

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

## INTRODUCTION

In this briefing we reflect on some of the relevant and topical issues concerning many clients in business at the current time. A central theme is that it is now more important than ever for ALL taxpayers to adequately plan and prepare for payment of their tax liabilities in a timely manner.

### 1. ENGAGEMENT WITH REVENUE

Many businesses will have recently become aware that Revenue are becoming increasingly efficient at enforcement of debts owed to them. This relates to both personal taxes and business “fiduciary” taxes such as VAT and payroll taxes, which a business collects and passes to the Collector General on a periodic basis.

This has been especially pronounced in recent times where the annual 2011 P35 and VAT Returns have been filed by traders with a balance of tax outstanding. In other years, a friendly follow up phone call to the Collector Generals office in Limerick might well have realised an informal instalment arrangement whereby the tax due could be paid over a period of time.

Even where this was not done, in many cases there was a recognised breathing space which would allow hard pressed businesses to source the funds and pay Revenue within a reasonable period.

This year however, perhaps because of a number of bad experiences on their part, Revenue have quickly resorted to enforcement via the Sherriff of unpaid tax debts. A visit from the Sherriff to any place of business can be an unsettling experience and while he/she too can be paid over a period of time in many cases, additional fees will arise and, more importantly for any business dependent on income from the State sector, can mean that a tax clearance certificate is withdrawn.

The key message here is that outstanding taxes CAN still be paid by instalments under a formalised phased payment application procedure with Revenue. Details of the financial position of the business such as Debtors, bank overdraft and loan facility arrangements etc need to be provided and a down-payment of circa 20% of the tax arrears needs to be paid. Usually the balance of the arrears can be paid by instalment over a period of 12 to 15 months and it is essential that current year tax payments are kept fully up to date.

Interest will apply to an arrangement of this nature and there is a ready-made calculator on the Revenue website to assist with such calculations.

Something that is commonly asked in cases such as this is whether or not a tax clearance certificate can be issued when a phased payment arrangement is in place with Revenue. Usually a down-payment equalling 40% of the outstanding debt is required, but there have been cases where a temporary tax clearance certificate for a period of 2 or 3 months will be issued when a lower 20% deposit is paid.

As always, the success of any application will depend on the relationship of trust that an accountant establishes with Revenue and, of course, the past record of that client. It is absolutely essential that a client entering into such an arrangement knows that any default in the instalment arrangement will result in immediate enforcement of the arrears.

## 2. OTHER MATTERS

Plan now for November – The extended filing date for 2011 Tax Returns via ROS will be 15 November 2012. This is still all of 6 months away but it is important that steps are taken now to quantify a client's liability. In the first instance, this will allow adequate steps to be taken to minimise this liability and secondly will provide an opportunity to work out financing arrangements.

## CONSTRUCTION SECTOR C2 ISSUES

The revised electronic arrangements which see a Principal Contractor getting a direction from Revenue as to the appropriate rate of withholding tax deduction applicable to payments to a sub-contractor are now in place for 4 months. The rate previously applying in 2011 was deemed to continue automatically until the end of March 2012, when a new determination would be made based on a sub-contractor's individual circumstances.

Any professional with clients involved in this sector should be aware that Revenue are proactively looking at tax compliance records of taxpayers and that the 0% rate will only apply where taxes are fully up to date.

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Please contact me if you would like to discuss any of the issues raised.