

Annual payments payable wholly out of taxed income and non-resident companies

Part 08-01-02

This document should be read in conjunction with Part 8, Chapters 1 and 3 of the
Taxes Consolidation Act 1997

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1. Introduction

This manual outlines the relevant provisions that apply to annual payments payable wholly of taxed income and to payments by companies that are non-resident in the State.

Please see [Notes for Guidance](#) to the Taxes Consolidation Act 1997 (TCA 1997) for a summary of the provisions of:

- Section 237 [Annual payments payable wholly out of taxed income],
- Section 238 [Annual payments payable not payable out of taxed income],
- Section 241 [Income tax on payments by non-resident companies], and
- Section 246 [Interest payments by companies and to non-residents].

2. Annual payments payable wholly out of taxed income

Section 24(1) TCA 1997 applies only to companies resident in the State. Certain payments e.g. annuities or other annual payments made by a resident company are not treated as paid out of profits or gains brought into charge to **income tax** and, therefore, section 237 TCA 1997 which deals with annual payments payable wholly out of taxed income, cannot apply to such payments by an Irish resident company.

3. Payments by non-resident companies

Sections 237 and 238 and section 246 apply without modification to companies that are not resident in the State. A non-resident company may have profits or gains within the charge to income tax and in so far as it makes annual payments within section 237 or section 246 out of such profits or gains, it is entitled to deduct and retain income tax.

In so far as a non-resident company makes payments within section 238 or section 246, not out of its profits or gains charged to income tax, it is required to deduct and account for income tax. For this purpose, section 238 (or subsections (1) and (3) to (5) of that section as applied by section 246(2), as appropriate) and section 241, which applies to non-resident companies that are within the charge to corporation tax (because, for example, they are trading in the State through a branch or agency), operate to enable the company to account to Revenue for payments made under deduction of tax.

Section 241 applies to income tax on payments (including yearly interest) by companies that are non-resident in the State. The income tax so deducted is treated as part of the company's corporation tax liability.