Topical tax issues for vets

Sandra Clarke FCA, AITI, Partner, BCC Chartered Accountants, looks at two recent topical tax issues for vets – the Help to Buy Incentive scheme for first-time buyers, and Offshore Matters

HELP TO BUY INCENTIVE

The Help to Buy Incentive was introduced by the Finance Act 2016 to stimulate the residential property market and to help first-time buyers. First-time buyers, who purchase or selfbuild a new home between July 19, 2016 and December 31, 2019, may be entitled to a refund of income tax and deposit interest retention tax (DIRT) paid over the previous four years. This measure is a means of refunding some of the deposit paid on the property to the first-time buyer.

The relief available is 5% of the cost of the new home, where the new home costs €400k or less. Therefore, the maximum relief available is €20k. This €20k cap applies where the cost exceeds €400k. No relief is available where the cost of the home exceeds €500k (€600k for homes purchased between July 19, 2016 and December 31, 2016).

CONDITIONS FOR RELIEF - PURCHASER

To qualify for a tax refund, the purchaser must be a first-time buyer and not hold an interest in any other residential property. Where more than one person is buying the home, this condition must be satisfied by each purchaser. At least 70% of the cost of the home must be funded by a mortgage. The purchaser(s) must also be fully tax compliant for each of the previous four years. The relief applies where the property is occupied as a home by the purchaser (the relief does not

apply to properties purchased as investments). The property must be built by/purchased from a qualifying contractor.

CONDITIONS FOR RELIEF - CONTRACTOR

The home must be purchased from/built by a qualifying contractor. A qualifying contractor is one who is tax compliant and has obtained the relevant planning permission.

Contractors must apply to Revenue for approval as a qualifying contractor under the scheme.

Revenue maintain a list of qualifying contractors on their website – www.revenue.ie

WITHDRAWAL OF RELIEF

The relief will be withdrawn if the purchaser does not occupy the home as his/her only residence for a minimum period of five years. Where more than one person buys the home, at least one of the purchasers must meet this requirement to avoid a clawback.

OFFSHORE MATTERS

With last year's leak of the *Panama Papers*, much focus has been trained on tax evasion through off-shoring. Offshoring occurs where a tax payer transfers or locates assets in a foreign jurisdiction, in many cases to avoid paying tax on any income arising therefrom. The Organisation for Economic

Technical terms: definition of a 'Qualifying Disclosure'

A taxpayer is encouraged to make a disclosure of previously unreported or undeclared additional tax or duty liabilities or other errors made in a return, self-assessment or claim to Revenue at any time, but the opportunities available to the taxpayer to make a Qualifying Disclosure are as outlined in tax legislation.

A Qualifying Disclosure is a disclosure of complete information in relation to, and full particulars of, all matters occasioning a liability to tax that give rise to a penalty, is made in writing, is signed by or on behalf of the taxpayer and is accompanied by:

- A declaration to the best of the person's knowledge, information and belief, that all matters contained in the disclosure are correct and complete
- A payment of the tax or duty and interest on late payment of that tax or duty. In addition:
- All Qualifying Disclosures (prompted and unprompted) in the deliberate behavior category of tax default must state the amounts of all liabilities to tax, duty and interest, in respect of all taxes and periods, where liabilities arise, as a result of deliberate behaviour, that were previously undisclosed.
- In the case of a prompted Qualifying Disclosure in the *careless behaviour* category of tax default, the qualifying disclosure must state the amounts of all liabilities to tax, duty and interest in respect of the relevant tax and periods within the scope of the proposed compliance intervention.

Important note: where a taxpayer makes a disclosure and the additional liability due for tax, duty and interest is not paid, then the disclosure is not accepted by Revenue as a Qualifying Disclosure for the purposes of non-prosecution and non-publication. The amount of penalty applicable is also re-calculated. For a disclosure to be regarded as a Qualifying Disclosure, the liability due must be paid.

Source: Code of Practice for Revenue Audit and other Compliance Interventions.

Co-operation and Development (OECD) has agreed the Standard for the Automatic Exchange of Financial Account Information in tax matters. Under this standard, financial institutions in member countries are obliged to make certain disclosures to tax authorities in other member states regarding non-resident account holders. Such reporting is due to commence on June 30, 2017. Irish taxpayers holding an interest in undisclosed offshore assets, funds or trusts, may find themselves with additional tax liabilities.

Tax payers who make a 'qualifying disclosure' to Revenue of tax liabilities that they had not previously declared, may be entitled to a measure of relief from interest and penalties under the current Code of Practice for Revenue Audit. In addition to a reduction in interest and penalties, a taxpayer who makes a qualifying disclosure may avoid having their name published in the list of tax defaulters in addition to avoiding possible criminal prosecution.

However, from May 1, 2017, any disclosure that includes an offshore matter will be precluded from being a qualifying disclosure. Offshore matters include: an account held or situated in a country or territory other than the state; income or gains arising from a source, or accruing, in a country or territory other than the state; and/or property situated in a country or territory other than the state.

TRIVIAL MATTERS WHICH MAY GIVE RISE TO SERIOUS CONSEQUENCES

Where a taxpayer opens a bank account in the UK, with a small deposit, and even where little or no interest is earned on the deposit, the taxpayer is obliged to disclose this fact to Revenue. So, a seemingly trivial matter could soon have farreaching consequences.

Such trivial matters may include:

- » That dividend for €15 that you receive each year from a foreign company whose shares you forgot you owned;
- » Interest of £35 earned on that bank account in the UK that you have not gotten around to disclosing;
- » That taxable gain you made on those foreign shares you did not realise you disposed of (think Vodafone/Verizon return of value to investors).

Under the new regime, where a disclosure relates to both offshore-matters and non-offshore matters, the favourable penalty regime will no longer apply to any part of the disclosure. It is imperative, therefore, that taxpayers who suspect that they may have an exposure in relation to offshore matters and who intend to make a qualifying disclosure, do so before May 1, 2017.

Many of you will be familiar with Sandra who has spoken at several of our nationwide seminars over the past number of years. With her specialist expertise in advising vets, Sandra fully understands the complexities that exist in all business aspects of veterinary practice.

For more information or to arrange an appointment, you may contact Sandra directly or through Mary or Declan.

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