

Year End Planning for Companies

As we are more than half way through the current calendar year, it is useful to review tax opportunities and compliance issues before year end.

PRELIMINARY TAX PAYMENT – LARGE VS SMALL COMPANIES

Large companies i.e. companies with a liability of more than €200,000 in the previous year need to make a first instalment of preliminary tax halfway through the year (normally 23rd of day the 6th month of the year) with the second instalment of preliminary tax due no later than 23rd day of the 11th month of an accounting period.

Small companies are companies with tax liabilities less than €200,000 in the previous year and such companies only need to make one preliminary tax payment.

Small companies make their preliminary tax on 23rd day of 11th month i.e. for December year end this is made on the 23 November which is based on 100 percent of the previous liability or 90 percent of the current liability.

It is important to review the previous year's accounts and tax returns to ascertain whether a



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In this article, Paul looks at some year-end planning tips that companies might consider.

company is classified as a large company and needs to make a first instalment of preliminary tax.

For large companies, the second instalment together with the initial instalment needs to be in aggregate 90 percent of the current year's liability. Accurate figures are therefore required before year end to make the correct preliminary tax payment and avoid interest on underpayments of preliminary tax.

CLOSE COMPANY SURCHARGE/DIVIDEND WITHHOLDING TAX RETURNS

The Close Company Surcharge is an additional layer of tax levied on passive income such as rental, interest and certain dividend income of companies. It is levied

at a rate of 20 percent on the net distributable estate and investment company and it is in addition to the 25 percent corporation tax that applies to passive income.

In order to avoid a surcharge, dividends need to be paid by the company to the shareholders within 18 months of year end and a dividend declaration needs to be filed with Revenue.

Companies should review previous periods to ensure that relevant dividends are paid to avoid the surcharge or alternatively to pay the surcharge with the corporation tax return of the following year.

Revenue have also stepped up their efforts to ensure that Dividend Withholding Tax (DWT) returns and payments have been made in time and that the relevant declarations for exemptions (for certain non-residents and companies) are in place.

REVIEW ACTIVITIES TO DETERMINE IF THEY QUALIFY FOR RESEARCH & DEVELOPMENT AND KNOWLEDGE DEVELOPMENT BOX RELIEF

The Knowledge Development Box (KDB) taxes profits from qualifying

intellectual property at the 6.25 percent rate of corporation tax. The qualifying assets are normally patented and copyrighted software.

The research and development (R&D) credit allows a credit of 25 percent on qualifying R&D expenditure by a company and companies should review their activities to determine whether they qualify for this favourable credit. It is important also to ensure that they have the relevant documentation and procedures in place for claiming the credit. There is a time limit of 12 months post year end to claim the R&D credit.

Companies should review activities periodically to determine whether they qualify for the KDB or R&D credit.

CAPITAL ALLOWANCES- ENERGY EFFICIENT EQUIPMENT AND INTANGIBLE ASSETS

Companies should review their capital expenditure programmes to ensure that assets are in use at year end to qualify for capital allowances. Certain expenditure may also qualify as repairs and are deductible for corporation tax purposes.

Certain expenditure on intangible assets (patents, copyright, trade-marks and know-how) can qualify for capital allowances either over the accounting life or over 15 years.

Accelerated allowances (up to 100 percent) are also available for certain energy efficient equipment. A listing of the type of equipment and the associated energy rating is contained on the Revenue website.

PENSION CONTRIBUTIONS

Pensions are tax deductible on a paid basis and companies should review pension arrangements before year end to see whether there is scope for making additional contributions to executive and employee pension schemes.

SHAREHOLDERS/DIRECTORS LOANS

Shareholders/directors loans lead to adverse tax consequences such as Benefit in Kind (BIK) for directors and employers on loans and the requirement for the company to pay income tax on certain regrossed loans as part of the company's corporation tax liability. The requirement to pay income tax does not apply where the loans are discharged within 6 months of year end and for certain employees loan, less than €19,050.

A review should be undertaken of loans to ensure BIK is properly accounted for on the loans. The current specified rates for calculating BIK is 13.5 percent for normal loans and 4 percent for qualifying home loans. The potential additional requirement to operate income tax on the re-grossed loans should also be noted.

CAPITAL LOSSES- GROUP ISSUES

Capital Gains Tax (CGT) losses cannot be group relieved. If one group company is disposing of an asset on which a capital gain will accrue and another group company has an unutilised capital loss, the property should be transferred to the company with the capital loss in advance of making the sale in order to utilise the capital loss.

PAYE MODERNISATION

Companies should be aware of the changes to PAYE that are due commencing on 1st January 2019. The new system will be a real time system where a Revenue payroll notification will replace the current tax credit system and employers will need to request most up to date Revenue Payroll Notification (RPN) before making payments to employees.

Employers should review their payroll system to ensure they will meet the requirements of the new PAYE system commencing in the new year.

RELEVANT CONTRACTS TAX

Relevant Contracts Tax (RCT) is a withholding tax that applies to certain payments to subcontractors in the construction industry.

RCT can apply to certain publicly funded charities, boards of management and other publicly funded bodies and is not confined to building contractors. These bodies need to review to ensure they are operating RCT correctly on repairs and other contracts as penalties for non-compliance can be significant.

FORM 46G- RETURN OF THIRD PARTY INFORMATION

Businesses are required to file returns containing details of payments to certain service providers in a year where the aggregate payments to the service providers exceed €6,000 per annum. Revenue have increased the efforts to ensure that companies are filing these

returns by the due date (i.e. the filing date of the form CT1).

VAT- RETURN OF TRADING DETAILS/VIES AND INTRASTAT RETURNS

A company is required to file a return of trading details which effectively summarises the VAT due and reclaimed over the previous year.

Intrastat return are also required for those traders where return imports from other member states exceed €500,000 annually or exports exceed €635,000 annually.

VIES returns are required to be submitted where an Irish VAT registered trader zero rates either goods or services to another member state. There is no threshold.

Revenue have denied refunds where compliance with all VAT returns have not been made and increase scrutiny of these returns is being undertaken. Companies should ensure that their systems are capable of providing accurate information to allow these returns to be submitted.

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