Starting in Business

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Starting in Business

Registering for Tax

How do I register for Tax?

Form TR1: this registration form is for Individuals/Sole Traders, Partnerships, Trusts or Unincorporated Bodies requiring to register for:

- Income Tax,
- VAT,
- Employer's PAYE/PRSI,
- Relevant Contracts Tax (as a Principal Contractor).

Form TR2: this registration form is for Companies (including foreign companies) requiring to register for:

- Corporation Tax,
- Employer's PAYE/PRSI,
- VAT,
- Relevant Contracts Tax (as a Principal Contractor).

Form PREM Reg: this registration form is for Persons or Companies requiring to register as an Employer for PAYE/PRSI purposes only and who are already registered for Income Tax (either as self-employed or as an employee) or Corporation Tax.

What if I decide to employ someone?

If you decide to employ someone you must register as an employer for PAYE/PRSI.

Note:
If you set up a company, the company must register as an employer and operate PAYE/PRSI on the pay of directors even if there are no other employees.

Am I obliged to register for VAT?

You must register for VAT if you are a taxable person and your annual turnover exceeds or is likely to exceed the limits prescribed by law for registration. With effect from **1 March 2007** the following limits apply:

- **£70,000 in respect of the supply of goods**,
- **£35,000 in respect of the supply of services**.

You may also be obliged to register for VAT if:

- You receive certain taxable services from abroad, for example advertising services, banking, financial and insurance services, services of consultants, etc.
- You are a foreign trader doing business in the State. If your annual turnover is less than the limits set out above you may elect to register for VAT.

You should register for VAT even before starting to supply taxable goods or services, if it is clear that the limits will be exceeded when the trade or business starts.

What tax number will I use?

Before you complete any of the above registration forms you must have a Personal Public Service Number (PPS Number).

You may already have a PPS Number if you are an Irish National and any one of the following:

- Were born in Ireland after 1971,
- Registered for tax since 1979,
- Are/were in receipt of Social Welfare Benefit payment,
- Were issued with a Social Services Card.

Otherwise, you must register with the Department of Social and Family Affairs by:

- Calling in person to any Social Welfare Local Office or Social Welfare Branch Office. (A list of these offices can be found in the Government Departments section of the phone directory.),

and

- Completing a PPS Number application form, Form REG 1,

and

- Presenting documentary evidence as requested in the application form to verify your identity.

You will be notified of your PPS Number by the issue of a letter from the Department of Social and Family Affairs. If you set up a company the company will be given a separate registration number. As a director of the company you will retain your own PPS Number for your personal tax affairs.

A married couple setting up a business together will require separate individual PPS Numbers.

Can I keep the Income Tax relating to my business separate from my employment?

If you already have a PAYE employment, you can pay the income tax due on your business activities separately. On the other hand, if you are in employment and also have a small business with a low turnover and if the income from the business is relatively small, you can arrange to have the tax due on your business deducted under PAYE by reducing your tax credits and standard rate cut-off point.

Where you have a small business and you also have a PAYE employment it will be necessary to submit only one Return of Income for the tax year to cover all sources of income.

Can I keep the tax relating to my business separate from my spouse's tax?

YES. You and your spouse can decide which method of assessment is best suited to your circumstances.

What is Relevant Contracts Tax?

Relevant Contracts Tax (RCT) is a tax deduction system whereby a Principal Contractor:

- deducts tax at 35% from payments to Subcontractors for whom he/she does not hold a relevant payments card, and
- maintains a record of payments to all Subcontractors regardless of whether he/she holds a relevant payments card for them.

Principal Contractors in the construction, forestry or meat processing industries must operate RCT on payments to Subcontractors.

I intend operating as a Principal Contractor, do I have to register now?

Yes. All Principal Contractors must be registered with Revenue.

A Principal who fails to register with Revenue and makes payments without deduction of tax may become liable for the tax that should have been deducted. Penalties may also be applied for the non-operation of RCT.

How do I notify Revenue?

Notification must be made on either of the following registration forms:

- **Form TR1** - for individuals,
- **Form TR2** - for companies,
- **Form P33** - if you are already registered with Revenue for IT, CT or VAT.

Revenue will subsequently give notice to you that you have been registered as a Principal Contractor.
These forms are available on Revenue's website

I intend to operate as a Subcontractor. What arrangements should I make to keep my tax affairs in order?

All Subcontractors should be registered as self-employed with Revenue. If you intend to employ workers, you will need to register as an Employer for PAYE/PRSI purposes. If your turnover will exceed the you must also register for VAT. If you intend to further subcontract any part of your contracts, you should also register as a Principal Contractor.

A Subcontractor who satisfies certain conditions may qualify for a Certificate of Authorisation, a **Form C2**. This certificate allows a Principal Contractor apply to Revenue for permission to make payments gross to the Subcontractor. Subcontractors may apply for a C2 using **Form RCT 5**. A photograph and a signature must also be submitted with a **Form PC 5(a)**. Form PC5(a) is **not** available online, but may be requested from your local Revenue office. Form RCT5 is available on Revenue'swebsite **www.revenue.ie**, or from your local Revenue office.

The VAT Reverse Charge affects contractors involved in the provision of construction services that are subject to RCT.

Income Tax

Who pays Income Tax?

Income Tax is payable by individuals on income earned in the tax year. As an employee tax is deducted from your salary through the PAYE system. As a self-employed person you are responsible for paying your own tax through the Self-Assessment system. The tax year begins on 1 January and ends on 31 December.

On what income do I have to pay tax?

You will pay tax on the annual profits or gains from your trade or profession and on any other income you might have. If your annual accounts are normally made up to a date other than 31 December, you will be taxed on the profits of your accounting year.

You will also pay tax on any other income you receive such as Investment Income, Rental Income, etc. This tax is based on the income earned in the tax year, i.e. from 1 January to the following 31 December.

How will I know what tax I have to pay and when to pay it?

As a self-employed person you will be taxed under the Self-Assessment system.

There is a common date for the payment of tax and filing of returns, i.e. **31 October**. This system, known as **"Pay and File"**, allows you to file your return and pay your tax at the same time.

Pay and File System

The **Pay and File** system provides the facility for you, **on a single date - 31 October,** to:

- Pay your estimate of tax (Preliminary Tax) for Income Tax for the current tax year,
- File your tax return for the previous tax year for Income Tax and Capital Gains Tax,
- Pay any balance of Income Tax due for the previous tax year,
- Pay in full the Capital Gains Tax due on disposals made between 1 January and 30 September of the current tax year, (see separate note on page 10 under Capital Gains Tax).

The single due date, 31 October, will allow you to pay and file at the one time. This date is referred to as the **specified return date.**

If you file your income tax return early Revenue will issue a final tax assessment for the relevant tax year in time to pay your actual liability. This will save you having to do the calculations and you will have certainty in the amount of tax you have to pay, including Preliminary Tax for the current year. This should be paid to the Collector-General, to arrive **on or before 31 October**.

You can also file your Income Tax return and pay your tax on-line using the **Revenue On-Line Service (ROS)**, which will provide an instant, accurate and timely calculation of your tax liability. See **Chapter 10** for more information on **ROS**.
Alternatively, you can compute your own liability to Income Tax and submit your completed Income Tax return form together with any payment that may be due **on or before 31 October**.

Preliminary Tax - Income Tax

What is Preliminary Tax?

Preliminary Tax is your estimate of the income tax payable for the year and must be paid by 31 October. It includes PRSI and Health Contribution as well as Income Tax. The amount of Preliminary Tax you must pay to avoid a charge to interest is the lower of:

- 90% of your final liability to tax for the current tax year, or
- 100% of your liability to tax for the immediately previous year, or
- 105% of your final liability to tax for the year preceding the immediately previous year. This option is only available where you authorise the Collector-General to collect tax by Direct Debit. The 105% rule does not apply where the tax payable for the pre-preceding year is Nil.

Taxable Profits

How do I calculate my taxable profits?

You calculate your taxable profits by deducting allowable business expenses from your turnover.

What is my turnover?

Your turnover is the gross amount of income earned by your business before deducting any business expenses, i.e. total amounts earned from sale of goods or provision of services.

If you are registered for VAT your turnover figure should exclude VAT.

What happens if my business makes a loss?

If you make a loss on your business activities you can either:

- Set off the loss against other taxable income (if you have any),

or

- Carry the loss forward to be set against future profits of your business.

You must indicate on your tax return how you wish the loss to be used.

What expenses can I claim for?

You can claim for any business expense, which you have incurred in order to earn your profits. These expenses are normally referred to as revenue expenditure. Revenue expenditure is your day to day running costs and covers such items as:

- Purchase of goods for re-sale,
- Wages, rent, rates, repairs, lighting and heating, etc.,
- Running costs of vehicles or machinery used in the business,
- Accountancy fees,
- Interest paid on any monies borrowed to finance business expenses/items,
- Lease payments on vehicles or machinery used in the business.

If you are registered for VAT the expenses you claim should be exclusive of VAT.

What about pre-trading expenses?

A business, whether incorporated or not, can claim for certain pre-trading expenses when calculating the trading income. A deduction is available for pre-trading expenses which:

- Are incurred in the three years prior to commencement of the trade or profession,
- Would not normally be allowable.

Examples of pre-trading expenses are:

- Accountancy fees,
- Advertising costs,
- Costs of feasibility studies,
- Costs of preparing business plans,
- Rent paid for the premises from which the business operates.

The allowable amounts are treated as having been incurred at the time the business commences. Allowable amounts cannot be set off against income other than income from that business but can be carried forward and set against future profits of the business.

What expenses can I not claim for?

The general rule is that **you cannot claim for any private expenses,** i.e. :

- Any expense, not wholly and exclusively paid for the purposes of the trade or profession,

- Any private or domestic expenditure, e.g. your own wages, food, clothing (except protective clothing), Income Tax, etc.,
- Business entertainment expenditure, i.e. the provision of accommodation, food, drink or any other form of hospitality.

You cannot deduct **capital expenditure** in calculating your taxable profits, however, you can claim what are known as **Capital Allowances** on certain expenditure and these are discussed later in this section.

What about Food and Subsistence Expenses?

It is a long established principle that the cost of meals taken at the place of business is not allowable for tax purposes. In addition, expenses incurred on meals consumed away from the place of business are, in general, not wholly and exclusively laid out for the purposes of the trade or profession since everyone must eat in order to live. Costs of meals may be allowable where a business by its very nature involves travelling, as in the case of self-employed long distance lorry drivers, or where occasional business journeys outside the normal pattern are made.

What about expenses, which are partly for business and partly private?

Where expenditure relates to both business and private use, only that part which relates to your business will be allowed.
Examples of such expenditure are rent, electricity and telephone charges where the premises involved is used partly for business and partly for private purposes. These expenses will need to be apportioned to exclude the private use.

What about motor expenses?

You can claim a deduction for the running expenses of a vehicle used for business purposes. When you use a vehicle for both business and private purposes, a split of both the Capital Allowances (Wear and Tear) and running expenses has to be made. To ensure that this split can be properly calculated, you will need to keep records of your total mileage for the year and the total number of miles travelled for business purposes.
Journeys between your home and regular place of work are treated as private and not business.

What if I lease an asset for business use?

If you lease an asset for business use, you can claim a deduction for the lease payments as a business expense.

What is Capital Expenditure?

Expenditure is regarded as "capital" if it has been spent on acquiring or altering assets, which are of lasting use in the business, for example, the purchase or alteration of business premises, or the cost of plant, machinery or vehicles. You **cannot** deduct the cost of this type of expenditure in arriving at your taxable profit.
You **can**, however, claim Capital Allowances on capital expenditure incurred on items such as office equipment, business plant and machinery, vehicles and certain buildings (for example, industrial buildings). Capital Allowances take account of the wear and tear on these items and are deducted from your profit figure before you are taxed on it.

How are Capital Allowances calculated?

Wear and Tear Capital Allowances on Plant and Machinery (including motor vehicles) is calculated on a straight-line basis at a percentage of the net cost. The net cost is the cost less any grants and any VAT, which can be reclaimed. Depending on when you purchased the item of plant or machinery, the rate of depreciation may vary as follows:

- Expenditure incurred on or after 4 December 2002 Wear and Tear is calculated at 12.5% of the net cost,

Taxation of Companies

How is a Company Taxed?

Companies pay Corporation Tax (C.T.). This tax is charged on the company's profits, which include both income and chargeable gains. A company's income for tax purposes is calculated in accordance with Income Tax rules. Chargeable gains are calculated in accordance with Capital Gains Tax rules.

What happens if the Company makes a loss?

If you are trading through a company, any losses arising cannot be off-set against any other personal income you might have. The losses may be off-set against the company's trading income for the same and immediately preceding accounting period on a euro for euro basis. Any unused trading loss may be off-set against the company's non-trading income, e.g. investment income, rental income but **only on a value basis.**

Does Self-Assessment apply to Companies?

YES. The Self-Assessment system applies to companies.

Preliminary Tax – Corporation Tax

For accounting periods ending in 2006 and subsequent years the Preliminary Tax due for the accounting period is due one month before the period end, but no later than day 21 of that month. To avoid a charge to interest, the Preliminary Tax paid must be 90% of the final liability for the accounting period, but no later than day 21 of that month. Balance due nine months after the accounting period end, but no later than day 21 of that month.
The Corporation Tax liability threshold for treatment as a small company was increased from €50,000 to **€150,000** effective from Preliminary Tax payment dates arising after **6 December 2006**. New or start-up companies with a Corporation Tax liability of **€150,000** or less for their first accounting period will not be required to pay Preliminary Tax in respect of that first accounting period and will instead be required to pay their final Corporation Tax liability for that accounting period at the same time as they are required to submit their tax returns (nine months after the end of the accounting period but no later than day 21 of that month). If the Preliminary Tax is paid late or the amount paid is too low, interest will be charged at a rate of just under 10% per annum, on the balance of tax due.

Returns

A company must submit a return (**Form CT1**) no later than nine months from the end of the accounting period to which the return relates or by day 21 of the ninth calendar month if earlier. Any balance of tax will be due at the same time as the Return Form.

If the company fails to submit a tax return on time, a surcharge will be imposed. The surcharge is the same as for income tax,i.e:

- 5% of the tax up to a maximum of £12,695 where the return is made within two months of the return filing date.
- 10% of the tax up to a maximum of £63,485 where the return is made more than two months after the return filing date.

There are also restrictions on the use the company can make of certain reliefs and allowances if the return is not submitted on time.

What is the rate of Corporation Tax?

There are two rates of Corporation Tax:

Trading Income:

- 12.5% unless the income is from an excepted trade* in which case the rate is 25%

Non-Trading Income*:

- 25% (e.g. investment income, rental income)

* Excepted trades include certain land dealing activities, income from working minerals and petroleum activities

How do I go about setting up a company?

If you wish to set up a company you should consider talking to an accountant and/or solicitor first. **Companies must be registered with the Companies Registration Office,14 Parnell Square, Dublin 1.** Once a company is registered it is a separate legal entity from the persons who formed it.

If I set up a Company, how will I be taxed as a director?

If you set up a company, the company will be obliged to register for and operate PAYE/PRSI on your salary as a director.

How will I be taxed on dividends received from the Company?

You will have to pay income tax on any dividends received by you. However, you will get credit for Dividend Withholding Tax deducted by the company.

Value Added Tax (VAT)

What is VAT?

Value Added Tax (VAT) is a consumer tax. It is collected by VAT registered traders, on their supplies of goods and services.

You as a trader pay VAT on goods and services acquired for the business and charge VAT on goods and services supplied by the business. The difference between the VAT charged by you and the VAT you were charged must be paid to the Collector-General. If the amount of VAT paid by you exceeds the VAT charged by you, the Collector-General will repay the excess. This ensures that VAT is paid by the ultimate customer and not by the business.

Who must register for VAT?

You must register for VAT if you are a taxable person and your annual turnover exceeds or is likely to exceed the limits prescribed by law for registration. With effect from **1 March 2007** the following limits apply:

- **€75,000 in respect of the supply of goods**,
- **€37,500 in respect of the supply of services**.

(For the purposes of deciding if a person is obliged to register, the turnover including VAT may be reduced by an amount equivalent to the VAT borne on purchases of stock for resale.)

You must also register for VAT if you receive taxable services from abroad or if you are a foreign trader doing business in the State other than supplying goods for installation or assembly in the State. If you are involved in buying or selling goods within the EU you will need more detailed information and should refer to Revenue's comprehensive **"Guide to Value Added Tax"**

What is a taxable person?

A taxable person for VAT purposes is an individual, (other than an employee), a partnership, company, etc. who supplies taxable goods and services, in excess of the above limits, in the course of or in the furtherance of business.

When should I register for VAT?

You should register for VAT even before starting to supply taxable goods or services, if it is clear, based on your projections, that the limits will be exceeded when the trade or business starts.

Is registration limited to taxable persons?

NO. If your annual turnover does not exceed the limits set out above you may elect to register for VAT. This may be beneficial in certain circumstances, for example:

- If you are supplying goods or services to other registered persons you can pass on a VAT credit,
- If you are supplying zero-rated goods, e.g. food, you can claim any VAT incurred on purchases and business expenses.

How do I register for VAT?

To register for VAT you must complete a registration form:

- **Form TR1** if you are an Individual/Sole Trader or a Partnership, or

- **Form TR2** if you are trading as a company. These forms are available on Revenue's website

Employer's PAYE/PRSI

Must I register as an employer forPAYE/PRSI if I employ staff?

YES. You must register for PAYE/PRSI if you employee staff.

A company must register as an employer and operate PAYE/PRSI on the pay of directors even if there are no other employees.

How do I register for PAYE/PRSI?

To register for PAYE/PRSI you must fill in:

- **Form TR1** if you are an Individual/Sole Trader or aPartnership, **or**

- **Form TR2** if you are trading as a company, **or**
- **Form PREM Reg** if you are already registered for Income Tax (either as self-employed or as an employee) or Corporation Tax.

What happens if I fail to register as an Employer?

If you become an employer and fail to register for PAYE/PRSI purposes, Revenue will compulsorily register you. You will have to pay the PAYE and PRSI which you should have deducted from your employees and paid over to the Collector-General. Interest is payable on the unpaid tax and PRSI at a rate of just under 10% per annum, from the date on which it should have been paid.

When must I account for and pay PAYE/PRSI?

The total of:

- The tax deducted from the pay of all employees less any tax refunded to them,

plus

- The total PRSI contributions (the amount deducted from employee's pay plus the amount payable by the employer), must be paid to the Collector-General before day 14 of the month.

A **Form P30 Bank Giro/Payslip** will be issued to you each month. The figures for total tax and total PRSI contributions should be entered on the form together with the gross total which will equal the amount of the payment. If you do not have any PAYE/PRSI liability for a particular month, the Form P30 should be returned marked 'zero'. Do not enter 'Nil'.

Taxable Benefits - PAYE/PRSI

As an employer you must operate PAYE, PRSI and Health Contribution deductions in respect of the taxable value of most Benefits-in-Kind and other non-cash benefits provided by you for your employees.

Employers PRSA obligations to Employees

Employers are obliged, under the Pensions Act 1990, as amended, to sign up with a PRSA provider to provide access to a Standard PRSA for "excluded employees". "Excluded employees" are employees of an employer, who are:

- not offered an occupational pension scheme ("scheme"),

or

- included in a scheme for death in service benefits only, or
- included in a scheme that does not permit the payment of additional voluntary contributions (AVCs), or
- not eligible to join the scheme and who will not become eligible to join the scheme for pension benefits within six months from the date they commenced employment.

There is no charge for signing up with a PRSA provider. Employers may pay contributions into an employee's PRSA but are not obliged to do so.

Can I make my PAYE/PRSI returns annually?

YES. You can arrange to pay your PAYE/PRSI through the **Direct Debit Scheme** and make an annual return/declaration of liability.

What do I have to do at the end of the Tax Year?

At the end of the tax year you must complete end of year **Forms P35, P35L,** and **P35L/T** which will be sent to you by the Collector-General. These forms must be returned by 15 February. Employers who do not lodge their returns on time may cause their employees unnecessary difficulty and delay when claiming social welfare benefits.

- **Form P35** is a declaration that the details of tax and PRSI being returned are correct.
- **Form P35L** is a list on which the employer makes the return of PAYE and PRSI particulars for each employee for the year.
- **Form P35L/T** is a return of PAYE and PRSI details for any employee for whom the PPS Number is not known.

If you wish to avail of the **Revenue On-Line Service (ROS)** facility to electronically file your P35s, you should refer to **Chapter 10** which gives full details of how to register for **ROS.** You must also issue a Form P60 to each employee who was in your employment at 31 December. This form shows total pay, tax and PRSI contributions for the year ended 31 December. Blank Forms P60 will be sent to you by the Collector-General. Computer users will receive computerised Form P60 stationery.

ROS for Employees

A comprehensive range of on-line Self-Services for Employees is now available in **ROS:**

- View personal tax record,
- Claim a wide range of tax credits on-line,
- Apply for refunds of tax including health expenses,
- Request a review of personal tax (balancing statement/P21) for 2005 onwards,
- Re-allocate credits between spouses,
- Change personal address and update other personal information.

Revenue Job Assist

An employer who employs a person who has been unemployed for at least 12 months may qualify for a double deduction for wages and and employer's PRSI contribution for that employee in arriving at taxable income.. There are some conditions attaching to the scheme and these are outlined in

Paying your Tax and Keeping Things Simple

Is there any simple way of paying my tax and reducing the number of forms that have to be completed?

We have introduced a number of ways in which you can pay your tax. The simplest of these methods is **Direct Debit** and if you pay your tax in this way you will only need to complete one annual return form in respect of each of the taxes.

What Tax can I pay by Direct Debit?

You can pay your Preliminary Tax (Income Tax), VAT, and/or Employer's PAYE/PRSI by way of Direct Debit.

How does Direct Debit work?

To avail of Direct Debit you must complete and sign a mandate which allows for agreed monthly deduction(s) from your bank account, for credit to your tax account(s). You remain in total control of the monthly amount(s) you have agreed to pay and the figure can be amended at any time by writing to:
Collector-General's Division,
Direct Debit Unit,
Sarsfield House,
Francis Street,

Limerick.

What are the advantages of paying my tax by Direct Debit?

Preliminary Tax (Income Tax)

By paying your Preliminary Tax by Direct Debit you can spread the payment over the tax year for which the tax is due. This is particularly suitable if you find it difficult to make one lump sum payment in October each year.

Employer's PAYE/PRSI and VAT

You will only have to fill in one annual return as follows:

- For PAYE/PRSI you will only need to fill in the Form P35 at the end of the year and you will not have to fill in Forms P30 on a monthly basis,
- For VAT you will only need to fill in one annual VAT3 form at the end of the year and you will not have to fill in VAT3's on a bi-monthly basis.

How else can I pay my tax?

The tax forms which you receive include customised payslips. These payslips contain details such as your registration number, the tax type and the tax period. Certain payslips allow you to pay your tax by **Single Debit Authority.**

Single Debit Authority

Single Debit Authority enables you to make once-off payments directly from your bank account by completing your bank details and a debit amount on payslips attached to:

- Income Tax Pay & File notices,
- Corporation Tax Pay & File notices,
- Capital Gains Tax Pay & File notices,
- Return of Income Form 11,
- Return of Income Form 11E,
- Return of Income Form CT1,
- Relevant Contracts Tax/Form RCT 30.

Revenue On-Line Service (ROS)

Revenue On-Line Service (ROS) provides you with the following methods of payment of tax:

- ROS Debit Instruction (RDI),
- Laser Card via ROS,
- On-Line Banking via ROS, for Income Tax and Capital Gains Tax only.

Postal Payments

You can post your payment to the Collector-General's Division, Sarsfield House, Francis St., Limerick, using the pre-paid envelope enclosed with the Return Form. A payment receipt will be issued to you by return of post.

Keeping Books and Records

Am I obliged to keep records for tax purposes?

YES. You must keep full and accurate records of your business from the start. You need to do this whether you send in a simple summary of your profit/loss, prepare the accounts yourself, or, have an accountant do it. It is important for you to remember that the figures which are contained in your tax returns, your accounts, or your summary of profits/losses, must be correct.

The records you keep must be sufficient to enable you to make a proper return of income for tax purposes.

You should bear in mind that you may need to keep accounts for reasons other than tax. For example, your bank may want to see your accounts when considering an application for a business loan.

What records must I keep?

The type of records you will need to keep will depend on the nature and size of your business.

The records kept must include books of account in which:

- All purchases and sales of goods and services**,and**
- All amounts received and all amounts paid out, are recorded in a manner that will clearly show the amounts
involved and the matters to which they relate.

All supporting records such as invoices, bank and building society statements, cheque stubs, receipts, etc. should also be retained.

What information will I need to prepare my accounts?

At the end of the accounting period you will need to have details of:

- Your business takings,
- All items of expenditure incurred, such as purchases, rent, lighting, heating, telephone, insurance, motor expenses, repairs, wages, etc.,
- Any amount of money introduced into the business and its source,
- The amount of any cash withdrawn from the business or any cheque(s) drawn on the business bank account, for your own or your family’s private use (these items are normally referred to as drawings),
- Amounts owed to you by customers, showing the total amount owed by each debtor,
- Amounts owed by you to suppliers, showing the total amount you owe to each creditor,
- Stocks and raw materials on hand.

How should I record these transactions?

The manner in which your transactions are recorded will vary from a full ‘double entry’ book-keeping system if you want to keep precise control over all business matters, to some system which falls short of a double entry system in one or more respects. Whatever manner in which your books and records are kept they must be capable of showing the amount and source of:

- All income,
- All purchases and other outgoings.

Simply keeping the bank statements for the business is not enough – it does not fulfil your requirements to keep proper books and records.
Your accountant, if you have one, will advise you on a book-keeping system suitable to your circumstances.
Examples

How long must I keep records?

You must keep your records for **six** years unless Revenue advises you otherwise.

What happens if I fail to keep proper records?

Failure to keep proper records or failure to keep them for the necessary six years, where you are chargeable to tax, is a Revenue offence. If you are convicted of a Revenue offence you face a heavy fine and/or imprisonment.

Revenue On-Line Service (ROS)

What is the Revenue On-Line Service (ROS)?

ROS is Revenue's secure interactive internet-based facility that allows you, as a Revenue customer, or your agent to:

- File Returns and make payments,
- Obtain details of your Revenue account,
- Calculate your tax,
- Claim repayments,
- Conduct your business electronically.

What are the benefits of using ROS?

The benefits of **ROS** include:

- On-Line calculation facilities,
- Simpler user friendly return forms,
- Prompt repayments,
- Secure 24 x 7 x 365 access,
- Instant acknowledgement,
- Effective and efficient use of time,
- Elimination of clerical error,
- Environmentally friendly.

Revenue Examination of Returns,Books and Records

What is a Revenue Audit?

A Revenue audit is an examination of your compliance with taxes and duties legislation and Revenue requirements. Revenue audit covers the following types of tax returns:

- Income Tax, Corporation Tax or Capital Gains Tax returns, and/or
- Returns submitted in respect of VAT, PAYE/PRSI or Relevant Contracts Tax (RCT),
- Returns submitted in respect of Capital Acquisitions Tax,
- A statement of liability to Stamp Duties,
- Customs, Excise and VRT Declarations.

How are taxpayers selected for audit?

The main methods of selection of cases for audit intervention are as follows:

- Computerised Case Selection - based on risk analysis and profiling,
- Knowledge of industry practices affecting tax risk,
- Proactive system of intelligence gathering.

Projects on business sectors:

Revenue initiate a number of key projects aimed at tackling tax evasion in specific sectors. The projects are conducted to examine compliance levels in particular trades or professions. The projects look at many tax abuses in all levels of the sectors.

Random selection:
This is in addition to the aforementioned methods. It means that all taxpayers have a possibility of being audited. Each year, a small proportion of audit cases are selected using this method.

What advance notice will I be given?

Generally, 21days advance notice in writing is given. The notification letter shows:

- The name of the person who will carry out the audit,
- The date and time of the audit,
- The year(s), accounting period(s) or tax period(s) which are to be audited.

What form will the audit take?

Typically, an audit involves a series of steps, as follows:

- On arrival, the auditor identifies himself or herself to you and explains the purpose of the audit,
- You are given an opportunity to disclose to the auditor any inaccuracies in your tax return. Please refer to the *Code of Practice for Revenue Auditors* which sets out the benefits of making a *qualifying disclosure*,
- The auditor will examine your books and records to verify that the figures have been correctly calculated and that the returns and/or declarations for the different taxes or duties are correct,
- If the auditor finds the returns to be largely correct, as is often the case, you will be told so as soon as this becomes clear,
- If the auditor finds that adjustments are required, he or she will quantify the adjustments and the additional liability. The details of how the additional liability arises will be discussed with you and you will also be notified in writing,

- At the final interview, the auditor will ask for your agreement to the total settlement figure,
- Once agreed, the full amount should be paid to the auditor who will issue you with a receipt.

Will interest be due on any additional tax payable following the audit?

YES. The law provides for interest to be charged on tax underpaid where a taxpayer makes an incomplete or incorrect return. Interest is charged at the rate specified in the legislation.

Will I have to pay any penalties?

The law provides for monetary penalties to be charged, in addition to tax and interest, where specific breaches of tax law have occurred. Where underpayments of tax arise because of your neglect or fraud, penalties are charged. The *Code of Practice for Revenue Auditors* provides for mitigation of penalties in certain circumstances.

Will details of my audit settlement be published by Revenue?

Publication will only arise where **all** of the following circumstances apply:

- The amount of the settlement (including interest and any penalties) exceeds £30,000,
- Penalties charged are in excess of 15% of the tax,
- You did notmake a full voluntary disclosure before the audit commenced.

However, you should note that the publication limit has been increased from £12,700 to £30,000 but only where all the tax included in the settlement is tax, the liability in respect of which arose as follows:

- either on or after 1 January 2005, or
- related to periods which commence on or after 1 January 2005.

If publication applies, your name, address, occupation and the total amount of the settlement will be published at the end of each quarter in Iris Oifigiúil*.

For further information on any of the above or on any other issue please contact:

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