



CPA Ireland Skillnet

CPA Ireland Skillnet, is a training network that is funded by Skillnets, a state funded, enterprise led support body dedicated to the promotion and facilitation of training and up-skilling as key elements in sustaining Ireland's national competitiveness.

The CPA Ireland Skillnet provides excellent value CPE (continual Professional Education) in accountancy, law, tax and strategic personal development to accountants working both in practice and in industry. However our attendees are not limited to accountants only.



The CPA Ireland Skillnet is funded by member companies and the Training Networks Programme, an initiative of Skillnets Ltd. funded from the Department of Education and Skills.

www.skillnets.ie



Trainee Accountant Workshop Series

March 2016

**Current Issues Workshop:
Advanced Taxation**

Presenter: Claire Scott McAteer

2



Content of workshop

1. Current issues for candidates studying P2 advanced tax
2. Recap on the fundamentals for the exam
3. Practical approach to case study questions

3



1. Current issues for candidates studying P2 advanced tax

4



Current issues - educators briefing

- The impact of residence and domicile for income tax and the double taxation relief available to individuals
- From a corporation tax perspective, the special rules for group companies (annual payments and losses)
- Treatment of foreign branches
- Company reorganisations and the associated reliefs
- Tax consequences of incorporation and planning points

5



Current issues - educators briefing

- Tax planning regarding the efficient cash extraction from a company
- Retirement planning and share buybacks
- The VAT on property regime – decisions regarding whether a supply of property is vatable or not
- The VAT treatment of intercommunity and international supplies
- Advising a client in respect of a Revenue audit
- All taxes associated with transferring agricultural property

6

Current issue 1 – residence, domicile & double taxation

- Resources
 - P2 advanced tax articles: Residency and Tax Exposure - An Individual and Corporate Tax Update
 - Core text: Business Decisions and Transaction Taxes – Chapter 2
 - Past paper questions: April 2014 & April 2015

7

Residence & domicile

- Current year test: resident if present for 183 days in a tax year
- Look back test: resident if present for 280 days taking the current and preceding calendar years together
- Resident & domiciled – taxable on worldwide income
- Resident & non-domiciled – taxable on the remittance basis

8

Income tax - double taxation

Double tax treaty

- Article 1 – scope & tie breaker clause
- Article 5 – permanent establishment
- Article 7 – rental income
- Article 8 – business profits
- Article 11 – dividends
- Article 12 – interest

9



Current issue 2 - tax treatment of foreign branches

- Resources
 - P2 advanced tax articles: Residency and Tax Exposure - An Individual and Corporate Tax Update
 - Core text: Business Decisions and Transaction Taxes – Chapter 2 pp15-16 & p28
 - Past paper questions: Q2 April 2014

10



Tax treatment of foreign branches

- 3 criteria for a permanent establishment (PE)
 - There must be a place of business
 - The place of business must be “fixed”
 - The business of the enterprise must be carried on through the fixed place of business
- Office/branch/factory/construction project over months = PE
- Tax overseas where PE is located AND tax in Ireland with credit relief available

11



Current issue 3 – incorporation of sole trade

- Resources
 - P2 advanced tax articles: Taxation considerations on the incorporation of a sole trade
 - Webinar: Incorporating a Business - Section 600 TCA 1997
 - Both core text: Corporate and Individual Tax Planning – Chapters 1 & 2 (p31 onwards for tax implications of incorporation) & Business Decisions and Transaction Taxes Chapter 7
 - Past paper questions: Q1 April 2014

12



Incorporation of sole trader

- CGT for sole trader – retirement relief? Claim transfer of business relief (s600 TCA 1997)?
- VAT implications – transfer of business relief available?
- Stamp duty payable by company – can items pass by delivery?
- Cash extraction issues
- Close company BIK issues

13



Current issue 4 – share buybacks

- Resources
 - Webinar: A Company Purchasing it's own Shares
 - Core text: Corporate and Individual Tax Planning – Chapters 4 (from p77)
 - Past paper questions: Q1 August 2014

14



Share buybacks

- Conditions for capital treatment:
 - Must be for benefit of trade
 - Vendor must be resident & ordinary resident
 - Vendor must have owned shares for 5 years
 - Vendor's shareholding must substantially reduce
 - Must be no longer connected with company
- Need to consider CGT position for person whose shares are being bought back – is retirement relief available?
- No stamp duty cost

15



Current issue 5 – revenue audits

- Resources
 - P2 advanced tax articles: NEW article available at end of March 2016
 - Both core texts: Chapter 3 in Business Decisions and Transaction Taxes & Chapter 10 in Corporate and Individual Tax Planning
 - Past paper questions: Q5 April 2014, Q5 August 2015, Q1 April 2015

16



Revenue audits

- Self correction window
- Unprompted voluntary disclosure
- Prompted voluntary disclosure
- Benefits of making a disclosure
 - Non-publication
 - Reduced penalties
- Revenue powers to enter premises

17



Current issue 6 – transferring agricultural property

- Resources
 - P2 advanced tax articles: NEW webinar available from mid March 2016
 - Core text: Chapter 7 in Business Decisions and Transaction Taxes
 - Past paper questions: Q1 April 2014, Q3 August 2014, Q4 August 2015

18

CPA ASSOCIATION SKILLNET

Transferring agricultural property

- CGT for disponent if transfer during lifetime – retirement relief?
- CAT for donee – is agricultural relief available? If not, can business relief be claimed? Is CGT/CAT credit available (if lifetime transfer)
- Agricultural relief – need to meet 80% farmer test AND from 1 January 2015 need to meet 'active farmer' test
- Stamp duty for donee if lifetime transfer – consanguinity in certain circumstances

19

CPA ASSOCIATION SKILLNET

Essential Advice

- Attempt all questions necessary
- Do not spend time doing detailed layouts of reports/letters/memos UNLESS presentation marks clearly available – usually only for case study 1
- Read the requirements before the body of the case study
- Show clear workings – method marks available
- Do not contradict yourself

20

CPA ASSOCIATION SKILLNET

Essential Advice

- Plan your answer
- Do not write for the sake of writing
- Break long answers down with headings – link headings to
 - The different requirements to the case study
 - The different tax heads to be considered in the scenario

21



2. Recap on the fundamentals

22



Exam layout

- 1 compulsory case study question - 40 marks
- 4 shorter case studies - 20 marks each
- Candidates must attempt 3 from 4 of the shorter 20 mark case studies

23



Exam timing

- 3.5 hours plus 20 mins to read the paper
- During 20 mins reading time - write notes on the examination paper only
- 3.5 hours = 210 mins
- 100 marks in 210 mins therefore 2.1 mins/mark
- Q1, 40 mark case study = $40 \times 2.1 = 84$ mins (1 hr 24 mins)
- Q2-5, 20 mark case studies = $20 \times 2.1 = 42$ mins each

24



Exam timing

- Exam starts – 09.50
- Reading time to 10.10
- Say do Q1 1st – start 10.10, finish 11.34
- Other 3 case studies:
 - 11.34 to 12.16
 - 12.16 to 12.58
 - 12.58 to 13.40

25



Key resources

- Open book exam
- CPA syllabus 2015/16 p68
- Core texts:
 - Corporate and Individual Tax Planning (Rol) 2015-2016 / CAI / 2015
 - Business Decisions and Transaction Taxes (Rol) 2015-2016 / CAI / 2015
- Supplementary text:
 - Taxation Summary Finance (No.2) Act 2014 / Irish Taxation Institute

26



Key resources (cont.)

- Past exam papers
- Educators briefing
- Webinars
- P2 advanced taxation articles

All available from
<http://www.cpaireland.ie/students/study-support/professional-2>

27

Past exam papers

- Examiner in post since April 2013
- 6 papers and suggested solutions

28

2015 past papers

April 2015	August 2015
1. CT liability – specified intangibles Revenue audit – errors & prompted qualifying disclosure Share for share exchange	Intra-group transfer of site Intra-group transfer of a business Sale of a subsidiary - PE
2. Special assignee relief program BIKs Residence – scope of Irish tax	Sale of asset to close company Loan from close company CAT – dwelling house exemption Transfer of property to a trust
3. CGT retirement relief – transfer of shares and building CAT business relief & stamp duty	Share sale v asset sale
4. Tax on setting up a trust Discretionary trust tax	CAT – agricultural relief & business relief clawback provisions R&D – calc, buildings & key employees
5. VAT on property	Revenue audit – no qualifying disclosure made & unannounced visits CGT – retirement relief

29

2014 past papers

April 2014	August 2014
1. Transferring assets during lifetime v waiting until death – CGT, CAT & stamp duty EIS	Incorporation of a sole trade Start up company exemption Transfer of shares – CGT retirement relief and CAT business relief BIK-interest free loan
2. Overseas permanent establishment Transfer of shares Employee share option scheme – unapproved	Share buyback by company CGT retirement relief – age restriction & building owned outside company Principle private residence relief
3. Domicile & residence – income tax implications CAT for non-domiciled individual	CAT – business relief & agricultural relief, dwelling house relief Transfer of shares – CAT business relief and stamp duty
4. VAT on property Sale of shares – retirement relief and participation exemption	Intra-group building transfer R&D – building & key employee Sale of shares in companies – negligible value claims
5. Revenue audit – prompted disclosure VAT – rates & bad debts	Trusts Capital allowances – acquisition of patents

30



Educators briefing

- Comments on performance in previous year's exams
- Syllabus changes
- Format of current year's exam
- Education focus for 2016

31



Webinars

Liam Grimes

- Income Tax Liability of Trustees
- Development Land & CGT
- Incorporating a Business - Section 600 TCA 1997
- A Company Purchasing it's own Shares
- Residence & Ordinary Residence

Claire Scott McAteer

- Tax Implications of Passing on a Business
- Revision - Company Reorganisations & Amalgamations
- AVAILABLE SOON - Update on the changes to agricultural relief and the tax implications of transferring agricultural assets

32



P2 advanced taxation articles

- Taxation Considerations on the Sale and Purchase of a Business - Asset Sale v Share Sale
- Tax Relief for Inbound Employees Coming to work in Ireland
- Taxation Considerations on the Incorporation of a Sole Trade
- Residency and Tax Exposure - An Individual and Corporate Tax Update
- Ireland's Holding Company Regime – relief for the disposal of shares in a subsidiary
- Corporation Tax Losses - How Relief Can be Obtained

33



3. Practical approach to case study questions

34



Case studies

- Identifying common errors and misunderstanding
 - April 2014 Q1 (a)
 - April 2015 Q1 (c)
 - August 2015 Q2 (c)
 - April 2015 Q5

35