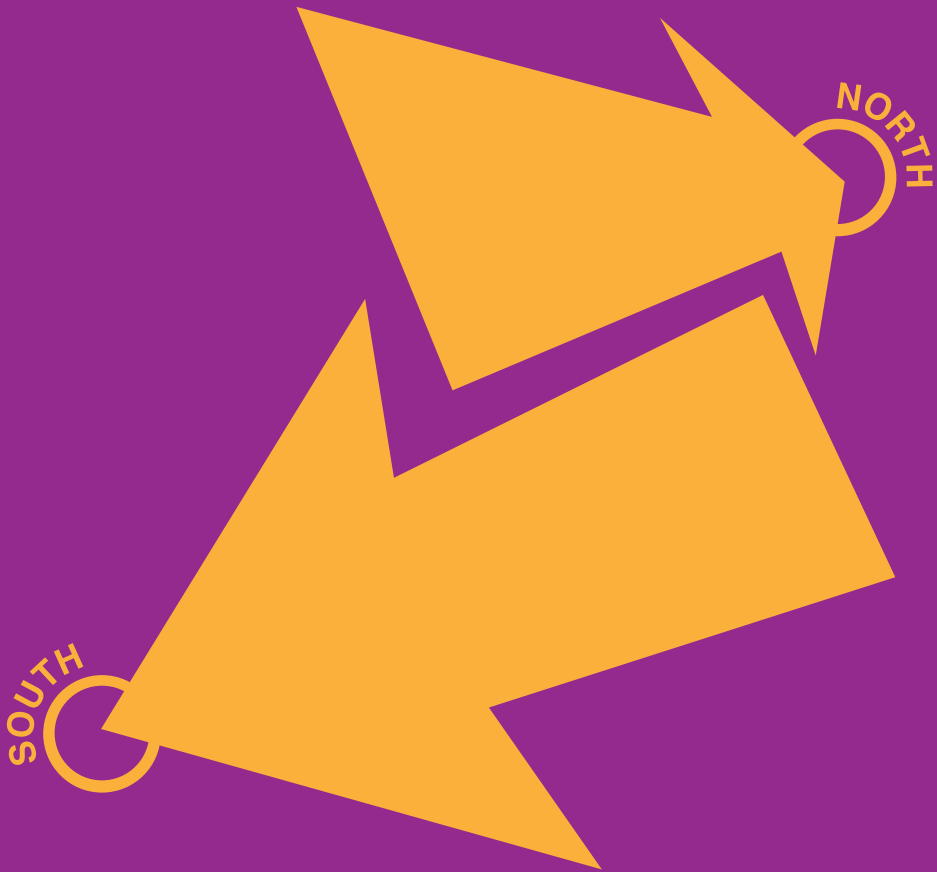


A simple guide to Cross Border Business July 2012



intertradeireland.com

 InterTradeIreland

Elevate

Sales development programme
for small business

Take your sales
up a level



If you're a small company that needs to increase its sales, why not take your business up a level with InterTradelreland

Elevate - our sales development programme for small business. Elevate will provide financial assistance to help you identify cross-border markets/customers across the island and win new business.

Its 100% funded by InterTradelreland and the application process is very simple.

All you have to do is complete a short application form and if approved for support you will then get to choose one of our approved experts who will work with you to develop a winning cross-border sales

plan for your business, kick start your sales and get on the fast-track to cross-border trading!

You'll benefit from free one-to-one advice and support from your very own expert within your industry or sector to develop your own sales development plan.

Interested?

To find out more information about **Elevate** and to download an application form visit:

www.intertradeireland.com/elevate

or contact the InterTradelreland trade team on one of the following telephone numbers: **028 30 834143 / 028 30 834110** (048 from Ireland).

 search for: [intertradeireland](https://www.intertradeireland.com)

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 InterTradelreland

Foreword

Removing barriers to cross-border trade and business development plays a key part in creating demand for goods and services, increasing the size of the local market-place for companies and improving the competitiveness of the economy in Ireland and Northern Ireland.

Conditions continue to be a challenging for those engaged in cross-border trade. Falling demand has affect markets on both sides of the border, especially but not exclusively for construction-related sectors. Only food and drink proved a bright light in 2010 accounting for 47% of the €2.5bn total.

There remains great potential for increased cross-border trade. The quarterly InterTradelreland Business Monitor survey continues to show that a quarter of firms from Northern Ireland and less than a fifth of Irish firms are involved in cross-border trade. This leaves plenty of untapped trade gains to be made by companies entering the cross-border market for the first time.

InterTradelreland can assist companies taking that first step in cross-border trade or business development through its offering of practical information and advice. The annual Simple Guide to Cross Border Business is a key part of InterTradelreland's offerings. Now in its fifth edition, it has become the first point of reference for any company seeking to enter the cross-border market, offering up-to-date and user-friendly, comprehensive information on questions connected with doing business in the other jurisdiction.

The subjects covered include legal considerations, taxation and banking issues among others. This year we have continued the popular addition from 2011 of guidance on R&D tax credits in Ireland and Northern Ireland.

For those questions which the Simple Guide does not answer, InterTradelreland has a Trade Accelerator Voucher to assist companies. Under this a business can get up to €1,200/£1,000 worth of business advice to deal with cross-border issues.

InterTradelreland will continue to offer assistance to companies to avail of new business opportunities to drive innovation or trade and thereby create stronger economic links between Northern Ireland and Ireland.

If you would like any further information on InterTradelreland's programmes please contact us on: **028/048 3083 4100** or info@intertradeireland.com

¹ InterTradelreland, *Exploration of factors that might explain the level of North/South trade* (February 2011).

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Section 01

I am based in Ireland and want to sell products into Northern Ireland

“Thanks to the support from InterTradelreland we have a strategy in place for business development in Northern Ireland. For any small business trying to expand its reach on the island I would strongly recommend engaging with InterTradelreland and the programmes available.”

David Cullen
OI Research
Buncrana, Donegal

1.1 Must I have an office in Northern Ireland?

It is not necessary to have an office in Northern Ireland to facilitate sales of goods if the goods are to be sold directly to the purchaser. However, if you wish to target a broader spectrum of clients you may wish to consider establishing a presence there. If so, go to Section 5.

1.2 Must I form a company in Northern Ireland?

A Company is not necessary but if you anticipate profits in the UK or your venture has an element of risk to it, you may wish to consider ring fencing this within a company structure. The rates of tax in the UK must also be considered in determining the route you want to take. As trade increases, it may be advisable for tax reasons to establish a separate company.

1.3 Do I need a licence to sell products in Northern Ireland?

Not generally, but this depends on the type of product to be sold. For example, a licence would be required for sale of pharmaceuticals. Specific advice should be taken on each occasion.

1.4 Must I declare my goods at Customs? Do I need to complete export documentation?

There is free movement of goods within the EU and the only goods which need to be declared at Customs are excisable goods i.e. tobacco, spirits, wines and beer.

1.5 Must my product meet certain regulations?

You must ensure compliance with required Consumer/Health & Safety Standards. Specific advice should be taken on each occasion

but assistance may be obtained from websites. For Consumer Regulations visit the following websites –

www.consumerline.org and the website of the UK Department of Business, Innovation and Skills (BIS) –

www.bis.gov.uk. See also the Northern Ireland Department of Enterprise Trade and Investment website (Consumer Affairs Section) – **www.detini.gov.uk**

1.6 At what point does the risk pass from me (the seller) to the purchaser?

Risk, in terms of loss, is the responsibility that a carrier, borrower, user/purchaser of property or goods assumes if there is damage or loss. “Passing of Risk” means the point at which the buyer will be responsible for the goods. For example, if goods are delivered by a lorry, who bears the loss if the goods are stolen in transit before they reach the purchaser?

This issue arises just as much within your own jurisdiction as in a cross-border context and is covered by the Sale of Goods legislation, which is broadly similar in both jurisdictions.

Normally, where the seller arranges delivery to the purchaser, risk will only pass to the purchaser on receipt of delivery. In a cross-border sale, this may therefore mean that risk would only pass to the buyer when he receives the goods in Northern Ireland.

In a cross-border context, it may be wise to consider appointing a Distributor in the cross-border market to ensure risk passes to

the Distributor. As soon as that Distributor collects goods from your premises in Ireland, the risk passes to him. For further definitions, see Distributor and Sales Agent (Section 13).

1.7 What liability do I have for defective products in Northern Ireland?

If goods are being sold through a Distributor in Northern Ireland, the Distributor will generally be required to take on liability for defective products. This would be subject to the Distributor being entitled to indemnity from the seller for those defective products. In such circumstances, the Distributor would deal directly with the buyer and would in turn be entitled to be compensated by the seller for any loss arising to the Distributor as a result of the seller's negligence/breach of contract. If however, goods are sold by you personally or through a Sales Agent, then you will be liable for defective products under Northern Ireland legislation.

1.8 Do I need to have product liability insurance?

Yes. You should also ensure that the current product liability insurance policy issued to you in Ireland is not restricted to sales within Ireland. If it is so restricted, you will need to negotiate with your insurance company to ensure that the product liability insurance extends to sales into the United Kingdom.

1.9 In the event that the product is defective at delivery, what do I need to know about after-sales service in Northern Ireland?

Unless you are selling through a Distributor, you or your Sales Agent will be liable for after sales service for that defective product in Northern Ireland.

1.10 What if I am employing someone in Northern Ireland to work for me?

To determine which legislation applies (i.e. UK or Irish) it is important to establish where the employee will be carrying out their duties. In certain circumstances, if your Company is based in Ireland and employs a Northern Ireland resident to carry out duties in Northern Ireland, a special scheme known as a "direct payment scheme" has to be operated in the UK and the employee is required to register and account for PAYE/ National Insurance Contributions in the UK. However, if the Irish company has tax presence in Northern Ireland e.g. through having a branch or agency in the UK, then the Irish company would need to register for UK PAYE and National Insurance and operate same on the payments to the Northern Ireland employee. You should seek professional advice in relation to this area.

Bear in mind that if you employ someone in Northern Ireland to work for you, that employee can avail of rights under Northern Ireland Employment legislation. Specific legal advice should be taken with regard to the employment contract. While Ireland and Northern Ireland employment

legislation are broadly similar, there are specific areas where the legislation differs between the two jurisdictions e.g. Disciplinary and Grievance procedures.

1.11 Is my Employers Liability Insurance valid in Northern Ireland?

Your Employer's Liability Insurance is most likely NOT valid in Northern Ireland. Specific advice should be taken by you from your Insurance Company. If employing someone in Northern Ireland, it is essential that the employee is covered by insurance which applies to Northern Ireland Health & Safety Law.

1.12 Are my vehicles/drivers insured in Northern Ireland?

Normally, vehicles used for business purposes should be specifically insured for such uses. It would be wise, prior to undertaking a new business venture in Northern Ireland, to obtain written confirmation from your Insurance Company in Ireland that it will cover your vehicles/drivers for business purposes in Northern Ireland.

1.13 Are the traffic/vehicle regulations the same in Northern Ireland?

While traffic/vehicle regulations are broadly similar, specific advice should be taken in each instance. For further information on driver and vehicle licensing in Northern Ireland go to the Northern Ireland Department of Environment website – www.dvlni.gov.uk. In certain instances, should you wish to avoid the expense of compliance with the traffic/vehicle regulations of a second jurisdiction, it may be wise to consider retaining a courier or transport agent to deliver your goods within Northern Ireland.

1.14 Do I need a written contract?

It is very wise in all instances to have a written contract. In cross border sales, it is particularly important to define such matters as when risk passes, the liabilities of Distributors or Sales Agents etc. It is also important to define whether the Courts in Northern Ireland or Ireland will have jurisdiction to resolve legal disputes.

1.15 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

1.16 Do I charge Irish VAT? Must I register for UK VAT?

If you are selling goods directly from Ireland the charging of VAT will depend on the VAT status of your customer. If your customer is VAT registered and the goods are being exported to Northern Ireland for business purposes, effectively no VAT need be charged by the supplier. However, the customer must account for the VAT under the reverse charge mechanism (note that special wording in this regard must be included on your invoice). In this case you will need to verify your customers VAT status and keep evidence that the goods have been exported. If the customer is not registered for UK VAT, then Irish VAT must be charged.

You should also be aware of the rules regarding distance selling e.g. selling goods directly to non VAT registered persons by mail order, catalogues, via the internet etc. Each EU member state has its own distance selling thresholds and if you exceed these thresholds you

are required to register for VAT in that member state and charge VAT accordingly. If you do not exceed the threshold then Irish VAT should be charged.

The distance selling threshold for selling into Ireland is €35,000.

The distance selling threshold for selling into UK is £70,000. If your exports from Ireland exceed €635,000 per annum you will be required to complete Irish Intrastat Returns.

An EC Sales List would also be required to be completed in respect of the EC supply of goods.

1.17 Should I invoice in sterling or Euro?

The first point to note is that, from a technical point of view, VAT invoices can be expressed in a foreign currency but the corresponding figures should be shown in Euro. The invoice must also contain the actual VAT amount in Euro.

A copy of the invoice must be kept to show the figures that were adopted.

For conversion purposes you should use the Central Bank rates which are published in the daily newspapers at the time of supply.

It is possible to agree an alternative rate with the Revenue i.e. a calendar month exchange system. Please note the agreed method must then be used for all of your foreign currency transactions.

Your Northern Ireland client may prefer to agree a price in sterling and pay you in sterling, so that they

are not exposed to exchange rate fluctuations. If you want to facilitate your client, you might agree a sterling equivalent with your client, either on the invoice or as part of a separate contract or agreement. The disadvantage of this is that you then assume the exposure to exchange rate fluctuation.

Some firms will state on their invoices that, should client companies wish to settle the invoice in sterling, they should contact their accounts department on the day of settlement to agree a suitable rate of exchange on that day.

Do not forget to consider your own circumstances and whether or not it would suit you to receive sterling at a certain point in time.

1.18 Is it worthwhile opening a sterling account?

Where you are making and receiving sterling payments, it is often advantageous to maintain a sterling bank account. This provides the ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do. Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices), so the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a sterling account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

1.19 How do I open a sterling account?

The most convenient way to open a sterling account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said, there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Sterling accounts can be domiciled in Ireland without the need to approach a bank in Northern Ireland.

1.20 Can I protect myself against exchange rate fluctuation?

Exchange rate risk is an important consideration and should always be actively managed. This is best done by netting payments and receipts. However amounts and timings rarely match exactly, so forward foreign exchange contracts can be used.

A forward foreign exchange contract is a binding contract between two parties to buy or sell a specified amount of foreign currency at an agreed rate on or between a specified future date or dates.

These contracts are offered by all the major banks and allow you to guarantee a future value for your sterling receipts, thus completely

eliminating foreign exchange risk. It is prudent to compare the spot price (i.e. the exchange rate now) and the forward market price (i.e. the price that the bank will commit to offering you at a point in the future) before agreeing any deal.

1.21 How can I ensure I get paid?

It is preferable to insist on "cash on delivery". If you cannot get payment on delivery and the purchasers subsequently defaults on payment then it would be advisable to retain the services of a Solicitor/Debt Collection Agency within Northern Ireland to collect payment. While there are circumstances where it would be possible to secure judgment in the Republic of Ireland (where the contract may have been made), it is advisable to secure judgment in Northern Ireland as it will in turn be easier to enforce a Northern Ireland Judgment against a Northern Ireland Debtor. (For more information on this subject read section 15 of this Booklet)

1.22 Where do I pay my tax?

If you are self-employed in Ireland you will be required each year to submit a tax return by 31st October following the end of the tax year. At this date, you are also required to pay to the Collector General in Limerick the balance of tax you owe for the tax return you are submitting and also make payment towards the current tax year – known as preliminary tax.

If you operate through the medium of a limited Company in Ireland the payment date for corporation tax has become more streamlined and all small companies (where the company's corporation tax liability

for the prior year was 'less than €200,000) will be required to have paid either 90% of their expected corporation tax liability for the current period or they can pay 100% of the prior year liability by the 21st of the month prior to the end of their accounting date to the Collector General.

If the company is a large company (where the company's corporation tax liability for the prior year was > €200,000) then the payment is due in instalments. The First Instalment is payable in the 6th month of the accounting period by the 21st of that month and should be 50% of Corporation Tax liability for the preceding accounting period or 45% of Corporation Tax liability for the current accounting period. The Second Instalment is due payable on the 21st date of the eleventh month of the accounting period and the amount payable will bring the total preliminary tax paid to 90% of the Corporation Tax liability for current accounting period.

The balancing payment of Corporation Tax for all companies is due to be paid to the Collector General by the 21st of the ninth month after the year end.

If you also intend forming a company in Northern Ireland, tax will have to be paid to the Collector of Taxes in Shipley, Bradford. UK corporation tax is generally payable 9 months and 1 day after the Company's year end, though special rules apply to large companies where payments on account must be made.

Payments on account for a large company are generally made in four equal instalments with the first payment due 6 months 13 days after the start of the accounting period. This payment should equal 25% of the estimated tax liability based on profits at that date. The second quarterly payment should be for 50% of the estimated tax liability and the third payment for 75% of the estimated tax liability with a final payment due 3 months 14 days after the end of the accounting period.

If you open a branch in Northern Ireland, UK corporation tax will be payable in respect of branch profits. Credit will be given against the Irish tax in respect of UK tax suffered but it is restricted to the lower of the two taxes.

If you open an establishment in Northern Ireland but not through the medium of a Company you will come within the self assessment arrangements and will be required to submit a UK tax return by 31 October (for manual returns) or 31 January (for online returns) following the end of the tax year (5 April) and pay any tax becoming due to the Collector of Taxes.

Tax in this instance is paid on 31 January and 31 July of each year with January being the time for paying the balance of tax for the previous tax year and also the 1st payment on account for the current tax year. The July payment is the 2nd payment on account for that same tax year. Payments on account are calculated at 50% each of the previous year's tax liability.

Again credit will be available in Ireland for any UK tax paid.

Section 02

I am based in Ireland and want to sell services into Northern Ireland

2.1 Must I have an office in Northern Ireland?

It is not necessary to have an office in Northern Ireland to facilitate a supply of services. However, if you wish to target a broader spectrum of clients you may wish to consider establishing a presence there. If so, go to Section 5.

2.2 Must I form a company in Northern Ireland?

A Company is not necessary but if you anticipate profits in the UK or your venture has an element of risk to it, you may wish to consider ring fencing this within a Company structure. The rates of tax in the UK must also be considered in determining the route you want to take. As trade increases, it may be advisable for tax reasons to establish a separate company.

2.3 Do I need a licence to sell my services in Northern Ireland?

This will depend on the type of service to be sold. For example, if selling financial services it would be necessary for you to consult the Financial Services Authority (FSA). Specific advice should be taken on each occasion.

2.4 Must my services adhere to certain regulations?

This will depend on the type of service being sold. For further information on regulations which may apply go to – www.nibusinessinfo.co.uk. Specific advice should be taken on each occasion.

2.5 What liability do I have for substandard work in Northern Ireland?

Just as you would be liable for substandard work provided in Ireland, if undertaking services in

Northern Ireland, you are bound by contract to ensure the provision of a proper service, and you will be liable for sub-standard work provided in Northern Ireland. Note that Northern Ireland law will apply.

2.6 Do I need professional/trade/indemnity insurance?

Professional/Trade Indemnity Insurance is an insurance policy which provides indemnity to you the Service Provider by your Insurance Company for Breach of Contract. That is, in the event that you, the service provider, provide a substandard service by which the Service Receiver sustains loss, then the insurance company guarantees to pay any loss which the service receiver has suffered. This is a service insurance which should specifically be taken out in Northern Ireland and you will be required to take out this insurance over and above the professional indemnity insurance which you may have in Ireland for services provided in Ireland. Again, you should check with your Insurance Broker as to the adequacy of your insurance for provision of services in Northern Ireland.

2.7 What if I am employing someone in Northern Ireland to work for me?

To determine which legislation applies (i.e. UK or Ireland) it is important to establish where the employee will be carrying out their duties. In certain circumstances, if your Company is based in Ireland and employs a Northern Ireland resident to carry out duties in Northern Ireland, a special scheme known as a 'direct payment scheme' must be operated in the UK and the employee is required

to register and account for PAYE/ National Insurance Contributions in the UK. However, if the Irish company has tax presence in Northern Ireland e.g. through having a branch or agency in the UK, then the Irish company would need to register for UK PAYE and National Insurance and operate same on the payments to the Northern Ireland employee. You should seek professional advice in relation to this area.

Bear in mind that if you employ someone in Northern Ireland to work for you, that employee can avail of rights under Northern Ireland Employment legislation. Specific legal advice should be taken with regard to the employment contract. While Ireland and Northern Ireland employment legislation are broadly similar, there are specific areas where the legislation differs between the two jurisdictions e.g. Disciplinary and Grievance procedures.

2.8 Is my Employers Liability Insurance valid in Northern Ireland?

It is more than likely that your Employers Liability Insurance issued in the Republic of Ireland will NOT be valid in respect of services provided by them for you in Northern Ireland. It is also important to note that in Northern Ireland (except for “one man” companies) Employers Liability Insurance is compulsory. You should consult with your insurance provider.

2.9 Are my vehicles/drivers insured in Northern Ireland?

Normally, vehicles used for business purposes should be specifically insured for such uses. It would

be wise, prior to undertaking a new business venture in Northern Ireland, to obtain written confirmation from your Insurance Company in the Republic of Ireland that it will cover your vehicles/ drivers for business purposes in Northern Ireland.

2.10 Are the traffic/vehicle regulations the same in Northern Ireland?

While traffic/vehicle regulations are broadly similar, specific advice should be taken in each instance. For further information on driver and vehicle licensing in Northern Ireland go to the Northern Ireland Department of Environment website – www.dvlni.gov.uk. In certain instances, should you wish to avoid the expense of compliance with the traffic/vehicle regulations of a second jurisdiction, it may be wise to consider retaining a courier or transport agent to deliver your goods within Northern Ireland.

2.11 Do I need a written contract?

It is very wise in all instances to have a written contract. In cross-border services, it is particularly important to define whether the Courts in Northern Ireland or Ireland will have jurisdiction to resolve legal disputes.

2.12 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

2.13 Do I charge Irish VAT? Must I register for UK VAT? Are there special rules for services?

There are special rules that apply to VAT in respect of services and the charge to VAT will depend on the

type of service supplied and also the deemed place of supply. From 1 January 2010 there are two general place of supply rules depending on whether the customer is a business or a consumer. For the supply of services to UK businesses, the place of supply will be where the customer is based (i.e. Northern Ireland). The customer must then account for the VAT under the reverse charge mechanism i.e. the customer will charge themselves VAT on the goods they receive and provided that the goods are for the purpose of their taxable trade they will also be able to claim a deduction for this VAT. If the supply is to a consumer then the place of supply will be Ireland and Irish VAT must be charged. There are some exceptions to this general rule and you should seek professional advice regarding the place of supply for the service you provide.

Services relating to land take place where the specific land is situated. From 1 January 2010, where a business is based in Northern Ireland and receives such services in connection with land in Northern Ireland from a supplier who is based outside the UK then the business customer is required to account for UK VAT on these services. If the customer is not a business, then the place of supply is where the goods are located. As such the Irish supplier would be required to register for and account for UK VAT.

However please note that this is a highly complex area and you should seek professional advice specific to your own circumstances.

Information can also be found on the Revenue Commissioners website at www.revenue.ie and at the HM Revenue & Customs website at www.hmrc.gov.uk

An EC Sales List would also be required to be completed in respect of the EC supply of services.

2.14 Should I invoice in sterling or euro?

The first point to note is that, from a technical point of view, VAT invoices can be expressed in a foreign currency but the corresponding figures should be shown in Euro. The invoice must also contain the actual VAT amount in Euro.

A copy of the invoice must be kept to show the figures that were adopted.

For conversion purposes you should use the Central Bank rates which are published in the daily newspapers at the time of supply.

It is possible to agree an alternative rate with the Revenue i.e. a calendar month exchange system. Please note the agreed method must then be used for all of your foreign currency transactions.

Your Northern Ireland client may prefer to agree a price in sterling and pay you in sterling, so that they are not exposed to exchange rate fluctuations. If you want to facilitate your client, you might agree a sterling equivalent with your client, either on the invoice or as part of a separate contract or agreement. The disadvantage of this is that you then assume the exposure to exchange rate fluctuation. Some firms will state on their invoices

that, should client companies wish to settle the invoice in sterling, they should contact their accounts department on the day of settlement to agree a suitable rate of exchange on that day.

Do not forget to consider your own circumstances and whether or not it would suit you to receive sterling at a certain point in time.

2.15 Is it worthwhile opening a sterling account?

Where you are making and receiving sterling payments, it is often advantageous to maintain a sterling bank account. This provides the ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do.

Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices), so the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a sterling account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

2.16 How do I open a sterling account?

The most convenient way to open a sterling account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said, there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Sterling accounts can be domiciled in Ireland without the need to approach a bank in Northern Ireland.

2.17 Can I protect myself against exchange rate fluctuation?

Exchange rate risk is an important consideration and should always be actively managed. This is best done by netting payments and receipts. However amounts and timings rarely match exactly, so forward foreign exchange contracts can be used.

A forward foreign exchange contract is a binding contract between two parties to buy or sell a specified amount of foreign currency at an agreed rate on or between a specified future date or dates.

These contracts are offered by all the major banks and allow you to guarantee a future value for your sterling receipts, thus completely eliminating foreign exchange risk.

It is prudent to compare the spot price (i.e. the exchange rate now) and the forward market price (i.e. the price that the bank will commit to offering you at a point in the future) before agreeing any deal.

2.18 How can I ensure I get paid?

It is preferable to insist on "cash on delivery". If you cannot get payment on provision of the service and the service receiver subsequently defaults on payment,

then it would be advisable to retain the services of a Solicitor/Debt Collection Agency within Northern Ireland to collect payment should your client defaulting payment in due course. While there are circumstances where it would be possible to secure judgment in Ireland (where the contract may have been made), it is advisable to secure judgment in Northern Ireland as it will in turn be easier to enforce an Northern Ireland Judgment against an Northern Ireland Debtor. (For more information on this subject read section 15 of this Booklet)

2.19 Where do I pay my tax?

If you are self-employed in Ireland you will be required each year to submit a tax return by 31st October following the end of the tax year. At this date, you are also required to pay to the Collector General in Limerick the balance of tax you owe for the tax return you are submitting and also make payment towards the current tax year – known as preliminary tax.

If you operate through the medium of a limited Company in Ireland the payment date for corporation tax has become more streamlined and all small companies (where the company's corporation tax liability for the prior year was < €200,000) will be required to have paid either 90% of their expected corporation tax liability for the current period or they can pay 100% of the prior year liability by the 21st of the month prior to the end of their accounting date to the Collector General.

If the company is a large company (where the company's corporation tax liability for the prior year was less than €200,000) then the

payment is due in instalments. The First Instalment is payable in the 6th month of the accounting period by the 21st of that month and should be 50% of Corporation Tax liability for the preceding accounting period or 45% of Corporation Tax liability for the current accounting period. The Second Instalment is due payable on the 21st date of the eleventh month of the accounting period and the amount payable will bring the total preliminary tax paid to 90% of the Corporation Tax liability for current accounting period.

The balancing payment of Corporation Tax for all companies is due to be paid to the Collector General by the 21st of the ninth month after the year end.

If you are deemed to be providing a professional service in a close company (i.e. a company under the control of 5 or fewer participators) then you may be liable to an additional surcharge on certain undistributed income, it is important to seek advice to determine if you fall within the definitions of a professional service before commencing trade.

If you open a branch in Northern Ireland, UK corporation tax will be payable in respect of branch profits. Credit will be given against the Irish tax in respect of UK tax suffered but it is restricted to the lower of the two taxes.

If you open an establishment in Northern Ireland but not through the medium of a Company you will come within the self assessment arrangements and will be required to submit a UK tax return by 31 October (for manual returns) or 31 January (for online returns) following the end

of the tax year (5 April) and pay any tax becoming due to the Collector of Taxes.

Tax in this instance is paid on 31 January and 31 July of each year with January being the time for paying the balance of tax for the previous year and also the 1st payment on account for the current tax year. The July payment is the 2nd payment on account for that tax year. Payments on account are calculated at 50% each of the previous year's tax liability.

Credit will be given in Ireland for any UK tax paid.

2.20 Is there Professional Services Withholding Tax in Northern Ireland?

Irish Income Tax, at the standard rate, is deducted from payments made for Professional Services by Government Departments, state Bodies, Local Authorities etc. This is known as Professional Services Withholding Tax ("PSWT").

Services considered as Professional Services are medical, dental, veterinary, architectural, engineering, accountancy, consultancy, legal etc.

Non-resident businesses supplying "Professional Services" to Government Departments etc will be liable to PSWT. If no other Irish taxes (i.e. Income Tax or Corporation Tax) are due then a refund of PSWT can be obtained on application to the Revenue Commissioners.

There is no professional services withholding tax in the UK. The only type of withholding tax that applies

in Northern Ireland is in relation to the construction industry.

The Construction Industry Scheme (CIS) sets out the rules for how payments to subcontractors for construction work must be made. These payments may be made gross in some circumstances or tax at 20% or 30% may be deducted from payments net of VAT.

As the amount of tax if any to be applied to payments is dependant on the subcontractors own status with HMRC the principal contractor has an obligation to verify the subcontractors details before making any payments.

This is a very complex area and specific professional advice should be sought.

Section 03

I am based in Ireland and want to buy products from Northern Ireland

3.1 Are there any Customs issues to be aware of?

There is free movement of goods within the EU and the only goods which need to be declared at Customs are excisable goods e.g. tobacco, spirits, wines and beer.

Also please note that excisable goods are imported by appointing a Registered Consignee.

Should your imports from other EU Member States exceed €191,000 per annum you will need to submit Irish Intrastat returns.

3.2 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

3.3 How do I pay my supplier?

The simplest and most cost effective way of effecting payment to suppliers is usually to write a foreign currency cheque. This is where having a foreign currency account really comes into its own as it avoids having to arrange electronic transfers or the purchase of a draft from your bank. The foreign currency account can be either funded by currency receipts or periodic currency purchases from your bank. Currency purchases can usually be made by telephone or internet dealing.

Whilst the simplest method of paying is by cheque writing, there are other methods available for one off transactions or where additional payment security is required. Banks will sell foreign currency drafts to their clients, however these offer little advantage from the purchasers

perspective other than an ability to make payment when no foreign currency account exists, i.e. for one off transactions. A fee is usually payable for the purchase of a draft.

The most secure payment method is an electronic bank-to-bank transfer. Whilst normally more expensive than the previous methods it provides cleared funds to the recipient at a known value date and ensures safe receipt. This is especially useful where goods are dispatched upon receipt of payment.

3.4 What currency should I pay my supplier in?

There is no definitive answer to this as individual circumstances differ. However, you should endeavour to pay in the currency most suitable to your needs and reach agreement with your supplier accordingly.

If you wish to resell your purchases in euro, then buying in euro would probably be most suitable as this would eliminate your foreign exchange risk all together. Effectively, the risk is passed back to the Northern Ireland supplier.

If you have a surplus of sterling you might wish to pay the Northern Ireland supplier in sterling.

In all cases, it is important to get the best value for money, so whilst it may be convenient to pay a Northern Ireland supplier in euro, it is vital that this convenience is not out-weighted by a price disadvantage. It could be more cost efficient to manage the foreign exchange risk yourself if the supplier has loaded his price to cover his risk, as is often the case.

3.5 Is it worthwhile opening a sterling account?

Where you are making and receiving sterling payments, it is often advantageous to maintain a sterling bank account. This provides the ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do. Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices), so the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a sterling account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

3.6 How do I open a sterling account?

The most convenient way to open a sterling account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said, there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Sterling accounts can be domiciled in Ireland without the need to approach a bank in Northern Ireland.

3.7 Who is responsible for VAT?

If you are VAT registered in Ireland and you are purchasing goods from a UK VAT-registered person and the goods are to be exported to you in Ireland for the purposes of your trade, the UK entity will take a note of your VAT number and business address, which they must then verify with HM Revenue & Customs (HMRC). Once HMRC confirm the VAT details, the UK entity may zero rate the supply of goods to you.

You will then account for the VAT on the goods under the reverse charge mechanism i.e. you will charge yourself Irish VAT on the goods you receive and provided the goods are for the purpose of your taxable trade, you will also be able to claim a deduction for this VAT.

3.8 When do I assume the risk for the goods?

Normally, where the seller arranges delivery to the purchaser, risk will only pass to the purchaser on receipt of delivery. In a cross-border sale, this may therefore mean that risk would only pass to the buyer when he receives the goods in Ireland. It would be to the buyers benefit if risk only passed to him on receipt of the goods in Ireland. For example, if risk passed to the buyer on collection of the goods in Northern Ireland and the goods were damaged in transit in Northern Ireland, then the buyer would be obliged to ensure that he was properly insured for

transit of those goods. Often, the contract will define at which point risk passes. A seller (who generally draws up the contract) will however want to ensure that risk passes at the earliest point. Therefore, a buyer should ensure to read the Contract of Sale carefully and seek legal advice.

3.9 What if the goods turn out to be defective and the vendor will not repair/replace?

If the goods are defective, because the sale will have occurred within Northern Ireland, in the normal course the buyer will sue the seller in the Northern Ireland Courts i.e. where the contract occurred. Even if the contract occurred in Ireland (e.g. where the seller from Northern Ireland sold the products in Ireland through a Sales Agent in Ireland) it may still be more appropriate to sue the seller in Northern Ireland as it would be easier to enforce an Northern Ireland judgment against an Northern Ireland seller. There are, however, circumstances where it may only be possible to issue proceedings in Ireland where witnesses in Ireland are not compellable to attend Courts in Northern Ireland to prove the circumstances of the contract.

4.1 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

4.2 How do I pay my supplier?

The simplest and most cost effective way of effecting payment to suppliers is usually to write a foreign currency cheque. This is where having a foreign currency account really comes into its own as it avoids having to arrange electronic transfers or the purchase of a draft from your bank. The foreign currency account can be either funded by currency receipts or periodic currency purchases from your bank. Currency purchases can usually be made by telephone or internet dealing.

Whilst the simplest method of paying is by cheque writing, there are other methods available for one off transactions or where additional payment security is required. Banks will sell foreign currency drafts to their client's, however these offer little advantage from the purchasers perspective other than an ability to make payment when no foreign currency account exists, i.e. for one off transactions. A fee is usually payable for the purchase of a draft.

The most secure payment method is an electronic bank to bank transfer. Whilst normally more expensive than the previous methods it provides cleared funds to the recipient at a known value date and ensures safe receipt. This is especially useful where goods are dispatched upon receipt of payment.

4.3 What currency should I pay my supplier in?

There is no definitive answer to this as individual circumstances differ. However, you should endeavour to pay in the currency most suitable to your needs and negotiate with the supplier accordingly.

If you have a surplus of sterling you might wish to pay the Northern Ireland supplier in sterling.

In all cases, it is important to get the best value for money, so whilst it may be convenient to pay a Northern Ireland supplier in euro, it is vital that this convenience is not out-weighed by a price disadvantage. It could be more cost efficient to manage the foreign exchange risk yourself if the supplier has loaded his price to cover his risk, as is often the case.

4.4 Is it worthwhile opening a sterling account?

Where you are making and receiving sterling payments, it is often advantageous to maintain a sterling bank account. This provides the ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do. Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices), so the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a sterling account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

4.5 How do I open a sterling account?

The most convenient way to open a sterling account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said, there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Sterling accounts can be domiciled in Ireland without the need to approach a bank in Northern Ireland.

4.6 Who is responsible for VAT?

The rules relating to VAT on services are different (and more complex) than those relating to goods.

From 1 January 2010 there are two general place of supply rules depending on whether the customer is a business or a consumer. If you are an Irish business and acquire services from Northern Ireland then the place of supply will be Ireland. You must then account for the VAT under the reverse charge mechanism. If you are not an Irish business i.e. an Irish consumer then the place of supply will be where the supplier is based i.e. Northern Ireland and they will charge UK VAT. There are some exceptions to this general rule.

For land related services the supply is always where the land is situated. From 1 January 2010 where a customer is based in Ireland and receives such services in connection with land in Ireland from a supplier based outside Ireland then the business customer is required to account for Irish VAT on these services. If the customer is not a business then the place of supply is where the goods are located. As such the Northern Ireland supplier would be required to register for and account for Irish VAT.

However please note that this is a highly complex area and you should seek professional advice regarding the VAT implications of the services you are acquiring. Further information can be found on the Revenue's website at www.revenue.ie or on <http://www.revenue.ie/en/tax/vat/leaflets/place-of-supply-of-services.html>

4.7 What if the service is substandard?

If the service is provided by the Northern Ireland service provider in Northern Ireland, you would issue proceedings against the service provider in Northern Ireland e.g. where an architect draws up plans in his Northern Ireland office for your house in Ireland. If the service is provided by the Northern Ireland service provider in Ireland, you would issue proceedings against the Northern Ireland service provider in Ireland e.g. a Northern Ireland builder constructing your house in Ireland.

4.8 Is it necessary for the service provider in Northern Ireland to have professional/trade indemnity insurance?

While it is not compulsory in either jurisdiction that service providers have Professional/Trade Indemnity Insurance, it is generally a requirement of membership of professional organisations. For example, just as a Solicitor in Ireland (as a requirement of membership of the Law Society of Ireland) is required to have Professional Indemnity Insurance within Ireland, a Solicitor in Northern Ireland (as a requirement of membership of the Northern Ireland Law Society) is obliged to have Professional Indemnity Insurance in Northern Ireland. If in doubt, you should request the service provider to confirm that he has Professional Indemnity Insurance for his services in the jurisdiction in which he provides those services. If the Northern Ireland service provider is providing those services in Ireland, then it is important to ascertain that the Northern Ireland service provider has professional indemnity to provide services in Ireland.

5.1 Are there any advantages to my establishing a presence in Northern Ireland?

The issue of establishing a presence in the other jurisdiction is generally more relevant to service providers rather than to sellers of goods. Sellers of goods can manufacture or procure their products within Ireland and establish a satisfactory means of delivery of those goods into Northern Ireland. The goods may be sold through shops within Northern Ireland and therefore the origin of the manufacture of those goods is not that important. However, a service provider will be providing a personal service and, as such, his presence and identity to the client are that bit more important. The main advantage of establishing a presence in Northern Ireland is more direct access to that market. Where you don't establish an actual presence, you are relying on the integrity of sales agents, distributors and couriers/transport agents. It is difficult sometimes to convince buyers/clients that you are in a position to provide an effective service within that jurisdiction where you do not actually have a presence in that jurisdiction.

There may be wider opportunities for grant aid depending on your business sector. There are also some attractive tax saving methods available in the UK, such as generous capital allowances. Professional tax advisers in Northern Ireland should be able to advise on these issues.

5.2 Are there any disadvantages to my establishing a presence in Northern Ireland?

An Irish business person deciding to establish a presence in Northern Ireland will go through almost the very same business start-up expenses which he would have originally encountered when establishing his initial presence in Ireland. For example, it will be necessary to take on the expense of a lease/purchase of premises, building insurance, electricity, telephone supply, payment of commercial rates and other related expenses. For assistance on "start-ups" within Northern Ireland, visit Enterprise Northern Ireland at **www.enterpriseni.com**, Invest Northern Ireland at **www.investni.com** or Department of Enterprise, Trade and Investment at **www.detini.gov.uk**.

As regards tax, if you choose to operate as a sole trader in the UK, your business is chargeable to UK tax and you must also make a return of this income to the Revenue Commissioners. However, double taxation relief will be available.

Where you operate as a trading company, there is an exposure to a higher rate of tax as Irish trading companies are taxed at 12.5% whereas UK trading companies are generally taxed at 20% for small companies and at 24% for large companies. The higher rate of corporation tax will further decrease by 1% in each year until financial year 2014 when the rate will be 22%.

5.3 Should I open a branch or a subsidiary?

For clarification purposes, a branch is merely an extension of a company, whereas a subsidiary is a legal entity in its own right. In the UK, the term branch has been superseded by the term “permanent establishment”.

A Limited Liability Company incorporated in the Republic of Ireland may wish to establish a branch in Northern Ireland. This is facilitated under European Law which requires that certain filings must be made by the Republic of Ireland Company with the Companies Office in Northern Ireland. It is important to bear in mind that a “branch” in legal terms only applies to Corporations e.g. limited liability companies. So, for instance, a partnership or a sole trader would not, in the legal sense, establish a “branch” across the Border. Therefore it is only in the context of Corporations that exists a requirement for filing information and details with the Companies Office in Northern Ireland. From a legal viewpoint a branch is not a separate legal entity from the Company that established that branch. To take an example, we could have a Republic of Ireland incorporated Company with a branch Office in Belfast. The legal entity doing business in Belfast is the Republic of Ireland Company. It just happens to have an office in Belfast.

On the other hand a subsidiary is a completely separate legal entity from the parent company. Once again, subsidiaries only apply to Corporations e.g. Limited Liability Companies) as opposed to sole

traders or partnerships. To take an example, Company A is established and trades in the Republic of Ireland and decides to set up a new business in Belfast. Rather than merely establish a branch, they decide to establish a separate Northern Ireland Company to conduct the business on their behalf. In the normal course the new Company, NewCo, is incorporated in Northern Ireland but its shareholder is Company A. As such, Company A owns all of NewCo. The important legal distinction is that the business being conducted in Northern Ireland is conducted by NewCo and if a legal dispute arose in respect of the conduct of the business then it is NewCo that will be involved in the legal proceedings not Company A. Therefore, in terms of limiting the risk for the parent company in establishing a new business in a foreign jurisdiction, there may well be practical reasons to use a subsidiary as opposed to a branch. If a Company merely has a branch the Company itself is exposed to all legal liability for the actions of the foreign branch and losses accumulated by that branch. By having a separate Company (subsidiary) such risks and losses can be limited to that Subsidiary and ordinarily the Parent Company should be protected. It should be noted, however, that the decision whether to establish a branch or a subsidiary tends to be primarily informed by the tax implications. For more on tax issues, go to Section 5.5.

5.4 What formalities must we undertake?

It will be necessary to decide whether you propose to trade as a Sole Trader/Partnership or as a Limited Liability Company.

If you are operating via a company, regardless of whether the trading is carried on via a subsidiary or a permanent establishment, there is a requirement to register the entity with Companies House. If you choose to operate via a company then you need to establish a company and register with Companies House using form IN01. If you choose to operate via a branch then you need to register the branch with Companies House using form OS IN01. These need to be submitted together with the necessary documentation. A charge applies. Annual accounts must also be submitted to Companies House in respect of subsidiaries.

Whether you choose to operate via a subsidiary company, a branch or as a sole trader, remember to register with HM Revenue & Customs on time to avoid late registration penalties.

If you choose to establish a presence in the UK, registration for VAT must be considered but you are entitled to the same registration thresholds in the UK as an ordinary UK business. If you exceed this threshold, you must register for VAT within 30 days.

5.5 Can we be taxed twice?

If a UK subsidiary is formed its profits will be liable to corporation tax in the UK.

If a permanent establishment (or branch) is formed, the profits of that establishment will be taxed in the UK, but will also be liable to tax in Ireland. However, double taxation relief will be given in respect of the element of profits taxed twice.

Section 06

I am based in Northern Ireland and want to sell products into Ireland

“We had little experience of the legal environment in Ireland and the advice we received through the Trade Accelerator Voucher programme has enabled us to approach clients with confidence. A very simple application into a very worthwhile process”.

Geoff Thomas
CEO, Stredia Ltd

6.1 Must I have an office in Ireland?

It is not necessary to have an office in Ireland to facilitate sales of goods if the goods are to be sold directly to the purchaser. However, if you wish to target a broader spectrum of clients you may wish to consider establishing a presence there. If so, go to Section 10.

6.2 Must I form a Company in Ireland?

A Company is not necessary but if you anticipate profits in the Ireland or your venture has an element of risk to it you may wish to consider ring-fencing this within a Company structure. The rates of tax in the Ireland must also be considered in determining the route you want to take.

6.3 Do I need a licence to sell products in Ireland?

Not generally, but this depends on the type of product to be sold. For example, a licence would be required for the sale of pharmaceuticals. Specific advice should be taken on each occasion.

6.4 Must I declare my goods at Customs?

Do I need to complete export documentation?

There is free movement of goods within the EU and the only goods which need to be declared at Customs are excisable goods i.e. tobacco, spirits, wines and beer.

Should your exports from Northern Ireland exceed £250,000 per annum you will need to submit UK Intrastat returns.

6.5 Must my product meet certain regulations?

You must ensure compliance with required Consumer/Health & Safety Standards. Specific advice should be taken on each occasion but assistance may be obtained from websites. For Consumer Regulations visit the following websites –

www.consumerassociation.ie
Consumer Association of Ireland
www.fsai.ie
Food Safety Authority of Ireland
www.odca.ie
Office of the Director of Consumer Affairs
www.enterprise.gov.ie
Department of Jobs, Enterprise & Innovation
www.centralbank.ie
The Central Bank of Ireland

6.6 At what point does the risk pass from me (the seller) to the purchaser?

Risk, in terms of loss, is the responsibility a carrier, borrower, user/purchaser of property or goods assumes if there is damage or loss. Passing of Risk means the point at which the buyer will be responsible for the goods. For example, if goods are delivered by lorry, who bears the loss if the goods are stolen in transit before they reach the purchaser?

This issue arises just as much within your own jurisdiction as in a cross-border context and is covered by the Sale of Goods legislation, which is broadly similar in both jurisdictions. Normally, where the seller arranges delivery to the purchaser, risk will only pass to the purchaser on receipt of delivery.

In a cross-border sale, this may therefore mean that risk would only pass to the buyer when he receives the goods in Ireland. Often, the contract will define at which point risk passes. A seller (who generally draws up the contract) will however want to ensure that risk passes at the earliest point.

In a cross-border context, it may be wise to consider appointing a Distributor based in Ireland to ensure that risk passes to the Distributor. That is, the risk passes to him once goods are collected from your premises in Northern Ireland. For further definitions, see Distributor and Sales Agent (Section 13).

6.7 What liability do I have for defective products in Ireland?

If goods are being sold through a Distributor in Ireland, the Distributor will generally be required to take on liability for defective products. This would be subject to the Distributor being entitled to indemnity from the seller for those defective products. In such circumstances, the Distributor would deal directly with the buyer and would in turn be entitled to be compensated by the seller for any loss arising to the Distributor as a result of the seller's negligence/breach of contract. If, however, goods are sold by you personally or through a Sales Agent, then you will be liable for defective products under Ireland legislation, and you will be liable for after sales service.

6.8 Do I need to have product liability insurance?

Yes. You should also ensure that the current product liability insurance policy issued to you in

Northern Ireland is not restricted to sales within Northern Ireland. If it is so restricted, you will need to negotiate with your insurance company to ensure that the product liability insurance extends to sales into Ireland.

6.9 What if I am employing an Irish resident to work for me in Ireland?

In general terms, if your Company is based in Northern Ireland and employs an Irish resident to carry out duties in Ireland, a PAYE scheme must be operated in Ireland and you, as the employer, are required to register and account for PAYE/PRSI contributions in Ireland. Similar schemes operate in Northern Ireland in respect of Northern Ireland residents carrying out duties in Northern Ireland for an Irish company.

Bear in mind that if you employ someone in Ireland to work for you, that employee can avail of rights under Irish Employment legislation. Specific legal advice should be taken with regard to the employment contract. While Ireland and Northern Ireland employment legislation are broadly similar, there are specific areas where the legislation differs between the two jurisdictions e.g. Disciplinary and Grievance procedures.

6.10 What if I am sending Northern Ireland employees into Ireland to work there?

This is a complex area, which has been further complicated by a tightening of the rules by the Irish Revenue Commissioners. If an Northern Ireland employer, who does not have a permanent or deemed permanent establishment

in Ireland, is sending UK resident employees into Ireland to work and they spend more than 183 days per year working in Ireland, those employees must be on an Irish payroll. Furthermore, the Irish Revenue Commissioners will automatically apply single person's tax credits and allowances to such earnings.

Where a Northern Ireland employer has UK resident employees working in Ireland for more than 60 days the Northern Ireland employer must register for Irish payroll. There is no requirement to operate Irish payroll where certain conditions are met (e.g. employee taxed in UK, employees carry out their duties in Ireland for less than 183 days, etc.).

Please note that where the UK business has a permanent establishment (or deemed establishment) Irish PAYE must be operated even if the employee only works for one day in Ireland. The 183 day rule does not apply in this instance.

The UK employer must continue to operate UK PAYE in respect of any payments made to the employee during the period they work in Ireland if this period is less than a year. The employer may then give a credit against the UK PAYE due for the lower of the two taxes i.e. Irish PAYE v UK PAYE. Irish PRSI will not apply in this instance. However, if the employee is spending most of their time abroad over a period of a year or more, then HM Revenue & Customs may allow them to use special PAYE arrangements whereby they would get relief from UK tax.

This could result in employees receiving less take-home pay than they would if their salary was only subject to the Northern Ireland/ UK PAYE system. This is likely to cause great complications and labour relations problems for Northern Ireland employers whose employees are regularly assigned to work in Ireland. For this reason, you are strongly advised to consult your professional adviser if these rules are likely to impact upon your business.

6.11 Is my Employers Liability Insurance valid in Ireland?

More than likely it is not. Specific advice should be taken by you from your Insurance Company. If employing someone in Ireland it is essential that that employee is covered by Insurance which applies to Ireland Health & Safety Law.

6.12 Are my vehicles/drivers insured in Ireland?

Normally, vehicles used for business purposes must be specifically insured for business use. It would be wise, prior to undertaking a new business venture Ireland, to obtain written confirmation from your Insurance Company in Northern Ireland that it will cover your vehicles/drivers for business purposes in Ireland.

6.13 Are the traffic/vehicle regulations the same in Ireland?

While traffic/vehicle regulations are broadly similar, specific advice should be taken in each instance. For further information on driver and vehicle licensing in Ireland go to the following websites - **www.motortax.ie** Motor Tax Online **www.transport.ie** Department of Transport, Tourism and Sport

In certain instances, should you wish to avoid the expense of compliance with the traffic/vehicle regulations of a second jurisdiction, it may be wise to consider retaining a courier or transport agent to deliver your goods within Ireland.

6.14 Do I need a written contract?

It is very wise in all instances to have a written contract. In cross border sales, it is particularly important to define such matters as – when risk passes, liabilities of Distributors, liabilities of Sales Agents etc. It is also important to define whether the Courts in Northern Ireland or Ireland will have jurisdiction to resolve legal disputes.

6.15 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

6.16 Do I charge UK VAT? Must I register for Irish VAT?

If you are VAT registered in the UK, you will charge UK VAT if your Irish based customer is not Irish VAT-registered. If your customer is Irish VAT registered and the goods are being exported to them for business purposes, you will verify their VAT number and business address with HM Revenue & Customs. This will then enable you to zero rate the supply and the customer will account for the VAT under the reverse charge mechanism. You must also keep evidence that the goods have been exported.

You will also have to complete an EC sales list giving details of your Irish customers.

You should also be aware of the rules regarding distance selling i.e. selling goods directly to non-VAT-registered persons e.g. mail order, catalogues, via the internet etc. Each Member State has its own distance selling thresholds and if you exceed these thresholds you are required to register for VAT in that member state and charge VAT accordingly.

The distance selling threshold for selling into Ireland is €35,000.

The distance selling threshold for selling into UK is £70,000

If your exports of goods to VAT registered business in other EU Member States exceed £250,000 per annum you will need to submit monthly Intrastat returns.

6.17 Should I invoice in sterling or euro?

The first point to note is that, from a technical point of view, VAT invoices raised by an Northern Ireland-based business can be issued in a foreign currency but you must also convert not only the value of the invoice but the VAT amount into sterling on the invoice.

If you choose to raise an invoice this way you must convert same into sterling by either:

A) using the UK market selling rate at the time of supply which can be found in National newspapers

or

B) use the period rate of exchange published by HM Revenue & Customs (also available from the National Advice Service)

Prior approval does not need to be sought from HM Revenue & Customs to use method B) above but where you have adopted same you cannot then subsequently change to another method of conversion without prior approval of your local VAT business centre.

Your Irish client may prefer to agree a price in euro and pay you in euro, so that they are not exposed to exchange rate fluctuations. If you want to facilitate your client, you could choose to raise your invoice in euro with the sterling equivalent shown on same or agree a euro equivalent as part of a separate contract or agreement. The disadvantage of this is that you then assume the exposure to exchange rate fluctuation.

Some firms will state on their invoices that, should client companies wish to settle the invoice in euro, they should contact their accounts department on the day of settlement to agree a suitable rate of exchange on that day.

Do not forget to consider your own circumstances and whether or not it would suit you to receive euro at a certain point in time.

6.18 Is it worthwhile opening a euro account?

Where you are making and receiving euro payments it is often advantageous to maintain a euro bank account. This provides the ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do. Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices) thus the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a euro account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

6.19 How do I open a euro account?

The most convenient way to open a euro account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Euro accounts can be domiciled in Northern Ireland. without the need to approach a bank in Ireland.

6.20 Can I protect myself against exchange rate fluctuation?

Exchange rate risk is an important consideration and should always be actively managed. This is best done by netting payments and receipts. However, amounts and timings rarely match exactly, so forward foreign exchange contracts can be used.

A forward foreign exchange contract is a binding contract between two parties to buy or sell a specified amount of foreign currency at an agreed rate on or between a specified future date or dates.

These contracts are offered by all the major banks and allow you to guarantee a future value for your euro receipts, thus completely eliminating foreign exchange risk.

It is prudent to compare the spot price (i.e. the exchange rate now) and the forward market price (i.e. the price that the bank will commit to offering you at a point in the future) before agreeing any deal.

6.21 How can I ensure I get paid?

It is preferable to insist on “cash on delivery”. If you cannot get payment on delivery and the purchaser subsequently defaults on payment then it would be advisable to retain the services of a Solicitor/ Debt Collection Agency within the Republic of Ireland to collect payment should your client default in payment in due course. While there are circumstances where it would be possible to secure judgment in Northern Ireland (where the contract may have been made), it is advisable to secure judgment in Ireland as it will in turn be easier to enforce an Irish Judgment against an Irish Debtor. (For more information on this subject read section 15 of this Booklet)

6.22 Where do I pay my tax?

If you are self employed in the UK, you will be required to submit a tax return by 31 October (for manual returns) or 31 January (for online returns) following the end of the tax year (5 April) under the self assessment arrangements and pay any tax becoming due to the Collector of Taxes. Tax is paid on 31 January and 31 July of each year with January being the time for paying the balance of tax for the previous tax year and also the 1st

payment on account for the current year. The July payment is the 2nd payment on account for that same tax year. Payments on account are calculated at 50% each of the previous year's tax liability.

If you choose to open a place of business in Ireland you will be liable to Irish tax on the profits of your Irish business. These profits are also part of your UK self- assessment return but you will receive credit under the double taxation agreement for the element of profits taxed twice.

If you operate through a Company in Northern Ireland, tax will have to be paid to the Collector of Taxes in Shipley, Bradford. UK Corporation tax is generally payable 9 months and 1 day after the Company's year end, though special rules apply to large companies whereby the company will be required to pay its corporation tax liability in instalments.

If you operate through the medium of a limited company in the UK and choose to open a branch in Ireland, the branch profits will be liable to tax in Ireland (as well as in UK with double taxation relief). Corporation tax in Ireland has become more streamlined and all companies will be required to have paid 90% of their expected corporation tax liability one month prior to the end of their accounting date. There are special rules relating to small companies – where the company's corporation tax liability for the previous year was < €200,000 they can opt to pay their preliminary tax based on 100% of their prior year liability. Corporation tax is also paid to the Collector General.

Section 07

I am based in Northern Ireland and want to sell services into Ireland

7.1 Must I have an office in Ireland?

It is not necessary to have an office in Ireland to facilitate a supply of services. However, if you wish to target a broader spectrum of clients you may wish to consider establishing a presence there. If so, go to Section 10.

7.2 Must I form a company in Ireland?

A Company is not necessary but if you anticipate profits in Ireland or your venture has an element of risk to it, you may wish to consider ring-fencing this within a Company structure. The rates of tax in Ireland must also be considered in determining the route you want to take.

7.3 Do I need a licence to sell my services in Ireland?

This will depend on the type of service to be sold. For example, if selling financial services it would be necessary for you to consult the Central Bank of Ireland. See its website at www.centralbank.ie. Specific advice should be taken on each occasion.

7.4 Must my services adhere to certain regulations?

Again, this will depend on the type of service being sold. Specific advice should be taken on each occasion but assistance may be obtained from websites. For further information on regulations which may apply go to –

www.consumerassociation.ie
Consumer Association of Ireland
www.fsai.ie
Food Safety Authority of Ireland
www.odca.ie
Office of the Director of
Consumer Affairs

www.enterprise.gov.ie
Department of Jobs,
Enterprise & Innovation
www.centralbank.ie
Central Bank of Ireland

7.5 What liability do I have for substandard work in Ireland?

Just as you would be liable for substandard work provided in Northern Ireland, if undertaking services in Ireland, you are bound by contract to ensure the delivery of a proper service. Note that Irish law will apply.

7.6 Do I need professional/trade indemnity insurance?

Professional/Trade indemnity insurance is an insurance policy which provides indemnity to you the Service Provider by your Insurance Company for Breach of Contract. That is, in the event that you, the service provider, provide a substandard service by which the Service Receiver sustains loss, then the insurance company guarantees to pay any loss which the service receiver has suffered. This is a service insurance which should specifically be taken out in Ireland and you will be required to take out this insurance over and above the professional / trade indemnity insurance which you may have in Northern Ireland for services provided in Northern Ireland. Again, you should check with your Insurance Broker as to the adequacy of your insurance for provision of services in Ireland.

7.7a What if I am employing someone in Ireland to work for me?

In general terms, if your Company is based in Northern Ireland and employs an Irish resident to carry out duties in Ireland, a PAYE scheme must be operated in Ireland and you, as the employer, are required to register and account for PAYE/PRSI contributions in Ireland. Similar schemes operate in Northern Ireland in respect of Northern Ireland residents carrying out duties in Northern Ireland for an Irish company.

Bear in mind that if you employ someone in Ireland to work for you, that employee can avail of rights under Irish Employment legislation. Specific legal advice should be taken with regard to the employment contract. While Ireland and Northern Ireland employment legislation are broadly similar, there are specific areas where the legislation differs between the two jurisdictions e.g. redundancy payments.

7.7b What if I am sending Northern Ireland employees into Ireland to work there?

This is a complex area, which has been further complicated by a tightening of the rules by the Irish Revenue Commissioners. If an Northern Ireland employer, who does not have a permanent or deemed permanent establishment in Ireland, is sending UK resident employees into Ireland to work and they spend more than 183 days per year working in Ireland, those employees must be on an Irish payroll. Furthermore, the Irish Revenue Commissioners will automatically apply single person's tax credits and allowances to such earnings.

Where a Northern Ireland employer has UK resident employees working in Ireland for more than 60 days the Northern Ireland employer must register for Irish payroll. There is no requirement to operate Irish payroll where certain conditions are met (e.g. employee taxed in UK, employees carry out their duties in Ireland for less than 183 days, etc.).

Please note that where the UK business has a permanent establishment (or deemed establishment) Irish PAYE must be operated even if the employee only works for one day in Ireland. The 183 day rule does not apply in this instance.

The UK employer must continue to operate UK PAYE in respect of any payments made to the employee during the period they work in Ireland if this period is less than a year. The employer may then give a credit against the UK PAYE due for the lower of the two taxes i.e. Irish PAYE v UK PAYE. Irish PRSI will not apply in this instance. However, if the employee is spending most of their time abroad over a period of a year or more, then HM Revenue & Customs may allow them to use special PAYE arrangements whereby they would get relief from UK tax.

This could result in employees receiving less take-home pay than they would if their salary was only subject to the Northern Ireland/UK PAYE system. This is likely to cause great complications and labour relations problems for Northern Ireland employers whose employees are regularly assigned to work in Ireland. For this reason, you are strongly advised to consult your

professional adviser if these rules are likely to impact upon your business.

7.8 Is my Employers Liability Insurance valid in Ireland?

It is more than likely that your Employers Liability Insurance issued in Northern Ireland will not be valid in respect of services provided by them for you in Ireland. Whereas Employers Liability Insurance (except for "one man" companies) is compulsory in Northern Ireland, it is not compulsory in the Republic of Ireland. It is however very advisable to have Employers Liability Insurance in Ireland as the level of Claims in Ireland is generally higher than in Northern Ireland.

7.9 Are my vehicles/drivers insured in Ireland?

In the normal course, vehicles used for business use require to be specifically insured for business purposes. It would be wise, prior to undertaking a new business venture in Ireland to obtain written confirmation from your Insurance Company in Northern Ireland that it will cover your vehicles/drivers for business purposes in Ireland.

7.10 Are the traffic/vehicle regulations the same in Ireland?

While traffic/vehicle regulations are broadly similar, specific advice should be taken in each instance. For further information on driver and vehicle licensing in Ireland go to the following websites -
www.motortax.ie
Motor Tax Online
www.transport.ie
Department of Transport

7.11 Do I need a written contract?

It is very wise in all instances to have a written contract. In cross border services, it is particularly important to define whether the Courts in Northern Ireland or Ireland will have jurisdiction to resolve legal disputes.

7.12 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

7.13 Do I charge UK VAT? Must I register for Irish VAT? Are there special rules for services?

The rules relating to VAT on services are different (and more complex) than those relating to goods.

From 1 January 2010 there are two general place of supply rules depending on whether the customer is regarded as a business or not. For the supply of services to Irish businesses the place of supply will be where the customer is based i.e. Ireland. The customer will then account for the VAT under the reverse charge mechanism. If the supply is to an Irish non business customer then the place of supply will be Northern Ireland and as such UK VAT should be charged. There are some exceptions to this general rule.

Services relating to land take place where the specific land is situated. From 1 January 2010, where a business customer is based in Ireland and receives such services in connection with land in Ireland from a supplier who is based outside Ireland then the business customer is required to account for

Irish VAT on these services. If the customer is not a business then the place of supply is where the land is located. As such the Northern Ireland supplier would be required to register for and account for Irish VAT.

The new rules also require an EC sales list to be completed in respect of intra EC supply of services.

Please note that foreign traders carrying on business in Ireland are obliged to register for Irish VAT from day one and do not have the benefit of the VAT registration thresholds that apply to an Irish trader.

Services relating to land are deemed to take place where the land is situated. However from 1 September 2008 rules relating to VAT and subcontractors within the construction industry in Ireland have been simplified, i.e. after this date if you are providing services to a VAT registered principal contractor you will not need to charge VAT and the principal contractor will account for the VAT via the reverse charge mechanism. This provision only applies to services to principal contractors involved in the construction industry.

Please note that if an Northern Ireland business in the construction sector is providing services to anyone other than a principal contractor, e.g. shop fitter installing shelves for a shopkeeper in Ireland, the Northern Ireland business must register for and charge Irish VAT.

Please note that this is a highly complex area and that you should seek professional advice specific to your own circumstances.

7.14 Will any tax be deducted from my payments?

• *Relevant Contracts Tax*

Where you are engaged in the construction, forestry and meat processing, industries then a withholding tax known as Relevant Contracts Tax ("RCT") applies where the subcontractor does not hold a gross payments card (C2). The standard rate is 20% for subcontractors registered for tax. A 35% rate applies for subcontractors who are not tax registered.

Where "relevant operations" under a "relevant contract" are carried out in Ireland, then RCT will apply. It is important to note that RCT also applies to non-resident businesses. Where no other Irish taxes are due then a refund of RCT can be obtained on application to the Revenue Commissioners.

A gross payments card (C2) can be obtained where an application is made to the Revenue Commissioners. This can be a long and complicated application procedure and professional advice should be sought in this regard.

• *Professional Services Withholding Tax*

Irish Income Tax, at the standard rate, is deducted from payments made for Professional Services by Government Departments, state Bodies, Local Authorities etc. This is known as Professional Services Withholding Tax ("PSWT").

Services considered as Professional Services are medical, dental, veterinary, architectural, engineering, accountancy, consultancy, legal etc.

Non-resident businesses supplying "Professional Services" to Government Departments etc will be liable to PSWT. If no other Irish taxes (i.e. Income Tax or Corporation Tax) are due then a refund of PSWT can be obtained on application to the Revenue Commissioners.

7.15 Should I invoice in sterling or euro?

The first point to note is that, from a technical point of view, VAT invoices raised by an Northern Ireland-based business can be issued in a foreign currency but you must also convert not only the value of the invoice but the VAT amount into sterling on the invoice.

If you choose to raise an invoice this way you must convert same into sterling by either:

A) using the UK market selling rate at the time of supply which can be found in National newspapers

or

B) use the period rate of exchange published by HM Revenue & Customs (also available from the National Advice Service)

Prior approval does not need to be sought from HM Revenue & Customs to use method B) above but where you have adopted same you cannot then subsequently change to another method of conversion without prior approval of your local VAT business centre.

Your Irish client may prefer to agree a price in euro and pay you in euro, so that they are not exposed to exchange rate fluctuations. If you

want to facilitate your client, you could choose to raise your invoice in euro with the sterling equivalent shown on same or agree a euro equivalent as part of a separate contract or agreement. The disadvantage of this is that you then assume the exposure to exchange rate fluctuation.

Some firms will state on their invoices that, should client companies wish to settle the invoice in euro, they should contact their accounts department on the day of settlement to agree a suitable rate of exchange on that day.

Do not forget to consider your own circumstances and whether or not it would suit you to receive euro at a certain point in time.

7.16 Is it worthwhile opening a euro account?

Where you are making and receiving euro payments it is often advantageous to maintain a euro bank account. This provides the ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do. Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices) thus the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a euro account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

7.17 How do I open a euro account?

The most convenient way to open a euro account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Euro accounts can be domiciled in Northern Ireland. without the need to approach a bank in Ireland.

7.18 Can I protect myself against exchange rate fluctuation?

Exchange rate risk is an important consideration and should always be actively managed. This is best done by netting payments and receipts. However, amounts and timings rarely match exactly, so forward foreign exchange contracts can be used.

A forward foreign exchange contract is a binding contract between two parties to buy or sell a specified amount of foreign currency at an agreed rate on or between a specified future date or dates.

These contracts are offered by all the major banks and allow you to guarantee a future value for your euro receipts, thus completely eliminating foreign exchange risk.

It is prudent to compare the spot price (i.e. the exchange rate now) and the forward market price (i.e. the price that the bank will commit to offering you at a point in the future) before agreeing any deal.

7.19 How can I ensure I get paid?

It is preferable to insist on "cash on delivery". If you cannot get payment on provision of the service and the service receiver subsequently defaults on payment then it would be advisable to retain the services of a Solicitor/Debt Collection Agency within Ireland to collect payment should your client default in payment in due course. While there are circumstances where it would be possible to secure judgment in Northern Ireland (where the contract may have been made), it is advisable to secure judgment in Ireland as it will in turn be easier to enforce an Irish Judgment against an Irish Debtor.

7.20 Where do I pay my tax?

If you are self employed in the UK, you will be required to submit a tax return by 31 October (for manual returns) or 31 January (for online returns) following the end of the tax year (5 April) under the self assessment arrangements and pay any tax becoming due to the Collector of Taxes. Tax is paid on 31 January and 31 July of each year with January being the time for paying the balance of tax for the previous year and also the 1st payment on account for the current year. The July payment is the 2nd payment on account for that same tax year.

If you choose to open a place of business in Ireland you will be liable to Irish tax on the profits

of your Irish business. These profits are also part of your UK self- assessment return but you will receive credit under the double taxation agreement for the element of profits taxed twice

If you operate through a Company in Northern Ireland, tax will have to be paid to the Collector of Taxes in Shipley, Bradford. UK Corporation tax is generally payable 9 months and 1 day after the Company's year end, though special rules apply to large companies where payments on account must be made.

Payments on account for large companies are generally made in four equal instalments with the first payment due 6 months 13 days after the start of the accounting period. This payment should equal 25% of the estimated tax liability based on profits at that date, the second quarterly payment should be for 50% of the estimated tax liability and the third payment for 75% of the estimated tax liability with a final payment due 3 months 14 days after the end of the accounting period.

If you operate through the medium of a limited company in the UK and choose to open a branch in Ireland, the branch profits will be liable to tax in Ireland (as well as in UK with double taxation relief). If you operate through the medium of a limited Company in Ireland the payment date for corporation tax has become more streamlined and all small companies (where the company's corporation tax liability for the prior year was < €200,000) will be required to have paid either 90% of their expected corporation tax liability for the current period or

they can opt to pay 100% of the prior year liability by the 21st of the month prior to the end of their accounting date to the Collector General.

If the company is a large company (where the company's corporation tax liability for the prior year was > €200,000) then the payment is due in instalments. The First Instalment is payable in the 6th month of the accounting period by the 21st of that month. The amount payable should be 50% of Corporation Tax liability for the preceding accounting period or 45% of Corporation Tax liability for the current accounting period. The Second Instalment is due on the 21st date of the eleventh month of the accounting period and the amount payable will bring the total preliminary tax paid to 90% Corporation Tax liability for the current accounting period.

The balancing payment of Corporation Tax for all companies is due to be paid to the Collector General by the 21st of the ninth month after the year end.

Section 08

I am based in Northern
Ireland and want to buy
products from Ireland

8.1 Are there any Customs issues to be aware of?

There is free movement of goods within the EU and the only goods which need to be declared at Customs are excisable goods i.e. tobacco, spirits, wines and beer.

If imports from other EU Member States exceed £600,000 per annum you will be required to complete UK Intrastat returns.

8.2 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

8.3 How do I pay my supplier?

The simplest and most cost effective way of effecting payment to suppliers is usually to write a foreign currency cheque. This is where having a foreign currency account really comes into its own as it avoids having to arrange electronic transfers or the purchase of a draft from your bank. The foreign currency account can be either funded by currency receipts or periodic currency purchases from your bank. Currency purchases can usually be made by telephone or internet dealing.

Whilst the simplest method of paying is by cheque writing, there are other methods available for one off transactions or where additional payment security is required. Banks will sell foreign currency drafts to their clients, however these offer little advantage from the purchaser's perspective other than an ability to make payment when no foreign currency account exists, i.e. for one off transactions. A fee is usually payable for the purchase of a draft.

The most secure payment method is an electronic bank to bank transfer. Whilst normally more expensive than the previous methods it provides cleared funds to the recipient at a known value date and ensures safe receipt. This is especially useful where goods are dispatched upon receipt of payment.

8.4 What currency should I pay my supplier in?

There is no definitive answer to this as individual circumstances differ. However, you should endeavour to pay in the currency most suitable to your needs and agree a payment currency with your supplier accordingly.

If you wish to sell on your purchases, priced in sterling, then buying in sterling would probably be most suitable as this would eliminate your foreign exchange risk all together. (The risk is passed back to the Irish supplier).

If you have a surplus of euro then you might wish to pay the Irish supplier in euro.

In all cases it is important to get the best value for money, so whilst it may be convenient to pay an Irish supplier in sterling, it is vital that this convenience is not out weighted by a price disadvantage. It could be more cost efficient to manage the foreign exchange risk yourself if the supplier has loaded his price to cover himself as is often the case.

8.5 Is it worthwhile opening a euro account?

Where you are making and receiving euro payments it is often advantageous to maintain a euro bank account. This provides the

ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do. Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices) thus the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a euro account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

8.6 How do I open a euro account?

The most convenient way to open a euro account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Euro accounts can be domiciled in Northern Ireland. without the need to approach a bank in Ireland.

8.7 Who is responsible for VAT?

If you are VAT registered in the UK and you are purchasing goods from an Irish VAT registered person and the goods are to be exported to you in the UK, the supplier will take a note of your VAT number and business address and will then zero rate the supply of goods to you.

You will then account for the VAT on the goods under the reverse charge mechanism and, provided the goods you purchase are for the purpose of your trade, you will be able to claim a deduction for the VAT you have charged yourself.

8.8 When do I assume the risk for the goods?

In the normal course where the seller arranges delivery to the purchaser risk will only pass on receipt of delivery of the goods. In certain circumstances where the seller arranges delivery to the buyer risk may only pass to the buyer on receipt of delivery. In a cross border sale, this may therefore mean that risk would only pass to the buyer when he receives the goods in Northern Ireland. It would be to the buyers benefit if risk only passed to him on receipt of the goods in Northern Ireland. For example, if risk passed to the buyer on collection of the goods in Ireland and the goods were damaged in transit in Ireland, then the buyer would be obliged to ensure that he was properly insured for transit of those goods. Often, the Contract will define at which point risk passes. A seller (who generally draws up the Contract) will however want to ensure that risk passes at the earliest point. Therefore, a buyer should ensure to read the Contract of Sale carefully.

8.9 What if the goods turn out to be defective and the vendor will not repair/replace?

If the goods are defective, because the sale will have occurred within Ireland, in the normal course the buyer will sue the seller in the Republic of Ireland Courts; i.e. where the contract occurred. Even if the contract occurred in Northern Ireland (e.g. where the seller from Ireland sold the products in Northern Ireland through a Sales Agent in Northern Ireland) it may still be more appropriate to sue the seller in Ireland as it would be easier to enforce an Irish judgment against an Irish seller. There are however circumstances where it may only be possible to issue proceedings in Northern Ireland where witnesses in Northern Ireland are not compellable to attend Courts in Ireland to prove the circumstances of the contract.

Section 09

I am based in Northern
Ireland and want to buy
services from Ireland

9.1 What are typical payment/credit terms?

Typical credit terms are 30 days. However, this can vary considerably in practice and depending on the sector in which you operate.

9.2 How do I pay my supplier?

The simplest and most cost effective way of effecting payment to suppliers is usually to write a foreign currency cheque. This is where having a foreign currency account really comes into its own as it avoids having to arrange electronic transfers or the purchase of a draft from your bank. The foreign currency account can be either funded by currency receipts or periodic currency purchases from your bank. Currency purchases can usually be made by telephone or internet dealing.

Whilst the simplest method of paying is by cheque writing, there are other methods available for one off transactions or where additional payment security is required. Banks will sell foreign currency drafts to their clients, however these offer little advantage from the purchaser's perspective other than an ability to make payment when no foreign currency account exists, i.e. for one off transactions. A fee is usually payable for the purchase of a draft.

The most secure payment method is an electronic bank to bank transfer. Whilst normally more expensive than the previous methods it provides cleared funds to the recipient at a known value date and ensures safe receipt. This is especially useful where goods are dispatched upon receipt of payment.

9.3 What currency should I pay my supplier in?

There is no definitive answer to this as individual circumstances differ. However, you should endeavour to pay in the currency most suitable to your needs and agree a payment currency with your supplier accordingly.

If you have a surplus of euro, then you might wish to pay the Irish supplier in euro.

In all cases it is important to get the best value for money, so whilst it may be convenient to pay an Irish supplier in sterling, it is vital that this convenience is not outweighed by a price disadvantage. It could be more cost efficient to manage the foreign exchange risk yourself if the supplier has loaded his price to cover himself as is often the case.

9.4 Is it worthwhile opening a euro account?

Where you are making and receiving euro payments it is often advantageous to maintain a euro bank account. This provides the ability to net currency payments against currency receipts, thus minimising the number of foreign exchange deals that you do. Every foreign exchange deal is subject to a 'spread' (the difference between the bank's buying and selling prices) thus the fewer deals you do the less 'spread' you pay.

Where there is considerable bias towards payments or receipts, hence minimal netting, a euro account will provide an excellent audit trail and the ability to convert currency in larger amounts which are liable to attract a better rate of exchange.

9.5 How do I open a euro account?

The most convenient way to open a euro account will be via your existing bankers as this will minimise the amount of documentation that you will be required to produce to meet legislative requirements. Your existing relationship manager will be familiar with your needs and may also be holding security or deeds to facilitate overdraft or loan facilities which may be extendible to your new account.

That said there is nothing to stop you using another bank specifically for your foreign currency business and some account holders prefer to shop around and form a secondary banking relationship.

Euro accounts can be domiciled in Northern Ireland. without the need to approach a bank in Ireland.

9.6 Who is responsible for VAT?

The rules relating to VAT on services are different (and more complex) than those relating to goods.

From 1 January 2010 there are two general place of supply rules depending on whether the customer is VAT registered or not. If you are a UK business and acquire services from an Irish VAT registered company then the place of supply will be where you the customer is based i.e. Northern Ireland. As such, you will be required to account for VAT under the reverse charge mechanism. If you are a UK non-VAT registered business and acquire services from Ireland then you will not be liable to account for UK VAT (subject to the registration thresholds). If you are not a UK business and acquire goods from

an Irish VAT registered company then the place of supply will be where the supplier is based i.e. Ireland. The Irish company will charge Irish VAT. There are some exceptions to this general rule.

Services relating to land take place where the specific land is situated. From 1 January 2010, where a customer is based in Northern Ireland and receives such services in connection with land in Northern Ireland from a supplier who is based outside Northern Ireland then the customer is required to account for UK VAT on these services.

As the rules regarding the supply of services are highly complex you should see professional advice relating to your specific circumstances.

9.7 What if the service is substandard?

If the service is provided by the Irish service provider in Ireland, you would issue proceedings against the service provider in Ireland e.g. an Architect draws up plans in his Irish office for your house in Northern Ireland. If the service is provided by the Irish service provider in Northern Ireland (who is insured), you would issue proceedings against the Irish service provider in Northern Ireland e.g. the Irish builder constructs your house in Northern Ireland.

9.8 Is it necessary for the service provider in Ireland to have professional indemnity/trade insurance?

Professional/Trade indemnity insurance is an insurance policy which provides indemnity to the Service Provider by their Insurance Company for Breach of Contract. That is, in the event that the service provider, provides a substandard service by which the Service Receiver sustains loss, then the insurance company guarantees to pay any loss which the service receiver has suffered. While it is not compulsory in either jurisdiction that service providers have Professional Indemnity/trade Insurance, it is generally a requirement of membership of professional organisations that the service provider has Professional/Trade Indemnity Insurance. For example, just as a Solicitor in Northern Ireland (as a requirement of membership of the Northern Ireland Law Society) is required to have Professional Indemnity Insurance within Northern Ireland, a Solicitor in Ireland (as a requirement of membership of the Law Society of Ireland) is obliged to have Professional Indemnity Insurance within Ireland. If in doubt, you should request the service provider to confirm that he has Professional Indemnity Insurance for his services in the jurisdiction in which he provides those services. If the Irish service provider is providing those services in Northern Ireland, then it is important to ascertain that the Irish service provider has professional indemnity to provide services in Northern Ireland.

Section 10

I am based in Northern
Ireland and want to
establish a presence
in Ireland

10.1 Are there any advantages to my establishing a presence in Ireland?

Yes, the rate of corporation tax for trading companies is an advantage and can produce a tax saving where you choose to form a subsidiary or a separate limited company. Formation of a branch will not result in the same saving. However, pricing rules should be considered when exploring tax-saving opportunities.

The issue of establishing a presence in the other jurisdiction is generally more relevant to service providers rather than to Sellers of goods. Sellers of goods can manufacture or procure their products within Northern Ireland and establish a satisfactory means of delivery of those goods into Ireland. The goods may be sold through shops within Ireland and therefore the origin of the manufacture of those goods is not that important. However, a service provider will be providing a personal service and, as such, his presence and identity to the client are more important. The advantages of establishing a presence in Ireland is more direct access to that market. Where you don't establish an actual presence, you are relying on the integrity of Sales Agents, Distributors and Couriers/Transport Agents. It is difficult sometimes to convince buyers/clients that you are in a position to provide an effective service within that jurisdiction where you do not actually have a presence in that jurisdiction.

For general information on deciding whether to lease or purchase premises, go to the Appendix Useful Topics "Choosing Business Premises".

10.2 Are there any disadvantages to my establishing a presence in Ireland?

A Northern Ireland business person deciding to establish a presence in Ireland will go through almost the very same business start-up expenses which he would have originally encountered when establishing his initial presence in Northern Ireland. For example, it will be necessary to take on the expense of a lease/purchase of premises, building insurance, electricity, telephone supply, payment of commercial rates and other related expenses. For assistance to "start-ups" within Ireland, contact a City/County Enterprise Board or look at www.basis.ie

As regards tax issues, the rates of tax for sole traders in the UK are higher than in Ireland.

It should also be noted that the submission of late tax returns to the Revenue Commissioners for both Companies and sole traders can result in tax based penalties, which vary depending on the degree of lateness.

In addition, for companies which have losses there are restrictions on the set off of those losses where the return has been made late.

New start-up companies which were incorporated on or after 14 October 2008 and commenced trading in 2009 or 2010 were exempt from corporation tax, including capital gains, in each of the first three years to the extent that their tax liability in the year did not exceed €40,000. This effectively allowed a trading company to earn

€320,000 in profits tax free in each of the first three years of trading. The Irish budget in December 2011 announced that this exemption is being extended and will include companies commencing a new trade in 2012. The relief will be linked to the employers PRSI paid by the company in an accounting period subject to a maximum of €5,000 per employee and an overall limit of €40,000.

Where you incorporate an Irish company, you will need to comply with company secretarial requirements which can be quite onerous and can lead to heavy fines for non-compliance (www.cro.ie).

The key body in this respect of corporate governance is the Office of the Director of Corporate Enforcement (www.odce.ie) which can strike off defaulting directors for up to five years.

The Companies Act 2009 which was introduced on the 2 July 2009 has removed the requirement for companies incorporated by UK residents to take out a bond, where they did not have an Irish resident director. This new Act amends this provision by replacing this obligation with the requirement that at least one director of the company must be resident in a member state of the EEA. Further information is available on the website of the Companies Registration Office www.cro.ie.

10.3 What's the difference between a branch and a subsidiary?

Whereas a branch is an extension of a company, a subsidiary is a legal entity in its own right. In the UK the term branch has been superseded by the term "permanent establishment".

A Limited Liability Company incorporated in Northern Ireland may wish to establish a branch in Ireland. This is facilitated under European Law which requires that certain filings must be made by the Northern Ireland Company with the Companies Office in Ireland. It is important to bear in mind that a "branch" in legal terms only applies to Corporations e.g. limited liability companies. So, for instance, a Partnership or a sole trader would not in the legal sense establish a "branch" across the Border. Therefore, it is only in the context of Corporations that there is a requirement for filing information and details with the Companies Office in Ireland. From a legal viewpoint a branch is not a separate legal entity from the Company that established that branch. To take an example, we could have a Northern Ireland incorporated Company with a branch Office in Dublin. The legal entity doing business in Dublin is the Northern Ireland Company. It just happens to have an office in Dublin.

On the other hand a subsidiary is a completely separate legal entity from the parent company. Once again, subsidiaries only apply to Corporations, e.g. Limited Liability Companies, as opposed to sole traders or partnerships. To take an example, Company A is established and trades in Northern Ireland and decides to set up a new business in Dublin. Rather than merely establish a branch, they decide to establish a separate Irish Company to conduct the business on their behalf. In the normal course the new Company, NewCo, is incorporated in Ireland but its shareholder is Company A. As such, Company A owns all of NewCo.

The important legal distinction is that the business being conducted in Ireland is conducted by NewCo and if a legal dispute arose in respect of the conduct of the business then it is NewCo that will be involved in the legal proceedings, not Company A. Therefore, in terms of limiting the risk for the parent company in establishing a new business in a foreign jurisdiction, there may well be practical reasons to use a subsidiary as opposed to a branch. If a Company merely has a branch the Company itself is exposed to all legal liability for the actions of the foreign branch and losses accumulated by that branch. By having a separate Company (subsidiary) such risks and losses can be limited to that Subsidiary and ordinarily the Parent Company should be protected. It should be noted, however, that the decision whether to establish a branch or a subsidiary tends to be primarily informed by the tax implications.

10.4 What formalities must we undertake?

It will be necessary to decide whether you propose to trade as a Sole Trader/Partnership or as a Limited Liability Company.

Branches of a UK company must be registered with the Companies Registration Office. The registration must take place within one month of setting up the branch, by submitting a Form 12 along with the necessary documentation. For more details please refer to information leaflet no 5 registration of external companies at www.cro.ie.

It is important to ensure that the Memorandum and Articles of Association of the UK Company are certified by a solicitor before submission to the CRO.

10.5 Can we be taxed twice?

For branches there is a tax charge where the branch is located and a tax charge where the main company is located but double taxation relief also comes into play. The Budget on 23 March 2011 announced that for accounting periods beginning on or after Royal Assent to the Finance Bill, UK resident companies can elect to have all their foreign branch profits exempt from UK Corporation Tax. This is an irrevocable election. This proposal aligns the tax treatment of foreign branches with those of foreign subsidiaries.

The formation of a separate limited company or a subsidiary will avoid this double exposure to tax.

You should be aware that the formation of a separate Irish company which is under the same control as the UK company can lead to an increase in the rate of tax charged on the UK company as the Irish company will be classed as an associated company. Professional advice should be sought to ascertain the impact on the UK company's tax status.

Section 11

Research and Development tax relief in Northern Ireland

11.1 What relief is available for R&D?

R&D relief is available to companies who have expenditure on R&D activities in an accounting period. It is not available to either sole traders or partnerships. The relief reduces the company's corporation taxable profits for the relevant period. The amount of relief available to a company depends on the company's size. There are two schemes of relief available depending on whether a company is small or medium sized (SME) or a large company.

A SME is a company that has less than 500 employees and either turnover of less than €100 million or a balance sheet not exceeding €86 million.

Tax relief on allowable R&D costs (see 11.3 below) for an SME is 225%. Therefore, for every £100 spent on qualifying R&D projects the company's taxable income will be reduced by a further £125. Furthermore, if your company makes a loss you can opt to receive the R&D relief by way of a cash payment from HMRC. The amount of the payment will be limited to 11% of your surrenderable loss.

For companies under the large company scheme tax relief on allowable R&D costs is 130%. Furthermore a large company does not have the option of converting R&D relief into payable tax credits.

11.2 What R&D projects qualify for relief?

To be a qualifying R&D project the project must seek to achieve an advance in the overall knowledge or capability (not a company's own state of knowledge or capability) in a field of science or technology. An advance in science or technology may result in physical adaptations to the product e.g. a new or more efficient product, or improvements to the process e.g. cost improvements. A project is not considered an advance simply because science or technology has been used in its creation. Even if the advance which the project sought to achieve is not realised R&D can still be deemed to take place.

The activities involved must achieve the advance through the resolution of scientific or technological uncertainty. An uncertainty is deemed to exist when knowledge of something is not readily available or deductible by a competent professional working in that field.

Any activity which directly contributes to achieving the advance and indirect activities related to the project will qualify as R&D.

Therefore, any project which makes an appreciable improvement to an existing process, material, device, product or service or which duplicates the effects of an existing process, material, device, product or service through an advance in science or technology in a new or appreciably improved way would constitute R&D.

For example, a manufacturing company manufactures products using machinery. To increase efficiency the company are looking at the process by which the goods are manufactured. If the company simply bought a new more modern piece of machinery to replace the existing machinery then this would not qualify as R&D as a project is not R&D just because technology has been used in its creation. However, if the company developed changes to the way the product is manufactured so that they are now made in an appreciably improved way which would result in increased efficiency then this could qualify as R&D. There does not necessarily need to be a change to the actual product being released to the market.

On submission of a claim HM Revenue & Customs will decide whether a project meets the definition of R&D. There are specialist HM Revenue & Customs R&D units who can assist with a claim and give guidance as to whether a project would qualify for the relief.

11.3 What costs qualify for relief?

Relief is available in respect of day to day running costs. This includes the following:

- Employee costs
- Externally provided workers
- Materials
- Utilities
- Computer software
- Payments to clinical trials volunteers
- Subcontracted R&D costs

11.4 How can I claim the relief?

The claim for R&D relief is made in your company's tax return. The time limit for making the claim is two years after the end of the accounting period. There is no requirement to submit supporting documentation to HMRC unless they request same in order to process the claim. However, it is important that good records are maintained to support the R&D claim.

11.5 Is there any assistance available?

Grants and subsidies may be available from State bodies such as Invest NI to assist with R&D projects.

Receiving a grant can affect the amount of relief an SME is able to claim. If the grant received is deemed to be state aid (e.g. an Invest NI grant) then no relief is available under the SME scheme. However, relief may be available under the large company scheme instead provided that.

- the expenditure would have been allowable under the large company scheme had the company been large, and
- the expenditure is not eligible for relief under the SME scheme because it was subsidised.

In this case, the SME would be able to claim relief under the large company scheme at 130% on all allowable R&D costs.

If the grant is not deemed to be state aid then the R&D relief available to an SME under the SME scheme is reduced by the amount of the grant received i.e. the balance of expenditure not covered by the grant. Relief however, may be claimed by the SME under the large company scheme in respect of the grant received. E.g. if a company incurs R&D expenditure of £500,000 in carrying out R&D and receives a non state aid grant of £100,000 towards the expenditure then £400,000 would qualify for relief under the SME scheme and the balance of £100,000 would qualify for relief under the large company scheme (provided conditions are met).

The receipt of grant aid has no impact on the R&D relief available to large companies.

11.6 Is relief available for capital expenditure?

Capital allowances at the rate of 100% are available in respect of money spent on qualifying capital assets such as plant and machinery used in R&D projects.

11.7 Is relief available in respect of subcontracted R&D?

Where an SME subcontracts R&D work to a third party the SME may claim relief. The amount of relief will depend on whether the payment is to a connected company. If the payment is to a connected company, then the SME can claim R&D relief on the lower of the payment it makes to the subcontractor and the relevant expenditure of the subcontractor.

Where the payment is made to an unconnected party, then 65% of the payment made by the SME qualifies for relief. However, the parties may put an election in place for the connected company treatment to apply.

For large companies the expenditure incurred on R&D subcontracted to other persons is generally not allowable unless the company contracts for the work to be undertaken by qualifying bodies such as universities, scientific research organisations, charities, and NHS bodies, an individual or a partnership of which each member is an individual.

Large companies can also claim relief for expenditure on work contracted to it provided the work is contracted by another large company.

If a large company subcontracts work to an SME then no relief can be claimed by the large company. Instead the SME will claim the relief at 130% for expenditure on the work contracted to it.

Since 1 April 2012, subject to State aid approval, qualifying expenditure under the large company scheme can include subcontracted work of a routine nature where it forms part of a larger project. Previous to this routine activities as part of a wider project only qualified for relief where undertaken in-house.

Section 12

Research and Development tax credits in Ireland

12.1 What relief is available for R&D?

The first €100,000 of qualifying R&D expenditure will benefit from a 25% R&D tax credit on a volume basis. The tax credit of 25% will continue to be available to companies for incremental qualifying expenditure in excess of €100,000 as compared with such expenditure in a base year (2003).. This relief reduces the company's corporation tax liability for the relevant period. However, if a company does not have a sufficient corporation tax liability to be able to use all of the credits, any unused credits may be carried forward indefinitely. As the tax credit is in addition to any allowable deductions for R&D expenditure in the accounts of the company, the effective rate of the relief is therefore 37.5%.

With effect from 1 January 2009 a company with excess tax credits may now claim to have the credits carried back to reduce the corporation tax liability of the prior year. If any excess remains after that point, a company can claim to have the excess paid to them over 3 instalments over a period of 33 months from the end of the accounting period in which the expenditure was incurred.

The Finance Act 2012 allowed companies to have the option to use some portion of the R&D credit to reward key employees who have been involved in the development of R&D. The R&D tax credit can now be used as an employee incentive for research staff.

12.2 What R&D projects qualify for relief?

To be a qualifying R&D project the project must seek to achieve an advance in the overall knowledge

or capability (not a company's own state of knowledge or capability) in a field of science or technology. An advance in science or technology may result in physical adaptations to the product e.g. a new or more efficient product, or improvements to the process e.g. cost improvements. A project is not considered an advance simply because science or technology has been used in its creation. Even if the advance which the project sought to achieve is not realised R&D can still be deemed to take place.

The activities involved must achieve the advance through the resolution of scientific or technological uncertainty. An uncertainty is deemed to exist when knowledge of something is not readily available or deductible by a competent professional working in that field.

Any activity which directly contributes to achieving the advance and indirect activities related to the project will qualify as R&D.

Therefore, any project which makes an appreciable improvement to an existing process, material, device, product or service or which duplicates the effects of an existing process, material, device, product or service through an advance in science or technology in a new or appreciably improved way would constitute R&D.

For example, a manufacturing company manufactures products using machinery. To increase efficiency the company are looking at the process by which the goods are manufactured. If the company simply bought a new more modern piece of machinery to replace the

existing machinery then this would not qualify as R&D as a project is not R&D just because technology has been used in its creation. However, if the company developed changes to the way the product is manufactured so that they are now made in an appreciably improved way which would result in increased efficiency then this could qualify as R&D. There does not necessarily need to be a change to the actual product being released to the market.

On submission of a claim, the Revenue Commissioners would decide whether a project meets the definition of R&D. To do this they can engage the services of qualified individuals with specialised knowledge in the relevant field of science or technology who will give an opinion as to whether the activities constitute R&D activities.

12.3 What costs qualify for relief?

All costs (net of grant aid) incurred on qualifying R&D projects qualify for relief. This includes both revenue expenditure and qualifying capital expenditure on plant and machinery used for the R&D project.

12.4 How can I claim the relief?

The relief can be claimed by filling in the necessary boxes in the company's corporation tax return. No supporting documentation needs to be filed with the return, however, it is important that sufficient backup documentation is retained by the company.

From January 2009 all claims for research and development tax credits must be made within 12 months from the end of the accounting period in which the expenditure was incurred.

12.5 Is relief available for expenditure incurred on buildings?

A tax credit of 25% is available in respect of expenditure incurred on buildings used for R&D purposes. To qualify the company must be entitled to claim Industrial Buildings Allowance on the building.

The full amount of the relief can be claimed in the year in which the expenditure was incurred. However, if a company has an insufficient corporation tax liability to be able to use the full amount of the credit, any excess may be carried forward. The tax credit claimed can be clawed back by the Revenue Commissioners if the building ceases to be used for R&D activities within a 10 year period.

12.6 Is relief available in respect of subcontracted R&D?

Relief is available in respect of payments to a university or institute to carry out R&D activities. The relief is restricted to the greater of 5% or €100,000 of the expenditure incurred by the company itself on R&D activities. E.g. if a company incurs €250,000 on R&D expenditure during the year and also pays €10,000 to a university to carry out R&D then as €10,000 is less than €12,500 (€250,000 x 5%) no restriction will apply and the full amount of €260,000 qualifies for relief.

If payments are made to an unconnected person to carry out R&D activities then the relief available to the company will be restricted to the greater of 10% or €100,000 of the expenditure incurred by the company itself on R&D activities and may only be claimed where the subcontractor does not claim this relief.

Section 13

We are looking at cross-border distributorships or agencies

13.1 What is the difference between a distributor and an agent?

Distributor

In a distributorship a supplier or manufacturer sells his products to the distributor, who in turn sells the products on to his customers, adding a margin to cover his own costs. Distributorships are used as a low risk means of expanding business into new markets or territories.

The distributor assumes liability for the products incurring a greater degree of risk than an agent in the course of his business. The distributor has no authority to create a contract between the supplier and customer. The customer's contract will be with the distributor.

Agent

A Sales Agent is a self employed intermediary who has continuing authority to negotiate the sale of goods on behalf of another person "the principal" (or to negotiate and conclude the sale of goods on behalf of and in the name of that principal).

13.2 What are the advantages and disadvantages of each?

Advantages of a Distributorship

- A supplier is able to pass on risk associated with the products.
- The distributor is motivated to sell the stock purchased from the supplier.
- A supplier will not incur any liability as a result of the distributor's activities (although the supplier may remain liable for defective products).
- The appointment of a distributor will avoid the need for a supplier requiring an established place of business in the territory, reducing administrative costs.

- A supplier will only need to monitor accounts with a distributor.
- No compensation is automatically payable to a distributor upon termination of the distributorship agreement.

Disadvantages of a Distributorship

- The supplier has limited control over activities of a distributor.
- Under an exclusive distributorship arrangement, the supplier's entire credit risk in respect of sales in that territory is concentrated on the distributor.
- A distributorship arrangement is likely to be governed by domestic and European competition legislation.
- Given the large degree of autonomy granted to a distributor, it is critical that the selected distributor is financially and commercially sound.

Advantages of a Sales Agency

- Supplier has more control over the activities of a sales agent
- The financial and commercial background of the sales agent will not be as critically important to the principal; although the principal will want to ensure the integrity of the sales agent since the principal will in the normal course be bound by the actions of the sales agent.

Disadvantages of Sales Agency

- The principal is not able to pass on risk associated with the products to the sales agent.
- The principal will incur liability as a result of the agent's activities.
- In most instances the principal may be obliged to take on the expense of training the sales agent.

- Under EU Commercial Agents Regulations (enacted in both Ireland and Northern Ireland) minimum notice provisions apply (from one month to three months) in the event of termination of the agency and the agent may also be entitled to compensation over and above this notice requirement.

13.3 What should we cover in an agency contract?

- Duty of agent to comply with reasonable instructions from his principal
- Duty of agent to communicate necessary information to his principal
- Duty of principal to provide his agent with the information necessary for the performance of the agency contract.
- Remuneration of agent – entitlement to commission
- Termination provisions
- Consequences of termination
- Agreement to supply product
- Clear order and delivery procedures
- Minimum sales and targets
- Competition and restraint of trade – the principal may wish to prevent the sales agent from selling similar products on behalf of other competitors which compete with the contract products for a period after termination of the agreement.

Legal advice should be sought in drafting any agency contracts.

13.4 What should we cover in a distributorship contract?

It is probably helpful first to explain that there are different types of Distributorships; namely an

Exclusive Distributorship, a Sole Distributorship, a Non-Exclusive Distributorship and a Selective Distributorship.

An Exclusive Distributorship

This is an arrangement whereby a supplier agrees not to appoint another distributor within a defined territory and also agrees not to sell the products directly to customers within that territory. Such an arrangement is frequently used to exploit a product within a new territory. A distributor agrees to take on the risk and cost associated with promoting the new product in the knowledge that he alone will benefit from his efforts. A supplier has the advantage of knowing that the distributorship will be motivated to sell his products.

Sole Distributorship

This is an arrangement whereby a supplier appoints a distributor as his only distributor within a defined territory, but retains the right to promote the products himself within the territory and to sell products direct to customers in the territory in direct competition with the distributor.

Non-Exclusive Distributorship

A non-exclusive arrangement gives a supplier complete freedom both to sell directly and to appoint other distributors in a territory.

Selective Distributorship

A supplier appoints distributors to establish a network provided that additional distributors meet certain criteria. This effectively limits the number of additional distributors who will be appointed within a defined territory. Such arrangements are perceived as

particularly suitable where the product requires an enhanced level of service or advice at the point of sale or where the supplier or manufacturer is required to provide after sale support.

Distributors generally agree only to sell products to end users or to other approved distributors and individual distributors are in a position to compete against each other.

The Contents of a Typical Distributorship Agreement

- Agreement to supply product
- Clear order and delivery procedures
- Passing of risk
- Payment terms
- Imposition of specific obligations on pricing and other conditions under which the distributor may sell the product to its customers
- Minimum sales targets
- Inspection of records
- Reservation of intellectual property rights
- Competition and restraint of trade – the supplier may wish to prevent the distributor from manufacturing or distributing products which compete with the contract products for a period after termination of the agreement.
- Exclusion of liability – the principal may want to limit the warranties which are given on sale of the goods.
- Product Liability – limiting the circumstances/procedures in which the supplier will be liable to the distributor in the event of defective products
- Length of agreement
- Termination of agreement

- Consequences of termination – disposal of stock upon termination
- Additional obligations, such as after sales maintenance service

13.5 Are there any tax issues to look out for?

Specific professional advice should be sought regarding your detailed circumstances as this subject is much too complicated to be covered in the context of this publication.

Section 14

We are exploring
a cross-border
joint venture

14.1 What are the options in terms of co-operation structures?

The type of co-operation structure or Joint Venture vehicle that should be used in any set of circumstances will usually fall to be decided on the basis of how much risk each party is willing to assume for the Venture, the likely period of the joint venture and whether the proposed structure is tax efficient. The main types of joint venture vehicles are as follows:-

The Joint Company

The jointly owned Company has often been the favourite vehicle for joint ventures, largely because it is simple to set up, easily understood, and provides limited liability and possible accounting benefits. However the decision as to where to incorporate/establish the Company i.e. in Northern Ireland or Ireland will obviously be based on where the joint venture business will operate and if this is not conclusive then in the most tax advantageous jurisdiction.

Partnership

Partnerships are becoming increasingly popular vehicles for their flexibility. From a taxation viewpoint, partnerships can often be more straightforward than companies but, on the other hand, the partners in a partnership have joint and several liability.

Contractual Joint Ventures

Another mechanism for effecting a joint venture is known as Contractual Joint Ventures. This is a contract that does not amount to a partnership and this is probably the simplest form of Joint Venture from a tax viewpoint. Very often the parties to a Joint Venture may wish to avoid the dangers of joint

and several liability that exists in a partnership or sometimes they may wish to avoid certain tax implications that can arise in partnership arrangements. As such, they may wish to opt for a Contractual Joint Venture. This is best explained by an example.

A small chemical manufacturer on one side of the Border agrees to exclusively supply a “pharmaceutical company” on the other side of the Border with certain “know how” and chemicals to allow the pharmaceutical company to develop a new pharmaceutical product e.g. a cold remedy. If the chemical manufacturer were to be entitled to a future share in the profits of the cold remedy then the arrangement between them would fall to be treated as a Partnership. The parties decide that they do not want to form a partnership e.g. the chemical manufacturer may not want to risk its money on a new pharmaceutical product that may not be a success. As such, the chemical manufacturer agrees to exclusively supply its “know how” and the chemical raw material to its joint venture partner in return for the pharmaceutical company agreeing (a) to spend x amount of money to develop and market the cold remedy, (b) to pay a set royalty for a pre-determined time period to use the “know how” and (c) to buy the necessary chemical raw material only from the Chemical manufacturer at a pre-set price for the pre-determined period. In this way if the cold remedy were a success the Chemical manufacturer as supplier of the “know how” and raw material would be ensured of strong demand at pre-agreed prices under the contractual joint venture and the Pharmaceutical Company

would not be entitled to threaten to source the raw material or “know how” from some other competitor for the period of the contractual joint venture. In the current example the chemical manufacturer was not prepared to risk its own money in establishing a joint venture but in return for offering to supply their “know how” and raw materials on an exclusive basis they will in turn benefit from increased turnover provided its joint venture partner successfully launches the cold remedy on the market.

14.2 What contracts or documents are required?

It is of fundamental importance to have a legal agreement put in place when there is a joint venture. It is absolutely critical to define at the outset the nature of the joint venture i.e. is it a Company, a Partnership or merely some form of Contractual Joint Venture. Obviously, this is critical from a tax viewpoint because each arrangement will be taxed differently. Of fundamental importance from a legal viewpoint is to provide for scenarios where there is a breakdown in the relationship between the Joint Venture parties or there is a dispute between them or how the Joint Venture is to be wound up in the future.

14.3 What law governs our contract?

It would be normal for the Joint Venture Agreement to specify the law that will govern the agreement between the parties. It is a matter of negotiation between the parties to decide the law of which jurisdiction would be most appropriate to deal with matters of interpretation and/or dispute.

14.4 Are there any tax issues we should be aware of?

As specified in answers 14.1 to 14.3, the choice of Joint Venture vehicle will hugely impact on various taxes such as Corporation Tax, Income Tax and VAT. It is vital that tax advice is taken at the earliest possible opportunity. Before the Joint Venture arrangement is fully negotiated, detailed tax advice should have been taken by all parties.

Section 15

We are looking at the legal process for debt collection in Ireland and Northern Ireland

Brian Morgan, Partner in Morgan McManus Solicitors, who holds Practising Certificates in both Ireland and Northern Ireland, outlines the steps which apply in the Debt Collection process in both Jurisdictions.

Because we act for clients who have debtors in both Ireland and Northern Ireland we are often asked to explain the different processes which apply in each Jurisdiction. The Debt Collection process is, by reason of the fact that it bound to Court dates and time limits, slow and, in the reasonable view of the client Creditor (the person who is owed the money), frustrating. This frustration is made worse where the Creditor finds that he has reached another stage in the process against the Debtor (the person who owes the money) only to find that there are a number of further stages yet to be undertaken. Many of these stages involve payment of fees to the various state agencies where the Creditor is often left worrying whether he is “throwing good money after bad”. Where a Creditor, familiar with the process in one Jurisdiction, comes for the first time to collect money from a Debtor in another Jurisdiction, lack of knowledge of the processes which apply in that other Jurisdiction or, indeed, failure to issue Proceedings in the correct Jurisdiction can lead to costly mistakes.

The Debtor can be sued where the Debtor resides / carries on business or where the original Contract occurred. This can often give a choice to the Creditor in the Border area as to whether he issues proceedings in Ireland or Northern Ireland. For instance, the Contract may have been made in Ireland where the Creditor undertakes his business but the Debtor resides in Northern Ireland and all his assets / income are based in Northern Ireland.

As both Ireland and Northern Ireland are member states of the European Union, Regulation (EC) No. 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the “Brussels 1 Regulation”) now governs the location and nature of proceedings started in the member states of the European Union (the “EU”). Under the Brussels 1 Regulation, in the normal course a plaintiff must sue a defendant in the jurisdiction where the defendant resides. There are however certain exceptions to this rule.

Article 5 (1) of the Regulation relates to contractual disputes and is one such exception. It provides that when a person domiciled in a member state is sued in matters relating to a contract, he may be sued in the courts for the place of performance of the obligation in question. The place of the performance of the obligation is:

“-in the case of the sale of goods, the place in the Member State, where, under the contract, the goods were delivered or should have been delivered,’

“-in the case of the provision of services, the place in the Member State, where, under the contract, the services were provided or should have been provided”

This generally therefore means that the debtor can be sued by the creditor either where the debtor resides or where the contract was performed. What is important in consideration of where to issue proceedings is whether the debtor is likely to dispute liability and the proofs which will be required by the creditor in obtaining judgment. For instance, if the Creditor chooses to issue proceedings against a debtor in Northern Ireland but where the contract was performed in Ireland, there is every likelihood that

the Creditor will run into difficulty in proving his case in Northern Ireland because he will not be able to secure the attendance of witnesses in Northern Ireland where those witnesses refuse to attend from Ireland. There are some limited instances where a Northern Ireland Court can compel a witness from Ireland to attend the Northern Ireland Court but this could not always be guaranteed at the commencement of the Proceedings.

The temptation in the past would have been to issue proceedings in the jurisdiction where the judgment is likely to be enforced. This was because it was more difficult and onerous to enforce a foreign judgment in another jurisdiction. This was because it was necessary to apply to the court in that jurisdiction for recognition of the foreign decree. Such a court application is however no longer necessary in view of the introduction of regulation number 805/2004 by the European Parliament both in Ireland and Northern Ireland. There is now a document known as "European Enforcement Order" ("EEO") which can now be sought in the Republic of Ireland by way of a more simple application made ex-parte to a judge who issues the "EEO" which can in turn be enforced in the foreign jurisdiction. This is done by way of an application to the Courts Service Office in Northern Ireland; where it is no longer necessary to make a Court Application.

These are issues which must be considered by the Creditor before issuing Proceedings and not after he has obtained Judgment against the Debtor. At Morgan McManus, because of our knowledge and experience of the systems which apply in both Jurisdictions, we ensure to advise the Creditor on

whether his Proceedings should be issued in Ireland or Northern Ireland. Where that client at least understands the processes which apply on either side of the Border that understanding can assist the client in coming to some assessment at the start as to how he should proceed. To assist in that understanding, I have set out below the various steps which apply in both Jurisdictions.

Initial demand letter to debtor

This letter to the Debtor will threaten legal proceedings unless payment is received within ten days.

Issuing legal proceedings

If a satisfactory response hasn't been received from the Debtor in that period, proceedings are issued in Ireland in the Small Claims Court, the District, Circuit or High Court, depending on the amount of the debt which is due. Proceedings are issued in Northern Ireland in the Small Claims Court, the County Court or the High Court, likewise depending on the amount of the debt which is due. The Debtor has more time to respond and will either pay up, ignore the notice or decide to fight the case.

Judgment

If no response is given either way, then a Judgment (a sworn statement outlining the debt owed and by whom) against the debtor is issued.

There are several options for enforcing this Judgment:

Republic of Ireland

A Garnishee Order

This is an Order against a third party who holds money owed to or belonging to the Debtor and ordering that Third Party to pay the Creditor out of that money.

Judgment Mortgage

This Judgment can be registered as a mortgage over any land or property owned or part owned by the Debtor. It prevents the property being sold and the Creditor has the right to have the property sold off and the proceeds used to pay the debt.

Lodgement of Judgement with Sheriff

The Sheriff will attempt to seize debtor's assets. Proceeds from the sale of assets to cover the money owed will go to the Creditor via his solicitor.

Instalment Order

Depending on the financial circumstances of the Debtor a Court Order can rule that a debt may be paid off in instalments. Procedures involved are the Summons for Attendance of the Debtor (to be examined as to his Means), the Instalment Order and in turn the Order for Imprisonment of the Debtor. Before however a Debtor is imprisoned for failure to discharge a debt the Judge of the District Court must be satisfied that failure to pay is not due to the debtor's mere inability to pay and he must also be satisfied that the debtor has no goods which could be taken in execution under any process of the court (eg, seizure of goods by the Sheriff). Procedures are strictly laid down under the District Court (Enforcement of Court Orders) Rules 2010.

Bankruptcy

This applies only when the Debtor is an individual and the debt is very large. It usually means that the Debtor will lose everything he/she owns.

Liquidation / Winding Up

This applies where the Debtor is a limited liability company leading to the assets of the company being vested in the Receiver/liquidator who is required to sell the same and pay off all the Creditors.

Some of these procedures are described in greater detail in the next section on enforcement of judgements in Northern Ireland.

Northern Ireland

Once the Creditor has obtained Judgment, he has two options. They are

- (1) Enforcement of the Judgment through the Judgments Enforcement Office
- (2) Bankruptcy proceedings

What the Enforcement of Judgments Office does

The Enforcement of Judgments Office (the EJO) is a branch of the Courts Service responsible for enforcing all judgments in Northern Ireland in all ways except through Bankruptcy proceedings. Once a Judgment is registered with the EJO, an officer is specifically assigned to enforce the debt. Initially, that officer will make an investigation into the Debtor's means. As part of their investigatory powers, the EJO can summons a Debtor to the Magistrates' Court to provide evidence about his means. Failure to answer that summons can result in the debtor going to prison.

Once the officer has enough information about the Debtor, he will decide which method of enforcing the Judgment is appropriate. He can do any of the following:

(a) Warrant of Execution

By this method, a Bailiff is ordered to seize all goods and chattels belonging to the Debtor. The Bailiff then sells them and the proceeds are applied towards the Judgment debt. The only items, which cannot be seized, are the tools of a person's trade and their bedding and clothing.

(b) A Charging Order on land followed by an Order for Sale

This is a two-stage process. Stage 1 - obtaining a Charging Order - is an end in itself, because it virtually guarantees payment of the debt at some time in the future. A Charging Order is an order that the land is charged is like a mortgage. The Charging Order will not take priority over an existing mortgage or charge but will take priority over any later charges. The house or land cannot be sold with a good title until the charge is paid. A solicitor acting for a buyer would find out about the Charging Order by making a Registry of Deeds or Land Registry search during the conveyancing process. Stage 2 - obtaining an Order for Sale is not guaranteed. This is at the discretion of the court and does not always succeed. It usually depends very much on the size of the debt as compared to the value of the house or land and whether there is a family living there. If there are children living there, there is less likelihood of an order for sale.

(c) A Garnishee Order

This is an Order against a third party who holds money which is owed to or belonging to the Debtor and ordering that person to pay Creditor out of that money. Garnishee Orders are usually made against banks or building societies.

(d) An Attachment of Earnings Order

This is an order against an Employer of the Debtor to make payments of a certain amount out of the salary of his employee and pay this direct to the Creditor.

Bankruptcy Proceedings (or liquidation of a company)

All assets become vested in the Receiver/liquidator who is required to sell the same and pay off all the Creditors. Bankruptcy proceedings against an individual or winding up proceedings against a company are class actions and so there is no priority given to the Creditor who makes a Debtor bankrupt. If the debts, after receiver's commission etc, exceed assets, then a dividend is made of so much in the pound and the creditor gets a proportion of his money back. Bankruptcy/Winding up proceedings are a powerful weapon because a Debtor has no choice but to pay off the debt to save him/itself.

How fast is each method of enforcement?

If you are issuing Bankruptcy proceedings, it usually takes about 5 months from the time that a statutory demand is served until a final Bankruptcy Order.

In the case of enforcement through the EJO, it can be very slow. Some cases can take more than one year to reach a conclusion.

Which method of enforcement should be used?

Before the Creditor makes a decision as to which way he wants to enforce the Judgment, it is recommended that the Creditor gathers as much information about the Debtor as he can. In particular, attempts should be made to ascertain the following:

- (1) Whether the Debtor owns their own house and what, if any, mortgages are on it?
- (2) How financially viable is their business?
- (3) Does the Debtor have a job?
- (4) Does the Debtor have any other assets?
- (5) What would be the impact on their business (and consequently their ability to pay you) if the Creditor obtained a garnishee order against their bank?

The advantage of using the EJO is that this office makes that investigation for the Creditor. Unfortunately however, the EJO does not have the resources to act as swiftly as the Creditor might expect and the Creditor might, in that instance, consider using a private detective / credit agency to gather information. Occasionally, Bankruptcy proceedings are the better option. For example, if the Creditor discovers that the Debtor previously owned property and transferred all of it to his/her spouse or children, Bankruptcy proceedings are the better option because the Receiver can claw the gift back into the Bankrupt's estate.

Before either method of enforcement is chosen, it is recommended that the Creditor firstly carries out a Bankruptcy search against the Debtor to see if any Bankruptcy / Winding Up proceedings have already been instituted.

A lot of these considerations also apply to the enforcement process in Ireland. It is however important to bear in mind that, whereas in Northern Ireland the enforcement process remains under the control of the EJO, in Ireland the Creditor, through his Solicitor, must be more actively involved in commencing / pursuing each stage of the enforcement process.

Other methods of Enforcement applying in both Jurisdictions :

- Judgment registered in the Registry of Judgements

All judgements will then appear accordingly in the Gazettes of the Dun & Bradstreet (Stubb's) and Experian Ireland (previously the ITPA).

An informed Creditor can make a better assessment as to how to proceed where he understands the processes which apply. The Creditor should take a more active part in deciding which means of enforcement is applied against the Debtor. This Article will at least have gone some way in increasing the Creditor's understanding.

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Appendix

Useful Topics

INSURANCE

If you are in business, you will need insurance. You need to insure your buildings and contents and also to provide for goods in transit and business interruption. You will need to take out Employers Liability Insurance and Public Liability Insurance. In Ireland and Northern Ireland, every person is legally obliged to have insurance to cover legal liability for injury to others and damage to their property arising from the use of vehicles on the road - third party insurance.

While it does not specifically deal with Ireland, we recommend that you visit the Association of British Insurers web site which gives a lot of good advice on Insurance needs. Bear in mind that, whereas it advises that Employers Liability Insurance is compulsory, it is not compulsory in Ireland.

Of major concern to any business intending to set up business or trade on the other side of the border is whether its goods and services will be covered by its existing Insurance Policy for the provision of its goods and services on the other side of the border. Generally, insurance companies which provide insurance cover in Northern Ireland (UK) will not automatically provide such cover in Ireland and it will be necessary to check with your insurance company or broker to ascertain exact details of cover for the services which you intend to provide outside your existing jurisdiction.

CHOOSING BUSINESS PREMISES

Introduction

Making the right choice of business premises is likely to be one of the most crucial decisions which determines viability of the business. Before making that decision, you will need to carefully consider your business needs and the implications for taking on any particular premises.

Should I work from home?

Many successful businesses started their life in the home and consideration should be given to starting a new business from home. It is likely to save you considerably on business expenses and will save time travelling to another place of work. While practical implications such as disruption of family life may arise there are implications on legal and financial levels which will require some thought.

The following points should be considered:

- Will there be any objections from neighbours?
- Would your business or part of its operation (such as an advertising sign) infringe planning law? If so, would you be able to get planning permission?
- If you have a mortgage, would you be in breach of its terms by running the business from home?
- Are there any restrictive covenants or conditions in the title to your property which would preclude you from running a business from home?
- How will your rates liability be affected?
- Would you be able to get any tax relief on any of the facilities you use at home to run your business?

- Would you be in breach of any condition on your insurance policy?
- Will working from home make it more difficult to obtain business?
- How will it affect the usual exemption from Capital Gains Tax if you sell your home in the future?.

Should the business be moved to another location?

The need to move should be considered very carefully. The following points should be considered:

- Has your existing business premises enough space to fulfil its current needs or future needs? If not, is there any alternative - such as extending or renting additional nearby premises for storage space - other than moving?
- Has the business got too much space? If so, will a move to smaller premises, with its consequential saving in costs, be better for the business after taking into account the negative aspects of moving? Would you be in a position to rent out your spare space to another business?
- Is the layout of the existing premises inadequate for your needs? If so, will a move be better for the business than other alternatives such as carrying out improvements?
- Consider all the changes in overheads associated with changing premises, including the cost of rent, rates light and heat.
- Consider all the capital expenditure in moving including removal, refurbishment, installation, legal and other professional costs.

Buying or Renting?

Sometimes the decision to buy or rent is based on tax implications and specific tax advice should always be sought. A decision to buy is usually only taken by an established business with a proven track record. Therefore the rental option is the most realistic for start up businesses.

Below, we set out the main features of most types of rented commercial property.

Rent

For the person not considering purchasing premises outright, this is likely to be a crucial part of the equation. However, there is more to rent than just the amount being paid annually. Enquiries should be made also about the next rent review date (the date on which the landlord is allowed to review the rent and increase it) and the history of rent increases during the term of the lease. Also, there maybe VAT payable on the rent. This would be very important if you were not registered for VAT and thus unable to reclaim the VAT element.

Service Charges

Many commercial leases carry with them a service charge liability. That liability is an amount payable for the provision of services to the property. If the premises are part of a building, this will include the cost of maintaining and repairing the structure and common parts of the property and shared amenities with other tenants. As well as finding out the service charge it is very important to find out what "services" you are getting. Only then can you determine whether the service charge is excessive or whether the services are genuinely beneficial to the property. Normally, you will not get the full picture about service charges until your solicitor has reported back to you on the replies to his enquires.

Other outgoings on the property

Rates and the cost of services do vary in different areas, although these will also be in proportion to the size of the premises.

Size

This is a key element in determining whether the premises meets the needs of the business but it is also a key ingredient in working out comparisons (see square footage value below)

Square footage value

By dividing the total of the annual rent by the number of square feet inside the premises, it is possible to get an idea of the market rental value of the premises and make comparisons with other premises which are not the same size. Although this is likely to be the most important factor determining value, it is only a starting point. All the factors listed here should be taken into consideration.

Planning Permission

It is important to establish that the particular premises has planning permission for your intended use. If not, you will need planning permission before you could commence business.

Condition

The condition of the property may have a bearing on the rent currently being paid. If the premises are in poor condition, it is worth finding out why. It may be an indication of a prior business failure. If you are contemplating taking over an existing lease, the current tenant may well be in breach of an obligation to repair the premises. If you are interested in the premises, this is one reason why you would need to have the refurbishing work costed out, if you are to be liable for that expense.

Use restrictions in the lease

A "user clause" is a covenant imposed by the landlord restricting the tenant to using the premises for a particular purpose or class of purposes. The object of such a user clause is usually to protect either the landlord himself or other tenants from adverse competition. If you are looking to pass on or sell the lease in the future, a user clause could hamper your ability to do that.

Tenure

This term is usually used to distinguish leasehold and freehold property. Short-term leases tend to be between a year and not exceeding 5 years and may or may not contain a Rent Review Clause. It is common practice for leases to be of 15 to 20 years duration with Rent Reviews every 5 years. Landlords tend to avoid giving tenants the right to terminate their lease prior to the full term. It should be said that in light of difficult market conditions, landlords sometimes have no option but to grant a break clause to a tenant typically at year 5 or year 10. Therefore signing a lease tends to be an irrevocable financial commitment which must not be undertaken lightly. Even if you cease trading from a premises this does not mean that you are not obliged to continue paying the rent required under the lease for the remainder of the term. Often the only way of getting out of a lease is to sell on the remaining number of years in your lease to some third party. This is called an "assignment" and the landlord's permission must usually be obtained.

BUSINESS START UP AND REGISTRATION

Businesses can trade under the following business types:

a) Sole Trader

A Sole Trader is an individual who is self employed. If you trade under a name different than your own, then you must display your name and address at your business premises and on all stationery.

b) Partnership

If your business is a Partnership between two or more people, you should consider a formal Deed of Partnership although this is not a legal requirement. If you do choose to have a formal Deed of Partnership you will need to consult a Solicitor. The Solicitor can draw up a formal Partnership Agreement, called a “Deed of Partnership”. This will cover ownership of the Partnership assets, how you will share the profits, liabilities, leases and other responsibilities. It is important to get these sorted out at the start. If the Partnership is trading under a name other than that of the owner you must display the name and address of the owner and an address for each Partner at which documents can be served. In certain instances you must register the trade name with the Department of Economic Development as required by the Business Names (Northern Ireland) Order 1986.

c) Limited Company

To form a Limited Company you can buy an “off-the-shelf” Company or create your own new company. If you create a new Company you must agree and register its name and address with the Registrar of Companies at the Companies Registry Office, Belfast. A Limited Company must display its full corporate name outside all places of business and on all stationary. Registration details must be shown on business letters and order forms. Directors must file statutory documents, such as Accounts and Annual Returns.

There are various benefits to forming a Company, such as better Pension Planning opportunities, ability to obtain Bank or Grant Finance, the passing of Shares by Gift or Inheritance in a family and more particularly the benefit of Limited Liability Protection. Limited liability also provides protection to the Directors personally against financial liabilities such as trade creditors in the event that the company’s business venture proves to be unsuccessful. There are however disadvantages to the formation of a company related particularly to potential double tax charges and additional accounting and auditing requirements. You should consult us and your Accountant for advice in respect of the Tax consequences of forming a company in advance of taking this route.

d) Joint Ventures

The impact of specialization in commercial activities has led to a situation where parties may need to co-operate in order to develop new products, services and markets. Some enterprises find themselves in the situation where they lack particular resources, skill or capital and there are obvious advantages in co-operating with someone who has the missing resources, skill or capital.

The structures which enterprises may decide to use in any particular joint venture situation will vary greatly depending on a number of considerations. The first consideration for joint venturers is whether to operate their venture through (a) a company in which each will hold shares and have a degree of control over the company’s activities or (b) through a partnership agreement or (c) by means of a trading agreement.

The best legal structure for the joint venture will depend on the nature and purpose of the venture, the number of persons or firms who wish to be involved in the venture, the tax considerations affecting each participant, the size of capital investment and other similar matters.

For small operations, where only two persons are involved, a partnership or simple trading agreement may be more favourable. In larger scale activities, it is often more practicable and more efficient to operate the joint venture through the medium of a separate company. In common language this company is referred to as a Joint Venture Company. If a Joint Venture Company is the chosen vehicle, then a shareholder’s agreement will be required to regulate the decision making processes within the company and to provide a framework for resolving any disputes which may arise. Such a shareholder’s agreement might also contain a clause providing an exit mechanism for each of the joint venturers.

APPENDIX OF TERMS

Breach of Contract

Failing to perform any term of a contract, written or oral, without a legitimate legal excuse. This may include not completing a job, not paying in full or on time, failure to deliver all goods, substituting inferior or significantly different goods, not providing a bond when required, being late without excuse, or any act which shows the party will not complete the work (“anticipatory breach”).

Contract

An agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit, known as “consideration”. In some cases, a contract can consist of several documents, such as a series of letters, orders, offers and counter offers.

Double Taxation Relief

Where credit is given for the lower of the two taxes.

Enforce

To enforce Judgment means to obtain monies or compensation which were awarded by the Judgment of a Court. It can also cover what means are used to ensure payment of monies due. For example, to seize property under Court Order from the person who owes money under that Court Order.

Indemnity

The act of reimbursing to someone any losses which they have incurred or will incur. “Indemnify”: to guarantee against any loss which another might suffer. Example: two parties settle a dispute over a contract and one of them may agree to pay any claims which may arise from that contract, holding the other harmless.

Jurisdiction

The authority given by law to a court to try cases and rule on legal matters within a particular geographic area and/or over certain types of legal cases. It is vital to determine before a lawsuit is filed which court has jurisdiction. In the specific context of Northern Ireland and Ireland, it is important to ascertain whether the Courts in Northern Ireland or Ireland are entitled to try the case.

Liability

Liability means legal responsibility for one's acts or omissions. Failure of a person or entity to meet that responsibility leaves him open to a law suit for any resulting damages or loss which may occur to the other party.

Negligence

Failure to exercise care towards others which a reasonable or prudent person would do in the circumstances or taking action which such a reasonable person would not. Negligence is accidental, as distinguished from "intentional torts" (assault or trespass, for example) or from crimes. Negligence can result in all types of accidents causing physical and/or property damage, but can also include business errors and miscalculations.

Passing of Risk

Risk, in terms of loss, is the responsibility that a carrier, borrower, user/purchaser of property or goods assumes if there is damage or loss. Passing of Risk means the point at which the buyer will be responsible for the goods. For example, if goods are delivered by lorry, who bears the loss if the goods are stolen in transit before they reach the purchaser?

Permanent Establishment

For detailed information on this, see Article 5 of the Tax Treaty between UK and Ireland – see www.revenue.ie and conduct a search by 'UK Tax Treaty'.

Registered Consignee

A Registered Consignee – used for the import and export of excisable goods.

Reverse Charge Mechanism

Under the Reverse Charge Mechanism it is the customer or purchaser that accounts for the VAT on a purchase rather than the vendor (as is normally the case).

Risk

Risk, in terms of loss, is the responsibility that a carrier, borrower, user/purchaser of property or goods assumes if there is damage or loss.

Secure Judgment

A judgment is the final decision by a Court in a lawsuit. The word "decree" is sometimes used as synonymous with judgment. The "securing" of a judgment is obtained by either obtaining judgment in the Court Office (where the defendant does not attend Court) or obtaining the final decision of the Court after the hearing of the issues by a Trial Judge. Once Judgment is "secured", a Court Order (written document) is issued which records the decision of the Court.

Transfer Pricing

The price at which goods or services are transferred between one country and another within the same organisation.

Witnesses

A person who testifies under Oath in a Trial with first-hand or expert evidence in a law suit. It is generally only possible to issue a witness subpoena (to compel attendance at Court) on a witness who resides in the jurisdiction where the Trial is occurring. For example, if a Trial were held in County Fermanagh it would not generally be possible for the Court in Northern Ireland to issue a witness subpoena on a witness residing in Ireland to compel his attendance in the Northern Ireland Court. Therefore, for instance, where you anticipate that liability for payment will be disputed by your customer and your customer resides in the other jurisdiction it would be advisable to issue proceedings in the jurisdiction where the relevant witnesses reside – so that you will know that you will be able to compel their attendance in Court.

Zero Rated

Where VAT is charged at 0%.

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