

Top tax tips for limited companies and the self-employed 2018!

€500 small benefits relief

Every employer is entitled to pay each employee a non-cash tax free gift of up to €500 per annum. These gifts have become a particularly popular method of paying out for example Christmas bonuses to staff, although they can of course be paid at any time during the year.

The benefit to the employee is that they do not have to pay any income taxes on this and the benefit to the employer is that they do not have to pay Employers PRSI



By Dermot McCrystal FCA

Pensions

If you are self-employed and operating through a limited company, it is significantly more tax efficient to contribute to a pension via an Executive Pension Plan rather than a Personal Pension Plan. This has always been the case but is even more so since the introduction of significantly reduced tax relief on personal pension contributions.

Maximise tax free travel and subsistence payments

In order to minimise income tax and PRSI costs, it is important to ensure that you are first maximising all your allowable tax free travel and subsistence payments, before taxable salary payments are made.

If you are away from your “normal place of work” for greater than 5 hours a day, you are entitled to pay yourself a tax-free amount of up to €14.01 for each day that this applies. If you are away for greater than 10 hours a day, a tax-free amount of up to €33.61 is allowable.

In addition, for every business journey that you make in your own private vehicle, you are entitled to pay yourself a tax free amount based on a rate (up to 83.53 cent) per km travelled. Don't forget that business journeys include trips to the bank, to your accountant, to meet potential customers and suppliers etc. All of the small journeys add up so it is worthwhile documenting them and taking your tax-free mileage payment.

Home office expenses

Many business owners will often spend time working from home, even when they also have a shop premises or office unit. Where this is the case, claiming home office expenses, such as home broadband, telephone, gas and electricity, can reduce tax liabilities.

Remunerate spouse

If you are married and your spouse is not working or is not maximising the use of their own personal tax credits and tax bands, it may be possible to remunerate the spouse from your company/business in order to maximise use of the tax credits and

20% tax rate band. Not all tax credits and bands are transferable between spouses so the best way to make use of them is to remunerate both spouses from the business. This can result in significant income tax savings for the married couple.

It is important to show that such a salary is reasonable i.e. that it is in respect of work carried out by the spouse and is not just to reduce taxes payable by the couple.

TAX BACK – Last chance for 2014

If you were a taxpayer in 2014, and have not claimed tax relief on certain items, you have until 31st December 2018 to apply (4 year rule).

Examples of what you may be entitled to tax relief on are:

Medical Expenses (relief up to 20%), 3rd Level fees, Rent relief at 20%, Pension contributions (40%), Home Carer etc.

If you are a married couple, and have not elected to be assessed jointly you may be under claiming tax credits or cut off points. Don't let your tax rebate lapse for 2014! You can review 2015-2017 as well if you find you have a refund coming your way.

Dermot McCrystal FCA is the principal in the firm Dermot McCrystal & Co., Chartered Accountants & Registered Auditors, Monaghan who provide business advice and tax solutions to all types of businesses. Dermot can be contacted on 047 81333 or at dermot@dmccrystal.com