



Supports and information for the self-employed

Self-employment
and means tests?

Jobseeker's
Allowance?

Going back to
education?

Supports for
setting up a
business?

Tax?

Universal
Social Charge?

PRSI and
pensions?



Supports and information for the self-employed

When you become self-employed it means you are carrying on your own business rather than working for an employer. This means that you are in control of what you do and you are responsible for paying your own tax and PRSI contributions. However in some cases, self-employment does not provide a regular income and, in particular, social welfare supports and pensions differ for self-employed people.

During the economic downturn many self-employed people have visited Citizens Information Services with questions about their entitlements following a fall-off in business and a reduction in their income. This guide aims to answer many of these questions.

You can also visit selfemployedsupports.ie to find out more about supports for self-employed people.

February 2012

This leaflet is published by the Citizens Information Board.

The Citizens Information Board is the national agency responsible for supporting the provision of information, advice and advocacy on social and civil services. You can get information on your rights, entitlements and available services at citizensinformation.ie. You can also get information on all the topics covered in this guide from the network of Citizens Information Centres and from the national Citizens Information Phone Service on 0761 07 4000.

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Types of self-employment

You can run a business as a sole trader, as a partnership or as a limited company. This booklet focuses on issues facing sole traders since this is the most common structure for self-employed people.

Sole trader: It is relatively simple to set up as a sole trader but if your business fails, your personal assets could be used to pay your creditors. Your main legal obligation is that you must register as a self-employed person with the Revenue Commissioners (see 'How do I pay tax' below). If you wish to use a business name you must register your business name with the Companies Registration Office.

Partnership: This is where two or more people agree to run a business in partnership with each other. The partnership agreement should be drawn up by a solicitor. The partners are jointly responsible for running the business and if it fails all partners are jointly responsible for any debts.

Limited company: If you set up your business as a limited company, the business is a separate legal entity. If the company gets into debt, the creditors generally only have a claim on the assets of the company. The company must be registered with the Companies Registration Office (CRO). The company must also meet certain legal obligations including making annual returns to the CRO each year.

There is more information about these different structures on the CRO website, cro.ie.



Am I really self-employed?

Employers engage people on either **contracts of service** or **contracts for services**. Only people engaged under a contract of service are employees and therefore protected by the full range of employment legislation. An independent contractor or self-employed person will have a contract for services – which means that they perform the service in return for payment. The distinction between the two types of contract is sometimes unclear and in law you may be considered an employee even if you have agreed with a business to do work for it on a self-employed basis or if a business insists that you are not an employee.

In some cases people who considered themselves self-employed have been found to be employees by the Scope Section of the Department of Social Protection or by the Revenue Commissioners. This means that they are entitled to all the protections given to employees (such as redundancy and Jobseeker's Benefit). Self-employed people are not entitled to these protections. If you are unsure about your employment status you can consider the following questions when trying to clarify your position.

You are probably self-employed if you:

- » Run your own business and take responsibility for its success or failure
- » Have several customers at the same time
- » Can decide how, when and where you do your work
- » Are free to hire other people to do the work for you or help you at your own expense
- » Provide the main items of equipment to do your work

You are probably employed if you:

- » Have to do the work yourself and are supplied with the materials and equipment to do the work

- » Are under the control of one person at a time who directs how, when and where you do your work
- » Have to work a set amount of hours and are paid a regular amount according to the hours you work
- » Get paid for working overtime and for sick leave and holidays
- » Have PAYE and PRSI deducted directly from your payment

There is a *Code of Practice for Determining Employment or Self-Employment Status of Individuals* which expands on the differences between employment and self-employment in detail (available on welfare.ie). You should note that statements in contracts such as “You are deemed to be an independent contractor” or “You are not an employee of this company” are not contractual terms. This means that they are not relevant when deciding whether a person is self-employed or an employee.

You can also be employed and self-employed at the same time, perhaps by working for an employer during the day and running your own business in the evenings. See page 7 for more information on how you pay PRSI in this situation.

If you are unsure as to whether you are employed or self-employed you can contact your local Revenue Office or the Scope Section of the Department of Social Protection. They will consider the facts and provide a written decision about your status. In general a decision by one Department will be accepted by another. However this is not always the case so you should get a decision from both if there is any doubt.

Scope Section

Department of Social Protection

Oisin House

212-213 Pearse Street

Dublin 2

t (01) 673 2585

welfare.ie



How do I pay tax?

The main legal obligation when becoming self-employed is that you must register as a self-employed person with the Revenue Commissioners.

As a self-employed person you pay tax under the self-assessment system. This means that you pay Preliminary Tax (an estimate of tax due) on or before 31 October each year and make a tax return for the previous year not later than 31 October (or 16 November if you file your tax return online using Revenue's Online Service - ros.ie) following the end of the tax year.

Revenue will assess your liability for income tax, PRSI and the Universal Social Charge based on the information supplied by you and any amounts that you owe are paid directly to Revenue.

You must keep proper records which include:

- » All purchases and sales of goods and services and
- » All amounts received and all amounts paid out

You must keep supporting records (for example, invoices, bank and building society statements, cheque stubs and receipts).

You can claim certain business expenses against tax as well as contributions to your personal pension (up to certain limits).

More information...

You can find more information on self-employment in the Revenue booklets *IT 10 A Guide to Self Assessment* and *IT 48 Starting in Business*. You must register for Value Added Tax (VAT) if your annual turnover is more than or is likely to be more than €75,000 for supply of goods or €37,500 for supply of service. You will find more detailed information on self-employment and your obligations on the Revenue website, revenue.ie



What social insurance contributions do I pay?

Pay Related Social Insurance (PRSI) contributions are deducted from your income and used to fund social insurance payments (for example, State pensions). There are different rates of PRSI for different categories. If you are self-employed, you pay PRSI at a lower rate called Class S. (Most employees pay Class A PRSI.) The Class S rate is 4% which is the same as the employee rate of PRSI. However, employers also pay PRSI for their employees so the total paid on behalf of employees is much more than the total paid by a self-employed person.

Class S contributions only cover you for a **limited number of payments**. In general they do not cover you for any short-term payments including illness and disability payments. They do not cover you for Jobseeker's Benefit (which is based on PRSI contributions and is not means-tested). Class S contributions entitle you to:

- » Widow's/Widower's/Surviving Civil Partner's Contributory Pension
- » Guardian's (Contributory) Payment
- » State Pension (Contributory)
- » Maternity /Adoptive Benefit
- » Standard Bereavement Grant

You pay Class S PRSI contributions at 4% on all your self-employed income. Not all of your income is reckonable for Class S PRSI. If you earn less than €5,000 from self-employment in a year you are exempt from paying Class S PRSI.

Some people who may consider themselves self-employed are actually exempt from Class S PRSI. This means that they have no entitlement to the benefits paid to people who have paid Class S contributions. For example, you do not have to pay Class S PRSI if you are what is known as a prescribed relative of the business owner and help in the business but are not a partner in the business. Spouses, civil partners, parents and children of the business owner are prescribed relatives.

I have income from investments. Do I have to pay Class S PRSI on this income?

Income from investments or rents can be treated differently depending on any other sources of income you have.

If you do not work and therefore have no earned employment income, you may have to pay Class S contributions on your unearned income (such as income from investments, rent or maintenance payments).

If you work and pay Class A PRSI you do not have to pay Class S PRSI on any unearned income you may have. However you must pay Class S PRSI for any earned self-employment income – perhaps from consultancy or freelance work.

Public servants who pay PRSI at Class B, C or D do not pay any PRSI on self-employed income whether it is earned or unearned.

More information...

You must register with the Revenue Commissioners for Class S PRSI. The Department of Social Protection (DSP) has published a leaflet *PRSI for the Self-Employed (SW74)*.

If you have worked as an employee any time in the last four years, you may have paid Class A PRSI and can apply for Jobseeker's Benefit. You can contact your Social Welfare Local Office or the DSP's PRSI Records section find out whether you have enough Class A contributions to get Jobseeker's Benefit.

PRSI Records

Department of Social Protection
McCarter's Road
Ardarvan
Buncrana
Donegal
t (01) 471 5898
Lo-call:1890 690 690
welfare.ie

Self-Employment Section

Department of Social
Protection
Cork Road
Waterford
t (051) 356 000 or
(01) 704 3000
e selfemployment@welfare.ie
welfare.ie



What is the Universal Social Charge?

The Universal Social Charge is a new tax payable on your gross income. It replaces the health contribution and the income levy and came into effect on 1 January 2011. It does not replace the Pay Related Social Insurance (PRSI) system.

You pay the USC if your gross income is more than €10,036 per year. Self-employed people pay an extra charge if their income is over €100,000 a year.

All Department of Social Protection (social welfare) payments (including State pensions and Child Benefit) and similar payments (for example, Community Employment schemes and Back to Education Allowance) and income on which DIRT has been paid are exempt.

Universal Social Charge rates

Aged under 70

Income up to €10,036	2%
Income from €10,036.01 to €16,016	4%
Income above €16,016	7%
Self-employed income above €100,000	3% extra

Aged 70 and over or a medical card holder

Income up to €10,036	2%
Income above €10,036	4%
Self-employed income above €100,000	3% extra

An extra charge of 3% applies to any self-employed income above €100,000. This means that people under 70 pay 10% USC on self-employed income over €100,000. Medical card holders and people aged 70 and over pay 7% USC on self-employed income over €100,000.

Self-employed people pay their Universal Social Charge with their preliminary tax payment. Any discrepancy between the amount paid and the amount due will be amended when the final assessment issues from Revenue.



I am no longer earning enough from self-employment - what help can I get?

Self-employed people can become unemployed if their business has to close down. Alternatively you may continue to be self-employed but find that you are not getting enough work to provide a sufficient income.

If you have had to close your business or if your income from self-employment is very low, you may qualify for a social welfare payment.

You do not need to de-register as self-employed to get a social welfare payment.

Jobseeker's Benefit

Most self-employed people cannot qualify for Jobseeker's Benefit (JB) since it is only given to people who have paid PSRI at Class A.

If you do qualify for Jobseeker's Benefit (because you have been recently employed) you may continue to do some work. However, you must have lost at least one day of employment and as a result of this loss be unemployed for at least three days out of six days. Your earnings must also have been reduced because of the loss of employment.

For example, if you are engaged under a contract for service to work (on a self-employed basis) for three days per week and are unemployed for the rest of the week, you may qualify for Jobseeker's Benefit.

In certain circumstances, for example, if you were trying to start a business while you are on JB you may be able to retain the full JB and also have a small income from the self-employment. This is known as subsidiary employment. However, in these circumstances, you should consider applying for the Short-term Enterprise Allowance (see page 21 below).

If you do not qualify for Jobseeker's Benefit you may qualify for a means-tested Jobseeker's Allowance.

Jobseeker's Allowance

If you do not earn enough from self-employment and you do not qualify for JB, you may be able to get Jobseeker's Allowance (JA) if you pass a means test. In order to qualify, you must also be:

- » Over 18 and under 66
- » Unemployed and available for, capable of and genuinely seeking work
- » Habitually resident in Ireland

In general, when you apply for JA, you are interviewed by a social welfare inspector who asks you about any means you have.

How is the means test carried out?

The means test can be quite complex for self-employed people. There are very often problems in establishing what your income actually is and there can often be a long delay in getting Jobseeker's Allowance because of this.

The law on means testing for Jobseeker's Allowance provides that your expected income in the year after you apply is taken into account. The assessment must reflect the income you may reasonably be expected to get from your business over the next 12 months. Income for the last 12 months will be taken as a guide but allowing for any factors which it is known will vary.

Note...

You will get Jobseeker's Allowance if your income is below a certain level. Your reduced income will be assessed as means. **You can continue to operate your business and work while you are getting Jobseeker's Allowance** provided you do not exceed the income limits.

The number of days in which you are engaged in self-employment is not relevant. You could qualify for Jobseeker's Allowance even if you are engaged in self-employment every day. However you must be available for work and be able to show that you are looking for work to meet the conditions for the payment.

If you want to be able to spend all your time working for the business you could apply for a Back-to-Work Enterprise Allowance to help you while you are setting up your business (see page 21 below).

It is very important that you tell the social welfare deciding officer about factors which may vary – for example, if a client of yours who accounted for a large amount of your business last year has gone out of business you can show that this portion of your income from self-employment is no longer available.

Even though the social welfare inspector will take your current circumstances into account you will be asked for your receipts and payments or audited accounts for the current and previous year. For example, if you apply for Jobseeker's Allowance in June 2012 you will be asked for your receipts and payments from January to June 2012 and for 2011. However, in certain cases you may be required to show audited accounts for the last two or more years.

How is income from self-employment treated?

All your current earnings from self-employment are taken into account and there are no disregards. This means that every euro you earn from self-employment is deducted from your Jobseeker's Allowance (JA) payment. (Certain income from employment is disregarded but this is not the case with income from self-employment.)

Your earnings are assessed as gross income less work-related expenses over 12 months. Your expected annual earnings from self-employment are divided by 52 to find your weekly means from self-employment. Any expenses which you legitimately incur in the business are taken into account. Any 'drawings' (this means money or goods you withdraw from the business for your personal use) you take from the business are not an allowable expense. If your 'drawings' from the business are greater than the level of income calculated, the 'drawings' are assessed as cash income.

You must be able to distinguish between expenses incurred in the business and expenses incurred for domestic purposes. You should have receipts, invoices, Value Added Tax (VAT) returns, audited accounts and any other evidence available for the social welfare inspector. The Department of Social Protection say that the following are the main allowable expenses but the list is not exhaustive:

- » Materials (the cost of supplies)
- » Motor running costs (portion applicable to business)
- » Depreciation of machinery or equipment
- » Insurance relating to the business
- » Telephone (portion applicable to business)
- » Lighting and heating (for business and not domestic use)
- » Advertising, bank charges, stationery, van leasing, labour costs and pension plan
- » Class S PRSI contributions
- » Any other costs associated with running the business

Household running costs are not allowed as deductions against business profit. Your partner's income will also be taken into account (and this income is assessed differently depending on whether it is from self-employment or employment).

What about my spouse or partner's income?

Your **spouse's or partner's income from work** will be taken into account when calculating your Jobseeker's Allowance payment. If your spouse or partner is employed, only a certain amount of their income from work is taken into account. Twenty euro per day (for up to three days) is not counted and only 60% of what is left is counted as means. So, if, for example, your spouse works for three days and earns €120 only €36 of this income is counted as means from work. However if your spouse or partner is self-employed **all** their income from self-employment is counted in the means test.



How income from other sources is treated

The house in which you live is not included in the assessment of your means unless you are getting an income from it. If you have rented a room in the house, that income is assessed in most circumstances.

If you own property that you are not personally using or you have investments or any other form of capital, the value is assessed, using a standard formula. You may or may not be getting an income from the property or investment.

If you own a second house and the house is let, you will be assessed on the capital value of the property. You will not be assessed on the actual income from the letting. Any outstanding mortgage registered against the property is deducted from the market value to find the capital value.

However, if the mortgage on the home in which you live has been re-structured to raise capital to buy the second property, this re-structured mortgage will not be deducted from the capital assessment of the second property.

If your spouse or partner owns property or has other assets they will be assessed in the same way.

Supplementary Welfare Allowance

Supplementary Welfare Allowance provides a basic weekly payment to eligible people who have little or no income. The Supplementary Welfare Allowance Scheme covers rent and mortgage interest supplements (see below). You may also get a payment if you need help with exceptional once-off costs or urgent needs in emergency situations.

You may qualify for Supplementary Welfare Allowance while you are waiting to be assessed for a jobseeker's payment or if you don't qualify for a jobseeker's payment. If your income from self-employment is less than the means allowed in the means test you may qualify (even if you continue to do your self-employed work).

However you cannot get Supplementary Welfare Allowance if you (or your spouse or partner) are working more than 30 hours per week in insurable employment. If you are working less than 30 hours a week and you satisfy the means test you may be eligible. Your gross income less PRSI and reasonable travel expenses is assessed in the means test. Other expenses may be allowed if you are self-employed.

You apply for Supplementary Welfare Allowance to the Department of Social Protection's representative in your local health centre.

Other benefits

You may also be entitled to extra benefits – often called secondary benefits. Sometimes you must be getting a social welfare payment to qualify for the payments (for example, for Back to School Clothing and Footwear Allowance). In most cases you will have to pass another means test.

If your income is below a certain amount you may get a **medical card** or a **GP Visit Card** from the Health Service Executive (HSE). The HSE means test is similar to the social welfare means test. However, it is carried out separately.

You may get help with **mortgage interest repayments** or **help with paying your rent** under the **Supplementary Welfare Allowance Scheme**. (Note that if you or your spouse or partner works more than 30 hours a week you cannot qualify for payments under this scheme.)

If you are in local authority housing and your income has reduced you should contact your local authority and ask for a review of your rent. Some local authorities assume a certain level of income for certain self-employed people. You can, however, show that you do not have this level if that is the case.

You may get help with the cost of uniforms and footwear for children attending school. The **Back to School Clothing and Footwear Allowance Scheme** operates from 1 June to 30 September each year. You may also be able to get a **Fuel Allowance** or payments under the **Household Benefits Scheme** depending on your circumstances.

If you have an exceptional or urgent need, for example, help with a funeral bill, you can apply for a range of **discretionary payments** under the Supplementary Welfare Allowance Scheme (the rule about working less than 30 hours does not apply to discretionary payments).

Self-employed people are not eligible for **Family Income Supplement** even if their income is below the limits for their family size. However if your spouse or partner is employed they may be eligible for the payment.

Visit citizensinformation.ie and selfemployedsupports.ie to learn more about all these benefits.



Appealing a decision

If you think you have been wrongly refused a social welfare benefit such as Jobseeker's Allowance you can appeal this decision to the Social Welfare Appeals Office. You can also appeal if you are unhappy about any decision of a Social Welfare Deciding Officer. The Social Welfare Appeals Office is an independent agency. It is not part of the Department of Social Protection.

The Social Welfare Appeals Office also deals with appeals for some payments under the Supplementary Welfare Allowance Scheme. However, it does not deal with the discretionary elements of the Supplementary Welfare Allowance Scheme such as exceptional needs payments.

Social Welfare Appeals Office

D'Olier House, D'Olier Street

Dublin 2

t (01) 673 2800

socialwelfareappeals.ie



What about PRSI credits and voluntary contributions?

In some circumstances, for example, if you are unemployed and seeking work, you may be given free credited PRSI contributions. These can help maintain your contribution record for entitlement to social welfare benefits. To qualify for credits you must have a **paid or credited contribution** in the two previous years. Class S contributions don't provide entitlement to credits but if you have received credits or paid PRSI as an employee during that time you may be eligible.

If you are not entitled to PRSI credits **you can choose to make voluntary contributions**. These count towards long-term benefits, mainly pensions. If your last PRSI contribution was Class S, you pay for voluntary contributions at a flat rate of €253 per year.

If you were self-employed, you must apply to become a voluntary contributor within 12 months of the end of the tax year during which you ceased to be self-employed. You may also apply within 12 months of when you were last awarded a credited contribution.

Voluntary contributions cover entitlement to the following payments:

- » State Pension (Contributory)
- » Widow's/Widower's/Surviving Civil Partner's (Contributory) Pension
- » Guardian's Payment (Contributory)
- » Bereavement Grant

You can become a voluntary contributor by completing form VC1 which you can download from welfare.ie.

Note...

It is very important that you pay voluntary contributions if at all possible since this will safeguard your entitlement to a State contributory pension later in life.





What about self-employment supports?

People who are getting social welfare payments can keep all or part of their payment for a time after becoming self-employed if they take part in one of the Enterprise Allowance schemes. There are two schemes: the Back to Work Enterprise Allowance Scheme and the Short-Term Enterprise Allowance Scheme.

Under both schemes, you must first have your self-employment project approved as viable and sustainable. In areas covered by a partnership or integrated local development company (ILDC)¹ this is done by the partnership or ILDC. If you do not live in a partnership/ILDC area it is done by the Department of Social Protection's local Jobs Facilitator.

Approval normally involves an interview to assess the viability of the proposed project and to provide advice on funding, start your own business courses or other relevant aspects of self-employment.

If you have taken part in the scheme before you may qualify again after five years if you meet the conditions.

¹ They are also known as local area partnerships/ local development companies/integrated companies in different parts of the country.

Short-Term Enterprise Allowance

The Short-Term Enterprise Allowance is a scheme which applies to people who are recently unemployed and entitled to Jobseeker's Benefit (JB). There is no qualifying period, which means you do not have to be getting JB for a certain period of time. Payment under the scheme is at the same rate and for the same duration as your entitlement to Jobseeker's Benefit. Most self-employed people do not qualify for this Allowance (because they do not qualify for JB).

Back to Work Enterprise Allowance

This allows you to keep part of your social welfare payment for up to two years if you take up self-employment and meet various conditions. If you qualify, you may retain 100% of your payment in the first year and 75% in the second year.

In order to qualify, you must meet the following conditions:

- » Be setting up a self-employment business that has been approved by a partnership or local development company or Jobs Facilitator
- » If you are unemployed, you must either be getting Jobseeker's Allowance for 12 months or Jobseeker's Benefit for two years (or 12 months if you would also qualify for Jobseeker's Allowance while getting Jobseeker's Benefit)

People getting certain other social welfare payments may also qualify and the time on these payments or on training and community programmes may count towards the qualifying period if you are on a jobseeker's payment. In certain circumstances, your qualified adult may be able to take up the scheme instead of you.

You will keep any **secondary benefits** (apart from Rent or Mortgage Interest Supplement) for as long as you are getting the Back to Work Enterprise Allowance provided your household income is less than €317.43 gross per week. Household income includes your spouse's/civil partner's or cohabitant's income, but allows for PRSI and reasonable travel expenses. Income from the Back to Work Enterprise Allowance or the Short-term Enterprise Allowance is not taken into account for the €317.43 weekly income limit but any income from work is taken into account.

You should check in your local health centre to see how your Rent Supplement or Mortgage Interest Supplement may be affected by your participation in the Back to Work Enterprise Allowance.

Secondary benefits include:

- » Fuel Allowance
- » Medical card (the €317.43 weekly income limit does not apply here)
- » Diet Supplement
- » Back to School Clothing and Footwear Allowance

Technical assistance grant

If you qualify for either scheme, you may be able to get a grant from the Department of Social Protection's Technical Assistance and Training (TAT) fund of up to a maximum of €1,000 towards the start-up expenses. These include training (in areas such as bookkeeping/accounts, preparation of business plans, marketing, literacy and computer training) and the purchase of small items of equipment. This scheme is operated by the Department's Jobs Facilitators.

Starting your own business – the basics and where to find information

Much of the process of preparing for self-employment is about starting a business.

There is a range of supports and information about self-employment:

- » The guide to self-employment *Toil and Trouble* is available on the Department of Social Protection's website, **welfare.ie**.
- » City and County Enterprise Boards provide advice and mentoring to local businesses that are starting up or developing. In some cases they can give grants for feasibility studies and other financial supports for new businesses, **enterpriseboards.ie**.
- » Area Partnership Companies provide a range of enterprise support programme and services to people who are long-term unemployed and interested in setting up their own business. The service is administered locally through a network of 38 Area Partnership Companies.
- » The Companies Registration Office (**cro.ie**) can give you information about registering a business name. You can also register a business name online using CORE (Companies Online Registration Environment), **core.ie**.
- » You may need to have a business account with your bank. This allows you to keep your business income separate from your personal income. In general, you will need your Certificate of Business Name to open a business bank account.



What about going back to education or training?

Many unemployed people decide to go back to education or training. A range of courses are available ranging from full-time courses to evening classes.

Funding

Different sources of funding for education are available. These include grants, training allowances and social welfare payments.

- » The **Back to Education Allowance (BTEA)** can support people getting a social welfare payment to access full-time second-level and third-level education.
- » The **Part-Time Education Option** allows you to keep your Jobseeker's Allowance or Jobseeker's Benefit and attend a part-time day or evening course that will improve your chances of getting a job.
- » The **Education, Training and Development Option** allows you to keep your jobseeker's payment and attend a course not covered by the standard Back to Education Allowance, such as a personal development course.
- » The **Vocational Training and Opportunities Scheme (VTOS)** is aimed at unemployed people who were early school leavers.
- » The **Youthreach** programme provides people between 15 and 20 with opportunities for basic education, personal development, vocational training and work experience.

Labour Market Activation Fund

The Labour Market Activation Fund 2010 funds a wide range of organisations to provide training and education places specifically for unemployed people. The courses are run by a number of vocational education committees (VECs), Institutes of Technology and other organisations. The places are mainly for people who are less skilled, who have worked in construction, retail and manufacturing and who are aged under 35 or long-term unemployed. The qualifications on offer range from Level 3 to Level 8 on the National Framework of Qualifications. You can view the available courses on qualifax.ie.

You must be getting an unemployment payment for at least three months in order to qualify for a place. Time spent on training or education programmes will count towards this three-month period. While you are attending a training course under this scheme, you may qualify to keep your welfare payment for as long as you would normally be entitled to it.



Dealing with debt for small business owners

Small businesses can find themselves with cash flow problems because they are unable to get money owed to them by other individuals or businesses. In turn they may have difficulties meeting their obligations. This section looks briefly at debt from the perspective of the debtor (or the person who owes the money). If you are owed money the procedures are similar.

If you operate as a sole trader (this is the simplest and most common structure for self-employed people) you are personally liable for your debts. This means that your personal assets can be targeted by your creditors. If you form a company, then the company is responsible for its debts and your personal assets cannot be targeted unless you have given personal guarantees for the company debts. It is very important to ensure that you keep separate accounts for your business and personal money.

Most debts arise because you have failed to meet the terms of a contract. For example, you enter into an agreement to buy equipment by instalments and you fail to pay. It is a breach of contract to fail to pay such debts; it is not generally a criminal offence. It is a criminal offence to fail to pay certain debts. For example, it is an offence not to pay your taxes, second home charge or TV licence fee. You may be charged and convicted for failure to pay such debts. Even if you are charged, convicted and fined, you still owe the debt and can be sued for it in the normal way.

Your creditor is entitled to ask you to pay your debts but **is not entitled to harass or intimidate** you.

Court procedures

The procedures and the documents that are used are different depending on which court is involved and sometimes on which kind of debt is involved. The proceedings are started by the person to whom you owe money. That person (or group of people or company) is the creditor and the plaintiff in the case. You are the debtor and the defendant in the case.

- » If you owe less than €6,350, the court proceedings must be brought in the **District Court**. Proceedings are started when the creditor issues you with a Civil Summons.

- » If you owe between €6,350 and €38,091, the court proceedings must be brought in the **Circuit Court**. Proceedings are started when the creditor serves you with an Ordinary Civil Bill.
- » If you owe more than €38,091, the court proceedings must be brought in the **High Court**. Proceedings are started when you are served with a Summary Summons by the creditor.

You can find out more about court procedures on the website of the Courts Service, courts.ie.

Debts to Revenue

If you owe money to the Revenue Commissioners for unpaid taxes, you may be able to agree a repayment arrangement. However, in general, interest applies to any late taxes and so you must pay this as well. In some cases, penalties may also apply. In other cases where you have not paid or have underpaid your tax, you may be able to agree a phased payment arrangement. This generally does involve the payment of interest as well as the amount owed. The Revenue Commissioners also pursue cases through the courts.

Bankruptcy

Bankruptcy means that you legally declare that you are unable to pay your debts. Bankruptcy proceedings are carried out in the High Court and can be very expensive and time-consuming. Declaring yourself bankrupt is a very serious step. The Money Advice and Budgeting Service (MABS) recommends that you should try to negotiate an affordable and sustainable arrangement with your creditors before considering bankruptcy. Another option is to apply for an arrangement under the protection of the High Court. This means that you ask the High Court for protection against proceedings to give you time to present a proposal to your creditors – perhaps to pay them a proportion of the debts.

If you are a sole trader and are having difficulties with managing your personal finances the Money Advice and Budgeting Service (MABS) is a free and confidential service for people in Ireland with debt and money management problems. Although MABS does not deal with business debts, money advisors can help with your personal debts and with household money management.

Money Advice and Budgeting Service (MABS)

Helpline: 0761 07 2000

mabs.ie

Help and advice on debt

The Chartered Accountants Voluntary Advice service (CAVA) provides advice to business people in financial difficulty. CAVA can give free advice and assistance on your business affairs such as bookkeeping, business debts, VAT or payroll issues. Contact your local Citizens Information Service or MABS office to see if they offer the service or contact Chartered Accountants Ireland at (01) 637 7218.
charteredaccountants.ie

Difficulties accessing credit

If you have been refused credit by a bank you can ask the Credit Review Office to review the decision. You must use the bank's internal review and appeal mechanisms before applying to the Credit Review Office. All banks are bound by the *Code of Conduct for Business Lending to Small and Medium Enterprises*. You can find out more about the process from the Credit Review Office.

Credit Review Office

Helpline: 1890 211 789

creditreview.ie

Useful addresses

Department of Social Protection

Lo-call: 1890 66 22 44

Jobs Ireland Lo-call: 1800 611 116

welfare.ie

Health Service Executive (HSE)

Callsave: 1850 24 1850

hse.ie

The Revenue Commissioners

Lo-call (Form or leaflet request): 1890 306 706

revenue.ie

Money Advice and Budgeting Service (MABS)

MABS have centres around the country and a National

Helpline: 0761 07 2000

mabs.ie




selfemployed*supports*.ie

Selfemployedsupports.ie is provided by the Citizens Information Board. This microsite provides public service information for self-employed people whose incomes are reduced. **Selfemployedsupports.ie** is based on content from **citizensinformation.ie**.

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides the National Advocacy Service for people with disabilities.

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Citizens **Information** 

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