

Payment of Preliminary Corporation Tax

Part 41A-07-02

This document should be read in conjunction with sections 959AR to 959AT of the Taxes Consolidation Act 1997 (TCA)

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1 Introduction

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

- Preliminary tax dates and amounts for large companies;
- Preliminary tax dates and amounts for small companies;
- New or start-up companies; and
- The balance of Corporation Tax due after preliminary tax is paid.

2 Large companies – preliminary tax dates and amounts

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 6 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 (23rd 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.

Example 1

Denlux LTD is a large company with an accounting period starting on 1 January 2019 and ending on 31 December 2019. 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 2019; or
- b) The 23rd day of the month in which a) falls, which is 23 June 2019.

Since b) is earlier than a), Denlux LTD must pay its first instalment of preliminary tax on or before 23 June 2019.

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 2019, or
- b) The 23rd day of the month in which a) falls, which is 23 November 2019.

Since b) is earlier than a), Denlux LTD must pay its second instalment of preliminary tax on or before 23 November 2019.

Example 2

Cinlin LTD is a large company with an accounting period starting on 5 January 2019 and ending on 4 January 2020. 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 2019; or
- b) The 23rd day of the month in which a) falls, which is 23 July 2020.

Since a) is earlier than b), Cinlin LTD must pay its first instalment of preliminary tax on or before 4 July 2019.

The company must pay the second instalment of preliminary tax

- a) 31 days before the end of the accounting period, which is 4 December 2019, or
- b) The 23rd day of the month in which a) falls, which is 23 December 2019.

Since a) is earlier than b), Cinlin LTD must pay its second instalment of preliminary tax on or before 4 December 2019.

3 Small companies – preliminary tax date and amount

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). 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.

Small companies make a single payment of preliminary tax. The amount due is either:

- 100% of their CT liability for the previous accounting period
- 90% of their 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 2019 and ending on 31 December 2019. 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 2019; or
- b) The 23rd day of the month in which a) falls, which is 23 November 2019

Since b) is earlier than a), the company must pay preliminary tax on or before 23 November 2019.

Example 4

Luxden LTD is a small company with an accounting period starting on 5 January 2019 and ending on 4 January 2020.

Luxden LTD must pay preliminary tax on the earlier of

- a) 31 days before the end of the accounting period, which is 4 December 2019, or
- b) The 23rd day of the month in which a) falls, which is 23 December 2019.

Since a) is earlier than b), Luxden LTD must pay its preliminary tax liability on or before 4 December 2019.

4 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.

5 Balance of Corporation Tax after payment of preliminary tax

The balance of CT due 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 2019, 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 2020, or
- b) The 23rd day of the month in which a) falls, which is 23 September 2020.

As b) is earlier than a), the balance of tax for the accounting period ended 31 December 2019 is due on or before 23 September 2020.

If the accounting period ended on 4 January 2020, 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 2020, or
- b) The 23rd day of the month in which a) falls, which is 23 October 2020.

Since a) is earlier than b), the balance of tax for the accounting period ended 4 January 2020 is due on 4 October 2020.