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KnowledgeHUB 2020 Key Issues Webinar

- Welcome to Your Webevent
- Introducing the Webevent Team
- Your Supporting Material
- Your Questions

KnowledgeHUB 2020 Key Issues Webinar

- Entrepreneurial Relief – Where a director or employee worked for a period before the sale but ceased working prior to the sale of shares. – Is it possible to qualify for entrepreneurial relief?
- PRSI and family members – Should this family member be paying PRSI and at what rate?
- Onerous Leases – What are the accounting implications on lease commitments as a result of a business closing due to C.19?
- Solicitors Reporting – Part 1 from the frontlines - A solicitor is the executor of an estate of a deceased person and a separate bank account was opened to deal with the estate. How should this be shown / disclosed on the Reporting Accountant's Report?

KnowledgeHUB 2020 Key Issues Webinar

- Solicitors Reporting - Part 2 When including a breach of the Solicitors Accounts Regulations on Appendix 2 of the Reporting Accountants Report, what needs to be considered?
- Pension Accruals - What are the requirements to accrue a pension payment paid after the year end?
- Foreign Earnings – Assessing whether individuals with incomes earned outside the state need to pay Irish Taxes on the money earned.
- Contributions from suppliers – The combined tax and financial reporting considerations when dealing with contributions from suppliers.

KnowledgeHUB 2020 Key Issues

Entrepreneurial Relief

John Murphy

Entrepreneurial relief

- A shareholder is disposal of shares in a trading Co. – Has not worked in business for the past year – Can any CGT relief be claimed?
- Section 597AA(1)(a) – qualifying person defined – director/employee for 3 continuous year in past 5 years
- Also useful if a transfer was incorrectly done to spouse who could not get relief – Ownership period has same 3 in last 5 year rule (S.597AA(1)(a) – relevant individual)

Entrepreneurial relief

- Is it possible to claim entrepreneurial relief in a liquidation scenario where a group exists?
- Our view – Yes – if Hold Co. placed into MVL & subs shares distributed in specie;
- If done this way it is a qualifying Group at time of being placed into liquidation & as it is still trading

Entrepreneurial relief

- Farmer selling payment entitlements without land – can it qualify for entrepreneurial relief?
- Definition of qualifying business everything other than
- Favourable rulings to state that it qualifies for relief

What you're Going to Get As A KnowledgeHUB Member

- Our multi-disciplinary team is unique in Ireland.
- Breadth and depth of support that OmniPro can deliver
- Not just tax or just company secretarial or
- Some of the Institutes do a decent job providing free advice.
- But who provides a fully integrated suite of advice across Audit, Financial Reporting, Tax, Company Law, Corporate Finance, Insolvency or Regulation?

What you're Going to Get As A KnowledgeHUB Member

- That is the OmniPro Difference.
- In practice nothing exists in a vacuum.
- All the disciplines overlap and interact.
- We specialise in providing you expert guidance not just in the core topic but in the possible implications in other areas that may not have been considered.

What you're Going to Get As A KnowledgeHUB Member

- A year long subscription
- You get 3 hours Priority Access to our Technical Help Desk.
- From quick telephone queries to more detailed assessments
- You get access to the entire KnowledgeBase of queries which is growing every week.
- Many common questions come up again and again. The answers instantly at your finger tips
- If you are a heavy user you can top up and but more Priority Access

KnowledgeHUB 2020 Key Issues

Family Employments covered for PRSI

Yvonne O'Sullivan

Question 1:

My understanding was that persons (family members) living in the family home and working in the family business should not be paying PRSI Class A, they should be on PRSI Class M.

As such I revised the P35 of a client (daughter), who was working in a professional services sole trader business operating from the family home, and sought the refund of Class A PRSI.

Social Welfare informed me over the phone that Class M is not allowable and the family member should be on Class A.

Can you please provide some clarity regarding the issue?

Family Employments covered for PRSI

- **'Family Employment'** - self-employed sole trader/businessperson either employs, or is assisted in the running of the business, by a spouse/civil partner or by other family member(s).
- Employed as employee by a 'prescribed relative' and the employment is **not related to a private dwelling house or a farm** in or on which both you and the employer reside (PRSI Class A or Class J applies)
- 'Prescribed relative' = parent, grandparent, stepparent, son, daughter, grandson, granddaughter, stepson, stepdaughter, brother, sister, half-brother, or half-sister.

Family Employments (Sole Trade) not covered for PRSI – Exceptions

- Employed as an employee by your spouse.
- If you are employed as an employee by a 'prescribed relative' and the family employment relates to a private dwelling house or a farm in or on which both you and the employer reside.
- If you are not a spouse or civil partner and you assist or participate in the running of the family business but not as an employee (e.g. child who is in full-time education and who participates in the business helps out on a farm after school hours but is not an employee).

KnowledgeHUB 2020 Key Issues

Onerous Contracts

Mike O'Halloran

- **I am auditing a company who runs 2 shops. Following COVID-19, the company has decided to permanently close one shop and continue trading in the other. The closed shop still has 18 months left on a lease. Do I need to recognise a liability in respect of the shop closed?**

Onerous Contracts

- What is an onerous contract?
 - A contract in which the unavoidable costs of meeting the obligation exceed the economic benefits.
 - Unavoidable costs are the least net cost of exiting from the contract.
 - The lower of the cost of fulfilling it and any compensation or penalties from failure to fulfil it.

Onerous Contracts

- Section 20 of FRS 102 requires the entity to apply section 21 (provisions) when a lease becomes onerous.
- Section 21
 - If we have an onerous contract then the present obligation shall be measured as a provision

Onerous Contracts

- What do we need to look at to determine the “least net cost”
 - What is the lease amount?
 - What is the unexpired lease term?
 - Can we sublet the premises?
 - Has an early termination payment been discussed?

Onerous Contracts

- Assume the following
 - What is the lease amount? **€40k per annum**
 - What is the unexpired lease term? **2 years**
 - Can we sublet the premises? **Yes @ €15k per annum**
 - Has an early termination payment been discussed. **Yes, landlord willing to settle for €55k**

Onerous Contracts

- What is the least net cost?
- If we see out the 2 year lease? **€80k**
- If we pay the early termination payment **€55k**
- If we sublet the property **€50k (€80k- €15k*2)**
- **In this situation, the least net cost is €50k and should be recognised as a provision.**

Onerous Contracts

- Recognise provision when
 - There is a present obligation (**the lease liability**)
 - As a result of a past event (**signing the lease**)
 - Can be reliably estimated (**the least net cost**)

Disclosures about provisions

- 1.14 For each class of provision, an entity shall disclose the following:
- (a) a reconciliation showing:
 - (i) the carrying amount at the beginning and end of the period;
 - (ii) additions during the period, including adjustments that result from changes in measuring the discounted amount;
 - (iii) amounts charged against the provision during the period; and
 - (iv) unused amounts reversed during the period;
 - (b) a brief description of the nature of the obligation and the expected amount and timing of any resulting payments;
 - (c) an indication of the uncertainties about the amount or timing of those outflows; and
 - (d) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Comparative information for prior periods is not required.

Here Is What Some Of Our Existing Members Say

KnowledgeHUB has saved me a huge amount of time researching technical data and given me real confidence in the advice I provide to our clients.

The quality of the responses from the KnowledgeHUB team and the speed with which they are turned around are fantastic.

The knowledge and practical experience of the KnowledgeHUB team is second to none. KnowledgeHUB gives a small accountancy firm the same resources as a large firm with having instant access to a team of expert and technical departments.

Claire Caplice – Joyce & Caplice

Here Is What Some Of Our Existing Members Say

KnowledgeHUB is an excellent resource. It provides us with a quick way to find the answers to our queries. It is a wonderful support to deal with everyday issues – a regular “go-to” for our firm which we would highly recommend.

Oriel Lawton – O’Connor Pyne & Co

KnowledgeHUB serves as my technical helpdesk giving me quick responses and detailed answers. It provides me with reassurance answers that I may already be 95% sure of and saves me a huge amount of time.

Fiona - Madden & Co.

Here Is What Some Of Our Existing Members Say

KnowledgeHUB gives me access to a wide range of topics, providing straight forward and precise answers to my questions on a timely basis. As a sole trader with no employees, access to such a service is absolutely essential.

Justin Noone - Justin Noone & Co

KnowledgeHUB gives us real-time access to tax advice, where you can just ask a question you may have without having to go to the expense or process of consulting a tax advisor. The answers we have gotten has allowed us to either give better advice and, in many cases, charge additional fees to our clients.

Avril Shortt – Guardian Management

Accounting

KnowledgeHUB 2020 Key Issues

Solicitors Accounts Regulations 2014

Colm Owens

Solicitors Accounts Regulations 2014

A solicitor is the executor of an estate of a deceased person and a separate bank account was opened to deal with the estate.

How should this be shown / disclosed on the Reporting Accountant's Report.

Solicitors Accounts Regulations 2014

- The Solicitors Accounts Regulations (SAR) includes sections on;
 - ‘Controlled trust and controlled trust accounts’ (Part III (A)); and
 - ‘Non-controlled trust and non-controlled trust accounts’ (Part III (B)).
- Based on the individual details you will need to assess whether it is a ‘controlled trust’ or non-controlled trust’.

Solicitors Accounts Regulations 2014

Controlled trust and controlled trust account

- A trust or an administration of an estate of which the solicitor in question is a controlling trustee (either solely, or as a co-trustee, co-executor or co-administrator with a partner/employee of the solicitor);
- A controlled trust account is a bank account (current or deposit) opened and kept by a controlling trustee in his/her name solely for moneys subject to a particular controlled trust;

Solicitors Accounts Regulations 2014

Controlled trust and controlled trust account

- The Regulations require that such an account contains the word 'trustee', 'executor' or 'administrator' in its title or is otherwise clearly designated as a controlled trust account;
- Controlled Trusts accounts are required to be disclosed separately on Appendix 3 of the Reporting Accountants Report.

Solicitors Accounts Regulations 2014

Non-controlled trust and non-controlled trust account

- A trust or an administration of an estate where the solicitor in question is a co-trustee, co-executor or co-administrator with one or more persons who are not partners or employees of the solicitor;
- A non-controlled trust account is a bank account (current or deposit) opened and kept by a non-controlling trustee, in the names of each of the trustees, each of the executors or each of the administrators.

Solicitors Accounts Regulations 2014

Non-controlled trust and non-controlled trust account

- The Regulations require that such an account contains the word 'trustee', 'executor' or 'administrator' in its title, or is otherwise clearly designated as a non-controlled trust account;
- Controlled Trusts accounts are not required to be disclosed separately on Appendix 3 of the Reporting Accountants Report;
- However, as they would be considered client accounts they would be included as part of the general client accounts balance on the appendix.

What You're Also Going to Get – If You sign Up Today

Bonus 1 2 Hour Marketing Masterclass for Accountants Value €197

How to retain existing ideal customers while attracting a steady stream of new ideal customers. A no bullshit marketing approach that any accountant can deploy to grow their business. A simple step by step plan to create revenues.

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What You're Going To Get

- 1 Years Access KnowledgeHub including
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Total Value €1,290

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(€69 Per Month Monthly Pay Option)

KnowledgeHUB 2020 Key Issues

Solicitors Accounts Regulations 2014

Colm Owens

Solicitors Accounts Regulations 2014

When including a breach of the Solicitors Accounts Regulations on Appendix 2 of the Reporting Accountants Report, what needs to be considered?

Solicitors Accounts Regulations 2014

- Details of any matters ‘other than trivial breaches due to minor clerical errors or mistakes in accounts-keeping’ coming to the reporting accountant's attention in respect of which, in the reporting accountant's opinion, the solicitor has not complied with one or more relevant provisions of the Regulations must be disclosed in appendix 2 to the Report.
- Trivial breaches of the Regulations due to ‘minor clerical errors or mistakes in accounts keeping’ need not be disclosed.

Solicitors Accounts Regulations 2014

- Although a breach may be immaterial in the context of the accounting records examined, the immateriality does not necessarily render it trivial;
- A breach of the fundamental principles of the Regulations could not be classified as trivial;
- Whether clerical errors or mistakes in book-keeping may be regarded as trivial breaches will depend not only on the individual amounts involved, but also on the nature of the breaches.
- In determining whether a breach is trivial the reporting accountant also considers the frequency of occurrence.

Solicitors Accounts Regulations 2014

- Therefore, for a breach to be classified as trivial, the reporting accountant must be satisfied that the breach:
 - a. was trivial in amount; and
 - b. was due to a clerical error or a mistake in book-keeping; and
 - c. was not due to an error of principle; and
 - d. was rectified on discovery; and
 - e. did not result in loss to any client.
- A high bar to reach in order to classify a reach as trivial.

What you're Really Going to Get

- Prioritise your time and your teams time
- Peace of Mind
- Information and knowledge that you can apply
- Reduce Stress
- Uplevel your technical capacity by having the equivalent of an integrated Big 4 technical department behind you 24/7
- Free you up to do the more important things – Your business and your customers business

Risk Free -Money Back Guarantee

- 30 Day (Plus) Money back Guarantee
- If by the 31st of August you don't feel
- The product is worth the value of your investment
- If you can not apply it to generate at least the value of your investment over a year.
- Money back no questions asked



KnowledgeHUB 2020 Key Issues

Recognition of Pension Liability

Mike O'Halloran

- **A client company has paid a pension payment after the year end (2020). Under what circumstances can this pension payment be accrued in year ended 31 December 2019?**

Recognition of Pension Liability

- Section 2.36 of FRS 102
 - Requires financial statements to be prepared on an accruals basis

Recognition of Pension Liability

- Accruals basis

accrual basis (of accounting)	The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.
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Recognition of Pension Liability

- Section 2.39 of FRS 102
- Recognise a liability when
 - Entity has an obligation as a result of a past event
 - Probable that the entity will be required to transfer resources in settlement
 - Settlement amount can be measured reliably

Recognition of Pension Liability

- Section 28.3
 - Recognise as an expense the cost of all employee benefits to which the employees have become entitled as a result of service rendered to the entity during the reporting period.

Accrue for the pension?

- Need to look at the underlying terms of the payment.
- Does it relate to service rendered in 2019?
- Did the company have a legal/constructive obligation at the end of the reporting period as a result of events before that date?
- Post balance sheet events- profit share?

Here Is What Some Of Our Existing Members Say

KnowledgeHUB gives me access to a mass of expertise quickly. It is a hub of information at the touch of a button. There is no question that we would have had to give up certain clients due to their level of difficulty was it not for the support and expert advice we have received from KnowledgeHUB.

Sinead FLD

KnowledgeHUB 2020 Key Issues

Foreign Earnings

Yvonne O'Sullivan

Question:

I have a client who is Irish domiciled, non Irish resident and non ordinarily Irish resident. She is currently working in Saudi Arabia and wishes to remit €220k into Ireland from Employment income earned in Saudi.

What tax implications, if any, would apply if she were to use the €220k to purchase a house in Ireland?

Can the funds be remitted to Ireland without any Irish tax implications?

Charge to Irish Income Tax – Scope and impact of residency on an individual's charge to tax

- Irish Resident and Irish Domiciled
 - **Worldwide Income and Gains**
 - Schedule D - s18(1)(a)(i) and (ii) TCA 1997
 - Schedule E - s19 TCA 1997
 - Schedule F - s20 TCA 1997
- Irish Resident but not Irish Domiciled
 - **Remittance Basis**
 - s71(2) TCA 1997

- Non-resident but ordinarily resident and domiciled
 - Worldwide Income except
 - Income from Trade or Profession carried on outside Ireland
 - Income from an office or employment all of the duties of which are carried on outside Ireland
 - Other Foreign Income \geq €3,810
 - s821 TCA 1997
- Non-resident and non-ordinarily resident
 - Irish Source Income and Income from Trade or Profession where duties are carried out in Ireland
 - s18 TCA 1997

Individual can bring in savings from Saudi Arabia employment completely Tax Free

KnowledgeHUB 2020 Key Issues

Suppliers Incentives – Contributions from suppliers

John Murphy

Suppliers Incentives – Contributions from suppliers

- Supplier provided contribution towards upgrade of fixed assets/stores –
 - Conditions – Maintain brand for 6 years & purchase set percent of total sales from supplier
 - Full funds repayable if cancel contract/breach within 4 yrs and 50% within 5 yrs & nil if after 6 yrs
 - Provide invoices as support
- How dealt with from accounting & tax perspective?

Suppliers Incentives – Contributions from suppliers

- **Taxation –**
- S.317 TCA – treatment of grants
 - Reduces capital allowances by grant
 - Includes grants from ‘any other person’ other than the government
- Applies where it is contributed towards FA’s – here invoices required
- Reduce capital allowance claim by grant
- Note no tax impact if additions do not attract capital allowances;
- If conditions not met and clawed back – CA’s claim from that date
- If this is a revenue grant, then taxed in period to which expenses relate

Suppliers Incentives – Contributions from suppliers

- **Financial reporting –**
- Not a government grant – not Section 24
- Assume for fixed assets
- Look to section 22 FRS 102 – Debt vs equity – S.22.3 FRS 102 – Definition of financial liability
- Within control of Co. so not liability - equity
- Recognised in Capital and reserves – Contribution towards upgrade costs
- Note detailing contingent liability
- If contribution for revenue expenses – same conclusion but taken into account for tax purposes

Suppliers Incentives – Contributions from suppliers

- Alternative
- Site Contribution– described as capital sum on invoice– how accounted for & treated for tax?
- **Finance reporting**
- Not specifically dealt with by FRS 102. – Section 10.4& 10.5 – prudent, reliable, neutral & order of priority – related issues, SORP, S.2
- Section 20 – lease incentive – similar – release of life of contract on SL basis
- Possible deferred tax – S.29 FRS
- **Tax**
- Invoice referred to as capital sum – S.535 TCA – no need for disposal of asset
- Gave up right to take on another supplier for the contract period

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- 1 Years Access KnowledgeHub including
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Our Why - Our core belief is simply this : Accountants can and do change lives. So we get up every morning to bring them the tools, advice and training so that they can build outstanding businesses for themselves and their clients too. In this way we change lives, communities and our world. We would live to do that together with you.

Why OmniPro

How We Do That –

- We do accountants
- We connect with accountants.
- We learn about accountants so we can understand them.
- We work out what accountants want and need
- We find the best solution for accountants in any given situation
- One Firm One Solution

Why OmniPro

What We Do -

We provide accountants with information products, consulting and training in the areas of;

- practice management, business development & marketing;
- company secretarial & taxation;
- audit & financial reporting;
- professional regulation and disciplinary defence.

OmniPro

Supporting Irish Accountants

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