

## INCOME TAX & SELF ASSESSMENT

The basic principle of self-assessment is that the onus is on the tax payer to take responsibility for his tax affairs and to submit accurate and timely returns. Failure to do so may result in penalties and interest charges in respect of late payment.

An example will best illustrate how the system works.

You should know that the tax year runs from 1st Jan 12 - 31st Dec 12

The stages in the tax process using the 2012 year as an example are as follows.

1. 31st October 12 - Preliminary tax (or estimated tax) must be paid in respect of the 2012 tax year. Because the liability for 2012 cannot usually be estimated with certainty, the tax payer has certain options in respect of the amount payable.

He may pay the lower of:

- (a) 90% of the anticipated final liability for 2012.
- or
- (b) 100% of the tax liability for 2011.

The balance of the tax due will be payable on 31st October 2013.

If the tax payer fails to accurately estimate the preliminary tax liability, then interest charges may arise on the "full balance" outstanding.

The tax return for 2012 must be submitted on or before 31st Oct 2013. Late submissions will result in a surcharge ranging from 5% to 10% of the final liability.

Persons may also elect to pay their preliminary tax in instalments by direct debit.

## STEPHEN EGAN & CO.

Chartered Certified Accountants & Taxation Consultants

- Stephen Egan & Co., Chartered Certified Accountants & Taxation Consultants offer accountancy and taxation services to meet the needs of self-employed individuals. We are particularly expert at helping small businesses.

- Our services are competitively priced and the first consultation is free and without obligation.

- The service is comprehensive and will include preparing accounts and tax returns and will operate immediately a person commences in business. The objective is to remove the bureaucracy and anxiety from the taxpayer and place it in the hands of professionals.

- Persons are advised to contact Stephen Egan & Co., immediately upon setting up in business.

- One can be assured of a personalised, confidential, and expert service.

*(Published August 2011)*

## STEPHEN EGAN & CO.

Chartered Certified Accountants & Taxation Consultants

15 Middle Third, Killester, Dublin 5.  
Tel 01 851 2941

## STEPHEN EGAN & CO.

Chartered Certified Accountants & Taxation Consultants

# A Guide to Accounts & Taxation for Sole-Traders

[www.stephenegan.ie](http://www.stephenegan.ie)

Stephen Egan M.A., F.C.C.A., A.I.T.I.



15 Middle Third, Killester, Dublin 5.  
Tel 01 851 2941

## SELF-EMPLOYMENT

### GENERAL

This guide assumes the person is operating as a sole trader and has not set-up a limited company.

Persons operating through a limited company should contact the firm for separate advice.

The first requirement is that persons commencing in business should immediately register with the Taxes Registration Office of their local district.

VAT: Where the turnover of a service business exceeds or is likely to exceed €37,500 per annum you must register for VAT. For other businesses the turnover is limited to €75,000 per annum. Certain businesses are exempt from VAT.

Registering for VAT will require that you charge VAT on your sales but you will be able to reclaim VAT on most of your purchases. You will however be required to submit bi-monthly or annual VAT returns.

Being self-employed will allow you to obtain tax relief in respect of expenses incurred for the purposes of your business. These will include such items as motor expenses, a subsistence allowance in certain circumstances and telephone, light and heat.

## EXPENSES

- **Motor Expenses:** i.e. petrol, insurance, repairs etc. An allowance will have to be negotiated with the Inspector of Taxes, but generally you may be entitled to about 75% of annual running costs.

- **Motor Car Allowance:** You will also be entitled to an allowance of about 12½% per annum of the cost of your car.

Effectively this is a depreciation allowance.

---

Example:	€
Car Cost	16,000
Allowance per annum 12½%	= 2000

---

The above amount will be reduced to a limited extent, to allow for personal use by the owner.

- **Subsistence Allowance** - Depending on your circumstances you may be able to claim meal and accommodation allowances.

- **Telephone Bills** - Including mobile phone bills are allowable.

- **Mortgage Interest** - A percentage of mortgage interest or rent in respect of your residence assuming you are operating from home.

- **Fixed Assets** - 12½% capital allowance (depreciation) per annum in respect of fixed assets eg: 12½% of the cost of a computer.

## PERSONAL TAX CREDITS & RELIEFS

Self-employed persons may claim tax credits and reliefs, subject to certain restrictions. Some of the main credits and reliefs are set-out below:

- **Single or Married tax credits**
- **Mortgage interest**
- **Permanent health insurance.** This provides for loss of income due to sickness or ill health.
- **Retirement annuity premiums.**
- **Medical expenses**

### PROPER BOOKS & RECORDS

(Rules for proper book-keeping)

- A separate business bank account should be opened.
- **All cheques and cash received should in the first instance, be lodged to this account.**
- An invoice should be raised in respect of all sales.
- Expenses, in so far as possible, should be paid by cheque.
- **Receipts and invoices should be kept in respect of all purchases and expenses. They should be referenced to a cheque number and maintained in date order, and numbered.**
- Receipts for all expenses paid in cash should be kept separately.
- **The date, amount and the payee, should be written on all cheque stubs.**
- Most importantly, start the "good habits from day one" and you will minimize, if not eliminate, all problems later.