

-----Original Message-----

From:
Sent: 06 July 2015 14:29
To: Brendan Meehan
Subject: accounts 2014

Hi Brendan,

I am starting a new Job and they have given me a choice between going on PAYE or setting up a Ltd company and invoicing them.

What are the benefits to me if I invoice them and what are the disadvantages.

As I receive the widow's pension does that keep my stamps up anyway or would I also have to pay Prsi.

thanks
Mary

From: Brendan Meehan [mailto:brendan@meehanandassociates.ie]
Sent: 06 July 2015 14:54
To:
Subject: New Company

Hi Mary,

Here are all the reasons NOT to form a company:

- A company is a legal entity quite separate from you, its director.
- As director, you are caught by the responsibilities laid down by the Companies Acts (proper books, filing accounts etc).
- The income belongs to the company. For you to then take income from the company, you need to have it registered as an employer. As the sole employee, the company must deduct paye / Prsi / USC from your salary and then pay it over on your behalf.
- Effectively, any income of the company will be taken by you as a salary - so nothing is left in the company to be taxed at 12.5% (so no benefit of the lower tax rate - this is normal for "Personal Service Companies").
- As a consequence, it must file 12 monthly paye returns, an annual P35 and issue pay slips to you, its sole employee.
- As a director, there is no employer's prsi to be paid, you only pay employee prsi which will keep up your stamps. But you lose the employed person's tax credit of €1650.
- It is the company that is being contracted and not you. So you lose all rights of an employee - to payment of holidays and bank holidays, to security of tenure and to redundancy.

- If the company invoices more than €37,500 to its customers (i.e. your "salary" exceeds the average industrial wage!!), it must register and charge VAT. So now you have 6 vat returns to prepare and file and also the annual return of trading.
- Revenue are currently looking at and auditing Personal Service companies.
- Full financial statements are required annually for Revenue and an abridged version should be filed with the Companies Registrations Office.
- An annual return must be filed with the abridged accounts (normally a balance sheet) with Companies Registrations Office.
- An annual Corporation Tax return must be filed.
- There are late filing fees and penalties associated with the above including loss of audit exemption (I'd need to explain this to you).

You will hear others say that you can put some expenses (motor / phone / broadband) through the company to reduce tax, but believe me, when you weigh everything up, it isn't worth it.

Here's the only good reason to form a company. You will pay to me a lot of fees for attending to the above!!!

I can discuss the above further with you whenever you're dropping over. I'm around for remainder of the month as no holidays planned. Let me know when suits.

Talk soon.

Brendan