

## 2010/2011 Financial Guideline 10

### Revenue Compliance in Schools

A number of schools around the country have received a request for information from the Revenue Commissioner in the last month. Following receipt of the letters, the FSSU received a number of calls seeking clarification on the information to be returned. Having contacted the Revenue Commissioners for further details this guideline outlines our understanding of what is required by them.

Schools that did not receive the letters from Revenue should also note the contents of this Guideline.

The Revenue Commissioners have stated that this is “an information gathering exercise” and that a report is being prepared based on the information received in response to the letters.

#### **Additional Income Earned by School Personnel (Revenue Letter dated 11<sup>th</sup> April, 2011)**

This letter is for any school personnel earning additional income in a self-employment capacity. The typical activities for which information is being sought includes teachers giving grinds, teachers teaching extra subjects outside school time, teachers supervising after school study, sports coaches, music and drama tutors and personnel engaged in other extracurricular activity in a self-employed capacity. The school is requested to make the contents of the letter available to all staff employed in the school to enable them to make a voluntary declaration to the Revenue Commissioners.

Among other things, the letter to the schools states that *‘The Revenue Commissioners are concerned that some taxpayers may be negligent in relation to their obligations to make a return of all income outside of their normal salary from their school employment’*.

Gross earnings totalling less than €3,174 in a calendar year can be returned on the Form 12 Tax Return under the heading of “Other Income”. The person should calculate any additional taxes and social charges due on this income and make the payment to the Collector General before the following October 31 deadline each year. Income in excess of €3,174 should be returned on Form 11 Tax Return and again the tax must be calculated and paid on time. All forms are available on [www.revenue.ie](http://www.revenue.ie).

The letter states that the return to be made by the school personnel concerned must cover all ‘payments received by those engaged in the education sector, in respect of other income generated outside their PAYE/PRSI employment’.

**The school Board of Management has no obligation to do anything in relation to the April 11<sup>th</sup> letter except to bring its contents to the attention of all school personnel.**

### **School Payments with Tax Issues (Letter dated 19<sup>th</sup> April, 2011)**

The contents of this letter are directed at school management. The letter covers the issues raised in the letter of April 11<sup>th</sup> **where the school has made payments to school personnel for extracurricular activities such as grinds, sports coaching and other administrative functions. The letter gives schools one month from Friday, May 6<sup>th</sup> 2011 to make this return. A return should be made even where there are no such payments.**

In addition, the letter of April 19<sup>th</sup> is seeking information on any rental income received by the school for the use of school property from any one source exceeding €1,000 per annum.

The Revenue is seeking information on all bodies using the school property such as clubs using the astro turf pitches, rugby pitches, soccer pitches, GAA pitches or any other school facility together with details of the rental income received from the letting of school buildings for Summer Camps, Language schools and other such activities.

The Revenue is not concerned about any potential tax liability arising from rental income to the school as all schools are classified as “Charities” for Revenue purposes and as such are tax exempt. The exercise is targeting the groups hiring school facilities to determine their potential tax liability.

Any school in receipt of the above letters is advised to make a **full disclosure** where relevant. The school’s external auditor/accountant may be of assistance in making the required returns.

### **Revenue Compliance Applicable to all Schools**

The FSSU has repeatedly advised all schools to ensure that all payments and transactions carried out by or in the name of the school are fully Revenue compliant. In particular your attention is drawn to the “The Guidelines for Financial Management in Voluntary Secondary Schools” and Financial Guideline 06 2007/08 available on <http://www.jmb.ie/financial-management-guidelines>. No employee of a school can earn anything tax free except payment for travel on school business and vouched expenses or a gift of up to €250 maximum in any one calendar year. Appendix A attached gives the criteria used by the Revenue to determine whether or not an individual is self-employed or an employee.

It is the responsibility of the school Board of Management and the Principal to ensure that the school is fully Revenue compliant. Failure to comply may lead to interest and penalties being imposed on the school in addition to the tax, PRSI, pension levy and Universal Social Charge (USC) that should have been deducted from the employees concerned.

In this regard the following are relevant:

1. Payments to teaching staff for after school study, correction of mock examinations, examination supervision and payments from the Supervision & Substitution grant are all subject to tax, PRSI, USC and pension levy deduction. It is the responsibility of the Board of Management to ensure all such payments are Revenue compliant.
2. Teachers and other school personnel earning additional income in a self-employed capacity from grinds, games coaching, Summer camps, school musical/drama production and other activities where the school premises is used. Payments made to individuals who may or may not be members of staff for such activities must be vouched by a proper invoice or else processed through the payroll system of the school.
3. Payments made to staff or management of the school for travel or expenses incurred on school business must be supported by valid receipts and/or mileage claims. All such claims must be approved in accordance with FSSU Guidelines.
4. FSSU Guidelines dealing with the rental of the school premises and grounds should be carefully followed. Permission for use of the school premises or grounds should be approved in advance by the Board of Management. A copy of the insurance of the group/individual hiring the school premises or grounds must be kept on file. A list of all payments received by the school giving details of the groups or individuals involved for all amounts in excess of €1,000 in a calendar year should be maintained by the school and a proper receipt issued.

## **Conclusion**

**The Revenue Commissioners have made it clear that schools are subject to audit in the same way as any other enterprise or business. The school Board of Management has a responsibility to ensure that all payments and receipts for goods and services are fully Revenue compliant. Schools are reminded that all payroll and accounting records should be retained for seven years.**

**Where a tax issue arises, the school may be subject to significant penalties in the event of a tax audit.**

**If the school has any concerns about the issues raised in this guideline please contact the school accountant or a member of the FSSU.**

**Fergus Dunne, Director,  
JMB Financial Support Services Unit.**

**May 16, 2011.**

## **APPENDIX A**

### **Criteria used by the Revenue Authorities to determine if an individual is an employee**

While all of the following factors may not apply, an individual would normally be an employee if they:

- Are under the control of another person who directs as to how, when and where the work is to be carried out
- Supply labour only
- Receive a fixed hourly/weekly/monthly wage
- Cannot sub-contract the work. If the work can be subcontracted and the subcontractor subsequently makes payments to an individual to carry out the work, the employer/employee relationship may simply be transferred to the subcontractor/individual
- Do not supply materials for the job
- Do not provide equipment other than the small tools of the trade. The provision of tools or equipment might not have a significant bearing on coming to a conclusion that employment status may be appropriate having regard to all the circumstances of a particular case.
- Are not exposed to personal financial risk in carrying out the work
- Do not assume any responsibility for investment and management in the business
- Do not have the opportunity to profit from sound management in the scheduling of engagements or in the performance of tasks arising from the engagements
- Work set hours or a given number of hours per week or month
- Work for one person or one business
- Receive expense payments to cover subsistence and/or travel expenses