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)

This document was last updated March 2023

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Table of Contents

1 Introduction

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

Section 959AR Taxes Consolidation Act 1997 (TCA) outlines preliminary tax payment dates for "small companies" – those with a liability less than €200,000 in the previous accounting period. Section 959AS TCA outlines preliminary tax payment dates for "large companies" – those with a liability greater than €200,000 in the previous accounting period. In both cases the "relevant limit" of €200,000 is apportioned where the accounting period is shorter than 12 months.

The tax is "due and payable" from the preliminary tax dates outlined in those sections. Where the preliminary tax paid is insufficient, interest is due on any underpayment from the preliminary tax date until the underpaid amount has been paid, by virtue of section 1080 TCA.

2 Large companies – preliminary tax dates and amounts

[Paragraph 12 deals with underpayment of preliminary tax by a large company.]

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 six 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 day, or 23rd day 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.

Where a non-Irish resident company in receipt of income chargeable to CT under Case V comes within the charge to CT solely as a consequence of section 25(2A) TCA (introduced by Finance Act 2021) and it has an accounting period ending on or before 30 June 2022, preliminary corporation tax in respect of that accounting period is due on or before 21 June 2022, or 23 June 2022 where the preliminary tax is paid electronically.

Example 1

Denlux LTD is a large company with an accounting period starting on 1 January 2022 and ending on 31 December 2022. 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 2022**; or

b) The 23rd day of the month in which a) falls, which is **23 June 2022**.

Since b) is earlier than a), Denlux LTD must pay its first instalment of preliminary tax on or before **23 June 2022**.

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 2022**, or

b) The 23rd day of the month in which a) falls, which is **23 November 2022**.

Since b) is earlier than a), Denlux LTD must pay its second instalment of preliminary tax on or before **23 November 2022**.

Example 2

Cinlin LTD is a large company with an accounting period starting on 5 January 2022 and ending on 4 January 2023. 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 2022**; or

b) The 23rd day of the month in which a) falls, which is **23 July 2022**.

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

on or before **4 July 2022**. The company must pay the second instalment of preliminary tax:

a) 31 days before the end of the accounting period, which is **4 December 2022**, or

b) The 23rd day of the month in which a) falls, which is **23 December 2022**.

Since a) is earlier than b), Cinlin LTD must pay its second instalment of preliminary tax on or before **4 December 2022**.

3 Small companies – preliminary tax date and amount

[Paragraph 13 deals with underpayment of preliminary tax by a small company.]

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.

A small company makes a single payment of preliminary tax. The amount due is either:

- 100% of its CT liability for the previous accounting period, or
- 90% of its 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 2022 and ending on 31 December 2022. 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 2022**; or

b) The 23rd day of the month in which a) falls, which is **23 November 2022**.

Since b) is earlier than a), the company must pay preliminary tax on or before **23 November 2022**.

Example 4

Luxden LTD is a small company with an accounting period starting on 5 January 2022 and ending on 4 January 2023.

Luxden LTD must pay preliminary tax on the earlier of:

a) 31 days before the end of the accounting period, which is **4 December 2022**, or

b) The 23rd day of the month in which a) falls, which is **23 December 2022**.

Since a) is earlier than b), Luxden LTD must pay its preliminary tax liability on or before **4 December 2022**.

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

Section 239 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 (for example, 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 959AM TCA, a "small company" has the option of basing its preliminary tax payment on 90% of the company's CT 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 CT 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 CT 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 CT and income tax payable under section 239 TCA is computed in the case of a small company.

Example 5

A 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 6

A 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 (€150,000 x 90%).

Note: A company's preliminary tax is payable one month before the end of an accounting period and not later than the 21st day, or 23rd day for electronic payments, 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.

A non-Irish resident company coming within the charge to corporation tax for the first time solely as a consequence of section 25(2A) TCA, introduced by Finance Act 2021, does not have to pay preliminary tax for the first accounting period if its CT liability is less than €200,000.

6 Leap year preliminary tax calculation

Section 70 Finance Act 2021 inserted a new subsection (3A) into section 959AM TCA to correct an anomaly in the calculation of preliminary corporation tax payments in a leap year or the year after a leap year.

Subsection (3A) ensures that there is no difference in the calculation of preliminary corporation tax where either the current year or the previous year is a leap year. Where an accounting period which lasts 12 months contains 29 February, the figure for the number of days in that period to be used in the calculation of the "corresponding corporation tax" or "corresponding income tax for the preceding accounting period" will be 365 rather than 366. This new subsection will ensure that there is no difference in the preliminary corporation tax liability where either the current year or the previous year is a leap year.

7 Corporation Tax liability and Deposit Interest Retention Tax (DIRT)

Deposit Interest Retention Tax (DIRT) is provided for in Part 8, Chapter 4 TCA. DIRT deducted from interest received by a company chargeable to corporation tax (CT) in respect of that interest may be set-off against its liability to CT 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 CT 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 CT after any set-off for DIRT or income tax paid by deduction.

8 Balance of Corporation Tax after payment of preliminary tax

The balance of CT due for all companies, regardless of size, 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 2021, 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 2022, or
b) The 23rd day of the month in which a) falls, which is 23 September 2022.

As b) is earlier than a), the balance of tax for the accounting period ended 31 December 2021 is due on or before 23 September 2022.

If the accounting period ended on 4 January 2022, 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 2022, or
b) The 23rd day of the month in which a) falls, which is 23 October 2022.

Since a) is earlier than b), the balance of tax for the accounting period ended 4 January 2022 is due on 4 October 2022.

9 Preliminary tax and Interest Limitation Rule (ILR)

There are special preliminary tax rules for companies subject to the provisions of Part 35D TCA which was introduced in Finance Act 2021 amends existing legislation governing preliminary tax rules to account for the introduction of the interest limitation rule (ILR). Due to the complexity of the novel calculation, a new additional payment date is introduced on a temporary basis which will allow companies additional time to calculate the tax impact of the ILR and establish the amount of preliminary tax due.

In assessing whether the payment to bring the preliminary tax paid up to 90% of the final tax due for the current accounting period has been made, and:

- the company would have met the test but for a disallowable amount under Part 35D, and
- the company makes a top-up payment of preliminary tax within 6 months of the end of the accounting period bringing the total preliminary tax paid to 90% of the current accounting period liability,

then the company will have met its preliminary tax obligations under section 959AR, for companies, and under section 959AS for 'large' companies.

This provision applies to accounting periods commencing on or after 1 January 2022 and ending on or before 31 December 2027.

10 Statutory Interest on Underpayment of Corporation Tax (CT) by Companies

Section 1080(2)(a)(ii) TCA provides that “any tax due and payable by a chargeable person for a chargeable period shall carry interest from the date when the tax becomes due and payable until payment.”

Section 959AN(1)TCA 1997 provides that “Every person who is a chargeable person as respects any chargeable period is liable to pay to the Collector-General in accordance with this Chapter the amount of that person’s preliminary tax appropriate to that chargeable period.”

As outlined above in this Manual, Preliminary Tax (PT) is due at different times depending on whether a company is a large company or a small company.

11 Statutory interest due on Preliminary Tax following an audit/intervention

If a company’s corporation tax liability increases following an audit/intervention or disclosure this may mean that the company has not met its preliminary tax requirements. In such circumstances, the company must review the preliminary tax originally paid and pay any interest due with reference to the preliminary tax rules.

12 Underpayment of Preliminary Tax by a large company

The rules for preliminary tax dates and amounts for large company are contained in in section 959AS(2) TCA. As outlined above in paragraph 2, preliminary tax for large companies is due in two instalments. The first instalment is due on the earlier of:

c) The last day within six months of the start of the accounting period or

d) 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:

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

d) The 21st day, or 23rd day 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.

Section 959AS(4) TCA outlines the circumstances where a large company will have underpaid preliminary tax:

“Subject to subsections (6) and (7) and section 959AT, the tax payable by a chargeable person for a relevant accounting period shall be deemed to have been due and payable in accordance with subsection (5) where –

- the chargeable person has defaulted in the payment of either payment of preliminary tax

- the initial payment was less than:
  i. 45% of current year tax liability, or
  ii. 50% of prior year tax liability

- in the case of a large company’s first accounting period within the charge to corporation tax, the adequacy of the initial payment can only be assessed by reference to the 45% of current year liability test

- the amount paid in both initial and second instalment of preliminary tax is less than 90% of current year tax payable

- preliminary tax was not paid by the due dates.

In addition, section 959AS (5) TCA 1997 requires that:

> the amounts of preliminary tax which a company must pay in two instalments under this section are:
>
> - an initial instalment: 45% of current year tax payable in the initial payment
> - a final instalment: balance to bring the total paid up to the current year tax payable.

If large companies have not met the preliminary tax obligations, the company is subject to additional statutory interest.

In cases which Revenue have identified preliminary tax underpayments as a result of risk assessment processes and appraisals without a prior compliance intervention, being initiated, the additional interest will be pursued.

Please see Example 7 for calculation of large company underpayment of preliminary tax.

To determine the due date for CT underpayments, we need to look at the legislation to ascertain whether a company has satisfied its preliminary tax obligations.

When calculating interest in CT cases the following should be borne in mind:

- what is the underpayment;
- what is the due date for payment, and whether PT obligations were met;
- when was the underpayment amount paid;
- then calculate interest using the statutory rate.

Example 7

Dauset LTD had a CT liability of €6.3 million in FY 2021 and €7m in FY 2022, per its CT1 returns as originally filed.

Dauset LTD has a CT liability for the "corresponding accounting period" (FY2021) which exceeds €200,000 and is therefore a "large company" for preliminary tax purposes.

On 23 June 2022 Dauset LTD paid €2,950,000 as its first CT instalment. This was less than 45% of its current year liability and also less than 50% of its previous year's liability.

On 23 November 2022 Dauset LTD paid €3,350,000 as its second CT instalment, leaving a total paid of €6,300,000. This brought the amount paid up to 90% of the current year's liability per the return as originally filed.

On 23 September 2023 Dauset LTD paid €700,000 towards its 2022 CT. This brought the total amount paid to €7,000,000, the amount due per the 2020 CT1 return as originally filed.

On 30 June 2024 Dauset LTD made a qualifying disclosure of an under-declaration of €350,000 in CT for FY 2022 and paid the amount outstanding. This brought the amount of tax paid for 2022 to €7,350,000, the amount due per the CT1 return amended by Dauset LTD. Revenue accepted this qualifying disclosure.

<u>Amended FY 2022 tax liability</u>

FY 2022 tax liability per return originally filed	7,000,000
Additional tax liability identified by taxpayer and accepted by Revenue	350,000
Amended FY 2022 tax liability	7,350,000

FY 2022 – PT1 obligations

50% of prior accounting period tax liability	
(FY 2021 CT liability = €6,300,000)	3,150,000
or	
FY 2022 - initial instalment of preliminary tax 45% of amended	
current accounting period Tax liability (€7,350,000)	3,307,500
First instalment of PT – amount actually paid	2,950,000

In this case the company has not met its preliminary tax obligations in accordance with section 959AS(4) TCA – the amount paid is less than the minimum due under either option (45% of revised current period or 50% of previous period).

The consequence is a revised payment schedule applies (45% due on 23 June 2022/ Balance due 23 November 2022) in accordance with section 959AS(5) TCA.

Since PT obligations have not been met, interest is calculated in accordance with accelerated payment schedule as prescribed by section 959AS(5) TCA.

45% of current period due on 23 June 2022	3,307,500
Balance Due 23rd November 2022 (7,350,000 minus 3,307,500)	4,042,500
Final liability payable in full by PT2 Deadline	7,350,000

Liability Due (per revised return)	**Due date**	**Tax Paid**	**Date Paid**	**Cumulative Paid**	**Outstanding**	**Interest periods**	**Interest due**
3,307,500	23.06.2022	2.950,000	23.06.2022	2,950,000	357,500	23.06.2022 to 22.11.2022*	11,978
7,350,000	23.11.2022	3,350,000	23.11.2022	6,300,000	1,050,000	23.11.2022 to 22.09.2023**	69,905
7,350,000	23.11.2022	700,000	23.09.2023	7,000,000	350,000	23.09.2023 to 29.06.2024***	21,462
7,350,000	23.11.2022	350,000	30.06.2024	7,350,000	0	N/A	0
Total tax paid		**14,700,000**				**Total Interest due**	**103,345**

*Interest on this instalment runs to 22 November 2022 because the amount due on 23 June (45% of current year liability) has been paid by 23 November.

**Interest on this instalment runs to 22 September 2023 because the amount due on 23 November (90% of current year liability) has been paid by 23 September 2023.

***Interest on this instalment runs from the date the final instalment of CT was due until the date of payment.

13 Underpayment of Preliminary Tax by a small company

As outlined in paragraph 2 above, a small company makes a single payment of preliminary tax. The amount due is either:

- 100% of its CT liability for the previous accounting period; or
- 90% of its 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:

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

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

The balance of tax shall be deemed to have been due on the due date for preliminary tax where:

- the chargeable person has defaulted in the payment of preliminary tax
- in the case of a small company, the preliminary tax paid was less than:
  - 90% of the current year liability or
  - 100% of the prior year's income and corporation tax liability
- in the case of a company with a short accounting period, the preliminary tax paid was less than 90% of the current year liability.
- the preliminary tax was not paid by the due date.

Small companies will be subject to additional statutory interest if they have not met their preliminary tax obligations.

Example of underpayment of Preliminary Tax in a small company

MakeUp LTD prepares annual accounts to 31st December.

MakeUp LTD's Corporation Tax liability is €160,000 for 2020 and €125,000 for 2021

The preliminary tax due for MakeUp Ltd is either:

- 90% of the current year liability or
- 100% of the prior year's income and corporation tax liability

The payment is due on 23 November 2021.

The company paid €100,000 on 23 November 2021; that is less than either:

- 90% of €125,000 = €112,500 (2018) or
- 100% of €160,000 = €160,000 (2017)

The remaining €25,000 was paid on 23 September 2022.

Interest will be applied from 23 November 2021 to 23 September 2022 on the outstanding balance of €25,000 (€25,000 x 0.0219% x 305 days = €1,670).

Example of late payment of late payment of Preliminary tax in a small company

Makeup Ltd paid preliminary tax of €112,500 on 20 December 2021 and paid the balance of its liability of €12,500 on 23 September 2022.

The company paid 90% of its 2021 liability, however, as it was not paid on time interest will be due on a daily basis on €112,500 from 23 November 2021 to 20 December 2021 (€112,500 x 0.0219% x 28 = €689.85).

Interest will also apply on the €12,500 balance from the 23 November 2021 to 23 September 2022 (€12,500 x 0.0219% x 305 days = €835).