

[41.0.5] Self Assessment

Professional Services Withholding Tax (PSWT) and Preliminary Tax (PT)

This manual is relevant for preliminary tax due under Part 41. Refer to manual [41A-01-03](#) for details of how withholding taxes, such as PSWT, interact with preliminary tax for periods to which Part 41A relates.

1. Introduction

This instruction outlines the treatment of withholding tax in computing the amount of preliminary tax which must be paid to avoid interest.

2. Legislation

PSWT

Section 526 TCA 1997 sets out the basis on which credit is allowed for PSWT. It provides that PSWT which has not already been refunded by way of interim refund may be set against tax chargeable as follows:

Corporation Tax

PSWT referable to the accounting period may be set against the CT chargeable for that accounting period.

Income Tax

PSWT referable to the basis period for a year of assessment may be set against the Income Tax chargeable for that year of assessment. When there is an interval between the end of the basis period for one year and the commencement of the basis period for the following year, the interval is treated as being in the basis period for the later year. Where basis periods overlap, the period common to both is treated as being part of the basis period for the second year.

3. Calculation of PT by Reference to 90% Rule

In calculating PT by reference to the 90% rule, the tax payable is treated as the tax charged in the assessment for the current year of assessment/accounting period net of the PSWT available for set off against that tax.

Example - Income Tax	€
Income Tax chargeable for 2006 (basis period, year ended 31 December 2006)	18,000
PSWT paid in basis period (i.e. year ended 31 December 2006)	<u>11,000</u>
Income Tax payable 2006	7,000
Minimum PT payable to avail of 90% rule	6,300
Example - Corporation Tax	

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CT chargeable for accounting period ended 31 December 2006	25,000
PSWT referable to the accounting period	<u>15,000</u>
CT payable accounting period ended 31 December 2006	10,000
Minimum CT payable to avail of 90% rule	9,000

4. Calculation of PT by Reference to 100% Rule - Income Tax and small companies

In calculating PT by reference to the 100% rule, a taxpayer is allowed to treat the income tax (or corporation tax) payable for the immediately preceding year of assessment (or accounting period) as the tax charged in the assessment for that year (or period) net of the PSWT which was set off against the tax charged in that assessment. In calculating PT for a year of assessment (or accounting period) in accordance with the 100% rule, credit may not be taken for PSWT available for credit against the tax chargeable for that year of assessment (or accounting period).

Example – Income Tax

Assume the taxpayer in Example - Income Tax (above) has the following liabilities for 2005:

Income Tax chargeable for 2005 (basis period, year ended 31/12/05)	17,000
PSWT referable to the basis period for 2005 (i.e. year ended 31/12/05)	<u>10,000</u>
Income Tax payable 2005	7,000
To avail of the 100% rule for 2006, the minimum PT payable is:	7,000

Note:

It is not permissible in applying the 100% rule for 2006 to calculate the PT payable by setting the PSWT referable to the basis period for 2006 against the Income Tax chargeable for 2005 viz.:

Income tax chargeable for 2005	€17,000
PSWT paid in basis period for 2006 (year ended 31/12/06)	€11,000
PT payable	€6,000

PT paid in accordance with this method would not be sufficient to satisfy either the 90% rule (minimum €6,300) or the 100% rule (minimum €7,000).

5. Calculation of PT by reference to 105% rule - Income Tax only.

Similar treatment applies in calculating the minimum tax payable to avail of the 105% rule (taxpayers paying by direct debit who are allowed to calculate the minimum PT by reference to 105% of the tax payable for the pre-preceding year of assessment).

Example

Assume the taxpayer in the above example had the following liabilities for 2004.

Income Tax Chargeable for 2004	€15,000
PSWT referable to the basis period for 2004	€ <u>10,000</u>
Income Tax payable for 2004	€5,000

If the taxpayer authorised the Collector General to collect PT for 2006 by direct debit, the minimum amount payable to avail of the 105% rule would be €5,250.