

## **Companies Pay Income Tax in Advance**

Corporate Tax is basically a direct tax that is generally levied on company profits, and it is derived after a technical guided by the law. Therefore, it is key to note that corporate income tax is assessed annually but the payment of the same is made provisionally, in advance. The actual tax liability of a company is determined at the end of a financial period based on the final accounts. However, the payment towards the tax liability is required to be done provisionally prior to the end of the year in four instalments. This is technically referred to as Self-Assessment Tax i.e., SAT. Simply put, companies are required to estimate and pay tax in advance. This means that an entity in its 31 December 2022 financial year should estimate and pay its quarterly SAT by 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022. Accordingly, at the end of the accounting year, a company is required to determine the actual tax liability and offset against the SAT advance payments. Any arising shortfalls are payable by the due date of submitting income tax returns. Technically, the SAT payments in each quarter should be at least 20% of the actual annual tax liability, to avoid compounded 1.5% monthly interest on the shortfall. Companies with SAT not exceeding P50 000 per annum are not required to follow the quarterly SAT instalments as the tax can be settled at the time of filing their income tax returns. Additionally, BURS will not charge interest if the tax is paid within the stipulated time. SAT may be a nightmare for companies which have variable income or those who tender as they can't easily estimate the tax. Further, fortuitous income such as a windfall or sale of property may also result in SAT interest which taxpayers don't have control over.

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