



Green Future

PR3 – Financial & legal assessment tools: Digital Platform for financial and legal assessment

Ireland



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Introduction

Welcome to the start of your entrepreneurship journey in **Ireland**.

The objective of the information provided in this manual is to outline the standard requirements to establish your own business, whether as a sole trader or as a company with employees.

This manual has three distinct sections:

1. The requirements to establish a business
2. Your obligations as a business owner
3. The penalties for non-compliance with legislation

Starting a business is not laborious, however ensuring that you meet your obligations and legal requirements takes commitment. Section One not only provides information on how to establish a business, but also the supports that are available, from training to funding.

An entrepreneur may have a legitimate business idea, however that does not equate to having the skills or knowledge for the financial and administrative requirements. Running a business is not just about income generation and profit making – it's also about ensuring compliance and therefore longevity.

For this reason, we included information about the obligations on a business, from paying tax and VAT to employment law. Having this information available may also help you decide if starting a business is for you.

Section Three provides information about penalties that can be applied for non-compliance or breaches of Company Law. It's important to be aware of what can happen to you or the business if it's not managed effectively so you can take steps to avoid unintentional errors that may put your business at risk.

Finally, this document cannot be considered as legal advice, but acts as a guide. Legislation may have changed since the time of writing in July 2023. Therefore, you must ensure that you seek clarifications and/or legal advice for any changes in legislative or operational requirements.

Keywords used in this desk research

Company registration Ireland; Entrepreneur; migrants; legal requirements for business start-up; revenue; employer legislation; employee legislation; new business; taxation; revenue;



Section 1: The current legal status in Ireland

1.1 Legal requirements to set up a business in Ireland

Businesses must have over 50% of their employees resident in Ireland in order to receive access funding or grants

Sole Trader - one person

A self-employed person automatically become a sole trader by starting a business.

If you want to trade as a different business name, must [register the name of your business with the Companies Registration Office \(CRO\)](#).

Your PPS number will be the registration number for the business and must be referenced for all communication with Revenue and taxation purposes.

A sole-trader/self-employed person is **personally** responsible for the business, all income, expenditure and debts, and must register with Revenue if the business earns over €5,000.

As a sole-trader/self-employed, the person is responsible for **all and any** business-related decisions, operations and keeping all records, even if you have employees.

A sole trader's personal assets could be used to pay creditors if your business fails.

Partnership - minimum 2 partners

A partnership is governed by the [Partnership Act 1980](#)

There must be a minimum of two partners and a maximum of 20, although there are some exceptions

A solicitor must draw up the partnership agreement, which includes details regarding profit share, retirement or admittance of partners and the rights of each partner.

Each partner is jointly responsible for running the business, and each partner must pay income tax, PRSI and USC on their share of the profits.

If a business partnership fails, all partners are jointly responsible for the debt.

There are two types of companies:

1. Limited (LTD) A private company limited by shares

A limited company must have a minimum of one member and a maximum of 50. Limited companies are governed by [The Companies Act 2014](#).

There must be at least two directors and a Company Secretary. The Secretary is responsible for the completion of the annual return, signing of declarations and other documents.

The persons forming the company have to develop and file documents with the Companies Registrar, such as memorandum and articles and the list of directors. The individual and the business are separate entities. If the company gets into debt, the creditors only have a claim on the assets of the company, not the personal assets).

To set up a limited company, register with the [Companies Registration Office \(CRO\)](#).

The company must return reports and accounts to the CRO each year. Register the business name and the company returns online using [CORE \(Companies Online Registration Environment\)](#).

2. DAC: Designated Activity company

A DAC is a **private company limited by shares** with the capacity, including the power, to do **only** those acts or things set out in its constitution (memorandum of association) or
a **private company limited by guarantee and having a share capital** with the capacity, including the power, to do **only** those acts or things set out in its constitution.

Persons from the EU, benefit from the freedom of movement in the European Economic Area (EEA)ⁱ, which includes family members.ⁱⁱ

If from outside EEA and Switzerland, migrants must have a Stamp 4 Visa to establish a business or self-employment. Having a Stamp 4 allows migrants to work or start up a business without the need for an employment permit.ⁱⁱⁱ

Hiring Employees



1.2 Financial mechanisms to support someone at risk of social exclusion, to set up their own business

If you intend on hiring an employee, you must register as an employer if hiring employees and provide notification to Revenue through 'My Enquiries' in [Revenue Online Service \(ROS\)](#). This must be completed before paying employees.

Employers are responsible for deducting the following from the employee's pay and make the pay roll submissions confirming the deductions to Revenue:

- Income Tax
- Pay Related Social Insurance (PRSI)
- Universal Social Charge (USC)
- Local Property Tax (LPT)
- Pension deductions if applicable

Back to Work Enterprise Allowance

The Department of Social Protection Back to Work [Back to Work Enterprise Allowance](#) (BTWEA) scheme is available for people under the age of 66 who are in receipt of certain social welfare payments to become self-employed. Under the BTWEA, a percentage of the social welfare scheme is paid for up to two years in addition to business earnings.

Short-Term Enterprise Allowance

The [Short Term Enterprise Allowance](#) (STEA) gives support to people who have lost their job and want to start their own business.

There is no qualifying period, which means you do not need to have been getting Jobseekers Benefit (JB) or Jobseekers Benefit Self Employed (JBSE) for a certain period of time, but not if working part-time. The STEA is paid instead of JB or JBSE for a maximum of 9 months.



Start Up Relief for Entrepreneurs

[Start Up Relief for Entrepreneurs](#) (SURE) is a tax relief that provides a refund of Income Tax paid in previous years. Employees, unemployed persons or recently redundant can claim a tax refund.

In order to qualify for SURE, there are some general conditions: ^{iv}

- establish a new company carrying on a new qualifying trading activity
- have mainly [Pay As You Earn \(PAYE\)](#) income in the previous four years
- take up full-time employment in the new company as a director or an employee
- invest cash in the new company by purchasing new shares
- keep the purchased shares for at least four years.

Start Up entrepreneur Programme for Migrants

The [STEP](#) programme is specifically targeted at Migrants who wish to start a new business and reside in Ireland full time and have an innovative business proposal with at least €50,000 available.

The Micro Enterprise Loan Fund Scheme

The [Micro Enterprise Loan Fund Scheme](#) provides loans of up to €25,000 to start-up, newly established or growing micro-enterprises employing less than 10 people. The fund is for business proposals that may not meet the risk criteria applied by banks.

1.3 Supports available from NGO's, the local government

Local Development Companies

Local Development companies (LDC) are in every county in Ireland. They house several departments that work with and support those most at risk of social exclusion, such as Social Inclusion Community Integration Programme (SICAP), LEADER, Rural Development, Tús. The Employment services, job coaching and mentoring in addition to guidance on starting your own business.

LEADER

The LEADER programme supports communities and enterprises in progressing job creation, social inclusion and environmental initiatives at local level.

The following are indicative themes of the upcoming LEADER programme:

- **Economic Development & Job Creation covering:**

- o The Green Economy
- o Agricultural Diversification (e.g. glamping on farm)
- o Rural Tourism & Recreation
- o Enterprise Development
- o Rural Food Production
- o Social, Community & Cooperative Enterprises

- **Rural Infrastructure & Social Inclusion covering:**

- o Rural Infrastructure
- o Accessible Services
- o Optimising Digital Connectivity
- o Rural Youth

- **Sustainable Development of Rural Environment and Climate Change Mitigation and Adaptation covering:**

- o Sustainable Development of Rural Environment
- o Climate Change Capacity Building
- o Climate Change Mitigation and Adaption

Local Enterprise Office

[Local Enterprise Offices \(LEO\)](#) are located all over Ireland. They provide a range of financial and training supports to assist with the establishment and/or growth of enterprises employing up to ten people and sometimes more depending on certain criteria.

The range of financial supports include the following:

- Feasibility Study Grants
- Priming Grants
- Business Expansion Grants
- Technical Assistance for Micro Exporters
- Agile Innovation Fund
- Brexit Supports for your Small Business
- Micro Finance Loans
- Trading online Voucher Scheme
- Energy Efficiency Grant
- Micro Enterprise Loan Fund Scheme

Section 2: Obligations & rights of the potential entrepreneur

2.1 Tax implications for business start-ups

Who Pays Tax

All businesses, partnerships and self-employed persons must [Register for Tax](#) with Revenue. To do this, register via [eRegistration](#).

Annual returns must be submitted to the CRO and made through [CORE](#) on Form B1, even if the company is not trading. There is an annual fee of €20. The CRO have provided a video on [how to submit annual returns](#).

If a person is independently operating a business in the EU, they are a taxable accountable person, which includes those that are exempt from Value-Added Tax (VAT). An accountable person is the taxable person/partnership /company who supplies taxable goods or services to the state or must register for VAT.

6.2: Corporation Tax

[Corporation Tax](#) is payable by companies resident in Ireland and on their worldwide profits if these profits include both income and capital gains. The Corporation Tax is based on the Income Tax rules and Capital Gains Tax rules. Companies must use the [Revenue Online Service \(ROS\)](#) to file its return and pay any tax due under [Mandatory eFiling and ePayment](#).

6.3: Self-Assessment Tax

Sole Traders must register for [Self-assessment Tax](#), by using the [eRegistration](#) service or completing part A and part B of [Form TR1](#). If your taxable or non-PAYE income is €5,000 and gross non-PAYE does not exceed €30,000, registration for self-assessment is not required.

6.4: VAT

Accountable persons must register for [VAT unless carrying out exempt activities such as farmers or fishers](#), certain non-taxable persons are obliged to register and account for VAT in certain situations.

If purchasing or intend to purchase goods from other EU member states costing €41,000 or over in a 12-month period, this must be registered.

2.2 Financial and legal obligations must a potential entrepreneur complete at the end of their first year.

Keeping Records

Businesses are ultimately responsible for [keeping records](#), whether an accountant is engaged or not. This includes providing the necessary information to the accountant.

Financial records must be kept for six years which includes receipts for purchases, sales invoices, business expenditure, nominal ledgers and accounting books.

Tax Agent

It's not a legal requirement to use a Tax Agent but it's beneficial especially when starting a business. Revenue must be informed if one is or no longer used.

2.3 Insurance does a start-up business

When starting a business, it's recommended to go through an insurance broker or legal advisor to determine what kind of insurances are required for the business, products and services as there may be additional insurances for specialist or high-risk activities/products etc.

Mandatory:

- Employers Liability (if there are employees)
- Public Liability
- Professional Indemnity (consultancy, advisory, finance)
- Products liability
- Building and contents

Recommended:

- Permanent Health insurance
- Personal accident and illness insurance
- Income protection
- Business Interruption
- Pension plan

Operational protection insurances:

- Commercial insurance
- Life Assurance: – Term Assurance (for loans on equipment etc)
- Decreasing Balance Insurance

Section 3: Penalties faced for non-compliance

3.1 Penalties for individuals or businesses

Breach of company law

A company or individual can be prosecuted for committing an offence in company law. There are two types of criminal offences:

1. a summary offence (lesser offence heard at District Court)
2. an indictable offence (serious offence heard at District Court with judge and jury)

Both the CRO and the Office of the Director of Corporate Enforcement, have the authority to investigate the company. Penalties may be fines or a prison sentence.

Civil proceedings are also a possibility should there be a breach of Company Law.

Persons may be disqualified from being a Director for a number of years and a liquidator may also be appointed should the business be forced to cease operating.

If a business is late filing returns to Revenue, a financial penalty may be applied.

By not submitting annual returns, the CRO can strike out the business and any assets automatically go to the Minister of Finance.

The High court can make an individual personally liable for all debts.

Tax Evasion

If a business under declares or does not declare all of their income to Revenue, it is Tax Evasion, which is a criminal offence, therefore prosecutable. Persons/businesses must pay taxes due, in addition to interest and any penalties applied.

4 Useful resources

[Business Regulation Ireland](#)
[Becoming An Employer](#)
[Citizens Information Ireland](#)
[Companies Registration Office](#)
[Enterprise Ireland](#)
[Female Entrepreneurship](#)
[Guide to Employment Law in Ireland](#) (Workplace Relations Commission)
[Irish Development Authority \(IDA\)](#)
[10 Step Guide to Starting Your Own Business](#)
[Local Property Tax \(LPT\)](#)
[Micro Finance Ireland](#)
[Money Advice and Budgeting Service](#)
[Pay Related Social Insurance \(PRSI\)](#)
[Penalties for Breaching Company Law](#)
[Revenue Guide to Employing People](#)
[Self-Employment for People with Disabilities](#)
[Small Firms Association](#)
[Start Your Own Business Course](#)
[Understanding Taxes](#)
[Universal Social Charge \(USC\)](#)
[Visa She's Next Programme](#)

OTHER HELPFUL INFORMATION FOR MIGRANTS

[Database of Recognised Qualifications](#)
[European Professionals Card](#)
[High Potential Business Start-up](#)
[Migrant Rights Centre Ireland](#)
[Regulated Professions](#)

ⁱ S.I.No. 548/2015- European Communities (Free Movement of Persons) Regulations 2015. <https://www.irishstatutebook.ie/eli/2015/si/548/made/en/print>

ⁱⁱ European Communities (Free Movement of Persons) (Amendment) Regulations 2021' (S.I. No. 445 of 2021). <https://www.irishstatutebook.ie/eli/2021/si/445/made/en/print>

ⁱⁱⁱ Department of Justice – Immigration Service. <https://www.irishimmigration.ie/registering-your-immigration-permission/information-on-registering/immigration-permission-stamps/>

^{iv} <https://www.revenue.ie/en/personal-tax-credits-reliefs-and-exemptions/investment/relief-investment-corporate-trades/start-up-relief-for-entrepreneurs.aspx>

