

## 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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## 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.