

The logo for Ryan & Crowley, featuring the company name in a blue serif font with a large ampersand between the words.

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The **Banking Crisis**

The financial markets have been under considerable stress for much of the past year

The stress has been evident across a broad range of individual markets and asset classes, including equities, credit, money markets, government and corporate bonds. The origin of the problems can be traced to escalating concerns about the mounting credit losses within the financial system and the associated knock-on consequences stemming from the disintegration of the sub-prime mortgage market in the US.

Estimates of the total scale of losses facing the global financial system have continued to rise in recent months as the weakness in the US housing market has intensified and anxiety about the US economy has added to concerns about credit quality more generally. The latest estimate of total losses hitting the system comes to almost \$450 billion. The situation reached crisis point in mid-March when extreme distress in markets and a nose-dive in confidence caused the effective collapse of Bear Stearns, the 5th largest investment bank in the US.

The major central banks have responded to these developments by increasing the liquidity of markets. The Fed has done so using a host of new and innovative initiatives all of which have been aimed at restoring order to the operation of markets, while the European Central Bank (ECB) has also continued to offer considerable extra funds. But perhaps most important of all, the Fed underwrote the assets of Bear Stearns as part of its sale to JPMorgan in mid-March. The significance of this is that the Fed is clearly signalling that it is prepared to do whatever is necessary to safeguard the underpinnings of the financial system, on top of maintaining a proactive approach to liquidity provisions. Thus, markets can expect that any repeat of the extremes seen around the time of the Bear Stearns collapse will be dealt with decisively and should therefore prove temporary.

continued 

Following a period of improvement post the Bear Stearns rescue package in mid-March, difficulties in the financial sector have intensified again in the past couple of months. Equity markets have come under significant downward pressure reflecting the affects of higher energy costs and concerns about ongoing problems in the housing and credit markets in the US and elsewhere. The major equity indexes are down 15-25% year-to-date, with weakness being led by financial stocks. Market volatility has also risen in recent weeks, though it remains below the extremes seen in March of this year.

Strains are also still very much evident in the money markets, the key markets which determine the wholesale cost of funds to banks and hence to final borrowers. 3-month interest rates in euros, at nearly 5% are about 0.60% higher than normal at the moment reflecting the pressure on banks' balance sheets. The banks ailing balance sheets and the significantly higher cost of funds on the wholesale markets are adding to the credit squeeze, as banks scale back the supply of credit and pass on the higher cost of funds to final borrowers.



These developments are adding downside risks to the growth outlook for the major economies.

But a major strain for the main central banks has been the very sharp increase in food and energy prices. At time of writing crude oil prices had come down from recent record highs. However, at over \$120 per barrel, they are still \$25 per barrel higher than at the end of last year. The sharp upward movement in a host of commodity prices has resulted in significant upward pressure on both inflation and inflation expectations across the main economies.

In the case of the ECB, this has meant that its concerns about inflation risks have increased dramatically in recent months, prompting a 0.25% hike in official rates in July, taking them to 4.25%. Inflation in July stood at 4% in the euro zone - more than double where the ECB would like it to be, and there are some signs of the emergence of the dreaded "second-round" effects in the form of faster wage growth. The ECB has made it clear that it will not tolerate a wage-price spiral and its decision to hike rates in July is best interpreted as a clear signal that it is prepared to do whatever is necessary to prevent such a scenario.

On balance we think that the ECB will not raise rates again this year. Recent economic news from the euro zone has been pretty weak which should help offset the ECB's concerns about medium-term inflation prospects. If there is to be another move this year, it will most likely be a hike. The ECB has genuine and legitimate concerns about the inflation outlook and it is particularly worried about the threat posed by second-round effects, worries which, in the ECB's eyes, are greater than those presented by the ongoing strains in the markets.

Ulster Bank

the benefit of **company law compliance**

Business and social enterprises face many challenges today. Keeping within the law is one of them.

When business people think of their obligations under the Companies Acts, completing the company's annual return will probably come to mind first. The annual audit may be a close second. But few will stand back and ask themselves: what are these obligations for?

Companies are part of a community of interests. Company directors are one set of stakeholders. In a broadly based company, there may be tens, hundreds or even thousands of shareholders who will look to the directors to uphold their interests. Creditors (including employees) are another set of stakeholders.

Each of these stakeholders shares a desire to see the enterprise succeed, but they also have competing interests. Shareholders, creditors and the general public want to see up-to-date company financial statements. Directors may

prefer that this information not be readily available particularly if the company is facing financial difficulty. The Companies Acts set down what might be termed the 'rules of the game' giving each class of stakeholder a mix of rights, responsibilities, duties and obligations. The rules are intended to set fair and equitable terms of engagement for each class of stakeholder.

These 'rules' are also intended to facilitate the efficient operation of the market. Insider dealing is, for example, prohibited, because it is contrary to the interests of most investors. On the other hand, company directors are required to keep proper business records so that all stakeholders (including the directors themselves) can accurately assess the company's viability. This enables them to evaluate risk, and it also promotes competitive decision-making. Ideally, this framework of accountability among stakeholders would operate as the law requires or would at least be self-

policing in the sense that one stakeholder would assert his or her rights and thereby get another to comply with an outstanding obligation.

Unsurprisingly, not everyone knows what the law expects of them, and that is why we in the ODCE invest resources in developing information and guidance materials to promote compliance. We are also regularly advised of alleged failures to comply with the law, and our administrative interventions will often get the problems rectified.

Sometimes however, legal action is warranted to investigate and sanction misconduct. All of this work has one simple aim: to make the market operate as fairly and efficiently as the law intends.

Director of Corporate Enforcement



new VRT rules

From 1 July 2008, Vehicle Registration Tax (VRT) will no longer be calculated on engine size but rather on the level of CO2 emissions from the car. The lower the CO2 emissions the less VRT will be payable. VRT is calculated on the open market selling price of the car in accordance with the following table:

CO2 EMISSIONS (CO2G/KM)	VRT RATES
0-120g	14% of OMSP
More than 120g/km up to and including 140g/km	16% of OMSP
More than 140g/km up to and including 155g/km	20% of OMSP
More than 155g/km up to and including 170g/km	24% of OMSP
More than 170g/km up to and including 190g/km	28% of OMSP
More than 190g/km up to and including 225g/km	32% of OMSP
More than 225g/km	36% of OMSP

This system will be applicable to new and imported cars. VRT calculations for Category B (Crew Cabs), Category C (commercial vehicles) and Category M (motorcycles) will still be based on engine size.

Motor taxation rates for new vehicles will also be based on Co2 emissions post 1 July 2008 as follows:

CO2 EMISSIONS (CO2G/KM)	MOTOR TAX RATES
0-120g	€100
More than 120g/km up to and including 140g/km	€150
More than 140g/km up to and including 155g/km	€290
More than 155g/km up to and including 170g/km	€430
More than 170g/km up to and including 190g/km	€600
More than 190g/km up to and including 225g/km	€1,000
More than 225g/km	€2,000

New cars registered between 1 January 2008 and 30 June 2008 will initially have taxed their vehicles based on the existing engine size system. Such a car can switch to a CO2 emissions based motor tax on the first renewal of motor tax post 1 July 2008. Cars under the current motor tax regime will continue to be taxed based on engine size.

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

CORPORATION TAX

Filing date of return of income for companies with year ends during the month ended 30 November 2007 21 August 2008

INCOME TAX

Filing date of 2007 return of income 31 October 2008
 Pay preliminary (income tax) for 2008 31 October 2008

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets Made between 01 January 2008 to 30 September 2008. 31 October 2008

NEW ADDRESS... Revenue ~ SOUTH WEST REGION

As of 26 May 2008, Revenue have left their Cork offices in Sullivan's Quay and Centre Park House, Centre Park Road, Cork. Revenue South West Region's new contact details are as follows:

Office of The Revenue Commissioners,
 Revenue House, Assumption Rd., Blackpool, Cork.
Tel: (021) 6027000

VOLUNTARY DISCLOSURE FOR UNDISCLOSED FUNDS

Due to recent regulatory amendments banks and other financial institutions are now required to provide Revenue with details of the names and addresses of account holders, where interest of over €635 was paid by the Institution. Banks and other financial institutions are required to forward details on DIRT liable accounts for 2005 and 2006 to Revenue by 15 September 2008. Details of accounts for 2007 must be sent to Revenue by 31 October 2008.

Taxpayers are invited to make a voluntary disclosure to Revenue by 15 September 2008, where at any time between 01 January 2005 to 31 December 2007, they had over €100,000 of funds which consisted of amounts which were previously unreturned in DIRT liable accounts. Revenue has disclosed that they will be concentrating their focus on money which has been undeclared for tax purposes when they carry out their review.

Making a voluntary disclosure will produce the following benefits:

- n Mitigated tax penalties
- n The name of the tax payer and details of the settlement will not be published
- n Revenue will not initiate an investigation with a view to a prosecution

Taxpayers who wish to make a disclosure must submit a letter of intention to make a voluntary disclosure by 15 September 2008. A full disclosure including tax, interest and penalties must be submitted to Revenue by 15 January 2009.

Revenue



STRATEGY Statement

Revenue launched its 2007 Annual Report in April. The Report was the third progress report on their Strategy Statement 2005-2007 which had three main Goals:

- To ensure everyone complies with their tax and Customs responsibilities;
- To be a capable, flexible, results-oriented organisation, and,
- To play its part nationally and internationally.

Overall, the Revenue made great progress in the three years covered by the Statement of Strategy. Some of the highlights for 2007 are listed below:

RECEIPTS

Last year Revenue collected over €66 billion in taxes, duties, PRSI, levies and so on. They repaid or paid over more than €18.5 billion, giving net receipts in 2007 of over €47.5 billion - almost €2 billion above the corresponding figure for 2006. For the first time in five years, the receipts were below the Budget estimate, by €1.7billion. The cooling of the property market (Stamp duty alone was down €700million on the Budget estimate) together with moderating consumer spending, particularly in the second half of the year, were primarily responsible for the lower than expected receipts.

A few interesting numbers:

- average daily lodgement was €217million
- largest daily lodgement was €1.63 billion
- single biggest payment was €173.5 million

HELPING TAXPAYERS CLAIM

One of the most significant developments for Revenue in 2007 was the initiative announced in the Budget to help taxpayers claim their credits. This included automatically granting some credits; introducing a facility for dirt-free accounts for eligible over 65s; major advertising to encourage people to claim and to promote the PAYE on-line service.

A few interesting stats:

- PAYE Reviews went up by 14%
- Medical expenses claims went up by 19%, and repaid nearly €59m
- 52,000 tax refunds worth €12million were made directly to people who are in the Drugs Payment scheme - for the un-reimbursed amounts
- 330,000 PAYE transactions were made on self-service channels.

SERVICE FOR BUSINESS

On the business side Revenue reduced the VAT filing frequency for over 70,000 SMEs; they provided a dedicated 1890 LoCall for Employers, and the Revenue Technical Service was launched aimed primarily at giving practitioners and businesses certainty on tax interpretations. A new web-based system for Customs entries went live in June 2007 where it has achieved direct trader input of almost 99%.

PROSECUTIONS

In 2007 there was 14 convictions for serious tax and duty evasion - 9 tax and 5 duty. The first 4 months of this year has had 10 more convictions - 6 tax and 4 duty with sentencing deferred in one case.

There were also 1,263 convictions last year for not filing tax returns and 500 for various duty and smuggling offences.

DRUGS AND CONTRABAND

Last year drugs with a street value of €139million were seized - although most of that just arrived off the south coast! Almost 75million cigarettes, about €500,000 suspected criminal cash, assorted weapons and illicit medicines were seized.

ELECTRONIC TAX FILING figures up again this year.

Over 99,000 payments were made online this year, an increase of 14% over last year. Over 74% of timely filers used the electronic route this year. This compares favourably with the 70% figure achieved last year.

The total number of transactions conducted through the Revenue On-Line Service showed strong growth in 2007. Payment transactions were up by 38% to over 560,000 and the value of ROS payments increased by 31% to €21.6 billion.

WHERE NEXT?

In February 2008 Revenue launched the latest Statement of Strategy for 2008-2010. In it Revenue set out their stall for the next three years. The Goals are broadly the same but the emphasis is shifting. In a nutshell, Revenue's strategy for the next 3 years is to be an organisation that:

- provides excellent service, increasingly customised, and has increased electronic capabilities
- focuses Revenue's compliance activity on the riskiest cases, in the riskiest sectors.

Revenue's fundamental aim, in all that they do, is to make it easy for people who want to do business with them and to make it difficult for those who don't.

Revenue Press Office

EUROZONE INTEREST RATES COULD BE SLASHED IN 2009

The Slowdown in global economic growth could see the ECB (European Central Bank) cut rates by up to 0.75% in 2009. The move will result in a weaker Euro. The Euro has been hitting some highs over the past year, topping out at over \$1.60 in July, being an all time high. More recent results show it trading at around \$1.47. It is widely expected that the ECB will have a cut of 0.25% next April, followed by a further reduction around July. Any further cuts would depend on how badly the economy goes into recession, and whether or not inflation eases back from above the current 4% level. For Ireland's economy the biggest worry is the "loss of consumer confidence" and the banks inability to lend due to the continuing credit crunch and their loss of faith in the economy.

BANK OF IRELAND REDUCES FIXED MORTGAGE RATES

Bank of Ireland has reduced its interest rates for its range of fixed rate mortgages. The rates have been cut for the two-year fixed rate for home-loans from 5.95% to 5.7%. Also available now is a three-year fixed rate of 5.94% for any new mortgage applicants. This is down from 6.25%.

GREEN PARTY PUSHES FOR CARBON TAX IN BUDGET

The Green Party are pushing for a Carbon Tax to be introduced in the budget in December. Energy Minister Eamon Ryan and his Green Party colleague John Gormley, Minister for the Environment, have been increasing pressure on the Cabinet for the levy to be included in the next Budget. This is to bolster Irelands commitment to reducing greenhouse gas emissions. Preliminary discussions have taken place with the Minister for Finance in relation to the Carbon Tax. The Greens are proposing to phase in the levy over two years, while reducing other taxes. This will allow Industry and motorists to adjust to the new tax.

LEADING LAPTOP MANUFACTURES ARE GETTING COMPETITIVE

Some of the worlds leading Laptop providers are about to engage in a price war for the ever-increasing market in low-cost laptops. The good news, that comes for consumers worldwide, has materialised from a boom in the Asian market. The EeePC, made by Asustek, has been selling for less than \$300. Companies like Sony, Toshiba and Fujitsu are leading the charge to combat this. All 3 companies are rolling out new "Notebook" laptops in the near future to try and catch up with the lead stolen by Asustek. The sales in this market have been affecting the sales in Ultra Mobile PCs. The UMPCs are small, light computers with strong connectivity features that can cost \$2,000 or more, and had been a niche product for a number of years. The competition can only be good for customers.

LIVE REGISTER TOTAL AT LEVEL LAST SEEN A DECADE AGO

The much talked about deterioration in the Irish labour market was further evidenced in the latest Live Register figures.

The total number on the Live Register now stands at 226,000 (seasonally adjusted by CSO), the largest number claiming unemployment benefit since July 1998, a decade ago.

On a seemingly positive note, the figures for previous months were revised down modestly, on account of the standard revision of the seasonal adjustment factors carried out by the CSO twice annually. However this makes little difference to the average for the year so far.

The monthly increase in claimants was 10,600 in July, with males accounting for 6,700, or 63%, of this total. The fact that males continue to make up the bulk of the monthly increase indicates that construction-related layoffs remain prevalent.



For some time, there has been an acceleration in the number of females claiming unemployment benefits. July was no exception, with female claimants rising by 3,800, pointing to weakness not only in industries directly linked to the construction sector, but also in the labour market in general.



REVENUE ANNOUNCES NEW ELECTRONIC SERVICES

Next year the Revenue plan to roll out e-stamping and e-registration for businesses, and have commenced public consultation on the selective introduction of mandatory e-filing. They are also actively pursuing avenues to minimise compliance costs for business, especially SMEs and micro-businesses.

Regarding the Revenue's compliance strategy, they have developed a sophisticated Risk Analysis and Profiling system (REAP) which is coming into its own as it is increasingly populated with Revenue and 3rd party data. For example REAP already includes information on property transactions. Data received under the EU Savings Directive is currently being programmed into the REAP system. The corollary of better targeting is that most of the time Revenue hope to be able to leave compliant taxpayers alone.

REVISED MILEAGE AND SUBSISTENCE RATES

Revenue have issued the following revised civil service mileage and subsistence rates which are effective from the 1 July 2008:

RATES PER MILE EFFECTIVE FROM 1 JULY 2008

Official Motor Travel in a calendar year	Engine Capacity	Engine Capacity	Engine Capacity
	up to 1200cc	1201cc to 1500cc	1501cc and over
Up to 4000 miles	83.92 cent	99.22 cent	126.73 cent
4001 and over	45.51 cent	50.66 cent	61.05 cent

RATES PER KILOMETRE EFFECTIVE FROM 1 JULY 2008

Official Motor Travel in a calendar year	Engine Capacity	Engine Capacity	Engine Capacity
	up to 1200cc	1201cc to 1500cc	1501cc and over
Up to 6437km	52.16 cent	61.67 cent	78.76 cent
6438km and over	28.29 cent	35.68 cent	41.81 cent

DOMESTIC SUBSISTENCE RATES EFFECTIVE FROM 1 JULY 2008

Class of Allowances	Night Allowances			Day Allowances	
	Normal Rate	Reduced Rate	Detention Rate	10 Hours or more	5 hours but less than 10 hours
A-Rate (Salary of 67,960+)	€145.32	€133.97	€72.64	€44.81	€18.28
B-Rate (Salary of 36,620 to 67,959)	€143.58	€122.81	€71.82	€44.81	€18.28

Normal Rate is payable for absences up to 14 nights.

Reduced Rates are payable 14 nights following the above 14 nights.

Detention Rates are payable for each of the next 28 nights.

Special rulings from the tax office are required for absences of 56 nights or more.

low cost loans

a possibility for "retro-fits"

Representatives of the main banks are to meet with leading figures in the construction industry in early September. The Construction Industry Federation (CIF) and Sustainable Energy Ireland (SEI) are meeting with the banks in a bid to encourage Irish lenders to provide low-interest retro-fit loans for homeowners and businesses.

CIF director Tom Parlon and SEI chairman Brendan Halligan are to meet Irish Bankers' Federation chief executive Pat Farrell to discuss the provision of such loans for energy-saving improvements to homes and offices - such as insulating attics, replacing boilers, dry-lining walls and fitting double-glazed windows.

The construction leaders are expected to ask that such loans have interest rates 1 to 2 per cent lower than those on current home improvement loans, and that their credit rate be triple-star.

It is believed there is €9 billion worth of retro-fitting to be carried out on current Irish housing stock, and that this market could provide work for tens of thousands of jobless construction workers and boost lagging retail home ware sales.

The estimated cost to someone who wants to upgrade their home would be a €20,000 loan for a major retro-fit, or a €10,000 loan that would cover the basics.

The CIF and the SEI have already raised this possibility with some of the banks, and they believe the banks should look favorably on such loans as they are an investment that cuts energy bills, are good for the environment, and generate jobs. The CIF is also considering the registration of allied contractors who have the skills to carry out a complete retro-fit, so homeowners won't need to hire several tradesmen.

INTOXICATING LIQUOR BILL, 2008

It is a well-known fact that Ireland has one of the highest levels of alcohol consumption in the European Union. In an effort to tackle the problem of excessive alcohol consumption and binge drinking, the Minister for Justice, Equality and Law Reform recently introduced the Intoxicating Liquor Bill, 2008.

The Bill contains reforms of licensing laws and public order legislation and is aimed at addressing the adverse consequences of alcohol abuse in Irish society. The powers under the new legislation aim to tackle the increased visibility and availability of alcohol in retail outlets while tightening the conditions under which pubs, clubs and other licensed premises, including theatres, may open beyond normal licensing hours.



The main provisions of the Bill include the following:

- 1 Wine off-licences, which may be obtained at present directly from the Revenue Commissioners, will in future require a District Court certificate;
- 1 Off-licences will operate under normal licensing hours and as such must close at 10pm;
- 1 Supermarkets will be required to display and sell alcohol in a specified area which is separated from the rest of the premises or, where this is not possible, alcohol must be displayed and sold from behind a counter;
- 1 Where exemption orders exist there must be a CCTV system in place;

The Gardaí are also given further powers under the 2008 Bill. Such powers include allowing members of the Gardaí to seize alcohol from minors and issue fixed penalties for public order offences. This Bill is to be largely welcomed as a real effort to combat underage and binge drinking. However, it may also be met with dissatisfaction from those in the licence trade who are likely to view it as a further restriction on their business.

ARBITRATION BILL, 2008

Arbitration is a form of dispute resolution where the parties agree to have their dispute determined by their own appointed arbitrator and is increasingly being used as a cost-effective, prompt and readily enforceable means of dispute resolution.

The most significant aspect of the new Bill is that it proposes to extend the law to domestic arbitrations. This will be done by repealing and replacing the existing Arbitration Acts with a single Act. This is seen as a very positive development as it incorporates international best practice into Irish law and acts as an important step towards establishing Ireland as an attractive option as a third party country venue for international arbitration. Hosting such international arbitration disputes could considerably benefit Ireland in the economic, legal and business sectors.

CHANGES TO LANDLORD/TENANT LAW

The introduction of the Civil Law (Miscellaneous Provisions) Act, 2008 has resulted in major changes in the area of landlord/tenant law. Under this Act all commercial tenants can opt out of their statutory entitlement to renew their leases. Section 47 of the said Act extends the opt out provision to all tenants of business premises provided the tenant has obtained independent legal advice and signed a deed of renunciation.

Prior to the enactment of this legislation the only means of preventing renewal rights accruing for retail and industrial tenants was to ensure that a tenancy was for less than five years duration. The only sector of the business tenancy market allowed to contract out of leases previously was the office sector. This meant that many business tenants were forced to move from their premises because landlords wanted to avoid this automatic renewal right.

The new law will be welcomed by those involved in the property market



because the lack of a contracting out procedure previously made subletting other than for short terms especially problematic. The 2008 Act will introduce a much higher degree of flexibility in the length of leases being granted in the market enabling landlords and tenants to enter into lease agreements that suit their particular circumstances.

VIEWS OF THE CHILD UNDER THE HAGUE CONVENTION

The Hague Convention on Child Abduction was at the core of two recent High Court decisions which saw the Court order two separate children to be returned to countries where they had been removed from without a guardian's consent.

In May of this year in *R v R*, Mr. Justice Sheehan ordered that a child removed from Latvia without the consent of her father be returned. However, a stay was placed on the order until the mother's presence was required by the Latvian court.

In this case Article 13 of the Hague Convention was referred to. Under this Article an order for the return of a child may be refused if the judicial authority finds that the child objects to being returned and "has attained an age and degree of maturity at which it is appropriate to take account of its views". The Judge found that the child did indeed object to being returned to her father but concluded that he could not regard the views of a 10 year old child as determinative.

In June, 2008, in *D v D* a 9 year old boy who was brought to Ireland by his mother in 2006 was ordered to be returned to his grandfather in Poland, who had legal custody of the child before he was brought to Ireland.

As in the earlier case of *R v R* the court took the views of the child in question into consideration, in particular, whether he objected to being returned to Poland and had reached an age and degree of maturity where it would be appropriate to take his views into account, whether he had become settled in his new environment; and whether there was a grave risk that his return would expose him to psychological harm or otherwise place him in an intolerable situation.

Despite the fact that the child stated that he did not wish to return to Poland, Mr. Justice McMenamin's opinion was that "the views of the child are not synonymous with an obligation to bow to the child's wishes" and concluded that while a child's views may be given due consideration by a court, they could not be found to be determinative.

NEW VAT RULES FOR THE CONSTRUCTION INDUSTRY

Revenue has introduced new legislation containing a change with regard to how VAT is charged on invoices from a subcontractor to a principal contractor. From 01 September 2008 onwards, the principal contractor is required to self account for VAT on invoices from the subcontractor. Instead of the principal contractor paying VAT to the subcontractor and then claiming same from Revenue, he will pay the net amount to the subcontractor and have no reclaim from Revenue.

Who do the new rules apply to?

The new system applies to principal contractors and sub-contractors who are involved in the construction industry to which Relevant Contracts Tax (RCT) applies. RCT is applied when a principal contractor is obliged to deduct tax at 35% from payments to a sub-contractor and pay over same to Revenue. The subcontractor can subsequently reclaim the 35% from Revenue provided that all of his taxes are up to date and in order. The 35% deduction can be avoided if the principal contractor holds a Relevant Payments Card (RCT 47) for that sub-contractor. Public bodies, including Local Authorities, who receive construction services, are principal contractors for RCT purposes and the person who contracts to provide such services to them is a sub-contractor.

From 1 September 2008, Government Departments, Local Authorities and Public Bodies who are principal contractors for the purposes of RCT and who receive construction services must be registered for VAT. They

should no longer pay any VAT over to subcontractors and instead should account for the VAT on services received from subcontractors directly to revenue through their VAT return. As these bodies are generally not carrying on any taxable activities they would not normally be entitled to claim any deduction for VAT incurred.

What is the effect of the new rules?

Up to the 1 September 2008 the invoice that the sub-contractor issued to a principal contractor included VAT on that service. The sub-contractor then paid the VAT to Revenue in his VAT return. From 1 September 2008 onwards the invoice a sub-contractor issues to a principal contractor will not include VAT. Instead the principal contractor calculates the VAT on the amount charged from the sub-contractor and returns same to Revenue directly through his own VAT return. The principal contractor will be entitled to claim a simultaneous deduction for the VAT.

How will the new system operate?

For the subcontractor:

- 1 VAT should not be charged to the principal contractor
- 1 An invoice should be issued to the principal contractor, which will include the subcontractor's registered number, but no VAT should be shown on the invoice.
- 1 This invoice must contain the statement "VAT on this supply to be accounted for by the Principal Contractor"
- 1 Subcontractors can still claim a deduction for VAT on inputs in their VAT returns.

For the Principal Contractor:

- 1 Payments to subcontractors will be made net of VAT.
- 1 Principal contractors will receive an invoice from the subcontractor that will not include VAT
- 1 It is then the responsibility of the principal contractor to calculate the VAT on the supply and account for the VAT due by including it in his VAT return with VAT on sales.
- 1 The principal contractor can claim a simultaneous deduction for this VAT in his returns. This goes in under "VAT on purchases"
- 1 And if RCT is to be deducted it should be calculated on the VAT exclusive amount.

Are there any exceptions to these new rules?

Yes. There are many services that are not subject to RCT. These will continue to be taxed under the normal VAT system. For example a builder who builds an extension for a private individual should charge and account for VAT on the supply. The reverse charge does not apply to these supplies.

As many construction service providers are often involved in many different types of contracts (e.g. a builder acting as a principal for one contract, while he may be a sub-contractor on another contract) it is important to be fully aware of how the system works.

directors duties & responsibilities

The company director has a more varied and responsible job than many outside the corporate & business world might imagine. Here is a summary of his/her responsibilities.

If you are a director of a limited company here are some legal matters that you should keep in mind.

- n Every company must have at least two directors, one of whom should be Irish.
- n Directors of companies are prohibited from benefiting where their personal interests and their duty as directors conflict.
- n If you have a private business, which might in any way compete with the company's you must make all details of this available to the shareholders.

You are responsible for ensuring that the company trades responsibly.

- n You should make sure that the company keeps proper books that record the assets, liabilities and transactions of the company.
- n It is up to you to make sure that the company complies with the Companies Acts.
- n You need to carefully distinguish between the company's assets and your own

Your Revenue responsibilities

- n Larger companies and groups of companies need an annual audit.
- n Smaller companies need to prepare annual accounts.
- n All companies need to file an annual return to the companies office. It is up to the directors to see to it that all these things are done.

The responsibility to staff

- n Make sure that you have proper staff procedures in place.
- n Be aware of different employment issues like, employment equality, recruitment and termination of employment, grievance handling, bullying and harassment.
- n Have a comprehensive set of written procedures in place, that these are communicated to staff and that these are applied fairly and consistently across the company.

These responsibilities fall on all of the directors. The board of directors should act as a board and hold regular meetings at which key matters affecting the company are discussed and decided upon

As a director, a lot of responsibility for compliance has been placed on your shoulders. Your auditor or accountant, with their wide knowledge and experience of business law and compliance will also be able to give help and advise on many of these matters.