

TABLE OF CONTENTS

	Page		Page
CHAPTER 1 – TAXATION THEORY AND STRUCTURE		Relief for investment in films	72
Historical development	1	Seed capital scheme	72
Schedular system and legislation	1	Restriction of PAYE tax credit.....	74
Direct and indirect taxes	2	Pro-forma personal tax computation	74
Tax revenues	2	CHAPTER 4 – PAY RELATED SOCIAL INSURANCE (PRSI) AND THE UNIVERSAL SOCIAL CHARGE (USC)	
Role of taxation in the economy	3	Introduction	83
Progressive, proportional and regressive taxes	3	Terminology	83
Defining the tax base	4	Employed individuals – PRSI	85
Characteristics of an efficient tax system	5	Self-employed individuals and controlling directors – PRSI	87
Tax legislation and the pattern of evasion and avoidance	6	Universal Social Charge.....	88
CHAPTER 2 – INCOME TAX SYSTEM AND SELF-ASSESSMENT		Interaction of PRSI and the USC with the self-assessment system	92
Principles of income tax	11	CHAPTER 5 – RELIEF FOR CHARGES ON INCOME	
The scheduler system	11	Introduction	97
Exempt investment and other types of “income”	12	Covenants	97
Extension of definition of income	13	Unrestricted interest relief	100
Role of the Revenue Commissioners, Inspectors of Taxes, Tax Appeal Commissioners and the Collector General	13	Relief for donations to approved bodies	102
Taxpayer’s /Revenue’s rights of appeal – hearing before Appeal Commissioner	14	Donations to certain sport bodies	103
Taxpayer’s/Revenue’s rights of appeal – hearing before Circuit Court/High Court/ Supreme Court ...	14	CHAPTER 6 – SCHEDULE E	
Tax law	15	Scope of charge to tax under Schedule E	105
Tax year of assessment	15	Meaning of emoluments	105
Self-assessment for income tax	15	Treatment of expense allowances	106
Revenue audit	25	Basis of assessment of income chargeable under Schedule E	107
Revenue penalties	27	Assessment in respect of benefits-in-kind	108
Tax returns and surcharge	30	Parking levy in urban areas	120
Returns of third party information	31	Schedule E expenses	121
Disclosure of certain tax offences by limited companies	32	Schedule E capital allowances	124
Tax clearance certificates	32	Tax relief for Research and Development Key Employees	125
Right of off-set between taxes	32	Exempt payments under employment law	129
Power of attachment	33	Employee share schemes	129
False claims	33	Salary sacrifice arrangements	138
Returns of payment transactions by payment settlors	33	CHAPTER 7 – INCOME ASSESSABLE UNDER SCHEDULE F	
Power to require statement of affairs	33	Treatment of Irish dividends	139
Security for taxes	34	Taxation treatment of scrip dividends	141
CHAPTER 3 – PERSONAL INCOME TAX COMPUTATIONS AND THE IRISH TAX SYSTEM		Exempt dividend income	143
Liability to income tax	39	Capital dividends	143
Structure of income tax computations	39	CHAPTER 8 – INCOME ASSESSED UNDER CASE III SCHEDULE D	
Tax rates	40	Scope of Case III	145
Exempted individuals	43	Basis of assessment	145
Deductible reliefs	44	Deductions available	146
Non-refundable tax credits	46	Taxation treatment applied to UK dividends	146
“Mortgage loan” interest payments.....	57	Taxation treatment of UK interest income	147
Bridging loan interest relief	61	CHAPTER 9 – INCOME ASSESSABLE UNDER CASE IV SCHEDULE D	
Contributions to an occupational pension scheme....	62	Introduction	149
Contributions to a retirement annuity fund	64		
Personal retirement savings accounts	67		
Childcare services income exemption	68		
Retirement relief for certain sportspersons	68		
Employment and Investment Initiative (EII) Scheme	69		

	Page
Basis of assessment	149
Types of income assessed under Case IV Schedule D149	
Special deposit interest savings accounts (SSA) ...	153
Special term accounts	153
Credit union accounts	154
Company deposit accounts	154
Foreign dividends	154
Deposit interest received from EU member states ...	156
Case IV losses	156
Case IV deductions	157

CHAPTER 10 – INCOME ASSESSABLE UNDER CASE V SCHEDULE D

Income charged under Case V	159
Basis of assessment	159
Premiums on short leases	159
Reverse premiums	162
Allowable deductions in computing Case V profits .	163
Rents paid to non-residents	167
Exemption of certain income from leases of farmland	167
Rent a room relief	168
Irish language students rent relief	168
Relief for refurbishment of certain rental accommodation	169
Favoured lettings	170
Anti-evasion information returns	170

CHAPTER 11 – TAX TREATMENT OF HUSBAND AND WIFE

Introduction	171
Basis of assessment for married couples	171
Tax treatment in year of marriage	174
Tax treatment in year of death	174
Tax treatment of separated/divorced spouses	179
Treatment applied in year of separation/divorce	182
Taxation of civil partnerships	184

CHAPTER 12 – INCOME ASSESSABLE UNDER CASES I AND II OF SCHEDULE D

Introduction	195
Meaning of “trade”, “profession”, and “vocation” ...	195
Basis of assessment for Cases I and II	197
Basis of assessment – change of accounting date and short/long accounting periods	204
Computation of tax adjusted profits of trades and professions	207
Professional services withholding tax (PSWT).....	218
Retention of records	219

CHAPTER 13 – CAPITAL ALLOWANCES – PLANT AND MACHINERY

Introduction	229
Basic concept	229
Meaning of “plant”	230
Wear and tear annual allowance – in respect of plant and machinery (including commercial motor vehicles and cars)	230
Balancing allowances/charges	240
Schedule E capital allowances	249
Unutilised capital allowances	250
Accelerated capital allowances	250
Treatment of assets acquired/disposed in a period which does not form part of the final basis period for any tax year	251

	Page
Additional examples	252

CHAPTER 14 – CAPITAL ALLOWANCES – INDUSTRIAL BUILDINGS

Introduction	263
Meaning of industrial buildings	263
Industrial buildings annual (or writing down) allowance	265
Tax life of industrial buildings	265
Other matters	267
Extension of availability of industrial buildings allowance to lessors	269
Ring-fencing of capital allowances	269
Urban/rural renewal capital allowances	270
Free depreciation and initial allowances	270

CHAPTER 15 – LOSS RELIEF FOR INCOME TAX

Introduction	271
Case I/II set-off loss relief claims	271
Case I/II relief for losses carried forward	278
Terminal losses	280
Case V losses	283
Limit on certain losses	289

CHAPTER 16 – INCOME TAX AND PARTNERSHIPS

Introduction and basic principles	291
Definitions	291
Assessment	292
Assessment procedures	292
Apportionment of tax adjusted profits	293
Joint capital allowances and balancing charges	294
Charges	296
Relief for losses	297
Miscellaneous items	299

CHAPTER 17 – TAXATION OF FARMERS

Introduction	303
Computation of income	303
Basis of assessment	306
Capital allowances	310
Losses	313

CHAPTER 18 – TAX RESIDENCE AND DOMICILE OF INDIVIDUALS

Introduction	315
Tax residence for individuals	315
Ordinary tax residence	316
Domicile	317
Impact of residence, ordinary residence and domicile	318
Cross border workers resident in the State	322
Foreign earnings deduction	325
Special assignee relief programme	327
Split year residence	330
Remittance basis	332

CHAPTER 19 – RESTRICTION OF TAX RELIEFS FOR HIGH INCOME INDIVIDUALS

Introduction	335
Restrictions on the use of tax incentives	335
List of specified reliefs	338
Carry forward of unrelieved specified reliefs	339
Reporting requirements	339
Practical examples	340

	Page		Page
CHAPTER 20 – TAXATION OF TERMINATION PAYMENTS		Companies exempt from close company status	489
Introduction	345	Meaning of “associate”	489
Taxation of lump sum payments on retirement or removal from an office or employment	345	Disadvantages of close company status	490
CHAPTER 21 – AN INTRODUCTION TO CAPITAL GAINS TAX		CHAPTER 26 – AN INTRODUCTION TO CORPORATION TAX GROUP RELIEF	
Capital gains tax – charge to tax	355	Relief for group trading losses	503
Computation of gain or loss	362	Consortium loss relief	508
Specific computation rules	368	Restriction of group relief where accounting periods are not coterminous	509
Shares and securities	372	Restriction of group relief where late filing of returns occurs	511
Time of disposal	378	Capital gains groups	511
Location of assets	378	Group payments	514
Assets passing on death	379	CHAPTER 27 – VALUE ADDED TAX	
Husband and wife	381	Introduction and background	517
Connected persons	384	Accountable persons	519
Non-chargeable assets and reliefs	385	Taxable transactions	523
Losses	392	Place of supply of transactions	524
Administration procedures	395	Amount on which VAT is chargeable	531
Form CG1	397	Value Added Tax rates and exemption	532
CHAPTER 22 – SPECIAL CGT RELIEFS		Exports, import, etc	535
Principal private residence relief	399	Deductions for VAT	539
Replacement of business assets (“Rollover Relief”)	402	Obligations of accountable persons	542
Rollover relief in respect of disposals of certain rental properties	403	Special schemes	551
Rollover relief in respect of disposals of certain shareholdings	403	Property transactions.....	553
Transfer of a business to a company	404	Refunds and repayments of tax	562
Retirement relief	409	Administration	563
Disposal of a site to a child	420	Miscellaneous matters	566
Relief for disposal of shares in a subsidiary	421	CHAPTER 28 – TAX BASED PROPERTY INCENTIVES	
Capital gains tax relief for certain disposals of land or buildings	422	Introduction	581
Farm restructuring capital gains tax relief	423	Urban renewal capital allowances	581
Entrepreneur relief	424	Leased residential property	582
CHAPTER 23 – SCOPE AND BASIC PRINCIPLES OF CORPORATION TAX		Allowance for owner occupiers of private residential dwellings	585
Introduction and scope	427	Double rent allowance as a business expense	586
Charge to corporation tax	427	Relief for expenditure on significant building and gardens	586
Corporation tax rates	427	Example of the use of urban renewal capital allowances	587
Corporation tax self-assessment system	428	Termination of property based tax reliefs	588
Computation of income	434	CHAPTER 29 – SPECIAL INCOME TAX LEGISLATION FOR SUBCONTRACTORS	
Computation of chargeable gains	443	Introduction	593
Accounting periods	446	General scheme	593
Dividend withholding tax	448	Definitions	593
Charges on income	448	Registration as a principal contractor	594
Relief from tax for certain start-up companies	455	RCT rates	594
Carry forward of unused reliefs	459	Operation of e-RCT	595
Research and development tax credits	459	Treatment of tax deducted by principal contractors	596
Taxation of companies engaged in knowledge development	463	Deduction summary and returns	597
CHAPTER 24 – CORPORATION TAX LOSS RELIEF		Distinction between a contract for services and a contract of employment	597
Trade losses	471	Penalties	598
Trade charges used to create or augment a loss ...	482	QUESTION BANK	601
Case V expense losses.....	484	DETAILED INDEX OF CONTENTS	723
Case V capital allowances	485		
Capital losses	486		
CHAPTER 25 – A BASIC INTRODUCTION TO THE TAX TREATMENT OF CLOSE COMPANIES			
What is a close company?	489		