Payment of Preliminary Corporation Tax

Part 41A-07-02

This document should be read in conjunction with sections 24(2), 239, 261(b) and 959AR to 959AT of the Taxes Consolidation Act 1997 (TCA)

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Table of Contents

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

1 Introduction

This manual summarises the requirements for the payment of preliminary tax by companies. The manual covers:

- Preliminary tax dates and amounts for large companies;
- Preliminary tax dates and amounts for small companies;
- New or start-up companies;
- DIRT deducted from interest received by a company chargeable to corporation tax in respect of that interest;
- Preliminary Corporation Tax and Income Tax payable under section 239 TCA in the case of a small company; and
- The balance of Corporation Tax due after preliminary tax is paid.

2 Large companies – preliminary tax dates and amounts

A large company is a company whose Corporation Tax (CT) liability is above €200,000 in the previous accounting period. Where the previous accounting period is less than 12 months, this €200,000 limit is proportionally reduced. For example, if the previous accounting period was a six-month period, the company would be treated as a "large company" if its CT liability in the previous period was above €100,000.

Preliminary tax for large companies is due in two instalments. The first instalment is due on the earlier of:

a) The last day within 6 months of the start of the accounting period or

b) The 21st day, or 23rd day for electronic payments, of the month in which the day at a) above falls.

The amount due is either:

- 50% of the CT liability for the previous accounting period, or
- 45% of the CT liability for the current accounting period.

The second instalment is due on the earlier of:

a) 31 days before the end of the accounting period or

b) The 21st (23rd for electronic payments) of the month in which the day at a) falls.

The amount due is the balance that will bring the preliminary tax up to 90% of the final tax due for the current accounting period.

The company must pay 90% of the preliminary tax in one instalment if the accounting period is less than seven months.

If the CT liability for the current accounting period is nil, the preliminary tax due is nil.

Example 1

Denlux LTD is a large company with an accounting period starting on 1 January 2019 and ending on 31 December 2019. The company does not have an exemption from mandatory e-filing and therefore pays and files returns electronically.

Denlux LTD must pay the first instalment of preliminary tax on the earlier of

a) The last day within six months of the start of the accounting period, which is 30 June 2019; or

b) The 23rd day of the month in which a) falls, which is 23 June 2019.

Since b) is earlier than a), Denlux LTD must pay its first instalment of preliminary tax on or before 23 June 2019.

The company must pay the second instalment of preliminary tax on the earlier of

a) 31 days before the end of the accounting period, which is 30 November 2019, or

b) The 23rd day of the month in which a) falls, which is 23 November 2019.

Since b) is earlier than a), Denlux LTD must pay its second instalment of preliminary tax on or before 23 November 2019.

Example 2

Cinlin LTD is a large company with an accounting period starting on 5 January 2019 and ending on 4 January 2020. The company does not have an exemption from mandatory e-filing and therefore pays and files returns electronically.

The company must pay the first instalment of preliminary tax

a) The last day within six months of the start of the accounting period, which is 4 July 2019; or

b) The 23rd day of the month in which a) falls, which is 23 July 2020.

Since a) is earlier than b), Cinlin LTD must pay its first instalment of preliminary

on or before 4 July 2019.

The company must pay the second instalment of preliminary tax

a) 31 days before the end of the accounting period, which is 4 December 2019, or

b) The 23rd day of the month in which a) falls, which is 23 December 2019.

Since a) is earlier than b), Cinlin LTD must pay its second instalment of preliminary tax on or before 4 December 2019.

3 Small companies – preliminary tax date and amount

A "small company" is a company whose CT liability does not exceed €200,000 in the previous accounting period (excluding surcharges and income tax due under section 239 TCA, see paragraph 4 below). Where the previous accounting period is less than 12 months, this €200,000 limit is proportionally reduced. For example, if the previous accounting period was a six-month period, the company would be treated as a "small company" if its CT liability in the previous period was below €100,000.

Small companies make a single payment of preliminary tax. The amount due is either:

- 100% of their CT liability for the previous accounting period
- 90% of their CT liability for the current accounting period.

If the CT liability for the current accounting period is nil, the preliminary tax due is nil.

This single payment of preliminary tax is due on the earlier of:

a) 31 days before the end of the accounting period or

b) The 21st day, or 23rd day for electronic payments, of the month in which the day at a) above falls.

Example 3

Lincin LTD is a small company with an accounting period starting on 1 January 2019 and ending on 31 December 2019. The company does not have an exemption from mandatory e-filing and therefore pays and files returns electronically.

Lincin LTD must pay its preliminary tax on the earlier of:

a) 31 days before the end of the accounting period, which is 30 November 2019; or

b) The 23rd day of the month in which a) falls, which is 23 November 2019

Since b) is earlier than a), the company must pay preliminary tax on or before 23 November 2019.

Example 4

Luxden LTD is a small company with an accounting period starting on 5 January 2019 and ending on 4 January 2020.

Luxden LTD must pay preliminary tax on the earlier of

a) 31 days before the end of the accounting period, which is 4 December 2019, or

b) The 23rd day of the month in which a) falls, which is 23 December 2019.

Since a) is earlier than b), Luxden LTD must pay its preliminary tax liability on or before 4 December 2019.

4 Preliminary Corporation Tax and Income Tax payable under section 239 TCA in the case of a small company.

Section 239 Taxes Consolidation Act 1997 (TCA) regulates the time and manner in which Irish resident companies are to account for and pay income tax on "relevant payments" from which income tax is deductible. "Relevant payments" include annual payments, patent royalties, certain interest payments and perquisites (e.g., employer paid medical insurance premiums) from which the company making the payment is required to deduct income tax at the standard rate (currently 20%) under section 238 TCA or section 112A TCA in the case of employer paid medical insurance. Income tax is payable net of any income tax borne by the company on payments received, where set off has been claimed.

Section 239(5) TCA provides that income tax in respect of relevant payments in an accounting period shall be due at the time by which preliminary tax for the accounting period is due and payable. Section 239(11) TCA provides that such income tax is treated as corporation tax for charging, assessment, collection and recovery purposes and therefore it forms part of a company's corporation tax liability for these purposes.

Under section 958 TCA and, with effect from 1 January 2013, section 959AM TCA, a "small company" has the option of basing its preliminary tax payment on 90% of the company's corporation tax liability for the current accounting period (the "current year basis") or 100% of the corresponding corporation tax for the preceding accounting period (the "preceding year basis"). For preliminary tax purposes, a small company is defined as a company whose corresponding corporation tax for the preceding chargeable period is €200,000 or less.

Income tax payable under section 239 TCA need not be taken into account in determining whether a company falls within the €200,000 limit for small companies. That means a company's eligibility for the €200,000 limit may be determined by reference to the company's corporation tax liability in the preceding year, excluding income tax paid (or payable) under section 239 TCA.

A strict interpretation of section 239(5) TCA requires full payment of income tax due for an accounting period on the preliminary tax date for that accounting period. However, Revenue is prepared to accept that a small company, opting to pay its preliminary tax on a "preceding year basis", can satisfy its obligations under section 239(5) TCA by paying 100% of the income tax paid or payable by the company under section 239 TCA in the preceding accounting period, on or before the due date for preliminary tax for the current accounting period.

Similarly, where a small company opts to pay preliminary tax on a “current year basis”, the company should pay at least 90% of its income tax liability under section 239 TCA for the current accounting period, on or before the due date for preliminary corporation tax for that accounting period. In both cases, the balance, if any, of income tax due under section 239 TCA for the accounting period should be paid on or before the return filing date for that accounting period.

New companies do not have to pay preliminary tax in their first accounting period where their tax liability for that accounting period is not more than €200,000. Accordingly, any income tax payable by such a company under section 239 TCA in its first accounting period should be paid on or before the return filing date for that accounting period.

The examples below show how preliminary corporation tax and income tax payable under section 239 TCA is computed in the case of a small company.

Example 1

Company opts to pay preliminary tax on 100% preceding year basis

	Preceding Year	Current Year
Corporation Tax on Profits	€150,000	€200,000
S239 Income Tax	€50,000	€50,000
Total Corporation Tax	€200,000	€250,000

The preliminary tax payable in the current year, based on 100% of total tax liability in the preceding year is €200,000.

Example 2

Company opts to pay preliminary tax on 90% current year basis

	Preceding Year	Current Year
Corporation Tax on Profits	€150,000	€100,000
S239 Income Tax	€50,000	€50,000
Total Corporation Tax	€200,000	€150,000

The preliminary tax payable in the current year, based on 90% of the total tax liability in the current year, is €135,000.

Note: A company's preliminary tax is payable one month before the end of an accounting period and not later than the 21st day of the penultimate month of the accounting period.

5 New or start-up companies – no preliminary tax requirement

New or start-up companies do not have to pay preliminary tax for their first accounting period if the CT liability is less than €200,000. However, the company must pay the final CT liability for the first accounting period when submitting the CT return.

6 Corporation tax liability and Deposit Interest Retention Tax (DIRT)

Deposit Interest Retention Tax (DIRT) is provided for in Part 8, Chapter 4 Taxes Consolidation Act 1997 (TCA). DIRT deducted from interest received by a company chargeable to corporation tax in respect of that interest may be set-off against its liability to corporation tax and any balance not set-off may be repaid (Section 261(b) and Section 24(2) TCA).

In effect, DIRT suffered on interest received by a company is to be treated for the purposes of corporation tax in the same manner as income tax deducted from any other payments received by a company. Thus, the amount of preliminary tax should be based on the ultimate liability to corporation tax after any set-off for DIRT or income tax paid by deduction.

7 Balance of Corporation Tax after payment of preliminary tax

The balance of CT due must be paid by the return filing date which is the earlier of:

a) The day that falls nine months after the end of the accounting period or
b) The 21st day, or 23rd day for electronic filers, of the month in which the date at a) falls.

If the accounting period of a company which files returns electronically ends on 31 December 2019, the balance of the tax is due on the earlier of

a) Nine months after the end of the accounting period, which is 30 September 2020, or
b) The 23rd day of the month in which a) falls, which is 23 September 2020.

As b) is earlier than a), the balance of tax for the accounting period ended 31 December 2019 is due on or before 23 September 2020.

If the accounting period ended on 4 January 2020, the balance of tax would be due on the earlier of

a) Nine months after the end of the accounting period, which is 4 October 2020, or
b) The 23rd day of the month in which a) falls, which is 23 October 2020.

Since a) is earlier than b), the balance of tax for the accounting period ended 4 January 2020 is due on 4 October 2020.