

August 2013 Q1 (as updated for FA 2016)

John & Michelle are an Irish resident couple who have been married for a number of years and are jointly assessed.

Details relevant to their Income Tax position for the year ended 31 December 2017 are as follows:

1. John, aged 40, is a self-employed accountant. He has carried on business for a number of years and makes up his accounts to 31 December each year.

His income statement for the year ended 31 December 2017 was as follows:

	Notes	€	€
Income			287,500
Less Expenses			
Wages	(i)	146,000	
Rent		21,000	
Insurance		1,950	
Phone, Postage & Stationery		3,260	
Interest on late payment of VAT		500	
Depreciation		2,100	
Entertainment	(ii)	3,400	
Sundry	(iii)	2,900	(181,110)
Net Profit			106,390

Notes:

- (i) Wages €146,000. Included in wages is €45,000 taken by John during the year ended 31 December 2017 and €7,500 paid by John to a Revenue approved retirement annuity scheme.
- (ii) Entertainment expenses of €3,400 are comprised of: €1,700 spent on potential clients, €1,200 on a Christmas party for clients and €500 spent on the staff Christmas party.
- (iii) Sundry expenses of €2,900 include: €2,000 paid to a solicitor relating to the drafting of John's will, €450 spent on trade-related journals, €200 cleaning costs of John's office space, and €250 on gifts to customers (pens with the company logo).
- (iv) Non-current Assets – On 1 May 2017 John purchased €3,000 of office equipment.

Details of other items of office equipment as at 1 January 2017 are as follows:

Office equipment (Cost €22,000) TWDV €14,375

All the office equipment was in use on 31 December 2017.

2. In addition to the above, John is a director with a 35% interest in Go For Broke Ltd, an unquoted company. During 2017, John earned a salary of €55,000 as a Director of Go For Broke Ltd from which Income Tax of €17,000 was deducted under the PAYE system.

3. During 2017, John paid interest on the following loans:

John - Loan of €50,000 made by Go For Broke Ltd on 1 January 2017; this loan was used to purchase a holiday home in Donegal. The rate of interest on this loan was at a fixed rate of 2.5% per annum.

To date no capital repayments have been made on the loan.

4. John received dividend income from Go For Broke Ltd during 2017 of €3,700 net. He also received a dividend of €900 net from a UK resident company during 2017.
5. Michelle works as a bank official and earned €65,000 salary in 2017. PAYE of €21,000 was deducted from her salary. In addition to her salary, Michelle's employer provided her with an annual rail pass which cost €350, and a mobile phone (for private use only) at a cost of €250 for the year.
6. Michelle received bank interest of €976 net of DIRT during 2017. John received bank interest of €723 net of DIRT during 2017.
7. Michelle's nephew, who is working in the bank with Michelle on a temporary basis, also lives with John and Michelle. He paid €6,000 in rent to the couple during 2017.
8. Michelle and John paid the following amounts under 10 year deeds of covenant during 2017:
 - John paid €3,750 to his permanently incapacitated brother.
 - Michelle paid €5,000 to her 70 year old widowed mother.

REQUIREMENT:

Calculate the balance of Income Tax payable by/repayable to John and Michelle for 2017.