



### Introduction

The income tax pay and file deadline of 31 October 2009 is now only days away. Tax payers using Revenue's Online System (ROS) have until 16 November 2009 to pay and file. To be able to avail of the extended deadline it is important that both the return and the payment are made online through ROS. Where only one of these items is completed through ROS the extension will not apply and penalties and interest may be imposed.

In this bulletin we highlight a number of issues which may be relevant to the filing of your tax return.

### Preliminary Tax for 2009 and the Income Levy

Preliminary tax for 2009 is due on 31 October 2009 or 16 November 2009 if ROS is being used. To avoid interest charges, the amount of preliminary tax which must be paid, unless a direct debit arrangement is in place, is either:

- 90% of final tax liability for 2009; or
- 100% of final tax liability for 2008.

The income levy, which is in place since 1 January 2009, must be taken into account when computing the preliminary tax payment for 2009. A taxpayer basing his preliminary tax for 2009 on 100% of his final liability to tax for 2008 must increase this figure by an amount equal to the income levy that would have been payable if the levy had applied for 2008 at the same rate and the same terms as it applied for 2009. Failure to do this may result in interest applying. Taxpayers basing their preliminary tax for 2009 on 90% of their final tax liability in

2009 should already be factoring the income level into their calculations.

### Tax Relief for Employee/Self Employed Pension Contributions – Late Elections

In general, tax relief is given for the year of assessment in which the pension contribution is paid. However it is possible for contributions paid after the end of a year of assessment, but on or before the return filing date for that year, i.e. in 2008 the return filing date is 31 October 2009 (where ROS is not being used), may be treated as paid in 2008 if the individual so elects on or before that date.

In a recent eBrief, Revenue has advised that it is aware that the final date for making an election is occasionally overlooked by taxpayers who do not have to file a tax return. Strictly speaking contributions which are the subject of an election made after 31 October 2009 cannot be relieved in 2008. Revenue make the point that this issue does not normally give rise to difficulties as relief can be obtained in the year of payment and in following years if necessary, but does acknowledge that these may not help where an individual is approaching retirement.

In light of this, Revenue are willing to treat elections by individuals who are not obliged to file a tax return as having been made on time if the following conditions are met:

- the election is received on or before 31 December in the year following the year for which the relief is claimed. For the 2008 tax year this would be 31 December 2009;
- the contributions have been paid by the return filing date for the relevant year. For the 2008 tax

year this would be by 31 October 2009 in the case of someone not using ROS; and

- the claimant is retiring in the year in which the contributions are paid.

### Tax Relief on Pension Contributions – Application of the Earnings Limit

Broadly speaking, the maximum pension contribution an individual may claim tax relief on cannot exceed an age related percentage of the individual's remuneration/net relevant earnings in any year. An overall upper limit on the amount of remuneration also applies. The earnings limit in 2008 was €75,239 and has been reduced to €150,000 in 2009.

In a recent Tax Briefing, Revenue has made it clear that a single earnings limit applies irrespective of whether an individual is contributing to one pension or to a number of pensions. Therefore an individual with two sources of income e.g. earnings from an employment and profits from self employment, who makes contributions to an occupational pension scheme and to a personal pension plan has a single aggregate earnings limit of €150,000 in 2009 which applies in determining the amount of tax relief available for the contributions.

Revenue has confirmed, on a transitional basis, that it will not enforce the above approach in a “dual income” situation, where pension contributions for 2008 were actually paid in 2008 or were paid before 7 September 2009 (where the taxpayer puts the necessary election in place by 31 October 2009).

### Redundancy Rebates and Tax Payment Difficulties

Revenue has stated that where a business is awaiting a statutory redundancy rebate and it is experiencing difficulty in meeting its tax obligations because of delay in receiving the repayment Revenue will, subject to satisfactory evidence being provided of the repayment due and its quantum, will defer, for a reasonable period, any collection or enforcement action that it otherwise would be entitled to take in the event of a late payment of tax.

At the same time Revenue has agreed with the Department of Enterprise, Trade and Employment i.e. the department responsible for handling payments of statutory redundancy rebates, a form of authorisation for payment of the rebate directly to Revenue by the Department. Revenue express the hopes that this form will facilitate businesses putting in place, in a speedy fashion, the necessary arrangements to have the rebate payment made directly to Revenue. The authorisation form is available to download from the Revenue website.

The authorisation form allows a tax payer to decide how the rebate is allocated. The form envisages that this could be against either a particular VAT period or a particular PAYE period. In addition there is provision in the form for the rebate to be allocated against some other tax liability. On that basis it would seem that a rebate due to a sole trader or a partnership could be allocated against their own income tax liability.

### Non Principal Private Residence Charge

The Local Government (Charges) Act 2009 introduced an annual charge, currently set at €200, on non-principal private residences. This charge, or property tax in another name, is payable by the owner of the property to the local authority in which the property is situated. In 2009 a late payment fee of €20 per month, or part of a month, will apply unless the payment is made by 31 October 2009.

Revenue has indicated that a taxpayer will not be allowed a deduction for either the charge or any late payment fees when calculating the tax on any rental income received from the property in question. This should be borne in mind by an individual calculating their preliminary tax for 2009 based on their income in 2009.

Further general information on the charge, including the ability to pay the charge on-line, is available at [www.nppr.ie](http://www.nppr.ie).

For further information on any of the above matters or on any tax matters, please contact John Cuddigan ([john.cuddigan@rdj.ie](mailto:john.cuddigan@rdj.ie)) or Eoin Tobin ([eoin.tobin@rdj.ie](mailto:eoin.tobin@rdj.ie)) at 021-4802700