Corporation Tax (CT) Statistics

Commentary
September 2020

HM Revenue & Customs

About this release

This publication provides a breakdown of Corporation Tax (CT) receipts and liabilities by number of companies, income, allowances, deductions, industry sector and financial year. It includes the CT, Bank Levy and Bank Surcharge **receipts** figures for the financial year 2019-20 and the first published CT **liability** estimates for company accounting periods ending in 2018-19.

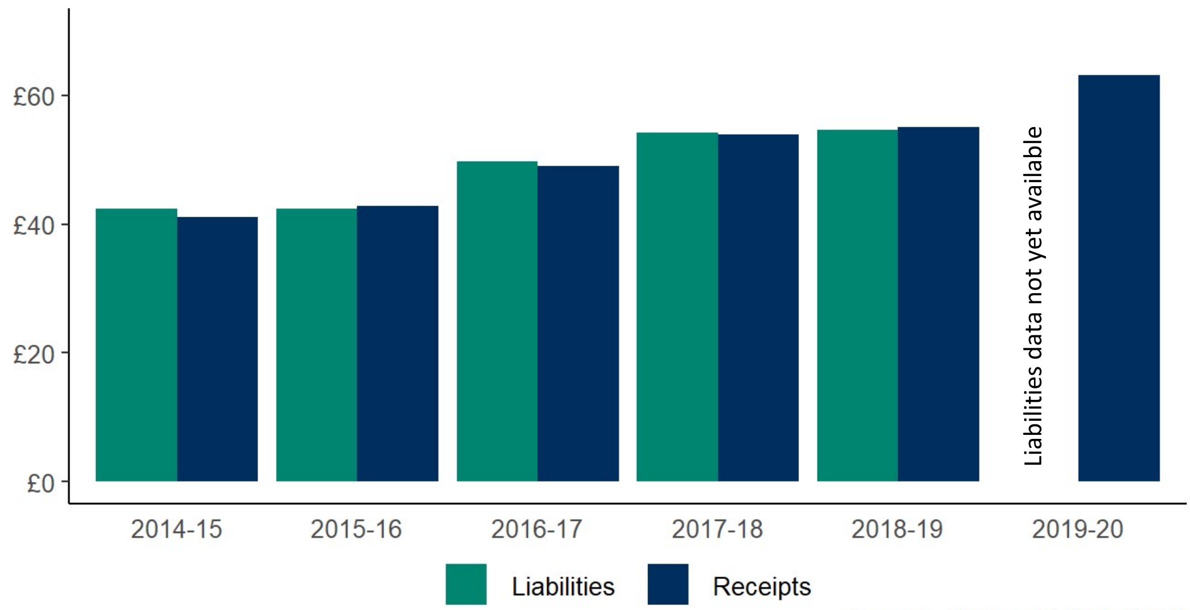
The publication **does not provide statistics showing the impact of COVID on CT receipts or liabilities** as the reporting period for this release is prior to the full effects of the national lockdown being felt by the UK economy.

Key Findings

- There was a significant increase in CT receipts in 2019-20; mainly driven by a change in the payment due date for larger companies. This brought forward extra receipts into this financial year.
- Liabilities in 2018-19 increased slightly compared with the previous year.
- There was a year on year decrease in liabilities from the Financial sector.

CT liabilities and receipts, 2014-15 to 2019-20.

Liabilities and receipts in £ billions



Source: Tables 11.1a & 11.1b

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Media contact: HMRC Press Office 03000 585018
Statistical contacts: ct.statistics@hmrc.gov.uk

- Receipts – Damian Pritchard
- Liabilities – Stephen Hughes

For key definitions, guidance and references, see the published statistical tables and the Methodology and Quality Report

Key Statistics

CT Receipts

CT Receipts
2019-20

£63.2 billion

Up £7.0 billion (13%) on 2018-19

- CT receipts increased sharply in 2019-20 compared with the previous year, but this is largely driven by a change in payment due dates. This change was introduced in April 2019 for 'very large' companies with payments now due earlier than in previous years.
- Financial and Life Assurance sector receipts for 2019-20 have increased by 22%, or £2.4 billion. This followed a year-on-year decrease in receipts in 2018-19.
- Receipts from ring fenced oil and gas companies have decreased by a third, to £1.3 billion, and remain low in historical context.

CT Liabilities

- Financial and Life Assurance CT liabilities decreased by 11%, or £1.5 billion, in 2018-19.
- CT liabilities for ring fenced oil and gas companies were up almost 36% from 2017-18 to £2.4 billion in 2018-19. This has increased in the previous significantly over the previous two years.
- The industrial sector continued to steadily increase with liabilities up 3%, or £1.3 billion, in 2018-19

CT Liabilities
2018-19

£54.6 billion

Up £0.4 billion (1%) on 2017-18

What is Corporation Tax?

CT is a direct tax charged on the profits made by companies, public corporations and unincorporated associations such as industrial and provident societies, clubs and trade associations. It makes up approximately 9% of the total receipts collected by HMRC.

CT is charged on the profits made in each accounting period, i.e. the period over which the company draws up its accounts. The rates of taxation are set for the financial year from 1 April to 31 March. For liability statistics within this publication, CT returns are allocated to financial years according to the end date of the accounting period.

The CT receipts and liabilities statistics in this release are presented gross of company tax credits, which means before these credits are deducted from a company's tax bill. This is how CT is reported in the national accounts.

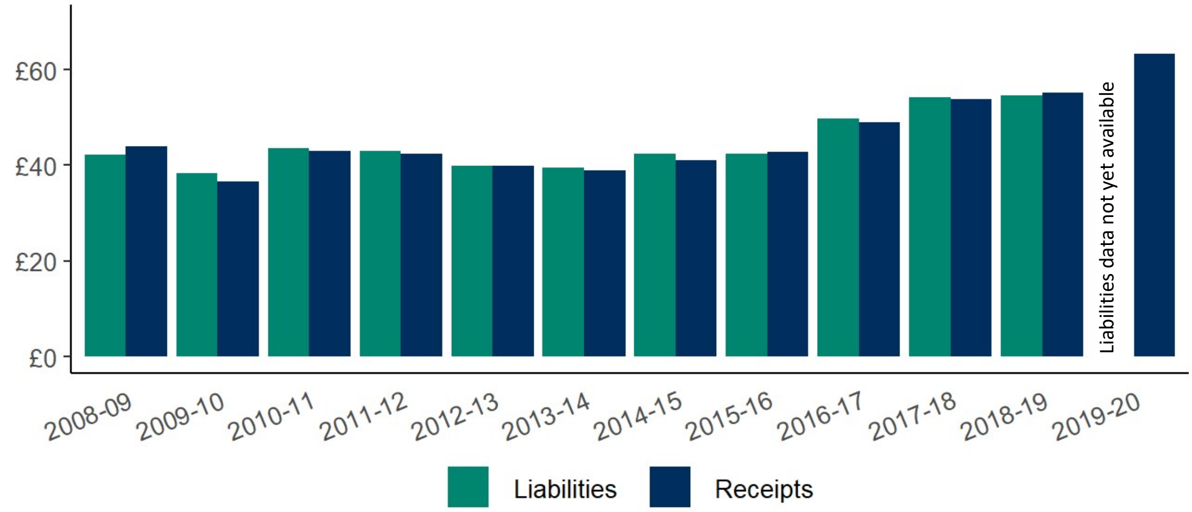
Recent changes in CT policy

- The rate on profits for which CT is paid has decreased over the last decade, with the most recent change being a reduction from 20% to 19% on 1 April 2017.
- From the 1st April 2019, a new payment regime has been introduced for 'very large' companies which requires their CT payment to be paid four times per year and four months earlier than previously. This has caused an increase on annual CT receipts from this year. More information about this new regime can be found on the information for large companies section on the GOV.UK website.

CT liabilities and receipts continue to increase

CT liabilities and receipts, 2008-09 to 2018-19.

Liabilities and receipts in £ billions



Source: Tables 11.1a & 11.1b

CT liabilities have been increasing steadily, from £39.5 billion in 2013-14 to £54.6 billion in 2018-19. This represents an increase of 38% over this period.

CT receipts, including bank surcharge, have also been increasing steadily, from £38.9 billion in 2013-14 to £63.2 billion in 2019-20. This represents an increase of 62%.

What is the difference between receipts and liabilities?

In simple terms, when a company submits a Corporation Tax return to HMRC with details of their taxable profits for their year and the amount of tax that needs to be paid, this is known as their 'liability'. When a company makes a payment to HMRC in relation to their Corporation Tax for any tax year these are known as 'receipts'.

Why is there no liabilities data for 2019-20? When do companies pay their CT?

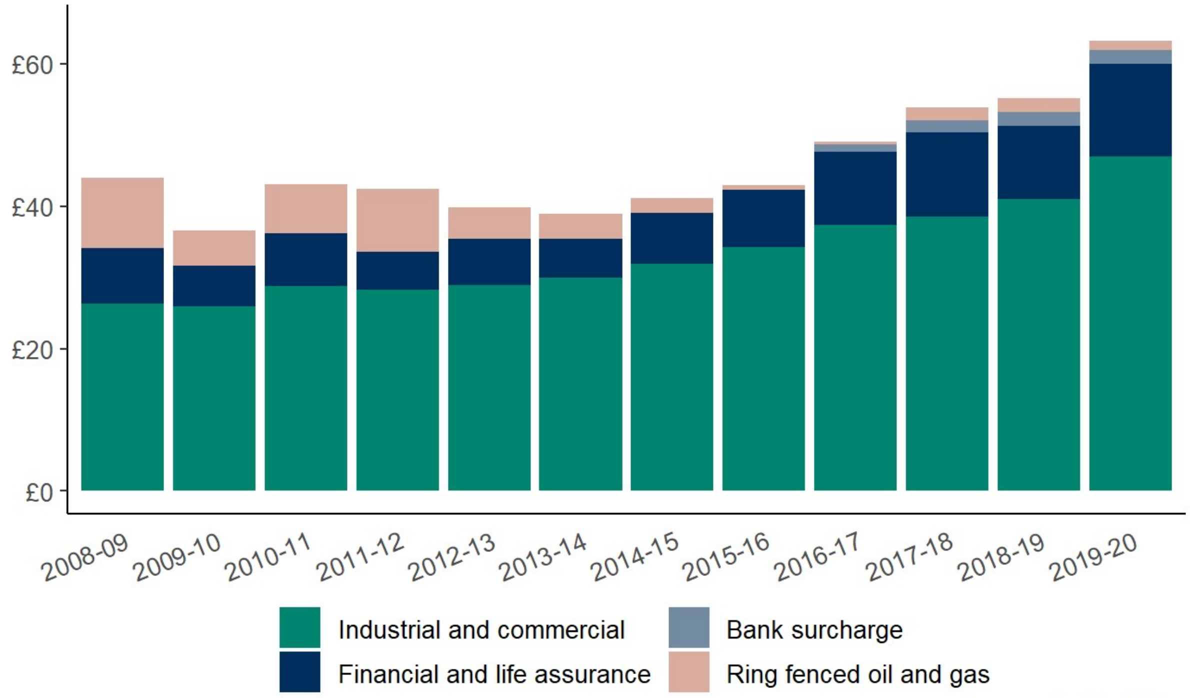
Small companies must make their CT payment within 9 months after the end of their accounting period. Large companies pay CT using a system of Quarterly Instalment Payments (QIPs). This causes a time lag between receipts and liabilities that differs depending on the size of the company. More information can be found on QIPs on the GOV.UK website.

Companies typically pay their CT (receipts) before they submit their CT return (liabilities) for that financial year. Receipts information is available for analysis the day after they are received by HMRC and so HMRC can provide receipts data for 2019-20. However, companies have up to a year to provide HMRC with returns stating their CT liability so the most recent liability information available is for 2018-19.

CT receipts have increased for all broad industry sectors, apart from ring fenced oil and gas

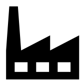
CT receipts by broad industry sector, 2008-09 to 2019-20.

Receipts in £ billions



Source: Table 11.1a

The Industrial and Commercial broad industry sector in 2019-20 contributed to around 74% of all CT receipts. CT receipts for this broad sector have been steadily increasing each year since 2011-12.



The Manufacturing sector in particular has seen a large increase in receipts, going from £4.8 billion in 2018-19 to £5.7 billion in 2019-20 representing a 17% increase.

Financial and Life Assurance sector receipts were £13 billion total in 2019-20, an increase of 22% from 2018-19. Bank levy has not been included in the chart above & details can be found in Table 11.1a.

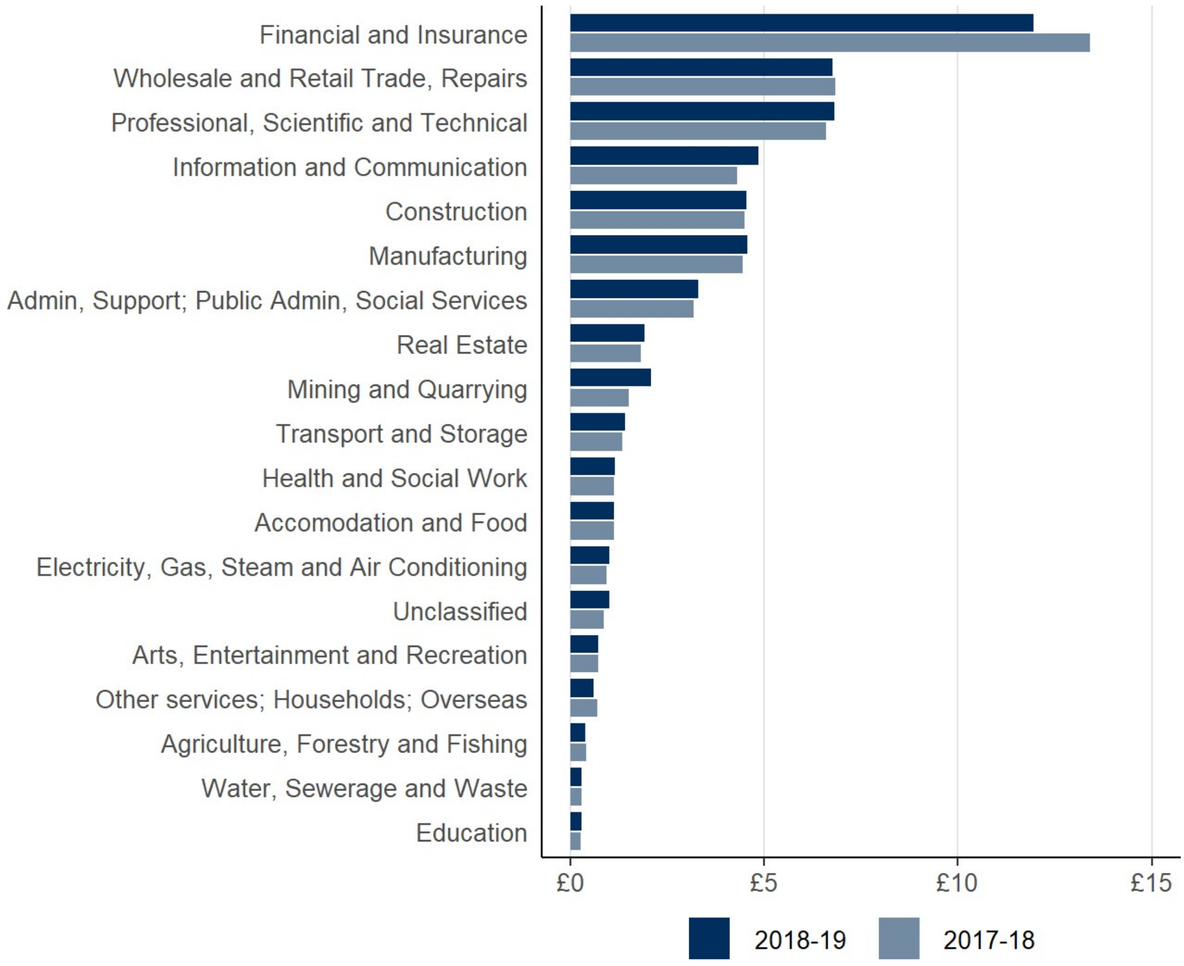
Bank surcharge receipts remain largely unchanged from the previous year, increasing by 4% from £1.9 billion in 2018-19 to £2.0 billion in 2019-20.

CT receipts from ring fenced oil and gas were £1.3 billion in 2019-20, having decreased by a third compared with the previous year. A fall in oil prices together with an increase in tax deductible expenditure contributed to this overall fall in receipts, with production remaining broadly flat.

Liabilities from the Financial and Insurance sector have decreased

CT liabilities by SIC2007 sector, 2017-18 and 2018-19.

Liabilities in £ billions



Source: Tables 11.4, 11.5

Liabilities from the Financial and Insurance 'Standard Industrial Classification' (SIC) sector decreased by 11% in 2018-19. This represented a decrease of £1.4 billion.

The Mining and Quarrying sector had the greatest proportional increase in CT liability, a 38% rise from £1.5 billion in 2017-18 to £2.1 billion in 2018-19.

Several other sectors have shown a steady increase in CT liabilities in 2018-19, including Information and Communication (13%), Transport and Storage (6%), Real Estate (6%) and Manufacturing (3%).

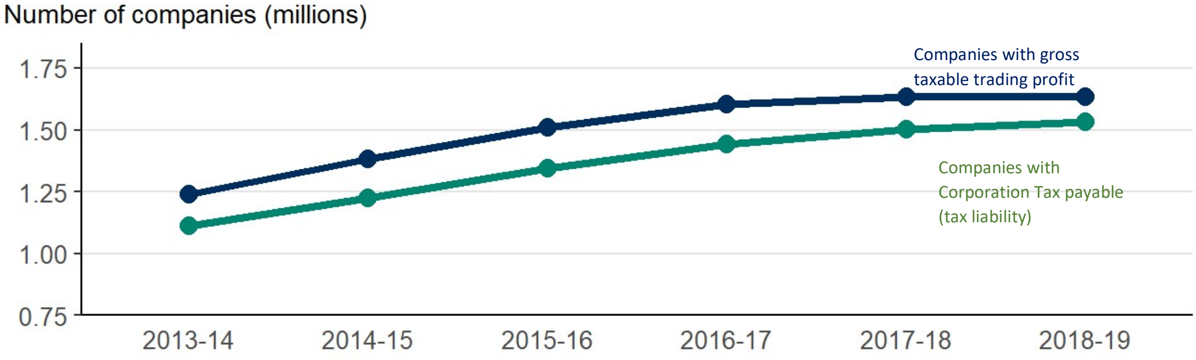
Why have CT liabilities for Financial and Insurance decreased?

- Up to 2017-18, the gross taxable trading profits have been steadily increasing for Financial companies (excluding life assurance) and were £80.6 billion in 2017-18. For 2018-19, this has decreased by 4%.

- Some companies in the Financial and Insurance sector are sensitive to market changes around the end of their accounting year and this can cause yearly fluctuations.

The number of companies liable for CT is largely unchanged

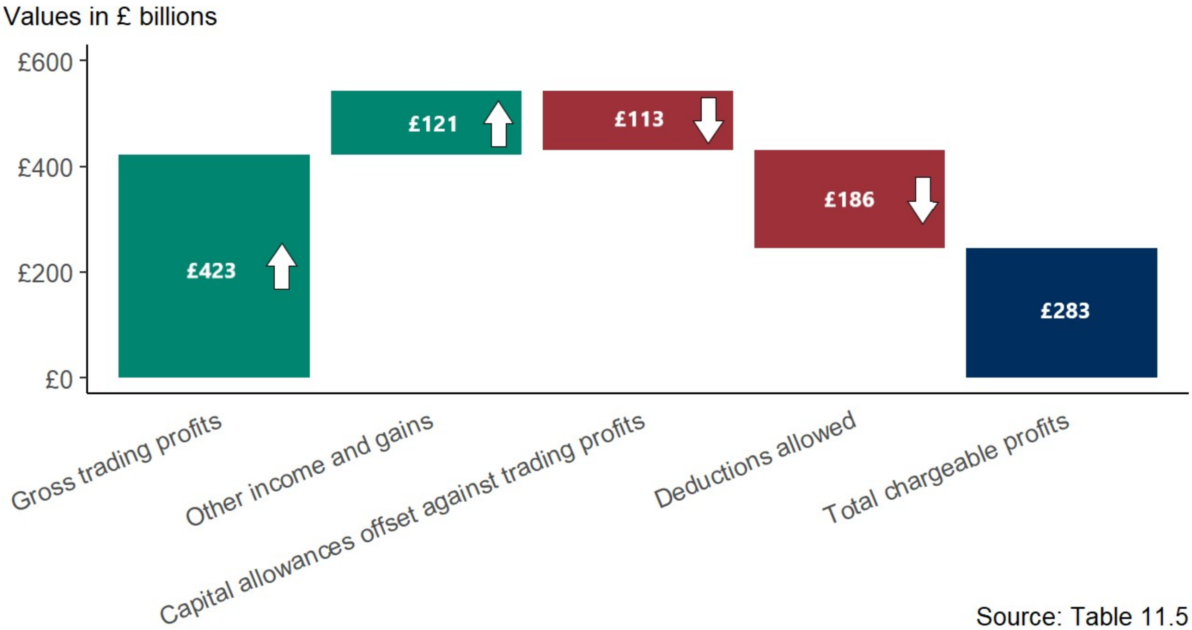
Companies with gross taxable trading profit and CT payable, 2013-14 to 2018-19.



Source: Table 11.3

The number of companies with **gross taxable trading profits** in accounting periods ending 2018-19 remains unchanged from the previous year at 1.6 million. The number of companies with a **tax liability** rose 2% to 1.5 million over the same period.

Profits, losses and deductions leading to total chargeable profits, 2018-19.



Source: Table 11.5

Components sum to £245 billion (and not £283 billion) as not all reliefs can be claimed.

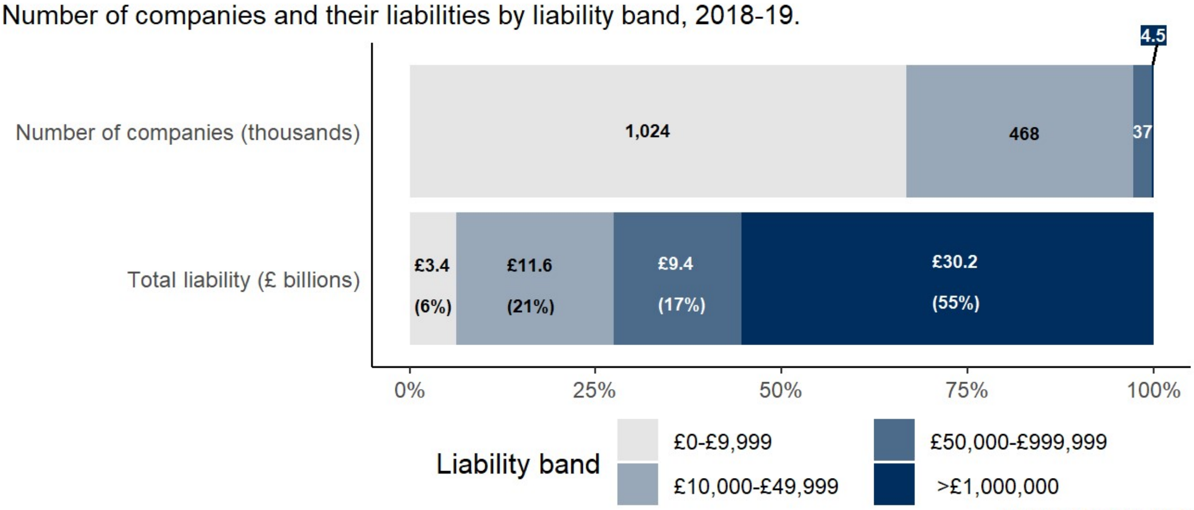
Set-offs including capital allowances and group relief reduce companies' CT liability by 55%. This increased from 54% in 2017-18, indicating that companies were able to offset slightly more of their gross trading profits and other income, as in the previous financial year.

How are total chargeable profits calculated?

Gross taxable trading profits are added to other taxable income and net capital gains. Capital allowances and trading losses brought forward from previous years are then set against these profits. Charges, other allowable deductions and group relief are then subtracted, to obtain profits chargeable to CT.

The largest companies pay the majority of CT

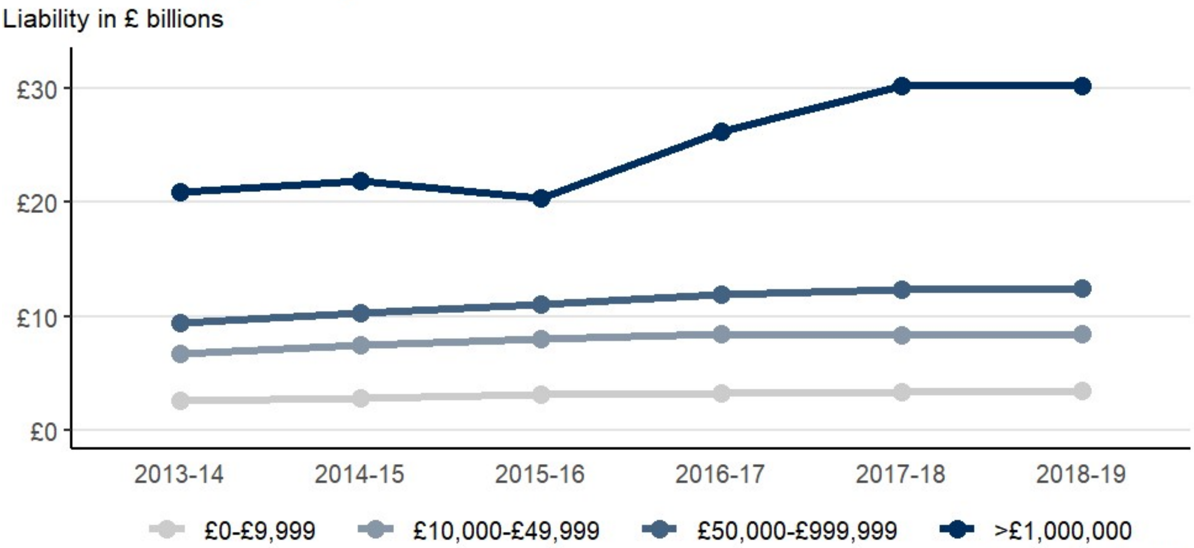
Number of companies and their liabilities by liability band, 2018-19.



Source: Table 11.6

The majority of CT liabilities are accrued from a relatively small number of companies. In 2018-19, approximately 4,500 companies had liabilities over £1 million, yet these contributed 55%, or £30.2 billion, of the CT liability total. In contrast, just over 1 million companies had liabilities of less than £10,000 and these contributed just 6%, or £3.4 billion, of the CT liability total.

Total CT liability by liability band, 2013-14 to 2018-19.



Source: Table 11.6

Liabilities from the highest band (>£1 million) has remained unchanged at £30.2 billion for 2018-19. This follows a steady increase for the previous three years, which was primarily due to growth in liability in the Finance and Insurance sector.

Liabilities from the lower bands have all increased by around 2% in 2018-19. For example, the second highest liability band (£50,000-£999,999) has increased from £12.3 billion in 2017-18 to £12.5 billion in 2018-19.

Capital allowance claims continue to increase

Capital allowance claims, 2013-14 to 2018-19.

Capital allowances in £ billions

Source: Table 11.9

Capital allowances for 2018-19 were almost £99 billion, representing a 3% increase.

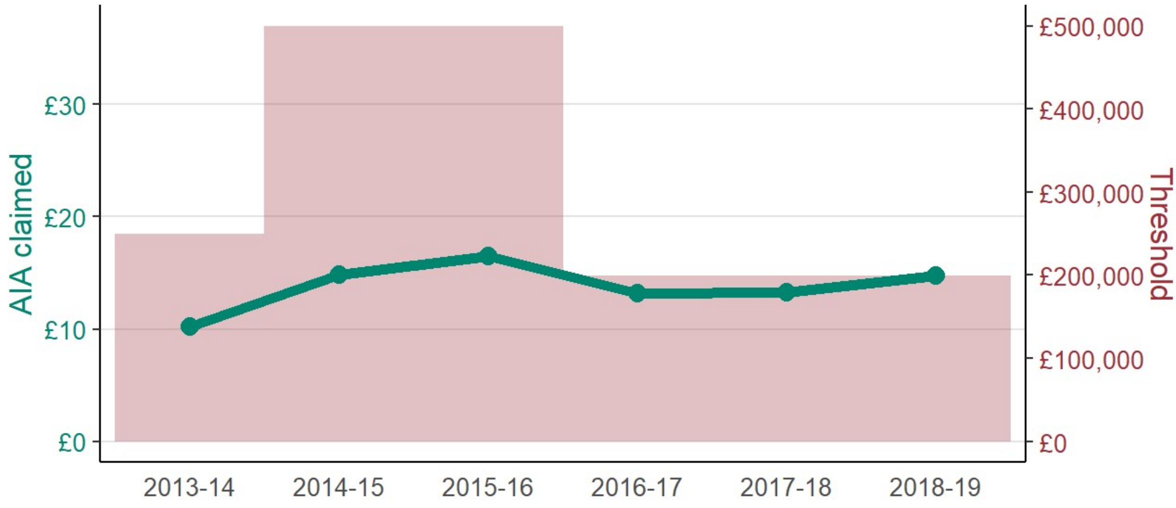
Over the last 6 years, capital allowance claims have increased by around a quarter from £80.3 billion in 2013-14. This is despite a £2.9 billion decrease between 2015-16 and 2016-17.

What are capital allowances?

Capital allowances are a deduction made against taxable profits for items of capital investment. The most common ways of claiming capital allowances are Annual Investment Allowances, Main & Special Rate Writing Down Allowances, and other allowances designed to encourage investment in certain sectors and locations.

Annual Investment Allowance (AIA) claimed and AIA threshold, 2013-14 to 2018-19.

AIA claimed in £ billions. AIA threshold in £s



Source: Table 11.10

The changes to AIA threshold, available on the GOV.UK website, occurred during the tax year represented, but may not necessarily have occurred on 1st April of that tax year. The threshold relates to the threshold for most of the year. Between 1st January 2019 - 31st December 2020 the allowance has been set to £1 million.

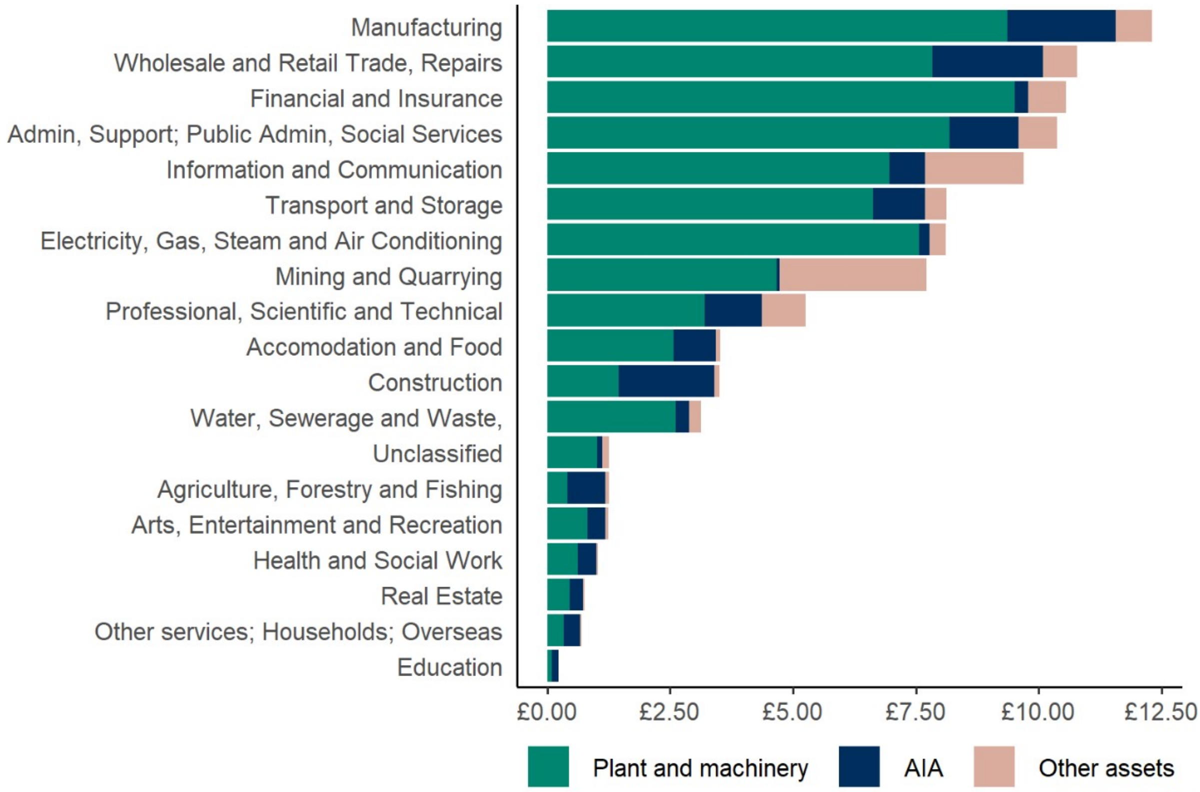
AIA claims have increased by 12%, up from £13.3 billion in 2017-18 to £14.8 billion in 2018-19. From 1st January 2019 the threshold increased from £200,000 to £1 million and it's possible that the rise in claims is linked to this.

AIA claims generally increase or decrease in line with the AIA threshold. Between 2015-16 and 2016-17 there was a 20% decrease in AIA claims and the AIA threshold went from £500,000 to £200,000 in the same period.

Capital allowance claim breakdowns vary by sector

Allowances by SIC2007 sector and type of allowance, 2018-19.

Allowances in £ billions



Source: Table 11.10

The Manufacturing sector claims the greatest amount of capital allowance overall, accounting for 12%, or £12.2 billion, of all capital allowance claims.

Five sectors account for over half of capital allowances claims;

- Manufacturing
- Wholesale and Retail Trade, Repairs
- Information and Communication
- Financial and Insurance
- Admin and Support Services, Public admin, Defence and Social Services

The Construction and Agriculture, Forestry and Fishing sectors claim the most AIA as a proportion of their total capital allowance claims, possibly reflecting the large number of smaller companies in this sector.

The Mining and Quarrying sector claims a relatively high proportion of capital allowance in the 'Other Assets' category. This has remained similar to previous years. It likely reflects the small number of companies in this field (AIA is restricted to one allowance per company group) and the existence of specific Mineral Extraction Allowances.