

How can  
Apple pay  
1% tax?

# Tax Planning



You work hard for your business

# HFS Accountants

makes your business work for you



Proud  
sponsors of  
Stradbally  
Parish Gaels

Farmers: *Incorporate or Not?*

# *Céad Míle Fáilte.*



We have published this booklet to highlight the services we provide and to illustrate how we can **support local enterprise**. We are delighted to be investing in our **new offices in Mountrath**, in what was known as the Old Credit Union building on Main Street, and we have also highlighted our **restoration work** throughout this booklet.

There is no doubt that economically the last few years have been **very difficult**, but with the announcement of the government's 2014 Initiative there are now more incentives for start-ups than ever before. More importantly our banks are lending again. Recently **Bank of Ireland, Mountrath**, announced their new **24 hour promise** (*Subject to Terms and Conditions*) on all lending. These are all **major contributing factors** for stimulating a recovery to any economy.

Throughout this brochure we will highlight many areas that we think may be of significance to you and hope we may be of assistance.

**Donal Horgan**

## *About Us*

### **Donal Horgan FCCA**

Donal qualified as a Chartered Certified Accountant in 1994 and worked for many years as financial controller for multinationals in the engineering and manufacturing industries.

He set up the HFS accounting practice in Mountrath in 2010. In 2014 our priority was to acquire a premises of our own, and our new premises in Mountrath has exceeded our expectations.

**e:** donal@hfsaccountants.com

**t:** 057 874 1688

**m:** 086 207 9878

### **Zandra Horgan FCCA**

AITI Chartered Tax Adviser

Zandra also qualified as a Chartered Certified Accountant in 1994 and as a Tax adviser in 1995. She previously worked for PWC in the International Financial Services Tax Department. Zandra set up her practice in 2002. She specialises in revenue audits and all areas of tax planning & compliance.

**e:** zandra@hfsaccountants.com

**t:** 057 874 1688

**m:** 086 798 8855

## *What HFS Accountants Can Offer*

- **Preparation of Financial Statements**
- **Meeting Companies Office Requirements**
- **Meeting Revenue Requirements**
- **Monthly VAT**
- **PAYE/PRSI/USC**
- **Cash flow Projections & Cash Management**
- **Applications for Bank or Grant Assistance**
- **Tax Planning**
- **Revenue Audits**
- **Capital Gains Tax**
- **Capital Acquisitions Tax**
- **Outsource your accounts department and admin functions.**

# *Farmers: The big Question?*

## ***Should we operate as a sole trader or as a company?***

This is a very **individual decision** as there are so many **issues and taxes** to consider and everyone's personal circumstances are different. For the purpose of this article we are going to take a farmer in his mid thirties, married with two children. His wife does not work outside the home but works on the farm.

### ***Income Tax?***

Firstly what is the **income from the farm** compared to his **cost of living?** In a limited liability company, any trading profit is taxed at **12.5%** instead of **52%**. Also the level of bank borrowings would come into this equation.

If a company is formed, both husband and wife are now **employees of the company** (separate legal entity). Her employment is now recognised as an **insurable employment** and depending on her contributions, she will be entitled to social welfare entitlements **including pension**. This rule applies to **all sole trade businesses**, as any spousal employment, where the employer is a sole trader, is non insurable employment. The spouse can become insurable by either running the business as a **partnership** or a **company**.

### ***Company Pensions***

Company Directors pension limits **are different**. A company can make contributions to build up a pension fund which will provide a director with a pension of **two thirds final pensionable salary** subject to a maximum salary of **€150k** and a maximum fundable value of **€2.3million (€5.4m)**. This increased level of pension contributions under the company structure allows for consideration of a **Small Self-Administered Pension Scheme**. They can give members **greater control** over their pension fund.

## ***Issues Which Arise on incorporation***

### ***Stamp duty***

**2% stamp duty** arises on the **transfer** of land to Company. This is a cost that has to be compared to other **tax savings**. Stamp duty does not arise if land is **leased**.

### ***Capital Gains Tax (CGT)***

Capital Gains Tax is a **Tax** on the **Disposal** of an **Asset**. Is the sole trade farmer disposing of an asset? Yes. Legal title transfers to a **separate legal entity**. Will CGT apply? YES. However, **relief may be available** if all assets (land buildings & entitlements) are

transferred and the **consideration** includes **company shares**. Note: entitlements are an asset and **subject to CGT**.

In the future, if his children want to live near them and he wants to give them a site. **What Happens?** At the moment, a parent can dispose of a site to a child up to the value of **€500k without incurring** a Capital Gains Tax Liability. Under current legislation this option **doesn't arise for a company**. However, legislation may change to take beneficial ownership into consideration.

## **Double Tax Trap**

**A company will pay tax on its investments income and capital gains. If the directors want to withdraw any remaining funds they will pay income tax on any funds withdrawn.**

## **Capital Acquisition Tax**

We cannot forget about the future and **how to pass the farm onto the next generation**. Also what happens when the farmer wants to **retire?** There are different reliefs available, **retirement relief** and **business relief** but if incorporating then the timing of incorporation and management of value in the company **are critical**. It must also be noted that at the moment shares in a company **will not constitute agricultural property** for **agricultural relief** purposes for the donee/successor.



## **Conclusion**

In most **incorporation structures** the farmer will invariably decide to retain the land personally and will only transfer the trade to the company (leasing entitlements have complications). There are advantages to operating through a company, but you need to be mindful of **transferring assets** to the company and making long term decisions for **short term gains** and **consideration must be given to all taxes**.

*Zandra Horgan AITI Chartered Tax Adviser.*

*The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice.*

**Please contact HFS accountants for more detailed advice on 057 874 1688.**

# *HFS Accountants Supporting Local*



*Pictured is the U13 team who won the B Championship*

## **Stradbally Parish Gaels GAA Club**

We are a small juvenile football club, an amalgamation of the three senior clubs of Stradbally, Timahoe & Annanough. We compete from under 13 to under 21. Thereafter our players revert back to their home clubs. Our current under 14 panel won last years' under 13B championship. HFS Accountants are delighted to sponsor the club with new jerseys.

*Donal presenting new jerseys to Maurice Deegan, Chairman of Stradbally Parish Gaels and Eoghan Dillon, captain on St Patrick's Day.*

We hope they wear well and wish all the teams great success.



# *HFS Accountants – Supporting Local*

As we have excess office space, we are providing local start-ups the opportunity to get their business off the ground.

- **Hot desk facilities** or **office space** to anyone looking to get started and only want **an office part-time** or somewhere to meet customers.
- We understand how hard it is to get a business started and the costs involved in doing so. Therefore we hope to encourage and **help more enterprises** in the Mountrath area.



# *HFS Accountants – Education*

For the last few years we have ran the **Accounting Technicians level 1** course in the **METAC Training Centre in Mountrath**. Zandra lectures Accounting and Tax, while Donal lectures Law and Business Management. **Accounting Technicians** is a great qualification for anyone.

## ***What is an Accounting Technician?***

Accounting Technicians are qualified accounting professionals working at all levels of finance. They can work in all types of organisations and are widely employed throughout the public sector, industry and commerce and in private accountancy practices.

## ***A wide range of finance roles***

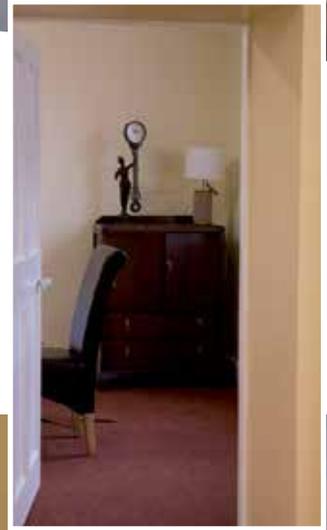
They are involved in the day-to-day practical work of accountancy and play a key operational role in producing reliable financial information. Accounting Technicians can perform a wide range of finance roles, from accounts staff to financial controller and beyond. For instance, they can do financial accounting and budgeting, costing and credit control, payroll administration and tax returns. More experienced Accounting Technicians may often perform senior managerial tasks and audits.



# HFS Accountants

## Start Your Own Business

- In partnership with **local enterprise boards** we have ran start your own business courses. The focus of this course was for participants to prepare and **improve their business plans** – an essential tool for any business looking for funding from enterprise boards, banks etc.
- Bill Gates (Microsoft) and Steve Jobs (Apple) started in a garage. **It's only impossible if we don't try.**
- We have also ran courses on **Managing Cashflow.**
- To launch our premises we are offering a free course on Managing your Cashflow to local businesses. Please call **057 874 1688** for a booking as places are limited





**HFS** Accountants



**Improve Cash.** If the current recession has taught us anything it's that Cash is King. Did we ever need reminding?

What are your **terms of business?** Do your customers know your Terms of Business

# *Building History*

**Built circa 1724.** We have discovered no evidence of when the original building was erected but local experts put the building at approximately 300 years old. The original structure was extended to the rear, adding two rooms both upstairs & down.

**1926-1993.** We are unsure of the history of the building prior to 1926 but thanks to Tom O'Grady Solicitors we were able to examine copies of the title deeds recording the sale of the property from that point on. In December 1926 Jane Elizabeth Hipwell sold the building to Patrick & Elizabeth Treacy. We understand Patrick Treacy was a professor in Ballyfin College for many years & Elizabeth ran a Drapery shop from the premises. Patrick passed away in 1962. Patrick & Elizabeth's daughter, Caitlin became the legal owner of the building. Caitlin was a teacher & spent a long part of her career teaching in the Convent.

**1993-2008.** The Mountrath & District Credit Union has been serving the people of Mountrath & the surrounding district since 1968. In 1993 the Credit Union purchased this building from Caitlin and remained in this building for 15 years.

**2008-2014.** In 2008 the Credit Union moved to its current custom built location. The premises remained unoccupied until 2014, it is now home to HFS Accountants. **We hope our restoration will enhance the town and that this building will continue to service its people for many years to come.**

Finally: pictured below are some of the craftsmen involved in the restoration, their skill and attention to detail brought the building to new heights  
– *Go Raibh mile maith agat.*

*All photographs by James McCormack (after) and Zandra Horgan (before)*





# HFS Accountants

**Chartered Certified Accountants  
A.I.T.I. Chartered Tax Advisers**

**Main Street, Mountrath, Co. Laois**

**e:** [donal@hfsaccountants.com](mailto:donal@hfsaccountants.com)

**w:** [www.hfsaccountants.com](http://www.hfsaccountants.com)

**t:** 057 874 1688

**m:** 086 207 9878