



AUDITORS, TAX &
BUSINESS ADVISERS

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NEWSLETTER



www.fmaccountants.ie

Unit 11 Woodview Court, Tandy's Lane, Lucan, Dublin.
telephone +353 1 621 7050
facsimile +353 1 621 1329

1st Floor, Suite 5, The Avenue, Beacon Court, Sandyford, Dublin 18.
telephone +353 1 213 5910
facsimile +353 1 213 5911

info@fmaccountants.ie

Getting the most out of your company - Tax-efficient cash extraction tips

There are numerous ways by which shareholders can extract cash in a tax-efficient manner from their companies. You should ensure that you are making maximum benefit from these.

Common Cash Extraction Mechanisms Include :

- 1 **PENSION FUNDING** - Pension contributions made by the company into your pension fund is not taxable income in your hands. Furthermore, the company will itself get a tax deduction for such payments. If you are approaching retirement age, it would be worth your while consulting your pension advisor regarding the tax implications of extracting pension funds on retirement.
- 2 **RENT PREMISES TO COMPANY** - If the rent is at a commercial level, your company can get a tax deduction for the rental expense. You are taxed on the rental income at your marginal rate. However, the amount of rental income exposed to tax may be sheltered by the mortgage interest and certain other expenses payable by you in respect of the premises. Please note however, that there are tax implications to this if the premises is your principal private residence. Please seek specific tax advice if such premises relates to your principal private residence.
- 3 **LOAN TO COMPANY** - If the company needs a cash injection you could consider lending funds to the company instead of investing in additional company shares. The company can repay the loan to you at a later date without any tax implications.
- 4 **BENEFIT-IN-KIND** - The company can give you access to a company car and other benefits. Generally tax is charged on such benefits. However, you may be able to receive certain benefits tax - free. If this is of interest for you, we would be delighted to advise you regarding same.
- 5 **DIVIDENDS** - You can pay yourself a dividend from the company, and if you are not a controlling owner-director, this is an attractive alternative to salary as it is not subject to employer's PRSI. However, unlike salary a dividend is not tax-deductible for the paying company. It is a payment from after-tax profits to the company's shareholders. If you are an Irish resident shareholder, the company must also deduct dividend withholding tax from the dividend and pay tax to the Revenue. You will get a credit for the 20% tax withheld against your 41% tax liability. Please note however, your company is legally restricted from paying a dividend if it does not have sufficient distributable reserves.

If you would like further detail on these matters, please contact our Tax Manager Mairéad O'Donnell who will be delighted to discuss them with you.



[Click here to contact Mairéad](#)

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