in the UK. Will we need to make any preparations prior to the end of the Brexit transition period on 31 December 2020?

Many UK businesses have decided to set up an Irish company for part or all of their operations prior to Brexit becoming a reality on 01 January 2021. This can be an ideal solution to maintain trade and operations within the EU.

Any Irish company, however, that only has UK resident directors need to address this issue immediately to ensure that they are compliant with Irish company law post 31 December 2020.

These companies are required to implement one of the following three options before the end of 2020 to ensure compliance with the company law:

1. Appoint another director who is a resident in the European Economic Area (EEA);
2. Put in place the Section 137 Revenue Bond; or
3. Provide a Real & Continuous Link to Ireland. Please note this option will require Revenue approval and several Irish-based employees.

If you require more information on the above please do not hesitate to contact us.

- **What is an EORI number and do I need one?**

- I have a small business and I sell goods to the UK. Do I need an EORI number?
- If you are a trader who imports or exports goods into or out of the European Union (EU), you will need an EORI number.
- As the UK will leave the EU on 31 December 2020 all businesses that trade with the UK will need to confirm that they have an EORI number or else apply for one ASAP. You can do this this through Revenues Online Service (ROS).
- You may have had your EORI number aligned to your existing Value Added Tax (VAT) number. This was generally done for businesses that held a customs and excise registration when EORI was introduced back in 2009.

- You can check if you were automatically registered for EORI by accessing an online system here. You should insert your existing VAT number prefixed by 'IE' under 'Validate EORI numbers'.

- **Capital Gains Tax (CGT) – Upcoming payment dates fast approaching!**

- Under current tax legislation, a person is obliged to pay Capital Gains Tax (CGT) on a disposal of an asset, if a taxable gain arises, by the following deadlines:

Disposal Periods

1 January – 30 November 2020

1 December – 31 December 2020

- The current rate of CGT is 33%.

- Therefore, if you disposed of an asset between 1 January 2020 and 30 November 2020, or you will be disposing of an asset before 31 December 2020, please **get in touch**. We can advise you on any liability that may arise and identify possibilities to mitigate your tax liability.

- Failure to pay the correct amount by the relevant deadline could result in interest and penalties being applied by the Revenue Commissioners. Where you have a CGT liability, consideration should be given to the crystallisation of CGT losses prior to 31 December 2020 and the utilisation of any reliefs available that may be able to mitigate the amount of the capital gain that is subject to CGT.

- There are a number of reliefs that individuals can avail of such as Retirement Relief, Same-Event Credit, Principal Private Residence Relief, and Entrepreneur’s Relief etc. If you would like more information on such reliefs and whether they apply to you, please feel free to contact us on .

Tax planning for SMEs :

Are you the owner of a small- to medium-sized business (SME)? Are you confident that your financial and accounting structures are fully optimised to take best advantage of the many tax reliefs available? For any SME owner/manager, tax optimisation is an essential but often-neglected area of financial affairs, and yet making the correct/informed decisions can dramatically improve your day-to-day cashflow and impose structure and purpose on your long-term business plan about the key points SME owners need to bear in mind when considering their taxation affairs, and about some lesser-known sources of tax relief that business owners can avail of. We can do a detailed tax planning memo and exercise using tax specialists for you.

I'm a small/medium sized business owner or sole trader – what should I be thinking about when it comes to optimising my taxation?

As an SME owner, the first thing to think about when it comes to optimising your tax is to have a plan in place, as this is vital when it comes to informing your financial decisions,It's natural for SME owners to become absorbed in the day-to-day running of the business and lose sight of short-, medium- and long-term goals, with taxation falling into that. However you need to ask yourself very clear questions about what your objectives are. Is there an exit strategy? Do you want to sell the business in five years or 10 years? Do you want to build the business to pass on to the next generation? The most common mistake that business owners make is they can be bleeding money on a day-to-day basis, for example buying things personally and paying tax at marginal rates when they could avail of tax reliefs through the company.

Having a clear objective in place with regard to what you want to get from the business allows you to put a tax plan early on, which can be very beneficial because some reliefs and exemptions are time sensitive.

- TOP TIP: If you are looking to pass a business on, capping the current business value and attributing certain amounts to the next generation limits their exposure to Capital Acquisitions Tax.

- TOP TIP: If sale of the business is your ultimate goal, you want to be able to demonstrate a healthy balance sheet. Knowing what expenditure you can deduct, what reliefs you can get, maximising tax credits/reliefs and not pulling too much money out of the company will help attract prospective buyers.

How can pension planning help with tax relief?

One key area to look at when streamlining your business taxation is the area of pensions. Pensions are the most tax efficient way of getting money from the company into your hands. People only think about getting more money into their pension when they are close to retirement. However if you own a company you can make significant contributions to your pension whereas you are limited as an employee.If your company is in a strong position, it is worthwhile thinking about how you can maximise your pension.

- TOP TIP: Both you and the company can make contributions towards your pension and both are tax deductible. Once you get to retirement age, you can take a 25% lump sum out of your pension tax-free (up to €200,000) and then another €300,000 at 20%.

How can structuring my company correctly help me?

One of the most important things for a business owner to think about is the fundamental structure of their company, starting with whether or not they **incorporate**. Incorporation means establishing your business as a separate legal entity to yourself. If you are a sole trader, you're the accountable person. When you incorporate the business, you still own the business and are the 100% shareholder but the company is a separate legal entity.This gives you more legal protection in the event of unpaid debts being accrued by the company or the business being wound up, but also offers many benefits from a taxation perspective.The main benefit is the rates. As a sole trader, you could be paying anything up to 50% on the income of your business. Whereas if you're incorporated, you're only paying 12.5%, giving you more scope to develop the business.

- TOP TIP: One benefit of incorporation means that if you should wish to borrow money on a business expense, you're now paying for it out of income that is taxed at 12.5%, rather than 40%.

A further step to be potentially considered, especially for SME owners running multiple businesses, is the establishment of a **holding company** which offers further legal protection, and further taxation advantages.A holding company is a third company set up in between your trading company and the shareholder. You can send funds to your holding company tax-free rather than taking the funds personally, paying your marginal tax and then you're only left with 50% of the funds. For example – let's just say you have a hotel and a cafe. You can take funds from the cafe, put them in your holding company and invest them in the hotel tax-free. It is completely separate too, giving you protection if something happens.

- TOP TIP: Ireland has a very strong holding company structure regime so it allows for dividend payments and the tax-free sale of business. While you're not receiving the funds personally, it allows you to build dividend reserves which you can invest elsewhere.

- TOP TIP: Another advantage of the holding company structure is being able to avail of a Participation Exemption. This means you can sell a business's interest in another business and the funds come in tax-free.

What are capital allowances and how do they work?

Another area for SMEs to examine closely when filling out tax returns are what's called **capital allowances.**When you are doing a tax return, you can deduct certain items from your revenue as expenses. However, there are some capital items which aren't allowable as expenses against your profits, and these fall under **capital expenditure.** For example, if you were to put in a new extension, that's not an everyday expense, it's a capital expense and you are only allowed deduct 12.5% of the expense over eight years, rather than claiming it all in one year. *However*, there are other items which fall into the category of capital allowances which *are* fully deductible and not something people are utilising fully. If I replace something that is permanent – but not as permanent as a structure – it is a capital allowance. Going back to our extension above, we might go through that and find that when we break it down, some additions e.g. certain parts of a wall or air conditioning system – these fall under the headline of capital allowances.To be honest, the difference between capital expenditure and capital allowances can be open to interpretation. Our advice when doing your returns is put in every type of expenditure you have, and we can help decide what falls under which category – day-to-day expense, capital allowance or capital expenditure.

- TOP TIP: With any professional advice, the earlier you get it, the better. It might be the difference between you spending or saving a lot of money.

What tax reliefs are available for SMEs?

While optimising your pension planning, capital allowances and company structure are hugely important for SME taxation, there are also a host of reliefs that business owners can avail of – some of them lesser-known than others. **Start-up relief:** This scheme, also known as also known as Section 486C tax relief gives new business owners full Corporation Tax relief on anything up to €40,000 in the first three years of operating and then a marginal relief on the next €20,000.For example, if the marginal relief is 50%, you pay half the tax you would have been paying under normal circumstances, so long as you have paid a certain amount of PRSI for an employee and a certain number of employees. Start-up relief is usually something that business owners become aware of when they file their first tax returns, but it's a nice thing to know ahead of the fact.

Startup Refunds for Entrepreneurs (SURE): If you are a PAYE worker and set up a company, you can get a refund on some of the income tax you paid over the past 4 years if you become an employee/director of the new company. The refund depends on the income and the tax bill of the company.I haven't seen it used much because when you're a PAYE worker it's difficult to walk away from the certainty and rights you may not have if you become an employee/director of your own company . But SURE offers people a cushion if they do take the risk.

Retirement relief: This is a tax relief available to entrepreneurs on the sale of your business, with any proceeds tax-free up to a certain amount. There are conditions. You must have worked in the company, you must have owned all shares of the business for a certain period of time and you must be at least 55. A separate relief called entrepreneur relief doesn't have the age limit of 55 and the first million of income from the sale is taxed at 10%.

What are Research & Development tax credits?

The concept of 'Research & Development' may be most often associated with the scientific or tech sectors, but tax credits can be claimed on any activity classed as R&D, a fact that many companies are unaware of. You can get a credit of 25% against your Corporation Tax liability on any expenditure that's incurred during research and development. Once the expenditure is not enhancing sales, adding to your immediate business and it's a new product/service.Not enough companies are using this to their advantage in Ireland, but at the same time it's always worth checking with a tax advisor before going full steam ahead thinking you can claim R&D credits when you can't .

- TOP TIP: With R&D relief, if you are able to offset your Corporation Tax liability for the current year and the previous year, you can take the funds as a refund.

What is the Employment and Investment Incentive Scheme (EIIS)?

EII is a tax relief which aims to encourage individuals to provide equity based finance to trading companies. Or it's a way of getting investment finance into your business. Investors can claim 75% tax relief on their investment in the first year and the final 25% four years later. It's something that a lot of people are doing at the moment as there are benefits to both sides.However there are conditions – the investor can't be connected to the company, for example. But if there is a business that you see opportunities in and you want to take a risk and invest, it does lessen that risk because you are getting immediate return from it through a tax deduction.

To sum up, when people come to you for advice on how to maximise their tax efficiency as an SME, what's at the heart of it?

Decide on your short-, medium- and long-term plan because there are various different tax structures and advantages you can put in place, It's also important to get expert advice, and get it early.If any plan changes you can adjust quickly and preempt any problem that is coming down the road. It's about knowing where you want to go and then speaking to someone that can get you there. *Want to know more? Additional independent information and helpful documentation is available from Revenue or Citizens Information. Or we are happy to get you a detailed tax planning note using our tax specialists.*

Supporting charity this Christmas :

- ***Blue & Amber 21*** *New Year's Eve Parade brought to you by Kinsale Lions Club in support of KYSS and Pieta House, supporting mental health and showing appreciation for our frontline workers and emergency personnel. For details please visit www.kinsalelionsclub.org or details can be found on the free* Doing Business In Kinsale App. You can sponsor a vehicle for €50 and your brand will be on the clip as a thank you.

Doing Business in Kinsale App news :

Some positive news **our new App has been** selected as one of the 5 finalists in the **App of the Year** award category in the inaugural Digital Business Ireland-permanent tsb Digital Awards 2020 for our Doing Business in Kinsale App thanks to all who collaborated with us on this App and the huge amount of downloads. Supporting the tourism, business and community of Kinsale and surrounding areas. Our App developer James Gale of Mova Ireland who has worked on this project with us is currently adding some new innovative features to it coming soon. See www.doingbusinessinkinsale.com and please get in touch if you would like to be part of this collaboration.

Kind regards,