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in this issue...

tax briefs [page 3](#) • decreasing property values mean good gains [page 4](#)
business briefs [page 5](#) • tracking mileage/audit dos & don'ts [page 6](#)
legal briefs [page 7](#) • board meetings for SMEs [page 8](#)



FINANCING
COMPANY
GROWTH
STARTS
HERE

Financial pressures are a day-to-day challenge for small businesses in Ireland. In this difficult economic climate, SMEs face credit restrictions, adverse exchange rates and weakening consumer confidence. Accessing finance to meet short-term needs has been the biggest challenge for the SME sector in 2010.

The most common type of debt for SMEs, due to the relatively low risk to the lender, is Secured Lending. This is financed either with normal repayment from cash flow or, if that fails, with liquidation of the assets held as security.

Although business financing is not as easy to come by as it once was, there are a number of ways to improve your chances of securing bank funding:

CONTINUED...

What is your plan?

Prepare a well presented and complete business plan. It is especially important to have a strong executive summary. This one- to three-page summary of your business plan is what bankers look at first – they will only read on if they like what they see. Be clear on what the money will be spent on and how it will add value to your business.

Be honest and accurate with your business plan

Emphasise your competitive advantages, while indicating the significant risks and mitigations. Financial Institutions need to understand the strengths and weaknesses of the business. Instead of trying to hide any weaknesses or risks, acknowledge and explain how to overcome them.

Are your projections realistic?

Do the market research and make detailed projections on the company's future potential earnings. By showing a prospective financier that you have done the research, you add credibility to the application and show that you are a serious candidate. Remember: providing conservative projections is better than promising the world.

Are all key issues covered?

Ensure the business plan covers all the key issues and provides all the information needed by the lender to make a decision. Proposals should be concise and fact based, with detailed financial statements and forecasts provided in appendices.

Present the proposal to the right people.

Direct proposals to the decision makers. This is someone at the most senior level possible to ensure it gets the attention it deserves and isn't delayed as it makes its way through a maze of in-trays.

Negotiate more than the interest rate.

Negotiating repayment, interest rates and equity stake, security, and terms & conditions helps give the financing more flexibility. Report requirements, covenants and other conditions are just as important to the financing agreement as the interest rate. Take into account all of the potential fees involved.

Read the terms & conditions before signing.

Take time to read the terms and conditions carefully, and ask questions if you do not understand something. It is imperative that you take expert advice before entering into any financial agreement. If you have taken all the right steps and effectively 'done your homework' then the chances of having your funding proposal approved are increased. Once approved, follow through on the disbursement process. This will include satisfying any legal requirements, providing insurance documentation to the lender, and satisfying any conditions that are set out in the offer of finance.

It is your job to keep in regular communication with the lender and provide them with all required reports on time. Keep the lender abreast of any changes or significant occurrences in the company – good or bad.

These suggestions on business funding are not exhaustive and only serve as guide. Please consult us when considering any form of funding for your business so we can help present the best possible case for your business



EMPLOYER INCENTIVE SCHEME

The aim of the Employer Job (PRSI) Incentive Scheme is to support job creation by exempting employers from liability to pay their share of PRSI contributions. The current rates of employer's PRSI vary between 8.5% or 10.75% of the employee's gross pay.

The highlights of the scheme are as follows:

- Scheme commenced June 2010.
- Any job created in 2010 which meets the scheme criteria will be able to benefit from the exemption.
- Qualifying jobs created in 2010, before or after the scheme came into operation, will benefit from the exemption for 12 months from the date of approval.

In order to avail of the exemption the following criteria must be met:

- The employee must have been in receipt of certain social welfare payments for at least 6 months, or in a FAS placement programme for 3 months.
- The job must be full time (30 hours or more per week) and must be new and additional – employers will not be allowed to substitute existing employees to avail of the scheme.
- Prior approval must be obtained and this can be done by completing form PRSI 20 and sending it together with a current Tax Clearance Certificate to the Department of Social Protection.
- Employers will be limited to a maximum participation rate of 5% of their existing workforce or, for smaller companies, a maximum of 5 new jobs.

The job must last for 6 months or more, otherwise the employer may be liable to pay PRSI contributions.

DOUBLE-TAXATION AGREEMENT WITH HONG KONG

The Irish Government has signed a double-taxation agreement with Hong Kong, which is expected to have a positive impact on trade and investment between the two countries. The agreement will encourage Hong Kong enterprises to leverage on the success of Irish companies in the areas of technology and R&D. It will also facilitate Irish enterprises to tap into the Asian market, particularly the vast Chinese mainland market, using Hong Kong as a gateway.

DOCTORS, PILOTS AND UNIVERSITY STAFF: REVENUE TARGETS

University staff, airline pilots and doctors are being targeted in a Revenue investigation looking into the employment status of workers. Translators, pharmacists, nurses and interpreters are also under the spotlight as part of the new national crackdown. In particular, it is looking at airline pilots – many of whom are officially registered as self-employed but who work for only one airline. By classifying themselves as self-employed, workers do not need a work permit. However, the Revenue will investigate whether they are actually employed, and whether they will now need to apply for a work permit. The Revenue is also in discussions with universities and colleges in relation to the employment status of certain visiting academics. These issues relate, not just to the question of employment status, but also to the treatment of traveling expenses and subsistence payments. A recent investigation into doctors and pharmacists doing locum work, and doctors who provide out-of-hours services, has resulted in new Revenue procedures. These procedures also specify that doctors from outside Ireland on short-term contracts are regarded as especially high risk.

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

INCOME TAX

Filing date of 2009 return of income	31 October 2010
Pay preliminary income tax for 2010	31 October 2010

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets Made from 1 January 2010 to 30 November 2010	15 December 2010
Payment of Capital Gains Tax for the disposal of assets Made during the month ended 31 December 2010	31 January 2011

CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ended 31 December 2009	21 September 2010
Payment of Corporation Tax for accounting periods ended 31 December 2009	21 September 2010

DECREASING PROPERTY VALUES MEAN GOOD 'GAINS'!

IN THE LAST ISSUE WE EXPLORED THE PLUS SIDE OF FALLING PROPERTY VALUES: THE VALUE DROP REDUCES THE CAPITAL ACQUISITIONS TAX (CAT) TAKE, THEREFORE, IT MAY BE OPPORTUNE TO CONSIDER PASSING ON ASSETS TO THE NEXT GENERATION NOW.

The article also included a whistle-stop tour of the potential reliefs available from CAT. As alluded to in the previous article, passing on wealth to the next generation may also trigger Capital Gains Tax (CGT) and Stamp Duty (SD). We will now take a look at the potential impact of these taxes.

In broad terms CGT is charged at a rate of 25% on any gain made on the disposal of an asset by an individual. Where assets are transferred to connected individuals (mainly related individuals) for undervalue, or where they are gifted, Revenue will impose market value on the transaction for CGT purposes. To that end it is advisable to obtain a valuation of the asset where possible. An individual is not subject to CGT once they have died; they are only subject to CGT on gains on disposals made prior to their death. To that end CGT will not occur in an inheritance scenario.

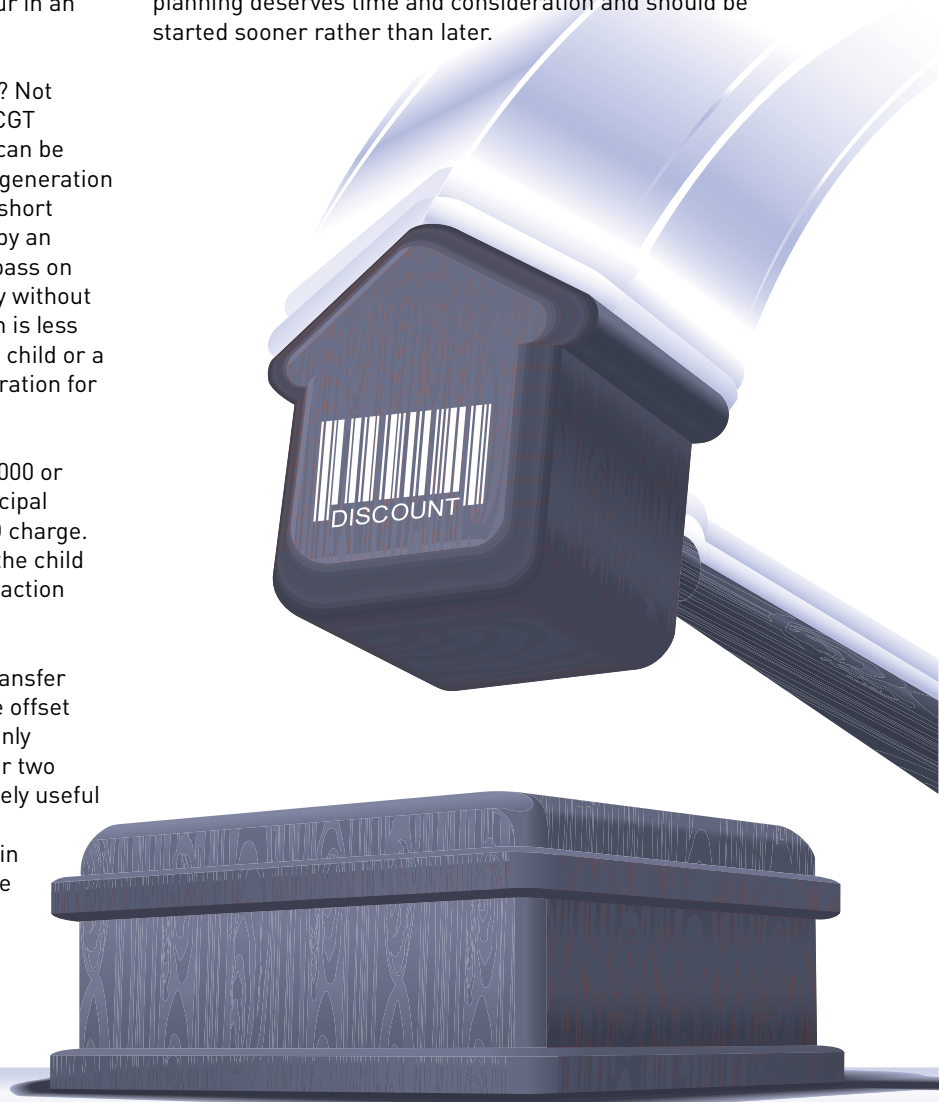
Is the best advice then to wait to transfer assets? Not necessarily. There are a number of reliefs from CGT you can avail of which will mean that the assets can be transferred in a tax efficient manner to the next generation allowing them to prosper from the assets in the short term. One such relief is retirement relief; whereby an individual who has reached 55 years of age can pass on his business, farm or shares in a family company without triggering a CGT liability where the consideration is less than €750,000. In fact, where the transfer is to a child or a favourite relative there is no limit on the consideration for the purposes of qualifying for the relief.

A parent can also transfer a site valued at €500,000 or less to a child for the purposes of building a principal private residence without triggering a CGT or SD charge. Depending on the value of the site and whether the child received any other gifts or inheritance, the transaction may not result in a CAT charge for the child.

Where an element of CGT must be paid on the transfer of an asset, the CGT paid by the disponent may be offset against the CAT liability of the recipient. This is only available where the recipient retains the asset for two years. In the current climate this relief is extremely useful given the constraints on the availability of cash. Many individuals have realised losses on shares in the past eighteen months: it may also be possible to offset these losses against any CGT payable as a result of transferring assets.

Consanguinity relief allows individuals to receive assets from relatives at half the normal Stamp Duty rates, again minimising the tax on any gifts received.

So, while dying is an effective tool for avoiding a charge to CGT, it is possible to reduce (to nil in some cases) CGT and SD on transferring wealth to the next generation while remaining in full health! Indeed, with falling property values, little or no gain may even be realised on the asset. While tax savings are important it is imperative that tax is not the only focus when considering succession planning. Individuals need to consider their own incomes and cash flows for the future. Will the recipient be able to manage the asset going forward? Will there be an impact on other family members? Is there a need to protect assets due to the risk of marriage breakdowns? In short, succession planning deserves time and consideration and should be started sooner rather than later.



SMEs HIT BY FRAUD

A global survey recently found that over 50% of Irish SMEs have been the victim of serious fraud in the last 2 years. This compares with 16% globally and 21% in the rest of Western Europe. Strikingly, 85% of those surveyed worry that they may one day find themselves the victim of acts of fraud and corruption.

COMMERCIALISATION FUND GETS €7 MILLION

A new €7 million fund is encouraging academics to turn research into jobs by bringing new products and services to market. By creating new technology-based companies, third-level institutions will contribute to the government's job creation targets and create 'smart' sustainable jobs. This fund, which will be administered by Enterprise Ireland, is part of Cycle 5 of the Programme for Research – the government's investment plan for physical infrastructure and research projects in higher-education institutions between 2011 and 2016.

NEW VENTURE CAPITAL CULTURE

A new €500 million venture capital fund has been launched to promote innovation across Ireland. Half of the fund will be provided by the Government (€125 million from the Exchequer and the remaining €125 million from the National Pensions Reserve Fund) with private sector investors supplying the other €250million. The fund was developed to overcome the perceived lack of a venture capital culture and will look to invest in high-growth potential start-ups and existing businesses.

CASH INJECTION FOR START-UP FIRMS

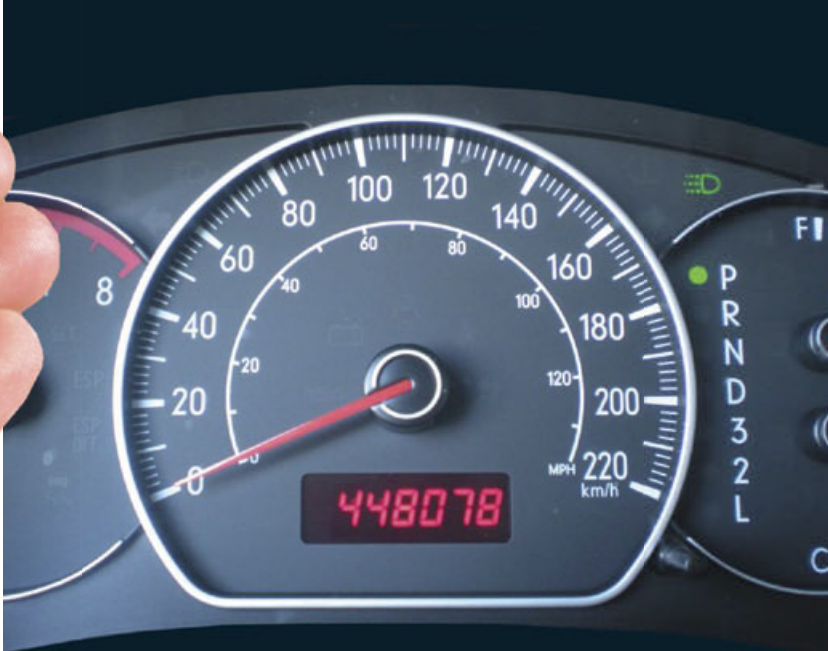
It was recently announced that the government will set aside an extra €55 million over the next 6 years to give early stage entrepreneurs capital to get their businesses off the ground. Following the extra €55 million funding injection the government expects the number of new High Potential Start-Ups (HPSUs) generated by support from its indigenous job creation agency, Enterprise Ireland, to rise from 70 this year to 100 by 2016. An HPSU is an export-oriented firm that has an innovative product or business model and would be expected to generate sales of over €1 million annually within three years and employs more than 10 workers. The government has also allocated €6 million to another Enterprise Ireland run programme, the Lean Business Offer, which aims to make up to 400 firms more competitive by grant-aiding, cost reduction and productivity projects.

GRANTS UPDATES

Title	Description
Venture Capital Fund	This €500 million fund is designed to promote innovation across Ireland. This fund will look to invest in high growth potential start-ups and existing businesses.
Website Information	www.enterprise-ireland.com
Commercialisation Fund	The €7 million fund has been designed to help academics turn research into jobs by bringing new products and services to market.
Website Information	www.enterprise-ireland.com
High Potential Start-up (HPSU) Funding	The fund is aimed at HPSU export-oriented firms that have an innovative product or business model and would be expected to generate sales of over €1 million annually within three years and employ more than 10 workers.
Website Information	www.enterprise-ireland.com
Lean Business Offer	The Lean Business Offer aims to encourage clients to adopt and embed lean business principles in their organisation; thereby leading to increased business performance, productivity and competitiveness.
Website Information	www.enterprise-ireland.com
InterTrade Ireland's FUSION programme	Offers companies funding worth up to €34,500 to team up with a college or university on a knowledge transfer project.
Website Information	www.intertradeireland.com

NEW BUSINESSES BOOMING

More than 37 start-ups a day appeared in the first six months of this year. Company registrations remain strong according to a recent survey, and, despite ongoing tough economic conditions, 8,015 companies were formed in the six months to the end of July 2010. That's 104 more than were formed during the same period last year. The retail sector accounted for the majority of the companies, with 975, or 12.2%. There were 896 management firms formed, making up 11.2% of the total.



tracking the miles makes the journey worthwhile

If Revenue has chosen to audit your business then you will need to contact us immediately so we can help guide you through the process. To assist you in dealing with revenue we will provide the following support:

- ✓ Review the information provided by Revenue and brief you on your rights and obligations.
- ✓ Carefully review all relevant transactions in the period under review.
- ✓ Check that the transactions have been treated correctly in line with legislation and Revenue statements of practice.
- ✓ Investigate whether transactions outside the period under review warrant disclosure to Revenue.
- ✓ Identify the documents needed to support the deduction being questioned by Revenue.
- ✓ Assist you in preparing a written voluntary disclosure.
- ✓ Never give Revenue more or less information than is requested.
- ✓ Give you helpful advice on the basic dos and don'ts of how to deal with the Revenue Inspectors during the meeting. This advice should include:
 - Answer all questions honestly, but briefly.
 - Never give an inspector the only copy of a document.
 - Do not leave your original records with Revenue.
 - Don't chatter or exchange casual conversation.
 - Stay calm: don't be argumentative or belligerent.
 - Keep copies of anything that you sign.
 - Keep records of your meeting including questions asked and responses given.

If you spend a lot of time driving as part of your job, or if you are an employer that runs a fleet of sales people, then correctly claiming mileage expenses can have a huge effect on your bottom line.

However, unlike submitting invoices, claiming mileage tends to be one of those things that both employers and employees put off, or forget about entirely, because it can be very time consuming. Manually calculating your mileage and driving costs using diary readouts from your vehicle, or tracking your route through AAs Auto Route service takes valuable time away from other work. Add to that the time spent logging this information into a spreadsheet, or other computer applications, and it is no wonder you do not think the claim process is worthwhile. If you take into consideration the time you spend each month calculating the rates and then submitting the claim to the office, the euro and cents do not equal the hassle.

Enter www.mileagesheet.ie! You can input your driving route directly into this simple piece of online software and it will then calculate the distance of the journey as well as the monetary value. The programme stores all related subsistence and expenses for this journey, and this information remains available online anytime, allowing you to input, review and access data for up to six years.

If you are an employer, the system goes even further to help simplify expenses. www.mileagesheet.ie allows numerous employees to be added, their vehicle details and engine sizes to be recorded, and it allows multiple mileage schemes to operate simultaneously. The majority of businesses use the civil service rates to calculate mileage expenses, and these will be updated centrally when there are any alterations so that employers can keep track of any reduction or increase of rates (such as in 2009 when the civil service rates were reduced by 25% mid-year.)

Whether you are an employer of a fleet of vehicles, or an employee who makes a lot of business calls, log onto www.mileagesheet.ie so that you can spend more time making the journey, and less time tracking it!

COMMERCIAL UNDERTAKINGS

The Council of the Law Society has recently agreed new regulations to prohibit the giving of commercial undertakings by its members. The new regulations will come into effect on 1 December 2010. While the giving of commercial undertakings will not be legally prohibited until 1 December 2010, the Society's strong advice in the meantime is that solicitors should not give commercial undertakings. In the past solicitors gave letters of undertaking to lenders in commercial property transactions. This frequently led to situations where the undertakings were not complied with and many substantial loans were not properly secured.

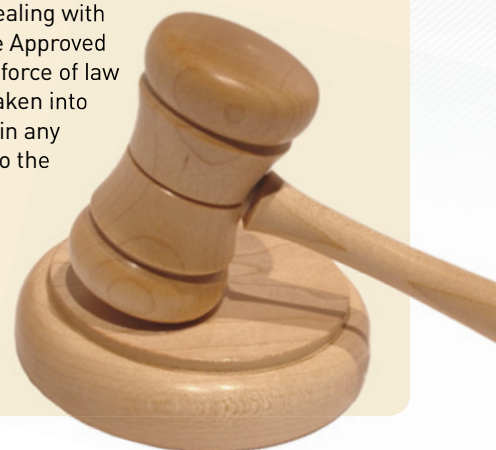


ARBITRATION ACT 2010: CHANGE FOR IRISH COMPANIES

The Arbitration Act 2010 gives Irish companies instant access to a recognisable and internationally accepted code of international arbitration law, originally devised by the United Nations Commission on International Trade Law – colloquially known as the 'Model Law'. Why is this important? The Act enables Irish businesses to obtain an arbitration award/judgment that is easily enforced against a company in another country if that country has either adopted the Model Law or has ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. So long as this is the case, a court in another country has very limited grounds for refusing to recognise and enforce a foreign arbitration award. An important development under the Act is that an agreement on costs made between the parties will be enforceable. The parties can agree on the allocation of costs either before or after a dispute has arisen. From a practical perspective it is best to obtain an agreement on costs written into the terms and conditions of the contract long before any dispute develops. In order to avail of arbitration as a method of dispute resolution, an arbitration clause should be included in any commercial contract. The clause should provide for Irish law to govern the conduct of the arbitration and Irish law to be the substantive law of the arbitration.

APPROVAL GRANTED FOR APPROVED CODE

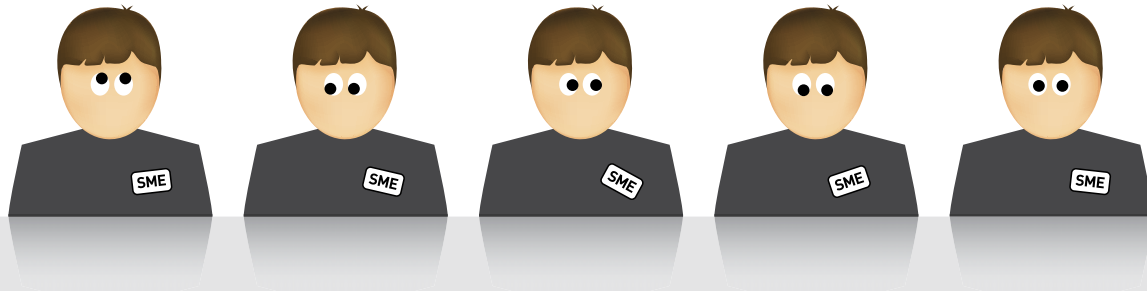
The Irish Data Protection Commissioner (DPC) has recently formally approved a personal 'Data Security Breach Code of Practice' (the 'Approved Code'). The Approved Code has been approved pursuant to Section 13(2)(b) of the Data Protection Acts 1988 and 2003 (the DPA). This is the section that empowers the DPC, where he considers it necessary or desirable to do so, and after such consultation with any trade associations or other bodies representing categories of data controllers, data subjects or persons representing data subjects as he considers appropriate, to prepare and arrange for the dissemination of codes of practice for guidance as to good practice in dealing with personal data. While the Approved Code does not have the force of law it nevertheless can be taken into account in proceedings in any court or other tribunal to the extent that it appears to such court or tribunal to be relevant.



LEGAL PROTECTION FOR CHARITY WORKERS

The Minister for Community, Equality and Gaeltacht Affairs has recently published an Order commencing certain provisions of the Charities Act 2009. In particular, the Order commences Section 90 of the Act, which will enable the courts to grant relief from personal liability to charity trustees for breach of trust where the opinion of the court is that while the trustee may be liable for the breach, he or she acted in good faith and ought to be excused. In such circumstances the court may then grant relief in whole or in part under the provisions of Section 90. The Charities Act 2009 contains measures to reform the law relating to charities and, in particular, to strengthen accountability and provide protection against abuse of charitable status and fraud. It provides a composite regulated framework for charities. The Act provides for the dissolution of Commissioners of Charitable Donations and Bequests for Ireland (CCDB) and the establishment of a new regulatory authority.





Board Meetings for SMEs

Board Meetings are often perceived as beneficial only to large companies and corporations with Managing Directors, CEOs, COOs, Directors of Finance, Operations, etc.

However, SMEs are required to run effective businesses in the same way as big companies, but with fewer people. Therefore, an effective SME needs to achieve the same goals as an effective board of directors. What specific lessons can SMEs take from large companies with boards of directors? Make sure to avoid their mistakes and learn from their successes:

Focused Meetings:

An effective board of directors focuses its attention on items of critical importance to the organisation. In order to do this, the board does not micro-manage or meddle in lesser matters, or in areas that are more appropriately handled by the professional staff.

Board Members Who Add Value:

Boards need effective members. A board needs to be well organised, have a clear sense of business priorities as well as expectations for the business in the area of fundraising. If the board is well organised, board members in turn will have a good understanding of the organisation and their role as board members.

Add New Blood:

It is important to plan for an orderly rotation of board members on and off the board. If the same people serve year after year there is no way for new blood and new ideas to come into the board. In a time of change, the presence of new people who bring a new perspective will promote creativity and innovation in board decision making.

Strategic Planning:

A good strategic plan, in most cases, will lead to good board performance. If the organisation has a strategic plan that provides clear direction, the board can spend their time talking about the topics that matter most. Along with a strategic plan, there is the need for a long-range service delivery and financial development plan that will advance the strategic plan.

Planning for Effective Board Meetings:

Boards can succeed or fail because of planning. It is vital to have a plan for each and every meeting and that deliberate thought be given to the matter of adding items to the agenda. Related to this, is the importance of a formal plan of board training and education to continually upgrade the level of board skills and knowledge.

Board meetings are beneficial for companies of all sizes. And for SMEs with a small staff there are a number of options available that will allow them to reap all the benefits of board structure in their business without having to create new titles:

- 1) Join an organisation such as TheBoard.ie. This allows small businesses to come together to participate in a 'board meeting' every month. The meeting is structured to follow a proven agenda. It allows up to five members of non-conflicting businesses to use the experience of other members and is facilitated by an experienced independent chairperson who teases out challenges and sets objectives to overcome those challenges. For more information see www.theboard.ie
- 2) Appoint consultants to your business who understand your business and the market you operate in. Meet with them regularly to review objectives and discuss challenges.