

AECI NEWS



The voice of the electrical contracting industry

January/February 2009



Dear Members,

2009 has well and truly kicked in and kicked in hard for all in our Industry, some to a greater extent than others. Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some, but also the collective failure of our Government to make hard choices and prepare for times ahead.

The challenges our Industry face are real, they will not be met easily or in a short span of time, but I know they will be met.

Besides holding the responsibilities of President of the AECI, I am an Electrical Contractor trying to run a business and experiencing the same problems, within our Industry, as you my colleagues.

Little can be done to fastrack a return to good economic times, however, there are many issues to be resolved which directly effect our Members and our Industry and we are confi-

dent we are going in the right direction to correct and bring these into today's world.

To succeed with these changes we need a Unified Industry with strength in numbers, and although within our Industry we have people with very strong views and opinions, we very much welcome them to row in with us for the benefit of all.

I'd like to take this opportunity of wishing you all good health, happiness and prosperity.

Our AGM is arranged for Saturday, the 7th March 2009 in the Maldron Hotel (Midway Complex), Portlaoise at 11am and I am looking forward to meeting you all there with a positive turnout.

Yours Sincerely

Jack Hegarty, President AECI

THE BIGGEST ELECTRICAL TRADE SHOW 2009

Venue: Silver Springs

Moran Hotel, Cork

***Date: Saturday,
12th September 2009***

Time: 11am - 4pm

Association of Electrical Contractors (Ireland),
Woodview Centre,
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Employer Based Redundant Apprentice Rotation Scheme



FÁS Apprenticeships
KNOWLEDGE. SKILL. COMPETENCE

Apprentice Information

- Apprentices must have had their redundant status notified to FÁS.
- Applications for placement will be considered by date of notification of redundancy to FÁS.
- Apprentices are required to have successfully completed their previous off-the-job phase of training
- Apprentices must agree to attend off-the-job training, if scheduled to attend, during period of rotation.
- Apprentices who are placed on rotation are required to remain with their employer for the agreed term unless scheduled to attend an off-the-job phase.
- Apprentices placed on rotation are required to complete assessments relevant to the phase of training.
- Apprentices will be notified by the Services to Business Advisor of their Employer Based Redundant Apprentice Rotation Scheme Place.

For further information please contact your local FÁS Services to Business Office or visit the FÁS Website www.fas.ie

Athlone 09064 86590	Dundalk 042 9355700	Loughinstown 01 2043600
Ballyfermot 01 6055900	Finglas 01 8140200	Sligo 071 9159500
Baldoyle 01 8167400	Galway 091 706200	Tallaght 01 4275400
Cork 021 4856200	Limerick 061 487900	Tralee 066 7126444
		Waterford 051 301500



Employer Based Redundant Apprentice Rotation Scheme

FÁS with the support of the Social Partners is providing a temporary Employer Based Redundant Apprentice Rotation Scheme for apprentices who have been made redundant due to the reduction in activity in the Construction Industry.

The trades covered by the scheme are:

- Brick & Stonelaying
- Carpentry & Joinery
- Electrical
- Plastering
- Plumbing

The purpose of the Employer Based Redundant Apprentice Rotation Scheme is to give the redundant apprentice the opportunity to complete the on-the-job phase of their apprenticeship in order to gain the required knowledge, skill and competence to successfully progress to the next off-the-job phase or to complete their apprenticeship.

FÁS with the support of employers will place a redundant apprentice with an eligible employer, to replace an existing apprentice who has been released to attend a scheduled off-the-job phase of apprenticeship. The employer will provide workplace training and assessment for full or part of the relevant phase of apprenticeship. The maximum period of placement is 26 weeks for apprentices on Phase 3 or Phase 5 and 12 weeks for apprentices on Phase 7.

Employers participating in the Employer Based Redundant Apprentice Rotation Scheme are required to pay the apprentice the agreed industry rates for the specific apprenticeship trade and FÁS will make a contribution of €340 per week towards employment costs incurred based on a 39 hour working week for each week in employment.

The Employer Based Redundant Apprentice Rotation Scheme will be implemented and managed by the FÁS Services to Business Regional Office. This scheme will run until December 2009

Employer Based Redundant Apprentice Rotation Scheme Conditions

Employer Conditions:

- Employers approved by FÁS for training apprentices are eligible to participate in the scheme and must make application on the Employer Based Redundant Apprentice Rotation Scheme Application Form and submit to the local FÁS Services to Business Office
- To be eligible for the scheme employers must not have made an apprentice redundant after the 1st January 2007
- Employers participating in the scheme must not displace an existing apprentice.
- Employers are required to pay the apprentice the agreed industry rates for the specified trade.
- Employers are required to carry out the relevant on-the-job assessments for the relevant phase and return certified Phase Summary Assessment Sheets to FÁS, with the Employer Based Redundant Apprentice Rotation Scheme Claim Form.
- Employers are required to make available to FÁS Officers all documentation in relation to the Employer Based Redundant Apprentice Rotation Scheme.
- Employers must agree to release apprentices placed on rotation if they are scheduled to an off-the-job phase of apprenticeship during the rotation period.

Payment

Employers must submit evidence of employment costs on the official 'Employer Based Redundant Apprentice Rotation Scheme Claim Form'

Claims will be paid in arrears on receipt of the Employer Based Redundant Apprentice Rotation Scheme Claim Form with the first payment due after 4 weeks and the balance being paid after the completion of the apprentice rotation period. Payment will be made promptly on receipt of fully completed claim form.

Selection Criteria

Applications from eligible employers will be considered based on the following criteria:

- Date of receipt of application
- Availability of Apprentice Rotation Scheme places
- Confirmation of release of existing apprentice to their scheduled off-the-job phase

30 YEARS AGO - from IEIR September 1978

"Cut Pricing is Destroying the Industry"

Seamus Elmore, President of the Association of Electrical Contractors (Ireland), pulled no punches recently during an interview with the Review when he stated that today's electrician has lost his sense of pride, that cut pricing is destroying the industry, and that unless there is some form of registration by contractors in the near future, disreputable elements in the trade, with no regard to safety regulations or standards, will drag the once proud name of the electrician down into the gutter.

These are certainly hard hitting accusations, but as he enters the second year of his presidency one senses that Seamus has decided that, unless the membership of the AECl face up to this fact, many will flounder and that could mean the death of some businesses.

PNL P.N. LIGHTING PNL

Consulting Lighting Engineer

Professional Lighting Desings

Energy Efficient Solutions - Lighting Evaluations - Lighting Controls
Retail Public Road Lighting - Sports - Planning Applications
Architectural - Church Computer Graphics

Auto Cad Drawings - P.I. Insurance

Patrick Neville MSL

ILE Institution of Lighting Engineers U.K. - The Society of Light and Lighting U.K. (C.I.B.S.E.)

Tel.: 021 4374542, Fax: 021 4373656, Mob.: 087 9662197, Email: pat-neville@pnlighting.ie

PN Lighting Ltd. - 14 Glenwood Dale, Carrigaline, Co. Cork

HEALTH & SAFETY REVIEW NEWS BRIEFING

HSA plan record number of inspections in 2009

During 2009 the HSA will carry out 17,400 workplace inspections, many of which will, in the words of HSA chief executive Martin O'Halloran be "supportive".

Speaking at the launch of the Authority's Programme of Work 2009 yesterday, Mr O'Halloran said the Authority's efforts will be focused "on sectors where fatalities and accident rates are highest". The number of inspections planned for 2009 exceeds the more than 16,000 inspections carried out in 2008, which was itself a record.

The Authority plans to carry out 5,500 construction sector inspection, 2,000 manufacturing sector inspections, 1,500 inspections in the agriculture sector, 1,000 inspections in the hospitality sector (accommodation and food service), 750 quarries inspections (plus a further 20 mines inspections), 250 inspections in the transport/storage sector and 250 in the wholesale/retail sector. The Authority plans to carry out 200 inspections in each of the following sectors: finance, second-level education institutions, healthcare (described as human health and social work) and public administration/defence. The Authority will carry out 20 inspections in the electricity/gas sector and also the arts/entertainment sector.

As well as sectoral inspections, the Authority will be carrying out a number of what might be termed activity based inspections. HSA inspectors will carry out 1,600 inspections on the storage of dangerous goods and their carriage by road. Twelve hundred of these inspections will be ADR road checks, 250 DGSA depot inspections and 150 inspections of retail and private petroleum stores. A further 1,200 inspections will focus on chemical/pharmaceutical processing, electronics, electroplating, printing, wood-working and spray painting (some of these could be crossover inspections with sectoral inspections). Under the Chemicals Act 2008 the Authority will carry out 800 inspections. The Authority will also carry out asbestos (200), vibration (50) and biological agents (20) inspections.

Regulations and guidance

Apart from its inspections programme the Authority will be working on updating a number of regulations, Codes of Practice and publishing guidance documents. Legislative proposals on bringing the new EU Classification, Labelling and Packaging Regulation (see HSR January/February 2009, pg21) and amendments to REACH, the Rotterdam and Detergents Regulations within the ambit of the Chemicals Act 2008 and on replacing the current Dangerous Substances and Preparations CPL will be developed. Also a regulation to replace the current Major Accident Hazard Regulations will be developed. Work will also be undertaken on updating Mines, Fishing Vessels and Biological Agents Regulations, as well as new regulations for 'on-the-spot' fines. Also on the agenda are updated Asbestos Regulations

The development of Codes of Practice will be a major HSA activity during 2009, with the Authority developing Codes on precast concrete, roofwork, vehicles delivering quarry products and fishing vessels and an updated Code on Chemical Agents. Another area of major activity will be the development to guidance documents. The Authority has already published Construction Client Guidelines and is proposing to develop guidance on intoxicants.

Campaign themes

The Authority will be putting a major effort in to raising awareness of occupational health issues. Employers whose workplaces are inspected can expect to be queried on what efforts they undertake to protect employees' health. Guidance will be offered. The Authority will also be taking active measures to influence the education sector to mainstream health and safety into educational activity.

The key hazards identified in the HSA's Work Programme are slips/trips/falls, machinery and equipment, physical agents, pressure system inspection and work at height. The Authority is planning to carry out campaigns in the agriculture, construction and mines/quarries sectors.

Accessing the programme

To read the programme go to the HSA's website, www.hsa.ie and click on the icon on the home page.

REDUNDANCY - first part.

Notice and Voluntary Redundancies

A "voluntary" redundancy is regarded as a straight-forward redundancy with the exception that it is the employee who decides to apply for selection for redundancy. If selected by the employer for voluntary redundancy then the employee is entitled to his/her minimum notice in the usual way.

Extending Notice

Once an employer has given the correct notice of termination of employment, s/he cannot readily extend such notice. It has been allowed in the context of a receivership, but there is no assurance that this would always be the case. Where there is an explicit agreement between the employer and the employee this will make it easier to justify extending notice but it is not a guarantee (normally the notice would have to be re-issued). Employers should be aware of the dangers of extending notice but where they intend to do so they should do so on a very temporary basis and explain such clearly in a letter to the employee. Extending it indefinitely on a week to week basis will cause problems. Employees, once issued with notice of dismissal for redundancy will be made redundant unless the employer totally withdraws such notice, with the employees' consent.

Failure to give Proper Notice of Redundancy

An employer who fails to give adequate notice or who gives false information shall be liable to a fine not exceeding €3,000. The failure of an employer to give adequate notice will also affect his/her redundancy rebate.

SEVERANCE PAYMENTS

Statutory Terms

An employee who is declared redundant is entitled to a statutory lump sum payment. A copy of the RP50 should be sent to the Minister for Enterprise, Trade & Employment. The statutory lump sum is calculated by reference to years of service as follows: two weeks pay for each year of continuous and reckonable service and the equivalent of one week's normal weekly pay. Any excess days over the complete years of service are granted as a proportion of a total year. For example, if a person works 2 years and 182 days, they are entitled to statutory payment of 6 weeks pay (2.5 years X 2 weeks plus 1 weeks pay). A weeks' pay in such circumstances is subject to a statutory ceiling of €600 per week (€31,200 per annum). This ceiling is adjusted from time to time.

Definition of a Week's Pay

The Acts provide complex rules for the calculation of the statutory redundancy payment which is based on normal weekly remuneration to take account of average overtime, commission and other varied payments. Normal weekly remuneration is calculated as of the date the employee was declared redundant which is defined as the date s/he received notice. An online redundancy calculator is available at www.redcalc.entemp.ie to assist employers in these calculations.

Time Workers

Where an employee is paid on a fixed wage or salary which does not vary in relation to work done his/her normal remuneration is his/her weekly earnings (including any regular bonus or payment in kind) at the date of declaration of redundancy.

Overtime earnings are calculated by determining the total amount of such earnings in the period of 26 weeks which ended 13 weeks before the date on which the employee was declared redundant and dividing that amount by 26.

Piece Workers

Where employees are paid by piece rate or commission, i.e. where the remuneration varies in relation to work done, normal weekly remuneration is calculated by averaging remuneration paid in the period of 26 weeks which ended 13 weeks prior to the declaration of redundancy. Periods within the 26 week period in which s/he did not work are disregarded. The most recent week(s) before the 26 week period are to be taken into account.

Employees with No Normal Working Hours

Where an employee has no normal working hours, weekly pay is taken to be the average of earnings including any bonus, pay, allowance or commission over the 52 weeks worked prior to being declared redundant. Hence that would exclude lay-off periods which would be common in that sort of working arrangement.

Rebate to Employers

Employers may claim from the Social Insurance Fund, a rebate of 60% of the statutory lump sum. The payment of the rebate is subject to a minimum period of two weeks notice of dismissal being given. The rebate may be reduced to 40% at the discretion of the Minister for Enterprise, Trade and Employment if the employer fails to comply with the proper notice provisions. Claims for rebates should be made on form RP50. The RP50 must be sent to the Minister for Enterprise, Trade and Employment within six months of the date of payment of the redundancy lump sum. No rebate will be paid in respect of any part of a redundancy settlement which is in excess of the statutory entitlement.

Continuous Service

To be entitled to a redundancy payment an employee must have 104 weeks' continuous employment with the company.

The Acts provide that an employee's service shall be continuous unless the employee is dismissed or voluntarily leaves employment. Continuity is not broken by absence due to sickness or injury of up to 78 weeks, strikes/lock outs, agreed absences or lay-off periods of up to 26 weeks. Where the Employment Appeals Tribunal is called upon to deal with the question of continuity of employment, it will generally deal with it in terms as favourable as possible to the employees.

Reckonable Service

For the purposes of calculating the redundancy lump sum reckonable service is used when estimating years of service. Any absence that occurred more than 3 years prior to the redundancy taking effect is automatically considered to be reckonable. The following relates only to events within 3 years of the date of redundancy.

REDUNDANCY - second part.

Reckonable service includes any period of service between 16 and 66 years, absence due to occupational injury or disease (up to 52 weeks), illness (up to 26 weeks) agreed absence (up to 13 weeks in a 52 week period) certain absences arising from strikes, absence due to lock-out and leave under the Maternity Protection Acts, 1994 and 2004, the Adoptive Leave Act, 2005, the Parental Leave Acts, 1998 and 2006 and the Carer's Leave Act, 2001.

Reckonable service excludes absence due to lay-off or strike in the business or industry in which the employee is employed after the commencement of the 1967 Act. The employer is asked to fill in details of the non-reckonable service for each employee on form RP50.

Ex-gratia Payment

An employer is legally obliged to pay statutory redundancy. In practice however, it is not unusual for trade unions to negotiate redundancy settlements above the statutory norm. A review of redundancy settlements in recent years shows that settlements vary greatly.

Ex-gratia settlements vary so much from one company to another that it is almost impossible to say what the average settlement has been. The SFA produces an annual Redundancy Settlements Schedule, which gives details of specific company settlements, and which is available to members on request from info@sfa.ie

Methods of calculating redundancy payments in excess of statutory:

1 Pay per Year of Service

A number of weeks' pay per year of service. In the case of employees with short service, this formula may be suitable. Employers should be aware that any such formula will set a precedent for future redundancy payments.

2 Lump Sum Payments

This formula is likely to be the most acceptable where a very small number of employees are being made redundant. Lump sum payments can be varied to take account of service, thus making them a practical method of payment in a wide variety of circumstances.

3 Statutory Entitlement Only

In some situations, particularly where a small company is closing due to severe financial difficulties, the statutory entitlement only may be paid.

OTHER ELEMENTS OF REDUNDANCY PACKAGES

Outplacement Service

A number of companies provide redundancy counselling or "outplacement service" to employees to help them to look for alternative employment and/or to offer practical help with business start-ups. Benefits - Preferential Loans, Health Insurance, Company Cars, Life Assurance.

Employers may decide to allow employees to keep certain benefits for a limited period after redundancy. This can include the option of purchasing company cars at trade value.

Financial Advice

Some companies provide employees about to be made redundant with advice on investment, pensions, tax and social welfare.

SOCIAL WELFARE ASPECTS OF REDUNDANCY

Persons under 55 years of age who have been made redundant and receive payment in excess of €19,046.07 (inclusive of statutory) will be debarred from claiming

unemployment benefit for up to 9 weeks. This applies whether the redundancy is on a compulsory or voluntary basis.

Persons over 55 years of age are not affected by the €19,046.07 threshold and should be entitled to unemployment benefit immediately.

TAXATION OF REDUNDANCY PAYMENTS

The following payments made in connection with the termination of employment, either on retirement or removal, are exempt from tax:

1. Statutory Payments

2. Ex-gratia payments up to the amount of the basic exemption. The basic exemption is €10,160 plus an additional €765 for each complete year of service.

3. In certain circumstances a further €10,000 applies provided:

- The recipient must not have made a claim within the previous 10 years.

- The €10,000 is reduced € for € by any sum received or receivable from an approved pension (superannuation) scheme in relation to that office or employment e.g. if a sum of €2,000 is paid from a superannuation scheme the €10,000 is reduced to €8,000.

- Before applying an exemption greater than €10,160 plus €765 per year of service to a payment for PAYE purposes an employer would be advised to clear the position with the relevant tax authorities as s/he might not be aware of circumstances, e.g. a previous ex-gratia payment. If the employer allows all or any of the extra exemption, to the whole or part of the additional €10,000 exemption s/he does so at his/her peril as s/he will be liable to the revenue commissioners for any shortfall.

4. Standard Capital Superannuation Benefit (SCSB) gives greater relief to longer serving employees. SCSB is calculated as follows:

$((AxB)/15)-C$ where:

A = Average salary for the last 3 years of service

B = Number of complete years of service in that employment

C = Any tax-free sum received or receivable under an approved superannuation scheme

5. Top Slicing Relief:

Any payments in excess of the exemption mentioned above is taxable at top slicing rates. This ensures that the lump sum is taxable at the average rate of tax applicable to the employee over the five years before the year of assessment. Where the PAYE deducted exceeds this amount, a refund should be claimed from the tax office after the end of the tax year in which the employment terminates.

6. The balance of monies paid should be charged to income tax at the rate applicable, when the taxable amount of the payment is added to monies earned by the employee, in the tax year of the termination.

7. The K rates (as appropriate) of PRSI are applicable to monies liable to taxation.

ACCOUNTING IN TROUBLED TIMES



Economic downturn or not, everyone that is in business needs to stay in business. As budgets get smaller and purse strings tighten, it is getting harder day by day to make money and more importantly to collect money.

Keeping on top of cash collection, costs and overheads is now more important than ever. Having a proper system or systems in place to cater for these areas can save time, money and your business.

So what are the key areas to keep on top of;

- **Who owes the business money and how much**
- **Who does the business owe money to and how much**
- **What is the businesses cash position in the Bank**
- **Are the VAT returns up to date**
- **Is the business making a profit**

Often these are questions that an owner cannot answer at the press of a button and time is then lost drudging through a lot of paperwork to find out something a proper system would tell them in seconds.

It is important to have access to this type of information, while at the same time keeping this process simple. An owner manager has enough jobs to do within the business without having to spend a huge amount of time processing their accounts.

At **Big Red Book**, we have taken this policy on board and have created a simple to use system which generates finger tip access to the information required to run a successful business.

Not knowing anything about Accounts or bookkeeping is an advantage to users of **Big Red Book** because it does the work for you. Simple entry screens guide the user to input details on sales, purchases, payments and receipts. The system will take care of the rest, it will let you know who owes you money and produce monthly statements. It will let you know who you owe money too and can generate an Electronic payment file to send to the Bank saving time and money writing cheques. It will show the current position in your Bank, it will generate the VAT figures required for the VAT Forms and last but not least it will tell you if the business is making a profit or not!

Business today is about being smarter, cutting back on the things you don't need, switching off lights and energy devices sooner saving money, offering your customers a better choice at more realistic prices. Giving settlement discounts for early payment of accounts. Asking for discounts from suppliers for early payment. Offering customers a greater level of service, eg free delivery of goods, free bags with their shopping. Smart ideas that don't cost the business a huge amount, but make you stand out from your Competition.

Contact us

on **01 2048300**

or visit

www.bigredbook.com

for a free download
and to hear more about
your 20% AECI
member discount.



The DAS Commercial Legal Protection Policy, which has been specifically designed for A.E.C.I. Members, offers comprehensive cover for businesses in many areas where legal disputes may arise.

Employment Disputes

DAS will defend your legal rights if you face court or tribunal proceedings from an employee, ex-employee or prospective employee relating to a dispute over a contract of employment or a breach of statutory rights under employment legislation.

Financial Compensation Awards

For claims accepted under Employment Disputes, and provided that you have followed advice from their Legal Advice Department, DAS will pay any financial compensatory award ordered by a Rights Commissioner or tribunal.

Legal Defence

DAS will defend you and your employees' legal rights against business related criminal prosecutions, and defend a wide range of business related actions including defence of any Statutory Notice brought against your company and appealing against the refusal of the Data Protection Commissioner to register your application for registration.

Debt Recovery

DAS will negotiate for your legal rights to recover undisputed outstanding debts due from the sale or provision of goods or services, as long as the amount in dispute is more than €300 and the contract was entered into after the policy started. Any disputed debt is not covered under this section of cover.

Property Protection

DAS will negotiate for your legal rights in a civil action following physical damage to your material property, or any nuisance or trespass.

Bodily Injury

DAS will negotiate for your employees' legal rights following an event which causes the death of or bodily injury to them in a non motor accident arising from their employment. This includes an assistance service in bringing claims through the Personal Injuries Assessment Board (PIAB).

Tax Protection

DAS will negotiate on your behalf and represent you in appeal proceedings in respect of a Revenue or VAT Audit carried out by the Revenue Commissioners; and disputes over compliance with PAYE or Social Insurance Contributions Regulations.

Helplines

Provides 24 hour Commercial Legal Advice, Health & Medical Information Service and Counselling helplines.

Employment Manual

The Employment Manual, provides you with a comprehensive guide to employment procedures. It is available exclusively to A.E.C.I. members/DAS policyholders and can be accessed using a password which is provided to you.

NOTICE OF AGM

The Association of Electrical Contractors of Ireland will be holding its AGM **on Saturday, the 7th March 2009** at the Midway Hotel, Portlaoise starting at 11am.



This is an opportunity for all Members to express their opinions and also to show support to the Officers and the Executive Council who give their time unselfishly for the good of the Electrical Contracting Industry.



2009 SUBSCRIPTIONS

By now most of you will have received your AECI 2009 Membership Certificate. Apart from adorning your office wall this should also be included in your tendering documents/profile.

For those of you who at this stage have not received your 2009 Certificate, please contact Lenka at the AECI office.

Similar to anybody else, trying to run an office, we have a lot of costs attached to continue to give our Members the best of service and so again we would like to thank all those Members who have sent in their 2009 Subscriptions and to remind those who have not paid to do so as soon as possible.

SIMPLE FACTS OF ACCOUNTING

TAX IMPLICATIONS OF REDUNDANCY FOR EMPLOYERS AND EMPLOYEES

In these challenging times companies are being forced to consider restructuring in a bid to have leaner cost structures and in some cases, to survive. Consequently the prospect of redundancy has, unfortunately, become a reality for many SMEs and their employees. This information seeks to outline the tax implications from both an employee and employer perspective.

EMPLOYEE PERSPECTIVE:

Redundancy payments exempt from tax:

The main redundancy payments which are exempt from tax are statutory redundancy payments (E.g. what an employee is entitled to under employment legislation, where they meet the eligibility criteria) and any payment made on account of injury or disability. Ex gratia payments/ lump sums, made by an employer may qualify for tax relief depending on circumstances.

Redundancy payment not qualifying for relief from tax:

Where a lump sum payment is received on termination of contract and such a payment was provided for in the contract of employment, this payment is charged to income tax, in full, in the normal way.

Tax Payable:

Tax on a lump sum is payable in the year the employee leaves the employment. The rate of tax chargeable depends on the income in the given year.

PRSI, Health Levy and Income Tax Levy:

Certain lump sum payments made to employees when they leave their employment are not reckonable earnings for PRSI purposes. Examples of such payments are redundancy payments, gratuities or ex-gratia lump sum payments and payments in lieu of notice to an employee when they retire or leave their employment. However, a Health Levy (Class K contribution), and also the income tax levy is payable on the taxable portion of the lump sum payment.

Pay in lieu of notice

Any payment in lieu of notice over and above the statutory entitlement whether in cash or in some other form will be taxable but may qualify for some relief.

Determining the taxable portion of a lump sum payment:

The amount of relief reduces the taxable portion of the lump sum received. For example if the lump sum received was €20k and the relief was €2k, the taxable portion of the lump sum after relief would be €18k. There are 3 types of relief available. On receipt of a first redundancy payment the employee can avail of the highest of these three reliefs outlined below.

1. Basic Exemption

Employees are entitled to receive a tax free, ex gratia payment of €10,160 plus €765 for each full year of service with their employer. This is in addition to the statutory entitlement.

Example: Joes has worked for his employer for 10 years. His employer has agreed to pay him an ex gratia payment of €50,000. He will be entitled to relief of €17,810 (€10,160 + €765x10). The remainder, €32,190 is taxed.

Part-time employees will effectively be treated as full time when calculating the period of service. Career breaks are excluded from the period of service.

2. Increased Exemption

In certain circumstances an employee will be entitled to an increased exemption over and above the Basic Exemption outlined above. An increased exemption of €10,000 is available to employees who either are not a member of an occupational pension scheme or have given up the right (irrevocably) to receive a lump sum from the pension scheme, where no relief has been claimed in respect of a lump sum received in the previous ten years. Where an employee is a member of an occupational pension scheme the tax increased exemption is reduced by either:

- The tax free lump sum to which an employee is immediately entitled; or
- The present day value of the pension lump sum at the date of leaving employment which may be receivable in the future

If such a payment is greater than €10,000 then no extra relief is available.

Example: Taking the previous example, if Joe was entitled to a pension lump sum of €5,000, his increased exemption is €17,810 + (10,000 – 5,000) = €22,810.

3. Standard Capital Superannuation (SCSB) This provides relief to the value of:

$$\frac{A}{3} \times \frac{B}{15} \text{ LESS Value of any tax free pension lump sum} = \text{Relief}$$

Where: A = Total Emoluments* for the past 3 years (*income, BIK plus any other benefits)
B = Years of service

If Joe earned a total salary of €70,000 per annum and BIK of €5,000 per annum over the last three years his position is as follows

$(70,000+5,000) \times 3$	$\frac{10}{15}$	=	€50,000	Relief before deduction of pension	€50,000
$\frac{3}{3}$	$\frac{10}{15}$			Less pension lump sum	(€5,000)
				Amount of relief	€45,000

Additional Exemption for the employee: Retraining and redundancy

An additional exemption of up to €5,000 may be available to an employee who has more than two years full time continuous service, where the employer bears the costs of retraining the employee, as part of a redundancy package. The training must be completed within six months of the employee being made redundant. The employee must avail of the training.

Restriction on Basic Exemption and SCSB

The Basic Exemption or the SCSB can only be given once against a lump sum from the same employer or associated employer.

Top Slicing Relief

The three reliefs discussed above determine the tax exempt portion of a lump sum received. Once the taxable portion of a lump sum has been determined, top slicing relief ensures that the rate of tax payable on the portion which is taxable is no greater than the average rate of tax paid for the 3 years prior to redundancy or retirement.

Taxable lump sum *(tax rate applied to lump sum – average tax rate paid for the previous 3 years) = amount of top slicing relief.

Example: If Joe's taxable lump sum is €20,000 he will be taxed in the current year on this at the marginal rate (say 41%, i.e. €8,200). If his average rate of tax paid (taking into account tax credits etc) over the previous three years was say 30%, tax on the 420,000 will be restricted to €20,000 * 30% i.e. €6,000

Note: this relief is claimed at the end of a year and is paid as a rebate.

EMPLOYER PERSPECTIVE:

Revenue Approval (three reliefs):

In relation to the Basic Exemption, or if higher, the alternative SCSB exemption, specific prior Revenue approval is not required.

Revenue approval is, however, required for the increased exemption of €10,000 over the basic exemption.

Refund of certain elements of Statutory Redundancy:

Employers who pay the statutory redundancy entitlement and give proper notice of redundancy (at least two weeks) are entitled to a 60% rebate from the Social Insurance Fund, into which they make regular payments themselves through P.R.S.I. contributions. The Redundancy Payments Section of the Department processes applications for these rebates (see From RP50).

This rebate is available in respect of each redundant employee.

Tax Deductibility:

Redundancy payments are tax deductible as business expenses, provided the company is not being wound up.

Reporting requirements on Employers

Details of all lump sum payments made and treated by employers as exempt by reference to section 201 (2)(a) TCA 1997 and made after 25 March 2005 must be reported to the Revenue Commissioners not later than 45 days after the end of the year of assessment in which the payment was made.

The details to be forwarded to the appropriate tax district responsible for the income tax affairs of the employee / office holder are:

- The name and address of the person to whom the payment was made;
- That person's personal public service number (PPS no.);
- The amount of the payment made; and
- The basis on which the payment is not subject to tax. In circumstances where the payment is on account of injury or disability, particulars of the injury or disability must also be indicated.

Section 19 Finance Act 2005 introduced a mandatory reporting requirement for employers in relation to such payments and is effective for all such payments made on or after the 25 March 2005.

LABOUR COURT HEARING

With reference to above Hearing we will have further information for you next week.

EMPLOYMENT RIGHTS COMPLIANCE BILL (REFERENCE EPACE)

The Employment Rights Compliance Bill is currently before the Dail and due to be passed shortly. One of the elements of this Bill is that "The National Employment Rights Authority" NERA will use a separate body to monitor compliance and inspect Electrical Contractors; although that body is not named in the Bill it is likely to be EPACE.

This is treating Electrical Contractors differently to all other aspects of employment compliance, as EPACE use Union people to carry out inspections. AECI have withdrawn from EPACE activities for several years in protest at this form of inspection and have made this objection perfectly clear to NERA at meetings between the two bodies. AECI Officers have had and are still having meetings with Ministers and Politicians to try to get this point across and to get the Bill amended so that NERA would have to employ the inspectors directly.

We appeal to all AECI Members to lobby their politicians in any way possible to get this injustice in the inspection process amended and to let them know that Electrical Contractors will have no confidence in such a form of inspection. Surely these inspections must be totally independent of influence by either employer or employee bodies and the only way that this will be seen to be fair is to use Civil Servants to carry out this work.

COURSES & SEMINARS

I.S. 3217:2008 EMERGENCY LIGHTING COURSE

This is just a reminder for those wishing to book a place on the Emergency Lighting Course (Dublin or other Regions).

GOVERNMENT NEW CONDITIONS OF CONTRACT SEMINAR

We are continuing to take names, so as to arrange a date and venue in mid to late March 2009. Please find below the booking form.

For further information please contact Chris Lundy, AECI Executive Secretary.



1 Day Seminar/Workshop

GOVERNMENT NEW CONDITIONS OF CONTRACT SEMINAR

Where: Athlone

When: March 2009 (date to be agreed)

Fee: €320.00 per person

Fax Back Booking Form

Please complete below and fax to 01-288 5870.

Name(s):

Company Name:

Address:

Phone:

Fax:

Mobile:

E-mail:

Number of places intended:

Signature of Owner/Director:

All places must be paid for in full prior to training date.