

# Good book-keeping

For the Artist and Arts Worker

**#ACCELERATE - IRISH THEATRE INSTITUTE**

Peter Daly - 21 April 2021

# Feedback from other session

- Notes
- Login to MyAccount & ROS

# Revenue's Online Platforms

- If you haven't already.....register for [MyAccount](#)
- IF needed - register for Income Tax (self-employed) via MyAccount
- THEN register for Revenue Online System - [ROS](#)

# The Plan For Today

- Record keeping & having a system
- How does income tax work
- Ways of getting paid. PAYE versus self-employed
- Registration as self-employed with Revenue
- Tax return.
- Deadlines and penalties.
- Preliminary tax

# The Plan For Today

- Revenue audits and other interventions :(
- VAT
- Artist Exemption

# The Plan For Today

- And - in as far as possible - anything else you want to know...
- I have some questions in advance. Will try to answer as I go.

# Record keeping & having a system

- Has to be easy
- Has to work for you

# Record keeping & having a system





# Record keeping & having a system

- Excel
- One bank account (?)
- Prepare a cash book

# Record keeping

- Accounting software (I use Xero. Bank feed.)
- Expensify
- Revenue's receipt tracker

# How does Income Tax work

**There are 3 taxes that come out of your pay**

- Income tax/PAYE
- Pay Related Social Insurance (PRSI)
- Universal Social Charge

# Income tax/PAYE

## The broad strokes

- This is the one with the 20% standard rate and 40% higher rate.
- Taxed at 20% up to a certain point (the “cut-off”) then 40% on amounts above that.
- After above calculation is done - notional tax credits are deducted
- Tax credits have the effect of taxing some of the income at 0%.
- A single person - with PAYE or Self Emp income (or both) can earn up to €16,500 before income tax kicks in.

# Income tax/PAYE

## Calculated as follows

- Someone with income of €40,000
- The first €35,300 (cut off) is taxed at 20% = €7,060
- Balance of €4,700 at 40% = €1,880
- Tax BEFORE deducting notional tax credits = €7,060 + €1,880 = €8,940
- Less tax credits (Personal - €1,650. PAYE OR Earned Inc Credit - €1,650)
- €8,940 - €1,650 - €1,650 = €5,640
- Income tax of €6,540 is due on €40,000 of income

# Income tax/PAYE

- Income - €40,000
- Income tax - €5,640
- Again, this is the FIRST of the three income taxes.

# TAX CREDITS

- Certificate of Tax Credits is relevant if you are PAYE
- The certificate details what credits the tax payer has.
- And most importantly - what employer(s) they are sitting with.
- For self-employed people the tax credits are added in the tax return prepared after the year-end.
- Other credits include medical tax credits, home carer's tax credit & others.

# CERTIFICATE OF TAX CREDITS

- You can pick this up on MyAccount or ROS. Or it can be sent to you in the post.



# CERTIFICATE OF TAX CREDITS

## CERTIFICATE OF TAX CREDITS

In all correspondence  
 PPS No: [REDACTED]  
 Notice No: 38458242-27459F



Pat Murphy  
 Personal Division  
 PAYE Services  
 P.O. Box 327  
 Cork

Enquiries: 01 7383612  
 3 December 2020



### Tax Credit Certificate

Please see details overleaf of your Tax Credits, Rate Bands and Universal Social Charge (USC) for 2021 which is based on the on the most recent information available to Revenue. **Please check the information overleaf is up to date and accurate.**

The quickest and easiest way to manage your tax and claim your entitlements is through myAccount. You can access, or register for, Revenue's single access point to all our secure online services for PAYE taxpayers at [www.revenue.ie/myaccount](http://www.revenue.ie/myaccount).

**Claiming all the tax credits you are due ensures you receive your correct entitlements and pay the right amount of tax.** There is a 4-year time limit on claiming tax refunds, so it is important to claim your entitlements on time.

#### View your Pay and Tax

Your employer or pension provider now reports your income and statutory deductions to Revenue each time you are paid. Through myAccount, you can view all your pay and deductions as reported to Revenue. If required, you can also create a secure document summarising your income and deductions details.

#### Employment Detail Summary

From January 2021 you can view, download and print an *Employment Detail Summary* for 2020 under 'Review your tax 2017-2020' in 'PAYE Services' in myAccount. This Summary will contain your income and deductions for 2020, as reported by your employer or pension provider. The information can be used, for example, as proof of your income to a third party.

#### Preliminary End of Year Statement

On 15 January 2021, Revenue will make your *Preliminary End of Year Statement* available in myAccount in respect of 2020. You can view the *Preliminary End of Year Statement* for 2020 under 'Review your tax 2017-2020' in 'PAYE Services' in myAccount.

The *Preliminary End of Year Statement* is based on current information held by Revenue in respect of your incomes, credits and entitlements for 2020. This is a preliminary calculation only. It will show if you have paid the correct amount of tax and USC for the year or are in an underpayment or overpayment position.

#### Income Tax return

If you wish to claim additional credits, reliefs or expenses, such as health, Stay and Spend or Remote Working Relief, or declare additional incomes, you must complete an Income Tax Return. This will allow you to confirm you have paid the right amount of tax and USC, claim a refund of tax or USC overpaid or confirm any liability of tax or USC underpaid. The Income Tax Return can be found at 'Review your tax 2017-2020' and 'Income Tax Return' in myAccount. Once you have completed the Income Tax Return, and after 15 January, you will receive your *Statement of Liability* confirming your tax and USC position and any arrangements to refund or collect underpaid tax or USC.

| TAX CREDIT AND UNIVERSAL SOCIAL CHARGE CERTIFICATE                  |                           |           |          |           |                  |          |           |
|---|---------------------------|-----------|----------|-----------|------------------|----------|-----------|
| FOR THE PERIOD 1 JANUARY 2021 TO 31 DECEMBER 2021                   |                           |           |          |           |                  |          |           |
| <b>Tax Credits</b> €  |                           |           |          |           |                  |          |           |
| Personal Tax Credit   |                           |           |          |           |                  |          | 1,650.00  |
| Employee Tax Credit   |                           |           |          |           |                  |          | 1,650.00  |
| Flat Rate Expenses  |                           |           |          |           |                  |          | 150.00    |
| <b>Gross Tax Credits</b>  |                           |           |          |           |                  |          | 3,450.00  |
| <b>Net Tax Credits</b>  |                           |           |          |           |                  |          | 3,450.00  |
| <b>Tax Rate Bands</b> €   |                           |           |          |           |                  |          |           |
| <b>Rate Band 1</b>  |                           |           |          |           |                  |          |           |
| This Rate Band is increased by:                                     |                           |           |          |           |                  |          |           |
| Flat Rate Expenses  |                           |           |          |           |                  |          | 750.00    |
| The amount of your income taxable at 20%                            |                           |           |          |           |                  |          | 36,050.00 |
| All income over €36,050.00 is taxable at 40%                        |                           |           |          |           |                  |          |           |
| <b>USC Rate Bands</b> €   |                           |           |          |           |                  |          |           |
| <b>Rate Band 1</b>  |                           |           |          |           |                  |          |           |
| The amount of your income chargeable at 0.5%                        |                           |           |          |           |                  |          | 12,012.00 |
|   |                           |           |          |           |                  |          | 12,012.00 |
| <b>Rate Band 2</b>  |                           |           |          |           |                  |          |           |
| The amount of your income chargeable at 2%                          |                           |           |          |           |                  |          | 8,675.00  |
|   |                           |           |          |           |                  |          | 8,675.00  |
| <b>Rate Band 3</b>  |                           |           |          |           |                  |          |           |
| The amount of your income chargeable at 4.5%                        |                           |           |          |           |                  |          | 49,357.00 |
|   |                           |           |          |           |                  |          | 49,357.00 |
| All income over €70,044.00 is chargeable at 8%                      |                           |           |          |           |                  |          |           |
| Allocation of your Tax Credits and Rate Bands (Subject to Rounding) |                           |           |          |           |                  |          |           |
| Employer  | Tax Credits €             |           |          |           | Tax Rate Bands € |          |           |
|   | Yearly                    | Monthly   | Weekly   | Rate Band | Yearly           | Monthly  | Weekly    |
|   | 3,450.00                  | 287.50    | 66.35    | 20%       | 36,050.00        | 3,004.17 | 693.27    |
| Allocation of your USC Rate Bands (Subject to Rounding)             |                           |           |          |           |                  |          |           |
| Employer  | USC Rate Bands €          |           |          |           |                  |          |           |
|   | Rate Band                 | Yearly    | Monthly  | Weekly    |                  |          |           |
|   | Income chargeable at 0.5% | 12,012.00 | 1,001.00 | 231.00    |                  |          |           |
|   | Income chargeable at 2%   | 8,675.00  | 722.92   | 166.83    |                  |          |           |
|   | Income chargeable at 4.5% | 49,357.00 | 4,113.09 | 949.18    |                  |          |           |
| Income over €70,044.00 in this employment is chargeable at 8%       |                           |           |          |           |                  |          |           |

**PRSI**

# PRSI

## **‘Credits’ for Jobseekers, Contributory State Pension, & other benefits**

- This is (usually) simply 4% of your income.
- E.g. €40,000 at 4% = €1,600
- There are credits available if your income is lower than €424 per week.
- If you are self employed and your self employed income is between €5k and €12.5k - the minimum PRSI bill will be €500. After that it will be 4% of your income.
- If you are doing a return and your income is on the lower side - and there is a blend of PAYE income and self employed income - you might find the PRSI bill is lower than €500.

# PRSI

- Income - €40,000
- PRSI - €1,600
- Again, this is the **SECOND** of the three income taxes.

# PRSI

- You want to pay PRSI for the credits.
- You can check your Contribution Record Statement on MyWelfare > Statements and Refunds > Request now.
- If you are not in a position where you paying PRSI contributions you can make voluntary contributions. Google Voluntary PRSI Contributions.
- You can go back 5 years.

# Universal Social Charge

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- USC only kicks in if your income is above €13,000.

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- USC only kicks in if your income is above €13,000.
- 2020 rates:
- 0.5% on the first €12,012
- 2% on the next €8,472
- 4.5% on the next €49,560
- 8% on income above €70,044
- (If you are lucky enough to earn > €100k as a self emp person - 11% on >amount above 100k)



# Universal Social Charge

- Someone on €40,000
- 2020 rates:
- 0.5% on the first €12,012 = €60
- 2% on the next €8,472 = €169
- 4.5% on the next €19,516 = €878
- Total USC bill = €1107

# Universal Social Charge

- If you have a medical card (and earn less than €60k) you get lower USC rates.

# USC

- Income - €40,000
- USC - €1,107
- Again, this is the THIRD of the three income taxes.

# OVERALL TAX BILL SOMEONE ON 40K

- Income - €40,000
- Less
- Income tax - €5,640
- PRSI - €1,600
- USC - €1,107
- Total tax = €8,358 (21% of income)
- Net pay (take home pay) = €31,652
- Note - the above is at 2020 rates - and numbers are rounded...

# HOW MUCH TAX YOU MIGHT PAY

## ON DIFF INCOME LEVELS

| Summary of estimate of tax at different incomes  |              | (Self employed individual - 2020 - earned income tax credit = €1,650) |              |              |              |               |               |               |               |  |
|--|--------------|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--|
| <i>(This is very much an estimate and can change based on various factors including additional/blend of PAYE income, medical expenses, etc.)</i> |              |   |              |              |              |               |               |               |               |  |
| Income   | 20,000       | 25,000  | 30,000       | 35,000       | 40,000       | 45,000        | 50,000        | 55,000        | 60,000        |  |
| Income tax   | 700          | 1,700   | 2,700        | 3,700        | 5,640        | 7,640         | 9,640         | 11,640        | 13,640        |  |
| USC  | 220          | 433   | 658          | 883          | 1,108        | 1,333         | 1,558         | 1,783         | 2,008         |  |
| PRSI   | 800          | 1,000   | 1,200        | 1,400        | 1,600        | 1,800         | 2,000         | 2,200         | 2,400         |  |
| <b>Total tax</b>   | <b>1,720</b> | <b>3,133</b>  | <b>4,558</b> | <b>5,983</b> | <b>8,348</b> | <b>10,773</b> | <b>13,198</b> | <b>15,623</b> | <b>18,048</b> |  |
| Tax as a % of income   | 9%           | 13%   | 15%          | 17%          | 21%          | 24%           | 26%           | 28%           | 30%           |  |

# Getting paid

- PAYE versus self-employed
- It's usually not up to you and dependent on the circumstances of the engagement
- Acting (theatre) almost always PAYE. Lecturing always PAYE. Design almost always self-employed
- If a company doesn't operate a payroll they will look for an invoice.

# PAYE

- Pay As You Earn
- You can let Revenue know you are starting a new PAYE job via MyAccount.
- You can also cease an employment and move your credits between two or more active employers.
- If you are not registered for Income Tax - you can let Revenue know about other income, and also claim tax back on medical expenses, over paid tax via PAYE.

# MY ACCOUNT

- LOGIN TO MYACCOUNT - TAX CREDITS ETC



# Self-employed

- At the end of the tax year you need to pull your income and expenses together.
- Prepare a simple Income and Expenditure account. Income less allowable expenses gives you your taxable profit.

# Income and Expenditure Account

| Name   |           |
|--|-----------|
| <b>Income &amp; Expenditure Account</b>                |           |
| <b>For the year ended 31/12/20XX</b>                   |           |
| <b>Income</b>  | €         |
| This may be the total of all invoices                  | 2,500.00  |
| Or a split of different types of income                | 5,000.00  |
| Or if there are only a small number of invoices        | 12,000.00 |
| all of them may be listed                              | 8,000.00  |
| <b>Total income</b>                                    | 27,500.00 |
| <i>(Suggested expense headings. Edit as required.)</i> |           |
| <b>Expenditure</b>                                     |           |
| Motor, travel & subsistence                            | 1,250.00  |
| Subcontractors   | 1,500.00  |
| Telephone & internet                                   | 500.00    |
| Rent   | 1,000.00  |
| Office costs   | 500.00    |
| Light & heat   | 500.00    |
| Research   | 500.00    |
| Dues & subscriptions                                   | 250.00    |
| Insurance  | 500.00    |
| Training   | 350.00    |
| Accountancy  | 400.00    |
| Other professional fees                                | 500.00    |
| Repairs and renewals                                   | 200.00    |
| Sundry   | 1,000.00  |
| <b>Total expenditure</b>                               | 8,950.00  |
| <b>Net profit</b>                                      | 18,550.00 |
| Motor, travel & subsistence                            | 1,250.00  |
| Subcontractors   | 1,500.00  |
| Rent   | 1,000.00  |
| Repairs and renewals                                   | 200.00    |
| Professional fees                                      | 900.00    |
| Other expenses   | 4,100.00  |

# Expenses

## What's tax deductible

|                    |                             |          |
|--------------------|-----------------------------|----------|
| <b>Expenditure</b> | Motor, travel & subsistence | 1,250.00 |
|                    | Subcontractors              | 1,500.00 |
|                    | Telephone & internet        | 500.00   |
|                    | Rent                        | 1,000.00 |
|                    | Office costs                | 500.00   |
|                    | Light & heat                | 500.00   |
|                    | Research                    | 500.00   |
|                    | Dues & subscriptions        | 250.00   |
|                    | Insurance                   | 500.00   |
|                    | Training                    | 350.00   |
|                    | Accountancy                 | 400.00   |
|                    | Other professional fees     | 500.00   |
|                    | Repairs and renewals        | 200.00   |
|                    | Sundry                      | 1,000.00 |

# Simple cash book

- OPEN IN EXCEL

# Self-employed and PAYE

- You can be both at the same time
- Different sections of the tax return
- Total income is taxed in the return. Then tax paid through the PAYE system is deducted to give the tax owing.

# TAX RETURN

- If your non PAYE income (after expenses) is lower than €5,000 then you can do a simple Income Tax Return on MyAccount.
- Your non PAYE income goes in Non-PAYE income > Other Income > Trading Profit

# MY ACCOUNT

- [LOGIN TO MYACCOUNT - TAX RETURN - OTHER INCOME](#)

# TAX RETURN

- If your non PAYE income (after expenses) is lower than €5,000 then you can do a simple Income Tax Return on MyAccount.
- Your non PAYE income goes in Non-PAYE income > Other Income > Trading Profit
- If your non PAYE income (after expenses) is above €5,000 then you need to register for Income Tax with Revenue.
- You can register for Income Tax via MyAccount



# MY ACCOUNT

- LOGIN TO MYACCOUNT - REGISTER FOR INCOME TAX

# TAX RETURN

- If your non PAYE income (after expenses) is lower than €5,000 then you can do a simple Income Tax Return on MyAccount.
- Your non PAYE income goes in Non-PAYE income > Other Income > Trading Profit
- If your non PAYE income (after expenses) is above €5,000 then you need to register for Income Tax with Revenue.
- You can register for Income Tax via MyAccount
- Once registered for Income Tax - you need to register for ROS to do a Form 11 tax return

# ROS

- LOGIN TO ROS

# Form 11

## Deadline and Penalties

- 31 October for a paper return.
- Usually extended by a couple of weeks if you file and pay online via ROS

# Form 11

## Deadline and Penalties

- What happens if you miss the deadline?
- 5% surcharge on whatever tax is owing IF you get it in by 31 December
- 10% if you get it in after that
- Interest might apply
- (No tax bill/refund - no late filing penalty)

# Preliminary tax

- LET'S TALK ABOUT THIS ONE

# REVENUE AUDITS & OTHER INTERVENTIONS

# REVENUE AUDITS & OTHER INTERVENTIONS

**What's the worst that can happen....?**



# VAT

- Keep an eye on your turnover (sales) figure from self employed activity.
- Don't include bursaries, project funding in your own name, PAYE income
- If it goes above €37,500 in a 12 month period, or you know it will - you may need to register for VAT.

# Artist Exemption

- Up to €50,000 of income from the sale of art can be exempt from income tax.
- You need to apply before the end of the tax year - to be eligible for income within that tax year.
- Writing/Composing/Painting/Sculpture
- USC and PRSI will still apply to that income

# Anything else?

## Useful links

- [www.revenue.ie](http://www.revenue.ie) (link to MyAccount and ROS at top right of the home page)
- [www.citizeninformation.ie](http://www.citizeninformation.ie)
- [www.welfare.ie](http://www.welfare.ie)