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Ryan & Crowley
CHARTERED ACCOUNTANTS

Abercorn House
57 Charleston Road
Ranelagh Dublin 6

TEL: +353 1 497 5859
FAX: +353 1 497 7782
email info@ryanandcrowley.com

In this issue...

CONSUMER CRUNCH

IN 2007 THE IRISH ECONOMY GREW BY AN IMPRESSIVE 4.1 PERCENT. CONSUMER SPENDING WAS STRONG, ALBEIT NOT AS STRONG AS SOME HAD EXPECTED GIVEN THE STIMULUS FROM THE RELEASE OF SSIA FUNDS. NEVERTHELESS, IT STILL ROSE BY 6.3 PERCENT, AND CONTRIBUTED 3.5 PERCENTAGE POINTS TO THE TOTAL GROWTH OF THE ECONOMY.

However, following a year of buoyant spending, it would appear that the Irish consumer has essentially gone on strike in 2008. This reluctance to spend has become increasingly evident as the year progresses, and looks set to persist. Indeed, we will likely observe a fall in consumer spending this year and next, and the outlook for 2010 at this stage is uncertain.

Essentially all categories of retailers are feeling the pinch. However, some sectors, notably the motor trade, and areas of discretionary spending such as household goods and clothing and footwear, have been worst hit. While to date there have been little signs of heavy discounting in an attempt to bolster falling sales volumes, we would expect to observe some efforts to stimulate consumer demand in coming months. Indeed, it will be interesting to observe the state of play in the all-important Christmas retailing period.

No single factor explains the reigning in of consumer purchases, rather there is a combination of factors working to depress both consumer confidence and spending.

First and foremost, the ongoing labour market deterioration is having a major negative affect. Since the mid-1990s there was strong growth in the numbers in employment, a positive for purchasing power and consumer spending. We are now in a situation where employment growth is moving into negative territory, and the knock-on effect is heightened consumer caution and saving, and a slowdown in consumer spending.

Household disposable incomes have also been hit by raging energy and food prices. As a result inflation remained stubbornly high in the first half if 2008, increasing by an average of 4.7 per cent. Budget 2009 put a further dent in spending power, with the introduction of an income tax levy that will knock about 1 per cent off disposable incomes.

Consumer confidence had also been damaged by the continued negative news-flow on the domestic and international economies, in addition to the financial market turmoil and tightened lending conditions.

Taken together, this combination of worsening labour market conditions, lower disposable incomes, and subdued confidence levels has lead to a consumer crunch.

A positive for spending in coming months, and particularly in 2009, is that inflation is set to fall sharply as mortgage interest rates, and energy and food prices fall. All else equal, this should boost consumer spending. But all else is not equal, and falling prices alone will not be enough to boost the beleaguered consumer sector.

The reason for this is that confidence is set to remain depressed well into 2009, primarily as a result of poor outlook for the Irish labour market. It is confidence that will ultimately determine the recovery of consumer spending.

A return to more normal levels of confidence would require an improved labour market and more positive news on the domestic and international economies. Given that it is likely to be late 2009 before this materialises, muted consumer confidence and spending are set to continue for the foreseeable future.

Ulster Bank

ENTERPRISE IRELAND BUSINESS GROWTH FUND

In early 2008 the Minister for Trade and Employment, Michael Martin announced the new Enterprise Ireland Business Growth Fund. Given the uncertainty surrounding the Irish economy, it is envisaged that this fund will help secure new jobs in Irish firms by supporting investments in staff, equipment and technology to increase competitiveness and encourage new exports. As SMEs make up over 97 per cent of the Irish business sector, it is imperative that they have the capacity and capability to innovate and grow. This Enterprise Ireland fund underlines the determination of Government to continue supporting Irish firms as they prepare to meet the challenges of the future.

What costs are eligible?

Activities that will lead to a sustainable improvement in productivity within the company can be supported under this competitive fund.

These include:

- capital investment
- technology acquisition
- recruitment of key managers
- consultancy to assist with the implementation of the Growth Fund proposal
- management development and
- staff training

Applicant companies may apply for a Strategic Consultancy Grant which could provide up to 50 per cent funding towards the cost of a consultant to assess their requirements under the Growth Fund and to assist with the preparation of an application.

In the case of successful applicants, only eligible expenditure incurred after the close date for which the application is submitted will be considered for funding by the approval committee for the Growth Fund.

Maximum Support Limits

Where a company applies for two categories within one project, the total available funding from the Growth Fund will be €650,000, of which the maximum for capital & technology acquisition is €300,000.

Do I qualify?

The Growth Fund is open to existing Enterprise Ireland clients who:

- are SMEs who meet the requirements of the Industrial Development Act 1986 as amended and the EU Commission definition of either a small or medium enterprise within the meaning of Regulation (EC) No 70/2001, or any regulation replacing that regulation;
- have been trading (i.e. generating sales) for at least 5 years before the tranche date of application. (This 5 year period can include the time during which a business was trading prior to being acquired by the applicant).

Ineligible companies include:

Large companies (i.e. non-SMEs). For such companies, they should consult Enterprise Ireland through their Development Advisor to explore what supports may be available.

Project ideas should be discussed with your local Enterprise Ireland Development Adviser (DA) prior to submitting a completed application form. Support may be available for consultancy assistance in creating the business plan required. Contact your DA for details.

When the application has been completed, along with the company's most recent audited and management accounts it should be emailed as a READ ONLY documents to:
csugrowth@enterprise-ireland.com

Applications take 2 months to process i.e. from the end of the month of submission to approving committee decision.

	Max. Funding	Funding Type	Min. Company Spend
Capital Investment	€300,000	Grant / 50% repayable	€75,000
Technology Acquisition	€300,000	Grant	€50,000
Training & Management Development	No specific limit	Grant	€25,000
Consultancy	25% of total project	Grant	n/a
Recruitment of Key Managers	€200,000	Grant	n/a
Workplace Innovation & Management Development	No specific limit	Grant	€25,000
Overall Maximum Support for Submission		€650,000	

CGT DUE DATES

Where chargeable assets are disposed of, a gain is realised. Capital gains tax (CGT) is payable on the gain. For disposals made between 1 January 2008 and 30 September 2008 the CGT is payable on or before 31 October 2008. Where disposals are made between 1 October 2008 and 31 December 2008, CGT is payable on or before 31 January 2009.

Budget 2009 introduced changes to the payments dates for CGT. The new payment dates will be effective from 1 January 2009. CGT relating to disposals during the period January to November will be payable by mid December. While the tax payable on chargeable gains made in December will not be due until the following October.

In certain transactions there can be some ambiguity as to when the disposal actually takes place. To that end Revenue have recently released guidance notes to help ascertain when the disposal occurs. The notes are summarised as follows:

- Where a chargeable asset is disposed of by way of contract, the time of disposal is at the date of making the contract, not when that asset is transferred.
- In the case of a conditional contract, the disposal is deemed to be made when the condition is satisfied. (For example where as asset is sold subject to planning permission, the date of disposal is the same date as when the planning permission is obtained).
- Where land is acquired under a Compulsory Purchase Order (CPO), the time of disposal is the earlier of the date of the agreement or the entry by the authority onto the land.
- Where farm land is acquired under a CPO for the purposes of road making, the date of disposal is deemed to be when the consideration is received by the landowner.

Revenue has warned that delays in closing contracts will not be accepted as a reason for not paying CGT on time. Any late payment of CGT may be subject to interest by Revenue.

INTEREST Deductions

Interest incurred on personal borrowing for the following purposes may be eligible for relief against income tax:

* INTEREST ON LOANS TO ACQUIRE SHARES IN COMPANIES
* INTEREST ON LOANS TO ACQUIRE A SHARE IN PARTNERSHIP
* MORTGAGE OR HOME LOAN INTEREST (USUALLY APPLIED AT SOURCE BY THE LENDER)
* BRIDGING LOAN INTEREST

Where loans are used partly for the above purposes and partly for other purposes they do not qualify for tax relief. However Revenue has previously stated that, in practice, tax relief will be allowed on the portion of interest paid on the loan that was used for one of the above qualifying purposes. Revenue went on to say that where a dual purpose loan (i.e. a loan used for qualifying and non-qualifying purposes) was topped up or consisted of amounts borrowed at different times, tax relief on the interest paid on the entire loan would not be allowed. To that end where an individual has a dual purpose loan he should not borrow any further amounts under the loan agreement but rather apply for a second loan.

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 March 2008 — **31 December 2008**

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets made between 01 October 2008 to 31 December 2008. — **31 January 2009**

VAT on DEPOSITS

Following a recent ruling issued by the European Court of Justice (ECJ) the treatment of VAT on cancelled deposits and cancellation charges has been changed by Revenue.

VAT is chargeable on deposits received by VATable businesses. Previously where orders were cancelled, it was not possible to reclaim the VAT on the deposit. Revenue have recently announced that where a deposit paid to a business is retained by the business owing to a cancellation by the customer and

→ a supply does not subsequently take place
→ the cancellation is recorded as such in the books and records of the business
→ the deposit is not refunded to the customer
→ no other consideration or benefit is provided to the customer in lieu of the amount

the business may reclaim any VAT already paid over to Revenue.

Taxpayers are entitled to reclaim VAT on similar transactions over the last 4 years. Interest will be payable by Revenue on the VAT refunds up to the date of the refund. If a taxpayer wishes to reclaim VAT for previous years, the refund applied for must be net of any income tax or corporation tax liabilities arising from the change in figures in the last four years. Revenue has stated that they do not want to reopen prior year of assessments so in this instance they will accept calculations of refunds as follows

VAT Refund
Plus Interest
Less Corporation Tax/Income Tax Liability

ISME CALL FOR BANKS TO CONTINUE LENDING

ISME, the Irish Small and Medium Enterprise Association, has called on the Government to instruct the Irish banks to lend to small businesses.

Many small to medium sized companies may go under unless the banks lend to them, as many don't have sufficient working capital. ISME feel that this is the "the final hope" for many companies who are destined to close due to the failure of the banks to provide the vital funding needed by many struggling businesses.

With the banking crisis as it is, there has been real evidence that the banks have stopped funding companies. Many companies have recently had their facilities reduced or have failed to secure much needed extensions to their loans.

Many businesses are experiencing late payments, and thus are failing to meet their payments to their suppliers. This is having a critical knock on affect for normally profitable businesses. Statistics show that 43 per cent of small businesses are waiting longer than normal for payment. Ireland is already at the highest average payment period in Europe. A year ago the payment period stood at 65 days. Right now 35 percent of companies have to wait 90 days to be paid. This is a crisis according to ISME.

The situation is continuously deteriorating and banks are, in many instances, refusing to extend credit limits. Under a European Investment Bank (EIB) initiative, Irish banks can access billions of Euro on attractive terms for specific lending to small businesses.

COMMERCIAL LEASE

WHAT ARE THE OPTIONS FOR TENANTS WHO WANT TO LEAVE BEFORE THE LEASE IS UP?.

In modern times a large proportion of property is leased as opposed to owned by its occupants. In commercial situations there are many advantages to being a tenant as opposed to an owner, not least the avoidance of having to come up with funds to purchase a property outright. It is therefore very common for business premises to be leased, usually for a period of years. The tenant purchases a leasehold interest which entitles him to lease the property for the agreed period, and then also pays rent periodically throughout the leasehold.

But what happens when a tenant wants to end the lease before the expiry of the leasehold interest? Much will depend on the lease agreement itself but generally speaking the tenant will remain liable for the rent for the duration of the lease, unless he can come to an alternative arrangement with the landlord.

One way in which the tenant can vacate the premises, without remaining liable for the rent, is to surrender the leasehold interest back to the landlord. The landlord may agree to buy out the remainder of the interest or simply agree to release the tenant from future rent obligation. Once the interest is surrendered the landlord is free to locate a new tenant and sell the leasehold interest to him. It must be noted though that unless the leasehold agreement provides otherwise, the landlord is under no obligation to allow the tenant to surrender the lease.

The tenant can also vacate and find a third party who is interested in renting the property and sublet the premises . When the tenant sublets, the third party must pay the tenant rent but the tenant remains liable to the landlord. Subletting and assignment can be particularly good options for a tenant who wishes to leave a premises. There is nothing to prevent a tenant from making a profit by setting a higher rent for the sublease.

The only issue with which the tenant need concern themselves is whether the landlord's permission is required. Most leases will require that the landlord approves of the sublessee or assignee, as obviously the landlord must ensure that the party is suitable to occupy the premises. Usually the landlord will concern himself with the kind of business that will be carried out, the financial solvency of the party etc. However, an important issue to note for all tenants is that such permission may not be unreasonably withheld. Therefore if the tenant finds a party who is in fact suitable, the landlord may not refuse to agree to the assignment or sublet unless he has good and valid reason for doing so.

Medical EXPENSES

The Minister for Finance in his budget speech announced a major change in the way in which a tax deduction for medical expenses will be calculated from 01 January 2009 onwards. A deduction for medical expenses incurred in a tax year were usually relieved at the marginal rate of tax, (i.e. 41 per cent for high earners). The tax relief will now be given at the standard rate of tax (20 per cent) from 2009 onwards. Relief for nursing home expenses will change to the standard rate of tax from 01 January 2010.

This is likely to impact largely on those families who have permanently incapacitated loved ones. Revenue issued a tax briefing in April 2008 stating that it will be their practice in cases of hardship to allow tax relief during the tax year subject to an end of year tax claim for medical expenses being submitted in the normal way.

FUNDING PACKAGE OF €425M FOR RURAL DEVELOPMENT

THE allocation of €425 million in LEADER funding to 36 groups under the largest package for rural development has been announced. Community, Rural and Gaeltacht Affairs Minister Éamon Ó Cuív, speaking at the European Commission offices in Dublin, said 55 per cent of the allocation will be provided by the European Union, with 45 per cent coming from the Irish exchequer. LEADER is an EU initiative which provides approved "local action groups" with a mixture of EU and state funding in order to implement business plans for the development of their own areas. From now until 2013, the allocation will be divided between 36 local action groups in order to give support for business creation, encourage tourism activities, renew and develop villages, and provide skills training, among other measures.

BANKS ASSURE IFA CREDIT AVAILABILITY FOR FARMERS IS NOT A PROBLEM

FIVE bank groups have assured the Irish Farmers' Association that credit availability is not a problem as regards farmer borrowers, subject to the normal qualification about repayment capacity. The IFA said it had been given the assurance by the AIB, Bank of Ireland, Ulster Bank, ACC and NIB at meetings held to assess the credit situation for farmers and to review their repayment performance.

CREDIT RATING AGENCIES

CREDIT rating agencies (CRAs) are to be regulated and supervised under proposals from European Internal Market Commissioner Charlie McCreevy.

Many observers have indicated that these rating agencies are partially to blame for the near collapse of the global banking sector. There are just three major CRAs in the world, Standard & Poor's, Moody's and Fitches. All are US companies with subsidiaries throughout the world. It is strongly believed that banks rather than establishing their own in-house experts, used CRAs to rate the risk on loans and borrowers. But they also gave advice, thereby creating a conflict of interest.

One problem indicated, was that pension funds and others had it written into their deeds of trust that investments should meet a certain CRA rating — the highest would be a triple A. The Commissioner has proposed that all CRAs and their subsidiaries in the EU should be registered to allow supervisors to control their activities. They must comply with a set of rules outlining the way they rate credit; ensure they are not in conflicts of interest, and be transparent in their activities. The proposed regulation will have to be agreed on by the European Parliament first before it becomes law, possibly in the next 18 months. This would help restore confidence in CRAs and help them rebuild their reputation, which was their main asset.

RECORD DETERIORATION IN THE IRISH LABOUR MARKET

The number claiming unemployment benefit rose again in October, as was the case in nine of the ten months in the year so far. However, the extent of the rise was considerably greater than expected.

The Reuters consensus forecast of economists was for a rise of 8,500. Claimants actually increased by 15,600, by far the largest monthly increase so far in 2008, and the steepest rise we have on record. As a result, the Live Register total has now surpassed the 260,000 mark, the first time this has happened since March 1997. By the year end, this total will almost certainly breach the 270,000 mark we had previously forecast.

The latest estimate of the standardised unemployment rate showed a significant rise to 6.7 per cent in October, from 6.3 per cent in September. This represents the highest rate of unemployment since September 1998. On this basis, the unemployment rate may exceed 8 per cent by the end of 2009. One of the main effects of this rising unemployment will be to drive consumer spending even lower in 2009, which given it represents almost 60 per cent of total GNP, will have knock-on implications for Irish growth next year.

INFLATION DOWN

Inflation is down by 0.3 per cent in October to 4 per cent, its lowest level in two years and the expectation is that it will go as low as 1 per cent, or even 0 per cent, by the end of next year.

The main driver for the latest fall, was a 2 per cent year-on-year drop in clothing and footwear prices and a 0.5 per cent decline in the price of furnishings and household equipment. The drop in oil prices and a lowering of air fares led to a 1.8 per cent fall in transport costs.

However, food prices for the year went up by 4.6 per cent, with energy prices rising by 11.5 per cent. A potential easing of price pressure in both these areas — the biggest culprits of high overall inflation in recent times (inflation hit 5 per cent in May) — is being seen as the big hope for a significant lowering of inflation levels.

OIL CONTINUES TO FALL

Some reasonable news for consumers is that Oil prices continue to fall, down at $56 a barrel in mid-November.

News that the Organization of the Petroleum Exporting Countries (OPEC) may wait until its meeting on 17 December, instead of the end of November, to make a decision on whether to cut production targets again, also weighed on prices.

WEATHERING THE ECONOMIC DOWNTURN

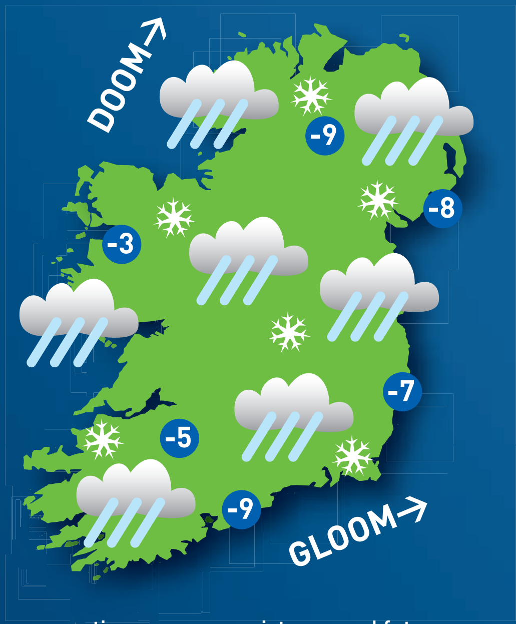
WITH COST-EFFECTIVE ADVERTISING STRATEGIES

In the current economic climate thoughts turn to cost cutting and cost-effectiveness in all aspects of business. Advertising and marketing are often honed in on and their effectiveness questioned. The old adage 'I know half my advertising works, but which half' still applies, but beware the consequences of burying one's head in the sand and hoping that customers will still come and that, despite all the indicators to the contrary, there is no economic downturn after all. Your aggressive competitors will not entertain such thoughts, rather, they will forge ahead and take steps to solidify their market share and gain new customers.

Marketing a business is the key to survival, especially in a world where consumers are bombarded with a myriad of choices. It is a fact that companies which hold or increase their advertising spend in periods of economic downturn are assured of an increase in sales and a satisfactory market share, pre and post downturn.

By maintaining or increasing a marketing spend at this time companies should reap benefits as follows:

- Hold their position as a serious player in the market place, countering competitors who may be entering that space.
- Advertising and marketing will contribute to the bottom line in terms of additional sales – it should not be seen as a cost to business, rather an investment.
- Stand out as a business intent on doing good business with great products – for now and into the future.
- Project an image of stability in an otherwise volatile market – perception is often reality.
- Through its advertising, marketing and public relations a company can reassure its customers and suppliers, copper-fastening its reputation for the provision of quality products and services.
- Businesses hold great store in building up a brand, so disappearing off the radar leads customers to question your very existence and future viability.
- Reticence by competitors to advertise in a downturn leaves the door wide open for canny companies to dominate in the sector.



In summary, customers have fewer choices if businesses fail to promote themselves, therefore those who showcase their products and services reap the benefits. When times are good, you should advertise; when times are bad, you must advertise.

www.hopkinscommunications.ie

INHERITANCE TAX

Capital Acquisitions Tax (CAT) is more commonly known as Inheritance Tax but is also levied on gifts. There are different rules for the taxation of inheritances and gifts.
The rate of CAT is 20 per cent whether the tax is being calculated on an inheritance or a gift.

With regard to inheritance and gift tax, each individual has a lifetime tax free threshold for inheritances and gifts taken from different groups of people.

Group	Tax Free Threshold
A- Parents	€521,208
B- Siblings/Aunt/ Uncle/ Grandparent	€52,121
C- Anyone other than those in Group A/B	€26,060

The above table is a general outline of the groups and as such is intended purely as a guide. It does not cover all eventualities.

The lifetime limit is applied as follows: where the aggregate of inheritances or gifts taken from individuals in each group exceeds the above limit, CAT at a rate of 20 per cent is payable by the beneficiary on the market value of the benefit less liabilities and any consideration paid. The lifetime limit is adjusted for inflation annually. The main CAT reliefs are agricultural and business relief, which effectively reduce the tax payable by 90 per cent. However these reliefs are only applicable in certain circumstances.

Given the current economic climate and falling property values, this is a good time to consider lifetime gifts and the transfer of assets to the next generation.

OVERTIME

Is there a legal entitlement?

Despite the common belief that hours worked in excess of normal working hours automatically merit a higher rate of pay, this is not necessarily the case.

While it's true to say that employment legislation greatly protects and confers many rights to employees, there is no legal right to overtime. There is no law which states that when you work more than your regular hours that you are entitled to additional pay.

That said employers and employees should carefully consider whether an overtime rate forms a term of the employment contract. In this regard one must remember that what counts as a contractual term is not necessarily confined to what is written on a signed 'employment contract'. Many terms are incorporated by implication. For example, in an office where normal hours are 9am to 5pm, Monday to Friday, and no written details are provided regarding 'normal hours', it could be assumed that a new employee would also work 9am to 5pm, Monday to Friday. Likewise if all employees are routinely paid extra for overtime hours, an employee could argue that he too is entitled to the additional pay unless he was specifically told otherwise.

The other point of note is that there are times where failure to confer a benefit on an employee could amount to unlawful discrimination. There are certain protected classes of employees, such as part-time workers and temps. It is illegal to treat such employees in a less favourable manner than their full-time or permanent counterparts. Therefore an employer who decides that as a rule only permanent employees are entitled to the overtime rate may well find himself liable for failure to pay temps. However, a practice whereby no one gets overtime would most likely be upheld.

GREEN ISSUES

Two new environmental measures were introduced in the Budget for 2009. As of 1 January 2009, any employee who has a free car parking facility provided to them will be subject to a flat rate levy of 200 per annum.

In tandem with this, a Cycle to Work Scheme is due to commence on 1 January next year. Employers can provide bicycles and safety gear up to the value of €1,000 to employees, who agree to cycle to and from work, tax free. A New Years resolution perhaps?

CIVIL PARTNERSHIP BILL 2008

New rights for co-habiting and same sex couple.

The Civil Partnership Bill 2008 offers long sought after protections and rights for co-habiting and same sex couples. The new Bill, introduced on 24 June 2008, is currently making its way through the Dail and is expected to be signed into law during the first 6 months of 2009.

The Bill seeks to extend numerous rights, which were previously reserved for married couples, to couples who register as 'civil partners'. Such couples will enjoy marriage-like benefits in areas such as property, maintenance, social welfare, pensions and succession. Tax breaks will also be available for the registered couples but these breaks will be introduced under finance legislation as opposed to the current Bill. However, the Bill does not provide for same-sex couples to be considered as joint adoptive parents and this is an issue which lobby groups have long demanded in an attempt to gain full equality for same-sex couples.

Couples will have to take part in a registration ceremony before the Act shall apply to them. Registration is open to persons of the same or opposite sex who live together in an intimate relationship for at least three years (or two years if they have a child together). Persons who are legally married or already registered as a civil partner to another person are not eligible for registration.

Once registered, the couple will have to go through a divorce-like process in circumstances where the relationship breaks down. Couples will have to show that they have lived separate and apart for four of the previous five years, and there will inevitably be division of assets, maintenance and perhaps even custody issues to be addressed.

There is currently a number of dissenting voices with regard to the proposed legislation, not least the representatives of religious groups. The final text of the Act has yet to be agreed and signed into law. It is not yet clear as to how much of an impact the opposing groups will have on the final draft, but what is clear is that the Act will surely significantly increase the rights of co-habiting and same-sex couples from what is in place at present.

REVENUE TO INVESTIGATE LANDLORDS

The Revenue Commissioners are to receive major new powers to investigate the tax compliance of the country's 120,000 landlords.

Legislation is being drafted to give the Revenue full access to the database of the Private Residential Tenancies Board (PRTB), which contains the names, addresses, PPS details and property interests of all registered landlords in the country.

The Revenue sought the new powers amid concerns that tens of thousands of landlords are renting out properties without paying tax on the income.

Until now, the tax authority had no means of tracking property assets and was reliant on random audits.

Once it has access to the PRTB database, the Revenue plans to cross-check details in the database with declared rental income. The move is expected to lead to an escalation in the number of revenue audits, tax penalties and settlements.

The Revenue had formally asked the finance minister Brian Lenihan to include the new legislation in the Finance Bill.

A 2006 examination of rental income tax compliance by the Comptroller & Auditor General described efforts by authorities to verify that landlords were properly declaring rental income for tax as ''haphazard and ineffective''.

SELF ADMINISTERED **PENSION FUNDS**

Self Administered Pension Fund (SAPF) are established under legislation predominantly contained within the Finance Act, 1972, which states the following:

- A limited company may establish a trust fund under the terms of this Act for the benefit of its Proprietary Directors.
- Cash can be transferred from the Profit & Loss account of the limited company into the Trust Fund, and this transfer can be treated as a trading expense. Thus, corporation tax is reduced by the amount of the transfer.
- Beneficial ownership of the money leaves the limited company and transfers to the benefit of the named Proprietary Director. Despite this fact, there is no tax whatsoever levied on the Proprietary Director.
- The Trust Fund can make virtually any investment it cares to (property, stocks and shares, cash deposits, government or commercial loan stock...etc) and it pays no income tax on income generated and no capital gains tax on gains made.
- The amount of tax-free money that can be invested on an annual basis, and/or removed at the far end, is expressed as a percentage or multiple of the declared salary of the particular Proprietary Director.
- The Trust Fund can be accessed, at the discretion of the Proprietary Director, at any time after reaching the age of 50. In any event, the Trust will have to be dissolved when the individual reaches the age of 75 and, therefore, there exists a 25-year window for access.

Quite simply, the terms and conditions of this legislation make it the most effective tax-planning tool available to Proprietary Directors. Despite these massive tax concessions most Proprietary Directors do not take full advantage of the legislation.

WHAT IS THE DIFFERENCE BETWEEN AN SSAS AND A REGULAR PENSION PRODUCT?

If you invest in an insurance company pension product, you must choose from the fund options available under that contract. An SAPF will allow you to avail of all benefits of the pension structure without obligation to invest in specific funds. It is possible to hold individual properties, land, deposits, equities and a variety of other investments directly in your scheme. You may also make significantly greater contributions to your SAPF than with a regular pension.

WHAT ARE THE TAX BENEFITS ASSOCIATED WITH AN SAPF?

An SAPF has all the tax benefits of regular pension plans. Contributions enjoy personal tax relief and /or corporation tax relief. Returns are exempt from income tax and capital gains tax. A certain portion- typically 25 per cent of the value of the investment- may be taken tax-free at retirement and the balance of the fund may be invested in a manner which similarly enjoys income tax and capital gains tax exemption subject to certain conditions.

In summary an SAPF is a tax-efficient investment scheme, suitable for both controlling directors and employees, allowing the holders to enjoy the greatest level of control over the direction of their investments. At retirement, Proprietary Directors may choose to purchase an annuity which will guarantee an income for life, or to invest in a personally –owned Approved Retirement Fund. Investments within an Approved Retirement Fund continue to enjoy income generated free of income tax and capital appreciation gained free of capital gains tax. Income tax is liable on any amounts drawn down from the fund.

In the event of an untimely death a lump sum of up to 4 times your salary can be paid to your estate tax free. In some cases this may absorb the full value of the fund. An annual income for dependants will be purchased with any surplus monies in the fund.

INCOME PROTECTION

Have you ever thought about what would happen to your lifestyle if an injury or illness were to prevent you from working and earning an income? How would you pay for your mortgage, energy bills, personal or car loans, education and the upkeep of your home?

Fortunately, there is an answer. It's called Income Protection which is a form of disability or sickness insurance that can help prevent financial worries should you no longer be able to earn an income. It covers you for any illness or injury which prevents you from working. Income Protection is a very straightforward way of ensuring that your most pressing financial commitments are met and offers you complete peace of mind.

With Income Protection you pay a monthly premium which is based on your occupation, your health, your income and the level of financial protection you require. You can protect up to 75 per cent of your income, up to a limit of €175,000 per annum, less the applicable Social Welfare entitlements. You decide what age you want your policy to finish at, with a choice of ceasing ages available- 55, 60 or 65.

Because the government recognises the importance of planning for the possibility that illness would prevent you earning an income, the Income Protection premiums you pay are eligible for tax relief at your marginal rate, up to a limit of 10 per cent of your earnings. You can claim this tax relief at your local revenue office.

85 per cent of private sector employees would be fully reliant on the State Illness Benefit if sick or injured. In 2008, this would entitle them to just €10,286 per year for a single person. For those who are self-employed, they are not eligible for even the state benefit.

In summary, Income Protection will provide you with a replacement income if you are unable to carry out your usual work due to any illness, any injury, any accident or any disability.