

Capital distribution derived from chargeable gain of company: recovery of tax from shareholder (S.614)

Part 20-01-01

This document should be read in conjunction with section 614 of the Taxes Consolidation Act 1997

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Does not reflect current Revenue position.

Most recent version of this manual.

Introduction

Section 614 of the Taxes Consolidation Act 1997 (“TCA 1997”) provides for the recovery of Corporation Tax (“CT”) from a person connected with a resident company where CT due from the company is not paid within 6 months of the date it becomes payable.

1.1 Application

Section 614 TCA 1997 applies where a person connected with an Irish resident company receives or is entitled to receive a capital distribution deriving from, or consisting of, a disposal on which a chargeable gain arises to the company. The section does not apply where the capital distribution represents a reduction in share capital.

1.2 Amount of Corporation Tax due

Where the CT due by the company on a chargeable gain is not paid within 6 months of it becoming due, the connected person may be assessed, in the name of the company, within 2 years of that date to an amount of CT not exceeding —

- the capital distribution which that person has received or became entitled to receive, and
- that person’s proportionate share of the tax on the gain, at the rate in force when the gain accrued.

1.3 Recovery from the company

The section also provides for the further recovery of this payment from the company by the connected person.

1.4 Company chargeable on a chargeable gain

Section 977 TCA 1997 provides a similar provision to this in the case of a company chargeable to Capital Gains Tax on a chargeable gain.