Oury Clark

Corporation Tax

An overview

Corporation Tax is charged on the profits of companies and branches trading within the UK, and on the overseas branches of UK resident companies.

From 1st April 2018 , the main rate of corporation tax is 19% for all companies.

Small profit companies are those with taxable profit under £300k. Large companies are those whose taxable profits are over £1.5m. The thresholds are divided by the number of separate trading companies worldwide within the same corporation tax group, including the company itself.

Although all rates are the same, company size will determine if corporation tax needs to be paid by installments.

Calculation of profits:

Deductions are allowed for most revenue expenditure which is included in the company accounts under UK GAAP or International Accounting Standards.

Some expenditure is specifically excluded, such as the costs of business entertaining and depreciation of tangible assets.

Capital expenditure is also excluded, although this may qualify for a deduction under the capital allowances regime. Costs associated with capital expenditure, such as legal fees for purchasing a building, will also be excluded.

Chargeable gains:

Assets (normally land and buildings and goodwill or intellectual property) are dealt with separately from trading profits and losses.

The proceeds of a sale, less the original purchase cost and an allowance for inflation (frozen at December 2017), are taxable as a chargeable gain. The chargeable gain is added to trading profits and the total determines the applicable tax. Different rules apply for the relief of losses (see below).

Non Trading Profits:

Non trading items such as interest, intangible fixed assets, etc have their own rules and mechanisms for relief.

Let us Introduce Ourselves

Email: contact@ouryclark.com

Oury Clark London:
10 John Street, London WC1N 2EB

Tel: +44 (0) 20 7067 4300

Oury Clark Slough:
Herschel House, 58 Herschel Street
Slough SL1 1PG

Tel: +44 (0) 1753 551111

Disclaimer: This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.

Use of losses:

Trading losses can be offset against profits to obtain tax relief in a number of ways:

- Offset in same year – losses can be offset against other income and gains for the company in the same period.
- Carry forward – losses from 1 April 2017 can be carried forward indefinitely against total taxable profits . . Restrictions are in place for profits that occurred after 1 April 2017. Losses of up to £5 million can be relieved against the profits, plus 50% of remaining trading profits after deduction of the £5 million allowance
- Carry back - losses from one accounting period can be carried back against profits of the previous 12 month period and a refund of overpaid tax can be obtained.
- Terminal losses - the losses in the final accounting period of a business can be carried back against profits of the preceding three years.
- Group relief - losses can be passed around a group of companies where there is at least 75% ownership, such that the losses of one company can be relieved against the profits of another.

Capital losses are more restricted in their use, they can only be offset against capital gains and only in the current or later years (there is no carry back). However, gains and losses can be transferred around a group so taxed at the most beneficial rate.

Administration:

Companies are required to submit a tax return each year within 12 months of the end of the accounting period. This has to be done electronically using iXBRL tagging.

Payment is due 9 months and one day from the end of the accounting period for small companies.

Large companies have to make their payments in four quarterly instalments, commencing in the 7th month of the year to which the charge relates.