



CHARTERED ACCOUNTANTS

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PLAN TO SURVIVE AND SUCCEED IN THESE TURBULENT TIMES

There is little doubt that 2009 will be more difficult than 2008 for all businesses. Owner managers feel under pressure like never before and in a lot of instances feel lonely and isolated and do not know where to look for assistance. Therefore now more than ever before is a time when all owner managers should be stepping back and taking a strategic overview of how their business is positioned. This is not the time to let yourself become totally embroiled in the operational issues of the business. Those who position themselves properly should be looking beyond the short term and taking a view as to how they can benefit out of the opportunities that will be there when the cycle of recession passes on.

Now is the time for you to document your strategic goals and plans for the future and commence working towards the implementation of your strategic plan.

Strategic planning includes targeted actions followed by the implementation of these actions, monitoring of results and comparing the results to the plans. Evidence suggests that individuals and businesses that plan and have clear written goals are much more likely to achieve success. Aim to have SMART goals in place which are

- SPECIFIC** Clear and focused
- MEASURABLE** So you can track progress
- ACTIONABLE** Where your actions make a difference
- REALISTIC** Achievable by you not a dream
- TIME BASED** With a beginning and an end

When setting about the creation of your plan you should cover the following principle issues.

- Your objectives- personal, business, and strategic
- Your business-existing products and services
- Your business -potential products and services
- Your business- sales and marketing
- Management information systems
- Managements structures and roles
- Location
- Financial module
- An action plan
- A review process

If in the preparation of your strategic plan one of the key issues for you is survival in the climate which we find ourselves then some of the following points will need critical attention.

COST REDUCTION PROGRAMME

Be willing to take decisive action and review all costs of the business. Have the right business model for the market condition you find yourself in.

STAFF KNOWLEDGE

Keeping employees informed of the status of the business is crucial.

MANAGING RISK AND UNCERTAINTY

Do we know what the main risks to the business are and what is the likely impact of a sudden hit?

LOOK AHEAD

Do not just focus on the here and now. There will be opportunities once survival has been achieved.

NOW IS THE TIME TO STEP BACK AND TAKE A STRATEGIC OVERVIEW...



THINKING CASH AND THE CASHFLOWS YOUR BUSINESS WILL NEED.

A detailed cashflow statement for the next twelve months should be drawn up and reviewed at least monthly to see if the targets are being achieved

BANKING FACILITIES

Know the levels which are going to be required and be open with your finance provider. If necessary look at alternative providers which can assist with certain areas of the business.

In other words you will have clarified where you are now, where you want to go, and how you might get there particularly in the climate we find ourselves today

The preparation of a new strategic plan should give you the confidence about the future of your business and your personal targets – a confidence that will inspire and motivate you and others around you.

10 tips

for Efficient Credit Control

The survival and prosperity of all businesses is dependent upon receipt of cash from sales on time and for the amount expected. The management of the cycle of converting orders to cash is a key part of the business process – especially so in times of downturn where prices are being pared to stay competitive. Observing the following 10 tips are key to proper management of debt collection:

Clearly print your Terms and Conditions for payment on any quotations, contracts, order confirmations, and on the reverse side of invoices. These terms should clearly state the payment period for any invoice - quite often you would expect payment within 30 days, but this could be shorter or longer depending on your type of business.

1

Ensure you have order numbers from your customers for each sale. Use this number on correspondence, dispatch documentation, invoices etc.

2

Design a Credit Application Form and ensure that each potential new customer each completes a form. Follow up on trade and banking references before granting credit facilities.

3

Set credit limits for each customer and ensure that your accounting system will prohibit sales when limits have been exceeded.

4

Be wary when you receive round sum payments. Follow up promptly on any broken promises of payment.

5

Make sure that receipts are recorded on the customer account on the day of receipt; that Invoices are issued promptly after the completion of the sale; and that month end statements are issued within two working days of the month end.

6

For major projects or exceptionally large orders negotiate a payment schedule from the customer to ensure you have financing that mirrors the costs of the project.

7

Consider early payment discounts as a means of encouraging prompt payment.

8

Ensure that staff involved in debt collection are thoroughly and uniformly trained in the debt collection policy of the business. Consistency in the methods followed by each staff member is critical. Ensure that any discount policy is written down and understood. Any discounts agreed should be documented and signed off.

9

Hold internal Credit Control meetings on a weekly basis; allocate collection responsibilities; follow up. Measure your collections on a week by week basis.

10

CAPITAL ACQUISITIONS

→ TAX THRESHOLDS

The tax free thresholds for the transfer of a gift or inheritance to a benefactor have increased for 2009. The table hereunder sets out the various thresholds for all groups for 2008 and 2009.

Relationship of beneficiary to the donor/testator	2008	2009
GROUP A Child of the disponer Grandchild of a deceased child of the disponer	€521,208	€542,544
GROUP B Grandparent Brother/Sister Aunt/Uncle	€52,121	€54,254
GROUP C Any other person	€26,060	€27,127

The first €3,000 of a gift from any disponer in one calendar year is exempt from Capital Acquisitions Tax. The excess of a benefit received over the above thresholds for a particular group is taxed at a rate of 22%.*

* The rate of tax on gift and inheritances has increased from 20% to 22% from 20 November 2008.

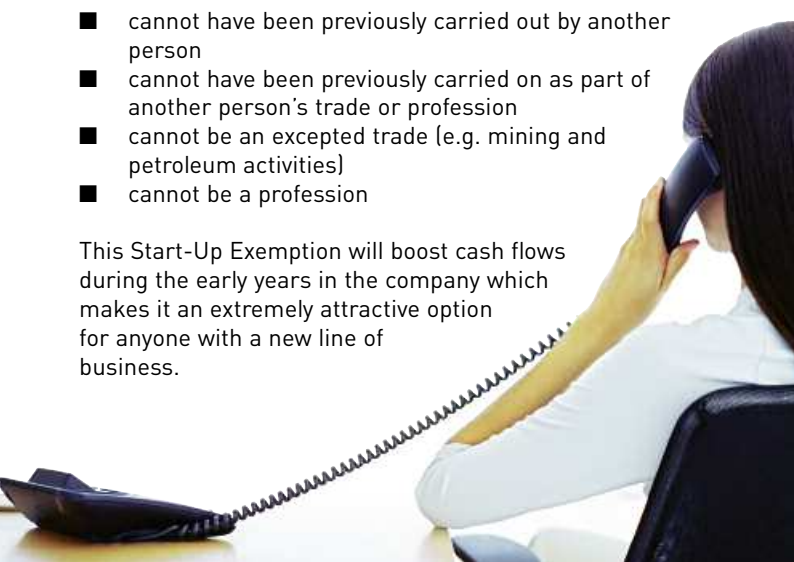
START-UP EXEMPTION

Budget 2009 has announced a three year exemption from corporation tax for start up companies. Where a new company is set up, no corporation tax will be payable on its profits or chargeable gains provided the total annual tax take is less than €40,000. Marginal relief for companies with corporation tax liabilities of up to €60,000 will also apply. The relief will apply for three years from the commencement to trade.

To constitute a New Company, the company must be incorporated on or after 14 October 2008 and it must commence to trade in 2009. To qualify for this relief the trade:

- cannot have been previously carried out by another person
- cannot have been previously carried on as part of another person's trade or profession
- cannot be an excepted trade (e.g. mining and petroleum activities)
- cannot be a profession

This Start-Up Exemption will boost cash flows during the early years in the company which makes it an extremely attractive option for anyone with a new line of business.



PAY AND FILE SUMMARY

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

INCOME TAX

Filing date of 2008 return of income	31 October 2009
Pay preliminary (income tax) for 2009	31 October 2009

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets Made between 01 January 2009 and 30 November 2009	15 December 2009
Payment of Capital Gains Tax for the disposal of assets Made between 01 December 2009 and 31 December 2009	31 January 2010

KNOW-HOW TAX DEDUCTION

A tax deduction against trading income can be obtained for expenditure incurred on 'know-how' acquired for the use in a trade. 'Know-how' can be defined as industrial information and techniques likely to assist in manufacture or processing of goods or materials, or in the carrying out of any agricultural, forestry, fishing, mining or other extractive operations. The deduction will not apply where a person acquires 'know-how' as part of the acquisition of a trade or where the buyer and seller of 'know-how' are connected persons. Finance Act 2008 introduced further anti-avoidance measures as follows:

Firstly that a deduction for 'know-how' will not apply where the assets of a trade are acquired by one person and the 'know-how' acquired by another. Secondly that 'know-how' expenditure must not be acquired solely for tax avoidance reasons. Finally that Revenue can request that experts assist them in the evaluation of any claims for a deduction of 'know-how' expenditure. Before disclosing any information to a third party, Revenue must disclose their intentions to the claimant. No disclosures will be made where the claimant demonstrates that such a disclosure would prejudice his trade.

REVENUE POWERS



A new penalties regime has been introduced by Revenue which will alter the way in which Revenue audits are conducted and settled. The new regime implements EU provisions which state that every person should have the right to an independent tribunal examination where that person has broken tax or duty law. Revenue audits were previously conducted with reference to the Revenue Audit Code of Practice. The new legislation brings a significant portion of the code into legislation. The most important change is that where the taxpayer and the Revenue cannot agree on a settlement, a penalty cannot be sought by Revenue legally unless the person has been deemed to have contravened tax or duty legislation by a court. This could result in high legal costs for the tax payer and will undoubtedly lengthen the matter considerably.

FINANCE (No.2) ACT 2008 PRINCIPAL FEATURES

INTRODUCTION

The principal feature of the Finance Act 2009 is the introduction of an Income levy from which there are no allowances or deductions.

On the positive side an important relief for starter companies has been introduced and in addition attempts have been made to make it more attractive to carry out R&D in Ireland.

The Act has also reduced the stamp duty rates for non-residential property.

The Act includes a portion of the Revenue Code of Practice for Auditors in the Act for the first time, although some of the new terminology is less than clear.

COMPANY TAXATION – Principal features

- **Three year exemption for Start-up Companies** – This applies to new companies commencing to trade in 2009.
- **R&D Credits – Enhancements** - The Act increases the rate of tax credit from 20% to 25% of qualifying R&D expenditure
- **Preliminary Tax Payment Dates** - The payment dates for preliminary tax by companies with more than €200,000 in the previous accounting period has been changed. Two installments are payable: the first installment, of 50% of the CT liability of the preceding accounting period, will be payable in the 6th month of the accounting period (alternatively 45% of the corporation tax liability for the current accounting period may be paid): the second installment will be payable (as before) in the 11th month of the accounting period. The amount payable must bring the total preliminary tax paid to 90% of the corporation tax liability for the current accounting period.

INCOME TAX

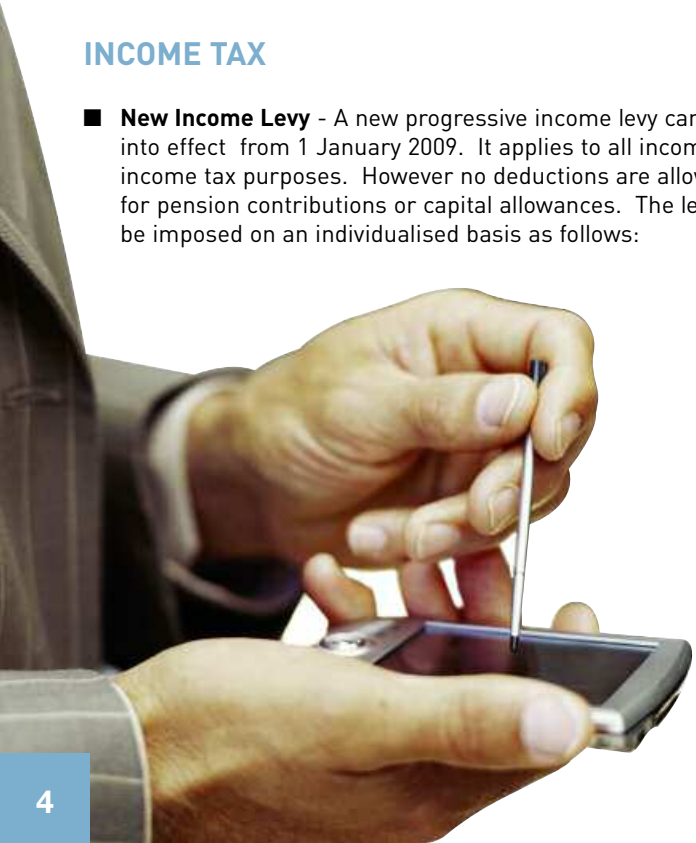
- **New Income Levy** - A new progressive income levy came into effect from 1 January 2009. It applies to all income for income tax purposes. However no deductions are allowed for pension contributions or capital allowances. The levy will be imposed on an individualised basis as follows:

Income	Rate
First €100,100	1%
From €100,101 to 250,120	2%
€250,121 and over	3%

- **BIK - Preferential Loans** - The specified rate used in calculating the taxable benefit from loans at preferential rates of interest provided by employers to employees (other than home loans) is increased from 13% to 15% from 1 January 2009.
- **BIK - Company Cars** - The Act introduces a new CO₂ based system of calculation of benefit-in-kind (BIK) in respect of company cars provided for employees and is structured on the 7-bands adopted for Vehicle Registration Tax (VRT). Cars in the 3 lowest bands of CO₂ emissions remain at the current level of BIK charge, and higher charges apply for vehicles with higher emission levels. Existing vehicles retain the current method of calculation of benefit-in-kind.
- **Parking Levy** - A further levy has been introduced where an employee has an entitlement to use a parking space and that space is provided directly or indirectly by his or her employer. The charge for a full year will be €200 with a reduction for shared spaces. Employers are required to deduct the levy from employees' net wages or salary and to remit the levy to Revenue at the same time as they remit income tax deducted under the PAYE system. The levy will not apply to disabled drivers or to employees of the emergency services in the context of responding to an emergency situation. Occasional permission to park for not more than 10 days in a year is excluded.



- **Medical Expenses Relief** - Medical Expenses Relief is reduced to 20% with the exception of expenditure on nursing home expenses (for 2009).
- **Mortgage Interest Relief** - The Act increases the rate at which mortgage interest relief is granted to first-time buyers on relievable interest for the first five years of their mortgage and retains the 20% relief available for years 6 and 7. The rate of mortgage interest relief for non-first-time buyers will be reduced from 20 to 15%.



→FINANCE (No.2) ACT 2008 CONTINUED

Mortgage Interest Relief (continued)

- From 1 January 2009 the relief due to first-time buyers will be as follows:

25 PER CENT FOR YEARS 1 AND 2
22.5 PER CENT FOR YEARS 3, 4 AND 5, AND
20 PER CENT FOR YEARS 6 AND 7.



- **Pension Deduction** - The annual earnings limit for tax-relieved pension contributions to €150,000 for 2009.
- **DIRT** - The Act increases DIRT by 3% for 2009.

INCOME TAX BANDS

Rate Bands	2008	2009	Increase	Value in cash
Single	€35,400	€36,400	€1,000	€200
Married One Income	€44,400	€45,400	€1,000	€200
Married Two Incomes	€70,800	€72,800	€2,000	€400
Lone Parent/ Widowed Parent	€39,400	€40,400	€1,000	€200

CAPITAL GAINS TAX (CGT)

- **Payment Date** - The payment date for disposals made in the period 1 January to 30 November of a year of assessment will be 15 December. The payment date for disposals made in December will be the following 31 January.
- **CGT Rate** - The rate of tax on capital gains is increased from 20% to 22% in respect of disposals made after 14th October 2008.
- **Remittance Basis** - The remittance basis of taxation is amended so that, with effect from 20th November 2008, it now applies to gains arising to all non-Irish domiciled persons in respect of non-Irish situated assets including UK assets.



CAPITAL ALLOWANCES

- **New Industrial buildings – Relaxation of Rule**
Where the an industrial building or structure is sold before it is used, or, within one year after it commences to be used the purchaser gets the value of available Capital Allowances. However if the sale takes place beyond the one-year time limit, capital allowances are available on a more restrictive basis which makes the purchase of the building a less attractive option. The one-year time limit is extended to two years and applies to sales taking place on or after 14 October 2008.
- **Regeneration of Docklands** - A new scheme of allowances is being introduced to facilitate the removal and relocation of certain facilities which may hinder the regeneration of urban docklands.
- **Capital Allowances - Energy Efficient Equipment**
The Act introduces new categories of energy efficient equipment used for the purposes of the trade which can avail of 100% capital allowances in the year of purchase:

Information and Communications Technology,
Heating and Electricity Provision,
Process and Heating, Ventilation and Air-conditioning (HVAC)
Control Systems,
Electric and Alternative Fuel Vehicles

VAT

- **Rate of VAT** - The rate of VAT in increased from 21% to 21.5% from 1 December 2008.

*The above provisions are reflective of the Finance (No. 2) Act 2008 at the date of going to print.
Any proposed changes in the tax code in the current year would be subject to an additional Finance Act.*



5 NEW SCIENCE FOUNDATION IRELAND 'STRATEGIC RESEARCH CLUSTERS'

Tánaiste and Minister for Enterprise, Trade and Employment, Mary Coughlan T.D., has announced the establishment of 5 new Science Foundation Ireland (SFI) Strategic Research Clusters (SRCs), representing a €23.9million investment in ground-breaking, collaborative research activities involving seven academic institutions and 22 companies.

A relatively new element in SFI's portfolio of supports, the SRC programme was first introduced in 2007 to link scientists and engineers in partnerships across academia and industry to address crucial research questions, foster the development of new and existing Irish-based technology companies, and to grow partnerships with industry.

The funding announced was approved by the SFI Board following a rigorous, multi-faceted assessment process. This encompassed international scientific peer review, 23 reviews participated in the pre-proposal panel, 27 international experts participated in the postal review process and 27 international experts participated in the five on-site reviews. In addition, a 'Strategic Value to Ireland' assessment was performed by key Government agency stakeholders, including IDA Ireland, Enterprise Ireland, Department of Taoiseach, Forfás, the Higher Education Authority and the Health Research Board.

ODCE REPORT SHOWS €134M DIRECTORS LOANS

Last year saw a huge increase in reported use of companies' assets by directors with loans surging to €134m, a four fold increase, according to the Office of the Director Enforcements Annual Report for 2008. It showed that many of the loans were to directors of property and construction companies.

The rules limited the personal use of a company's assets by directors and persons connected with directors are to ensure that the company has the available resources to pay its creditors as their debts fall due.

In 2008 auditors reported 161 cases to the Office where directors had used company funds contrary to the provisions contained in the Companies Acts. This represented a 19% increase on the 135 reports in 2007. A further feature of 2008 was the incidence of loans taken by directors from companies in the construction sector.

Meanwhile, The Director's office secured a total of 32 convictions, 20 disqualifications and one restriction. A record amount of €46,600 in fines was also imposed.

IRELAND RANKS 14 IN WORLD FOREIGN DIRECT INVESTMENT (FDI) LEAGUE

Ireland continued to punch above its weight in attracting FDI last year, coming in 14th in a league of the world top economies. The National Irish Bank / OCO Investment Performance Index shows that Ireland attracted 1.9% of global FDI flows in 2008, a large share given the relatively small size of the Irish Economy with Irish GDP only accounting for 0.5% of global production.

However, this year is set to be a different picture with investment globally set to fall by 20 per cent. The survey also reveals that Ireland accounted for almost two in five new pharmaceutical jobs in Europe in 2008 and one third of all medical devices and financial sector jobs. The U.S. was by far the most important source of investment into Ireland last year and accounted for almost two out of every three new jobs created.

€10 PER FLIGHT



AIR TRAVEL TAX REPRIEVE FOR DONEGAL AND SLIGO

The Minister for Finance recently announced that he intends to bring forward legislation to exempt from the €10 per flight Air Travel Tax (with effect from the commencement date of the tax, 30 March 2009) for those airports that had less than 50,000 departing passengers in the previous calendar year. Currently, the exemption thresholds for airports included in the Air Travel Tax is 10,000 departing passengers in the previous year. Currently the exemption will apply to Donegal Airport, and Sligo Airport.

EJC Rules that employees on long term sick leave accrue holiday entitlements



The European Court of Justice has ruled that employees on long-term sick leave continue to accrue their statutory entitlement to four weeks paid annual leave. The ruling provides that employees must be allowed to carry over their entitlement to paid annual leave after they return to work, even if they did not work at all, due to illness, during the leave year. The ruling further provides that on the termination of their employment, employees who did not have the opportunity to exercise their entitlement to four weeks paid annual leave by reason of illness are entitled to receive payment in lieu of their statutory leave entitlement.

In this jurisdiction, the Organisation of Working Time Act 1997 links the entitlement to paid annual leave with hours worked and therefore employees on long term sick leave do not currently accrue an entitlement to paid annual leave under Irish law. This provision now seems to be incompatible with EU law and the Government may be required to introduce amending legislation. Employers in the private sector would be well advised to robustly manage their employees on long term sick leave and consider the potential cost increasing impact of this judgement.

STATUTORY AUDIT DIRECTIVE

IRELAND'S IMPLEMENTATION

The Department of Enterprise, Trade and Employment has confirmed that Directive 2006/43/EC on statutory audits of annual and consolidated accounts (also known as the 8th Company Law Directive) will not now be implemented in Ireland until at least 31 May 2009, some 11 months after the original deadline.

The Directive requires "Public Interest Entities", such as listed companies, credit institutions, insurance and insurance undertakings to establish an audit committee. Ireland may decide to extend the requirement to establish and audit committee to large private companies, in line with the provisions of Section 43 of the Companies (Auditing and Accounting) Act 2003, which was never commenced.

CORRUPTION STUDY PUBLISHED

A Government-sponsored study on safeguards against corruption and the abuse of power in Ireland was published by Transparency International Ireland.

The National Integrity System Study examines the risk of corruption and abuse of power in government, politics, business, civil society and media. It also looks at the role these sectors have to play in promoting integrity in public life. The study also makes some 40 recommendations to tackle a problem that contributed to the financial crisis which is believed to be costing the economy here an additional €3 billion each year.

TAX RESIDENCE

ABOLITION OF "CINDERELLA RULE"

The so called "Cinderella Rule" has been amended so that an individual will now be regarded for tax residency purposes as being present in Ireland for a day if they are present in Ireland at any time during that day. The old rule required presence of the individual in Ireland at midnight.



REDUNDANCY FAQs

In the current climate, both employers and employees are facing the difficult realities of redundancy. In this regard there are a number of questions where all parties need clarification.

WHAT IS "REDUNDANCY" AND WHEN CAN EMPLOYEE BE MADE REDUNDANT ?

Redundancy arises where an employer is forced to reduce its total number of employees or is compelled to close down a business completely.

In the case of reduction of the number of employees this normally occurs because either the work of particular employees is no longer required to run the business or the work of particular employees can be spread around other employees without hiring additional employees.

WHAT ARE THE EMPLOYEE'S LEGAL ENTITLEMENTS ?

Employees are entitled to the following:

- Notice of redundancy
- A statutory redundancy payment which only applies to employees with over two year's service.

WHAT IS THE EMPLOYEE'S NOTICE ENTITLEMENT ?

The employee's contract of employment usually defines the notice entitlement. Where an employee's contract has no written period of notice the employee is entitled by law to the following minimum notice.

13 weeks to 2 years – 1 week
2 to 5 years – 2 weeks
5 to 10 years – 4 weeks
10 to 15 years – 6 weeks.

WHAT IS STATUTORY REDUNDANCY ?

An employee who has over two years service with an employer is entitled to Statutory Redundancy.

The Statutory amount of payment is two weeks salary per year of service. However;

- (a) The present statutory maximum is €600 per week. Any sum earned in excess of this is ignored in the redundancy payment calculation and
- (b) Every employee that is entitled to a statutory redundancy payment is entitled to an extra or bonus week in addition to the basic payment.

IS THE EMPLOYEE ENTITLED TO ANYTHING OVER AND BEYOND THE STATUTORY REDUNDANCY PAYMENT ?

Employees with less than two years service are not entitled to a statutory redundancy payment and are only entitled to notice. Where an employee is entitled to statutory compensation for being made redundant it is common for employees to be paid in excess of their statutory entitlement.

The extent to which an employee is paid in excess of their statutory entitlement depends on the industry or the particular employer. It has to be clearly stressed that any payment above the statutory entitlement is "ex gratia" i.e. there is no legal obligation to make this payment unless there is some form of agreement with the employee that has to be honoured.

WHAT IS THE GOVERNMENT REBATE IN RESPECT OF REDUNDANCY PAYMENTS ?

In respect of the statutory redundancy payment the employer can reclaim up to 60%. However it is important that when employees are being made redundant that the appropriate statutory form, the RP50, is served on the employee and acknowledged in writing on receipt by the employee. The RP50 replaces the old forms being the RP1, RP2, and RP3.

WHAT TAX IS PAYABLE ON REDUNDANCY PAYMENTS ?

The Statutory Redundancy payment can be paid tax free. With regard to any sum paid over and above the Statutory entitlement the following needs to be considered.

- (a) Notice period – this is a contractual entitlement and therefore is taxable.
- (b) Ex-gratia redundancy payment – in addition to the notice and Statutory Redundancy payment if there is any

further payment being made to the employee as a redundancy payment it must be taxed. However there are attractive tax relief available but these require specialised knowledge and calculation.

- (c) Any additional benefit such as a car, laptop computer must also be included in any calculation for tax purposes.

WHAT STEPS SHOULD BE TAKEN LEADING UP TO THE PROPOSED REDUNDANCIES ?

1. Decide on the criteria that are going to be used to select redundant areas or activities.
2. Consider what payment you are going to make to employees e.g. statutory entitlement or additional ex-gratia sum.
3. Decide how you are going to make the announcement to employees. This is particularly important when a company is making a number of redundancies. It is important to convey the message as quickly as possible and normally on a one to one basis.
4. Have all relevant documentation prepared in advance which should include.
 - The necessary statutory forms (RP50)
 - A letter to the employee confirming the redundancy and also confirming the consequences of the redundancy whether the employee will be required to work out the notice period, what date the employee will actually cease employment, whether an ex-gratia payment will be made, and when the employee will get paid.
5. Attached to the letter should be a detailed calculation of the gross figures setting out the tax deductions, the tax exemption limits and finally the cash in hand payment that the employee will get.
6. The letter should set out any company property to be returned including keys, passwords, company documentation, files and records etc
7. Employees should be reminded of any continuing obligations, such as confidentiality, if contained in their contract or any other restrictive covenants.
8. The employee should be given a completed P45 form (final tax form)
9. Finally decide what should be said to each employee and make sure that any questions the employee may have can be answered.