RELEASE NOTES

for Corporation Tax

Version 7.0 Build 1

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Contents

INTRODUCTION

As per Revenue guidelines and due to the implementation of the Finance Act 2017 and amendment in the taxonomy, we have made more than 60 changes in Relate Corporation Tax Version 7.0 Build 1 for the Tax Year 2018. The major and minor changes have been made to Corporation Tax to comply with the Revenue.

MAJOR CHANGES IN TAX YEAR 2018

Major changes include a number of new tax fields and subsections to be filled in where applicable under

- Trading Results
    - Capital allowances for Specified Intangible Assets (S291A TCA 1997) for Machinery and Plants
    - Amount of specified intangible assets in Capital Allowances
- Irish Rental Income
    - Pre-letting expenditure on vacant properties allowed by S. 97A
- Deductions, Reliefs and Credits
    - Amount of Dividend Withheld on the distributions received from a REIT in Credits
- Research and Development Credit
    - The aggregated amount in accordance with S.766(3B)(a) and S.766(3B)(b)
    - Claims for Payment of excess research and development tax credit
- Capital Gains
    - Amount of gain relieved under Section 604A
    - Net chargeable gain after Relief under Section 604A
    - Net Loss/es in this accounting period
- Capital Gains (Development Land)
    - Amount of gain relieved under S 604A
    - Net chargeable gain after Relief under S 604A
    - Net Loss/es in this accounting period

MINOR CHANGES IN TAX YEAR 2018

Minor changes have been made to the following areas for the Tax Year 2018:

New Tax Fields for:

- **Company Details**
    - Details of qualifying assets in Details for Section 110 TCA 1997- Qualifying Companies
- **Extract From Accounts**
    - Option to elect the treatment of S 76A (as amended by FA 2017) under XBRL

Relate Software is committed to strong customer service and satisfaction. At all times you will be able to make contact with our company and our technical service teams. Relate Software will provide the highest level of customer service. We will provide telephone support as well as online remote access support.

This document outlines the changes made in Relate Corporation Tax Manager Version 7.0.1. Please take time to read the notes. If you have any queries, please contact support on support@relate-software.com or call +353 1 4597800 (ROI).

The following program changes have been introduced to fulfil the requirements of Revenue and requests from both users and internal quality control reviews.

If you have any further changes you would like to see in Corporation Tax, please send an email to enhancements@relate-software.com

Important
Please note it is very important that before running any database update you perform a database backup. Relate Software always advise that your practice takes regular backups to minimise any loss of data.

COMPANY DETAILS

NEW OPTIONS IN DETAILS FOR SECTION 110 TCA 1997- QUALIFYING COMPANIES

As per Revenue guideline Section 110 Tax Consolidation Act 1997 provides for a tax regime for **"Qualifying Companies".**

We have introduced the following Tax Fields under Section 110 TCA 1997 – Qualifying Companies. Click on **"To Enter or Edit Details for Section 110 TCA 1997- Qualifying Companies, click this link"** hyperlink. **The Details For Section 110 TCA 1997- Qualifying Companies** will appear on the screen.

To comply with Revenue, we have introduced the following options for the Tax Year 2018 under the **Details For Section 110 TCA 1997- Qualifying Companies** subsection.

I. Do the qualifying assets include:

(i) Specified mortgages as defined

(ii) Units in an IREF

(iii) Shares that derive the greater part of their value from land in the State

See below:

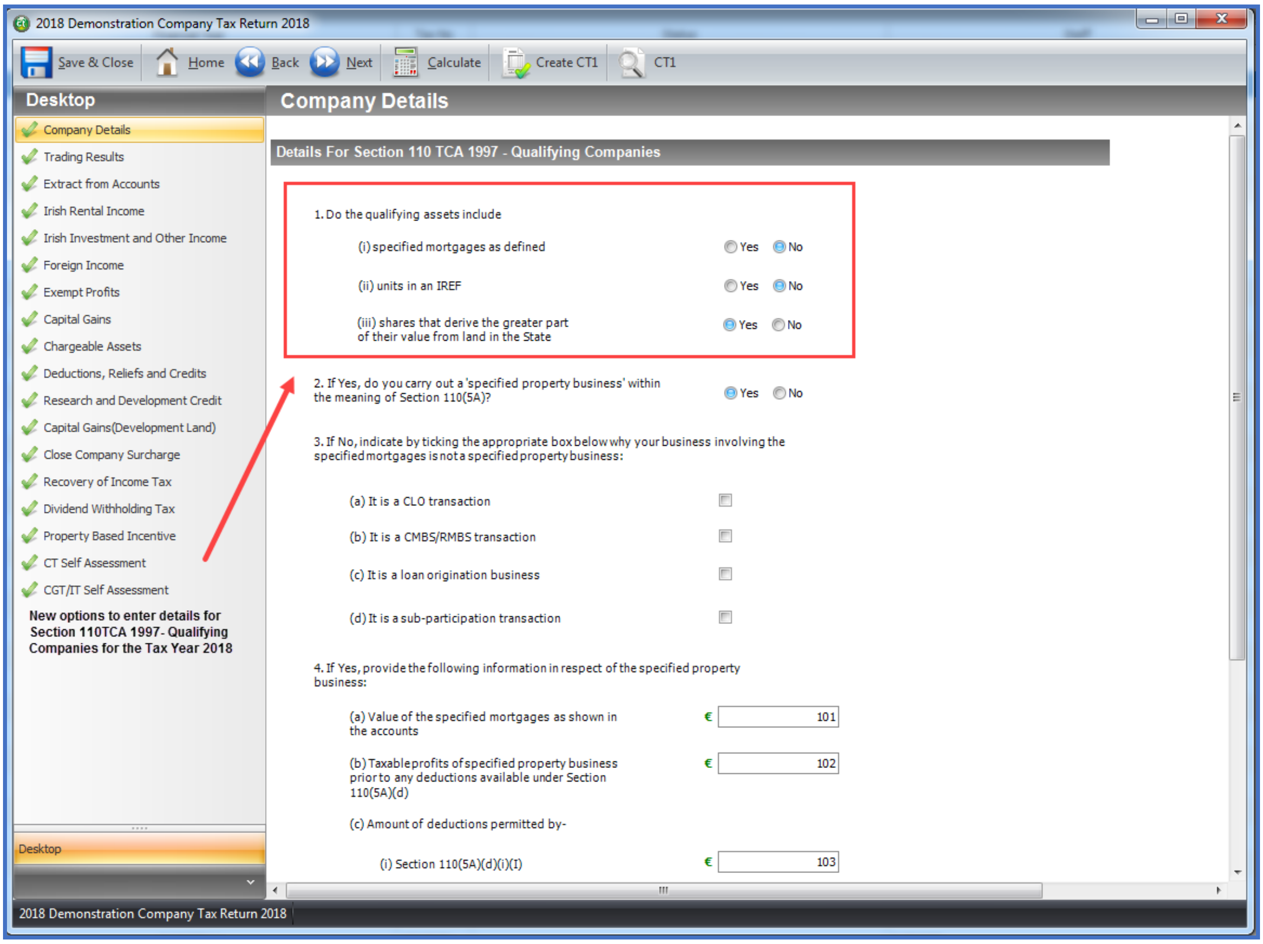

Figure 1: New options in Details For Section 110 TCA 1997- Qualifying Companies

OPTION INTRODUCED FOR EXEMPTION FROM TAX UNDER SECTION 626B

Section 626B of Tax Consolidation Act 1997 provides for an exemption from tax in the case of certain capital gains from the disposal of holdings in subsidiaries. There are certain conditions which must be fulfilled before a gain can be exempt.

The investor company must have a minimum shareholding in the investee company. The investor is required to have a minimum holding of 5% in the investee company for a continuous period of 12 months in the 3 years prior to the disposal.

The investee company must carry on a trade or the business of investor company, its investee company and their "5%" investee companies, taken as a whole must consist wholly or mainly of the carrying on a trade or trades.

Finally, at the time of disposal, the investee company must be resident in an EU Member State, a territory with which Ireland has signed a double tax treaty in force or a territory with which Ireland has signed a double tax treaty which has yet to come into force.

We have added the following subsection to comply with Revenue for the Tax Year 2018. You need to enter the appropriate details in the tax boxes in order to get the exemption under this section.

The new Tax Fields and tick box are as follows:

- Indicate if you have availed of exemption from the tax in the case of gains on certain disposal under Sec. 626B
- Details of Disposal
- Amount of gain which section 626B applies.
- If a loss arose on the disposal, enter the amount here.

See below:

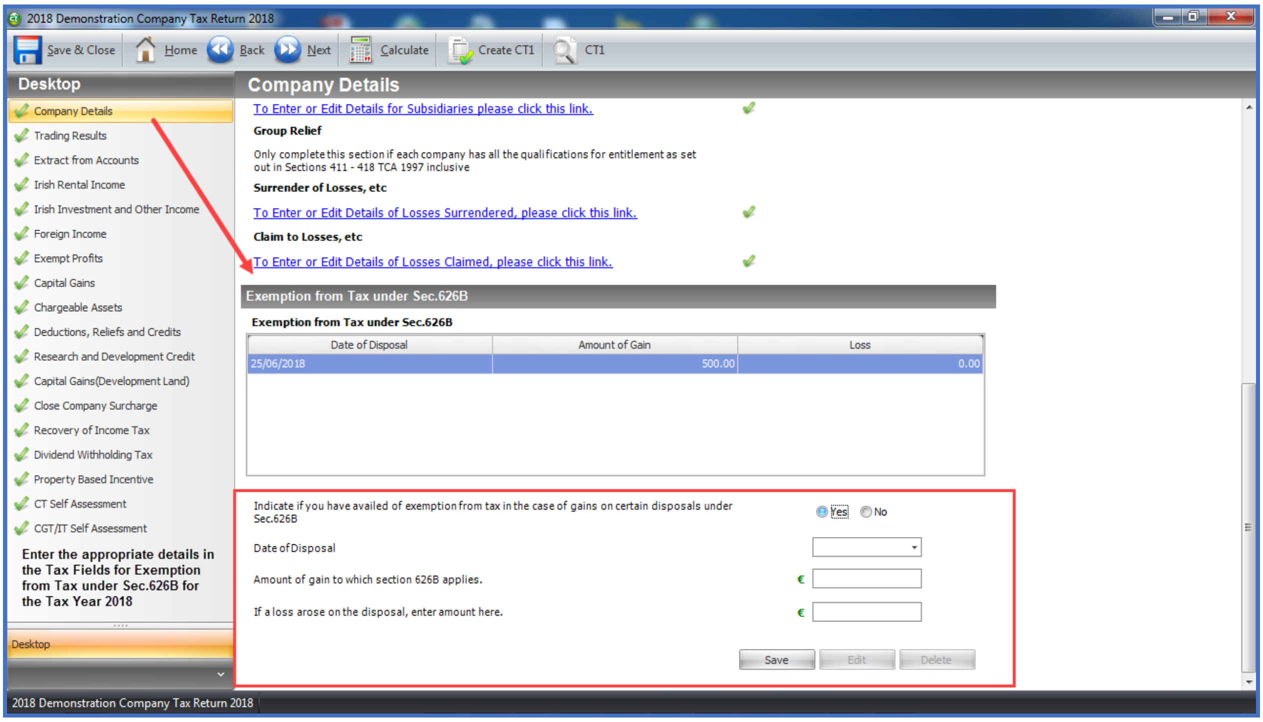

Figure 2: New Tax Fields for Exemption from Tax under Sec. 626B

TRADING RESULTS

New Tax Fields in Capital Allowances for Specified Intangible Assets (S291A TCA 1997)

Section 291A TCA 1997 provides for Capital allowances against trading income for companies that incur capital expenditure on the provision of intangible assets for the purpose of a trade. The scheme applies to a broad range of intangible assets such as patents, copyright, trademarks know-how which is recognised as such under generally accepted accounting practices.

The accounts- based allowance is based on the charge to the Profit and Loss Account or the Income Statement of the Company for the accounting period in respect of the amortisation or impairment of the specific intangible assets relative to the actual cost of the asset. The amount charged is to be computed in accordance with GAAP.

As per Revenue guideline for the Tax Year 2018, we have included the following Tax Fields under the Capital allowances for Specified Intangible Assets (S291A TCA 1997).

(i) **Amount of capital allowance claimed under Sec. 291A(3) TCA 1997 in respect to the capital expenditure incurred before 11 October 2017 (Account-based allowance)**

(ii) **Amount of capital allowance claimed under Sec. 291A(3) TCA 1997 for this accounting period in respect to capital expenditure incurred on or after 11 October 2017, (Account-based allowance)**

(iii) **Amount of capital allowances, claimed under S 291A TCA 1997(3), not used in this accounting period for carry forward to succeeding accounting periods**

  a) **If an amount of capital allowances for carry forward at line (iii) refers to capital expenditure incurred on or after 11 October 2017, enter that amount here**

(iv) **If the company is making an election under Sec. 291A(4) TCA 1997, tick the box**

(v) **Amount of capital allowance claimed for this period for which an election has been made under Sec. 291A(4) TCA 1997, in respect to capital expenditure incurred before 11 October 2017 (Fixed rate allowance)**

(vi) **Amount of capital allowances claimed for this accounting period for which an election has been made under Sec. 291A(4) TCA 1997, in respect to the capital expenditure incurred on or after 11 October 2017, (Fixed rate allowance)**

(vii) **Amount of capital allowances claimed under S 291A(4) TCA 1997, not used in this accounting period for carry forward to succeeding accounting periods**

  a) **If an amount of capital allowances for carry forward at line (vii) refers to capital expenditure incurred on or after 11 October 2017, enter the amount here**

See below:

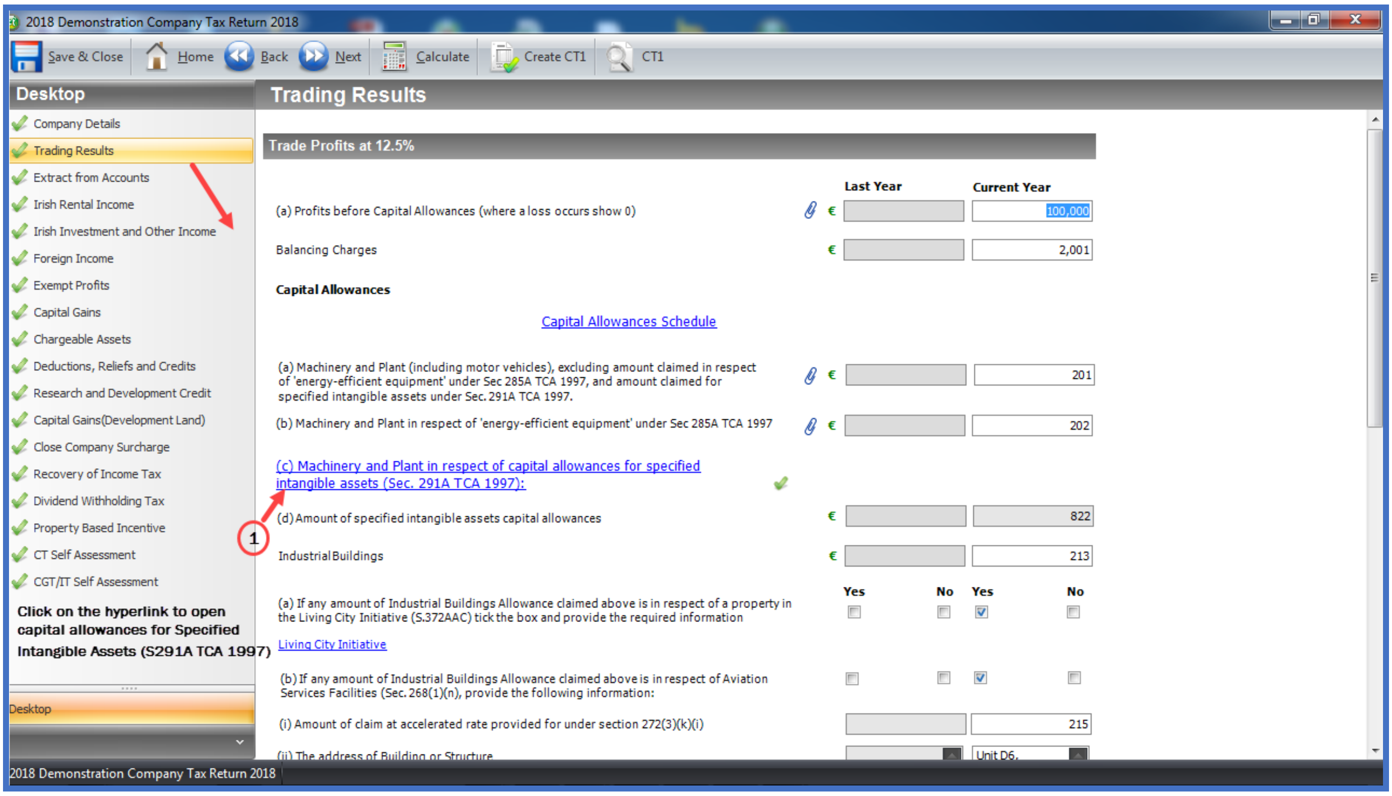

Figure 3: Click on the hyperlink to open the subsection

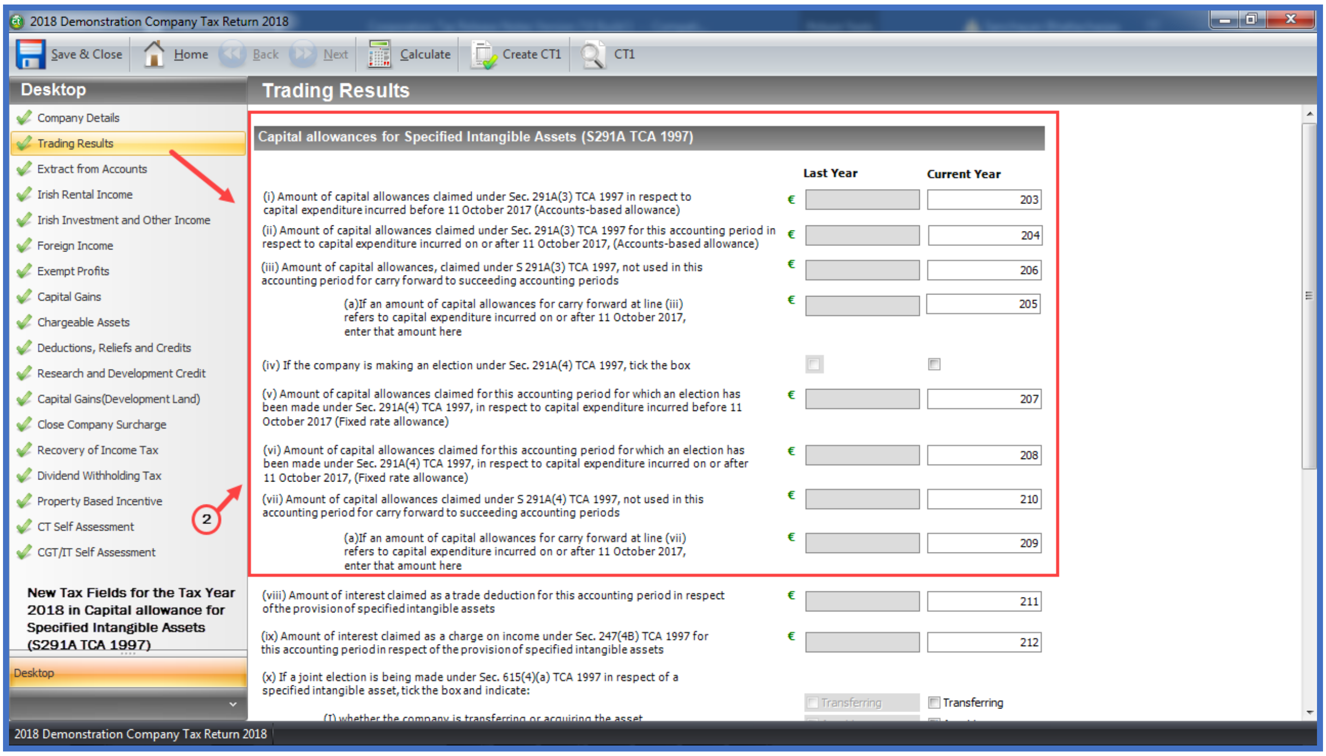

Figure 4: New Tax Fields in Capital allowances for Specified Intangible Assets (S291A TCA 1997)

TAX FIELD FOR THE AMOUNT OF SPECIFIED INTANGIBLE ASSETS IN CAPITAL ALLOWANCES

The amount of specified intangible assets of Capital Allowances will be calculated based on the amount you have entered within the Capital Allowances for Specific Intangible Assets (S291A TCA 1997) subsection. The calculated amount will be shown under the new Tax Field for the Tax Year 2018.

The new Tax Field is as follows:

- **(d) Amount of specified intangible assets capital allowances**

See below:

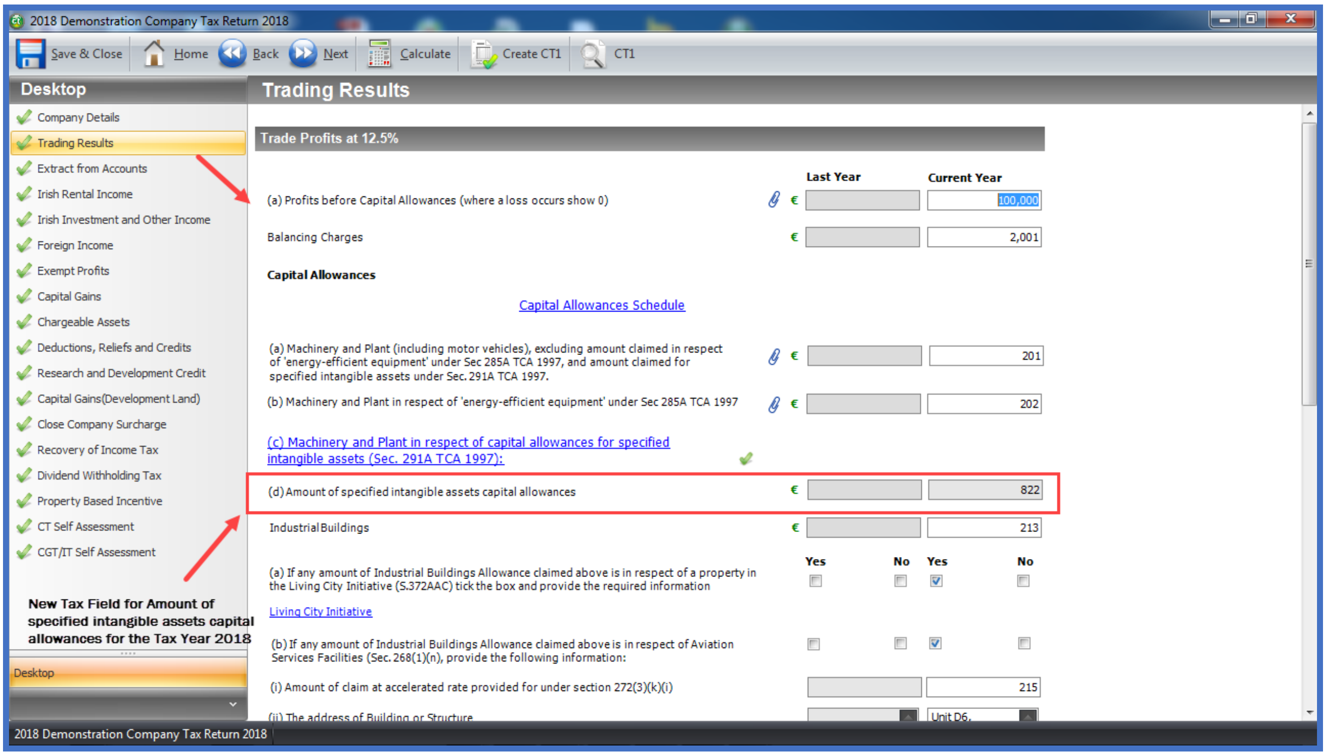

Figure 5: New Tax Field for the amount of specified intangible assets capital allowances

EXTRACTS FROM ACCOUNTS

OPTION TO ELECT SECTION 76A FOR DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

Section 76 A of **Finance Act 2017** refers to the computation of profits or gains of a company. The section provides a general rule that taxable trading profits of a company will be based on the profit according to the company's accounts.

This section has been amended by Revenue due to the introduction Finance Act 2017. To comply with Revenue, we have introduced a new tick box in **Extract of Accounts** section under **XBRL.**

The new option is as follows:

- ***Detailed Trading and Profit_Loss Account**

  If you wish to elect the treatment of S 76A (as amended by FA 2017) shall apply to for this accounting period, tick the box.

See below:

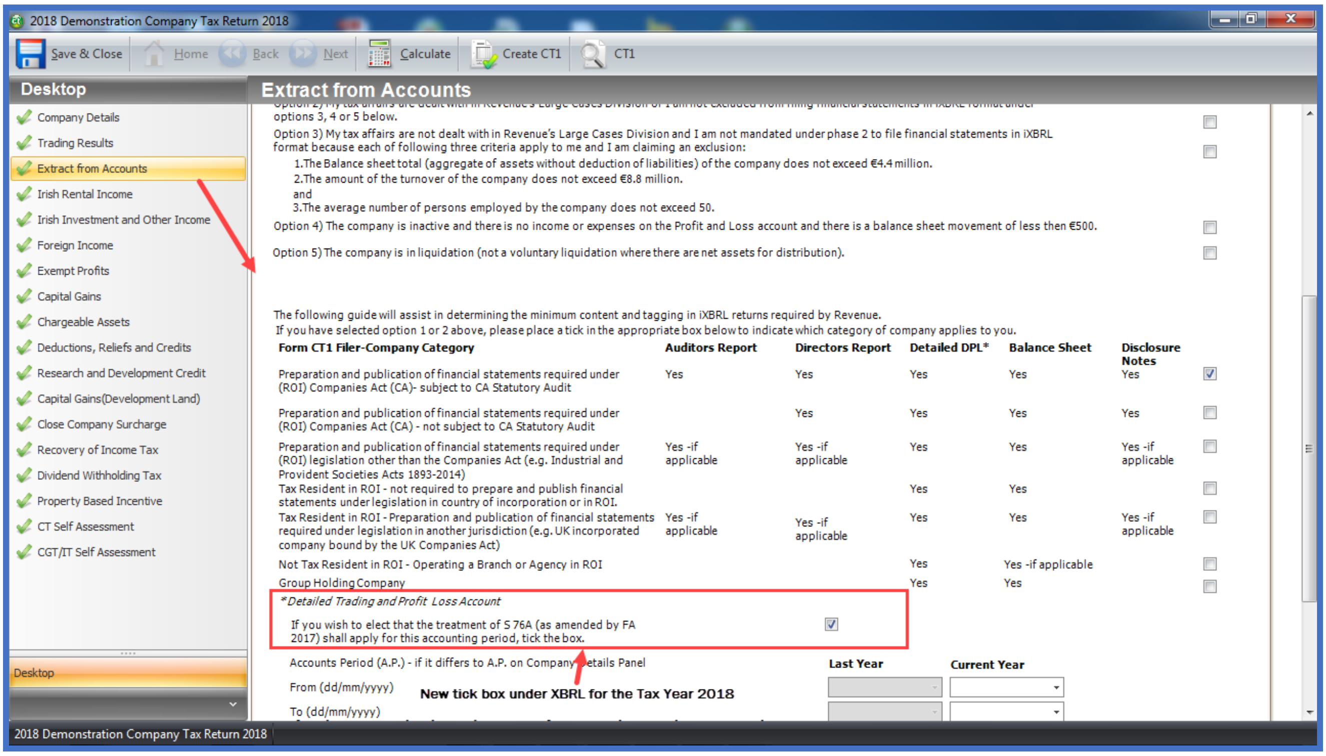

Figure 6: New option to elect the treatment of Section 76A under XBRL tab

IRISH RENTAL INCOME

PRE-LETTING EXPENDITURE ON VACANT PROPERTIES ALLOWED UNDER SECTION 97A

Section 97A of the Taxes Consolidation Act 1997 inserted by the **Finance Act 2017** provides that expenses incurred on vacant residential premises prior to it being first to let after a period of non-occupancy are authorised as a deduction against rental income from that premises.

The section applies to expenditure on a premise which has been vacant for at least a time period of 12 months and which is then let as a residential premise between 25th December 2017 (i.e. date of passing Finance Act 2017) and 31st December 2021.

To comply with Revenue, we have introduced a new Tax Field in the Rental Income from Land and Property in the State. Click on the **"Gross Rent Receivable Schedule"** and enter the Prelet Expenditure within the schedule.

The new Tax Field is as follows:

- **Pre-letting expenditure on vacant properties allowed by S. 97A.**

See below:

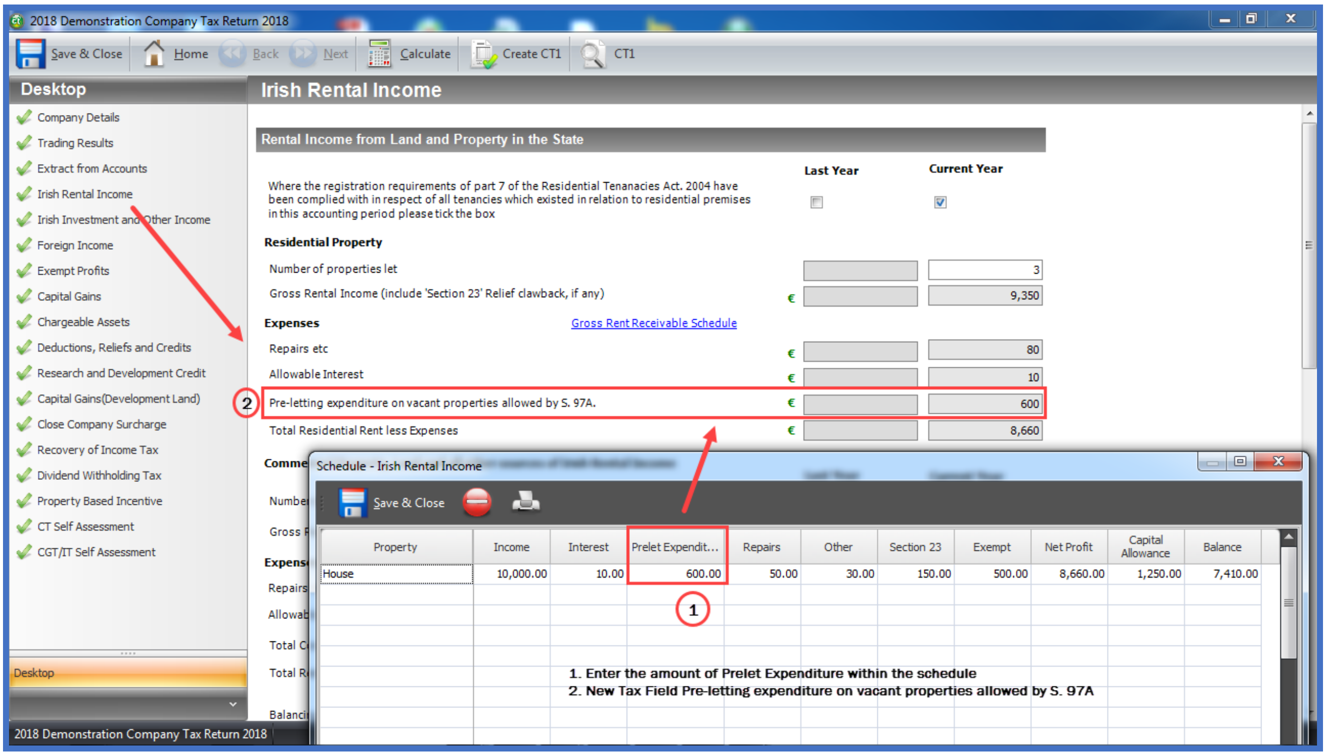

Figure 7: Pre-letting expenditure on vacant properties allowed by S. 97A

DEDUCTIONS, RELIEFS AND CREDITS

DIVIDEND WITHHOLDING TAX ON DISTRIBUTION RECEIVED FROM REAL ESTATE INVESTMENT TRUST

Real Estate Investment Trust (REIT) are companies whose income is derived from the rental or commercial and or residential property. **REIT**s are not chargeable to either Corporation Tax in respect of income from their property rental business or chargeable gains accruing on the disposal of assets of their property rental business. A **REIT** may be a single company or group of companies.

To comply with Revenue, we have introduced a Tax Field under the Credit subsection for the Tax Year 2018 to enter the amount of **Dividend Withholding Tax (DWT).**

The new Tax Field is as follows:

- **(d) Amount of DWT withheld on distributions received from a REIT.**

See below:

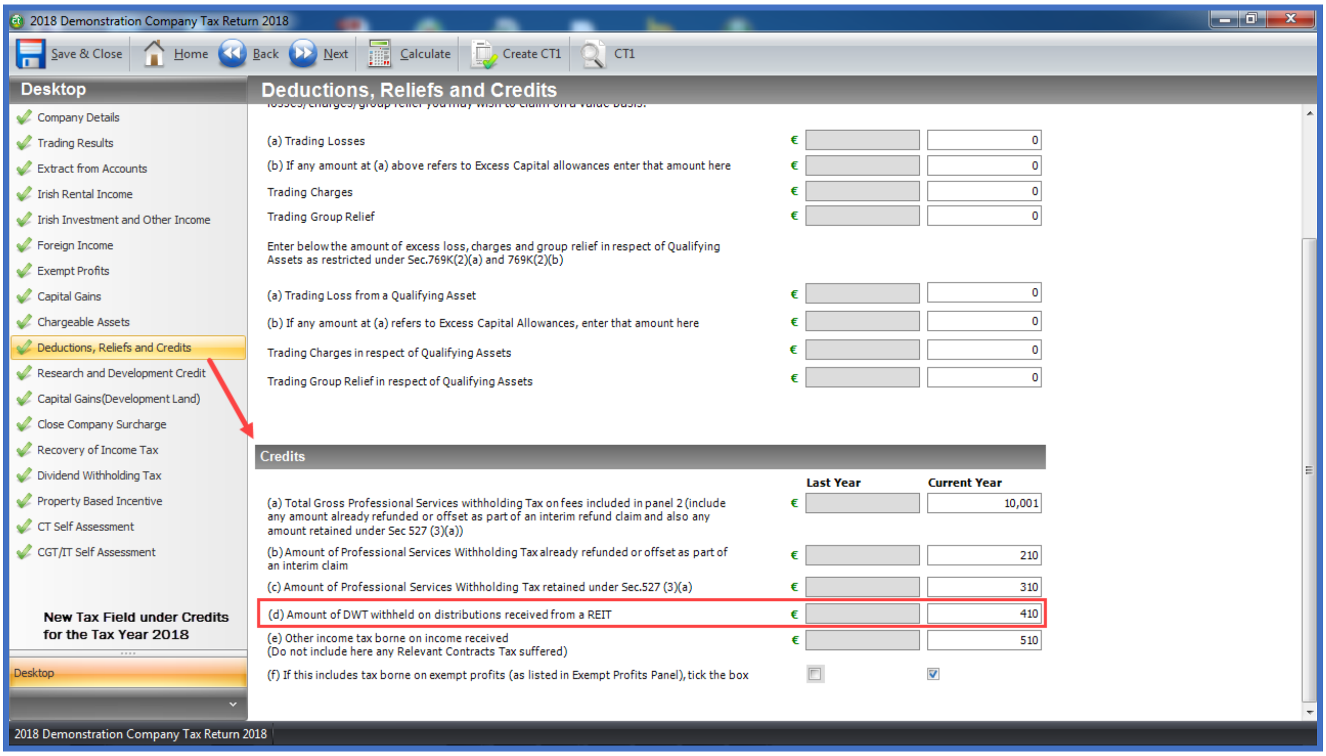

Figure 8: New Tax Field for the amount of DWT withheld on distributions received from a REIT

RESEARCH AND DEVELOPMENT CREDIT

NEW OPTIONS TO CLAIM FOR PAYMENT OF EXCESS RESEARCH AND DEVELOPMENT TAX CREDIT

Research and development are the keys to a more knowledge-intensive economy aimed at providing a sustainable, long-term basis for growth and employment. We have introduced a couple of new Tax Fields to comply with Revenue for the Tax Year 2018.

You need to enter aggregated amount calculated in accordance with s.766(3B)(a) and s.766(3B)(b) in the new Tax Fields under **Claim for Payment of Excess Research and Development Credit subsection.**

The new Tax Fields are as follows:

- In respect of claims for the first instalment, enter the aggregate amount calculated in accordance with

  (a) s.766(3B)(a)

  (b) s.766(3B)(b)

See below:

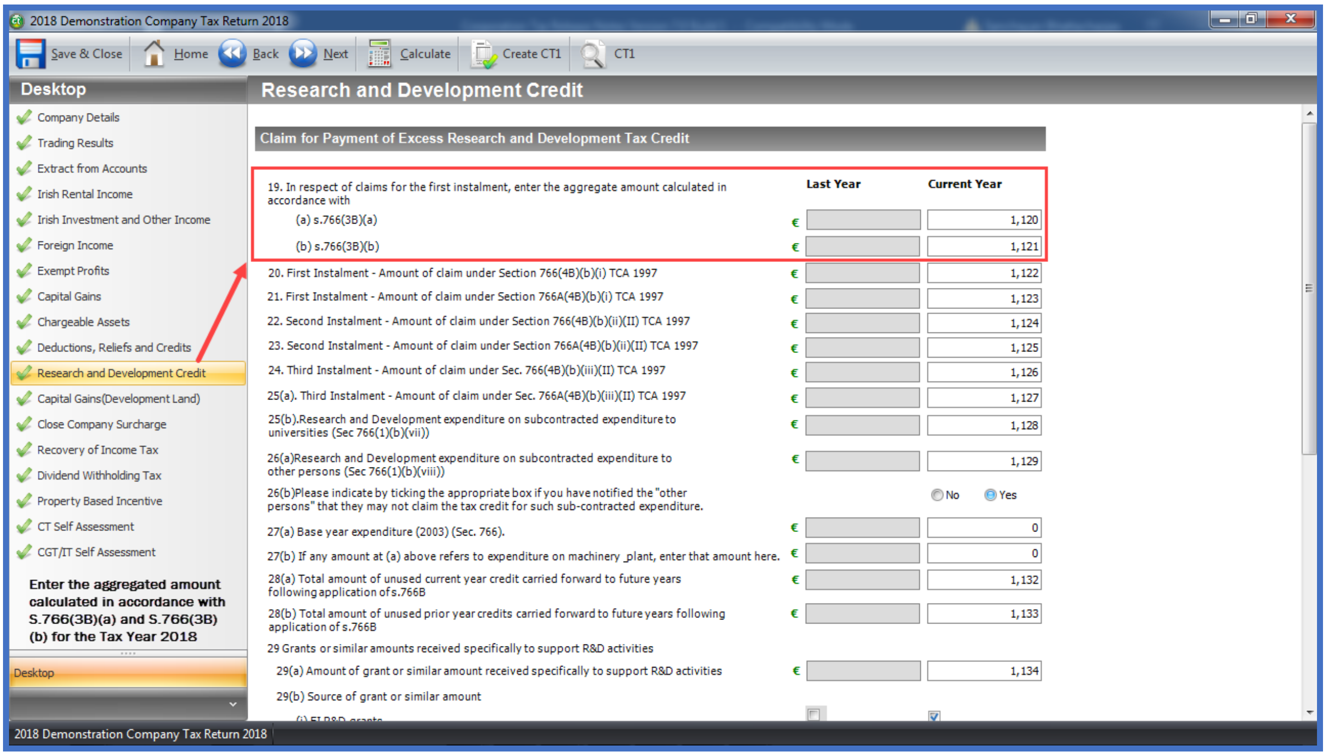

Figure 9: Enter the aggregated amount calculated in accordance with S. 766(3B)(a) and S. 766 (3B)(b)

Section 766B refers to the limitation of tax credits to be paid under section 766 or section 766A.

Under **Claims for Payment of Excess Research and Development Credit** subsection, we have introduced the following Tax Fields for the **Tax Year 2018.**

- 28(a) Total amount unused current year credit carried forward to future years following application of s.766B
- 28(b) Total amount of unused prior years credits carried forward to future years following application of s.766B
- 29 Grants or similar amounts received specially to support R&D activities
- 29(a) Amount of grant or similar amount received specially to support R&D activities
- 29(b) Source of grant or similar amount
- (i) EI R&D grants
- (ii) IDA R&D grants
- (iii) LEO R&D vouchers
- (iv) Higher education institute R&D grants
- (v) Other public R&D grants (including public research centres)
- (vi) Irish private non-profit institute R&D grants (e.g. privately owned research centres, philanthropic transfers)
- (vii) European Union R&D grants
- (viii) Other public R&D grants (including foreign public universities and public research centres)
- (ix) Other private non-profit institute R&D grants (e.g. privately owned research centres, philanthropic transfer)
- (x) Other [please specify in box]

  Specify
- Allowance claimed for capital expenditure on scientific research (Sec. 756 TCA 1997)

See below:

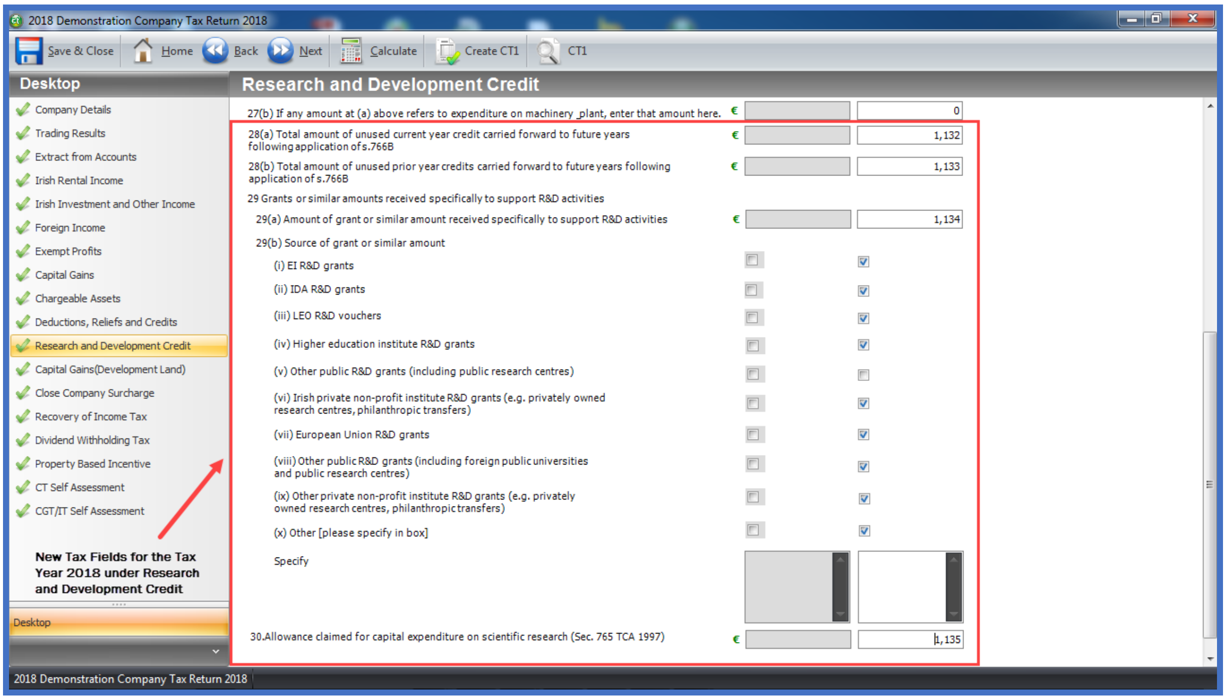

Figure 10: New Tax Fields under Claims for Excess Payment Research and Development Tax Credit

CAPITAL GAINS

NEW TAX FIELDS UNDER SECTION 604A IN DETAILS OF ACQUISITION(S)

Section 604A Taxes Consolidation Act 1997 (enacted by Section 64 FA 2012) introduced a capital gains tax relief on disposals of land or buildings acquired in the period commencing on 7th of December 2011 and ending on 31st of December 2013. Section 44 Finance (No. 2) Act 2013 extended the period within which the land or buildings may be acquired for the purposes of this relief to the 31st of December 2014. Section 604A was further amended by Section 33 Finance Act 2017 which provides that, as regards disposals made on or after 1st of January 2018, gains on land and buildings acquired between 7th of December 2011 and 31st of December 2014 are not chargeable gains where the land or buildings are held for at least 4 years and up to 7 years from the date they were acquired.

Due to the amendment in the Finance Act, we have introduced the following Tax Fields for the Tax Year 2018 to comply with Revenue.

- **Amount of gain relieved under S 604A**
- **Net chargeable gain after Relief under S 604A**
- **Net Loss/es in the accounting period**

See below:

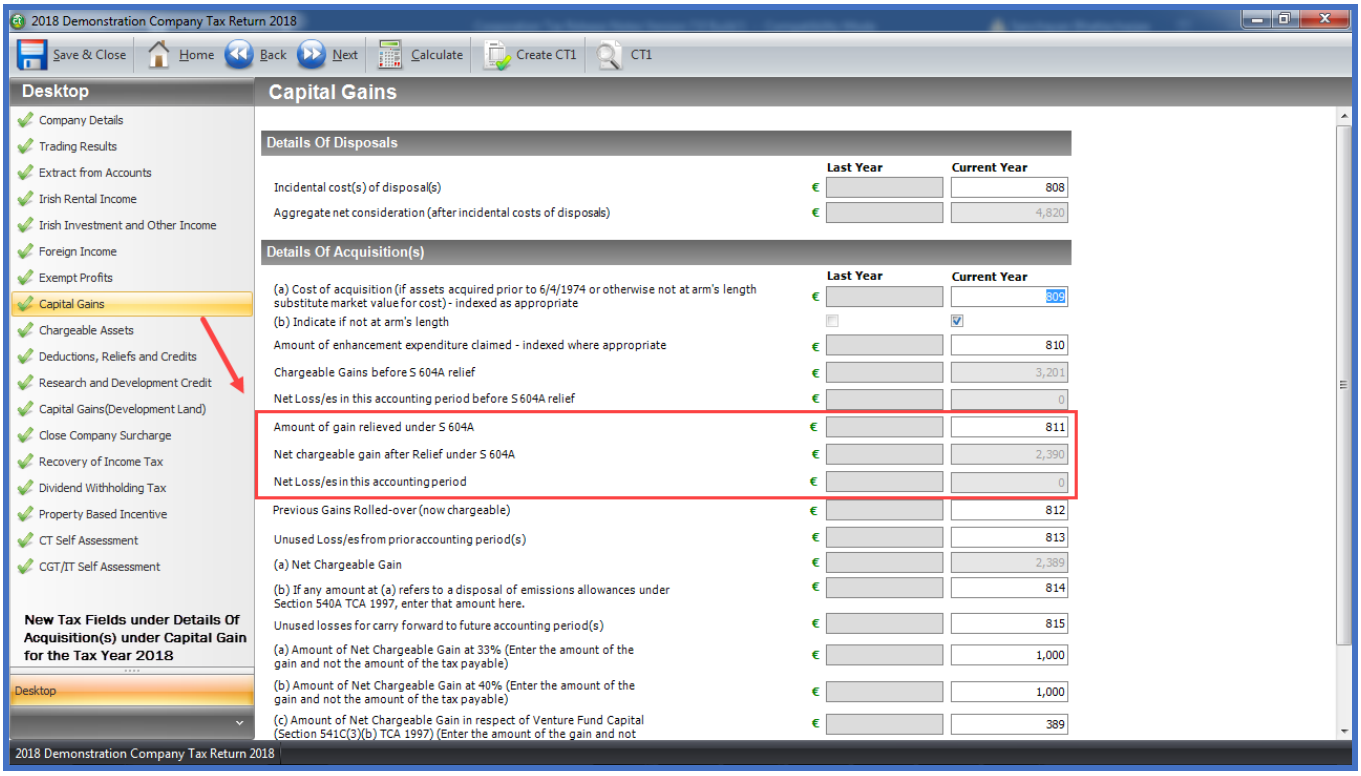

Figure 11: New Tax Fields under Details of Acquisition(s) subsection

CAPITAL GAINS (DEVELOPMENT LAND)

NEW TAX FIELD FOR GAIN RELIVED UNDER S 604A AND NET LOSS

Capital gains from selling or transferring development land are not included in a company's profit. Instead of that, the company must pay the CGT on these gains.

Due to the amendment in the Finance Act 2017, we have added Tax Fields for the Tax year 2018 to comply with Revenue.

The new Tax Fields are as follows:

- **Amount of gain relieved under S 604A**
- **Net chargeable gain after Relief under S 604A**
- **Net Loss/es in the accounting period.**

See below:

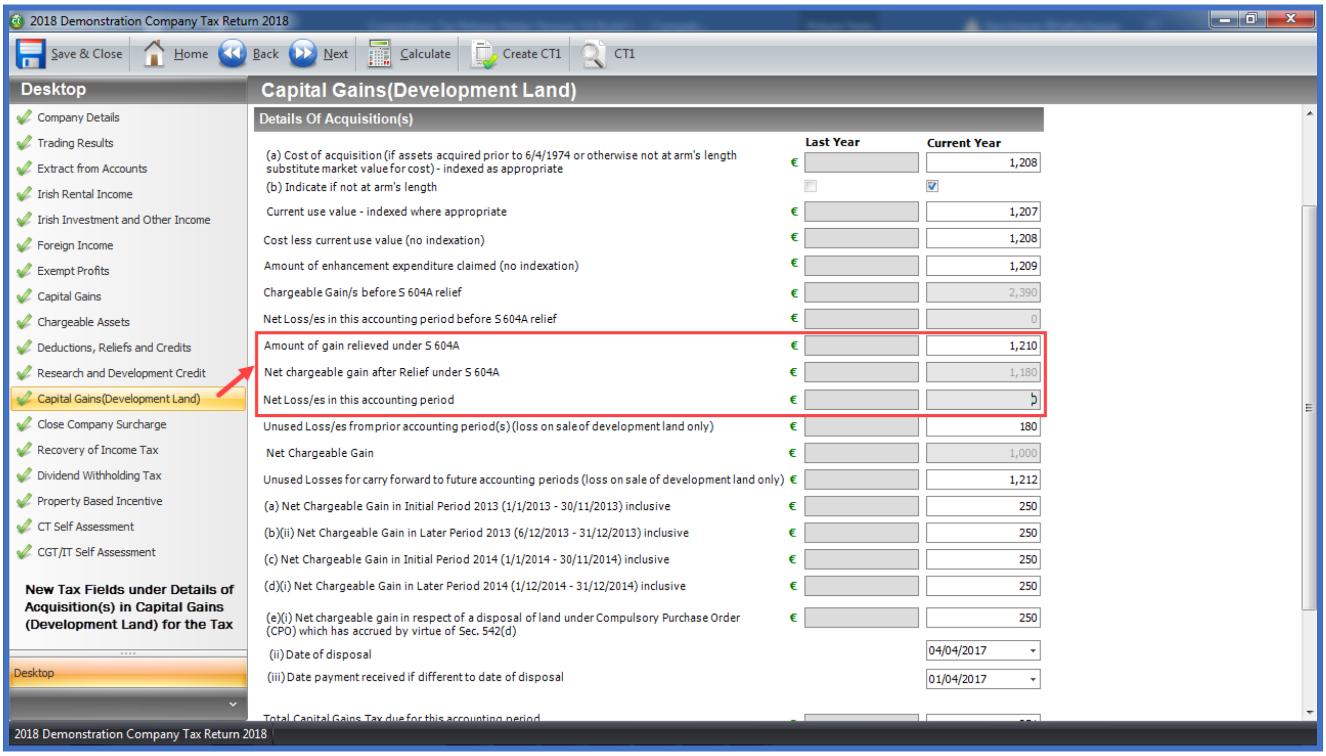

Figure 12: New Tax Fields in Capital Gains (Development Land)

TAX FIELDS REMOVED FROM THE TAX YEAR 2018

The following field has been removed from the Relate Corporation Tax for the Tax Year 2018.

We have removed the following tax fields from **Company Details Section.**

- **Company Details**
    - **"Do the qualifying assets include specified mortgages?"** From the Details For Section 110 TCA 1997- Qualifying Companies subsection.