[41.0.2] Income Tax Self Assessment Calculation of Preliminary Tax Section 958 TCA 1997 (formerly Section 18 Finance Act 1988, as amended)

This manual relates to periods covered by Part 41 TCA 1997. Preliminary tax for periods covered by Part 41A are covered in manual 41a.01.03.

1. Introduction

Section 958 TCA 1997 sets out the amount of preliminary tax which must be paid to prevent the due date for tax charged in an income tax assessment being back-dated to the preliminary tax due date. This instruction contains details of the Preliminary Tax requirements and the position in relation to Preliminary Tax and Film Relief and Health Contribution. It is issued for information purposes only, and requires no specific action in Districts.

2. Preliminary Tax

In relation to an income tax assessment, **Section 958 TCA 1997** provides that unless the taxpayer pays preliminary tax of not less than the lower of:

- 90% of the final tax Liability for the year itself ("the 90% rule") or
- 100% of the final tax liability for the previous year ("the 100% rule")
- 105% of the final tax liability for the pre-preceding year, in the case of those paying Preliminary Tax by Direct Debit ("the 105% rule").

The due date for payment is backdated to the preliminary tax due date.

Section 13, Finance Act 1994 provides that in considering whether a taxpayer comes within the 100% rule, the tax liability for the previous year is to be computed without reference to either film relief (paragraph 3 below) or the 1% income levy (paragraph 4 below). The tax payable for the purposes of the 90% rule is not affected.

3. Preliminary Tax and Film Relief

For the years of assessment 2008 et seq. a taxpayer wishing to avail of the 100% rule and who is entitled, for the previous year, to claim relief under **Section 481 TCA 1997** (Relief for Investment in Films), or who may in the future become entitled to relief under **Section 481** for that year, must disregard this relief when calculating the preliminary tax payment.

This is illustrated by the following example:

Liability for 2008 before **Section 481** relief:	€20,000
Section 481 relief €15,000 @ 41%	€ 6,150
Final liability for 2008	€13,850

To avail of the 100% rule for 2008, the taxpayer must pay, by the due date, preliminary tax of € 20,000, i.e. the liability of the previous year if no **Section 481** relief were due.

This provision is similar to that introduced in 1991 in the case of Relief for Investment in Corporate Trades (Business Expansion Scheme).

Preliminary Tax and Share Options are covered in Leaflet IT72.

4. Health Contribution and Preliminary Tax

Preliminary Tax includes Health Contribution and PRSI as well as Income Tax. Health Contribution is calculated on Non PAYE Income. It is not payable for self-employed individuals whose income for the year is less than €24,960 in 2007, or where you hold a full medical card.

5. Deposit Interest - PRSI & Levies

While the charge to income tax on deposit interest, which is subject to deposit interest retention tax, is confined to the standard rate from 1993/94 onwards, it is still subject to PRSI and, Health Contribution. This should not be overlooked in calculating preliminary Tax, if using the 90% rule.