

StudentBounty.com



1st Year Examination Summer 2009

TAXATION I (Republic of Ireland)

PAPER, SOLUTIONS and EXAMINER'S REPORT





StudentBounts.com

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This publication is intended to serve as an educational aid. For this reason, the published solutions will often be significantly longer than would be expected of a candidate in an examination. This will be particularly the case where discursive answers are involved.

The solutions are relevant to the tax rates in the year the Examination was sat. A copy of the tax rates is enclosed with the solutions.

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1st Year Examination : Summer 2009

StudentBounty.com **PAPER : TAXATION I (Republic of Ireland)**

Thursday 21st May 2009 – 2.30 p.m. to 5.30 p.m.

INSTRUCTIONS TO CANDIDATES

PLEASE READ CAREFULLY

For candidates answering in accordance with the law and practice of the Republic of Ireland.

Candidates should answer the paper in accordance with the appropriate provisions up to and including the Finance Act 2008. The provisions of the Finance Act 2009 should be ignored.

Allowances and rates of taxation, to be used by candidates, are set out in a separate booklet supplied with the examination paper.

Answer ALL THREE questions from SECTION A. Answer ANY TWO of the three questions from Section B. If more than TWO questions are answered in Section B, then only the first two questions, in the order filed, will be corrected.

Candidates should allocate their time carefully.

All workings should be shown.

All figures should be labelled as appropriate e.g. €s, units etc.

Answers should be illustrated with examples, where appropriate.

Question 1 begins on the next page

The following inserts are enclosed with the paper:

- Forms P9/P11 [Tax Deduction Cards] and Form P45 (QUESTION 3)
- **Multiple choice Answer Sheet (QUESTION 4)**
- Form VAT 3 (QUESTION 5)
- **Tax Reference Material**

1st Year Paper

SECTION A

Answer ALL THREE questions in this section

QUESTION 1

StudentBounty.com Patrick commenced business as a draper on the 1st March 2008 and has decided to use the 31st December as his accounts year end. He has made up accounts for the period 1st March 2008 to the 31st December 2008 and these are reproduced below:

	Notes	€	€
Sales			325,868
Cost of sales			201,905
Gross Profit			123,963
Other revenues			
Dividends from an Irish company		36	
Dividends from a UK company		800	
* *			836
			124,799
Less:			,
Motor expenses	(1)	9,790	
Advertising and promotional costs	(2)	2,810	
Telephone	(3)	3,680	
Wages and salaries	(4)	52,610	
Rent of business premises		8,380	
Bad debts	(5)	2,450	
Machinery Depreciation		2,750	
Repairs	(6)	5,330	
Discount allowed		875	
Discount received		(345)	
Casual wages	(7)	3,526	
Entertainment	(8)	680	
Interest and charges	(9)	1,371	
Sundry expenses	(10)	2,150	
· ·			96,057
Net profit/(loss)			28,742

NOTES

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Motor expenses		€
Car running expenses		4,280
Car depreciation		3,510
Sat navigation system		800
Car hire		1,200
		9,790
	Car running expenses Car depreciation Sat navigation system	Car running expenses Car depreciation Sat navigation system

In the ten month period covered by the accounts, total kilometres travelled amounted to 28,000. Patrick estimates that 7,000 of the kilometres were for private purposes.

The running expenses include €1,800 in respect of servicing and repairs. In an effort to save money Patrick purchased the parts at a cost of €800 and the balance of €1,000 is Patrick's estimate of the labour cost in respect of the work carried out. He kept a log of the time spent and the rate of €10 per hour was used in the estimate. Patrick feels this is fair as the labour rate charged by his local garage is €18 per hour.

Car hire refers to cost of two weeks hire when Patrick's car was under repair. The running costs of the car for the two weeks are included above.

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QUESTION 1 (Cont'd.)

(2)	Advertising and Promotional Costs	€
	Cost of advertising for new staff	560
	Purchase of an advertising stand to display goods.	1,800
	Trip to London to meet with suppliers regarding ideas for promotion	450
		2,810

StudentBounty.com The cost of hotel accommodation and meals in respect of the trip to London amounted to €800. Patrick paid for this with his personal credit card and this cost is not included above.

(3)	Telephone	€
	Purchase and installation of switchboard	1,880
	Mobile call charges	680
	Landline call charges	1,120
		3,680

Patrick provided a mobile phone to an employee. The total cost of calls for this phone is €300 and this includes the cost of private calls made by the employee which cost €100. The balance of the mobile call charges refers to Patrick's mobile and he estimated that 25% of these calls are private. Landline calls are all business related.

(4)	Wages and Salaries	€
	Wage to Patrick's sister who works as a bookkeeper	9,560
	Other wages	16,800
	Drawings taken by Patrick	24,600
	PAYE/PRSI paid on employees wages	1,650
		52,610

Following a review of the operation of PAYE/PRSI for 2008 Patrick discovered that he underpaid €900. This amount was paid in February 2009 and has not been included in the figures above.

Patrick estimates that he will have to pay €6,300 in respect of Income Tax due on the profits earned. In the period to 31st December 2008 he paid preliminary tax of €5,000 and this is included in the drawings referred to above.

(5)	Bad debts	€
	Bad debts written off in 2008	1,100
	Bad debt provision	1,200
	Solicitor's fees re pursuing bad debt customer	150
		2,450

The bad debt provision represents an estimate and is based on a charge of 4% of the debtors outstanding as at the 31st December 2008.

In June 2008 Patrick made a sale amounting to €2,000 on credit to a customer based in the UK. Despite Patrick's best efforts no amount was collected and in January 2009 Patrick was informed that the customer went out of business in November 2008. Patrick has decided to write off the debt as bad but does not know if he should include the amount in the 2008 or 2009 accounts.

(6)	Repairs	€
	Office equipment repairs	250
	Business software	3,189
	New Laptop for use by Patrick	1,900
		5.330

Patrick uses the laptop for business and private use. He estimates that the business use will amount to 60%.

QUESTION 1 (Cont'd.)

(7)	Casual Wages Part time staff Employer PRSI on wages to part time staff The PRSI due was not paid when the form P35 was submitted. Interest on late payment of PRSI of €30 is included in the figures above	$ \begin{array}{r} $
(8)	Entertainment Staff Christmas party Lunches with suppliers Lunch allowance to staff who travelled to sales conference	€ 300 260 <u>120</u> 680
(9)	Interest and charges Term loan used for stocking business Personal overdraft facility fee Stamp duty on purchase of shares in Big Bank Plc Sundry	$ \begin{array}{c} \in \\ 1,256 \\ 35 \\ \underline{80} \\ \overline{1,371} \end{array} $
(10)	All allowed le	



Requirement

Compute Patrick's Schedule D, Case I tax adjusted profits for the period ended 31st December 2008.

Total 20 Marks



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QUESTION 2

StudentBounty.com Terry is married to June and both are aged 45 years. Details of income and outgoings for 2008 are as follows:

Terry	
Wages from ABC Ltd. (excluding assessable benefit in kind)	€ 41,350
Bonus for the year ended 31 st December 2007 (paid February 2008) Bonus for the year ended 31 st December 2008 (paid February 2009)	2,150 1,650
PAYE deducted in 2008	4,160

In 2008 Terry purchased an apartment for letting purposes. He underestimated the amount of finance needed to complete the deal and as a result he asked his employer to provide a loan for a period of six months while he sorted out his affairs. ABC Ltd. provided Terry with a loan of €50,000 for the period 1st March 2008 to the 31st August 2008 at an interest rate of 5%. The premises were let from 1st November 2008 at a monthly rent of €1,200.

June

Self employment

June has been self employed as an architect for the last five years. She produces accounts to the 15th January each year and the following are the Schedule D Case II adjusted profits figures:

	e
Year ended 15th January 2007	 33,400
Year ended 15th January 2008	 21,800
Year ended 15th January 2009	 24,560

Dividends received from BIG BANK Plc

In April 2008 a dividend of €192 was received in respect of the year ended 30th October 2007. In April 2009 a dividend of €224 was received in respect of the year ended 30th October 2008. The amounts received were net of Dividend Withholding Tax at 20%.

Terry and June

Terry and June have a joint deposit account and the amount of interest received in 2008 net of Deposit Interest Retention Tax was €272.

Outgoings

Terry and June's private residence was financed by means of a mortgage from BIG BANK Plc and a term loan from the credit union. Interest paid to the bank in 2008 amounted to €6,450 and interest relief for this loan was allowed at source. The interest paid to the credit union in 2008 amounted to €820. No relief was allowed at source on the interest paid on this loan. Terry and June's first mortgage in respect of their principal private residence was taken out in March 2004.

Terry and June have one child Niamh who is permanently incapacitated. Medical bills in respect of treatment for Niamh during 2008 amounted to \in 3,650. Part of the cost amounting to \in 3,200 was funded by the medical insurance company.

Requirement

Prepare Terry and June's Income Tax computation for 2008 on the basis that joint assessment applies.

Total 20 Marks

N. B. For the purposes of answering this question ignore PRSI.

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QUESTION 3

You have been asked to manage the payroll system of RTY Ltd. Details regarding two employees are as follows:

Ken Egan

StudentBounty.com Ken took up employment with RTY Ltd in week 42 of the 2008 tax year. On starting employment Ken produced a form P45 which he received from his previous employer on cessation in week 38 of the 2008 tax year. (Copy enclosed)

Ken is paid weekly and details of his income and deductions for week 42 and week 43 are as follows:

Week 42 Wages	€ 400.00
Pension contribution	20.00
Trade union subscription	5.30
Week 43	€
Wages	760.00
Less	
Pension contribution	38.00
Trade union subscription	5.30

The enclosed tax deduction card was received in time for the calculation of the wages for week 43. Prior to the receipt of the tax deduction card the only information, concerning Ken's tax affairs, available to the wages clerk was the form P45.

Aideen Roche

Aideen is a director of RTY Ltd. and is paid monthly. Details regarding her income and deductions for month 10 of the 2008 tax year are as follows:

Month 10	€
Salary	5,250.00
Add	
Assessable Benefit in Kind (monthly figure)	405.00
Payment in respect of business expenses based on receipts supplied	200.00
Less	
Credit union loan repayment	500.00

PRSI Class S applies to Aideen. Pay and tax deducted for months 1 to 9 are included on the enclosed tax deduction card.

Requirement

(a)	Compute Ken's take home pay	for the week 42 and week 43 a	and complete the tax deduction	on card (form P9/P11).

Compute Aideen's take home pay for month 10 and complete the tax deduction card (form P9/P11) **(b)**

> 10 Marks **Total 20 Marks**

10 Marks

N. B. Forms P9/P11 are supplied with the examination paper for the purposes of answering this question. Clearly show all your workings.

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SECTION B

Answer TWO of the three questions in section B

QUESTION 4

StudentBounty.com The following multiple-choice question consists of TEN parts, each of which is followed by FOUR possible answers. There is ONLY ONE right answer in each part.

Requirement

Indicate the right answer to each of the following TEN parts.

N. B. Each part carries 2 marks

Candidates should answer this question by ticking the appropriate boxes on the special green answer sheet, which is supplied with the examination paper.

- [1] Gerry's total income for Income Tax purposes is €41,000. He pays €3,000 to a permanent health insurance scheme. He will be allowed Income Tax relief on:
 - (a) Nil
 - **(b)** €2,050
 - (c) €3,000
 - (d) €4,100
- Ally paid mortgage interest to Big Bank Plc amounting to €5,000 in respect of his first mortgage taken out in 2006 to [2] fund the purchase of his principle private residence. He is single and earns €100,000 per annum. The tax relief due on the interest paid:
 - (a) will be allowed at source by Big Bank Plc and amount to €1,000
 - (b) will be allowed at source by Big Bank Plc and amount to €2,050
 - (c) will be allowed by the Revenue after the year end and amount to $\notin 1,000$
 - (d) will be allowed by the Revenue after the year end and amount to $\notin 2,050$
- [3] Sheila is single and employed by ABC Ltd. For the tax 2008 tax year her monthly tax credit and cut off point is most likely to be:
 - (a) €152.50 and €2,950
 - **(b)** €305.00 and €2,950
 - (c) €152.50 and €3,283
 - (d) €305.00 and €3,283
- In relation to VAT, a taxable supply of goods takes place when: [4]
 - (a) a gift of taxable goods is made in the course of business costing $\notin 5$.
 - (b) replacement goods are supplied free of charge under a warranty where the goods were damaged on sale.
 - (c) goods are sent to a customer as samples and are not suitable for resale.
 - the transfer of ownership of taxable goods take place in the course of business. (d)
- Jennifer submitted her Income Tax return for 2007 on the 18th January 2009 using the ROS system. The Income Tax [5] and PRSI due for the 2007 tax year amounted to €6,640. The surcharge to be levied for the late submission of the 2007 Income Tax return amounts to:
 - (a) Nil
 - **(b)** €332
 - (c) €664
 - (d) €996



QUESTION 4 (Cont'd.)

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 STION 4 (Cont'd.)

 Paul commenced self-employment on the 1st February 2008. His tax adjusted profits per accounts prepared were follows:

 2016 Sentember 2008:
 £17,200

 2027 800

 [6]

- (a) €17,200
- **(b)** €25,800
- (c) €26,650
- (d) €37,800

The VAT inclusive cost of goods is \in 1,633.50. If the rate of VAT is 21%, then the VAT due on these goods amounts to: [7]

- (a) €220.52
- **(b)** €283.50
- (c) €343.04
- (d) None of the above

[8] The registration limit for Value Added Tax in respect of the supply of services is:

- (a) €22,500
- **(b)** €30,000
- (c) €37,500
- (d) €45,000
- Paul is a self employed Architect. For the 2008 tax year his assessable Schedule D, Case II income amounted to [9] €56,750. In addition he is employed one day per week by a firm of Architects who operated PAYE/PRSI on the €10,000 he earned with them in the 2008 tax year. For the 2008 tax year Paul will have to pay PRSI under self assessment amounting to:
 - (a) €1,702.50
 - **(b)** €2,002.50
 - (c) €2,837.50
 - (d) €3,337.50
- [10] Form P35 for the 2008 tax year has to be submitted to the Revenue on or before the:
 - (a) 15th January 2009
 - (b) 31st January 2009
 - (c) 15th February 2009
 - (d) 28th February 2009

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QUESTION 5

- StudentBounty.com Colm has been in business for a number of years and is registered for VAT. He currently accounts for VAT on a **(a)** receipts basis. Write a note to Colm explaining the difference between the cash receipts basis and the invoice basis of accounting for VAT. You should also include in your note the conditions that have to be satisfied in order for the cash receipts basis to apply.
- Colm has asked you to prepare the VAT return for March / April 2008. Details extracted by you from Colm's business (b) records are as follows:

Purchases book

Total	ŀ	For Resale		Not For Resale									
	21%	13.5%	VAT	21%	13.5%	Zero%	VAT						
€	€	€	€	€	€	€	€						
100,712	68,800	-	14,070	12,700	3,000	870	3,072						

Having cross totalled and checked the VAT calculations you feel some basic errors have been made in the recording of the purchases invoices. On closer examination you discover the following:

- An invoice for resale shows the VAT exclusive cost of goods for resale as \notin 3,500 plus VAT of \notin 735. An error has been (i) made in that the \notin 3,500 has been recorded as \notin 5,300. The figure in the total column and the VAT column were correctly recorded.
- An invoice shows the cost of goods for resale as Sterling £5,000. Colm knows that the VAT rate applicable to these (ii) goods in the Republic of Ireland is 21% and he entered the invoice as Total €6,050, VAT exclusive €5,000 and VAT €1,050. On checking the bank records you discover that the Sterling £5,000 converted into €6,000.
- (iii) A receipt for €2,541 has been recorded in the purchases book. Colm informs you that the VAT rate for the item purchased is 21%. He calculated the VAT content of the invoice and entered the figures accordingly in the not for resale and VAT columns.
- (iv) A number of entries in the not for resale column are in respect of diesel purchased for the car used in the business. Colm informs you that 60% of the car mileage refers to private mileage travelled by him and his family. All the entries are backed up by valid VAT invoices and total €1,210 VAT inclusive at 21%. The correct entries, based on the invoices, have been made in the total, not for resale and VAT columns.

Sales Book

Invoices are written for all sales to credit customers. These invoices are recorded in the sales book and the totals for March and April are as follows:

Month	Total	VAT Excl	VAT at 21%
	€	€	€
March	13,915	11,500	2,415
April	22,869	18,900	3,969

Cash Book

Money collected from cash sales and debtor receipts is recorded separately in the cash book. Prior to bank lodgement wages, drawings and incidental expenses are paid in cash. The totals extracted for March and April are as follows:

	€		€
Opening cash 1 st March 08	450	Wages paid	8,300
Cash sales	41,600	Drawings	4,600
Receipts from debtors	51,000	Bank Lodgements	79,825
		Closing Cash 30th April	325
Total	93,050	Total	93,050

You cross check the lodgements per the bank with lodgements per the cash book and discover that credit transfers from debtors amounting to €1,780 for March/April have not been recorded in the cash book.

Requirement

Complete form VAT 3 in respect of Colm for the March/April 2008 VAT period.

12 marks Total 20 marks

N. B. Form VAT 3 is supplied with the examination paper for the purposes of answering this question. Clearly show all your workings.

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QUESTION 6

StudentBounts.com Jimmy, a friend of yours, has informed you that he is contemplating setting up a new business selling CDs and compu games. He is concerned that there are many complications regarding the Value Added Tax system and he has asked you to draft a report for him outlining issues that he should be aware of. In particular he has asked you to inform him regarding the following issues:

The criteria for determining his obligations regarding VAT registration. **(a)**

Jimmy expects his turnover in the first six months to be approximately $\notin 4,000$ per month. After this he expects that his business reputation will be established and he is looking forward to the turnover increasing substantially. One piece of advice he has been given is that he should avoid registering for VAT until the Revenue approaches him. This contradicts other advice he received where he was told to register immediately so as to avail of substantial VAT refunds on the set up costs he will have in relation to the new business. Naturally with this conflicting advice he is anxious for you to clarify the position regarding VAT registration and the consequences that will accrue.

8 Marks

(b) His obligations regarding the records he has to keep to enable him meet his obligations to the Revenue Commissioners. He wishes you to outline in detail the records he must keep regarding his obligations under the different tax headings namely, Income Tax, VAT, PAYE and PRSI.

Jimmy has been told that the records he keeps will be available for inspection by Revenue officials and naturally he wants to ensure they are sufficiently detailed to comply with Revenue rules.

> 12 marks Total 20 marks

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Ken Egan	01/01/2008 to 31/12/2008					30									
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ich will incorporate the budget a	res. You will receive a new tax deduction card, mendments to the tax credits and standard				31 Jan.	3									
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mpleting the new tax deduction of					1 Feb.	6									

1 Feb. to 29 Feb.

2 9

7

8

If the person to whom this card refers is not now in your employment or leaves your employment before 31st December next please return this card to the address shown above. If employee leaves your employment during the year to which this card refers, you should complete form P45 Cessation Certificate **P9/P11**



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PPS Number 32/32/1A Payroll/Works No.	Date of Birth Date of Cessation 2, 6, 0, 9, 0	Deceased (Mark bo	Employer Registered Ni LAB74 x 021 if Dat a is deceased)	the second second system is the second sector of the large second second second second second second second sec	
Mark box 🔀 if employee was paid weekly	Weekly	Month Tar Tar	k box 🕅 if emergency (a	x operated	
Weekly/ Monthl y Tax Credit 70-36	Week/Month Numbe		eldy Monthly Standard R $80-77$		
a) Total Pay & Tax deducted from 1 Janu Total Pay 2 6, 6 0 0 .00 b) If employment started since 1 January I Pay (this employment)	Toti (see Note 3) ast enter Pay and Tax deducted	al Tax Deducted 2,799 (or Tax refunded) for this period (Deducted or Tax Refunded	l of employment only Pleas	a mark box ⊠ if the tax figues a refund	10 0
.00 c) Amount of Taxable LUMP SUM PAYME .00	INT on termination included in ei	ither pay figure above - if applica	ble		
d) Total amount of taxable Disability Benef	it included in pay figure above -	if applicable			
.00 e) Amount by which Tax Credits were redu .00	iced - if applicable	Please complete section (d) where an employee was in re taxable Disability Benefit sim 1st January last while emplo	or (e + f) was eccept of bas ce	ase mark box [2] if employe on Week 1/Month 1 s at Date of Cessation	99
) Amount by which Standard Rate Cut-Off 09	Point was reduced - if applicable	ITTN			
rsi - This Employment Only tal PRSI Em 4,262:46 1,	ployee's Share	Total number of weeks of Insurable Employment 38	승규는 승규는 것 같아요. 이 가지 않는 것 같아요. 나는 것 같아요.	of weeks at Class A * in this period	
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ertify that the particulars entered above a	re correct:				
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- If the employee commenced with you since 1 January last, please insert Date of Commencement and include pay and tax notified to you in respect of previous employment (if any).
- 3. In fields (a) to (f) above, where a cent figure of .00 is pre-printed, please insert Euro figures only. Cent figures are not required here.
- 4. Detach Part 1 and send it to your Revenue office immediately. Hand Parts 2, 3 and 4 (unsecarated) to the employee when he/she leaves.
- 5. If employee has died please send ALL FOUR PARTS of this form (unseparated) to your Revenue office immediately.
- A guide to PAYE/PRSI for small employers (1750) is available from the Revenue website or from our Forms & Leaflets Service 1890 306 706. The Employer Information and Support Service 1890 25 45 65 is available to answer any queries you may have.

PLEASE COMPLETE THIS FORM IN BLOCK CAPITALS

PART 1

File P45s on-line using

the Revenue On-Line

Service

www.revenue.ie

Taxation	l (ROI)	Summer	20
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	Taxation I (ROI) Summ	ner 2	2009	1	lst Ye	ear I	Paper			14	'de	22	Net paylet	
\sim			Α			B	С)			50,	
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ne Tax Credits and Standard F	Rate Cut-off Point set out on this			· · · · · ·	Morth	Week	€	c	€	C	≇≞ V		€	
rd refer to Aideen Roche ese instructions cancel any p	reviously issued card				1 Jan. to	1								
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fer to the Notice to Employers	ne operation of this card please issued by the Tax Office. You can				1	5								-
tain a copy by phoning your le oning Revenue Forms and Le	ocal Tax Office or in Dublin by aflets Service at:				1 Feb. to	6 7						-	+	
o-Call No. 1890 306 706.					29 Feb.	8							<u> </u>	
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1818200R	1 January 2008				1 May	19							<u> </u>	
This Tax Deduction Card is	effective from				to 31 May	20 21								
	nuary 2008				5	22								
and should be implemented	accordingly				1 June to	23 24								<u> </u>
EMPLOYEE DETAILS					30 June	25								
PPS Number 3366200A	Works Number (N6)				6	26 27						-	<u> </u>	
Name	Year				1 July to	28								<u> </u>
Aideen Roche	01/01/2008 to 31/12/2008				31 July	29 30						-	<u> </u>	
Total Tax Credit	Total Cut-Off Point		1		7	31							<u> </u>	
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Standard Tax Rate: 20%	Higher Tax Rate: 41%				31 Aug.	34 35								
L					8	35 36								<u> </u>
	ring this employment complete these boxes				1 Sept. to 30 Sept.	37 38								
Date of Change	Other Weeks at Class Other Class				9	39								<u> </u>
nitial Class B4	C3 F3				1 Oct.	40 41						-		
N.B If more than two classes pleases	e furnish details on Form PRC 1				to 31 Oct.	41								<u> </u>
nployment began (a) in Week 1 or late before Week 1 but first pay day was in	Mook 1				10	43 44								
ater, enter date of commencement at F					1 Nov.	45								
nployment ceased during the tax year e e of cessation at F5	enter				to 30 Nov.	46 47								
sued by:					11	48							<u> </u>	
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					31 Dec.	51 52								
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nich will incorporate the budget ame	ndments to the tax credits and standard ext tax year. You should then transfer the	<u> </u>				4								
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· · ·	m this card refers is not now in your				1 Feb. to 29 Feb.	7						1	<u> </u>	<u> </u>
employment or leav	es your employment before 31st use return this card to the address shown				29 Feb. 2	8 9							+	
	have a second	L	J			-				L	1	Lun	1	1

P9/P11 December next please return this card to the address shown above. If employee leaves your employment during the year to which this card refers, you should complete form P45 Cessation Certificate

Taxation I (ROI) Summer 2009 1 st Yea	r Paper
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1st Year Paper

StudentBounty.com STANDARD ANSWER SHEET FOR ALL MULTIPLE CHOICE QUESTIN



Candidates	are	required	to	insert	the	following	details.

Examination Session

Examination Session

Examination Session

Examination Session

To answer each section, please tick appropriate box.

	Pa	rt		Pa	art		Pa	art		Pa	art		Pa	art
1	(a)		6	(a)		11	(a)		16	(a)		21	(a)	
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IMPORTANCE OF PROMPT PAYMENTS • Make sure that you allow sufficient time - at least three working days - for your payment to reach the Collector-General. • Ealture to pay a tax liability, or to pay on time, can result in enforced collection through the Sheriff, Court proceedings or Attachment. Enterement earries additional costs to any interest charged. WITHOU OF PAYMENT Simply provide your bank details and the amount you wish to make is entered in the Debit Amount box. Bease note that the account must be in a bank within the Republic of relenal and must be a uarrent account. • Simply provide your bank details and the amount you wish to have debited from your account. • A once-off deduction will be taken from your account and credited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account due tails are only required if this return is a repayment (T4 line torpheter the aution on how to pay VAT on-line using ROS. For details visit the Revenue website at a way required if this return is a repayment (T4 line torpheter) and you have not previously a		Taxation I (ROI)	Summer 2009	1 st Year Paper	in.
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IMPORTANCE OF PROMPT PAYMENTS • Make sure that you allow sufficient time - at least three working days - for your payment to reach the Collector-General. • Ealture to pay a tax liability, or to pay on time, can result in enforced collection through the Sheriff, Court proceedings or Attachment. Enterement earries additional costs to any interest charged. WITHOU OF PAYMENT Simply provide your bank details and the amount you wish to make is entered in the Debit Amount box. Bease note that the account must be in a bank within the Republic of relenal and must be a uarrent account. • Simply provide your bank details and the amount you wish to have debited from your account. • A once-off deduction will be taken from your account and credited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account and dredited against your tax liability as specified on the return below. • The once-off deduction will not be taken from your account due tails are only required if this return is a repayment (T4 line torpheter the aution on how to pay VAT on-line using ROS. For details visit the Revenue website at a way required if this return is a repayment (T4 line torpheter) and you have not previously a	Please complete and sign the retu the prepaid envelope enclosed, to overleaf .	rn below. The return should arrive no later than the due	d then be detached and for e date as shown above. G	warded (with payment or debit instructions, if l idelines on the correct completion of the retu	iability arises) in 1rn are shown
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Do not write NIL on any line. Photocopies of this form are not acceptable. Revenue VAT3 RETURN (and PAYSLIP) Please complete below, detach and return Bank Details - to be supplied if: Payment is being made by Single Debit Authority (do not complete this authority if you are paying by cheque), or VAT or Sales 1 A repayment is being sought (see Method of Repayment above). VAT on Purchases 00 VAT on Purchases 00 Excess of T1 over T2 (Payable) T3 00	Any repayment due will be credit completed) <i>and</i> you have not pre repayments were credited.	viously advised Revenue of	the account details or you	a wish to amend the account details to which pr	evious
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Please debit my account with the amount specified. Value of Goods Sent to other EU Countries

Debit

E1

E2

Amount

I declare that this is a correct return of Value Added Tax for the period specified.

transition in the second

Amount of Payment

.00

.00

.00 Signed:-_ Date:- _ Value of Goods Received from other EU Countries VAT3 5 Name: Reg No: .00 B <u>__</u> Vat Period: 01 Mar 2008 to 30 Apr 2008

T4

.00

1st Year Tax Reference Material



Taxation Reference Material

Republic of Ireland

For use in First and Second Year Taxations Examinations Summer & Autumn 2009

Professional, Practical, Proven www.AccountingTechniciansIreland.ie

TAXATION REFERENCE MATERIAL

FOR THE 2008 TAX YEAR

1st Year Tax Reference Material (To be used by candidates in answering the Taxation papers)

INCOME TAX - RATES

Single/Widow(er)	Rate	<i>Married Couple</i> One Income	Rate
First €35,400	20%	First €44,400	20%
Balance	41%	Balance	41%
One Parent Family	/	<i>Married Couple Two Incomes</i>	
First €39,400	20%	First €70,800	20%
Balance	41%	Balance	41%

Tax Credits - INCOME TAX

	Non
	Refundable Tax
	Credits
	€
Single/widowed person	1,830
Married person	3,660
Widowed person who qualifies for One Parent Tax Allowance	3,660
Widowed person's additional tax credit (without dependent children) 600
Widowed person (in year of bereavement)	3,660
First year after bereavement	4,000
Second year after bereavement	3,500
Third year after bereavement	3,000
Fourth year after bereavement	2,500
Fifth year after bereavement	2,000
Home carers	900
Incapacitated child	3,660
One Parent Family	1,830
Age allowance - single or widowed	325
Age allowance - married	650
Dependent relative (dependent relative's income limit €13,473)	80
PAYE	1,830
*	1,830
Blind person	3,660
Both spouses blind	5,000
Trade Union Subscriptions (maximum €350 * 20%)	70

ation I (ROI)	Summer 2009	1 st Year Tax Re	eference Mate	erial	INBO
Other reliefs	/allowances				Elle
	erson taking care om total income)		person 50,000) (max)	4.com
Maximum al Single	lowable at the sta (Or owed(Or	ver 55) 4,000	(Under 55)		

Exemption limits

Single and widowed*	€20,000
65 and over	£20,000
Additional for dependent children	
1st and 2nd child (each)	€575
Each subsequent child	€830
* Married couple – double	

PAYE **EMERGENCY BASIS**

If weekly paid:

V I	Week	Tax Credit	Standard Rate cut-off point
	First 4 weeks	€ 35.19	€ 680.77
	Next 4 weeks	Nil	680.77
	Each subsequent week	Nil	Nil
If monthly paid:	First month	152.50	2,950.00
n monuny puru	Second month	Nil	2,950.00
	Each subsequent month	Nil	Nil

If an employee does not provide his employer with a PPS number or other relevant documentation the emergency system is applied on the following basis:

Week/Month	Tax	Standard Rate
	Credit	cut-off point
1 et seq	Nil	Nil

RETIREMENT ANNUITY PREMIUMS – LIMITS FOR 2008

(ROI) Summer 2009 1 st Year Tax Refer ENT ANNUITY PREMIUMS – LIMIT	ChitBour	
AGE	MAXIMUM CONTRIBUTION	-
Less than 30 years of age	15%	
30 years of age but less than 40 years	20%	1
40 years of age but less than 50 years	25%	
50 years of age but less than 55 years	30%	
55 years of age but less than 60 years	35%	
60 years of age or more	40%	
Relevant earnings ceiling	€275,238	

MORTGAGE INTEREST RELIEF 2008

MORTGAGE RELIEF FIRST CLAIMED ON OR AFTER 1st JANUARY 2002

	Maximum
	Allowable
	€
Single	10,000
Married/Widowed	20,000

MORTGAGE TAKEN OUT PRIOR TO 1st JANUARY 2002

	Maximum
	Allowable
	€
Single	3,000
Married/Widowed	6,000

Note: Maximum allowable at the standard rate of tax (20%). Tax relief is granted at source on interest paid to a 'qualifying lender'.

BENEFIT IN KIND

Preferential Loans

Loan for purpose of Principal Private Residence	5.5%
Other loans	13%

Accommodation

Notional annual value - 8% of the market value of property.

MOTOR BENEFIT-IN-KIND SCALE

Business Miles per annum Cash Equivalent

Exceeding	Not Exceedin	g
0	15,000	30%
15,000	20,000	24%
20,000	25,000	18%
25,000	30,000	12%
30,000	Upwards	6%

CAPITAL ALLOWANCES

Maximum allowances

Plant and Machinery

15% Plant purchased on or after 1st April, 1992 Plant purchased on or after 1st January, 2001 20% Plant purchased on or after 4th December 2002 12.5%

Restricted Cost of Car for Capital Allowances & Running Expenses

	Tax Reference Material
Restricted Cost of Car for Capital Allowances & R	unning Expenses
	Maximum
	Allowed
	New Second hand
	Cars* Cars
After 30 th November, 1999	€20,951 €12,697
Acquired in accounting or basis periods ending	
Between 1 January 2001 and 31 December 2001	€21,586 €21,586
Between 1 January 2002 and 31 December 2005	€22,000 €22,000
	€23,000 €23,000
On or after 1 January 2006	€24,000 €24,000
On or after 1January 2007	•

Notes - The restriction in respect of motor expenses does not apply for chargeable periods ending on or after 1 January 2002.

In the case of running expenses, the specified limit applies to all cars, * including second-hand cars.

Emissions –Based Limits on Capital Allowances and Leasing expenses for **Business cars**

Effective where expenditure is incurred on the provision or hiring of a business car on or after 1 July 2008.

Vehicle Category A,B,C	<i>CO2 Emissions (CO2 g/km)</i> 0 g/km up to and including 155	Allowance granted €24,000
D,E	g/km >155 g/km up to and including 190 g/km	50% of cost up to maximum of €12,000
F,G	> 190 g/km	Nil

PRSI & LEVIES FOR 2008 TAX YEAR

Т	axation I (RO			st Year Tax Refe 2008 TAX Y	erence Material	dentBount	
	Weekly Earnings Band		How Much of Weekly Earnings	Payable on Earnings up to €50,700	Payable on Earnings Over €50,700		1.com
CLASS A0	€38- €352 inc	Employer Employee	All All	8.5% Nil	8.5% Nil		
CLASS AX	€352.01 - €356 inc	Employer Employee Employee	All First €127 Balance	8.5% Nil 4%	8.5% Nil Nil		
CLASS AL	€356.01 - €500 inc	Employer Employee Employee	All First €127 Balance	10.75% Nil 4%	10.75% Nil Nil		
CLASS A1	In excess of €500	Employer Employee Employee Employee	All First €127 €127.01 to Balance	10.75% 2% €1,9256% 6.5%	10.75% 2% 2% 2.5%		
CLASS SO	Up to €500) Employer Employee *	All	al Ceiling Nil 3%			
CLASS S1	In excess of €500	Employer Employee * Employee*	All * First €1,92 Balance	Nil 5 5% 5.5%			

For PRSI purposes, reckonable earnings are calculated separately for NOTES: (1) husband and wife.

> * These rates are also applicable to "self employed" persons. (2)

€127 per week equates to €550 per month for monthly paid (3) employees.

Taxation I (ROI) Summer 2009 1st Year Tax Reference Material

et seq.

Standard Rate.....

20%

CAPITAL GAINS TAX - ALLOWANCES

Tax year 2008

€1,270 annual exemption per individual

CORPORATION TAX

TAX CREDITS

From 6^{th} April 1999, withholding tax is at the standard rate of Income Tax

RATES OF TAX

	From 1st January 2003				
Standard rate	121/2%				
Special rate - non-trade income and certain trading activities	25%				

PRELIMINARY TAX PAYMENT

Accounting	First Ir	t Installment					
Period ending	Standard	Small company					
2006 et seq	90%	100%					

CAPITAL GAINS TAX - INDEXATION TABLES

Taxation I (ROI)	Summer 200	9 1 st Ye	ar Tax Refer	ence Material	ES CHUDENTBOUNTS, COT	
CAPIT	AL GAINS	TAX -	INDEXA	TION TABL	ES HIL	
Year of Assessme Which Expenditu Was Incurred		plier for Di	sposal in Ye	ar Ended		3
	31 Dec 2001	31 ['] Dec 2002	31 Dec 2003	2004 et seq		
1974/75	6.930	7.180	7.528	7.528 6.080		L
1975/76	5.597	5.799 4.996	6.080 5.238	5.238		
1976/77	4.822 4.133	4.990	4.490	4.490		
1977/78 1978/79	3.819	3.956	4,148	4.148		
1979/80	3.445	3.570	3.742	3.742		
1979/80	2.983	3.091	3.240	3.240		
1981/82	2.465	2.554	2.678	2.678		
1982/83	2.074	2.149	2.253	2.253		
1983/84	1.844	1.911	2.003	2.003		
1984/85	1.674	1.735	1.819	1.819		
1985/86	1.577	1.633	1.713	1.713		
1986/87	1.507	1.562	1.637	1.637		
1987/88	1.457	1.510	1.583	1.583		
1988/89	1.430	1.481	1.553	1.553		
1989/90	1.384	1.434	1.503	1.503		
1990/91	1.328	1.376	1.442	1.442		
1991/92	1.294	1.341	1.406	1.406		
1992/93	1.249	1.294	1.356	1.356		
1993/94	1.226	1.270	1.331	1.331		
1994/95	1.205	1.248	1.309	1.309		
1995/96	1.175	1.218	1.277	1.277		
1996/97	1.152	1.194	1.251	1.251		
1997/98	1.134	1.175	1.232	1.232		
1998/99	1.115	1.156	1.212	1.212		
1999/00	1.098	1.138	1.193	1.193		
2000/01	1.053	1.091	1.144	1.144		
2001	-	1.037	1.087	1.087		
2002	-	-	1.049	1.049		
2003 et seq	-	-	-	1.000		

VALUE ADDED TAX - RATES

THE MAIN ITEMS UNDER THE FOLLOWING HEADINGS ARE:

EXEMPTED ACTIVITIES

StudentBounts.com Certain financial services, including banking and stock exchange activities; insurance services; educational and training services provided by recognised educational bodies; medical, dental and optical services and hospital and nursing home services; certain welfare services and non profit making activities; theatrical, musical and cultural services; letting of certain immovable goods; certain agency services; transport of passengers and their baggage; admission to sporting events; betting.

GOODS AND SERVICES CHARGEABLE AT 0%

Most basic food and drinks for human consumption, oral medicine, certain books, children's clothing and footwear, most exports outside the state and related services, certain medical appliances, most animal feeding stuff except those sold for domestic pets, fertiliser, certain services connected with marine and aircraft navigation and safety.

GOODS AND SERVICES CHARGEABLE AT THE 13.5% RATE (SINCE 1 JANUARY 2003)

Development of immovable goods and building services, concrete, newspapers and magazines, letting of holiday accommodation, tour guide services, short-term hire of cars, boats, caravans; coal, electricity and fuels for heating and power, restaurant services, live performances; certain cakes, most photographic services, hairdressing, most repair or maintenance services, garage services, dry cleaning, driving lessons, waste disposal, veterinary surgeons, general agricultural services, commercial sporting facilities.

GOODS AND SERVICES CHARGEABLE AT THE 21% RATE [SINCE 1 MARCH 2002]

Generally goods and services not chargeable under any other heading, except certain live animals.



StudentBounty.com 1st Year Examination : Summer 2009 **TAXATION | (ROI)**

Solutions

Solution to question 1

Patrick - Adjusted Profit Computation

Accounts for the period ended 31st December 2008

Schedule D Case I Net Profit	€	€	€ 28,742
Addbacks			
Machinery Depreciation Motor expenses		2,750	
Car Depreciation Sat Nav System	3,510 800		
Labour Private (4,280-1,000) * 7/28 Car Hire 1,200 * 7/28	1,000 820 300	6,430	
Advertising		0,430	
Stand Meals/accommodation	1,800 (<u>800</u>)	1,000	
Telephone Switchboard Mobile calls (680-300) * 25%	1,880 <u>95</u>	1,975	
Wages and salaries			
Drawings Underpayment	24,600 (<u>900</u>)	23,700	
Bad Debts Provision Bad debts	1,200 (2,000)	(800)	
Repairs	·	(000)	
Software New laptop	3,180 1,900	5,080	
Interest on late payment of PRSI Entertainment		30	
Lunches with suppliers		260	
Interest and charges Overdraft fee	35		
Stamp duty	80	115	40,540
Deductions			
Dividends Irish Dividends UK	(36) (800)		
	<u>(</u>)		(836)

68,446

Solution to question 2

Terry and June

Income Tax Computation 2008

Taxation 1 (ROI) Summer 2009 1st Vear Solution Solution to question 2 Terry and June Income Tax Computation 2008 Terry \hat{C} Sch E Salary 41,350 Bonus 31 Dec 2008 1,655 1,655 2,000 Sch D Case IV Deposit interest 170 2,000 47,570 Sch D Case IV Deposit interest 170 2,000 June 22,210 41,400,50 Sch D Case I y/e 15 January 2008 21,800 Case I y/e 22,210 0 Didends from Big Bank (192) / 8 240 Deposit interest 22,210 0 Total income 69,780 69,330 69,330 Terry Tax eredis Married 3,660.00 Dincapacitated child 3,660.00 Dincapacitated child 3,660.00 Dincapacitated child 3,660.00 Dincapacitated child 3,660.00 Dincapacitated child 3,660.00 DINT (100 & 20%) 5,251.50 Paid PAYF 4,160.00 Mortgage interest 80.9 2.92% 164.00 DINT (100 & 20%) 34.00 DINT (100 & 20%) 44.000 DINT (100 & 20%) DIRT (170 & 20%) 34.00 DINT (100 & 20%) 34.00 DINT (100 & 20%) 44.000 DINT (240 & 20%) 44.000 DINT (240 & 20%)							5	e la
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$			Taxation I (R	OI) Summ	er 2009	1 st Y	Year Solutions	uden.
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Solutio	n to question 2						1.6
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Terry	and June						
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Income	Tax Computati	on 2008					
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Terry			€			Workings BIK	€
June 21,800 Case IV Dividends from Big Bank (192) /8 240 Deposit interest 170 Total income 69,780 Health expenses $\frac{450}{69,330}$ Terry Tax € Terry $\frac{44,400}{20\%}$ 20% $\frac{22,210}{47,120}$ $\frac{22,210}{41\%}$ $\frac{69,780}{69,330}$ June $\frac{22,210}{22,520}$ $\frac{41,442.00}{69,330}$ $\frac{69,780}{14,401.50}$ Tax credits $\frac{3,660.00}{10capacitated child}$ $\frac{3,660.00}{3,600.00}$ $\frac{9,150.00}{5,251.50}$ Paid PAYE $\frac{4,160.00}{3,600.00}$ $5,251.50$ $\frac{4,442.00}{34.00}$ $\frac{69,150.00}{34.00}$ DIRT (170 @ 20\%) $\frac{34.00}{34.00}$ $\frac{4,440.00}{34.00}$ $\frac{4,440.00}{34.00}$ $\frac{4,440.00}{34.00}$	Sch D	Bonus 31 Dec BIK Loan (see Case IV Depo	workings) osit interest	1,650 2,000 170	47,570		Loan Preferential rate Rate charged Rate of BIK	50,000 13% 5% 8%
Case IV Dividends from Big Bank (192) /.8 240 Deposit interest 170 22,210 Total income $69,780$ Health expenses $69,780$ 450 69,330 Terry $44,400$ 20% 8,880.00 170 20% 34.00 2,550 41% 1,045.50 June $22,210$ 20% 4,442.00 69,330 14,401.50 Tax credits Married 3,660.00 PAYE 1,830.00 PAYE 1,830.00 DIRT (170 @ 20%) 34.00 DIRT (170 @ 20%) 48.00	June						6 months	2,000
Total income Health expenses $\overline{69,780}$ $\underline{450}$ $\underline{69,330}$ Terry $\overline{14,400}$ 20% $8,880.00$ 170 $20%$ $34.00\underline{2,550} 41\% 1,045.50 June 22,210 20\% 4,442.0069,330$ $14,401.50$ Tax credits (9,150.00) $5,251.50$ Paid PAYE $820 * 20%$ $164.00DIRT (170 @ 20%)$ $34.000 DIRT (170 @ 20%)$ $34.000 DIRT (170 @ 20%)$ $34.000 DIRT (170 @ 20%)$ 48.00	Sch D	Case IV Dividends from (192) /.8	n Big Bank	240	22,210			
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Total in	come			69,780			
Terry $44,400$ 20% $8,880.00$ 170 20% 34.00 $2,550$ 41% $1,045.50$ June $\frac{22,210}{69,330}$ 20% $4,442.00$ June $\frac{22,210}{69,330}$ 20% $4,442.00$ Tax credits 14,401.50 Married $3,660.00$ Incapacitated child $3,660.00$ PAYE $1,830.00$ (9,150.00) $5,251.50$ Paid PAYE $4,160.00$ Mortgage interest $820 * 20\%$ 164.00 DIRT (170 @ 20%) 34.00 DWT (240 @ 20%) 48.00 $(4,440.00)$	Health	expenses						
Tax credits Married $3,660.00$ Incapacitated child $3,660.00$ PAYE $1,830.00$ (9,150.00) $5,251.50$ Paid PAYE $4,160.00$ Mortgage interest $820 * 20\%$ 164.00 DIRT (170 @ 20%) 34.00 DIRT (170 @ 20%) 34.00 DWT (240 @ 20%) 48.00	-	$\begin{array}{rrrr} 44,400 & 20\% \\ 170 & 20\% \\ \hline 2,550 & 41\% \\ \hline 47,120 \end{array}$	8,880.00 34.00 1,045.50					
$\begin{array}{cccccccccccccccccccccccccccccccccccc$		69,330		14,401.50				
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Married Incapac	l	3,660.00					
Mortgage interest 820 * 20% 164.00 DIRT (170 @ 20%) 34.00 DIRT (170 @ 20%) 34.00 DWT (240 @ 20%) 48.00 (4,440.00)	TALE			(9,150.00)			5,251.50	
	Mortga DIRT (DIRT (ge interest 820 70 @ 20%) 70 @ 20%)) * 20%	164.00 34.00 34.00			(4,440,00)	
	Tax du	e					<u>(4,440.00)</u> <u>811.50</u>	



1st Year Solutions

Solution to question 3

TAX

TU Subs.

(5.64)

(5.30)

358.94

Solution to question a	Taxation I (ROI)	Summer 2009 1 st Year Solutions Week 43 Cumulative Pay PAY Per P45 26,600.00 2,799.77 Week 42 380.00 5.64
	Veek 42	Week 43
Salary Pension Taxable	$ 400.00 \\ \underline{20.00} \\ \underline{380.00} $	Cumulative Pay PAY TAX Per P45 26,600.00 2,799.77 Week 42 380.00 5.64
		26,980.00 2,805.41
Class AL PRSI Employee		Class AI PRSI Employee
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	$ \begin{array}{r} 0.00 \\ \underline{10.12} \\ 10.12 \end{array} $	$\begin{array}{cccccccccccccccccccccccccccccccccccc$
PRSI Employer 380.00 10.75% Total PRSI	<u>40.85</u> 50.97	PRSI Employer 722.00 10.75% 77.62 Total PRSI 115.86
Week 1 380.00 20% Tax Credit	76.00 (<u>70.36</u>) <u>5.64</u>	
	Veek 42	Week 43
Take Home Pay PAY	380.00	Take Home PayPAY722.00
PRSI	(10.12)	PRSI (38.24)

TAX

TU Subs.

Form P9/P11 duly filled in follows on the next page

365.31

1,043.77

(5.30)

	Taxation I (ROI) Summ	er 20)09	1	st Yo	ear]	Fax So	oluti	ions		STL	10	,one		14.CO
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or the year 01/01/2008 to 31	1/12/2008				31 Jan.	3			ļ		ļ 				
f you have any problems with t efer to the Notice to Employer	the operation of this card please s issued by the Tax Office. You can				1	5									
obtain a copy by phoning your	local Tax Office or in Dublin by				1 Feb.	3									
bhoning Revenue Forms and L o-Call No. 1890 306 706.	eatlets Service at:				to 29 Feb.	7	ļ	+	 						
EMPLOYER'S Name &	Address			******	2	9									
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Employer's Number	Date of Issue				4	17								 	
1818200R	20 October 2008				1 May	10				<u></u>					
This Tax Deduction Card is	effective from				tú 31 May	20			ļ						
1 Ja	inuary 2008				5	22									
and should be implemented	1 accordingly				i Jumo	23				1				ah arturution	
EMPLOYEE DETAILS					to 90 June	24 25									
PPS Number	Works Number (N6)				6	26									
3213211A					1 July	27 28			[ļ					
Name	Year				io 31 July			+							
Ken Egan	01/01/2008 to 31/12/2008				_	30		1	ļ	1					
Total Tax Credit	Total Cut-Off Point				7	81 82			<u> </u>			e an			
€3,749.20	€35,630.00				1 Aug. to	\$3		1							
Standard Tax Rate: 20 %	Higher Tax Rate: 41 %				31 Aug	34 35			_						
					8	36 36			 				aalahahey -ttVA-ation	and an equipment of a	
	ocial Insurance Class uring this employment complete these boxes				1 Sept. to	37			[
Date of Char	Other Weeks at				30 Sept 9	38 89		+		}					
Initial Class B4						40		†							
N.B If more than two classes plea	ise furnish details on Form PRC 1				1 Oct. 10 31 Oct.	41 42	10	1195	GA	000	~	A.			
mployment began (a) in Week 1 or late	ar Cir Day Month Year				01 061.	43	38	24	50	95	10	91			
before Week 1 but first pay day was in later, enter date of commencement at	Week1				10	44									
	F5				1 Nov. IO	45 40									
mployment ceased during the tax year e of cessation at F5	C (I/VI		[]		30 Nov.	47		.							
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d standard rate cut-off point figure	s. You will receive a new tax deduction card, endments to the tax credits and standard				10 31 Jan.	8		 	ļ	****					
te cut-off point figures early in the r	next tax year. You should then transfer the	<u> </u>			1	4 5									
gures from the additional grid onto t ompleting the new tax deduction car	he new tax deduction card and continue d as usual.					о 6									
If the person to wh	om this card refers is not now in your				1 Feb. to 29 Feb.	7									
	was your employment before 31st uses return this card to the address shown				2	8 9		 							
PS/PT above. If employee	e leaves your employment during the and refers, you should complete form	baan		5074734.m.d					J.,		d			wowerd	

Taxation l (ROI) 1st Year Solutions Summer 2009

Taxation I (I (ROI))	Sum	mer 2	009	1 st	Year So	lutio	ons		CRIPO	ien			ext.com
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8																					
9																					



Solution to question 3 (Cont'd)

Aideen Roche

	Month 10
Salary	5,250.00
BIK	$\frac{405.00}{5,655.00}$

PRSI Employee

5,655.00	5%	282.75	Take Home	
			Gross pay	5,250.00
			Tax	(1,462.55)
			PRSI (EE)	(282.75)
			Add expenses	200.00
			Less loan	(500.00)
				3,204.70

Form P9/P11 duly filled in follows on the next page

Solution to question 4

[1]	(c)	[2]	(a)	[3]	(b)	[4]	(d)	[5]	(c)
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P9/P11 If the person to whom this card refers is not now in your employment or leaves your employment before 31st December next please return this card to the address shot above. If employee leaves your employment during the year to which this card refers, you should complete form P45 Cessation Certificate

Taxation l (ROI) 1st Year Tax Solutions Summer 2009

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Solution to question 5

(b) Purchases book

(a) The invoice basis is the normal basis when accounting for Value Added Tax (VAT).

The cash receipts basis of accounting for VAT on sales may be used by the following persons:

StudentBounty.com Persons engaged in the supply of taxable services where at least 90% of the services are supplied to unregistered persons. Persons engaged in the supply of taxable goods where at least 90% of the cash receipts are from unregistered persons. Persons whose annual turnover is less than €1,000,000 may elect to account for VAT on a cash receipts basis irrespective of to whom they sell goods/services.

On the cash receipts basis the registered person pays VAT on sales by reference to the cash received in the VAT period from customers and not by reference to sales invoices issued.

The registered person pays VAT on sales at the rate currently in force at the date the goods/services are supplied, rather than the date on which the cash is received.

In comparison a trader who is accounting for VAT on an invoice basis is required to include the invoices issued in the month in the relevant VAT return and pay over the VAT on these sales even if the customers have not yet paid the cash.

In computing a trader's VAT liability any 'input credit' is always calculated by reference to the invoices received in the VAT period from suppliers.

		For R	esale			Not Fo	r Resale	
	Total	21%	13.5%	VAT	21%	13.5%	Zero%	VAT
Per Q Invoice (i)	€ 100,712	€ 68,800 (5,300)	€ 0	€ 14,070	€` 12,700	€ 3,000	€ 870	€ 3,072
		3,500						
Invoice (ii) Invoice (iii) (2,541)	(5,000)		(1,050)	(2,100)			(441)
Invoice (iv	$\frac{(726)}{91,395}$	62,000	0	13,020	(600) 10,000	3,000	870	$\frac{(126)}{2,505}$
Proof	91,395			13,020				2,505
Cash Rece	ipts Basis							
Cash from Cash sales Credit trans			€ 51,000 41,600 <u>1,780</u> <u>94,380</u>					
VAT conter	nt		16,380					
	on sales on imports (€	6,000 * 21%)	16,380 <u>1,260</u>	17,640				
	on purchases on imports		15,525 1,260	1,,010				
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	Taxation I (ROI)	Summer 2009	1 st Year Solutions	14	
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Solution to question 6

(a) The criteria for determining obligations regarding VAT registration

Traders obliged to register for Value Added Tax (VAT) are:

StudentBounty.com Traders selling goods only whose turnover exceeds or is likely to exceed €75,000 per annum. Traders whose turnover exceeds or is likely to exceed €75,000 per annum where the sales consist of at least 90% of sales of goods.

Traders whose total turnover of goods and/or services exceeds €37,500 per annum in any other case. Jimmy has informed you that he expects his turnover to amount to \notin 4,000 per month. On this basis Jimmy's turnover will amount to €48,000 per annum which is well below the registration limit currently at €75,000 per annum. Jimmy's business will involve the sale of CD's and computer games which is a supply of goods only.

Jimmy has stated that his turnover will increase substantially after the first six months. In the absence of actual figures Jimmy's turnover would need to increase to approximately €6,250 per month to reach the registration limit.

Jimmy, though not obliged to register, may elect to register from commencement of business.

A person electing to register for VAT might do so to reclaim VAT suffered on his purchases while at the same time permitting him to pass on his VAT liability to his VAT registered customers.

In Jimmy's case the big advantage of early registration is that Jimmy will be allowed to reclaim any suffered on set up costs for the business.

(b) Obligations regarding the records to be kept

Income Tax, VAT and PAYE/PRSI are all part of self-assessment Jimmy therefore has an obligation to submit returns to the Revenue based on the records he keeps for his business. These records must be sufficiently detailed so as to allow Jimmy complete accurate and complete returns.

Income Tax

Jimmy has an obligation to submit an annual Income Tax return on or before the 31st of October in the year following the end of the year of assessment. The return (Form 11) outlines the income Jimmy has earned in the year of assessment and the claims he is entitled to make for the same year. Jimmy is advised to retain information regarding the income earned from all sources and make these available for inspection by the Revenue as part of their Audit system. In addition if Jimmy is making any claim for allowances or reliefs he is advised to retain documentary evidence regarding his claim for inspection by the Revenue.

The records kept by Jimmy for both PAYE/PRSI and VAT purposes will form part of the records needed to complete accounts showing his income from the trade which will be liable to Income Tax.

VAT

All records pertaining to VAT transactions must be retained for six years from the date of the latest transaction to which they refer unless the special written permission of the Inspector of Taxes has been obtained for their retention for a shorter period. Generally, this permission is only given subject to certain conditions. This requirement applies to all books, records and documents relevant to a taxable person's business, inducing invoices, credit notes, receipts, accounts vouchers, import documentation, bank statements, cash till rolls etc.

Authorised Revenue officials have the power to enter any premises in which they have reason to believe a business is being carried on and to require production of and search for business records, remove them etc.

Solution to question 6 (Cont'd)

PAYE/PRSI

If Jimmy takes on any employees he should ensure that he is registered for PAYE/PRSI.

StudentBounty.com He should ensure he receives either a Tax Deduction Card or a certificate of tax credits and standard rate cut off point for every employee. Jimmy is obliged to keep a record of any pay and benefits earned by the employee and calculate the tax deductions due under PAYE/PRSI. These records form the basis for completion of end of year Revenue forms such as forms P35, P35L, Forms P60 etc. Authorised Revenue officials have similar powers to those referred to above under VAT in relation to the inspection of Jimmy's PAYE/PRSI records.



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EXAMINER'S REPORT

Taxation I (ROI)

Summer 2009

Number of Candidates 1,199												
Question	1	2	3	4	5	6						
Mark Available	20	20	20	20	20	20						
Average Mark	11.8	12	9.6	13	9.4	7.6						
Average %	59%	60%	48%	65%	47%	38%						
No. attempting	1,175	1,167	1,156	1,124	851	324						
% attempting	98%	97%	96%	94%	71%	27%						

General comment:

The pass rate in this examination was 64.4%. This compares to the pass rate of 69.6% achieved in the summer 2008 examination.

Question 1

This question required the preparation of an adjusted profit computation. The average mark achieved of 11.8 is disappointing compared to the mark of 15.4 achieved in the summer 2008 paper for this type of question.

The question was well answered by many candidates and in general the presentation was good with solutions well laid out and easy to follow.

The main areas where candidates failed to pick up marks included:

- Incorrect calculation of the add back required for motor expenses. Many candidates failed to correctly deal with the adjustment required for the cost of servicing and repairs.
- Failure to add back the private element of the car hire.
- Failure to adjust for the cost of the trip to London which was paid from Patrick's personal credit card.
- Incorrectly adding back the cost of private telephone calls made by employees.
- Failure to add back the cost of business software and adding back 60% of the cost of the new laptop purchased.
- Incorrectly adding back the lunch allowance paid to employees who attended a sales conference.

Question 2

StudentBounts.com This question required the candidate to prepare an income tax computation based on joint assessment. average mark achieved of 12 was an improvement over the mark of 10.8 achieved for a similar question in the summer 2008 examination.

Candidates who failed to pick up marks made the following errors:

- Incorrect calculation of the BIK assessable. This is a common feature of these questions where candidates regularly demonstrate a weakness in this area. Candidates should be aware that the calculation of assessable BIK is regularly examined in the income tax and PAYE/PRSI type questions.
- Incorrect treatment of June's assessable Case I income. Many candidates did not recognise that the profits for the year ended 15 January 2008 were assessable.
- Failure to quantify the amount assessable under Schedule F in respect of dividends received.
- Failure to correctly quantify the income assessable at the 20% rate. Candidates are advised to lay out the different amounts assessable at the 20% rate rather than including a figure without any workings.

Solutions were well presented and easy to follow.

Many candidates are providing an explanation for the figures used which is unnecessary in most cases. These explanations can be time consuming and candidates are advised to use the figures given in the question to demonstrate there understanding rather than providing explanations for the figures used.

Question 3

This question tested the candidates' knowledge of the PAYE/PRSI system. Overall the solutions were poorly presented and difficult to follow.

The average mark of 9.6 is disappointing compared to the 12.1 achieved for a similar question in the summer 2008 exam sitting.

Candidates who failed to score high marks made the following errors:

- Failure to operate on a week 1 basis for week 42. Too many candidates ignored the fact that the form P9/P11 was not available for week 42.
- Failure to operate on a cumulative basis in respect of week 43.
- Incorrect calculation of the taxable pay. Very many candidates allowed the trade union subscription as a deduction when calculating the taxable pay for weeks 42 and 43.
- Incorrect calculation of PRSI due under class S for the director. Very many candidates who used class S1 operated on the basis that €1,925 was a monthly figure payable at 5% rather than a weekly figure as per the reference material.
- Failure to fully complete the forms P9/P11. Too often candidates presented calculations for the PAYE/PRSI due but did not complete the forms as required by the question.
- Failure to correctly calculate the take home pay.

Ouestion 4

This was a multiple-choice question and the average mark achieved was 13.

Question 5

StudentBounts.com This question tested the candidates understanding of the VAT system and the ability to quantify the amount VAT due for a VAT period. The average mark achieved was 9.4.

Part (a)

This part of the question was well answered by many candidates.

Part (b)

Solutions to this part of the question were poorly presented. Workings were difficult to follow and in many cases the computations looked like a jumble of figures without any structure.

It is disappointing to note that many candidates who scored well in part (a) were unable to apply the cash basis to the figures given in this part of the question. Too many candidates included the credit invoices in their calculations of the VAT due on the cash receipts basis.

Question 6

This was a narrative question with candidates expected to write notes on the criteria for determining obligations regarding VAT registration and the records to be kept to satisfy the Revenue Commissioners.

Very few candidates answered the question asked. Too many decided to write all they knew regarding the VAT, Income Tax and PAYE/PRSI systems. Included in these solutions presented were details of the tax returns to be completed, the due dates for submission of various returns, the forms to be completed for PAYE/PRSI etc. Very few of the notes presented specifically referred to the issues raised by the question. In fact a number of candidates repeated the answer they had supplied when answering Part (a) of question 5.

Overall the solutions presented were very poor and the average mark achieved was only 7.6. This was the least popular question with only 27% of candidates attempting it.