Explanatory Notes on completion of Form CT1 2011

Legislative references in these notes relate to *Sections of the Taxes Consolidation Act 1997*, unless otherwise stated

Mandatory E-Filing of Form CT1

Please note Revenue has introduced important changes regarding how companies file their tax returns.

Returns/payments due on or after 1 June 2011 must be made by companies on-line through the **Revenue On-Line Service (ROS)**, where they are not already the subject of such a requirement.

Companies must file **all** their specified tax returns electronically, including Form CT1 Supplement and/or Form 46G(Company) as applicable, with effect from 1 June 2011.

For information on the benefits of using **ROS** and the three-step registration process that will enable a company to file it's tax return electronically, go to **www.revenue.ie/en/online/ros/index.html**.

Revenue may exclude a company from it's obligation to pay and file electronically, if Revenue is satisfied that the company does not have the “Capacity” to do so.

Exclusion from Mandatory Electronic Filing and Payment of Tax
“Capacity” means access to the technology, including both hardware and software, by which either or both a specified return or the payment of any specified liabilities may be made by electronic means and, in the case of an individual, also means not prevented by reason of age, or mental or physical infirmity from either or both making a specified return or paying any specified liabilities by electronic means.

If you consider that you qualify for an exclusion you can apply in writing stating your reason(s) to Customer Services Branch at the following address:

Office of the Revenue Commissioners,
Planning Division,
1st Floor, Bishop’s Square,
Redmonds Hill,
Dublin 2.

Where Revenue does not approve a request for exclusion, the customer has a right to make a formal appeal in writing to the Appeal Commissioners.

General Note

The 2011 Corporation Tax return should be used for accounting periods ending in the year 2011 only. If you are filing a return for an accounting period ending in a year other than 2011 you must use a return appropriate to the accounts period year-end.

Surcharge

The time limits for filing a Corporation Tax return have been extended to the 23rd of the month for anyone who makes the relevant return **and** associated tax payment via the **Revenue On-Line Service (ROS),** whether voluntarily or under the new mandatory e-filing regime. Where a return and associated payment are not made electronically by the new extended deadlines, the extended time limits will be disregarded so that, for example, any interest imposed for late payment will run from the former due dates and not the extended dates.

Where an exclusion from filing electronically has been granted, a paper return should be filed by the 21st day of the ninth month after the company’s year-end. This applies to an end date falling after the 21st of the month.

If a company’s year-end falls before the 21st of the month then the return should be filed exactly nine months after the year-end, e.g. year-end is 5 April; return should therefore be filed by the following 5 January.

If a return is not submitted within the appropriate time, a surcharge will be payable.

The rates of surcharge are as follows:

- 5% of the amount of the tax subject to a maximum of €12,695 where the return is submitted within two months of the specified date, **or**
- 10% of the amount of the tax subject to a maximum of €63,485 where the return is submitted after two months.

RPC001163_EN_WB_L_1

Supporting Documents/Accounts Menus/Property Incentive Schemes

You should not submit any supporting documentation except where expressly asked to do so.
Supporting documentation, including company accounts, must however be retained for six years as these may be requested by Revenue for the purposes of a verification check or an audit.

Some panels in the return may not have sufficient space, e.g. in panel 1 there may be more than four associated companies. In these circumstances you should attach a statement with the appropriate information, laid out in similar style to the relevant panel(s), and submit it with the return.

Companies must complete the *Extracts From Accounts* pages in the return where they have entries in panel 2 - Trading Results.

If the company is claiming relief under a 'property based incentive scheme', tick ☑ the appropriate box indicating that such a relief is being claimed and complete *Details of Property Based Incentive Schemes* panel (panel 17) of the return.

Incomplete returns will be sent back for proper completion.

Audit

- This return may be subject to audit by an Inspector of Taxes.
- The law provides that an Inspector of Taxes may make enquiries or take such actions as are considered necessary to verify the accuracy of a return.

Form CT1 2011 Layout

Panel

1 Company Details
2 Trading Results
3 Rental Income from Land and Property in the State
4 Irish Investment Income and Other Irish Income
5 Foreign Income
6 Exempt Profits
7 Capital Gains (other than on land with Development Value)
8 Chargeable Assets Acquired
9 Deductions, Reliefs & Credits
10 Research & Development Credit and Allowances
11 Capital Gains on Land with Development Value
12 Profits/Gains on Rezoned Lands
13 Close Company Surcharge
14 Recovery of Income Tax on Payments
15 Dividend Withholding Tax (DWT)
16 Request for Short Notice of Assessment for 2011
17 Details of Property Based Incentive Schemes

Notes

Page 1

The company accounting period should be entered in the space provided on page 1 of the return in all cases.

Panel 1 Company Details

1.1 A branch or agency is any factorship, agency, receivership, branch or management.

1.2 If the company ceased to trade in this accounting period enter the date of cessation. Terminal Loss Relief can be claimed where a company incurs a loss in its last 12-month period of trading. This loss can be carried back against income of the same trade for accounting periods falling wholly or partly within the three years preceding those last 12 months. If you wish to claim relief for terminal losses you should submit all relevant details to your local Revenue office.

1.3-1.4 **Close Companies**
A company is a close company if it is under the control of five or fewer participators or of participators who are directors. See *Sec. 433* for a definition of a participator and director.

1.5-1.6 **Associated Companies**
A company is to be treated as another's associated company at a particular time if, at that time or at any time in the previous 12 months, one of the two has control of the other or both are under the control of the same person or persons.

1.7 **Purchase of own shares by a quoted company under *Sec. 175***
Payments made by a quoted company on the redemption, repayment or purchase of the company's own shares in the accounting period. A quoted company shall include a company which is a member of a group of which a quoted company is a member.

1.8 **Purchase of own shares by an unquoted company under *Sec. 176***
Payments made by an unquoted company on the redemption, repayment or purchase of the company's own shares in the accounting period. An unquoted company shall include a company which is a member of a group of which an unquoted company is a member.

1.9-1.10 **Groups**
Two companies are members of a group of companies if one of them is a 75% subsidiary of the other or both are 75% subsidiaries of a third company, all being registered in the State or as respects accounting periods ending on or after 1 July 1998, in a member State of the EU. A company is a 75% subsidiary of another company where not less than 75% of its ordinary share capital is owned directly or indirectly by that other company.

1.11-1.12 **Group Relief**
You are required to enter the details of group relief surrendered or group relief claimed. However, to obtain the relief enter the amount of group relief claimed in the appropriate panel(s) elsewhere in the return. Note claims to group relief in the trading panel etc. cannot be made in the absence of this information.

1.13-1.16 **Amendment to Prior Accounting Period**
This section caters for the repayment of director's loan(s), for the carry back of losses under *Sec. 396A(3)*, and for the offset of excess Research & Development credit under *Sec. 766(4A)(a)* and *Sec. 766A(4A)(a)*.

1.13 If the company wishes to claim a refund for Director's loan(s) repaid under *Sec. 438(4)(a)* enter the relevant details.

1.14 If the return where you are claiming the carry back of trading losses under *Sec. 396A(3)* is submitted late there is a restriction to the amount of the loss that can be carried back as follows:

- by 25% of the loss required, where the return is submitted within two months of the return filing date, or
- by 50% of the loss required where the return is submitted more than two months late.

1.15-1.16 This section caters for the carry back of excess Research and Development Tax Credit under *Sec. 766(4A)(a)* and *Sec. 766A(4A)(a)*. If the company wishes to carry back any such excess enter the amount of the relevant excess.

Panel 1 Company Details (contd.)

1.34-1.42 **Return of Directors' Emoluments, Benefits, etc.**
This section is set out on pages 6 & 7 of the return and caters for the information required in respect of Director's emoluments, benefits, etc. Where there are more than six directors to be accounted for you should attach a statement with the appropriate information, laid out in similar style to this section.

Panel 2 Trading Results

2.1-2.86 This panel is divided into a number of sections as set out on pages 8 - 14 inclusive of the return.

Enter Taxable Profits only. Exempt Profits should be entered at panel 6.

Trade Profit should be apportioned between "Manufacturing" and "Non-Manufacturing" where the company is engaged in both activities and the respective amounts entered in the appropriate section.

2.1-2.10 **Trade Profits at 12.5%** (Non-Manufacturing Trade Profits (and Manufacturing Trade profits where the company commenced trading on or after 23 July 1998))

This section should be completed by trading companies that are not entitled to Manufacturing Relief (see note to Line 2.11).

2.1(a) Enter profit at Line 2.1(a). If a loss occurs show 0.00.

2.1(b) **Stallion Profits**
Sec. 669G-K now sets out the legislative basis for taxing stallion profits. Stallion stud services fees ['stallion profits'] arising in the course of a trade of farming are taxed under Case 1 of Schedule D and such profits are, accordingly, chargeable to Corporation Tax at the rate of 12.5%. Profits or gains from stallion stud fee income, other than in the course of a trade of farming, are chargeable to tax under Case IV of Schedule D, at the rate of 25%.

2.1(c) **Greyhound Stud Fees**
Stud greyhound service fees arising in the course of a trade of farming are taxed under Case 1 of Schedule D and such profits are, accordingly, chargeable to Corporation Tax at the rate of 12.5%. Profits or gains from stud greyhound service fees, other than in the course of a trade of farming, are chargeable to tax under Case IV of Schedule D, at the rate of 25%.

2.3-2.6 **Capital Allowances**
Where there is a claim for relief under a **property based incentive scheme,** included here, further details must be given in panel 17 of the return. See notes for panel 17 on pages 14 & 15 of these notes.

2.4(b) Accelerated Capital Allowance is only available to companies who incur expenditure on approved 'energy efficient equipment' for use in their trade. The company must own the equipment. Equipment that is leased, let or hired will not qualify for the allowance.

2.4(c) Where any amount entered at Line 2.4(a) refers to capital allowances for computer software *(Sec. 291(4)(a))* the entry 2.4(d)(i) must be completed.

2.4(d) Where any amount entered at Line 2.4(a) refers to capital allowances for specified intangible assets *(Sec. 291A)* the entries 2.4(d)(ii)-(viii) inclusive must be completed where relevant.

2.6(b) Where any amount entered at Line 2.6(a) refers to patent rights *(Sec. 755)* or know-how *(Sec. 768)* the entries 2.6(b)(i)-(iv) inclusive must be completed where relevant.

Trading Losses Forward

2.7(a) Enter the total amount of trading losses incurred in the preceding accounting periods claimed under *Sec. 396(1)*.

2.7(b) Enter the balance of trading losses incurred in preceding accounting periods and available for carry forward to succeeding accounting periods.

Total Losses appropriate to this trade, before Capital Allowances, in this accounting period

2.8 Enter the amount of relevant losses, i.e. standard rated trade losses, for the entire accounting period.

Panel 2 Trading Results (contd.)

Charges

2.9 Enter the amount of trade charges for the entire accounting period. **Non-trade charges should be entered in panel 9 at Line 9.3 or Line 9.4.**

Group Relief

2.10(a) Enter the amount of the total group relief for the entire accounting period. Enter the details of the group relief claimed at Line 1.12.

2.10(b) Where any amount at Line 2.10(a) refers to Excess Capital Allowances the entry at 2.10(b) must be completed.

2.10(c) Where any amount at Line 2.10(a) refers to Excess Trade Charges the entry at 2.10(c) must be completed.

Losses, Charges and Group Relief on a value basis

Relief on a value basis is claimed in panel 9 of the return. See separate note for panel 9 on pages 12 & 13 of these notes.

2.11-2.20 **Trade Profits** (Manufacturing Trade Profits where the company commenced trading before 23 July 1998)
This section should be completed by trading companies that are entitled to Manufacturing Relief.
The companies that qualify for manufacturing relief are:

- Manufacturing companies that commenced trading prior to 23 July 1998,
- Manufacturing companies that entered into a grant agreement with an industrial development agency (as defined) before 31 July 1998 but did not commence trading until after that date (*Sec. 442*).

The full amount of manufacturing profits, capital allowances, losses, charges and group relief for the entire period should be entered at the relevant field(s). Any apportionment required under *Sec. 442(2)* should not be calculated by the company in making the relevant entries, this will be calculated automatically.

Note: the full amount of manufacturing profits, etc. are to be entered in the relevant field(s) even though no part of the accounting period comes within the relevant period (i.e. the accounting period commences on or after 1 January 2011) and the company is not entitled to any manufacturing relief for the accounting period.

Enter profit at Line 2.11. If a loss occurs show 0.00.

Capital Allowances

2.13-2.16 Where there is a claim for relief under a **property based incentive scheme** details must be given in panel 17 of the return. See notes for panel 17 on page 14 & 15 of these notes.

2.14(b) Accelerated Capital Allowance is only available to companies who incur expenditure on approved ‘energy efficient equipment’ for use in their trade. The company must own the equipment. Equipment that is leased, let or hired will not qualify for the allowance.

2.14(c) Where any amount entered at Line 2.14(a) refers to capital allowances for computer software (*Sec. 291(4)(a))* the entry 2.14(d)(i) must be completed.

2.14(d) Where any amount entered at Line 2.14(a) refers to capital allowances for specified intangible assets (*Sec. 291A)* the entries 2.14(d)(ii)-(viii) inclusive must be completed where relevant.

2.16(b) Where any amount entered at Line 2.16(a) refers to patent rights (*Sec. 755)* or know-how (*Sec. 768)* the entries 2.16(b)(i)-(iv) inclusive must be completed where relevant.

Trading Losses Forward

2.17(a) Enter the total amount of trading losses incurred in the preceding accounting periods claimed under *Sec. 396(1)*.

2.17(b) Enter the balance of trading losses incurred in preceding accounting periods and available for carry forward to succeeding accounting periods.

Total Losses appropriate to this trade before Capital Allowances in this accounting period

2.18 Enter the amount of relevant losses, i.e. standard rated trade losses, for the entire accounting period.

Panel 2 Trading Results (contd.)

Charges

2.19 Enter the amount of trade charges for the entire accounting period. **Non-trade charges should be entered in panel 9 at Line 9.3 or Line 9.4.**

Group Relief

2.20(a) Enter the amount of the total group relief for the entire accounting period. Enter the details of the group relief claimed at Line 1.12.

2.20(b) Where any amount at Line 2.20(a) refers to Excess Capital Allowances the entry at 2.20(b) must be completed.

2.20(c) Where any amount at Line 2.20(a) refers to Excess Trade Charges the entry at 2.20(c) must be completed.

Losses, Charges and Group Relief on a value basis

Relief on a value basis is claimed in panel 9 of the return. See separate note for panel 9 on pages 12 & 13 of these notes.

Excepted Trade Profits *(Sec. 21A)* at 25%

2.21 This includes income from working minerals and petroleum activities and certain dealings in or developing land, other than construction operations, and dealing in land which has been fully developed.

Enter profit at Line 2.21. If a loss occurs show 0.00.

2.22(a) Losses on the sale of Residential Development Land prior to 31/12/2008 should be reduced by 20% *(Sec. 644C(2))*.

2.22(b) Enter the balance of trading losses incurred in preceding accounting periods and available for carry forward to succeeding accounting periods.

2.23 Total Losses appropriate to this trade in this accounting period.

2.24-2.32 **Qualifying Shipping Activities at 12.5%**

Profits from “qualifying shipping activities” are taxed at 12.5%. Related losses, group relief and specified Capital Allowances are ring-fenced against profits from this trade.

Enter profit at Line 2.24. If a loss occurs show 0.00.

2.26 **Specified Capital Allowances**

Specified Capital Allowances are Capital Allowances in respect of expenditure incurred on the provision of a qualifying ship which is in use in a qualifying shipping trade.

2.27(b) Accelerated Capital Allowance is only available to companies who incur expenditure on approved ‘energy efficient equipment’ for use in their trade. The company must own the equipment. Equipment that is leased, let or hired will not qualify for the allowance.

Trading Losses Forward

2.30(a) Enter the total amount of trading losses incurred in the preceding accounting periods claimed under *Sec. 396(1)*.

2.30(b) Enter the balance of trading losses incurred in preceding accounting periods and available for carry forward to succeeding accounting periods.

2.31 **Charges**

Enter the amount of trade charges for the entire accounting period. These charges can be offset against other relevant trading income, and any unused portion can be offset against non-trading income on a value basis. See note for panel 9 on pages 12 & 13 of these notes. **Non-trade charges should be entered in panel 9 at Line 9.3 or Line 9.4.**

Panel 2 Trading Results (contd.)

Group Relief

2.32(a) Enter the amount of the total group relief for the entire accounting period. Enter the details of the group relief claimed at Line 1.12

2.32(b) Where any amount at Line 2.32(a) refers to Excess Capital Allowances the entry at 2.32(b) must be completed.

2.32(c) Where any amount at Line 2.32(a) refers to Excess Shipping Charges the entry at 2.32(c) must be completed.

2.33-2.34 **Tonnage Tax**

An election under *Sec. 697D* should be made to Corporate Business and International Division, Stamping Building, Dublin Castle, Dublin 2 on the appropriate election form. The election form, Tonnage Tax 1, is available on Revenue's website, **www.revenue.ie/en/tax/tonnage/forms/frm_tonntax1.pdf**. Where an election has been made, this should be recorded at Line 2.33.

Note: this entry at Line 2.33 is not itself an election under *Sec. 697D*.

The amount of the Tonnage Tax Profits should be entered at Line 2.34, and a Form CT1 Supplement - Tonnage Tax Profits should accompany the Form CT1 2011. The Form CT1 Supplement is available on Revenue's website, **www.revenue.ie/en/tax/ct/forms/ct1supplement.pdf**.

2.35 **Election under *Sec. 80A***

Sec. 80A provides an alternative taxation mechanism for lessors of certain short-term assets in order to address a timing mismatch. The existing tax treatment of finance leases is that gross lease payments are treated as income but the lessor is allowed Capital Allowances over eight years on the cost of the asset. In the case of short-term leases where lease payments are received over a short period (say, three years) and Capital Allowances are given over an eight year period the mismatch is not 'evened out' until the balancing allowance is calculated on the sale of the asset.

This section allows a lessor company to claim to have all income from short-term leased assets from the start of the accounting period and all such future income computed for tax purposes under accounting rules rather than under existing tax rules.

2.36-2.38 **Claims under *Sec. 847A* and *Sec. 848A***

These sections are to record both the formal claim and the amount of the claim to relief in respect of Donations to Approved Sports Bodies, Donations to Approved Charities and Donations to Other Approved Bodies.

Note that the relevant deduction should already have been made in arriving at:

- the taxable income figure in panel 2,
- the management expenses figure claimed in panel 9.

2.39-2.86 **Extracts From Accounts**

Companies must complete the *Extracts From Accounts* pages of the return where they have entries in panel 2 - Trading Results.

The details required on pages 13 & 14 of the return are **extracts** from the accounts and are not a tax adjustment computation/calculation. When completing these Extracts there may be nothing to enter under some headings, as that section may not apply. Each section that is relevant and for which there is an entry in the accounts must be completed.

In addition to these Notes, further information on the completion of these pages in Tax Briefing Issues 53 and 54 may be of assistance, **www.revenue.ie/en/practitioner/tax-briefing/index.html**.

Income

2.41 **Sales/Receipts/Turnover** – This is gross trading income receivable excluding Government payments below.

2.42 **Receipts from Government Agencies - GMS, etc.** – This includes payments by Government Departments, e.g. GMS payments, Department of Agriculture payments, etc.

2.43 **Other Income** – Include here any other income that is normally included with the accounts. Do not include income which should be taxed under a separate heading, (rent, dividends, interest, for example), and which should be returned in the appropriate panel of the Corporation Tax return.

Panel 2 Trading Results (contd.)

Trading Account Items

2.44 **Purchases** – This is materials or purchases for resale purchased during the accounting period.

2.45 **Gross Trading Profits** – This is the gross profit of the business after adjusting for opening and closing stocks and input costs.

Expenses and Deductions

2.46 **Salaries/Wages, Staff costs** – This includes all staff remuneration (taxed and untaxed), staff training, redundancy payments, PRSI, pensions, etc. The directors' salaries should not be included but should be entered at 'Directors' remuneration' below.

2.47 **Directors' remuneration including fees, bonuses, etc**. – The total of all monies paid to the directors during the accounting period.

2.48 **Sub-contractors** – This relates to building, meat-processing and forestry businesses. Sub-contractors are those defined by *Sec. 531.*

2.49 **Consultancy, Professional fees** – Including audit and accountancy, legal, architect, auctioneer, surveyor, etc.

2.50 **Motor, Travel and Subsistence** – Including fuel, tax, servicing, repairs, insurance, etc., travel and subsistence reimbursed to staff and directors including motor expenses, country money, etc.

2.51 **Repairs/Renewals** – These are costs incurred in maintenance and upkeep of the business property and the running maintenance and upkeep of the business equipment and machinery. Enhancements or improvements to property are not maintenance and as capital should be added back in the adjusted profit computation.

2.52 **Interest Payable** – This includes loan, overdraft and all other interest payable.

2.53 **Depreciation, Goodwill/Capital write-off** – Depreciation is depreciation of business assets provided for during the accounting period. It should be added back in the adjusted profit computation. Goodwill/Capital write-off relates to any write-off of the value of assets during the accounting period. It should also be added back in the adjusted profit computation.

2.54 **Provisions including Bad Debts** – Not including provision for depreciation.

2.55 **Other Expenses (Total)** – This is the total of all other expenses included in the profit and loss account and not listed above.

Balance Sheet and Capital and Reserve Items

2.56(a)&(b) **Balance of Directors' current and loan accounts** – The balance at the end of the accounting period. If there is a positive balance on the director's account, the director owes the company money and, therefore, an entry is required at Line 2.56(a). If the director is owed money, then the entry should be input at Line 2.56(b).

2.57 **Stock, Work in Progress, Finished goods** – This is the stocks as at the end of the accounting period.

2.58 **Debtors and Prepayments** – This is the figure for closing debtors and prepayments at the end of the accounting period.

2.59 **Cash on hand/Bank - Debit** – Cash on hand or in bank. It should include all deposit accounts, savings accounts, current accounts, Credit Union accounts, Building Society accounts, etc.

2.60 **Bank/Loans/Overdraft - Credit** – Borrowings at the end of the accounting period.

2.61 **Creditors and Accruals** – This is the figure for closing creditors and accruals at the end of the accounting period.

2.62 **Client Account Balances - Debit** – Funds held on behalf of clients.

2.63 **Client Account Balances - Credit** – Amounts due to clients.

2.64 **Tax Creditors** – VAT, PAYE, Income Tax, Corporation Tax, Relevant Contracts Tax and Capital Gains Tax owing.

2.65 **Shareholders' Funds** – This is equal to assets

Panel 2 Trading Results (contd.)

Extracts from Adjusted Net Profit/Loss Computation
Profit/Loss per Accounts

2.66 **Profit on ordinary activities before taxation** – Per accounts.

2.67 **Loss on ordinary activities before taxation** – Per accounts.

Adjustments made to Profit/Loss per Accounts

2.68 **Subscriptions and Donation**s – Donations and subscriptions, political and charitable, are not allowable and should be added back here.

2.69 **Entertainment Expenses** – Entertainment expenses are not allowable and should be added back here.

2.70 **Disallowable Legal and Professional Fees** – These are non-allowable fees: e.g. company restructuring.

2.71 **Sec. 130 Loan Interest** – Interest treated as a distribution.

2.72 **Light, Heat and Phone** – Private element.

2.73 **Net gain on sale of fixed/chargeable assets** – Profit on the sale of assets included in the Profit & Loss account can be deducted in the adjusted profit computation.

2.74 **Net loss on sale of fixed/chargeable assets** – A loss on the sale of assets included in the Profit & Loss account should be added back in the adjusted profit computation.

2.75-2.86 **Notes to the Accounts**
Lines 2.75 - 2.78 reflect the current position whereby the Auditing Practices Board of the Financial Reporting Council issued a new Auditing Standard that changed the contents of Audit Reports.

Panel 3 Rental Income

3.1 **Compliance with the registration requirements of the Residential Tenancies Act 2004**
Entitlement to a deduction for interest paid on borrowed money employed in the purchase, improvement, or repair of rented residential property is conditional on compliance with the registration requirements of the Residential Tenancies Act 2004 in respect of all tenancies which existed in relation to residential premises in the accounting period. Detailed articles on this requirement are contained in Tax Briefing Issues 63 and 65, **www.revenue.ie/en/practitioner/tax-briefing/index.html**.

3.2 Enter the net profit, after expenses. Where a property on which *Sec. 23* relief has been claimed in previous accounting periods was sold or ceases to qualify during this accounting period and this is within ten years from the date of the first letting under a qualifying lease there will be a clawback of the full *Sec. 23* relief granted. This amount should be included in the computation of gross rents received for the year.

3.4(a) Enter the total amount of rental losses incurred in the preceding accounting periods.

3.4(b) Enter the balance of rental losses incurred in preceding accounting periods and available for carry forward to succeeding accounting periods.

3.5-3.8 **Rental Capital Allowances**

3.5 Where there is a claim for relief under a **property based incentive scheme** included in panel 3, further details must be given in panel 17 of the return. See notes for panel 17 on pages 14 & 15 of these notes.

A claim for Relief for Rented Residential Accommodation, commonly known as *Sec. 23* relief, is allowed as an expense in the year in which it is first claimed and thereafter any unused portion becomes part of losses carried forward to subsequent years. Therefore, on the Form CT1 in the initial year of claim the amount of rental income net of this relief should be entered at Line 3.2 and in subsequent years the loss forward figure should be entered at Line 3.4(a). Remember, in the initial year of claim you must also complete panel 17.

Panel 3 Rental Income (contd.)

3.6 Enter the amount of *ring-fenced* Capital Allowances being claimed for this accounting period. Include any unused Capital Allowances from a prior year for all rental sources. The Capital Allowances that can only be set off against rental income are those for self-catering accommodation in the qualifying resort areas (*Sec. 355)*, registered holiday cottages wherever situated *(Sec. 405)* and fixtures and fittings in furnished rented residential accommodation *(Sec. 406*).

3.7 This refers to Capital Allowances other than the *ring-fenced* Capital Allowances referred to at Line 3.6.

3.9-3.11 **Offset of Excess Rental Capital Allowances**
3.9 If you have an excess of rental Capital Allowances at Line 3.7 above you may wish to offset this excess against the company's other income for this accounting period *(Sec. 308(4))*. **It is only the current year Capital Allowances that can be offset in this manner.** Similarly, it is only current year Capital Allowances that can be set back against profits of the previous accounting period. If you wish to have the excess set against profits of the previous accounting period, contact your Revenue office with details of the claim.

Panel 4 Irish Investment Income and Other Irish Income

4.4(b)(i) A rate of 28% applies to gains on disposals of Investment Undertakings made on or before 31 December 2010.

4.4(b)(ii) A rate of 30% applies to gains on disposals of Investment Undertakings made on or after 1 January 2011.

Panel 5 Foreign Income (Enter amounts in €)

5.1-5.3 **Foreign Income (*excluding* Foreign Life Policies catered for at Lines 5.8 –5.13 and *excluding* Offshore Funds catered for at Lines 5.14 – 5.19)**

Foreign Dividend Income
Sec. 43 Finance Act 2008 introduced a number of changes to the taxation of foreign dividends received by companies within the charge to Irish tax from companies that are resident for tax purposes in EU Member States or in countries with which Ireland has a tax treaty. *Sec. 21B* , as inserted by *Sec. 43* of the Act, provides that a 12.5% rate may now apply to foreign dividends sourced from trading profits.

Where a claim is made (i.e. on this return at Line 5.1), the 12.5% rate rather than the 25% rate shall apply to foreign dividends assessable under Case III of Schedule D provided the dividend is paid out of 'trading profits' of that company.

Where dividends do not qualify to be charged at the 12.5% rate, they will continue to be charged at the 25% rate. Where a dividend is paid partly out of trading profits and partly out of other profits, the part of the dividend that is paid out of trading profits of the dividend-paying company will be taxable at the 12.5% rate.

Companies that are portfolio investors and that receive a dividend from a company resident in a EU Member State or a country with which Ireland has a tax treaty will be taxed on the dividends at the 12.5% rate.
[A portfolio investor in a company is an investor with a holding of not more than 5% in the company.]

The amounts to be shown in Lines 5.1 - 5.3 are:

- before deduction of any Irish tax,
- to include foreign tax in the form of either withholding tax or underlying tax,
- after deduction of double taxation relief which cannot be allowed in panel 9.

5.4–5.7 **Foreign Deposit Accounts *(Sec. 895)***
Include details of interest received from these accounts in Line 5.3

5.8-5.13 **Foreign Life Policies *(Part 26 Chapter 6)***
Companies resident or ordinarily resident in the State should include details of any Foreign Life Policies from any Member State of the EU or EEA, or from a Member State of the OECD with which Ireland has a double taxation agreement.

Panel 5 Foreign Income (contd.)

5.14-5.19 **Offshore Funds *(Part 27 Chapter 4)***
Companies resident or ordinarily resident in the State should include details of acquisitions of material interests in 'regulated offshore fund(s)' (those coming within *Sec. 747B(2A)*) in the EU or EEA, or in a Member State of the OECD with which Ireland has a double taxation agreement.

Sec. 743 provides that an interest is a material interest if it is capable of realizing, within seven years from the date of its acquisition, an amount equal in value to the proportion of the underlying asset of the offshore fund represented by that interest.

An offshore fund can take the form of an investment in:

(a) a company which is resident outside the State, or

(b) a unit trust scheme, the trustees of which are not resident in the State, or

(c) any arrangements which do not fall within paragraph (a) or (b), which take effect by virtue of the law of a territory outside the State and which under that law, create rights in the nature of co-ownership.

5.20-5.23 **Other Offshore Products *(Sec. 896)***
Information on Other Offshore Products ***(not included under Foreign Life Policies at Lines 5.8 – 5.13 and not included under Offshore Funds at Lines 5.14 - 5.19)*** should be entered in this section.

Companies resident or ordinarily resident in the State should include the following details for each material interest acquired in the accounting period ending in 2011 in (i) other offshore products (including foreign life assurance policies) **outside** the EU or EEA, or **outside** a Member State of the OECD with which Ireland has a Double Taxation Agreement **and/or** in (ii) '**unregulated funds**' (those not coming within *Sec. 747B(2A)*) **within** the EU or EEA, or **within** any Member State of the OECD with which Ireland has a Double Taxation Agreement.

Include details of any **income** from **these** other offshore products in Line 5.3 (*excluding* income from Foreign Life Policies, the details of which should be entered at Lines 5.8 – 5.13; and/or *excluding* the income from "regulated" Offshore Funds, the details of which should be entered at Lines 5.14 – 5.19).

Panel 7 Capital Gains (other than on Land with Development Value)

Gains accruing on disposals, other than those of development land, are charged to Corporation Tax. These gains include gains accruing to a non-resident company on the disposal of an asset which is situated in the State and was used for the purpose of a trade carried on by it in the State through a branch or agency.

7.1-7.21 Details of all disposals should be supplied, including disposals to which *Sections 583 - 588* inclusive, *Sec. 600* and *Sec. 733* apply, and disposals on which no gain arises (*Sec. 913(5))*.

7.17 This is the amount of the overall total net chargeable gain.

7.19 This is the amount of the net chargeable gain included in Line 7.17 that is taxable at the CGT rate of 25%. Do **not** enter the amount of the tax payable.

7.20 This is the amount of the net chargeable gain included at Line 7.17 that is taxable at the CGT rate of 40% (certain foreign life assurance and foreign investment products). Do **not** enter the amount of the tax payable.

7.21 Amount of Net Chargeable Gain in respect of Venture Fund Capital under *Sec. 541C(3)(b)* is chargeable at a Corporation Tax rate of 12.5%. Enter the amount of the gain and **not** the amount of the tax payable.

Panel 9 Deductions, Reliefs and Credits

9.1-9.4 **Deductions**

9.1 This includes any excess management expenses carried forward from an earlier period.

9.2 This refers to Management Expenses on which Group Relief is claimed.

9.3 This refers to a deduction under *Sec. 247* for relief to companies on interest paid on loans applied in acquiring an interest in other companies.

9.4 Other deductions - deductions available against total profits, such as an investment under *Sec. 486B*, and non-trade charges should be entered here.

9.5-9.13 **Reliefs**

9.6 **'Start-up' Companies Relief *(Sec. 486C)***

Certain companies incorporated in the State on or after 14 October 2008 and which commence a qualifying trade in 2009, 2010 or 2011 may claim 'start-up' relief against Corporation Tax arising on the profits or gains of the new trade which are charged to tax under Case 1 Schedule D. Full relief is granted where the total Corporation Tax payable by a company for any of its first three years of operation does not exceed €40,000.

Marginal relief on a sliding scale applies where the total amount of Corporation Tax payable by a new company for any of its first three years is between €40,000 and €60,000. For an accounting period of less than 12 months the relevant maximum amounts should be proportionately reduced.

With effect from accounting periods beginning on or after 1/1/2011, the amount of relief available will be linked to the amount of Employers' PRSI paid by a company in an accounting period, taking account of the Employer Job (PRSI) Incentive Scheme, subject to a maximum of €5,000 per employee and an overall limit of €40,000. If the amount of qualifying Employers' PRSI paid by a company in an accounting period is lower than the reduction in Corporation Tax otherwise applicable, relief will be based on this lower amount.

This relief complies with the EU Commission *de minimis* aid Regulation (EC) No. 1998/2006 which provides a ceiling for aid below which assistance to a single recipient is deemed to have a negligible impact on trade and competition and consequently does not require formal notification to the EU Commission. The overall ceiling on *de minimis* aid to any undertaking under the Regulation is, in general €200,000, (€100,000 for the road transport sector), over a three year fiscal period. The relevant three year period is mobile in nature so that for each new grant of *de minimis* aid, the total amount of *de minimis* aid granted during three consecutive fiscal years needs to be determined: (i.e. current year and the two preceding years, normally accounting periods).

In applying for *de minimis* aid a company should be aware of these limits and take account of relief under *Sec. 486C* in addition to any other *de minimis* aid received during the three year period to ensure the ceiling is not breached.

Sec. 486C allows the Revenue Commissioners to disclose information on the amounts of tax relief, claimed by a company under the *Section,* to Government Departments and Agencies which grant other *de minimis* aid, and to the EU Commission, if requested.

9.7 **Other Reliefs**

Enter the amount of the relief claimed. Reliefs claimed here would include relief under *Sec. 713* (investment income of a Life Assurance company reserved for policy holders).

9.8-9.13 **Losses, Charges and Group Relief on a value basis**

If you are claiming relief on a value basis on unused losses, charges or group relief under *Sections 243B, 396B, 420B* enter the gross figure at the appropriate line.

Qualifying Shipping Activity losses and group relief are *ring-fenced* and cannot be offset against other income. However, relief on a value basis is available for Qualifying Shipping Activity charges and these should be included with Trading Charges at Line 9.9.

Panel 9 Deductions, Reliefs & Credits (contd.)

9.14-9.15 **Credits**

Do not include any credit due for Relevant Contracts Tax (RCT) in this panel. A claim for credit of RCT, together with relevant forms RCTDC, should be made direct to the Revenue office where the company's tax affairs are dealt with.

When claiming credit for Professional Services Withholding Tax (PSWT) enter all tax for which credit is claimed in the accounting period. Relief will be given for the amount claimed, less interim refunds already granted. To obtain the correct relief you must, therefore, include amounts for which an interim refund has either been claimed or granted.

Panel 10 Research & Development Credit and Allowances

10.1-10.20 This panel is for claims for relief under *Sec. 766* and *766A*. The figures required are the actual credit amounts due to the company. For example, if a company has incurred relevant expenditure of €100,000, and is due a credit of €25,000 (i.e. 25%), the figure that should be entered is €25,000. The figure to be entered at Line 10.11 is the total of the relief due in this accounting period, after any group relief is surrendered.

The amount of the group relief surrendered should be entered at Line 10.10 with details of the company to which the relief is surrendered entered in panel 1, Line 1.11. The figures to be entered at Lines 10.12 - 10.17 are the amounts remaining after carry back of excess to the preceding accounting period (see Lines 1.15 and 1.16 on page 5 of the return) subject to restrictions imposed by *Sec. 766B*.

Any excess to be paid to the company in accordance with *Sec. 766(4B)(a)* or *Sec. 766A(4B)(a)* is payable in three instalments. Please refer to **Revenue Guidelines for Research & Development Tax Credit** for guidance at **www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf**.

Panel 11 Capital Gains on Land with Development Value

Gains accruing on disposals of land with development value are charged to Capital Gains Tax (CGT).

11.17 This is the overall net chargeable gain **including** chargeable gains from disposals under Compulsory Purchase Order (CPO) and **excluding** chargeable gains on windfall gains attributable to rezoning/relevant planning decisions. Line 11.17 is the sum of entries at Lines 11.19, 11.20, 11.21, 11.22 and 11.23(a).

11.19-11.22 These lines are the breakdown of the net chargeable gain at Line 11.17 into the relevant period the disposal was made **excluding** net chargeable gains to be included at Line 11.23(a).

A further breakdown of information is required for disposal of land under a CPO (Lines 11.23(a), (b) & (c)). Do **not** enter the amount of tax due.

11.23(a) Gains accruing on disposals under CPO are chargeable to the CGT rate that applies in the year when a local authority moves onto land acquired under a CPO and not the rate applicable in the year the payment is made Do **not** enter the amount of tax due.

11.24 Enter the amount of **tax due** on the net chargeable gain included at Line 11.17.

Panel 12 Profits/Gains on Rezoned Lands

12.1(a)-(d) These lines are the breakdown of net chargeable gains on windfall gains attributable to rezoning/relevant planning decisions chargeable to Capital Gains Tax at 80%. Do **not** enter the amount of tax due.

12.3(a)&(b) These lines capture profits or gains attributable to rezoning/relevant planning decisions chargeable to Income Tax at 80%. Do **not** enter the amount of tax due.

Panel 13 Close Company Surcharge

13.1 *Sec. 44 Finance Act 2008* inserts a new provision into *Sec. 434* that allows a close company paying a dividend and its close company recipient, to jointly elect that the dividend is not to be treated, for the purposes of *Sec. 440*, as a distribution. The effect of making the election is that for the purposes of the definition of 'estate and investment income', the dividend will not be regarded as Franked Investment Income, thus removing the close company surcharge liability thereon. However, the distributing company will not be able to reduce its distributable estate and investment income by the amount of the dividend.

Panel 14 Recovery of Income Tax on Payments

14.1 **Amounts Payable under Deduction of Income Tax**

Include here all amounts in respect of which a company is obliged to account for Income Tax other than payments made under PAYE or payments to sub-contractors. For example:

(a) yearly interest and patent royalties,

(b) annuities,

(c) payments under a deed of covenant,

(d) certain rents and easements,

(e) any loans or advances to participators, etc. which under *Sec. 438* is deemed to be an annual payment.

Panel 15 Dividend Withholding Tax

15.1-15.2 **Dividend Withholding Tax**

Dividend Withholding Tax (DWT) is a tax on the shareholder rather than on the company making the distribution. DWT is not available as a credit against Corporation Tax.

15.3-15.10 **Stapled Stock Arrangements**

A Stapled Stock Arrangement is an arrangement whereby a non-resident company makes a distribution to a person and the person has, under any agreement, arrangement, or understanding, exercised a right to receive distributions from the non-resident company instead of receiving relevant distributions from an Irish resident company.

Panel 17 Details of Property Based Incentive Schemes

17.1-17.26 A property based incentive scheme is a scheme where tax relief is given on certain capital investments aimed at encouraging the development or redevelopment of certain designated areas, both urban and rural. It includes the development of specific infrastructures such as park & ride facilities, student accommodation, etc.

The relief is given by way of a Capital Allowance, as a deduction against income from rents, or as a deduction against total income, depending on the type of the investment made.

The specific schemes on which information is required are listed in panel 17 of the return. Where there is a claim for relief in respect of one of these schemes information must be provided as requested in this part of the return. Failure to fully and correctly complete panel 17 may result in a liability to penalties under *Sec. 1052* and/or a surcharge under *Sec. 1084.*

The amount of the relief is calculated and claimed on the return where appropriate; this page in the return is for statistical purposes only; its purpose is to identify the specific relief claimed and to provide a breakdown of the amount claimed under each scheme.

The information to be provided refers to Capital Allowances and reliefs under two main headings, **Residential Property** and **Industrial Buildings Allowance** as appropriate. Under Residential Property, information is sought on Investor-Lessor. Under Industrial Buildings Allowance, information is sought on both Owner Occupier and Investor-Lessor separately.

Panel 17 Details of Property Based Incentive Schemes (contd.)

The figure to be entered is the amount claimed in a particular accounting period. It should not include amounts carried forward into the accounting period either as losses or Capital Allowances from prior accounting periods, see examples below.

Residential Property
Investor-Lessor - this relief, commonly known as *Sec. 23* relief, is granted in full in the accounting period in which the property is first let under a qualifying lease, information on this relief is only required in that accounting period. Unused relief is carried forward as a rental loss and is not required in this panel of the return (see note for panel 3 herein).

Example:
In the accounting period (a/p) ended 31 October 2011 a company purchased a property in a town renewal scheme with qualifying expenditure amounting to €140,000. The company has net rental income in this a/p of €46,000 (before any allowance for Rented Residential Relief or for losses forward) and losses carried forward from the previous accounting period of €86,000

Rental income	€ 46,000
Sec. 23 relief (as above)	€140,000
Rental Loss	€ 94,000
Rental Loss forward from 31/10/2010	€ 86,000
Total rental loss forward to a/p ended 31/10/2012	€180,000

Industrial Buildings Allowance
An **Owner Occupier** is a person who owns the property that is in use for the purpose of a trade carried on by that person.

An **Investor-Lessor** is an individual who lets a building to a lessee.

The amount to be entered for both Owner Occupier and Investor-Lessor is the amount of the Capital Allowance claimed for a/p's ending in 2011, ignoring amounts carried in from earlier a/p's.

Example:
An investor has incurred allowable expenditure in a qualifying hotel of €1.5 million, which qualifies for an annual Writing-Down Allowance of 4% (€60,000).

Writing-Down Allowance claimed for a/p ended 31/10/2011	€60,000
Unused Capital Allowances forward from previous a/p(s) (say)	€32,000
Total allowances available for a/p ended 31/10/2011	€92,000
Amount used in a/p ended 31/10/2011 (say)	€44,000
Balance for carry forward to a/p ending in 2012	€48,000

The amount to be entered in panel 17, Line 17.16 is €60,000 (Writing-Down Allowance claimed for the a/p whether fully utilised or not).

Balancing Allowance – *Sec. 274*
Where a Balancing Allowance arises the amount should be included along with any annual allowance.

Schemes not listed in panel 17
The majority of property based incentive schemes on which relief can be claimed are listed at Lines 17.1-17.25 inclusive. However, there are certain older schemes where a company may still be claiming relief. Where a company is claiming relief in respect of an investment in a scheme not listed in this panel the name of the relevant scheme and the amount of the relief claimed should be entered in Line 17.26. If there were investments in more than one of these unlisted schemes write in the names of the schemes and enter a single total figure.

May 2011

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs