

Tax Relief for New Start-up Companies

Part 15-03-03

This document should be read in conjunction with section 486C of the Taxes Consolidation Act 1997

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1 Executive Summary

Section 486C of the Taxes Consolidation Act (TCA) 1997 provides relief from corporation tax for new start-up companies in their early years of trading. The relief is granted by reducing the corporation tax payable on the profits of the new trade and chargeable gains on the disposal of any assets used for the purposes of the new trade. Relief is available to new companies who set up and commence a qualifying trade on or before 31 December 2026.

Start-up relief applies where the total corporation tax payable for an accounting period does not exceed €40,000. Partial relief, known as “marginal relief”, is available where the total corporation tax payable is more than €40,000 and less than €60,000.

The amount of relief is computed by reference to the total Employer’s PRSI contributions for each year in respect of the company’s employees and directors, subject to a limit of €5,000 per individual. For accounting periods beginning on or after 1 January 2025, relief can also be computed by reference to the total Class S PRSI contributions paid by certain company directors/owners through the PAYE system on emoluments from the company, subject to a limit of €1,000 per individual. There is an overall limit of €40,000 in any one year.

Any unused relief arising in the first 5 years of trading, for example, due to losses or insufficient profits, can be carried forward for use in subsequent years. This is subject to the requirement that corporation tax cannot be reduced in any accounting period by more than the total relevant PRSI contributions for the accounting period.

The company must claim the relief in its corporation tax return for the accounting period.

2 Qualifying conditions

Start-up relief applies to new companies that are incorporated in the State, the EU/EEA or in the United Kingdom on or after 14 October 2008.

The new company must set up and commence a “qualifying trade” in the period beginning on 1 January 2009 and ending on 31 December 2026. The profits or gains of the trade must be charged to tax under Case I of Schedule D.

A qualifying trade does not include a trade:

- which was previously carried on by another person and to which the company has succeeded,
- the activities of which were previously carried on as part of another person’s trade or profession,
- a trade of dealing in or developing land, exploration and extraction of petroleum or working minerals (referred to in section 21A TCA 1997 as “excepted” trades),
- a trade consisting of activities which if carried on by a close company with no other sources of income, would result in that company being a service company as defined in section 441 TCA 1997. (Service companies include close companies whose businesses consist of the carrying on of a profession or the provision of professional services, or of exercising an office or employment. Service companies also include businesses that provide services to professionals),

- the activities of which form part of an undertaking to which any of subparagraphs (a) to (f) of paragraph 1 of Article 1 of Commission Regulation (EU) 2023/2831 apply¹, or
- the activities of which, if carried on by an associated company of the new company, would form part of an existing trade carried on by that associated company².

Where a company claiming relief takes over the activities of another trade, those activities will be treated as a separate trade, which will not be a qualifying trade, having been previously carried on by another person. Relief will continue to be available for corporation tax attributable to the qualifying trade within 5 years of commencement, subject to the relevant limits.

Where in an accounting period a company transfers part of a qualifying trade to a connected person, the company shall not be entitled to relief in respect of that trade for that or any subsequent accounting periods.

In order for a company to claim relief in respect of an accounting period, it must fall within a “relevant period” in relation to a qualifying trade. The relevant period is the period from the date the company begins carrying on the qualifying trade and ending 5 years after that date.

3 Computation of relief

Start-up relief is available where the company’s total corporation tax liability for the accounting period on all sources of income and gains does not exceed €40,000. Marginal relief applies where the corporation tax liability is more than €40,000 and less than €60,000. There is no relief for a company with a corporation tax liability of €60,000 or more in any 12-month accounting period.

3.1 Corporation tax liability of €40,000 or less

Start-up relief is linked to the amount of Employer’s PRSI paid by a company in an accounting period, subject to a maximum of €5,000 per employee/director and an overall limit of €40,000³. Where the total corporation tax payable by a qualifying start-up company for an accounting period does not exceed €40,000, the aggregate amount of corporation tax referable to income and gains of the qualifying trade in that period will be reduced by the amount of qualifying Employer’s PRSI. For accounting periods beginning on or after 1 January 2025, relief is also linked to the aggregate of Class S PRSI paid by certain company directors/owners (subject to a limit of €1,000 Class S PRSI per individual and the overall limit of €40,000).

¹ This is the EU *de minimis* aid Regulation currently in place. This includes undertakings active in the primary production or processing and marketing of fishery and aquaculture products or of agricultural products. Prior to 1 January 2025, section 486C excluded activities of undertakings listed in subparagraphs (a) to (h) of Article 1 of Commission Regulation (EC) No. 1998/2006.

² Under section 432 TCA, two companies are associated at a particular time if, at that time or at any time within one year previously, one company controls the other or both companies are under common control.

³ Credit is also given for any Employer’s PRSI exempted under the Employer’s Job (PRSI) Incentive Scheme in respect of a company’s employees in determining the amount of corporation tax relief available to the company. The Employer Job (PRSI) Incentive Scheme ceased on 30 June 2013 for new participants.

If the aggregate of qualifying PRSI contributions exceeds the corporation tax referable to income and gains of the qualifying trade, then that corporation tax amount is reduced to nil. Those PRSI contributions cannot be used to shelter corporation tax payable on other sources of income and gains unrelated to the qualifying trade. However, unused relief can be carried forward to future accounting periods following the five-year relevant period.

Relief is available to reduce corporation tax referable to both income from the qualifying trade and chargeable gains on the disposal of assets of the qualifying trade. The asset must be used for the purposes of the trade and includes goodwill but not shares, securities or other assets held as investments. Assets are excluded where any gain on disposal would not be a chargeable gain, and where the consideration for the acquisition of the asset is determined by sections 617 or 631.

Example 1

A start-up company's corporation tax for an accounting period is €20,000, referable entirely to income and gains from a qualifying trade. The total amount of qualifying Employer's PRSI paid in the accounting period is €17,000.

The amount of relief available for the accounting period under section 486C is €17,000, meaning the corporation tax referable to income and gains of the qualifying trade is reduced from €20,000 to €3,000.

Example 2

A start-up company's corporation tax referable to income and gains from a qualifying trade for an accounting period is €20,000. The company also has corporation tax of €3,000 due on its investment income. The total amount of qualifying Employer's PRSI paid in the accounting period is €25,000.

The amount of relief available for the accounting period under section 486C is €20,000, meaning the corporation tax referable to income and gains of the qualifying trade is reduced to nil. The company must pay corporation tax of €3,000 on its investment income. The excess relief amount of €5,000 can be carried forward for use in future accounting periods following the five-year relevant period.

Example 3

The total corporation tax payable by a start-up company for an accounting period is €16,000. This refers entirely to income from a qualifying trade. The company has three employees and paid the following amounts of Employer's PRSI in the accounting period.

Employee Details	Employer's PRSI paid
	€
Employee 1	2,000
Employee 2	3,000
Employee 3	<u>6,000</u>
Total PRSI	11,000

The amount of qualifying Employer's PRSI is capped at €5,000 per employee. Therefore, the aggregate amount of qualifying Employer's PRSI for the period is €10,000 (i.e. €2,000 plus €3,000 plus €5,000).

The relief available under section 486C is €10,000, meaning the corporation tax of €16,000 referable to income of the qualifying trade is reduced to €6,000.

3.2 Class S PRSI contributions

Many company directors pay PRSI under Class A on their earnings and the PRSI contributions paid by the employer on those earnings may be used to compute start-up relief. Certain company directors are classified by the Department of Social Protection as self-employed and therefore pay PRSI contributions under Class S on certain sources of income⁴. A company that pays emoluments to a self-employed contributor is required to deduct Class S PRSI from those payments and remit this to Revenue under the PAYE system. There is no Employer's PRSI component to Class S PRSI contributions.

For accounting periods beginning on or after 1 January 2025, the total amount of start-up relief is modified so that it is also linked to the amount of Class S PRSI remitted by a start-up company to Revenue through the PAYE system in an accounting period⁵. This is subject to a limit of €1,000 Class S PRSI per individual.

⁴ The classification of an individual as self-employed for social welfare purposes is not determinative of that individual's classification as an employee or self-employed person for tax purposes. For further information, see [Tax and Duty Manual 05-01-30](#), 'Revenue Guidelines for Determining Employment Status for Taxation Purposes'.

⁵ Section 486C refers to the PRSI contribution specified in section 21(1)(c) of the Social Welfare Consolidation Act 2005. This describes Class S PRSI contributions payable by self-employed contributors on 'reckonable emoluments' (as defined in that Act and including for example, share-based remuneration).

This means that the cap of €40,000 relief in section 486C applies from 2025 by reference to Employers' PRSI paid by a company (maximum €5,000 per employee) and by reference to Class S PRSI paid by an individual on emoluments from that company (maximum €1,000 per individual).

Any PRSI paid by an individual under Class S in respect of other sources of income, such as income from a sole trade or profession, interest and rent from Irish property, does not count towards relief under section 486C.

A worked example of relief calculated by reference to Class S PRSI is included in [Appendix 1](#).

3.3 Marginal relief

Where the total corporation tax payable by a start-up company for an accounting period on all income and gains exceeds €40,000 but does not exceed €60,000, then marginal relief is available.

The aggregate amount of corporation tax referable to income and gains of a qualifying trade will be reduced to an amount as calculated in accordance with the marginal relief formula or, if greater, to that aggregate of corporation tax as reduced by the amount of qualifying PRSI⁶.

The marginal relief formula is as follows:

$$\frac{3 \times (T-M) \times (A+B)}{T}$$

where:

- T** is the total corporation tax payable by the company on all profits for the accounting period,
- M** is the lower relevant maximum amount of €40,000,
- A** is the corporation tax payable by the company for the accounting period so far as is referable to income from the qualifying trade for the accounting period, and
- B** is the corporation tax payable by the company for the accounting period so far as is referable to chargeable gains on the disposal of qualifying assets of the qualifying trade.

⁶ i.e. total qualifying Employer's PRSI and, for accounting periods beginning on or after 1 January 2025, any Class S PRSI paid on company emoluments. This is referred to in section 486C as the 'total contribution'.

Example 4

A new start-up company's corporation tax liability for an accounting period is €41,000 and all of this is attributable to income from a qualifying trade. The amount of qualifying PRSI paid for the period is €19,000.

The amount calculated using the marginal relief formula is:

$$3 \times (\text{€}41,000 - \text{€}40,000) \times (\text{€}41,000 + \text{€}0) / \text{€}41,000 = \text{€}3,000$$

The corporation tax of €41,000 referable to income from a qualifying trade is reduced to €22,000, which is the greater of:

- The amount calculated using the marginal relief formula (€3,000), and
- The aggregate of corporation tax referable to income from the qualifying trade as reduced by the total qualifying PRSI contributions (€41,000 less €19,000 is €22,000).

The amount of marginal relief is therefore €19,000 and the company will pay corporation tax of €22,000 on income from its qualifying trade.

Example 5

A company's corporation tax liability for an accounting period is €50,000. This includes tax of €42,000 referable to income from a qualifying trade and tax of €3,000 referable to chargeable gains on disposal of assets of the qualifying trade. The amount of qualifying PRSI paid for the period is €30,000.

Under start-up relief, the corporation tax of €45,000 referable to income and gains of the qualifying trade will be reduced to the greater of:

- The amount calculated using the marginal relief formula (€27,000),

$$3 \times (T-M) \times (A+B)/T$$

$$3 \times (50,000 - 40,000) \times (42,000 + 3,000)/50,000$$

$$3 \times 10,000 \times 0.9 = €27,000$$
 and
- The aggregate of corporation tax referable to income and gains of the qualifying trade as reduced by the total qualifying PRSI contributions (€45,000 less €30,000 is €15,000).

The amount of marginal relief is therefore €18,000 and the company will pay corporation tax of €27,000 on income and gains from its qualifying trade.

	€
Corporation tax on income from qualifying trade	42,000
Corporation tax on gains of qualifying trade	3,000
Less: Start-up relief	(18,000)
Plus: corporation tax on other income/gains	<u>5,000</u>
Net corporation tax payable	32,000

3.4 Accounting periods of less than 12 months

The various thresholds are proportionally reduced where an accounting period is shorter than 12 months. The “relevant limit” of €5,000 Employer’s PRSI, “self-employment contribution limit” of €1,000 Class S PRSI, “lower relevant maximum amount” of €40,000 and “upper relevant maximum amount” of €60,000 should be time-apportioned accordingly.

3.5 Relevant period

The legislation refers to a “relevant period” in respect of a qualifying trade and this period is the primary duration in which relief under section 486C applies. The relevant period is 5 years from the date the company commences to carry on the qualifying trade, where the qualifying trade commenced on or after 1 January 2018. The relevant period was 3 years where the qualifying trade commenced before 1 January 2018.

Where a company carries on a qualifying trade in an accounting period falling partly within the five-year period, that part of the accounting period is to be treated as a separate accounting period for the purposes of the relief.

Example 6

A company commenced a qualifying trade on 1 July 2018 and the five-year relevant period expires on 30 June 2023. The company's accounting period is from 1 January to 31 December.

The six-month periods from 1 July 2018 to 31 December 2018 and from 1 January 2023 to 30 June 2023 are treated as separate accounting periods (in addition to the 2019, 2020, 2021 and 2022 accounting periods). The various section 486C thresholds for these shorter accounting periods should be determined by apportionment on a time basis.

3.6 Transport sector companies

The total amount of start-up relief a company is entitled to across all accounting periods is limited to €100,000 where the company's qualifying trade consists wholly or mainly of:

- the conveyance by road of persons or goods, or
- the haulage by road of other vehicles.

4 Carry-forward of relief

Depending on circumstances, a start-up company may not be able to fully benefit from start-up relief in its early years of trading, where a loss is incurred, or where the tax payable on profits from the new trade are not sufficient to enable the company to obtain full relief for its qualifying PRSI contributions. Any relief not availed of in the first 5 years of trading (the relevant period), due to losses or insufficiency of profits, can be carried forward for use in subsequent years.

This is subject to the amount of relief in any year not exceeding the total qualifying PRSI for the accounting period. Qualifying PRSI contributions are capped at €40,000 for each accounting period. This includes the total Employer's PRSI paid by the company (maximum €5,000 PRSI per individual), as well as any Class S PRSI remitted by the company to Revenue under the PAYE system for accounting periods beginning on or after 1 January 2025 in respect of certain company directors/owners (maximum €1,000 PRSI per individual).

Where the qualifying PRSI contributions exceed the corporation tax attributable to the qualifying trade for an accounting period within the five-year start-up period, the company can carry forward that excess amount and use it to reduce corporation tax in respect of the trade in subsequent years.

Provision is also made to enable a company entitled to marginal relief for an accounting period in the five-year period to carry forward the additional amount of marginal relief that would have been available if the corporation tax in respect of the trade were of a sufficient amount to match the company's qualifying PRSI contributions.

Calculation of the amount of unused relief to be carried forward from the five-year start-up period will depend on whether the company is eligible to claim full relief or marginal relief in any of the accounting periods in the five-year period.

4.1 Full relief

A company with a total corporation tax liability of €40,000 or less for an accounting period falling within the 5-year start-up period is eligible for full relief for the accounting period.

In the case of a company eligible for full relief in an accounting period falling within the five-year period, where the total qualifying PRSI contribution exceeds the corporation tax referable to the qualifying trade for the accounting period, the excess amount (referred to in the legislation as a "first relevant amount") is carried forward and will be available to reduce corporation tax referable to the trade in accounting periods following the five-year period.

Example 7

In the case of a company with total qualifying PRSI contributions of €21,000 and corporation tax referable to the trade of €10,000 for an accounting period within the five-year period, the company will be entitled to reduce that corporation tax liability to nil.

The unrelieved PRSI contributions of €11,000 can be carried forward for offset against corporation tax referable to the trade in accounting periods succeeding the five-year period.

Once the amount to be carried forward in respect of each accounting period within the five-year period is determined, these are then aggregated. That aggregate (referred to in the legislation as a "specified aggregate") is then applied to reduce the corporation tax referable to the qualifying trade for accounting periods following the five-year start-up period. This is subject to the requirement that corporation tax shall not be reduced in any accounting period by more than the total qualifying PRSI contributions for the accounting period.

Any residual amount of the specified aggregate that is not used in an accounting period can be carried forward and applied to reduce corporation tax attributable to the trade in subsequent accounting periods - until such time as the specified aggregate is fully used up. Therefore, in the accounting period immediately following the five-year start-up period, where the specified aggregate exceeds the amount by which corporation tax referable to the trade is reduced for that accounting period, the excess is carried forward and applied to reduce corporation tax referable to the trade for the next accounting period. Similarly, where it is not possible to fully use the excess in that accounting period, the remaining excess may be applied to reduce the corporation tax referable to the trade for the succeeding accounting period and so on for each succeeding accounting period until there is no excess left.

A worked example of how the carry-forward provisions operate in respect of full relief is provided in [Appendix 2](#).

4.2 Marginal relief

A company with a total corporation tax liability of more than €40,000 but not more than €60,000 for an accounting period falling within the 5-year start-up period is eligible for marginal relief for the accounting period.

In the case of a company on marginal relief, where the total of qualifying PRSI contributions exceeds the corporation tax referable to the qualifying trade for the accounting period, an amount (referred to in the legislation as a 'second relevant amount'), as determined by the marginal relief formula, shall be carried forward and will be available to reduce corporation tax referable to the qualifying trade in accounting periods following the 5-year period.

The amount to be carried forward is equivalent to the additional amount of marginal relief that would have been available to the company if its corporation tax in respect of the trade were of the same amount as its qualifying PRSI contributions.

There are three steps in calculating this amount:

Step 1

Calculate the actual amount of marginal relief available to the company for the accounting period falling within the relevant period. The amount of marginal relief available is the corporation tax referable to the trade as reduced by the amount determined by the following formula:

$$\frac{3 \times (T - M) \times (A + B)}{T}$$

where:

- T** is the total corporation tax payable by the company on all profits for the accounting period,
- M** is the lower relevant maximum amount of €40,000,
- A** is the corporation tax referable to income from the qualifying trade for the accounting period, and
- B** is the corporation tax referable to chargeable gains on the disposal of qualifying assets of the qualifying trade.

Step 2

Calculate the amount of marginal relief that would have been available for the accounting period if the corporation tax referable to the qualifying trade were equal to the total qualifying PRSI contributions. The formula for determining this amount is as follows:

$$C - \frac{[3 \times (T - M) \times C]}{T}$$

where:

T and **M** are the same as in Step 1, and

C is the total qualifying PRSI contributions for the accounting period.

Step 3

Deduct the amount at Step 1 above from the amount at Step 2 to determine the amount of marginal relief that is to be carried forward and applied to reduce corporation tax referable to the trade in accounting periods following the five-year start-up period.

A worked example of how the carry-forward provisions operate in respect of marginal relief is provided in [Appendix 3](#).

5 Reporting

A claim for relief should be made by the start-up company on the Form CT1.

Revenue may, for the purposes of ensuring compliance with EU *de minimis* State Aid Rules, disclose information on the tax relief claimed by companies under the provisions of section 486C, to government departments and agencies paying other *de minimis* aid and, if requested, to the EU Commission.

6 Summary of legislation changes

Section 486C of the TCA 1997 was introduced by **Finance (No. 2) Act 2008**.

Full relief was available to a new company in any of its first 3 years of trading where its total corporation tax liability for a 12-month accounting period did not exceed €40,000. A new qualifying company with a corporation tax liability up to this amount had its corporation tax liability reduced to nil. Where the total corporation tax payable by a company exceeded €40,000 but did not exceed €60,000, marginal relief was allowed by reducing the corporation tax payable for the accounting period to an amount determined by the marginal relief formula.

Finance Act 2011 modified the relief by linking it to the amount of Employer's PRSI paid by a company in an accounting period, subject to a maximum of €5,000 per employee and an overall limit of €40,000. Marginal relief where the total corporation tax payable is between €40,000 and €60,000 was modified so that the aggregate amount of corporation tax referable to income and gains of the qualifying trade is reduced to an amount as calculated in accordance with the original existing marginal relief formula or, if greater, to that aggregate of corporation tax as reduced by the amount of qualifying Employer's PRSI.

The relief operated on a 'use it or lose it' basis. Relief was not available to a start-up company in any of the first 3 years of trading where a loss was incurred, and relief was only partly available where the tax payable on profits from the new trade was not sufficient to enable the company to obtain full relief for its Employer's PRSI contributions. There was no provision for carry forward of unused amounts to later years.

Finance Act 2013 amended the relief by allowing any unused relief arising in the first 3 years of trading, due to losses or insufficient profits, to be carried forward for use in subsequent years. A company with an unrelieved amount of Employer's PRSI in an accounting period within the 3-year start-up period is able to carry forward that amount and use it to reduce corporation tax referable to the qualifying trade in accounting periods following the 3-year period. This is subject to the amount of relief in any year not exceeding the Employer's PRSI contributions of the company, with relief for these contributions capped at €5,000 per employee and €40,000 in total for a year. Provision was also made to enable a company entitled to marginal relief for an accounting period in the 3-year period to carry forward the additional amount of marginal relief that would have been available if the corporation tax in respect of the trade were of a sufficient amount to match the company's Employer's PRSI contributions.

Each of the **Finance Acts** for **2012, 2014, 2015, 2018** and **2021** extended the qualifying period for tax relief available under section 486C. Relief currently applies to start-up companies who commence a qualifying trade in the years 2009 to 2026 inclusive.

The **Withdrawal of the United Kingdom from the European Union (Consequential Provisions) Act 2020** amended section 486C so as to ensure relief continues to apply to new companies incorporated in the United Kingdom, following its withdrawal from the EU.

Finance Act 2021 extended the “relevant period” from 3 years to 5 years from the date the company commences to carry on the qualifying trade. This amendment means that relief is available for 5 years, and that carry-forward provisions apply after the 5-year relevant period has elapsed.

Finance Act 2024 allowed for Class S PRSI paid by certain company directors/owners to be considered in computing the amount of relief, subject to an annual limit of €1,000 Class S PRSI per individual. Finance Act 2024 also updated references in section 486C to the current *de minimis* aid Regulation in place, in terms of the definition of a qualifying trade and Revenue’s reporting obligations.

7 Further Information

While this document broadly sets out the details relating to section 486C relief, the facts of the case will determine entitlement to relief under the scheme.

Requests for clarification should be addressed to the relevant Revenue division which can be selected under the [Contact us](#) section of the website. Complex technical queries can be addressed through the [Revenue Technical Service](#).

Appendix 1 - Example of relief computed by reference to PRSI

Example 8

This example assumes the same tax and PRSI liabilities apply for both 2024 and 2025.

A new start-up trading company has a corporation tax liability of €25,000 in both of the accounting periods ending 31 December 2024 and 31 December 2025. This corporation tax is referable entirely to income from a qualifying trade.

The company has 3 employees and 2 directors. The employees pay social insurance contributions under Class A on their wages. The company pays Employer's PRSI contributions on these wages. The directors pay social insurance contributions under Class S in respect of their director fees. The company collects all PRSI contributions through the PAYE system.

The Employer's PRSI and director Class S PRSI payments for both the 2024 and 2025 accounting periods are as follows:

	Employer's PRSI €	Class S PRSI €
Employee 1	2,000	
Employee 2	4,000	
Employee 3	6,500	
Director 1		450
Director 2		1,600
Total PRSI	12,500	2,050

Relief for 2024 accounting period:

The total amount of Employer's PRSI paid is €12,500. However, the qualifying Employers' PRSI paid is €11,000. As Employee 3 is over the cap of €5,000, €1,500 of this is not considered for the relief. None of the Class S PRSI paid by the directors is considered for the relief in 2024.

The total relief available to the company under section 486C is €11,000. It can reduce its 2024 corporation tax liability of €25,000 by relief of €11,000, leaving a net corporation tax liability of €14,000.

Relief for 2025 accounting period:

The qualifying Employer's PRSI paid is €11,000, as before. The total amount of Class S PRSI paid is €2,050. However, the qualifying amount of Class S PRSI is €1,450. As Director 2 is over the cap of €1,000, €600 of this is not considered for the relief.

The total relief available to the company under section 486C is €12,450 (i.e. €11,000 plus €1,450). It can reduce its 2025 corporation tax liability of €25,000 by relief of €12,450, leaving a net corporation tax liability of €12,550.

Appendix 2 - Example of carry-forward of unused relief

Example 9

A company is eligible for full relief under section 486C in each accounting period falling within the relevant period (the 2018 to 2022 accounting periods), as its total corporation tax liability does not exceed €40,000 in any of the first 5 years of trading.

Year	2018	2019	2020	2021	2022	2023	2024	2025
Employer's PRSI contribution	3,000	3,000	3,000	3,000	5,000	5,000	5,000	5,000
Trading Profit (Loss)	(14,000)	3,200^	14,400	25,600	29,600	48,000	36,000	41,600
Corporation tax (12.5%)	0	400	1,800	3,200	3,700	6,000	4,500	5,200
S486C relief used	<u>(0)</u>	<u>(400)</u>	<u>(1,800)</u>	<u>(3,000)*</u>	<u>(3,700)</u>	<u>(5,000)*</u>	<u>(3,100)</u>	<u>N/A</u>
Net tax liability	0	0	0	200	0	1,000	1,400	5,200
Unused relief ('First relevant amount')	3,000	2,600	1,200	0	1,300			
Aggregate amount carried forward from 5 years ('Specified aggregate')					8,100			

^ This is the amount of trading profits after any loss relief available.

* Relief may not exceed the total Employer's PRSI contribution in this year.

In this example, the company has utilised a total amount of relief of €8,900 during the 5-year relevant period. The aggregate amount of Employer's PRSI contribution for this period was €17,000. The excess amount of relief of €8,100 (the specified aggregate) can be carried forward to the 2023 accounting period (the first accounting period succeeding the relevant period).

The company can claim relief of €5,000 for the 2023 accounting period. The remaining excess relief of €3,100 can be claimed in the 2024 accounting period.

Appendix 3 - Example of carry-forward of marginal relief

Example 10

The following is an example of how to calculate the amount of marginal relief to be carried forward from an accounting period falling within the 5-year start-up period.

Corporation tax payable and qualifying PRSI contributions for the accounting period are assumed to be as follows:

	€
T Total corporation tax on all profits	50,000
M Lower relevant maximum amount	40,000
A Corporation Tax referable to income from the qualifying trade	20,000
B Corporation tax referable to chargeable gains on the disposal of qualifying assets of the qualifying trade	0
C Total qualifying PRSI contributions	30,000

Step 1 – Calculate the actual amount of marginal relief available for the accounting period.

This is the amount of corporation tax referable to the trade (€20,000) as reduced by an amount determined by the formula:

$$3 \times (T - M) \times (A + B) / T$$

$$\text{i.e. } 3 \times (50,000 - 40,000) \times (20,000 + 0) / 50,000 = 12,000$$

Therefore, the actual amount of marginal relief available is €8,000 (i.e. €20,000 less €12,000).

Step 2 - Calculate the amount of marginal relief that would have been available for the accounting period if the corporation tax referable to the qualifying trade were equal to the total qualifying PRSI contributions. The formula for determining this amount is as follows:

$$C - [3 \times (T - M) \times C / T]$$

$$\text{i.e. } 30,000 - [3 \times (50,000 - 40,000) \times 30,000 / 50,000]$$

$$= 30,000 - 18,000$$

$$= 12,000$$

Therefore, the amount of marginal relief that would have been available is €12,000.

Step 3 - Subtract the amount calculated under Step 1 from the amount calculated under Step 2 to determine the amount of marginal relief to be carried forward.

The amount of marginal relief to be carried forward is €4,000 (i.e. 12,000 less 8,000).