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THE ACCOUNTANT

MARCH 2013

Local Property Tax (LPT)

After much hype the annual Local Property Tax (LPT) has been introduced and is charged on all residential properties in the State with effect from 1 May 2013. A half year tax payment is due in 2013, with a full year payment due from 2014 onwards.

If you own a residential property in the State you will be liable for payment of the tax. A ***residential property*** is any building or structure (or part of a building) which is used as, or is suitable for use as, a dwelling and includes grounds of up to one acre. If there is more than one owner they need to agree who will make the LPT return and pay the tax. If no one pays the tax Revenue can collect the Revenue Estimate of the LPT liability from any of the owners. For rental properties, where the residential property is rented on a normal short-term (less than 20 year) lease, the landlord will be liable for LPT.

The liability date is 1 May 2013 for the year 2013 and, for following years, 1 November in the preceding year. So for 2014 the liability date is 1 November 2013. The valuation of your property for LPT purposes on 1 May 2013 will stay the same for 2013, 2014, 2015 and 2016 (even if you make improvements to your property).

The tax payable will be based on the market value of relevant properties. The tax will be based on the chargeable value of a residential property on the valuation date. The chargeable value is defined as the market value that the property could reasonably be expected to fetch in sale on the open market on the valuation date. You may find the register of residential property sales, published by

the Property Services Regulatory Authority (PSRA), propertypriceregister.ie, useful when considering the value of your property.

The Local Property Tax is based on market value bands. The first band will cover all properties worth up to €100,000. Bands then go up in multiples of €50,000. If a property is valued at €1 million or lower, the tax will be based on the mid-point of the relevant band at a rate of 0.18%. For properties valued over €1 million the tax will be charged at 0.18% on the first €1 million of value and 0.25% on any balance in excess of €1 million, with no banding applied.

The LPT is a self-assessment tax so you calculate the tax due based on your own assessment of the market value of the property. Revenue **will not** be valuing properties for LPT purposes. The Revenue Estimate of LPT liability included on the returns issued to property owners is not a valuation of a property nor should it be regarded as an accurate calculation of LPT liability. The Revenue Estimate is simply the amount that Revenue will collect from property owners if they do not submit their LPT return.

You must send your completed LPT Return form back to Revenue by 7 May 2013 if submitting a paper form or by 28 May 2013 if submitting your return online through revenue.ie. If you own more than one residential property or you are obliged to make your tax returns online you **must** make your return electronically.

Note that if you have bought a new property since 1 January 2013 or if you are a first-time buyer who purchased a property as your main resi-

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Local Property Tax (LPT) (cont.)

dence since 1 January 2013 an exemption from LPT applies. However you must still make a return.

After you have submitted your return in 2013 you do not have to submit another one until 7 November 2016 (unless your circumstances change or you wish to select an alternative payment method). You will pay the LPT every year at the same rate subject to some adjustments that the Local Authorities may make from 2015 onwards.

The first LPT payment is due in July 2013. The exact date depends on your method of payment. Revenue offer a range of methods for paying the tax. You can opt to make one single payment or you can phase your payments in equal installments. The payment method you choose for 2013 will apply for 2014 and subsequent years unless you contact Revenue and change the payment method.

You can pay your LPT **in full** by:

- Debit/credit card (This option is available online)
- Bank single debit authority
- Cash payments through certain payment service providers (list to be confirmed).

You can pay your LPT payment **installments** by:

- Direct debit
- Deduction at source from salary or occupational pension
- Deduction at source from certain social welfare payments
- Deduction at source from certain scheme payments made to farmers by the Department of Agriculture, Food and the Marine
- Cash payments through certain payment service providers

If you are self-employed and do not make your LPT Return with a self-assessment of your LPT liability, the amount set out in the Revenue Estimate will be collected using normal collection and enforcement options (for example, sheriff, court action or attachment orders). If you fail to pay your LPT, Revenue will not issue you with a tax clearance certificate. In addition, a self-employed person who fails to submit his or her LPT return on time may incur a surcharge for the late submission of his or her income tax return, regardless of whether the income tax return is submitted on time.

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Revenue Complaint & Review Procedure

Revenue's updated Complaint and Review Procedures provide customers with a mechanism for making a complaint and seeking a review of their handling of a case. When making a complaint or requesting a Local Review, it is important that all relevant details and supporting documentation are submitted to Revenue. While it is possible in exceptional circumstances to introduce additional material at a later stage in the Procedures, Revenue's expectation is that all relevant details and supporting documentation will be made available for examination from the outset.

Revenue may refuse to conduct a Review where it is clear that the Procedures are being used to delay or obstruct the conduct of an audit or investigation, or to avoid or delay publication of a settlement that is justified in law, or where the initial complaint is considered to be frivolous or vexatious.

In addition to the Revenue Complaint and Review Procedures, separate statutory mechanisms exist to allow customers to make an appeal about a Revenue decision to the Appeal Commissioners, or make a complaint to the Office of the Ombudsman or to the Equality Tribunal. There is no charge for

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Business confidence improved strongly at the start of 2013 with most indicators in IBEC's latest business sentiment survey climbing to the highest levels since 2009. Sales and order book indicators point towards growth and one in four managers indicated that they would be hiring new employees in the coming quarter. IBEC said the improvement in confidence was mainly due to recovery in the domestic economy.

The total number of vacant commercial units recorded in the Republic of Ireland was 25,432, according to the first GeoView Quarterly Commercial Premises Vacancy Rates Report. The new report tracks vacancy rates nationally and by county. The Q1 figures issued indicate an average vacancy rate for commercial units nationally of 11.4pc, and are accurate as of January 2013.

The standardised unemployment rate (SUR) in February 2013 was 14.1%, unchanged from the revised January 2013 rate. The latest estimated number of persons unemployed as of the fourth quarter of 2012 was 294,600. The number of long term claimants on the Live Register in February 2013 was 189,467.

Professional Service Companies—Travel Expenses

Revenue has targeted specific activity by Professional Services Companies in the last few months. Certain industry sectors prefer to engage with Professional Services Companies rather than individuals to mitigate against any risks associated with direct employment of contractors.

Revenue is challenging the level of travel and subsistence expenses that are being charged by the Professional Service Company, implying that less income is taxed than would have been the case if the individual had been engaged directly as a contractor or as an employee, rather than through a company.

Revenue define these companies as "*where the main source of income is a contract or contracts for service with a larger company or companies, the company in question does not appear to have a substantial business separate from these contracts, and in most cases the director(s) are the only employees of the company and pay tax through PAYE.*"

Revenue has suggested that as a guideline, valid expenses and costs of administration would reduce contract income by less than 20%.

Any settlements with Revenue will attract interest, and penalties under the deliberate default category. Unprompted disclosure will attract a penalty of 10%; a prompted disclosure made after receipt of an audit is penalised at 50%; and failure to make a disclosure, or to make a complete disclosure, moves the penalty to between 75% and 100% of the tax underpayment.

Property prices in Dublin are 3 per cent higher than a year ago according to the Central Statistics Office.

Apartments in Dublin have shown a surge in prices over the last year – up 7.8 per cent – though the office warned the figures are based on low volumes and are therefore likely to be more volatile.

Nationally house prices fell by 2.6 per cent in the year up to February.

House prices in Dublin are now 55 per cent lower than at their highest level in early 2007.

Revenue Complaint & Review Procedure (cont.)

using the Complaint and Review Procedures – but Revenue will not be liable for any costs incurred by customers in relation to them.

The first stage is to make a formal **Complaint** to the Revenue office where your case is managed (the Local Office). If the issue cannot be resolved, or you are unhappy with the outcome, you can request a **Local Review**, to be carried out by the Principal Officer from the Local Office, or in certain circumstances by the Principal Officer from the relevant Regional/Divisional office. If you are still not satisfied with the outcome of the Local Review, you can request a review, to be carried out by an independent **Internal or External Reviewer** (but not by both). A request for an Internal or External Review should be submitted, within 30 working days from the date of the Local Review decision.

It is the function of the Appeal Commissioners and the Courts to adjudicate on points of law. Revenue's Complaint and Review Procedures have a limited role in such matters. If there is a difference of opinion between Revenue and a customer on a point of law, a Reviewer will intervene only where the Revenue opinion is clearly incorrect. Where the Reviewer is satisfied that the Revenue legal opinion is soundly based, the reasons for arriving at this conclusion will be notified to the customer in writing. To support an application for a Review on a legal or technical issue, the application should include an analysis of the interpretation and references to the appropriate legislation and case law.

The Revenue Commissioners will be bound by the outcome of the Review Procedures, unless in their view the decision of the Reviewers is not in accordance with the relevant legislation.

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Household Charge Arrears

Household Charge arrears will be capped at €130 if paid to the Local Government Management Agency by 30 April 2013.

Household Charge arrears that are not paid by 1 July 2013 will be converted into LPT and collected by the Revenue Commissioners through the LPT system.

The Non-Principal Private Residence (NPPR) charge on second homes will apply for 2013 and should be paid to the relevant local authority.

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From the second half of 2013, retailers will be able to apply for all of their annual licensing requirements at one time via a single website. As part of Action Plan for Jobs 2012, a report on licencing was prepared by Forfas together with a set of proposals to the Cabinet Committee on Economic Recovery and Jobs. The report focused on 159 licences across key sectors of the economy including retail and found that there was potential to reduce the burden of compliance with licences by a third, including removal/amalgamation of up to 20 licences. The Cabinet Committee agreed to proceed with the implementation of the recommendations in the report, including introducing a one-stop-shop integrated online licencing systems for key sectors of the economy.

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At JBW Consultants, we assist SME and start-up businesses, in the step-by-step process of developing your ambition for your business, be it increasing your turnover, diversifying into new areas or planning a retirement / exit strategy.

From our experience as accountants, auditors, taxation consultants and business management experts, we have developed methodologies to help you make the right decisions for the future of your business. We specialise in the provision of professional service solutions for family businesses and SME's in the South East region. Why not visit our website to see how we may be of assistance to you.

Credit Guarantee Scheme

The Credit Guarantee Scheme allows a business to not only acquire a loan it could not otherwise obtain, but also to establish a favourable credit history with a lender so that the business may obtain future financing on its own. It is not to substitute for conventional lending that would otherwise have taken place. It is not a grant, nor is it a support for ailing businesses. The Scheme is to encourage additional lending to micro, small and medium sized enterprises (SMEs).

SMEs that are based in Ireland or are Irish owned may be eligible for the Scheme if they can demonstrate commercial viability (i.e. repayment capacity for additional credit facilities), but have been refused conventional bank credit facilities due to:
(1) Insufficient collateral, and/or
(2) Growth/expansionary SMEs which due to their sectors, markets or business model are perceived as a higher risk under current credit risk evaluation practices.

You cannot apply directly for a guaranteed scheme credit facility. You must apply for a standard commercial facility under normal circumstances by going through a participating lender (currently Allied Irish Banks p.l.c., Bank of Ireland or Ulster Bank Ireland Limited). All lending decisions, including assessing business viability and whether or not it is appropriate to use the Scheme in connection with a specific lending transaction, are fully delegated to the participating lenders. The decision to grant or not to grant a facility is up to the lender.

The minimum facility amount that an SME can access under the scheme is €10,000, while the maximum is €1 million. Term and demand loans, other instruments with term loan-like structures and performance bonds are covered by the Scheme. Overdrafts are excluded from the Scheme. Refinancing of existing debt is explicitly excluded from the scheme. However, in cases where new lending is sought as part of an overall package that includes refinancing existing debt, where there is not enough additional security to support the additional borrowing, the lender may provide a guaranteed facility to support the business As the Scheme will operate under the De Minimis State Aid rules, it cannot be used to specifically support export-related activities.

As part of the condition of entry to and participation in the scheme a 2% premium must be paid by the borrower to the Government. This premium is assessed and collected annually or quarterly in advance throughout the life of the guarantee (max. 3 years) on the scheme facility, based on the contracted scheme balance. The lender may charge interest and fees on the Scheme Facility in line with normal commercial terms.