

TAXATION



CORPORATION TAX

Definition

This is tax paid on profits earned by companies. It is 12.5% which is low for international standards but is needed to attract foreign transnational companies to Ireland. It also provides a financial incentive for Irish entrepreneurs to take the risk of setting up a company.

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TAXATION



VALUE ADDED TAX (VAT)

Definition

This is a percentage tax that is added to the price of certain goods and services. Most business except those with very small scale have to register for VAT.

2

TAXATION



CAPITAL GAINS TAX

Definition

This is tax paid on profits earned from the sale or disposal of a business asset such as a premises.

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TAXATION



CUSTOMS DUTIES

Definition

These are taxes levied on imports coming into the country from outside the EU

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TAXATION



COMMERCIAL RATES

Definition

These are taxes that are levied by local authorities on properties used for commercial purposes to help finance local government services.

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TAXATION



EMPLOYER'S PRSI

Definition

Is levied on firms for every person that they employ. It funds social welfare such as unemployment payments, pensions maternity benefit. It's calculated as a percentage of the employee's gross income

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TAXATION

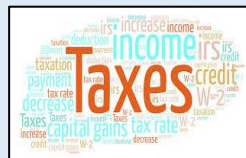


HOW DOES TAXATION AFFECT BUSINESS

Lower Profits - It reduces the profit, reduces money reinvest & dividends paid
Higher prices - VAT and customs duties increase the selling price thus less profit
Human resources - High taxation less motivation - staff look of higher wages
Incentives - Firms may locate their business in a particular areas or country to take advantage of the tax incentives

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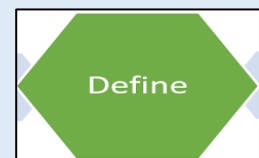


TAXATION PAID BY HOUSEHOLD

1. PAYE
2. Self Assessment
3. PRSI
4. USC
5. VAT
6. Excise Duty
7. Custom Duties
8. Motor Tax
9. Capital Gains Tax (CGT)
10. Capital Acquisitions Tax (CAT)
11. Deposit Interest Retention Tax (DIRT)

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TAXATION



PAY AS YOU EARN (PAYE)

Definition

Income Tax is paid by all employees. All business must deduct PAYE tax from their employee wages before they get paid. This money is then forward onto the Revenue

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TAXATION

Define

SELF-ASSESSMENT INCOME TAX

Definition

This is paid by Sole traders on their incomes. Every year self-employed people must calculate their own tax liability. Random spots checks are carried out by the revenue commissioner to ensure that the correct payment is made

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TAXATION

Define

PRSI (PAY RELATED SOCIAL INSURANCE)

Definition

This is a compulsory insurance payment by employees to the state. It is calculate as a percentage of gross income

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TAXATION

Define

UNIVERSAL SOCIAL CHARGE (USC)

Definition

This is a tax on gross income and is paid regardless of whether they pay income tax under the PAYE system or self-assessment income.

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TAXATION

Define

EXCISE DUTIES

Definition

These are taxes that are added to the price of certain goods such as alcohol

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TAXATION

Define

MOTOR TAX

Definition

This is a tax that must be paid annually on all roadworthy vehicles and is collected by local Authorities

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TAXATION

Define

CAPITAL ACQUISITION TAX (CAT)

Definition

This is paid by those receiving money or assets as a gift or inheritance. Different rates apply but generally the more you receive (about a certain level) the more you pay

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TAXATION

Define

STANDARD RATE CUT OFF POINT

Definition

A tax on all earning under a certain amount (e.g 20% tax on all income up to 20,000)

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TAXATION

Define

TOP/HIGHER RATE OF TAX

Definition

Applies to all income above (the balance) the standard rate cut off point e.g 41% on all income above 20,000)

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TAXATION

Define

TAX CREDITS

Definition

This is an allowance form the Government that reduce the amount of tax owed. To make sure that the correct tax credits are given to an employee they should fill in a Form 12A when they a job for the first time

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TAXATION



FORM 12A

Definition

This is used by revenue to calculate the rate of tax that will apply to an employee and the tax credits that they are to receive

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NOTICE OF CREDITS

Definition

This is a document setting out the tax credits to which a taxpayer is entitled to and also the standard rate of cut of point that they are entitled to. A copy of this is sent to the employee and employer (to make sure they are deducting the correct amount) each year

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TAXATION



FORM P60

Definition

Employees receive this at the end of each year. It shows the amount of pay, income tax and PRSI paid by the employee for the year

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TAXATION



FORM P35

Definition

This is sent to the Revenue commissioners by the employee at the end of the year. It included PAYE and PRSI paid

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FORM P21 (BALANCING STATEMENT)

Definition

This form is sent to the Revenue if the employee thinks that they have paid too much tax in a year. If they have they will receive a rebate employer. Showing the calculations to prove that the correct tax was deducted

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P45 (CESSATION CERTIFICATE)

Definition

This is given by the employer to the employee when they leave a job. It shows how much tax PRSI the employee has paid. This form will be needed by the next employee to calculate the correct amount of tax to be paid

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TAXATION



THE SIMILARITIES OF HOUSEHOLD AND BUSIENSS TAXATION PAID

1. **Liable** - Both must pay tax and register with the tax office
2. **Records** - Both must keep records in order and make sure the correct payments are made or Revenue and that they are made on time

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TAXATION



THE DIFFERENCE OF HOUSEHOLD AND BUSIENSS TAXATION PAID

1. **Amount of tax payable** - Business will pay larger amount of tax because they are bigger,
2. **Types of tax Payable** - Business will have to pay a range of tax - Corporation tax. Households don't have to pay these
3. **Tax refund and write offs** - Business can write off expenses against profits
4. **Tax Collections** - Business must collect taxes such PAYE Income tax from

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TAXATION



SUCCESS CTITERIA

1. Calculate total income (A)
2. Calculate the PAYE (B) - use the lower SCROP rate and Higher SCROP Rate - add together then tax away the Tax Credits
3. Using gross income multiply by PRSI (C)
4. use the different rate correctly to calculate USC figure (D)
5. Add all the taxes together B + C + D and take it away from A

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INSURANCE



RISK MANAGEMENT

Definition

1. It is a planned approach to handling a risk that an individual/business is exposed to.
2. It means identifying key business risks, their likely effect on the business and then putting in place a strategy to minimise them occurring and if they do to resolve them as quickly as possible

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INSURANCE



METHODS TO REDUCE RISK

1. Insurance
2. Safety procedures
3. Safety statement
4. Training
5. Security Alarms
6. Regular safety Audits
7. Appoint a health and safety officer

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INSURANCE



WHAT IS INSURANCE

Definition

Insurance companies collect premiums from a large number of people. Only a Small number of these risk will actually happen causing the insurance company to pay out. This allows the insurance company to pay out compensation but also have money left over for a profit

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INSURANCE



IMPORTANCE OF INSURANCE TO A BUSINESS

1. Survival is protected
2. Improve Cash flow
3. Make exporting easier
4. May be a legal requirement

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INSURANCE



IMPORTANCE OF INSURANCE TO A HOUSEHOLD

1. Financial security
2. Piece of Mind
3. Enhanced savings

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INSURANCE



TYPES OF BUSINESS INSURANCE

1. Health Insurance
2. PRSI
3. Key Person Insurance
4. Fidelity guarantee
5. Comprehensive insurance
6. Third part fire and theft
7. Public liability
8. Employers Liability
9. Consequential loss

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INSURANCE



TYPES OF HOUSEHOLD INSURANCE

1. House insurance
2. Motor Insurance
3. Mortgage protection insurance
4. Permanent Health insurance
5. Personal accident insurance
6. Whole life insurance
7. Endowment Insurance
8. Term-life insurance

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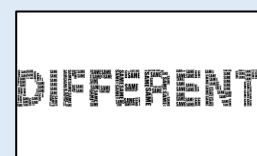


SIMILARITIES BETWEEN BUSINESS AND HOUSEHOLD INSURANCE

1. Identify risks
2. Insure against loss
3. Fill out forms
4. Keep policies safe

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DIFFERENCE BETWEEN BUSINESS AND HOUSEHOLD INSURANCE

1. More risk
2. Suffer greater loss
3. Pay PRSI for employee
4. Treat as an Expense

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INSURANCE



THIRD PARTY FIRE AND THEFT
(Business)

Definition

Provides third party protection plus loss or damage to your own car from fire or theft

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INSURANCE



COMPREHENSIVE MOTOR INSURANCE
(Business)

Definition

Provides third party, fire and theft cover plus compensation for any accidental damage that happens to your own vehicle

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INSURANCE



PERMANENT HEALTH INSURANCE
(Business)

Definition

This type of insurance provides sick pay for workers unable to work due to illness

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INSURANCE



KEY PERSON INSURANCE
(Business)

Definition

This type of insurance protects a business against loss of valuable staff members

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PAY RELATED SOCIAL INSURANCE
(PRSI)
(Business)

Definition

This is a compulsory insurance to the state by both employees and employers. It's calculated as a percentage of gross income. It is used to pay for unemployment payments, pensions

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INSURANCE



FIDELITY GUARANTEE INSURANCE
(Business)

Definition

This provides business cover against dishonesty of fraud by an employee against the firm

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INSURANCE



PUBLIC LIABILITY
(Business)

Definition

The cover a business against claim if a member of the public is injured in an accident that is the fault of the business

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INSURANCE



EMPLOYER'S LIABILITY
(Business)

Definition

This protects a business against claims arising from accidents, injuries and illness suffered by employees as a result of their work

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INSURANCE



CONSEQUENTIAL LOSS
(Business)

Definition

Provides financial compensation for loss of income in the event of a risk occurring

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HOUSE INSURANCE (Household)

Definition

This type of insurance covers both building and its contents in the event of fire burglary

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MOTOR INSURANCE (Household)

Definition

This type of insurance is compulsory on cars. It includes - Third Party (Compulsory), Third party fire and theft and fully comprehensive

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MORTGAGE PROTECTION INSURANCE (Household)

Definition

Is required by all lenders before approving a loan to buy a house

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GENERAL HEALTH INSURANCE (Household)

Definition

These cover the cost of private health care in the event of an illness (VHI, Aviva)

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INSURANCE



PERMANENT HEALTH INSURANCE (Household)

Definition

This insurance pays a percentage of your salary if you have to give up work due to an accident or illness

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INSURANCE



PERSONAL ACCIDENT INSURANCE (Household)

Definition

This type of insurance provides compensation if you have a serious accident. The amount paid will depend upon the seriousness of the injury

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WHOLE LIFE ASSURANCE (Household)

Definition

This is where the insured pays an annual premium for the rest of their life and compensation will be paid out when death

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ENDOWMENT LIFE ASSURANCE (Household)

Definition

Under this policy compensation is paid out if you reach a certain age or death occurs which ever happens first

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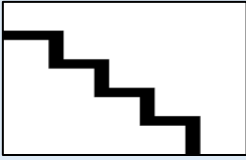
TERM-LIFE ASSURANCE (Household)

Definition

This provides cover for an agreed period of time such as 20 years no lump sum is paid unless death occurs within that period

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INSURANCE



HOW TO BECOME INSURED

1. Contact an insurance company
2. Fill in a proposal form - an application form.
3. Risk is assessed and premium is calculated
4. Policy is issued - this sets out what is insured and for how much
5. Make a claim if the insured event

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INSURANCE



BROKER

Definition

This is a person who works independently of insurance companies. They will try to get the best insurance deal for their client

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INSURANCE



AGENT

Definition

This is a person who works for a particular insurance company. They will sell the policies of that company only

For example - Axa

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PROPOSAL FORM

Definition

This is an application form which is completed by the person who is applying for insurance cover.

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EXPOSURE UNIT

Definition

The exposure unit is the object that is being insured

For example - Car when taking out motor insurance

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COVER NOTE

Definition

This is a temporary document that is issued by the insurance company as proof of an insurance contract until the full policy is ready.

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CLAIM FORM

Definition

This is a document that must be completed describing what happened and stating the loss suffered

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PRINCIPALS OF INSURANCE

1. Insurable Interest
2. Utmost Good Faith
3. Indemnity
4. Contribution
5. Subrogation

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INSURABLE INTEREST

This means that the person looking for insurance must benefit from the existence of the item being insured and suffer from the loss.

For example
you can't insure your neighbour's house

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INSURANCE



UTMOST GOOD FAITH

This is also known as Uberrima Fidei. It means that the insured must give truthful information and give all relevant facts when applying for insurance.

A relevant fact is anything that could influence the insurer's decision to take on the risk or what premium or charge

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INSURANCE



INDEMNITY

This means that the insurer agrees to compensate for the actual financial loss.

The insured can't make a profit from an insurance claim and no compensation is paid for sentimental loss

Life assurance is an exception to the principal of insurance.

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INSURANCE



OVER INSURANCE

Definition

Over insurance - is when you insure and item more than it is actually worth.

The principal of Indemnity come into play here - you can't make a profit from a claim

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INSURANCE



UNDER- INSURANCE

Definition

Under insurance - Is where an item is insured for less than it is actually worth

Average clause is then used to calculate how much is owed

$$\frac{\text{Insured value}}{\text{Value of the assets}} \times \text{Damage}$$

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INSURANCE



AVERAGE CLAUSE

is then used to calculate how much can be claim in the event of a loss if the asset is under insured

$$\frac{\text{Insured value}}{\text{Value of the assets}} \times \text{Damage}$$

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INSURANCE



CONTRIBUTION

This principal states that if insurance is taken out with 2 insurance companies, the insurance companies will divide the total cost of the claim between them.

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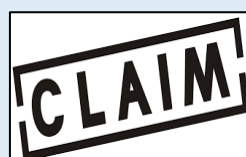


SUBROGATION

This principal states that the insurers who pay out full compensation for an item insured are entitled to take possession of the item involved and sue a third party who caused the loss

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INSURANCE



HOW CAN AN INSURANCE COMPANY SETTLE A CLAIM?

1. Pay cash **compensation** (this is the most common method)
2. **Replacement** of the Asset - if the item is lost or completely destroyed
3. **Repair** or reinstatement - where partial loss or damage occurs to the asset

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PAST QUESTION



WHAT DO THE FOLLOWING LETTERS STAND FOR

PAYE	Pay AS You Earn
USC	Universal Social Charge
PRSI	Pay Related Social Insurance
DIRT	Deposit Interest Retention Tax
CGT	Capital Gains Tax

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PAST QUESTION



DISTINGUISH BETWEEN VAT and CORPORATION TAX

Value Added Tax is a tax on goods and services. It is a tax on spending paid by business and households. The standard rate is 23% but there are various rate depending on the product and service.

Corporation tax is a tax on profits paid by businesses. It is 12.5% in Ireland. This is one of the lowest rate worldwide and is one of the reasons to attract FDI

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PAST QUESTION



WHAT DOES PAYE STAND FOR AND GIVE TWO FEATURES?

PAYE Pay As You Earn

Features

1. Progressive - The more you earn the more you pay
2. Efficient - business collects it for revenue
3. Direct - it is deducted at source
4. Form based

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PAST QUESTION



IDENTIFY THE MAIN TYPES OF INSURANCE A BUSINESS SHOULD HAVE

Employers Liability - protects the business against claims made by employees

Public Liability - protects the business against claims made by members of the public

Product Liability - insures the business against claims made by customers

Fidelity Guarantee Insurance - insurance against fraud, theft or dishonesty of

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PAST QUESTION



OUTLINE THE FUNCTION OF AN INSURANCE PROPOSAL FORM

1. Insurance Proposal forms are used to apply for insurance cover and of the risk against which the insurance protection is desired.

2. Insurance Proposal form helps the insurance company to calculate the premium based on all the potential risks in relation to the insurance policy.

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PAST QUESTION



EXPLAIN 'UNDERINSURED' AND OUTLINE ONE POSSIBLE EFFECT

Underinsured means the business has inadequate insurance cover. The insured fails to insure for the full value of the policy. In the event of a claim for total loss may result in economic losses to the policy holder

Result in financial crisis
Lower premium
Increase profits

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PAST QUESTION



POSSIBLE BUSINESS RISK AND APPROPRIATE INSURANCE

1. Structural damage - Building insurance
2. Damage to stock - Contents insurance
3. Involved in a traffic accident - motor insurance
4. Losing an important member of staff - key person insurance
5. Risk of customer injuring themselves - Public liability insurance
6. Risk of worker injuring themselves - Employer Liability insurance

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PAST QUESTION



EXPLAIN THE TERM RISK MANAGEMENT & METHODS

An approach to handling the risk that an individual/business is exposed to. It involves identification of risks and the likelihood of it occurring

Insurance: Transfer the risk to an insurance company

Safe Procedures: The manner/act of doing something strictly

Training of personnel in health and safety
Install Security systems

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PAST QUESTION



DISTINGUISH BETWEEN PUBLIC LIABILITY AND FIDELITY GUARANTEE

Insurance cover for the business which protects the business against claims by members of the public for injury or loss resulting either from an accident on the business premises (Public Liability)

Insurance cover for the business which protects the business against financial losses, as a result of theft or fraud by an employee. (Fidelity)

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