

Starting a Business

The basic requirements for Tax purposes

THIS GUIDE IS INTENDED TO DESCRIBE THE SUBJECT IN GENERAL TERMS. AS SUCH, IT DOES NOT ATTEMPT TO COVER EVERY ISSUE WHICH MAY ARISE IN RELATION TO THE SUBJECT. IT DOES NOT PURPORT TO BE A LEGAL INTERPRETATION OF THE STATUTORY PROVISIONS AND CONSEQUENTLY, RESPONSIBILITY CANNOT BE ACCEPTED FOR ANY LIABILITY INCURRED OR LOSS SUFFERED AS A RESULT OF RELYING ON ANY MATTER PUBLISHED HEREIN.

Introduction

This leaflet provides a brief overview of some of the main taxation issues associated with starting and running a business. The first thing you should do is register for tax with the Revenue Commissioners.

1 How do I obtain a Personal Public Service Number (PPS Number)?

In order to register for tax you must have a PPS Number. Your PPS Number is your unique identifier number that is used in transactions that you may have with public bodies including the Revenue Commissioners. Your PPS Number will be on tax or social welfare documents that you may have. A PPS Number is also sometimes referred to as a tax reference number.

If you cannot recall what your PPS Number is, you should contact a social welfare local office, the location of which can be found on the website of the Department of Social Protection at **www.welfare.ie**. If you have just arrived in Ireland and do not have a PPS Number, details on how to obtain your PPS Number can also be found at **www.welfare.ie**.

2 How do I register for tax with the Revenue Commissioners?

If you are:

- an individual currently registered for **PAYE Anytime**,
- an individual currently registered for **Revenue's On-Line Service (ROS)**, or
- represented by an agent,

your registration must be done on-line using the eRegistration Service on the **Revenue On-Line Service (ROS)**. On-line registration is faster, cheaper and more efficient than submitting a paper application to your local Revenue office.

Further information on Revenue's e-Registration Service can be found on **www.revenue.ie** under Online Services/eRegistration.

There are a limited number of customers who may submit registration applications by way of paper application forms – details of such customers and the relevant tax registration forms are on www.revenue.ie under Online Services/eRegistration Service. However, paper applications received where the applicant is required to submit the application on-line will not be processed and will be returned to the applicant. This will result in delays in registering your business.

3 Where do I find details of Revenue On-Line Service (ROS)?

ROS is an online system that provides you with a quick and secure facility to file tax returns, pay tax liabilities and access your tax details, 24 hours a day, 7 days a week, 365 days a year. The main features of **ROS** include facilities to:

- file returns online,
- make payments by debit and credit cards, debit instruction or by online banking for Income Tax only,
- obtain online details of your personal or your client's Revenue accounts,
- calculate tax liability,
- conduct business electronically,
- claim repayments.

Further information on **ROS** is available on www.revenue.ie under Online Services.

4 Which tax reference number is to be used in my dealings with the Revenue Commissioners?

If you are trading as a sole trader, your reference number for tax matters is your PPS Number.

If you are trading as a partnership,

- the Revenue Commissioners will allocate a tax reference number for that partnership, and
- the tax reference number for your personal tax returns is your PPS Number.

If you are trading as a company,

- the Revenue Commissioners will allocate a tax reference number for that company, and
- the tax reference number for your personal tax returns is your PPS Number.

5 Must I have a tax agent to act on my behalf?

There is no legal obligation to do so. However, many new businesses engage a tax agent or accountant to deal with tax and other matters – in particular, in the start-up period.

6 If I trade through a company structure, am I self-employed?

No. It is the business, and not the director/shareholder, that is carrying on the business. The salary and fees paid by a company to its directors is within the scope of the Pay As You Earn (PAYE) system of deductions at source of tax, PRSI and the Universal Social Charge (USC).

7 Which taxes must the business pay?

Where an individual carries on business as a sole trader, he or she is obliged – under the self-assessment Pay & File system – to pay Income Tax, PRSI and USC on the profits of the business (as adjusted for tax purposes). In addition, the sole trader must submit to the Revenue Commissioners monies due under the PAYE system, the VAT system and the Relevant Contracts Tax system (as appropriate) – see Paragraph 9 below.

(As noted above, the salary and fees paid by a company to its directors is within the scope of the PAYE system).

Where two or more individuals carry on business in partnership, then each partner is obliged – under the self-assessment Pay & File system – to pay Income Tax, PRSI and USC on his or her shares of the profits of the business (as adjusted for tax purposes). In addition, the partnership must submit to the Revenue Commissioners monies due under the PAYE system, the VAT system and the Relevant Contracts Tax system (as appropriate) – see Paragraph 8 below.

(As noted above, the salary and fees paid by a company to its directors is within the scope of the PAYE system).

Where the business is carried on via a company structure, then the company is obliged – under the self-assessment Pay & File system – to pay Corporation Tax on the profits of the business (as adjusted for tax purposes). In addition, the company must submit to the Revenue Commissioners monies due under the PAYE system, the VAT system and the Relevant Contracts Tax system (as appropriate) – see Paragraph 8 below.

8 What is the Pay & File system?

Income Tax and Capital Gains Tax

Under the Pay & File system you are obliged, on a specified return date, to:

- pay your Preliminary Tax for Income Tax purposes for the current year,
- file your tax return for the previous tax year for Income Tax and Capital Gains Tax,
- pay any balance of Income Tax due for the previous year.

Corporation Tax

The Pay & File system also applies to companies. The obligations of a company with regard to paying Corporation Tax and filing its return are to:

- compute and pay its Preliminary Tax liability by the specified date,
- complete and file, online, a Form CT1 and where applicable a Form 46G (Company),
- pay, online, any balance of tax due when lodging the return, i.e. within nine months of the end of the accounting period.

9 What are the tax obligations when starting or running a business?

(a) Proper Books and Records

The business must prepare and maintain full and accurate records in paper or electronic format. These records should be sufficient to enable the relevant person – sole trader, partner or company – carrying on the business to calculate business profits and to make true and proper tax returns.

(b) The Pay As You Earn (PAYE) System

If the business has employees, it must -

- (i) operate the PAYE system of deductions at source of Tax, PRSI and the Universal Social Charge from the payment of salary and wages to employees and, in the case of a company, on the payment of salary and fees to its directors, and
- (ii) as soon as wages are first paid, register with the Revenue Commissioners for the purposes of the PAYE system (see 'Registration of Employers for PAYE Purposes' on www.revenue.ie).

(c) Value Added Tax

If the turnover of a business exceeds, or is likely to exceed, certain thresholds, then the business must -

- (i) register with the Revenue Commissioners for VAT purposes (see 'VAT Registration' on www.revenue.ie), and
- (ii) operate the VAT system (see the VAT Guides on the 'Supplies of Goods & Services' on www.revenue.ie).

(d) Relevant Contracts Tax

Relevant Contracts Tax (RCT) is a tax deduction at source system that applies to payments made by a principal contractor to a subcontractor under a relevant contract (this is a contract to carry out, or supply labour for the performance of, relevant operations) in the construction, forestry and meat processing industries. Full details of the RCT system (including online application procedures and procedures for non-resident persons) can be found on **www.revenue.ie** under 'Relevant Contracts Tax'.

RCT operates as an electronic system and all interaction between the principal contractor and Revenue is through **ROS**. All principal contractors in the construction, forestry and meat processing sectors are obliged to:

- (i) register with Revenue for RCT purposes,
- (ii) notify Revenue, online, of all contracts,
- (iii) notify Revenue, online, of payments made to subcontractors, and
- (iv) provide a copy or details of the Deduction Authorisation to the subcontractor (this is a notification from Revenue setting out how much tax, if any, must be withheld from the payment to the subcontractor).

10 Must business records be kept for a number of years?

Yes. Books and records relating to the business – including records relating to the PAYE, VAT and RCT systems – must be retained for a period of six years.

11 Does Revenue check as to whether a business is tax compliant?

Yes. Revenue carries out a range of compliance interventions to cross-check the figures shown by you in your tax returns against those in your business records and other third party data. These interventions range from assurance checks, to appraisal of a case and aspect queries through to audit. Revenue compliance includes, but is not limited to, interventions relating to the following:

- Income Tax, Corporation Tax and Capital Gains Tax returns, and/or
- Returns submitted in respect of VAT, PAYE, PRSI, USC or RCT.

12 Must certain returns and payments to Revenue be made only via e-Filing and e-Payment systems?

Yes. Mandatory electronic payments and filing, using **ROS**, is part of Revenue's strategy to establish the use of electronic channels as the normal way of conducting tax business. The categories of taxpayer required to pay and file returns electronically include:

- all companies, trusts and partnerships,
- employers with ten or more employees,
- VAT registered persons,
- individuals who avail of certain reliefs and exemptions,
- certain categories of self-employed individuals,
- all newly registered self-employed individuals.

Further information on Mandatory e-Filing can be found on www.revenue.ie under Online Services/ROS/Mandatory e-Filing.

13 What is a Tax Clearance Certificate?

A Tax Clearance Certificate (TCC) is a written confirmation from Revenue that a person's tax affairs are in order at the date of issue of the Certificate. Only persons registered for tax can apply for a TCC. The requirement to produce a TCC usually arises where a person is seeking State funds (e.g. Government contracts, grants) or obtaining a licence (e.g. excise licence, road transport licence).

Applications for a TCC can be made online (see Online Services/ Tax Clearance). PAYE applicants should use Form TC11 – Application for a PAYE Tax Clearance Certificate and return the completed forms to their local Revenue office.

14 Are there any initiatives in place for Small and Medium Enterprises and Start-up Businesses?

Yes. There is a range of supports, reliefs and incentives available for small, medium and start-up businesses. The supports include less frequent filing and payment arrangements for Employer PAYE/PRSI (PREM), VAT and Relevant Contracts Tax, exemption from the requirement to register for VAT provided turnover does not exceed certain thresholds, use of the cash basis of accounting for VAT, and deferral of the Corporation Tax preliminary due date.

There are also tax reliefs, deductions and exemptions that contribute towards the creation of jobs. These include the Start Your Own Business scheme, the Startup Refunds for Entrepreneurs (SURE), the Employment and Investment Incentive, relief from Corporation Tax for start-up companies and the Research and Development Tax Credit. The Revenue publication entitled "Supporting Job Creation and other Enterprise Supports" contains further information on these schemes and is available under the 'Business & Self-Assessment' heading on www.revenue.ie.

15 Contacting Revenue

Full contact details (including e-mail addresses) can be found on **www.revenue.ie** under 'Contact Details'.

16 Further Information

Further information on all matters covered in this leaflet can be found on **www.revenue.ie**.