

## Sowing the seeds for growth in 2007



As ever, we cover a wide variety of topics in our newsletter which we hope will help you. We would be delighted to talk to you about any of the issues we raise.

Recent surveys indicate that business confidence among small and medium sized companies (SMEs) will continue to grow during 2007. Many companies believe that the economy will remain on an upward curve and are confident that profitability can be improved over the next 12 months.

For many companies increased market share is key to growth. However, it seems that the fierce competition between SMEs will continue and businesses that are not fully fit and ready to cope with this may well fall by the wayside. Inevitably, there are negative factors that inhibit the ability to grow. Many businesses cite high labour costs and staff retention as the prime issues. With almost full employment and the amount and the complexity of employment legislation increasing all the time, it is difficult for employers to keep up with the changes. Different issues constantly arise that impinge on every company's ability to conduct business without having to resort to legal advice regarding how to deal with employees.

In this issue we cover the tax aspects of employment and some changes that you need to be aware of to ensure that you have the right procedures in place to stay abreast of the legislation, as highlighted by Hayes solicitors at our recent breakfast presentation.

**Warm Regards,**  
Imelda Prendergast

## Employment Taxation and Law Breakfast Seminar

OSK recently held a joint presentation with Hayes Solicitors on Employment Taxation and Law in The Conrad Hotel. Both presentations are summarised in this newsletter. We were delighted that Turlough O'Sullivan, Director General, IBEC gave the keynote address.



(L-R) Terence Moran, Managing Partner, Hayes Solicitors, Tadhg O'Sullivan (OSK), Turlough O'Sullivan, Director General, IBEC, Carol Fawsitt, Head of Employment, Hayes Solicitors, David Phelan, Partner, Hayes Solicitors, David Price (OSK).



(L-R) Dylan Byrne (OSK), Mark Phelan, Managing Director BHP, David Keogh, Chairman, Label Tech, Donal Crowley, HR Director, Dalkia.



(L-R) Linda Campbell (OSK), Eugene Phillips, PMC Partnership, Deirdre McDermott (OSK) Marcus Lynch, C&C.



(L-R) Tommy Treanor, Cellular Services, Cormac O'Ceallaigh & Ruairi O'Ceallaigh, Sean O'Ceallaigh & Co, Brian Dignam (OSK).

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# Taxation of Employment Income



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**At our recent joint breakfast seminar with Hayes Solicitors, David Price, OSK's Tax Partner, presented an interesting overview of the issues relevant to taxation of employment income. David's presentation addressed the subject from the perspectives of Employees, Employers and Company Directors.**

## Some of the topics addressed included:

- The importance of the rate of tax payable by the employer in determining the real cost of employment. In this segment David outlined how substantial tax savings can be generated by sensible planning of employment remuneration policy, particularly in family owned companies and traditional professional "sole trader" practices – Doctors, Lawyers etc.
- The tax advantages (annual Income Tax reduction of €1,760 and cap on PRSI payment) conferred by "employee" status and situations where these are denied to shareholding employees and/or relatives of the employer.
- The system of collection of Income Tax on "Perks" and "Benefits". What to avoid and how the system can be engineered to produce startlingly favourable results.
- The significant range and value of the taxation incentives available in relation to pensions and the consequent importance of pension planning in any wealth creation plan for employees and Directors.
- The Income Tax reliefs available in respect of certain redundancy, severance and similar payments.
- The various tax incentives available for encouraging employee share ownership and the pitfalls.

David also outlined the recent and forecast trends in the administration of employment income taxation pointing out how the lion's share of the work involved is now borne by the employer freeing up the Tax Inspectors to act primarily in the areas of inspection and enforcement.

## Mistakes to avoid when preparing your budget



- Make it realistic – don't be overly optimistic regarding sales forecasts or conveniently ignore your immediate financial needs
- Don't skimp on details – include sufficient information to permit you to monitor your cash flows, production costs and working capital
- Don't forget your taxes
- Take seasonality into account
- Consult the right people – involve sales managers, production managers etc.
- Consider the past and the future – review historical information regarding sales and cost, but also consider your future plans, competition and the economy
- Once prepared, review frequently, analyse deviations and take corrective action

Please contact Deirdre McDermott at OSK Audit on 01 439 4360 or mcdermottd@osk.ie

## Business to Contractors

# B2C

OSK B2C ezine aims to provide contractors with:

- an overview of starting up as a contractor and
- some guidelines for when you are contracting long-term

The first issue was sent in February and will be emailed to all contractor clients on a regular basis. Back issues will be available on [www.osk.ie](http://www.osk.ie)

If you have not already received this and wish to subscribe – please email Aideen McGinn on [mcginna@osk.ie](mailto:mcginna@osk.ie)



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# Employment Law

**Are you up to speed with recent developments in employment law? David Phelan, a Partner with Hayes solicitors, runs through a very brief checklist of recent developments and practical tips in some areas.**

## Fixed Term Employees

A fixed term employee is someone who works on foot of a contract of employment for a specific length of time (e.g. a one year contract). The Protection of Employees (Fixed Term) Work Act 2003 sets out the circumstances in which an employee working on foot of a series of fixed term contracts will gain the right to indefinite employment.

It also requires an employer to give objective reasons why employment has been renewed on a fixed term basis.

A recent decision of the Labour Court found that an employer must give the objective reasons for renewal of a fixed term contract *at the time of renewal*. If the reasons are only given subsequently, the employer may not be entitled to rely on them if there is a dispute.

## Health and Safety

*In 2005, the Safety Health and Welfare at Work Act was introduced.*

This allows for personal liability for directors and other officers and provides for a fine of up to €3,000,000 and three years imprisonment in the event of a breach of the Act. It also specifically provides for duties on employees (not to pose a danger in the workplace).

### Other Points to note:

- Safety Statement – this must be reviewed regularly and updated if necessary.
- Insurance – It is also crucial that employers review their insurance to confirm that directors liability under health and safety, as well as

that of “other officers” (including health and safety officers) is covered.

- An employer should also have an anti-bullying policy.

## Equality

The Employment Equality Acts 1998 and 2004 prohibit discrimination on nine grounds, gender, marital status, family status, sexual orientation, religion, age, disability, race and traveller community membership.

It is notable that the number of disability and age claims are rising dramatically. Recently, an employee was awarded €15,000 for an imputed disability (i.e. for discrimination on the basis of a disability which the employer believed she had, but did not in fact have). This demonstrates the breadth of the definition of a “disability” under the legislation.

The important point, for employers, is that it is essential to have an equality policy.

## References

A recent decision of the Information Commissioner decided that a reference given to a public body employer by a previous employer of a job applicant had to be disclosed to the employee. Bearing in mind that employees can sue for defamation on inaccurate content in references and that an employer giving a reference owes a duty to the next employer who may rely on the reference, it is essential that an employer is prepared to stand over any content in a reference the employer gives.

## New Faces

Welcome to Darren Kelly and Niall Butler who joined OSK Audit and to Ewelina Widera and Renata Nemcekova who joined OSK SBS over the past few months.



Darren Kelly



Niall Butler



Ewelina Widera



Renata Nemcekova

## See Your Business With New Eyes



David Kelly and Tom Shanahan

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Your business image is like a symphony orchestra. No single instrument determines an orchestra's success or failure. Likewise, the image you project is not based on a single business card, brochure, or display, but on the total impression created by all these things and more.

Here are some tips for you to consider when examining your company's image:

**1. Website** – Ensure your site is user-friendly, attractive, search-engine optimised, easy to navigate and has clear contact details. Ensure your web address is on all company documentation.

**2. Business Address** – Never use your home address or a residential location. If necessary, use a 'Virtual Office' provider to supply you with a prestigious address.

**3. Brand** – In an overcrowded marketplace, if you're not standing out, you are invisible. Establishing a brand is absolutely critical to long-term, sustainable, business growth—especially in service-oriented businesses.

**4. Customer service** – Provide efficient, professional, courteous telephone answering at all times. The most cost-effective method



of achieving this is to use a 'Virtual Office' provider.

**5. Sales and Marketing** – Always respond consistently to all sales enquiries in a timely fashion.

**6. Personal image** – When meeting customers and prospects face-to-face, always portray a professional, clean-cut and friendly image.

**7. Business cards** – Use a Non-Geographic telephone number so any sales leads won't be location-biased.

**8. Call to action** – Provide a range of 'calls to action' including: website, email, fax, non-geographic telephone number and personal mobile number if relevant.

**9. Customer complaints** – Respond immediately and follow through to a conclusion always showing empathy.

**10. Email response** – Ensure your emails are consistent with your website 'look and feel' including font and colour schemes.

Kendlebell are the number 1 Personalised Virtual Office provider in Ireland. They provide a range of professional services to enable companies to maximise their potential and improve their image. You can contact Kendlebell on 1800 848 646 or visit their website on www.kbell.ie



## Exam Success

Well done to Lauren Allman, Diarmaid Dooley, Brian Fitzpatrick and Tiernan Fahy who recently passed their Final Admitting Exams with the Institute of Chartered Accountants and also to Alan Foley and David O'Reilly who passed their final ACCA exams.



## OSK People

Ray Masterson

### Title

Assistant Manager  
– OSK Audit

### Specialist Area

Audit

### Hobbies & Interests

Running

### Most recent book

The Gold Coast by Nelson Demille

### Person You Most Admire

Michael O'Leary

## OSK services

OSK Audit

OSK Tax

OSK Business Advisory Services

OSK Consulting

OSK Corporate Finance

OSK Contracting

OSK Small Business Support

OSK Company Secretarial

## Disclaimer

These articles provide a general guide only and specific advice should be sought before any action is taken.

OSK is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business.

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