TAX E-NEWS

Monthly Update

GlackenAccountants
registered auditors & accountants

Dear Client,

Welcome to our monthly tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

Tracey Glacken

BUDGET 2013 ALREADY!

We are only half way through the year, but already we are beginning to pick up signals as to the general thrust of Budget 2013. The May update to the EU/IMF Programme of Financial Support for Ireland specifies that the following measures will form part of next December's Budget:

- A broadening of the personal tax base
- A value-based property tax – a successor to the flat and rather unwieldy €100 charge in effect in 2012 and which latest figures show that a sizeable minority of the population have still not paid.
- A restructuring of motor taxation
- A reduction in general tax expenditures
- An increase in excise duty and other indirect taxes

Government departments are already busy working in numbers for 2013 and it appears from the May 2012 update that an additional €1.25 billion will be sought in tax revenues while spending will decrease by €2.25 billion.

These adjustments on paper are slightly less than those forecast for 2012. Of course, it remains to be seen how and if these adjustments will ultimately manifest themselves, whether they be specific tax increases or specific spending cutbacks.

Given the experience with the property tax project earlier this year, it remains to be seen if any specific measures will actually increase overall revenues to the State. There will also be concerns that an increase on excise duties, related as they are to discretionary items of expenditure such as alcohol or tobacco (and to a lesser extent motor fuel), will merely give rise to a further drop in overall demand which will see less tax revenues being collected rather than more.

On personal tax, the aspiration to "broaden the tax base" can be interpreted perhaps as an indication that tax credits may fall, seeing more low-paid employees paying more tax. At this stage this is merely conjecture, but any tax or commercial planning decisions that a client may wish to make should always be evaluated on the basis that any current reliefs, allowances or exemptions may not necessarily be as favourable in 2013 as they are in 2012.

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REVERSE CHARGE ON CONSTRUCTION INVOICES

From 1 May 2012, the recipient of construction services from a connected party within the State must account for VAT arising on the invoice, rather than the person who actually supplied the service. This is an extension of the reverse charge rule applying for such services between Principals and sub-contractors introduced in September 2008 and which is still in effect.

Construction services in relation to property would generally include construction, extension, alteration, demolition and engineering services that adapt the property (regarded in VAT terms as immovable goods) for materially altered use. Normally it is the supplier who issues the invoice, but if agreement is reached between the contracting parties, it may be drawn up by the recipient who then provides a copy to the supplier. All of the normal requirements of an invoice must be included along with a statement clearly indicating the following:

"VAT on this supply must be accounted for by the recipient"

The recipient then includes the "sales" VAT on his VAT Return in the T1 Box and IF entitled to full recovery of VAT by virtue of all of their activities coming within the scope of VAT, a simultaneous VAT on purchase figure is included in Box T2.

When the annual Return of Trading Details form is completed the recipient includes the VAT arising and subsequent entitlement to reclaim as appropriate on his/her VAT return and the supplier includes under the sales at 0% column of the Return.

MANDATORY e-FILING

Accountants and tax practitioners will not always agree with Revenue on everything, but one matter on which there is almost uniform praise and acceptance is the manner in which ROS has been rolled out, extended and improved over the last 8 or 9 years.

With effect from 1 June 2012 a number of Returns will have to be filed electronically While this does little more than reflect the position in practice in 99% of cases already, it is worth summarising the specific areas where electronic filing is now mandatory:

- Self-assessed individuals claiming certain income exemptions such as artists/woodland etc.
- Self-assessed individuals claiming retirement related reliefs or certain other exemptions such as BES, Film scheme or seed capital reliefs.
- ALL VAT registered entities.

Certain hardship cases may be excluded from this mandatory filing requirement where a taxpayer does not have the capacity to file electronically. Capacity in this context would include a lack of broadband access, old age or infirmity which would affect their ability to pay and file taxes on an electronic basis.

Glacken Accountants
Registered Auditors & Accountants
41 Pearse Street
Ballina
Co. Mayo

Telephone: 096 73880

Website: **www.glackenaccountants,com**

Email: **info@glackenaccountants.com**