

CHANGES TO THE TAXATION OF LOAN REPAYMENTS BY PERSONAL INVESTMENT COMPANIES TO SHAREHOLDERS

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A significant change to the Statement of Practice setting out the Revenue Service view of when tax is payable on repayment to shareholders of loans to personal investment companies, was announced on 24 June 2025.

We now have some more detail on how the reporting and payment of tax will operate where repayments that are caught are made between 24th June and 31st December 2025.

The updated version of the Statement of Practice (SOP) was published with very little time given to prepare for reporting of distributions.

The Revenue Service have now agreed that the principles of SOP C49 (which deals with loans made by companies) can be applied to any repayments of loans made in the period from 24th June 2025 to 31 December 2025. This is helpful at least.

This means that the company should submit a distribution return to the Revenue Service, and pay the tax due on any loan repayment, within one year and 15 days of the relevant quarter in the accounting period in which the loan was repaid, falls.

For example, if a loan repayment was made on 11th August 2025 from a personal investment company with a 31st December 2025 year end, then the relevant distribution return should be submitted and tax paid by 15th January 2027. This is a pragmatic proposal for this short period, whilst further consideration and discussion takes place in respect of the 2026 Budget proposal which we expect to significantly widen the application of these changes.

If you plan on taking a repayment between now and the end of the year to which M45 applies, remember the potential gross up requirement.

We are aware that there are in any case currently issues with the online distribution reporter return, and we are following up to understand the timing of when this will be operational again.

If you would like to discuss the potential application of these rules further, please do not hesitate to contact Graham Parrott, Anthony Stagg or your usual Fitzroy contact.

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