

Newsletter

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Welcome to CrowleysDFK



"We are conscious that the past year has brought about a dramatic change to the business environment in which you are operating."

James O'Connor
Managing Partner

Welcome to the first edition of the Crowleys DFK Newsletter. These days we all run the risk of information overload. However, we believe that it is important to keep you updated with timely information on developments and issues that may affect you.

We are conscious that the past year has brought about a dramatic change to the business environment in which you are operating. We want you to know that we are available to provide practical assistance to help you run your business. We are working with many clients on a daily basis helping them to reorganise and reposition their businesses. If we can help you, please let us know.

We hope you find our first offering interesting and informative. We encourage your feedback so that we can improve quality and content to meet your needs.

Visit our website at:

www.crowleysdfk.ie

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Highlights from the April 2009 Supplementary Budget



Edward Murphy
Tax Partner

“...the introduction of new tax reliefs on the acquisition of Intellectual Property is a welcome attraction to our Foreign Direct Investors.”

Whilst the April 2009 Supplementary Budget delivers in terms of its severity, it is not readily apparent if it delivers in terms of correcting our economic weak points. One of the fears remaining is that the tax-take on which the budget is balanced may be over optimistic.

On the business front, the introduction of new tax reliefs on the acquisition of Intellectual Property is a welcome attraction to our Foreign Direct Investors. Disappointingly however, is that there was very little offered by way of business incentives to help create and indeed protect much needed employment.

The following outlines the key points from the Supplementary Budget.

Income Tax

- Standard and higher rates of income tax remain at 20% and 41%
- Income levy of 2% on income from €15,028 and 4% on income in excess of €75,036 and 6% on income in excess of €174,980
- Mortgage Interest Relief will be discontinued for any mortgage over 7 years
- Tax deductibility of interest relief on loans on residential properties restricted to 75%
- Deposit Interest Retention Tax (DIRT) applicable to deposit interest on (a) life assurance policies and (b) investment funds is increased by 2% to 25% and 28% respectively

PRSI/Levies

- PRSI contribution ceiling increased from €52,000 to €75,036
- Health levy rates doubled to 4% on income up to €75,036 and 5% for amounts in excess of this threshold

Stamp Duty/Excises/Levies

- Excise Duty on a packet of 20 cigarettes is being increased by 25 cent
- Mineral oil tax on auto-diesel to be increased by 5 cent per litre
- 1% levy introduced on new life assurance premiums
- Non-life insurance levy being increased by 1% to 3%
- Stamp Duty ‘trade in’ scheme established, whereby no Stamp Duty is payable by a person who accepts a traded-in property in exchange/part exchange for a new house/apartment

Business Tax

- Special 20% rate applied to trading profits from dealing with residential development land is being abolished. The income is now chargeable at the marginal tax rate or at 25% for companies

- Restrictions imposed on offset of trading losses from dealing with residential development land
- New tax relief on capital expenditure incurred in the acquisition of Intellectual Property
- Termination of capital allowances scheme for private hospitals and nursing homes. Transitional measures to be put in place for projects at an advanced stage

Capital Gains Tax/Capital Acquisitions Tax

- Rate of capital gains tax and capital acquisitions tax increased from 22% to 25% from midnight 7 April 2009
- Current gift/inheritance tax thresholds reduced by 20%

Value Added Tax

- A margin scheme is being introduced on dealers acquiring and selling second hand cars

Other Measures

- Early Childcare Supplement to be halved to €41.50 per month per child with effect from 1 May 2009 and abolished at end of 2009
- Introduction in January 2010 of a pre-school Early Childhood Education Scheme
- Personal jobseekers allowance to be reduced for those under 20 to €100 per week
- Removal of social welfare Christmas bonus payment in 2009
- Creation of an asset management agency to take bad loans off banks’ balance sheets
- Announcement of payroll savings measures in various government departmental and public sector bodies
- Incentivised scheme of early retirement in the public service for certain civil and public servants aged 50 and over
- Changes made to recently introduced public service pension levy to lessen the burden on the lower paid civil servants
- Introduction of an Enterprise Stabilisation Fund to help protect jobs in troubled businesses
- 10% cut in political expenses and the abolition of long-term payments to TDs
- Capital expenditure in 2009 has been reduced by €624 million and a commitment for future use of pension funds for Public Private Partnership developments

If you require any further information or advice on how the Supplementary Budget may affect you, please contact:

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Siobhán O'Neill
Tax Manager

"...the Revenue Commissioners have extended the existing tax deadlines for those who e-file."

Mandatory Electronic Filing and Payment

In August 2008, the Revenue Commissioners introduced new regulations which oblige Government Departments and Offices, State Bodies and larger companies to electronically file their tax returns and to electronically pay any resulting tax liabilities. Any tax refunds arising will also be issued to the entities electronically.

The regulations cover the majority of taxes including:

- Corporation tax
- PAYE/ PRSI
- VAT, VIES & vehicle registration tax
- Relevant contracts tax
- Betting & excise duty
- PSWT & RCT
- Dividend withholding tax

These regulations are being introduced in two phases:

Phase 1: Government Departments, certain named Government offices and companies and certain State bodies already subject to mandatory e-filing from 1 January 2009.

Phase 2: All other State agencies and companies who are obliged to submit audited accounts to the Companies Registration Office will come within the mandatory e-filing regime from 1 January 2010.

Companies who are obliged to submit audited accounts currently include:

- Companies whose turnover exceeds €7.3 million
- Companies whose assets are greater than €3.65 million at the end of its financial year
- Companies with an average number of employees of 50 or greater
- Group companies
- Companies limited by guarantee, banks, insurance companies, investment companies

- Companies who submitted their annual return to the Companies Registration Office late in either the current or the previous financial year

The obligation to e-file will place some companies under special strain. In particular, companies limited by guarantee or small companies who have fallen behind with their compliance burden will face a challenge as they may not have the necessary computer systems or staff know-how to e-file the necessary returns.

To take account of this, the Revenue Commissioners have the power to exempt an organisation from mandatory e-filing; if they are satisfied the organisation does not have the requisite technology to e-file.

It will be important for companies with such concerns to ensure they receive this exemption from the Revenue Commissioners in advance of 1 January 2010 deadline.

To encourage all companies to e-file and to pay their tax liabilities online, the Revenue Commissioners have extended the existing tax deadlines for those who e-file. The affected taxes are:

- Corporation tax
- PAYE/ PRSI
- VAT
- Relevant contracts tax

The extended deadline is now the 23rd of the month and applies from 1 January 2009 onwards.

It is important to note that where the return and payment are not made electronically by the extended deadline, the extended time limits are disregarded and any interest on late payment will run from the old due dates.

If you have any concerns about the implications of mandatory e-filing, please contact:

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Reduce your Tax Liability

According to recent findings, taxpayers could be losing as much as €100 million per year in tax breaks! Many people are not claiming all the tax reliefs they are entitled – often because they simply are not aware of the schemes/credits in place. In these times, every cent counts and you would be surprised as to how far a few credits will go in reducing your tax liability.

Credits	Relief	Exempt income
One parent family	Tax relief on loan interest	Rent a room relief
Carer credit	Unreimbursed medical	Childcare services
Rent relief	Tuition fees	Leasing farm land
Medical insurance	Charitable donations	
Service charges	BES scheme	
Trade union subscription	Film relief	
Flat rate expenses	Deed of covenant	
Old age credit		
PRSA		
Permanent health insurance		

For more detailed information on the above credits and reliefs, please visit the news section on our website – www.crowleysdfk.ie or contact us to discuss further.



Fearghal O'Mochain
Audit Manager

“These tough economic times have made accounting for transactions and auditing entities more challenging than ever.”

The Focus for Audit and Accounts in 2009

The economy is experiencing a great amount of instability. During 2008 and into 2009 deteriorating economic conditions and increased government intervention continues. The economic crisis undoubtedly is affecting both the companies' financial statements and the auditors engaged to audit their financial statements. These tough economic times have made accounting for transactions and auditing entities more challenging than ever. Company directors should expect auditors to want to see evidence of their consideration of:

- Going concern issues
- Fraud considerations
- Third party risk

These can also be used by the company to address areas of audit concern during these challenging economic times.

Going concern issues

In the difficult economic conditions we are experiencing at present, all those involved in the preparation and audit of financial statements must pay careful attention to whether the going concern assumption continues to be appropriate and what disclosures may be required.

Directors have the onerous responsibility for preparing financial statements that show a true and fair view of the result and financial position of their companies. The basis for adopting the going concern assumption is a critical element of this exercise.

Auditors must form a view on the financial statements, including the disclosures made by the directors in relation to the going concern assumption.

A helpful document, An Update for Directors of Listed Companies: Going Concern and Liquidity Risk (November 2008) by the Financial Reporting Council (FRC) identifies matters which directors need to consider in this regard. It recommends:

- The company should undertake an assessment of an entity's ability to continue as a going concern when preparing financial statements
- When the company is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties
- Directors should have in place processes and procedures which ensure a rigorous approach to this assessment. Some of the areas upon which such procedures should focus are:

- forecasts and budgets
- net realisable value of stock
- borrowing requirements
- products and markets
- financial risk management
- collectability of debts

Fraud considerations

When there is a downturn in the economy, there is an increased chance of fraudulent activity, which could cost a company. Scarcely a week goes by without another news story concerning fraud affecting an Irish company. Most fraud schemes are uncovered by accident, and usually not during a regular audit. For that reason, it is important that certain aspects of good internal control be adopted wherever possible

Auditors will want to see that the company directors have developed and implemented robust systems and internal controls to reduce the risk of fraud occurring or going undetected.

Third party risk

Assess the company's exposure to third parties in financial distress. Ensure the company is monitoring the impact of the crisis on the company's key customers, suppliers, partners, underwriters and other third parties that may be experiencing financial difficulty. An up to date inventory of the company's potential exposure to third parties is essential.

For most companies, 2009 will likely be a year of tremendous pressure and change – and a good measure of uncertainty. In this environment, it is more important than ever to be acutely sensitive to the company's financial reporting and how this will effect the financial statements. Directors should be aware of their responsibilities to the financial reporting standards.

If you have concerns in any of these areas or would like to discuss these issues further, please contact:

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Visit us on our website at:

www.crowleysdfk.ie

We are constantly updating our website with articles and news alerts which we believe will be of interest to our clients.

Why not add us to your favourites!

Redundancy Payments

In the current recessionary climate, dealing with redundancy is unfortunately becoming an everyday challenge that employers and employees are faced with.

The following sets out many of the common questions we have been receiving from clients in relation to redundancy payments.

When does an employee qualify for a redundancy payment?

For an employee to be entitled to the minimum statutory redundancy payments they must satisfy a number of criteria:

- Be between the ages of 16 and 66. Employees who have reached 66 years of age and whose date of termination is on or after the 8th of May 2007 are now eligible for a redundancy payment under the Redundancy Payments Act 1967-2007
- Be in insurable employment for two years prior to redundancy
- Have worked continuously for you for at least two years

How much is an employee entitled to?

The calculation of statutory redundancy payments is based on a normal week's pay, capped at €600 per week. An eligible employee is entitled to two weeks' statutory redundancy pay for every year of service, plus a bonus week. All statutory redundancy payments are tax free.

What procedures are necessary to let an employee know they are being made redundant?

An employee must be given at least two weeks' notice before the proposed date of dismissal, rising to eight

weeks if they have 15 or more years of service. Notice must be given to an employee in writing on an RP50 form.

Is the employer entitled to any refunds on redundancy repayments?

An employer who makes a statutory lump sum payment to an employee is entitled to a rebate of 60% from the Department of Enterprise. To get a rebate, the RP50 form must be sent to the Department within six months of the redundancy lump sum. No rebate will be paid for redundancy settlements in excess of the statutory entitlement.

What are the consequences if an employer fails to pay a redundancy lump sum?

If the employer is unable to pay an employee their entitlements, the Department of Enterprise, Trade and Employment pays the full amount direct to the employee from the Social Insurance Fund (S.I.F.). The employee fills in an RP50 form and sends it into the Department. The Department then seeks reimbursement from the employer. The Department treats these applications as a priority.

What happens if an employee disputes their redundancy payment?

Disputes concerning redundancy payments can be submitted to the Employment Appeals Tribunal. The Tribunal deals with disputes under such labour law areas as the Minimum Notice and Terms of Employment Acts, 1973 to 2001, the Unfair Dismissals Acts, 1977 to 1993 and the Protection of Employees (Employers' Insolvency) Acts, 1984 to 2003.

If you require any further information or assistance on how this issue might affect you please contact:

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Seamus O'Sullivan
Audit Senior

"...redundancy is unfortunately becoming an everyday challenge..."

Service Area Spotlight

Business Recovery and Insolvency

In the current economic climate, many businesses are facing a host of challenges including underperformance, decreased earnings, cash flow shortages and potential insolvency. At Crowleys DFK, we have the expertise to provide businesses with recovery and insolvency services to help them confront these challenges. We can also advise creditors on their position and the recovery of debts.

We can provide expert and timely advice on the following Business Recovery and Insolvency solutions:

- Business Recovery Strategies
- Informal Schemes of Arrangements
- Examinerships, Liquidations, Receiverships
- Retention of Title
- Rights and Entitlements of Employers
- Preferential and Named Creditors

Recent Case Study – Construction Company

Background:

A multi million euro construction company experienced trading difficulty due to a sudden reduction in new contracts. The company had fixed costs which could not easily be reduced. These included costs associated with the financing of plant and equipment which was now surplus to the requirements of the business. This, together with delays in getting paid for work completed, meant the company could not pay its creditors.

Specifics of Work:

We undertook a review of the business, and working closely with our client we implemented a voluntary scheme of arrangement with the company's creditors. This resulted in the creditors agreeing to write off a portion of their debt, which provided the company with time to reorganise, dispose of surplus assets and continue trading. The alternative would have been a liquidation which would have resulted in the creditors recovering none of their debts and the directors being pursued on personal guarantees.



Seamus Hayes
Audit Manager

“While a business can survive for a short time without sales or profits, without cash it will die.”

Managing your Cash Flow

A recent survey of 350 businesses carried out by the Dublin Chamber of Commerce found that 5 in 6 businesses are now managing for cash flow and not for profit.

While a business can survive for a short time without sales or profits, without cash it will die. For this reason the inflow and outflow of cash need careful monitoring and management.

Cash flow forecasting

Cash flow forecasting is one of the most powerful tools in managing money. It enables you to:

- Look at the cash flowing in and out of the business
- Assess future cash and funding requirements
- Put appropriate facilities in place to meet requirements down the line

In preparing your cash flow projections you will need to:

- Record rolling receipts and payments forecasts (weekly, monthly quarterly annually) daily forecast over shorter period in a crisis situation
- Document and challenge key assumptions made
- Update on a regular basis
- Investigate variances
- Perform sensitivity analysis around key numbers
- Be realistic

Improving cash flow

Critical examination of your business' cash position should take into account methods of improving its cash flow.

These actions may include:

- Increasing cash sales and reducing expenses
- Being selective when extending credit
- Issuing invoices promptly
- Reducing credit given and having appropriate credit terms for different customers
- Establishing and adhering to sound credit practices, involving the training of staff especially sales staff
- Using more pro-active collections techniques
- Using factoring or discount facilities to accelerate cash receipts
- Identifying possible bad debts early
- Reduce stock levels and consider using just-in-time systems
- Lease rather than buy equipment

Given the challenging times that companies are now facing it is imperative for every business to start the process of preparing cash flow forecasts and developing solutions to anticipated cash flow difficulties as soon as possible.

For advice on monitoring or improving your cash flow please contact:

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“The Chinese use two brush strokes to write the word ‘crisis’. One brush stroke stands for danger, the other for opportunity. In a crisis, be aware of the danger – but recognise the opportunity”.

John F. Kennedy, April 1959

For more information, please contact us at marketing@crowleysdfk.ie

This publication is intended only as a general guide and should not be used as a substitute for professional advice.

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