



The September Fest 2020

Tax Stream

Using Tax Measures to Conserve Cash Flow & Create Opportunities in a Downturn

Presenter:

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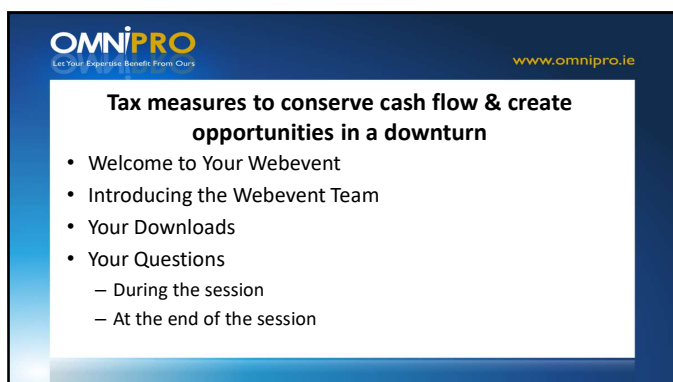
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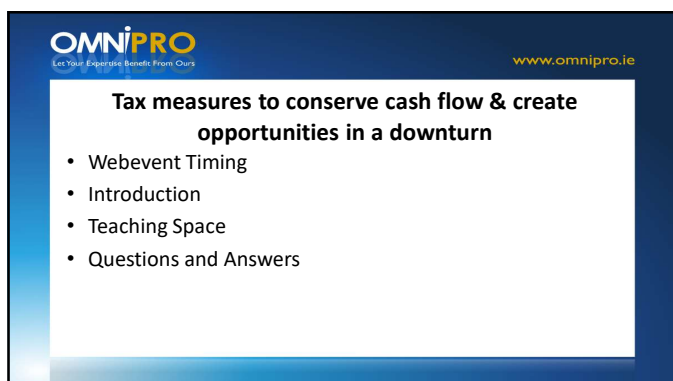
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Tax measures to conserve cash flow & create opportunities in a downturn

- Vat cash flow measures
- Income tax measures;
- Corporation tax measures;
- PAYE measures
- Time for certain transfers in these times?

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Vat Cash flow measures

- Convert to cash receipts basis = €2 million T/O or 90% of customers are unregistered
 - Unregistered persons includes persons that do not have full deduction
- Review debtors and reclaim the vat back on bad debt
 - Have you missed out on others in past – 4 yr rule
 - Excludes connected persons
- Issue Pro-forma invoices where services supplied on continuous basis (Pay vat when paid & then issue valid invoice)
- On other side – watch reclaiming vat but supplier invoice not paid within 6 mths
- Change Direct debit amts for change decrease in T/O

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Vat Cash flow measures

- Review apportionment for partially exempt basis to see if it gives it better recovery
- Hold off to raise invoice until 15th of following month – result in deferring VAT liability until next VAT return
- Assess if purchase invoices un-posted at month end so to claim VAT ASAP (once posted it hits VAT control account)
- Depending on industry – Review Deposits paid where vat claimed & service not taken up – make a refund claim (assuming a refund is not given)
- Review VAT missed on petty cash or other area's to see if there are refunds possible from last 4 yrs
- Debtors insurance – Only insure net of vat amounts

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Vat Cash flow measures

- Possible VAT on recovery on certain qualifying vehicles/cars – possible 20% recovery & relevant emissions – 156g/kg (watch 2 yr clawback)
- If acquisition of shares in past – assess if VAT recovery on professional fees – May be possible if it is recharged & paid;
- Possibility of VAT Groups – cash flow saving;
- Review turnover & assess if Section 56B can be claimed?
- If payments made by direct debit – adjust for lower sales
- Vat returns – based on reduction could change to quarterly returns etc.

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Income tax measures

- 2019 Form 11 - Preliminary tax rules – 90% of actual as opposed to 100% of prior year
- YE not 31 December – Possibility for real tax savings where lower profit in 2020
- YE 31/03/2019 = €500k
- YE 31/03/2020 = €400k


Total €900k
Change YE to 31/12/20 & Assume YE 31/12/21 is €400k. Assume 9 mth PE to 2020 is 100k
Works if YE 31/3/19 profits are >€500k (as have to review penultimate year)

Year of Assessment

2019	€500k
2020 – 3 mths	€100k ((€400k*3/12 th))
2020 – 9 mths actual	€100k
Total	€800k
SAVING	€200k

Saving will be less if 31/3/19 results were <€500k due to need to increase to calendar basis

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Income tax measures

- Income Tax and capital allowances S. 10– S.395A, B & C
 - Losses incurred in 2020 may be relieved in 2019, subject to a maximum of €25,000
 - Individuals make interim claims when filing their 2019 tax return. Making their best estimate of the 2020 loss.
 - Can decide amount to use – can use tax credit etc. first
 - Individuals must be tax compliant at the date of making the claim
 - Farmers who are availing of income averaging and elected to defer tax that fell due between 2016 – 2019, can claim a further payment deferral. Tax that would fallen due in 2020 for 2019 will be due in four equal annual instalments from October 2021 to October 2024

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Cessation of trade – Income/corporation tax

- Terminal loss relief claim – Loss in period 12 months prior to cessation set back against taxable profits for previous 3 yrs.
- Loss at date of cessation set off against post cessation balancing charge (revenue precedent)
- Losses at cessation can be used to shelter taxable write off of interco loan – Election 95(3) TCA
- Stat redundancy are tax deductible

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Income/corporation tax measures

- Capital allowances
 - Review items to assess can you have them in use or change YE so in use
 - Consider deferring balancing charge under S.290 TCA
 - No balancing charge is proceeds <€2k
 - Review previous yrs to see if something missed
 - Assess if accelerated capital allowances available
 - Review asset listing to assess if obsolete assets – claim BA

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Corporation tax measures

- Corporation Tax Losses – Acceleration of claims –
 - Losses incurred in accounting periods that include some or all of the period from 1 March 2020 to 31 December 2020 can be claimed on their 2019 tax return
 - Loss relief restricted to 50% of the tax adjusted loss the company expects to incur in their 2020 accounting period
 - Claimant must be tax compliant at the date of the claim
 - Claim must be made no earlier than four months from the beginning of the accounting period in which the loss will be incurred or no later than five months after the end of the accounting period in which the loss was incurred.

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Corporation tax measures

- Section 396B claims & Section 420 A&B Group loss relief
- Close Company Surcharge – S.440(2) TCA no reserves at YE no surcharge & S.434(7) – reserves at date of distribution;
- Chargeable gains –
 - Sell in loss making period to shelter gain;
 - If gain will create cash flow issue sell after YE (change YE);
 - sell loss making asset so as to shelter any chargeable gain
 - If groups – transfer asset with gain to entity with CGT loss fwd
- Preliminary tax – Small Co. - €200k – don't just use prior years use 90% test
- Make S.243B TCA claims before S.396B – Most losses carry back as a result

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Corporation tax measures

- Where directors loans – consider change in accounting YE to prevent 20/80ths – maybe can repay by return filing date
- Review of P/E stock – provide for obsolete – CT/IT deduction
- Review of debtors for bad debt provisions – CT/IT deduction

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Corporation tax measures

- Section 247 TCA – Interest relief – loss if no profits – is it possible to manage this? Change YE??
- Section 486C – Exemption from CT for start up companies;
- FX trade gains – consider change YE
- Co. dealing in & Developing land – transfer from Capital to trading – access to allow offset against other Group losses or allows trade losses forward
- Precedence – Special contribution allowed in Yr of cessation & or contributions made in that Yr allowable

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PAYE/PRSI measures

- Small gift benefits = €500
- Incentivising employees – No ER PRSI if shares issued to employees (retain staff and save circa 11% vs bonus)
- If claiming quarterly – Consider monthly if on EWSS & if not consider Quarterly

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Opportunities in a downturn

- Great opportunities at this time if intention was & is still always there:
 - Ability to transfer shares to family at lower valuation - Less tax exposure – CGT/CAT – less eating into thresholds – family partnerships;
 - Transfer part shares now & buyback remainder / Transfer house to child with right of residence
 - Lower valuation – less tax on issuance of shares to Key employees no matter what scheme used;
 - Growth share scheme – if low value now – can get access to value quicker – two sided sword however;
 - Share options;
 - Restricted share schemes
 - Importance of valuations in any of these schemes
 - Depending on amount subscribed for shares & class - may be possible to carry out SAP 204 process to reduce share capital & pay back money shareholder – True cash flow measure here in difficult times

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Opportunities in a downturn

- Use of Company Law to provide funding to cash strapped shareholders:
 - Carry out a summary approval procedure under Section 202 and 203 Companies Act to loan money – Depends on value of loan
 - Can be used as stop gap while banks are not lending;
 - NB – BIK – preferential rates 4% & 13.5%
 - Sell assets in Co. to shareholders (maybe losses to shelter chargeable gains) – Consider stamp duty
 - If things go bad – debt restructuring personally by
 - selling Property to Co.; or
 - Selling sole trader business to Co. & claiming relief

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Opportunities in a downturn

Divide out trades or separate trade assets from non-trade assets

- Why would you do it – Segregate the risk – especially in these times
 - Risk – If Co. subsequently goes into CVL – question asked as to whether actions taken were to defraud creditors or take assets away from creditors
 - Watch that you are not getting caught by this – May be too late to do this.
 - Summary approval procedure possibly required – which is a director's declaration – can be held personally liable;
 - Fine line here
- How is this carried out –
 - Share for share – to protect cash, investment property – S.584/586 TCA & S.80
 - Share for undertaking transactions – transfer trade out etc. – S.584/587 TCA & S.80

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Debt warehousing

- Must be in place B/F 30 September – so just one day left
- Won't go into it for this reason

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Wrap Up

- Wednesday Webinar Series Continues
- CPDStore.com
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- Thank You

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