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We are delighted to present the September 2016 edition of our quarterly tax newsletter. Our newsletter is designed to keep you up to date with tax trends and issues that may impact your business and financial affairs.

In this issue we look at:

Taxation of Paternity Benefit

Paternity Benefit is a new payment for employed and self-employed people who are on paternity leave from work and are covered by social insurance (PRSI). It is paid for two weeks and is available for any child born or adopted on or after 1 September 2016.

This payment is €230 per week. It is liable to income tax, however Universal Social Charge (USC) and PRSI will not apply.

For individuals who pay their tax through the PAYE system their annual tax credits and rate bands will be reduced by the amount of the Paternity Benefit payment.

Employers will be advised of the adjusted tax tax credits and cut-off points on the employer tax credit certificate.

If you are self-employed and pay your tax through the self-assessment system you should include details of any Paternity Benefit received on your annual tax return.

Tax Tips... passing assets to children

Tax Tip 1
Each year a child can receive a gift of €3,000 tax free from each parent. This is a useful way to gradually reduce your assets that might otherwise give rise to a tax liability when passed to the child.

Tax Tip 2
Plan for the transfer of your business to your family on reaching 55 years of age and take advantage of the special retirement relief from capital gainst tax. This can be done without you losing control of the business.

Be sure you don't miss out on.......

Tax relief on health expenses

Every year many individuals miss out on the opportunity to claim tax relief on their medical expenses.

You are entitled to tax relief on any qualifying health expenses paid by you on behalf of any individual. The tax relief is at the standard rate of tax (20%), with the exception of nursing home expenses for which tax relief is available at your highest rate of tax (i.e. 40% for individuals who are subject to income tax at the higher rate).

What health expenses are included in the scheme?

Most health expenses, with some exceptions such as routine dental and ophthalmic care, qualify for relief. Examples of some qualifying expenses include:

- Doctors and consultants fees
- Drugs and medicines prescribed by doctor, dentist or consultant
- Non-routine dental treatment (e.g. root canal treatment, periodontal treatment, wisdom tooth extractions and crowns)
- Ambulance transport
- Maternity care
- Certain items for a qualifying child with serious lifelong illness
- Speech and language therapy for a qualifying child
- Physiotherapy prescribed by a practitioner
- X-rays
- Corrective laser eye surgery
- IVF
- Gluten-free food for coeliacs
- Nursing home care

The costs of the purchase, maintenance or repair of certain appliances qualify for relief when used on the advice of a practitioner, for example:

- Wheelchair or wheelchair lift
- Hearing aids
- Physiotherapy/ Podiatry
- Orthopaedic bed or chair
- Exercise bicycle
- False eye
- Wigs

Medical treatment carried out in another country

Relief may also be claimed for qualifying medical treatment obtained in another country.

Reimbursement of medical costs by a health insurer or other compensation

If you have already received, or are entitled to a reimbursement of health expenses from your health insurer (VHI, Glohealth, Laya etc), or compensation claim, you cannot claim tax relief on such expenses. However, if you have received a partial reimbursement, you can apply for tax relief on the balance.

How to claim the relief

If you pay income tax under the PAYE system you can claim a refund for health and medical expenses online through Revenue's PAYEAnytime facility.
Alternatively, you can complete the eForm12 which is the electronic version of the paper Form 12 and can be downloaded from the Revenue's website at www.revenue.ie
If you pay income tax under the self-assessment system, the tax relief is claimed by completing the "Health Expenses" section of your annual tax return.

Non-routine dental expenses

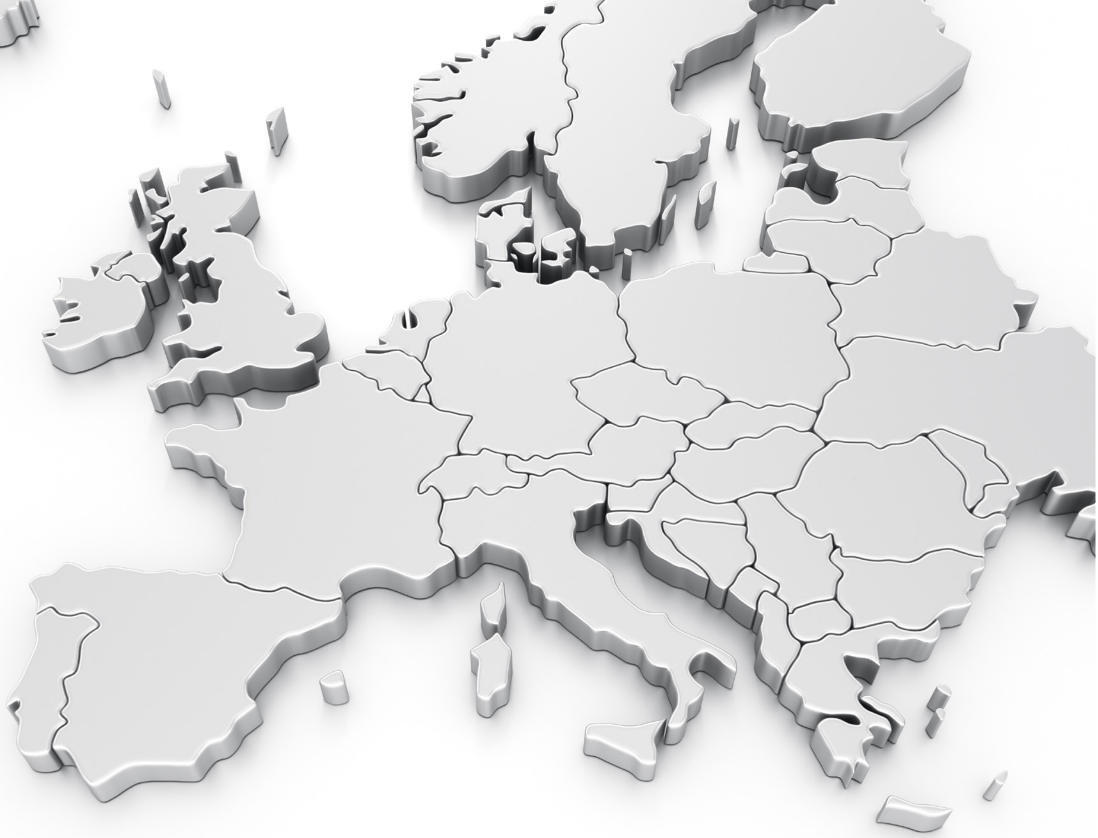
If your claim includes non-routine dental treatment, you must obtain a Form Med2 which is signed and certified by the dental practitioner.
The Form Med2 need not be submitted to Revenue, but must be retained for 6 years in case the claim is selected for Revenue examination at a later date.
The Form Med2 can be downloaded from Revenue's website at www.revenue.ie/en/tax/it/forms/med2.pdf

Deadline for submitting claims

You can go back 4 years to claim a refund e.g. if you want to claim relief on an expense from 2012, you must submit your claim before the end of the 2016 tax year on 31 December next.

Record keeping

You do not need to submit any medical receipts to Revenue with your claim. However, you should retain your receipts for a period of 6 years in case your claim is selected for Revenue inspection at a future date.



Brexit – the tax impact

Since the Brexit referendum last June, uncertainty has existed among Irish businesses as regards its potential impact on the Irish economy and on Irish-UK trade relations. Central to these considerations is the area of taxation.

Brexit may have material implications for the tax on supplies of goods and services between Ireland and the UK through the imposition of additional customs duty and VAT burdens.

Post-Brexit import VAT may become payable up-front at the point of importation of goods from the UK. While it is unlikely that there will be changes to the ultimate VAT cost of imported goods, cash flow costs arise due to the need to pay the import VAT upfront and then re-claim it in the following VAT return. This scenario would also give rise to increased administration and compliance costs.

The implications of Brexit will evolve gradually over time. Irish businesses should closely monitor developments in this space so as to have time to consider their options with regard to the commercial impacts of Brexit.

Relevant Contracts Tax and VAT compliance for School Boards

Revenue have issued new Guidance Notes for School Boards of Management on how Relevant Contracts Tax (RCT) and VAT affect school building projects and repairs and maintenance works.

The RCT regime applies to construction contracts where a principal contractor deducts tax from payments due to building contractors and tradesmen. Since 2012, school Boards of Management have been counted as "Principal Contractors" for RCT purposes.

This means that where a Board of Management undertakes construction works (including associated repairs or alterations to a building or structure), they must operate RCT procedures on all payments to contractors.

In addition, they must file VAT returns and make VAT payments in respect of VAT withheld under the reverse charge system.

There are serious penalties for failing to comply with these obligations, so school Boards should take special care to ensure that their VAT and RCT affairs are fully in order.

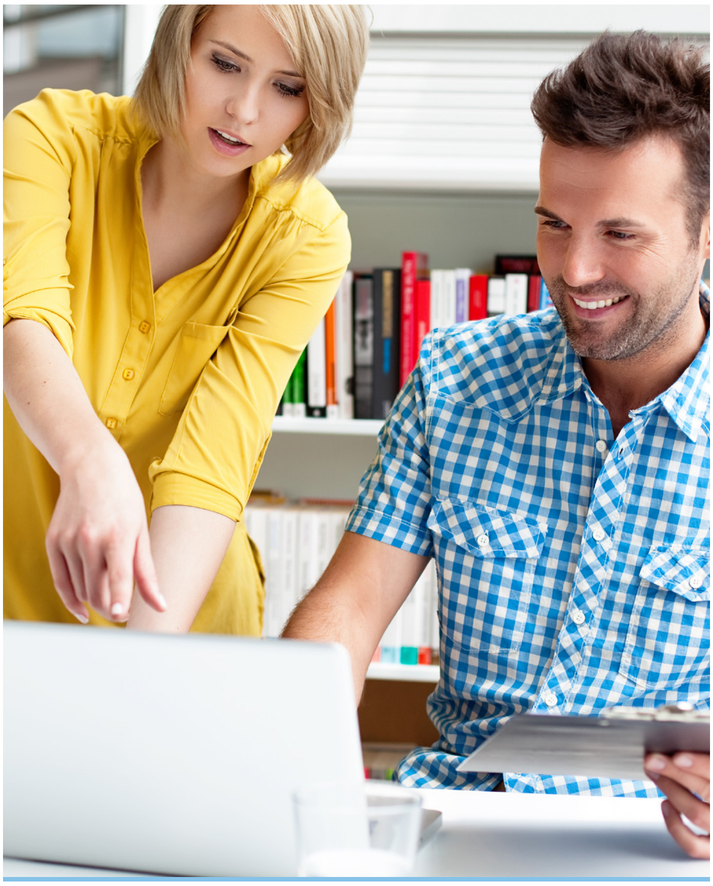
10 Tax Efficient Ways to Pay Employees

Employers are always looking for ways to reward employees tax efficiently. After all, simple salary increases and bonus payments attract income tax,PRSI and USC for the employee as well as an added 10.75% PRSI for the employer.

Here we look at 10 tax efficient options to increase your employees' remuneration package.

1. Cycle to Work Scheme

An employer can purchase a new bicycle and related safety equipment on behalf of an employee, tax free, up to a value of €1,000, provided that the bicycle and equipment are mainly used for travel to and from work or for other work related journeys.
The tax relief applies to bicycle safety equipment such as, helmets, lights, locks, pumps, puncture repair kits, reflective clothing and rain gear.
The relief will not apply if the employee pays for the bicycle and is then reimbursed by the employer. The employee repays the employer for the bicycle through a series of payroll salary deductions which can last up to 12 months.



2. Certain payments to E-working employees

E-working includes:
• Working at home on a full-time or part-time basis
• Working some of the time at home and the remainder in the office
• Working while on the move, with infrequent or occasional visits to the office.
Employers can cover certain costs in respect of e-working employees on a tax free basis, for example the cost of supplying:

- computers
- office furniture
- printers
- telephone line and internet access

These items must be provided to facilitate work in the employee's home and personal use is incidental.

Additionally, employers can make a payment of up to €3.20 per day to employee's tax free for light and heat expenses. The employee can also claim additional amounts on a vouched basis where actual costs exceed this level.

3. Course or exam fees

Employers can pay course or exam fees tax free for employees if the course undertaken by the employee is relevant to the business of the employer. This means that the course must lead to the acquisition of knowledge or skills which are

- necessary for the duties of the employment, or
- are directly related to increasing the employee's effectiveness in his /her present or prospective employment.

4. Long service awards

Employees with long service are allowed a tax free tangible gift up to a maximum value of €50 for each year of service. The award must recognise a period of service of not less than 20 years and no similar award can have been made to the employee within the previous 5 years.
The award must be of a tangible article and awards made in cash or in the form of vouchers or bonds do not qualify. Examples of long service awards which qualify include a gold watch, a piece of jewellery, a set of golf clubs etc.
It is possible to give an employee a qualifying benefit tax free every 5 years after they have served the employer for 20 years.

5. Reasonable employer contributions to an employee social club

Where the social club is organized for staff generally, and membership is available to all employees, PAYE/

USC/PRSI need not be applied to any reasonable contribution made by the employer to the club.

6. Professional subscriptions

Professional subscriptions may be paid tax-free by employers to their employees where

• it is required by statute that the employee be a registered member of a designated professional body, association, society, council etc; or

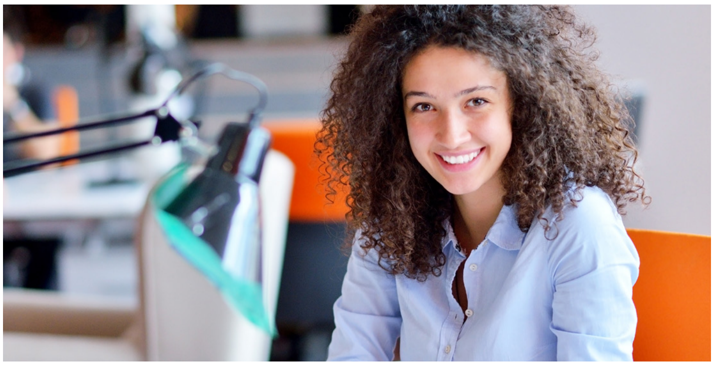
• the employee is obliged to have a current practising certificate or licence issued by a professional body, association, society, council etc. before they can carry out the duties of their employment

Other situations where membership fees of a professional body may be paid tax free:

• Where the duties of the employee and the duties of the employment require the exercise or practice of the occupation or profession in respect of which the annual membership fee refers; and

• the employee exercises or practices the occupation or profession in respect of which the annual membership fee refers; and

• membership of the professional body is an indispensable condition of the tenure of the employment.



Revenue interpret these criteria very strictly. It is advisable that tax advice is sought in relation to the tax treatment of professional subscriptions paid on behalf of employees by your business.

7. Medical check up

The provision of one medical check up per year can be paid by an employer on behalf on an employee without the employee without any tax consequences for the employee. Also, the provision of medical check-ups which employees are required to undergo by their employer will not be regarded as taxable benefits.

8. Small benefits

Company directors and employees can receive a non-cash bonus of up to €500 tax free every year. As the payment must be in a non-cash form, the most common way to avail of this scheme is by purchasing gift vouchers.

The conditions to be aware of when availing of this scheme are as follows:

- The benefit cannot be cash,
- The gift voucher must be purchased by the company. The director or employee cannot purchase a voucher and then seek reimbursement from the company.
- Only one benefit can be given to an employee each tax year. For example, you cannot take a voucher of €300 earlier in the year and then a futher €200 later on in the year.
- Where a benefit exceeds €500 the full face value of the benefit is subject to PAYE, USC and PRSI.

9. Company pension scheme

Employers are required to provide employees with access to a pension scheme.

Where an employee is a member of an occupational pension scheme, an employer can make contributions in respect of an employee without income tax consequences for the employee and no employer's PRSI.

If an employee is not a member of an occupational pension scheme, employer contributions to an employee's PRSA pension fund are not subject to income tax or PRSI if the amount paid is under permitted limits; however, USC will be payable by the employee.

10. Mileage and subsistence expenses

Employees who use their private cars for business purposes, can be paid travel and subsistence expenses tax free, subject to certain conditions.

Mileage expenses to cover the use of personal motor vehicles by employees for business use can be paid tax free where adequate records are kept and rates paid do not exceed the Civil Service Rates.

Detailed records must be kept for 6 years in case of a future Revenue audit.

The expenses are paid for business journeys i.e. where an employee travels from one place of work to another in the performance of his/her duties. Journeys between an employee's home and place of work are not allowable.

Subsistence can also be paid to employees who are outside the office for more than 5 hours in the carrying on of their employment duties. Foreign business travel and subsistence can also be paid.

Flat-rate subsistence expenses can be calculated in accordance with prevailing Civil Service Rates and may be paid tax free where the employee incurs the cost of the relevant subsistence expense (accommodation, meals . etc). Detailed records must also be kept. Alternatively, vouched subsistence expenses may be reimbursed tax free where they do not exceed the cost of reasonable accommodation and meals whilst on temporary assignment.

R&D Tax Credit - what is it and who can claim?

With the continued increase in R&D spend by SME companies it is imperative that company owners and directors are aware of, and avail of, all support available to them. One of the key supports available to reduce the cost of carrying on R&D is the R&D tax credit scheme.

What is the R&D Tax Credit

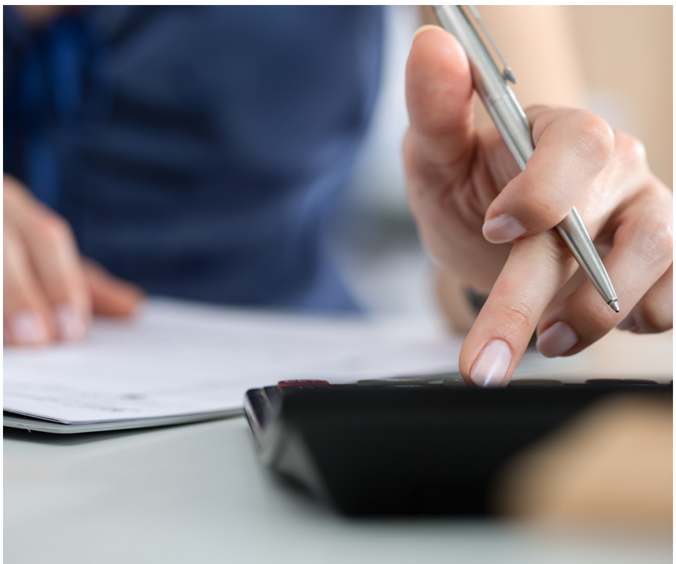
The R&D tax credit provides a 25% credit on eligible expenditure to companies. The credit is in addition to the normal 12.5% tax deduction for qualifying expenditure. The combined effect of these provisions is that it is possible to obtain tax relief at an effective rate of up to 37.5% of expenditure on R&D.

Profit making companies will see a direct reduction in their tax liability, whilst loss making companies can claim the credit as a cash refund in three instalments. Either way, it brings a cash benefit.

What R&D activities qualify for the relief?

Qualifying R&D activities are those that:

- are systematic, experimental or investigative activies
- seek scientific or technological advancement in a field of science or technology and
- involve the resolution of scientific or technological uncertainty The activity can be either basic/ applied research or even experimental development. The latter being the most frequent type of R&D for tax credit claims.



The credit is available to companies based in Ireland in respect of their R&D activities undertaken in a broad range of industries, including:

Construction and Engineering

- Developing new products such as easier to process building materials
- Integrating renewable energy technology in buildings
- Streamlining manufacturing process through automation

Medical devices

- Development of an advanced medical device
- Improve the performance of a medical device
- Development of new manufacturing processes for the new medical device

Food and Drink

- Developing totally new product and/or packaging
- Developing a new recipe
- Reducing the risk of spoilage/ waste/ contamination

Pharmaceuticals

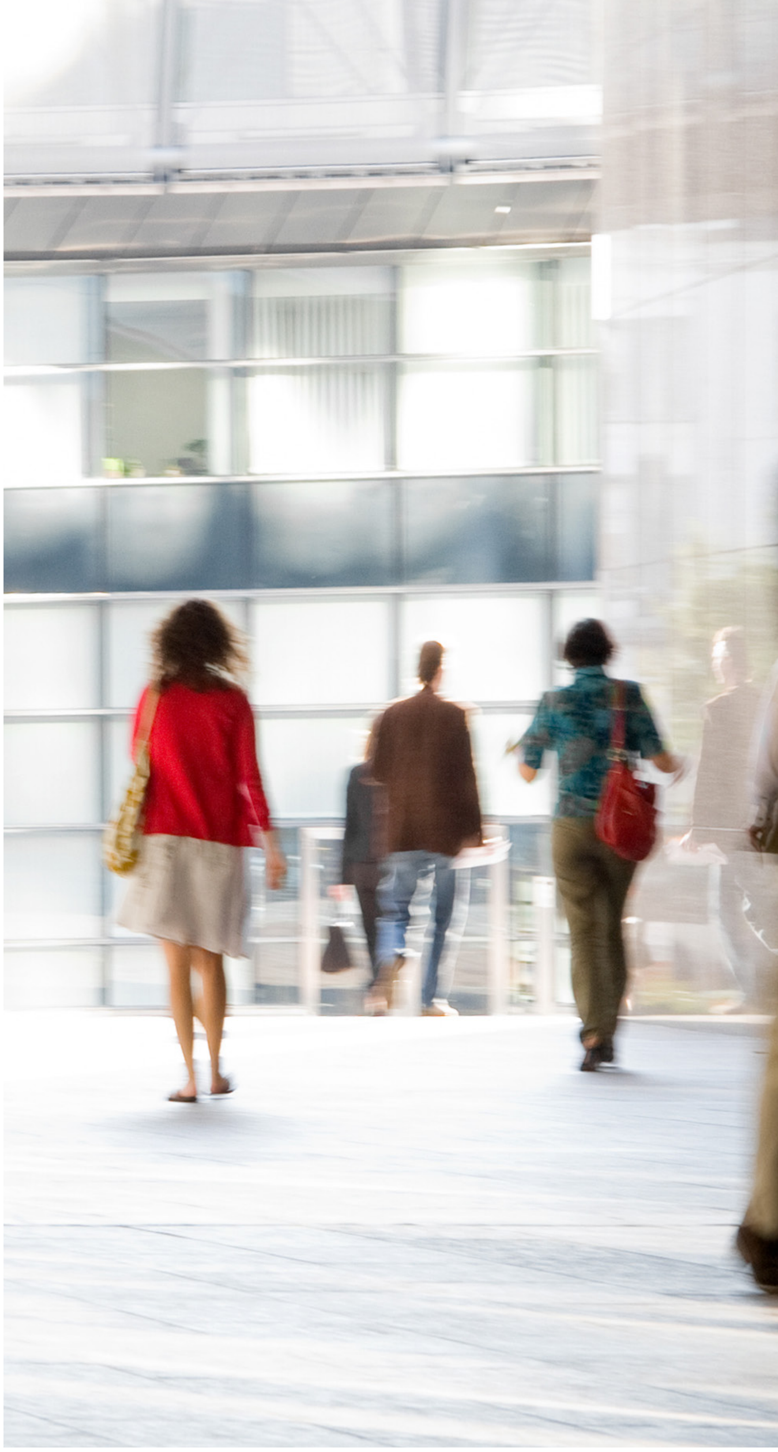
- Development of a drug formulation
- Development of cleaning procedures
- Improvments to inhibit bacterial growth to extend shelf life

Agriculture

- Enhancing a technological process in plant breeding with advanced features
- Developing new techniques to increase yield and/ or production efficiency
- Developing technology to protect crops from disease

Aviation / Aerospace industry

- Developing new aircraft and related equipment
- Developing manufacturing processes to increase capacity, whilst reducing costs
- Developing digital systems to replace legacy analogue systems



Examples of activities that are not eligible for an R&D credit claim include:

- Market research and sales promotions
- Quality control or routine testing of materials, device, products or processes
- Routine data collection
- Routine engineering or problem solving
- Applying known technology

What costs can be included in the credit calculation?

Where a company is carrying on an activity that qualifies for the R&D tax credit, it can include numerous costs in the credit, for example:

- Labour costs, including salaries, pension contributions, bonuses, health insurance contributions and other items included in the remuneration package paid to R&D employees.

- Third party contractor costs are allowable if the contracted activity qualifies for the R&D tax credit in its own right. Relief for such costs will be restricted to so much of the payment to the contractor as does not exceed the greater of €100,000 or 15% of the expenditure incurred by the company itself on R&D activities. Where the contracted work is carried out by a third level institution, this percentage cap is 5%.

- Raw materials used during the course of an R&D activity, including scrapped material.

- Plant & machinery - expenditure on plant and machinery used for the purposes of R&D activity is allowable. Where the plant and machinery are used for both R&D and non-R&D purposes, the costs can be apportioned for the purpose of determing the amount of the cost that qualifies for the R&D credit.

- Overheads which are wholly and exclusively incurred in the carrying on of the qualifying R&D activity, qualify for the credit. Revenue have recently restricted the overheads that it will allow be included in R&D credit claims.

Deadline for claiming the credit

The R&D tax credit claim must be submitted to Revenue within 12 months from the end of the accounting period to which the claim relates. Thus, claims for companies with an accounting year end of 31 December 2015 must be submitted to Revenue by the end of December 2016.

Documentation

It is vital that companies maintain contemporaneous documentation in support of the claim. Ideally, this documentation should include details of project planning, project tracking, and project time recording. Revenue place great reliance on such documentation when carrying out verification checks and audits of R&D tax credit claims.

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