

The logo for SOBT Ltd is contained within a large, light blue circular graphic that has a textured, watercolor-like border. The text 'SOBT Ltd' is written in a bold, dark blue, sans-serif font. Below it, the text 'Private Tax Client's' is written in a smaller, dark blue, sans-serif font.

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## Tax issues for Auctioneer's

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## Covid-19 and Tax

*“All changed, changed utterly” W.B Yeats*

- “Warehousing” of Tax Liabilities
- Non Covid-19 Tax Debts
- Loss Relief
- E working
- Wage Subsidy

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## Warehousing

- Revenue have suspended all debt enforcement
- Revenue have suspended interest been applied on late payment
- 0% interest for 1 year and then 3% thereafter
- Need to make sure tax returns filed on time
- 25% Lower Income

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## Example -Joe - €70k Tax Bill

Joe is a self employed auctioneer and his tax bill for 2019 is €50,000. He paid the right amount of Preliminary Tax on account for 2019 last October of €10,000, leaving a balance of tax due of €40,000 for 2019 (A).

For 2020, his Income is down 25% and he has worked out his tax bill for 2020 will be about €30,000 (B).

This means he faces a balloon payment of €70k to Revenue on 10 Dec

He checked with his bank and he can get a loan but the interest rate is 8% and he is worried he would be under pressure with the monthly repayment

He wonders what his options are ....



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## Joe's solution

Joe can “warehouse” the 2019 tax liability and 2020 tax due for 1 year @ 0% interest and in Dec 2021, can pay down the liability at 3%

Why would he do this ?

1. Zero cost for 1 year
2. 3% after 1 year until paid
3. Cheaper than bank finance
4. Helps cashflow

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## Joe's brother

Joe's brother did not pay the right amount of Preliminary Tax for 2019. He paid nothing last October for 2019 as did not have the funds. He owes €10,000 for 2019 and the Preliminary Tax for 2020 is €3,000 leaving a balance of tax due of €13,000

As Joe did not pay his 2019 Preliminary Tax on time, he cannot avail of the 0% "warehouse" for 1 year, but can apply for the special low interest rate of 3% for the 2019 tax due.

### Benefits

- Gets 3% interest rate instead of 8%



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# Non Covid-19 Tax Debts

- Apply before 10 December 2020 to avail of 3% rate
- Example –Inheritance Tax, no cash to pay tax due

## Recent case where it worked out well

Joe is selling a house for a beneficiary. The beneficiary inherited all property assets from his father and there was very little cash in the Estate. The tax due is €7,639 and this is due 10 Dec. He does not want a forced sale of the property.

## Solution

Apply to pay the liability over 5 years and avail of the Covid-19, 3% interest rate

=> Monthly payment of €136



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## Covid-19 Loss Relief

If your business has had a bad year due to the pandemic, your losses for this year can be carried back and offset against profit for 2019, thus securing a tax refund

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## Working from home in the pandemic

- €3.20 e-working expense
- 10% of Electricity and Heat\*
- 30% of broadband\*

\*need to apportion for days worked from home over 365

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## Employee Wage Subsidy Scheme

- Must be 30% down on turnover
- July-Dec 2020 and compare to July-Dec 2019
- Need to review turnover each month
- Keep record of projections
- Owner director's qualify
- €1,462 per week is Max Income you can have to qualify
- Revenue checks have been taking place
- Need to watch your turnover does not exceed limits

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Gross pay per week	Revised subsidy rates
Less than €151.50	No subsidy applies
€151.50 - €202.99	€203
€203 - €299.99	€250
€300 - €399.99	€300
€400 - €1,462	€350
Over €1,462	No subsidy applies



## Additional Interest Relief

- Where property let under social housing
- Example –Client let out property under Social Housing and interest was €10k for 2018 (extra 15% now allowed), 2017 (extra 20% now allowed), 2016 (extra 25% now allowed). Total extra interest allowable is now €6k saving tax of €3,120
- Revenue checking if declaration of undertaking evidence from RTB and detailed calculation of interest
- Revenue checks have been taking place



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# Acting for a Non Resident Landlord

## Collection agent

1. Nominated to act on behalf in the collection of rent
2. Applies for a special tax collection agent tax number
3. No need to deduct 20% tax from rental income



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## Example of getting it wrong

Joe Blogg manages 5 properties for clients based in the UK. Joe knew the clients were living in the UK as he had asked for their ID. He pays the rent each month to them. He heard something about special rules for non resident landlords, but he was too busy to ever check it out fully.

Joe gets a Revenue Audit who state to Joe he has a tax exposure as no Tax Returns were ever done for the rent and Joe is deemed the “Collection Agent”. Revenue are going to assess Joe on the rent and he will be liable for the tax, interest and penalty .

The Non Resident landlord have told Joe its his problem and don't want to do anything and are now moving their business to another agent.

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## Tenants who pay rent directly to landlord

1. Once the tenant becomes aware must deduct tax from gross rent
2. If tenant is PAYE, Revenue will reduce tax credits for 20% tax due
3. If subject to self assessment –Form 11-pay the tax as part of same



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## Form 8-3

*S888 TCA 1997 imposes an obligation to provide information on rented properties*

1. Receives rent
2. Receives Deposit (“other payments arising)
3. Advertising Fee ? Per Revenue this is NOT within the 8-3 guidelines

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# Correctly structuring a property purchase

1. Personally-52% tax exposure, CGT
2. Corporate –CT circa 40% (i.e. 25% CT and surcharge circa 15%), CGT, restriction on salary 15% of gross rental income
3. Pension-No Income Tax, No CGT,

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## Pension Tax Savings

		Pension of €1k
	€	€
Income Tax 2019	400	NIL
Preliminary Tax 2020	400	NIL
Total	<u>800</u>	<u>NIL</u>
Cash Outlay	800	1,000

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# Designated email for tax queries exclusive to IPAV members

[taxqueries@ipav.ie](mailto:taxqueries@ipav.ie)

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