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Innovative Cost Saving Measures

Reducing costs has become a way of life for Irish businesses over the past 5 years and while all indicators hint of a recovery in 2015, do not forget the efficient steps that ensured your business survival in recent times.

Businesses need to improve efficiencies on the operational costs like rent, utilities and non-strategic service providers, which will fuel further investment in areas that make money – technology, marketing and financial planning.

Most businesses have forensically reviewed all costs since 2009 but with the advent of technology, additional opportunities exist to save your business money. Innovation always brings efficiencies so take note of these practical cost-saving tips for your business:

CONTINUED OVERLEAF

Innovative Cost Saving Measures

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Telecoms Costs: Most Irish Business is done on the phone. However, you should consider using VoIP (with savings up to 60% over their traditional telecom costs), try a hosted PBX system, reduce the number of phone lines and most importantly assess your phone plans (landline and mobile) on a regular basis.

Logistics Costs: With fuel costs continually rising, and consumers demanding faster delivery (even for free) it is more important than ever for businesses to control their shipping costs. The dynamics of this industry have changed also so keep abreast of novel business models which lead to efficiencies e.g. drop-shipping and transport auctions

Electricity Costs: Astute business owners 'shop around' or use professional Energy Brokers. However, reducing the Price of Electricity is only the first step. Reducing Energy consumption is a long term strategy which pays significant dividends e.g. invest in energy monitoring, next generation Glycol cooling systems, energy saving lighting, employee education, heat recovery systems, motion sensors, intelligent boiler controls etc.

Printing Costs: A Managed Print Service can take full responsibility of your print infrastructure saving you up to 30% of your cost. Most businesses do not realise that the cost of a printer device is just 10% of the total cost of ownership - consumables and service make up the other 90%.

Insurance Costs: One of the main rating factors for property insurance is the fire risk. Find out what minimises your risk and ensure the broker quoting has been given all the information i.e. sprinklers systems, alarms, water tanks, proximity of nearest fire brigade, number of fire extinguishers and/or hose reels.

Cutting costs only means one thing: more profit for you and your business. Do not forget that time is still a limited resource. Wasting time can cut into your sales and erode your bottom line. As a general rule, anything that you can implement to save time will also save you money.

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THE BUDGET /FINANCE BILL 2014

At time of writing (early November), Minister Noonan has delivered his Budget speech and the first draft of the Finance Bill has issued. Is it a case of giving with one hand and taking away with the other? Like most things, it probably depends on your viewpoint. Here's a very brief summary of the current position:

- The response to the frenzy that surrounded the "Double Irish" structure has been comprehensive and a detailed list of ten tax measures were published as part of the "Road Map for Ireland's Tax Competitiveness", which addresses Rate, Regime and Reputation. The general response to this has been very positive and should help give certainty to companies already here as well as attracting others, which should help the economy grow.
- Several tax measures are designed to ensure that, with the abolition of the EU milk quota system in early 2015, the farming sector is well placed to benefit. The overall aim is to ensure land is actively and efficiently farmed, with measures to encourage early land transfers and larger land holdings. The farmers should be happy.
- There are a few changes designed to help other sectors of the indigenous economy – for example, the qualification criteria for the EIIS (the "new" BES) have been relaxed and the maximum amounts that one company can raise increased (5m pa; 15m in total) and the seed capital scheme is getting a makeover, becoming the Start-Up Relief for Entrepreneurs (or SURE – hopefully it won't let you down). Both of these need EU approval.
- The removal of the 2003 base year restriction for R&D relief is a very welcome change and should make it much easier for companies to get R&D relief. This is one of a few, broadly welcomed, tax changes focused on intellectual property and the "Knowledge Economy".
- The main construction/property tax changes are the abolition of the 80% "windfall" tax rate, confirming the seven-year CGT exemption will expire on 31 December next and the extension of the Home Renovation Scheme to rental properties.
- The self-employed and entrepreneurs have not been looked after. The 3% USC rate differential between employed and self-employed has been confirmed, which has been described as essentially an extra tax on success, and means an effective top tax/USC/PRSI rate of 55% (versus 52% for employees). The recent CAT and CGT changes also mean that an entrepreneur looking to pass on/sell out has little incentive to do so and will look enviously at someone in the same position in the UK where the regime is much more benign. These are the people who have taken risks and generated employment but have got little recognition and, in fact, are being squeezed further by the current tax system. Surely something needs to happen to address this ongoing inequity?

RENT A ROOM RELIEF

Where an individual lets a room in his or her sole or main residence as residential accommodation, the income may be exempt from income tax where the aggregate of the gross rents and any sums for meals or other services supplied in connection with the letting is below €10,000. In the recent budget this threshold has been increased to €12,000 for 2015 and onwards. The relief does not affect your entitlement to mortgage interest relief nor capital gains tax exemption on the disposal of your residence. If you claim the relief, you must provide details of same in your annual tax return, notwithstanding that no tax liability will apply to the rent a room income.

NEW VAT RULES

New EU VAT rules in relation to supplies of telecommunications, broadcasting and e-services to consumers (B2C) will come into effect next year.

From 1 January 2015, the place of supply in respect of all supplies of telecommunications, broadcasting and e-services to consumers **will be the place where the consumer resides.** This means that the VAT on such supplies will be chargeable at the rate applicable in the Member State where the consumer resides and the supplier will have to account for the VAT in that Member State. This is a major change for businesses supplying these B2C services because the VAT rate applicable will be the rate of the Member State where the consumer resides and there will also be additional record keeping obligations. If you are a business supplying these services, you may need to look at your billing, accounting and IT systems now to ensure that they are fit for purpose.

Mini One Stop Shop (MOSS)

To simplify obligations of suppliers of telecommunications, broadcasting and e-services, a new special scheme known as the Mini One Stop Shop (MOSS) will come into operation on **1 January 2015.** The MOSS will allow business to submit returns and pay the relevant VAT due to Member States through the web portal of one Member State, otherwise the business would be required to register and submit returns in several Member States. Use of the MOSS will be optional for business and it will be available both to businesses with establishments in the EU (the EU scheme) and to those established outside the EU (the non-EU scheme). The current VAT on e-services scheme (VOES) which applies to non-EU businesses supplying e-services in the EU will be replaced by the MOSS.

TAX TIP

Given that property prices are beginning to creep up, it may be worth considering transferring assets to the next generation before prices rise so as to minimise Captial Gains Tax (CGT) and Capital Acquisition Tax (CAT). There are a number of CGT and CAT reliefs available which may apply to you. Talk to us today.

SEEKING SECURITY BONDS

The Collector General may require security for taxes that may become due in the future in certain circumstances if Revenue considers tax is "at risk".

This particularly relates to sole traders who cease to trade with substantial tax debts outstanding and seek to re-commence trading at a later date.

Revenue has published a guide on how it operates this procedure.

PAY AND FILE SUMMARY

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

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets made between 1 January 2014 to 30 November 2014 — **15 December 2014**

CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ending in March 2014 — **21 December 2014**

Balancing payment of Corporation Tax for accounting periods ending in March 2014 — **21 December 2014**

DIRT REFUND

A DIRT refund scheme for first time buyers of residential property was introduced in the recent Budget and is available on purchases made between 14 October 2014 and 31 December 2017. First Time Buyers can claim a refund of DIRT on interest on savings used towards the deposit on the home up to a maximum of 20% of the purchase price.

Making the most of your
SEPA INVESTMENT

We have now passed the extended SEPA migration deadline of the 31 March 2014. With all the time and effort spent, including possible system upgrades and / or replacements to ensure your company was SEPA compliant on time, it's now time to look at making the most of your investment.

CREDIT TRANSFERS

Companies who submit credit transfer files are in one of two categories. Either the company has perfected the SEPA XML format or they are using their old EMTS file which their bank is converting for them, as an interim solution. For those who have perfected the XML version, it is now time to make the most of the benefits which SEPA brings by looking to:

- Consolidate Accounts and Banking Partners across Europe. One Euro account in a SEPA member state is the same as any other, therefore companies should look at streamlining their banking arrangements. This should reduce time spent administering and reconciling multiple bank accounts and managing multiple banking relationships.
- Move away from making individual payments. Manually input on bank systems and make greater use of bulk uploading payment files for payments across the SEPA zone.
- Make greater use of the data, such as invoice numbers and payment file details which be can be included in the XML payment file. This information can be used to assist reconciliation for both the debtor and creditors.

These changes are particularly important in the context of e-Day, the 19th of September 2014. The public sector no longer write nor accept cheques from business users. This is aimed at encouraging the move away from inefficient payment methods and towards lower cost methods. For those members, whose company is using a bank's file conversion service, they are missing out on these efficiencies. Those companies should seek to move towards XML as soon as they can, ahead of the 2016 EU deadline which has been confirmed by the Irish Central Bank this month.

DIRECT DEBITS

Irish Business expressed significant concern about the ability of debtors to access a "no questions asked refund" for up to 8 weeks after each collection under the SEPA Core Scheme. In response, a business scheme to facilitate inter-company collections was developed, to reduce the risks associated with business to business direct debits post SEPA. The new SEPA Direct Debit Business Service (SBS) has been operational since the 1 December 2013 and will run until 1 February 2016, when it is envisaged the Pan European B2B scheme will be rolled out by the Irish banks. The Service will operate within the SEPA Core Direct Debit Scheme and requires creditors to seek agreement from their debtors to be debited under the scheme by completion of a waiver document which the debtor signs in order to waive the right to the no questions asked refund.

It is important to note that apart from the refund waiver for authorised transactions, all other aspects and requirements of the SEPA Core Scheme must be adhered to.

The work is nearly completed, it's now time to maximise the return on your investment.

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Phasing in of mandatory iXBRL filing for corporation tax: the current position

As previously set out, those obliged to file corporation tax and income tax returns have, since November 2012, had the option to file financial statements in iXBRL format via ROS (Revenue On-line Service). iXBRL (or inline eXtensible Business Reporting Language) is a language that allows financial information to be communicated and presented in a format that may be read and analysed, both by people and computers.

Revenue has been rolling out this in stages. The first group, cases dealt with by Large Cases Division (LCD), has been required to do so for all corporation tax returns (Forms CT1) submitted from 1 October 2013 on, for accounting periods ending on or after 31 December 2012.

Phase 2 extended to all corporation tax payers, *except* those meeting all three audit exemption criteria, for Forms CT1 submitted after 1 October 2014 for accounting periods ending on or after 31 December 2013. There was a brief grace period for holding companies following a clarification from Revenue. It is hard to predict how many additional companies are affected by Phase 2.

However, it seems Phase 3 will involve virtually all remaining corporation tax payers. Revenue has said this will commence in 2015 and details are to be announced "in due course". Following this, very few companies within the charge to Irish corporation tax may escape mandatory iXBRL filing so it may be prudent to begin preparing now.

Revenue has a dedicated area, updated regularly, on its website: http://www.revenue.ie/en/online/ros/ixbrl/index.html

SBCI secures € 800m in funding for Irish SME's

Initially, the Strategic Banking Corporation of Ireland (SBCI) will source funds externally and lend them to SME's through innovative loans via other institutions called on-lenders. On-lenders can be retail Banks or other organisations that have the ability to assess SME's loan proposals. The SBCI will provide loans that are currently not typically offered in Ireland. The SBCI will have a lower cost of funding and this cost benefit **must be passed on to SME's**.

Existing banks will borrow from the SBCI and lend to SME's. The banks will assess the risk of SME's borrowing proposals and the banks will hold that risk. They must demonstrate without a doubt, that the lower cost of sourcing funds from the SBCI is passed onto SME's, in order to avoid a serious breach of European Union state aid regulations.

The SBCI will lower barriers to entry for new entrants. Such new entrants into the Irish SME lending will be potentially funded by the SBCI. This will drive competition and innovation. New entrants could be existing international banks, insurance companies and pension funds as well as new Irish lending institutions.

E-Day National Payments Plan

From 19 September 2014 Revenue and other State bodies are no longer accepting payment by way of cheque. Taxpayers can nominate bank accounts for payments and refunds by selecting 'Manage Bank Accounts' option on ROS 'My Services' tab. Alternatively payments can be made to Revenue using credit or debit cards, by calling 1890 273 747. Revenue can apply interest to all late payments of tax, so taxpayers should contact Revenue or their advisers to ensure payments arrangements are put in place without delay.

CHANGES TO PENSION CONTRIBUTIONS

The Minister for Finance, Michael Noonan, and the Minister for Public Expenditure and Reform, Brendan Howlin, delivered Budget 2015 signifying a turning point in Ireland's economic health and an end to austerity Budgets of the past seven wears. New measures which are primarily aimed at reducing the tax burden on low to middle income earners will come into effect in 2015.

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For those holding pension funds the only significant change introduced in Minister Noonan's Budget speech was that the controversial Pension Fund Levy of 0.75% in 2014 and 0.15% in 2015 will cease at the end of 2015.

There were a number of areas left unchanged that continue to enforce the benefit of using pension arrangements for the purpose of funding retirement:

- Employer Pension Contributions – Corporation Tax relief will continue to be available on employer pension contributions (subject to overall maximum pension limits)
- Personal Pension Contributions – Income tax relief on personal contributions to a qualifying pension arrangement continues to be available at the marginal rate of tax (40% for higher rate tax payers from 1st Jan 2015)
- Earnings cap for pension contributions unchanged at €115,000.
- The Budget did not include any changes in relation to the retirement lump sum of - First 200,000 tax free and any amount between €200,000 and €500,000 subject to income tax at 20% (No USC or PRSI to apply).
- Standard Fund Threshold of €2,000,000 was not mentioned either in the Minister's speech.

The Finance Bill 2014 which was published on the 23 October included a number of changes affecting pensions and in particular ARFs, AMRFs and vested-PRSAs.

- No Minimum Income Withdrawal is required until the ARF, AMRF, vested-PRSA holder turns age 61.
- From the year the member of such an arrangement turns age 61 the Minimum Income Withdrawal is 4%.
- From the year member turns 71 the Minimum Income Withdrawal is 5%.
- If the total value of the ARFs and vested-PRSAs is over €2 million then from the year the member turns age 61 the Minumum Income Withdrawal is 6%.

AMRF Withdrawal

Many people who have retired or drawn benefits from their pension arrangements over the years have had to invest €63,500 in an Approved Minimum Retirement Fund. Currently any growth in an AMRF value over the initial investment amount can be withdrawn. Through the Finance Bill 2014 this option is being removed. Instead the member can elect to withdraw 4% of the value of the AMRF in any one year.

This will be based on 4% of the value as at 1st February in that year. This is a welcomed development and while all withdrawals from an AMRF will be treated as taxable income it will allow many AMRF holders the opportunity to generate income from these arrangements.

Other measures may be introduced by way of the Finance Bill 2014 before it becomes and Act.

COMPETITION AND CONSUMER PROTECTION ACT 2014

The Competition Authority (CA) and the National Consumer Agency (NCA) has now been dissolved and the Competition and Consumer Protection Commission (CCPC) has been established under the Competition and Consumer Protection Act 2014 ("the Act"). The stated intention of the new commission is to create a powerful consumer watchdog. The CCPC will have the full range of consumer, competition and criminal powers of the CA and the NCA, along with the strong additional powers put in place by the Act.

In respect of commercial matters, the threshold for triggering compulsory notification of mergers and acquisition to the CCPC has changed significantly. The new compulsory merger control thresholds state that the parties must notify the CCPC if, in their most recent financial year,

(1) the aggregate turnover in Ireland of the parties is at least €50 million; and

(2) the turnover in Ireland of each of two or more of the parties is at least €3 million. Further the parties will be required to suspend implementation of the transaction until clearance is granted.

In respect of consumer matters, the government is to create a new consumer protection agency to investigate and prosecute abuses of consumer law. Some of the increased powers provided for under the new legislation include prohibition notices, compliance notices, on-the-spot fines for incorrect or misleading price displays, and naming and shaming where the trader has failed to comply with consumer law. Misleading commercial practices – where the trader supplies false, misleading, or deceptive information in marketing or advertising, or withholds/omits material information from same – will come in for particular scrutiny from the new body. In addition, telephone and internet service providers will be required to retain details of internet and call data for up to two years. This is to ensure that the data is available for investigation, detection, and prosecution of serious competition offences.

The breadth of the Act is significant with the above giving an indication of the important role to be played by the CCPC in the enforcement and advocacy of competition and consumer law in Ireland.

MORTGAGE ENFORCEMENT

When loan monies become due, the lending institution is generally entitled to pursue whatever remedies it chooses. The lending institution can enforce a mortgage against the borrower personally and/or by way of enforcement of the security. Security can be enforced by any of the following means:

- **Appointment of a receiver;**
- **Taking possession peacefully and sell the property out of court;**
- **Court order for possession and sell the property out of court; and**
- **Court order for sale.**

The most common method of enforcement is by use of the power of sale contained within the mortgage deed. It may or may not be necessary to obtain a court order to obtain possession.

The right to exercise the power of sale usually arises when there has been a default. The full monies also become due and enforcement rights can be enforced subject to the terms of the mortgage.

A loan offer on property will generally require a first legal charge or mortgage over the property concerned. If the mortgage has not been created, for whatever reason, then the lending institution has a contractual right to have it completed. Importantly, the loan offer constitutes an equitable mortgage by reason of the agreement to provide the mortgage.

Generally, a personal claim on a debt must be taken to court within 6 years of the date on which it fell due or the right to sue will be lost. However, the right to take action to enforce the mortgage or bring a claim for possession must be taken within 12 years after the entitlement first arose.

PERSONAL INSOLVENCY ARRANGEMENTS – A SILVER BULLET?

The Personal Insolvency Act ("Act") was enacted into law in late 2012 and provides for, amongst other things, three debt settlement arrangements which allow the write-down or restructuring of secured and/or unsecured debt. The three debt settlement arrangements are as follows:

- **Personal Insolvency Arrangements (PIA) (the only arrangement applicable to secured debt)**
- **Debt Settlement Arrangements (DSA)**
- **Debt Relief Notices (DRN)**

To avail of any of the arrangements a debtor must be unable to pay their debts as they fall due and have no likelihood of becoming solvent within the 5 years following an application for a DSA or a PIA (3 years in the case of an application for a DRN).

It appears the Insolvency Service of Ireland ("ISI") has not succeeded in providing a debt relief mechanism available to many people burdened with unsustainable debt. Figures for the second quarter of 2014 showed that in the space of three months, just 27 debt arrangements were approved by creditors.

With over 130,000 people in mortgage arrears, you would imagine there would have been huge numbers seeking to get resolutions however from April to June 2014 only 27 personal insolvency arrangements relating to property were implemented.

The ISI insist the service it has in place is working and is in the process of launching an information campaign to reinforce the message that there is a solution for everyone faced with insurmountable debt.Time will tell if the Act is a success however early indicators are not promising.

HELP FOR IRISH COMPANIES LOOKING TO SET UP IN THE UK

With a population of just over 63 million people, an international market within close proximity and one that is a very accessible for Irish companies, it's easy to see why the two-way trading relationship between the UK and Ireland is very strong. The recent State Visits of both Queen Elizabeth to Ireland (2011) and President Higgins' visit to the UK in April of this year signifies the strength of the good relations between both countries and, more importantly, the creation of new and innovative opportunities for growth for Irish companies with an interest in the British market.

The UK has been and continues to be Ireland's largest trading partner which provides a great opportunity for Irish companies wishing to establish a presence in the UK. To put into context the importance of Irish investment in the UK, here are just a couple of statistics that are worth noting.

At present, Irish companies employ in the region of 100,000 people in the UK. There are over 45,000 Irish directors of UK companies - 16% of all non-British Directors in the UK. There are over 50 Irish companies listed on the London Stock Exchange. In the Financial Year 2011- 2012, Ireland was the 11th largest investor in the UK - with a book value of £12.1bn. Recent FDI figures show that the UK secured 55 inward investment projects from Ireland that created and safeguarded 1828 jobs – a 22% increase on the previous financial year.

So how does an Irish company go about setting up in the UK? What should companies be aware of and who should they seek advice from when such companies are ready to set up?

UK Trade & Investment (UKTI), based at the British Embassy in Dublin helps British companies to export into the Irish Market and Irish companies to set up and grow in the UK. For companies that are interested in establishing a physical presence in the UK, our goal is pretty simple. We help Irish companies to set up and grow in the UK and then, once you are there, we would like to see your business succeed and to grow globally.

Our advice is free, confidential and valuable. We can help with advice on establishing a business, understanding the market, access to networks of customers and suppliers, information on costs, taxation and the law, as well as help with finding the right workforce; and then, once you are established, we will support you as you export from the UK into a global market.

The help we can provide to Irish companies entering the UK can be broken down into three main stages:

(1) Planning and pre-set up advice
(2) Set-up phase
(3) Aftercare/Business Growth

There is a huge range of support that our team can give to companies throughout all three stages and here are some of the things we can help with:-

- Generic UK Information: Why Invest in the UK?
- UK Industry specific information: economic trends, network connectivity, etc
- UK location guidance and independent property/office searches
- UK Tours/Visits - arranged and escorted throughout
- Connectivity to Local Enterprise Bodies, Councils and Public Sector Partners
- Introductions to local investment agencies offering 'soft-landing' initiatives
- Ongoing Aftercare
- Benchmarking analysis of UK against other global Inward Investment destinations
- Introductions to Academia/R&D Institutions
- Help and support to start ups and Entrepreneurs through initiatives such as GEP (Global Entrepreneur Programme)

"The UK is an ideal market for Irish companies to invest and to grow in. When the time is right and your company or business is ready to take the first step towards establishing a physical presence in the UK, come and talk to us. We are based in Dublin and we are here to help."

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