



**Accounting  
Technicians**  
Ireland

StudentBounty.com

# **Taxation**

## **Republic Of Ireland**

1<sup>st</sup> Year Examination

**May 2014**

**Exam Paper, Solutions & Examiner's Report**

Professional Practical Driven



### NOTES TO USERS ABOUT THESE SOLUTIONS

The solutions in this document are published by Accounting Technicians Ireland. They are intended to provide guidance to students and their teachers regarding possible answers to questions in our examinations.

Although they are published by us, we do not necessarily endorse these solutions or agree with the views expressed by their authors.

There are often many possible approaches to the solution of questions in professional examinations. It should not be assumed that the approach adopted in these solutions is the ideal or the one preferred by us. Alternative answers will be marked on their own merits.

This publication is intended to serve as an educational aid. For this reason, the published solutions will often be significantly longer than would be expected of a candidate in an examination. This will be particularly the case where discursive answers are involved.

This publication is copyright 2014 and may not be reproduced without permission of Accounting Technicians Ireland.

© Accounting Technicians Ireland, 2014.



**Accounting Technicians Ireland**  
**1<sup>st</sup> Year: Summer 2014**  
**TAXATION (Republic of Ireland)**

Monday 19<sup>th</sup> May 2014 – 9.30 a.m. to 12.30 p.m.

**INSTRUCTIONS TO CANDIDATES**

**PLEASE READ CAREFULLY**

For candidates answering in accordance with the law and practice of the Republic of Ireland.

Candidates should answer the paper in accordance with the appropriate provisions up to and including Finance Act 2013. The provisions of Finance Act (No 2) 2013 should be ignored.

Allowances and rates of taxation, to be used by candidates, are set out in a separate booklet supplied with the examination paper.

Answer ALL THREE questions from SECTION A. Answer ANY TWO of the three questions from Section B. If more than TWO questions are answered in Section B, then only the first two questions, in the order filed, will be corrected.

Candidates should allocate their time carefully.

All workings should be shown.

All figures should be labelled as appropriate e.g. €, units etc.

Answers should be illustrated with examples, where appropriate.

Question 1 begins on Page 2 overleaf.

The following inserts are enclosed with the paper:

- Tax Reference Material
- Tax Deduction card (Question 5)
- USC Deduction card (Question 5)
- Form P60 (Question 5)

**SECTION A****Answer ALL THREE questions in this section****QUESTION 1**

Patrice commenced self-employment as a boutique owner on the 1<sup>st</sup> November 2012. She has no experience of dealing with the Revenue and has asked you to prepare an adjusted profit computation for the 14 months ended 31 December 2013. She has asked you to carefully consider the accounts prepared as she feels she may have made some mistakes due to her lack of knowledge in accounting and taxation.

The accounts for the period ended 31 December 2013 as prepared by Patrice are reproduced below:

	Notes	€	€
Sales			348,560
Purchases		246,890	
Less Closing Stock	(1)	<u>39,850</u>	
Cost of Sales			<u>207,040</u>
Gross Profit			141,520
<b>Add</b>			
Grant for purchase of sewing machine	(2)		<u>1,250</u>
			142,770
<b>Less</b>			
Loss on sale of equipment	(3)	120	
Depreciation	(4)	1,860	
Advertising and Promotion	(5)	2,120	
Subscriptions and donations	(6)	1,100	
Salaries	(7)	86,280	
Travel and motor expenses	(8)	7,530	
Professional fees	(9)	4,340	
Premises costs	(10)	4,950	
Telephone, Light and Heat	(11)	<u>6,400</u>	
			<u>(114,700)</u>
Net profit			28,070

**NOTES****(1) Closing Stock**

Patrice supervised the stock take and all stock was recorded at cost. Following the stock take, Patrice discovered that some of the stock was damaged and worthless. The cost of the damaged stock was €2,500 with a recommended selling price of €3,250.

**(2) Grant**

In June 2013 Patrice recognised the need to offer a repair/adjustment service to her customers. She took on a new staff member and purchased a sewing machine costing €3,500. Her local enterprise board grant aided the purchase to the tune of €1,250. Patrice included the cost of the machine in purchases as the cost was below €4,000. A friend recently informed Patrice that any item costing less than €4,000 can be included in expenses.

**(3) Loss on sale of equipment**

When Patrice commenced trading she purchased a photocopying machine costing €800. Over the next two months it became obvious that the copier was not capable of printing to the required standard. Patrice sold the printer for €680 and purchased a replacement costing €1,200. The cost of the replacement printer is included in advertising/promotion costs.

**QUESTION 1** (*Cont'd*)**(4) Depreciation**

Patrice looked up the Revenue website and noticed that the Revenue calculated depreciation at a rate of 12.5% and she used this rate in estimating the depreciation allowable.

**(5) Advertising and Promotion**

This figure includes:	€
Leaflets promoting new repairs/adjustment service	450
Advertising sale of old kitchen	50
Advertising for staff	420
Replacement printer	<u>1,200</u>
	2,120

**(6) Subscriptions and donations**

	€
Donations to a local political party	350
Donations to a registered charity – the Simon Community	300
Fees to local chamber of commerce	<u>450</u>
	1,100

**(7) Salaries**

	€
Staff salaries	78,680
Staff pension contribution	4,250
Interest on late payment of PAYE/PRSI/USC	850
Christmas bonus to staff	<u>2,500</u>
	86,280

Included in staff wages is a wage of €21,500 in respect of Patrice.

On completion of Form P35 for 2013, Patrice had to make an additional payment of €1,300 in respect of the tax due on the Christmas bonus paid. This amount has not been included in the accounts prepared.

**(8) Travel and motor expenses**

	€
Staff travel allowance	2,650
Motor expenses	4,600
Parking and speeding fines	<u>280</u>
	7,530

Staff are paid 20c a kilometre in respect of business travel. In addition an amount of €600 was paid as a lump sum to staff who agreed to use their own cars while travelling for business purposes.

The motor expenses are in respect of the use of Patrice's car. She estimates that 30% of the travel is for private purposes.

The parking and speeding fines were incurred by employees while on business trips.

**(9) Professional fees**

	€
Accountancy fees	3,600
Planning permission for extension to shop premises	560
Brokers fees in respect of the purchase of shares	<u>180</u>
	4,340

The accountancy fees include an amount of €500 in respect of projections used by Patrice when applying for a mortgage to purchase a new house.

**QUESTION 1** (*Cont'd*)

(10)	<i>Premises costs</i>	€
	Painting and decorating premises	2,050
	Computer repairs and maintenance	800
	New energy efficient heating boiler	<u>2,100</u>
		4,950

In preparation for the commencement of trading, Patrice spent €1,250 on painting and decorating the business premises. After 12 months trading a further €800 was spent.

(11)	<i>Telephone, Light and Heat</i>	€
	Telephone costs	1,800
	Light and heat	<u>4,600</u>
		6,400

20% of the telephone costs refer to private use by Patrice. The amount shown also included €450 spent on the purchase of a new mobile phone by Patrice.

Light and heat refers to business use only.

**Requirement:**

Compute Patrice's Schedule D, Case I tax adjusted profits for the period ended 31 December 2013.

**Total 20 Marks**

**QUESTION 2**

Timothy has asked you to prepare the VAT return for May / June 2013. Details extracted by you from Timothy's business records are as follows:

**Cash Book**

The following details were extracted from the cash book for the May/June VAT period.

	€		€
Opening cash 1 <sup>st</sup> May 13 .....	1,250	Bank lodgements .....	340,925
Receipts from debtors .....	256,600	Drawings .....	3,600
Cash sales .....	95,250	Wages paid .....	6,950
		Closing Cash 30 <sup>th</sup> June ...	<u>1,625</u>
Total .....	<u>353,100</u>	Total .....	<u>353,100</u>

You have discovered a number of errors in relation to the cash book:

Credit transfers totalling €4,800 were made directly to the bank and not recorded. These credit transfers were made by credit customers.

The closing cash amounted to €3,125. The extra cash came from cash sales that were not recorded.

One of the bank lodgements amounting to €8,600 has not been recorded in the cash book. This lodgement came from cash sales.

**Sales Book**

Invoices are written for all sales to credit customers and recorded in the sales book. You have extracted the following figures for May and June 2013:

Month	Total €	VAT Excl €	VAT at 23% €
May .....	158,055	128,500	29,555
June .....	161,745	131,500	30,245

**Purchases book**

You extracted the following totals for May/June:

<i>Total</i>	<i>For Resale</i>		<i>Not For Resale</i>			
	23%	VAT	23%	13.5%	Zero%	VAT
€	€	€	€	€	€	€
200,670	136,460	30,958	20,200	3,600	1,980	5,132

Having cross totalled and checked the VAT calculations you discover some errors as follows:

- (i) An invoice for resale shows:
 

VAT Excl.	€2,600
VAT at 23%	€598
Total	€3,198

 The VAT excl. price was recorded as €260 in error. The other figures were correctly recorded.
- (ii) A receipt for €1,599 has been recorded in the not for resale columns. Timothy shows you the receipt and the words 'VAT incl. at 23%' has been written on the receipt. Timothy calculated the VAT content of the invoice and entered the figures accordingly in the not for resale and VAT columns.
- (iii) You discover an invoice from Italy that shows goods for resale purchased for €4,200. Timothy recorded €4,200 in the total column and the same amount in the 23% for resale column.

**Question 2 continues overleaf**

**QUESTION 2** (*Cont'd*)

- (iv) A number of invoices have been recorded in respect of diesel purchased. The totals are as follows:

VAT Excl.	€2,400
VAT at 23%	€552
Total	€2,952

These invoices have been correctly recorded in the purchases book but Timothy informs you that 50% of the diesel purchased refers to Timothy's private travel.

**Requirement:**

Calculate the amount of VAT due for the May/June period using

- (i) The cash receipts basis.
- (ii) The invoice basis.

**Total 20 Marks**

**QUESTION 3**

You are employed by a firm of Chartered Accountants and have been asked to write a letter to a client regarding the following:

- (a) Relief for bad debts in respect of Value Added Tax (VAT). You have been asked to contrast the treatment of accounting for VAT on a cash receipts basis compared to accounting for VAT on an invoice basis.

**8 marks**

- (b) Employee tax credit. You are expected to include notes regarding the availability of the tax credit for directors, their spouses, their children and part time employees.

**6 marks**

- (c) The content and due date for submission of the following end of year forms:

- (i) Form P60
- (ii) Form P35

**6 marks**

**Total 20 Marks**



**SECTION B****Answer TWO of the three questions in section B****QUESTION 4**

Darragh (aged 34) and Nessa (aged 29) were married on the 1 October 2013. Details of their income and outgoings for the 2013 tax year are as follows.

**Income:**

Nessa was an employee of Besta Ltd. up to the 31 July 2013. In the period to cessation of employment, she earned €34,100 (excluding any BIK) and PAYE deducted amounted to €8,400.

Besta Ltd. provided a loan to Nessa to assist her in the purchase of her principal private residence. The loan amounting to €120,000 was provided to Nessa on the 1<sup>st</sup> February 2013. Nessa repaid €50,000 of the loan on the 1<sup>st</sup> April and the balance of the loan was repaid when Nessa ceased employment at the end of July 2013. Besta Ltd. charged interest on the loan at a rate of 1% over the duration of the loan.

On the 1<sup>st</sup> September 2013 Nessa commenced self-employment as a boutique owner. Her first set of accounts were prepared for the six months ending 28 February 2014 and these showed an adjusted profit figure of €24,600.

Nessa received €301.50 deposit interest from Big Bank Plc. during the year. The amount received was net of Deposit Interest Retention Tax at 33%.

Darragh has been self-employed as an architect since 2006. The adjusted profits per accounts prepared are as follows:

y/e 31 January 2012	€48,600
y/e 31 January 2013	€21,600
y/e 31 January 2014	€18,900

Since 2009, Darragh has been contributing €5,000 per annum to a retirement annuity contract.

Darragh also received investment income as follows:

Interest on Government Securities received gross amounting to €250.

Dividend from ABC Plc. for the year ending 31 October 2012 amounting to €96.00 net of D.W.T of 20%. The amount was received on the 1 March 2013.

**Requirement:**

- (a) Prepare an income tax computation for 2013 for Darragh and Nessa.

**15 marks**

- (b) Calculate the tax refund (if any) that might be due if joint assessment applied in the year of marriage.

**5 marks**

**Total 20 marks**

*For the purposes of answering this question you can ignore PRSI and USC*

**QUESTION 5**

You have been engaged by Bally Ltd. (employer number 1515151A) to manage their payroll system. relevant to the only employee are as follows:

**Sheila Fitzmaurice PPS: 1234567Z**

Sheila commenced employment with Bally Ltd. on the 9<sup>th</sup> December 2013 (week 50 of the 2013 tax year). Details of earnings for each of the three weeks to the end of the 2013 tax year are as follows:

Week 50	€700.00
Week 51	€900.00
Week 52	€230.00

Details per the certificate of tax credits received are included on the tax deduction card and the USC deduction card enclosed with this paper. The cumulative basis applies to the calculations for weeks 50 to 52 inclusive.

Details extracted from the Form P45 submitted by Sheila are as follows:

Earnings:	€34,600.00
PAYE Paid:	€2,648.00
USC Paid:	€1,900.00

**Requirement:**

- (a) Complete the attached cumulative Tax Deduction Card for weeks 50 to 52 inclusive. **6 marks**
- (b) Complete the attached cumulative USC Deduction Card for weeks 50 to 52 inclusive. **7 marks**
- (c) Calculate the take-home pay for each of the weeks 50 to 52 inclusive. **3 marks**
- (d) Complete the attached P60 for Sheila based on the information you entered on the Tax and USC Deduction Cards. **4 marks**

**Total 20 marks**

**QUESTION 6**

The following multiple-choice question consists of TEN parts, each of which is followed by FOUR possible answers. There is ONLY ONE right answer in each part.

**Requirement:**

Indicate the right answer to each of the following TEN parts.

**N.B.** Each part carries 2 marks

**Total 20 Marks**

*Candidates should answer this question by ticking the appropriate boxes on the special answer sheet which is contained within the Answer Booklet.*

1. For VAT purposes, which of the following is an exempt supply:
  - (a) supply of medical services by a medical doctor.
  - (b) supply of medical equipment.
  - (c) supply of materials to be used to construct an extension to a medical waiting room.
  - (d) supply of accountancy services to a medical doctor.
2. Sally is single and aged 76 years. In the 2013 tax year she received pensions from her former employer and from the State totalling €18,100. The total tax payable by Sally for the 2013 tax year amounts to:
  - (a) Nil
  - (b) €40
  - (c) €75
  - (d) €1,725
3. Taz moved to Ireland for the first time and commenced employment with RRR Ltd. in week 10 of the 2013 tax year. He did not provide his employer with a PPS number. If Taz earned €500 in week 10 the PAYE deductible would amount to:
  - (a) €68.27
  - (b) €173.27
  - (c) €205.00
  - (d) None of the above
4. Traders selling goods only are obliged to register for VAT if their turnover exceeds or is likely to exceed:
  - (a) €37,500
  - (b) €55,000
  - (c) €75,000
  - (d) None of the above
5. Investment income which has suffered income tax at source is assessable under:
  - (a) Schedule D Case II
  - (b) Schedule D Case III
  - (c) Schedule D Case IV
  - (d) Schedule D Case V
6. Sean is an employee of AAA Ltd. In month 1 of the 2013 tax year he was paid a salary of €1,500. If Sean paid PRSI under class A, the total amount of PRSI payable for January 2013 amounted to:
  - (a) Nil
  - (b) €63.75
  - (c) €123.75
  - (d) €221.25

**Question 6 continues overleaf**

**QUESTION 6 (Cont'd)**

7. Paul's income for the 2013 tax year amounted to €33,500. He paid €4,000 per annum into a permanent health insurance scheme. The amount allowable for tax purposes for the 2013 tax year amounts to:
- (a) Nil
  - (b) €1,675
  - (c) €3,350
  - (d) €4,000
8. Patricia is single and employed by RRR Ltd. The amount of her weekly tax credit and weekly cut off point are most likely to be:
- |     | Tax Credit | Cut Off Point |
|-----|------------|---------------|
| (a) | €31.73     | €630.77       |
| (b) | €31.73     | €803.85       |
| (c) | €63.46     | €630.77       |
| (d) | €63.46     | €803.85       |
9. Peter is a self-employed hairdresser. For the 2013 tax year his liability, including Income Tax, PRSI and USC, amounted to €8,210. If Peter's income tax return for 2013 was submitted on the 12<sup>th</sup> January 2015, the surcharge payable for the late submission of the return would be:
- (a) Nil
  - (b) €410.50
  - (c) €500.00
  - (d) €821.00
10. AAA Ltd. operates a jewellery shop in Dundalk. A private customer from Northern Ireland has ordered a watch. AAA Ltd. has arranged to courier the watch to Belfast. The VAT rate applicable to the sale of the watch is:
- (a) 13.5%
  - (b) 23%
  - (c) Zero% as the goods are being exported
  - (d) Nil as the transaction is an exempt transaction

# 1st Year Examination: May 2014

## Taxation (Republic of Ireland)

### Suggested Solutions and Examiner's Comments

**Students please note:** These are suggested solutions only; alternative answers may also be deemed to be correct and will be marked on their own merits.

Statistical Analysis – By Question						
Question No.	1	2	3	4	5	6
Average Mark (%)	74%	53%	46%	65%	60%	60%
Nos. Attempting	937	876	890	593	438	856

Statistical Analysis - Overall	
Pass Rate	72%
Average Mark	57%
Range of Marks	Nos. of Students
0-39	183
40-49	80
50-59	189
60-69	231
70 and over	268
Total No. Sitting Exam	951
Total Absent	300
Total Approved Absent	32
Total No. Applied for Exam	1283

**Examiner's Comments on Question One**

The question was well answered, presentation was generally good and the solutions were well laid out and easy to follow.

Students would benefit from revising areas where candidates failed to pick up marks. These areas include:

- Adding back rather than deducting the adjustment due for damaged stock and capital grant
- Failure to adjust for the replacement printer
- Deducting the loss on the sale of equipment rather than adding it back
- Failure to adjust for the balance of P35 paid
- Incorrectly adding back the lump sum paid to staff for the use of their own cars while travelling for business purposes
- Incorrect calculation of the adjustment required for private telephone calls

**Solution 1**

Adjusted profit computation for Patrice for the period ended 31 December 2013

		Marks Allocated
Profits per accounts	28,070	
<b>Less</b>		
Damaged stock	-2,500	1
Capital grant	-1,250	1
<b>Add</b>		
Purchase of machine - capital	3,500	1
Loss on sale of equipment	120	1
Replacement printer	1,200	1
Depreciation	1,860	0.5
Sale of old kitchen	50	0.5
Political party	350	0.5
Charity	300	1
Chamber of commerce	-	0.5
Interest on late payment	850	1
Drawings Patrice	21,500	1
P35 payment	-1,300	1
Staff travel	-	1
Private motor expenses (4,600*30%)	1,380	0.5
Parking and speeding fines	280	1
Accountancy fees - personal	500	1
Planning permission shop extension	560	1
Brokers fees	180	1
Painting and decorating	1,250	1
New boiler	2,100	1
Mobile phone	450	0.5
Private calls (1,800-450) * 20%	270	1
	<u>31,650</u>	
Adjusted Case I	59,720	

**Examiner's Comments on Question Two**

This question tested the candidates understanding of the VAT system and the ability to quantify the amount of VAT due for a VAT period.

Students would benefit from referring to the layout of a VAT computation and also familiarise themselves with the difference between the invoice basis and the cash receipts basis of accounting for VAT. There is a need for students to improve presentation in such questions. It is advisable to provide a brief explanation of the source of the figures presented as this will aid the examiner in allocating marks.

Students should cross check their calculations for the total columns and the VAT columns. When the question suggests that errors have been made it is advisable that students cross check the figures to ensure they balance.

**Solution 2****Purchases Book**

	Total	23%	VAT	Marks Allocated	23%	13.50%	Zero%	VAT	Marks Allocated
	€	€			€	€	€	€	
	200,670	136,460	30,958		20,200	3,600	1,980	5,132	
(i)		-260		1					
		2,600							
(ii)				2	-1,300		1,599	-299	
(iii)	-4,200	-4,200		1					
(iv)				1	-1,200		1,476	-276	
	196,470	134,600	30,958		17,700	3,600	5,055	4,557	
Proof	196,470		30,958	1				4,557	
			Cash Basis				Invoice Basis		
Cash sales			95,250	1			95,250		1
Debtor receipts			256,600	1					
Credit Sales			—		(158,055+161,745)		319,800		1
Credit Transfers			4,800	1					
Extra cash sales			1,500	1			1,500		1
Lodgement not recorded			<u>8,600</u>	1			<u>8,600</u>		1
			366,750				425,150		
VAT Excl			298,171				345,650		
VAT at 23%			<u>68,579</u>	1			<u>79,500</u>		1
			366,750				425,150		
VAT on Outputs			68,579				79,500		
Imports (4,200 x 23%)			<u>966</u>	1			<u>966</u>		
			69,545				80,466		

Taxation (ROI)

May 2014

per

VAT on inputs	35,515		35,515
Imports (4,200 x 23%)	<u>966</u>	<b>1</b>	<u>966</u>
	36,481		36,481
VAT due	33,064	<b>1</b>	43,985
		<b>15</b>	

**Total:20**

### Examiner's Comments on Question Three

This was a narrative question which tested the students understanding of a number of topics.

Students have shown an improvement in presenting solutions to narrative questions and this is to be welcomed. However, the average mark achieved in very low and students are advised to pay more attention to narrative type questions as part of their revision.

Some students seem reluctant to attempt narrative questions. As this was a compulsory question, those who did not attempt it were less likely to reach the 50% pass mark.

### Solution 3

#### (a) Relief for Bad Debts in respect of VAT

Where the invoice basis applies for VAT the trader accounts for VAT on sales when the invoice is issued to the customer.

In many cases this requires the payment of VAT on sales to the Revenue in advance of collecting the money from the customer.

Where the customer has failed to pay the amount due the trader may write off the amount due as a bad debt in his accounting records. Bad debts written off in the accounting records include the VAT already paid by the trader to the Revenue.

The trader is therefore entitled to claim back the amount of VAT previously paid on the amount now treated as bad, in the period that the bad debt arises.

Where a trader accounts for VAT on a cash receipts basis he does not have to make any adjustment for VAT on bad debts as he will not have paid over any VAT in relation to the bad debt written off.

**Marks  
Allocated**

**1**

**1**

**2**

**2**

**2**



**Solution 3** (*cont'd*)**(b) Employee tax credit**

A special annual tax credit of up to €1,650 is granted to an individual who are in receipt of emoluments to which PAYE is applied.

This is dependent on the individual having Schedule E emoluments of at least €8,250 (€8,250 @ 20% = €1,650). If the taxpayer's emoluments are less than €8,250, the tax credit is restricted to the amount of the emoluments multiplied by the standard rate of tax.

Anti-avoidance provisions exclude from the credit emoluments paid by a company to a proprietary director or to the spouse/civil partner of such a director.

Also excluded are emoluments paid by a self-employed individual or by a partnership in which the individual is a partner to the spouse/civil partner of the individual.

A proprietary director is a director of a company who is the beneficial owner of or able to control directly or indirectly more than 15% of the ordinary share capital of the company.

A child of a proprietary director or self-employed individual will qualify for the tax credit if they work full time throughout the year of assessment and have income from the employment of at least €4,572.

**(c) Due date for submission and the content of Forms P35 and P60****Form P35**

Form P35 must be submitted to the Revenue by the 15<sup>th</sup> February following the end of the tax year.

The form gives a summary of the total deductions from employees and employer during the Income Tax year. It includes details of the total tax deducted, USC deducted, Employee PRSI deducted and Employers PRSI due. The form summarises the total amounts due to the Revenue for the year compared to the amounts paid during the year on submission of monthly forms P30. Any balance due is payable on submission of Form P35.

Form P35 can be submitted manually or electronically using the ROS on-line system. The form P35 is accompanied by form P35L which is a listing of the details of PAY and Deductions for all employees for the year.

**Form P60**

On completion of Form P35 the employer also completes a Form P60 for each employee working for him at the end of the tax year.

This form shows details of total taxable pay, tax deducted, USC, Employee PRSI, Employer PRSI, total PRSI and details of PRSI class.

These details should match the details included on Form P35L for that employee.

**Examiner's Comments on Question Four**

This question required the candidate to prepare an income tax computation for the year of marriage.

The solutions were well presented and easy to follow.

It's pleasing to note that there continues to be an improvement in the income tax computations presented.

Some areas in income tax computations continue to cause problems for some students. Students would benefit from revising the following areas which were relevant to this question:

- Calculation of the assessable benefit in kind
- Calculation of the assessable trade income on commencement (and cessation)
- The treatment of pension contributions
- The tax refund due in the year of marriage

**Solution 4**

Income			Nessa	Marks Allocated				Darragh	Marks Allocated	Joint		
Sch E	Bisto Ltd	34,100	0.5	Sch D	Case II		21,600				1	
	Blk Loan	1,300	2		Less RAC	20%	4,320				2	
							17,280					
Sch D	Case IV											
	Deposit Interest		1	Sch D	Case III		250				1	
	(€301.50/.67)	450										
				Sch F	Dividends							
Sch D	Case I		1		€96 /.8		120				1	
	24,600 x 4/6	16,400										
		52,250					17,650	0.5		69,900		
Taxed				Taxed					Taxed			
32,800	20%	6,560.00	0.5	17,650	20%		3,530	0.5	41,800	20%	8,360.00	
450	33%	148.50	1					0.5	17,650	20%	3,530.00	
19,000	41%	7,790.00	0.5					0.5	450	33%	148.50	
52,250		14,498.50							10,000	41%	4,100.00	
											16,138.50	
Tax credits				Tax Credits					Tax Credits			
Personal		1,650	0.5	Personal			1,650	0.5		3,300	0.5	
PAYE		1,650	0.5							1,650		
		3,300									4,950	
		11,198.50					1,880				11,188.50	

Taxation (ROI)

May 2014

1<sup>st</sup> Year Paper

		Marks Allocated				Marks Allocated		Marks Allocated
Paid PAYE	8,400	0.5	DWT				Joint assessment	11,188.50
DIRT	148.50	0.5	120	20%	24	0.5	Single Assessment	13,078.50
	8,548.50						Difference	1,890.00
Tax Due	2,650.00				1,856		Time Apportion 3/12 Refund due	473.00
BIK 4% - 1% = 3%						2		
Loan €120,000 for 2 months								
€120,000 x 3%	3,600							
Time apportion 2 months	600							
Loan €70,000 for 4 months								
€70,000 x 3%	2,100							
Time apportion 4 months	700							
Total BIK	1,300							
		8.5				5		6.5
								Total :20

**Examiner's Comments on Question Five**

This question tested the candidates' knowledge of the PAYE/PRSI system and required completion of a number of Revenue forms.

Students are advised of the need to practice the completion of Revenue forms. Quite a number of candidates spent time preparing figures and then transferring the figures to the forms.

It's encouraging to see an improvement in the calculation of take home pay. This was highlighted as a weakness in reports published on previous examination sittings.

## Solution 5

## Cumulative Tax Deduction Card

Date of Commencement:

9th Dec 2013

Sheila  
Tax  
Year: 2013

Fitzmaurice  
2013

Weekly Tax Credits

95.20

Weekly SRCOP

707.70

Week No.	Taxable Pay (Gross less pension) this period	Cumulative Taxable Pay	Cumulative SRCOP	Cumulative amount taxable at high rate	Cumulative Tax due at Standard Rate	Cumulative Tax due at Higher Rate	Cumulative Gross tax	Cumulative Tax Credit	Cumulative tax due (cannot be less than 0)	Tax deducted this period	Tax refunded this period	PRSI contributions	
												EE PRSI	ER PRSI
49		34,600.00	<b>34,677.30</b>					<b>4,664.80</b>	2,648.00				
50	700.00	35,300.00	<b>35,385.00</b>	-	7,060.00	-	7,060.00	<b>4,760.00</b>	2,300.00	-	348.00	28.00	75.25
51	900.00	36,200.00	<b>36,092.70</b>	107.30	7,218.54	43.99	7,262.54	<b>4,855.20</b>	2,407.34	107.34	-	36.00	96.75
52	230.00	36,430.00	<b>36,800.40</b>	-	7,286.00	-	7,286.00	<b>4,950.40</b>	2,335.60	-	71.74	-	9.78
<u>1,830.00</u>		<u>36,430.00</u>							<u>2,335.60</u>	<u>107.34</u>	<u>419.74</u>	<u>64.00</u>	<u>181.78</u>

	Marks Allocated
Form completion	1
Cumulative taxable at high rate	0.5
Cumulative gross tax	0.5
Tax deducted/refunded	2
PRSI EE	1
PRSI ER	1
<b>TOTAL</b>	<b>6</b>

**Cumulative USC Deduction Card****Name:** Sheila Fitzmaurice

*Weekly  
USC Rate  
1 COP:* €193.00  
*Rate 1:* 2%

*Weekly USC  
Rate 2 COP:* €308.00  
*Rate 2:* 4%

*Balance:*  
*Rate 3:* 7%

Week No:	Gross Pay for USC this period	Cumulative Gross Pay for USC	Cumulative USC Rate 1 COP	Cumulative USC Due at Rate 1	Cumulative USC Rate 2 COP	Amount of gross pay liable at Rate 2	Cumulative USC Due at Rate 2	Amount of gross pay liable at Rate 3	Cumulative USC Due at Rate 3	Cumulative USC	USC Deducted this period	USC Refunded this Period
49		<b>34,600.00</b>	<b>9,457.00</b>		<b>15,092.00</b>					<b>1,900.00</b>		
50	700.00	35,300.00	<b>9,650.00</b>	193.00	<b>15,400.00</b>	5,750.00	230.00	19,900.00	1,393.00	1,816.00	-	- 84.00
51	900.00	36,200.00	<b>9,843.00</b>	196.86	<b>15,708.00</b>	5,865.00	234.60	20,492.00	1,434.44	1,865.90	49.90	-
52	230.00	36,430.00	<b>10,036.00</b>	200.72	<b>16,016.00</b>	5,980.00	239.20	20,414.00	1,428.98	1,868.90	3.00	-
<u>1,830.00</u>		<u>36,430.00</u>								<u>1,868.90</u>	<u>52.90</u>	<u>- 84.00</u>

- 31.10

**Marks Allocated**

Form completion	1
Cumulative USC at rate 1	1
Gross pay liable at rate 2	1
Cumulative USC at rate 2	1
Gross pay liable at rate 3	1
Cumulative USC at rate 3	1
USC Due/refunded	1
<b>TOTAL</b>	<b>7</b>

**P60** **Certificate of Pay, Tax, Pay Related Social Insurance and Universal Social Charge Year Ended 31 Dec 2013**

**Name of Employee:** Sheila Fitzmaurice **Payroll/Works Number** (if applicable)

**PPS No.** 0

**Tax Credit** 4,950.40 **Rate Band** 36,800.40

**USC Rate Band 1** 10,036.00 **USC Rate Band 2** 16,016.00

'1' indicates that temporary basis applied } at 31st Dec ☐ Enter 'D' if employee was a director. ☐  
 '2' indicates that emergency basis applied

Enter 'X' if there were 53 pay days in the year ☐ Enter 'W' if week 1/ month 1 applied. ☐

Date of commencement of employment 9th Dec 2013

(A) Pay		(C) Pay for Universal Social Charge Purposes	
1. Total pay (i.e. gross pay less any superannuation contributions allowable for income tax purposes) in above year including pay in respect of previous employment(s), if any	36,430.00	1. Total Gross Pay for USC purposes in above year including pay for USC purposes in respect of previous employment(s), if any	36,430.00
2. Pay in respect of previous employment(s), if any, in above year	34,600.00	2. Gross Pay for USC in respect of previous employment(s), if any, in above year	34,600.00
3. Pay in respect of THIS period of employment (i.e. gross pay less any superannuation contributions allowable for income tax purposes).	1,830.00	3. Pay for USC purposes in respect of this period of employment. Use this figure in PAYE Anytime	1,830.00
4. Total amount of taxable Illness Benefit included in the above pay figure		<b>(D) USC Deducted</b>	
		1. Total USC deducted in above year, including USC deducted by previous employer(s), if any	1,868.90
		2. USC in respect of previous employment(s), if any, in above year	1,900.00
		3. Net USC deducted (D)/refunded (R) in this employment. Use this figure in PAYE Anytime	R 31.10
(B) Tax		(E) PRSI in This employment	
1. Total net tax deducted in above year (including tax deducted by previous employer(s), if any).	2,335.60	1. EMPLOYEE'S PRSI	64.00
2. Tax in respect of previous employment(s), if any, in above year.	2,648.00	2. TOTAL (employer + employee) PRSI	245.78
3. Net tax deducted (D)/refunded (R) in this period of employment. Use this figure in PAYE Anytime	- 312.40	3. TOTAL number of weeks insurable employment.	3
4. Total amount of Local Property Tax (LPT) deducted in this period of employment - if applicable		4. Initial social insurance contribution class.	A
		5. Subsequent social insurance contribution class.	
		6. Number of weeks at the class entered at line 5 above	3

We certify that the particulars given above in respect of Pay, Tax, PRSI and USC are correct in respect of this employment

**Employer's Name** Bally Ltd. **Employer's PAYE Regd. No.** 1515151A

**Employer's Phone Number** **Date**

**TO THE EMPLOYEE:** **THIS IS A VALUABLE DOCUMENT**

You should retain this document carefully as evidence of tax, PRSI and Universal Social Charge deducted  
 Note: There is a four-year time limit on claiming refunds of tax or Universal Social Charge.  
 You may also require this document as evidence if you claim social welfare benefits within the next 2 years

Page 1

**Marks Allocated**

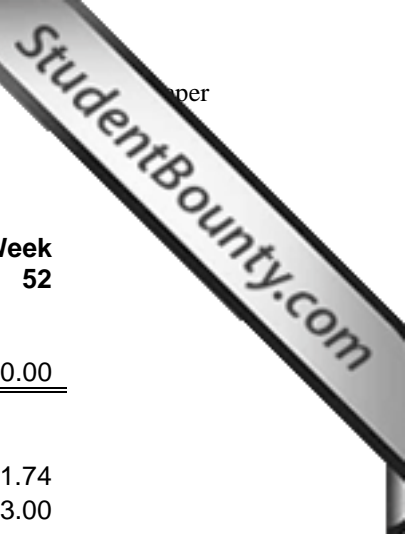
Pay details	1
Tax details	1
USC details	1
PRSI details	1
<b>TOTAL</b>	<b>4</b>



Taxation (ROI)

May 2014

per



		<b>Week 50</b>	<b>Week 51</b>		<b>Week 52</b>
<b>Gross Pay</b>		<u>700.00</u>	<u>900.00</u>		<u>230.00</u>
<b>Tax</b>		348.00	-107.34		71.74
<b>USC</b>		84.00	-49.90		-3.00
<b>PRSI</b>		<u>-28.00</u>	<u>-36.00</u>		<u>0.00</u>
<b>Take home</b>		1,104.00	706.76		298.74
<b>PRSI EE</b>	4%	28.00	36.00	0%	0.00
<b>PRSI ER</b>	10.75%	75.25	96.75	4.25%	9.78
<b>Marks Allocated</b>		<b>1</b>	<b>1</b>		<b>1</b>
					<b>3</b>

**Examiner's Comments on Question Six**

This was a multiple-choice question.

The solutions presented were broadly in line with previous examination sittings.

**Solution 6**

[1]	A
[2]	B
[3]	C
[4]	C
[5]	C
[6]	B
[7]	C
[8]	C
[9]	D
[10]	B

**Marks  
Allocated**

2  
2  
2  
2  
2  
2  
2  
2  
2  
2

**Total :20**

**Workings**

<b>[2]</b>	€	
Total Income	18,100	
Taxable @ 20%	3,620	
Tax Credits		
Personal	1,650	
PAYE	1,650	
	3,300	
Tax Due	320	
Marginal relief	(280)	
Tax due	40	

Marginal Relief	
Total Income	18,100
Exemption Limit	18,000
Excess	100
Maximum tax due @ 40%	40

**[3]**  
€500 @ 41% = €205

<b>[6]</b>	
PRSI Class AO applies	
Employer: €1,500 @ 4.25%	€63.75
Employee: €1,500 @ Nil	Nil
Total PRSI	€63.75

Taxation (ROI)

May 2014

per

[7]

Limit

Income €33,500 @ 10% = €3,350

[8]

Yearly Tax Credit

Personal €1,650

PAYE €1,650

Total €3,300

Weekly /52 €63.46

Cut Off Point

Yearly €32,800

Weekly /52 €630.77

[9]

More than 2 months late submitting tax return

Surcharge €8,210 @ 10% = €821