1998

11. CORPORATE TAXATION

A. INTRODUCTORY NOTE

1. This section presents analyses of the direct taxes paid by companies: mainly corporation tax and, for companies extracting oil or gas from the North Sea, petroleum revenue tax. The windfall tax on the excess profits of privatised utilities, introduced in the July 1997 Budget (see table 1.2), is excluded from this chapter.

B. CORPORATION TAX

2. Corporation tax is charged on the profits made by companies, public corporations and unincorporated associations such as industrial and provident societies, clubs and trade associations. The tax is charged on the profits made in each accounting period, ie the period over which the company draws up its accounts. The rate of tax is fixed for the financial year- April to March - and where an accounting period straddles 31 March and the rate is changed, the profits are apportioned between the two financial years on a time basis.

The imputation system

3. Companies have been charged to corporation tax since 1965. Before that they were liable to income tax on their total income and also to profits tax. The system introduced in 1965 charged a uniform rate on all profits and an additional charge to income tax was made when profits were distributed. Since 1973, a 'partial imputation system' has been in force to mitigate the double tax charge when profits are distributed. This is achieved by the twin mechanisms of advance corporation tax (ACT) and tax credits.

4. A company pays ACT when it pays a dividend. This tax can be set off, within a limit, against the corporation tax liability of the accounting period. The remaining tax liability is called "mainstream" corporation tax. One purpose of ACT has been to finance the tax credit which the Exchequer makes available to the shareholder receiving the dividend. The tax credit can be set against the shareholder's income tax liability on the dividend or, for non-taxpayers and exempt institutions, the credit may be paid to the shareholder. However payment of tax credits to pension schemes and UK companies (other than charitable companies) was abolished on dividends paid on or after 2 July 1997. ACT will be abolished for dividends paid on or after 6 April 1999 and the remaining payments of tax credits will be cut from April 1999. When a company pays a Foreign Income Dividend (FID), no tax credit is issued and the ACT on a FID is repayable if not set against mainstream corporation tax. FIDs will also be abolished from 6 April 1999.

5. A company which cannot set off the whole of the ACT paid against the tax charged on its profits has surplus ACT. This may be carried back for up to 6 years (up to 2 years before 1984) to reduce tax liability in earlier accounting periods, or it may be carried forward without time limit. In any accounting period the amount of ACT set against tax on profits is limited to the amount which, with the distribution to which it relates, absorbs the whole of the profits of the accounting period. For example, a company with profits of 100 would have an ACT limit of 20 when the ACT rate is a quarter, because a distribution of 80 and ACT of 20 would absorb all the profits of 100.

Tax rates

6. The rates of corporation tax since 1969 are shown in appendix A.4. Rates were substantially reduced from 1983 to 1986 as part of a range of measures which included the abolition of stock relief and major changes to capital allowances (see paragraph 10 below). The rate of ACT changed in line with the basic rate of income tax until 1992-93. From then the rate has been linked to the lower rate of income tax of 20 per cent with a transitional rate for ACT (equivalent to 22.5 per cent) in 1993-94.

7. Since 1973, there has been a lower rate of corporation tax for companies with small profits. The rate applies when the profits are below a lower limit (as given in appendix A.4). Between that limit and an upper limit, a higher marginal rate applies to produce a smooth progression in the average tax rate from the lower rate to the main rate which applies above the upper limit. The profit limits are restricted for companies associated with one or more other companies according to the number of associated companies to prevent abuse by a company fragmenting into smaller ones.

Payment arrangements

8. Mainstream corporation tax is payable 9 months after the end of the accounting period. By 1990-91 previous rules whereby many companies were not required to pay until up to 21 months after the end of their accounting periods were phased out. A further change was made for all accounting periods ending on or after 1 October 1993 when Corporation Tax Pay and File was introduced. Under this new administrative system after nine months a company is required to pay its own estimate of its tax liability, rather than an estimate produced by the tax inspector. After twelve months it submits a standard return giving the basis of the liability. Further payments and repayments may be made when a final assessment of tax is agreed. The new system also introduced some changes to accounting methods which increased the recorded levels of both payments and repayments, but had no effect on net receipts. ACT is payable on the 14th day of the month following the end of the quarter in which the distribution was made. However when ACT is abolished in 1999 large companies with accounting periods ending on or after 1 July will start to pay their corporation tax in four equal quarterly payments starting in month 7 of their accounting periods. Transitional arrangements will phase the change in over four years. The first quarterly payments will be due in January 1999.

Assessment to tax

9. For corporation tax purposes, a company's profits comprise its income and capital gains. Income - whether from trading or investments - is calculated in the same way as for income tax purposes including capital allowances where appropriate. Gains are calculated in the same way as for capital gains tax (see Chapter 14) but there is no exempt amount for companies. Company gains are not affected by the reforms made in 1998 to capital gains tax. Before 1987, gains charged to corporation tax were reduced by a specified fraction (see appendix A.4) to produce the equivalent of the tax rate on gains by individuals.

10. Capital allowances provide relief, for corporation tax purposes, for depreciation of capital assets incurred for the purposes of carrying on a trade. Different types of assets qualify for different rates of allowances (see appendix A.3). Capital

allowances may be claimed in the year in which they accrue and any unused capital allowances may be carried forward to set against profits in later years. They may also be carried back in the same way as trading losses

11. A company which makes a trading loss may carry that loss back for up to 3 years (increased from one year in 1991) to set against the profits of an earlier accounting period. However losses arising on or after 2 July 1997 will again be restricted to a carry back period of one year. An unrelieved trading loss can also be carried forward without time limit to set against income from the same trade in a future accounting period.

12. Deductions are allowed from a company's total profits for any charges (certain interest and other payments) it pays and, in the case of an investment company, its management expenses. However from April 1996, new "loan relationship" rules were introduced for the treatment of interest and similar payments. A deduction against the tax liability is allowed for income tax deducted at source from interest received (to the extent that it is not used to cover income tax the company itself deducts on interest payments it makes). Double taxation relief for foreign tax is allowed as a deduction against the tax charged as profits.

Company groups

13. Certain special rules and reliefs apply to companies which operate as a group. A company which makes a trading loss can surrender that loss as group relief to set against the profits of an equivalent accounting period of another group member. Assets can be transferred between group members without giving rise to a chargeable gain at the time of transfer. A subsidiary can pay a dividend to its parent company without paying ACT and a parent can surrender ACT it has paid to a subsidiary company.

Inter-company dividends

14. A company is not taxable on a dividend received from another company resident in the United Kingdom (UK). Such dividend income if received with the tax credit is called "franked investment income". When the company itself pays a dividend it makes a "franked payment". A company only has to pay ACT on the excess of its franked payments over its franked investment income.

C. TAXATION OF OIL AND GAS PRODUCTION (INCLUDING PETROLEUM REVENUE TAX)

Petroleum revenue tax

15. Companies which earn profits from the extraction under licence of oil and gas from the UK and its continental shelf (mainly from the North Sea) are liable to petroleum revenue tax (PRT) as well as corporation tax.

16. Unlike corporation tax, PRT is not assessed on each company's profits for a 12 month accounting period. It is assessed every six months on each company's share of the cash flow from each separate oil field. Fields are determined on geological grounds by the Department of Trade and Industry (formerly by the Department of Energy). The assessment also includes tariff receipts from the hire of infrastructure, such as pipelines, and receipts from the sale of some assets. Gas fields from which gas has been sold to British Gas (Centrica from early 1997) under contracts agreed before July 1975 are generally exempt from PRT and following the March 1993 Budget, all fields approved for development after 15 March 1993 became exempt from PRT.

17. Broadly, oil and gas sales are brought into tax at their arm's length value (with special rules applying where the sale is not at arm's length). These are termed "gross profits". Costs of finding, appraising, extracting and transporting the oil and gas to a place of reasonable delivery are deducted. PRT gives immediate full relief for allowable expenditure rather than writing down allowances and revenue deductions. There are also deductions for royalties and other licence payments.

18. Various further deductions and reliefs are available against income assessed for PRT liability:

- Losses when expenditure was greater than income: such losses can be carried forward or backward indefinitely;

- Uplift: a supplement of 35 per cent is given on past capital expenditure being carried forward to the pay-back period to compensate for interest and other finance costs being non-deductible against PRT. The pay-back period covers the time when the cumulative field income exceeds the cumulative costs (allowable expenditure, including uplift, royalty, and any advance petroleum revenue tax);

- Oil Allowance: for fields approved for development up to 31 March 1982, an oil allowance equal to the profits of the field up to the value of 0.25 million tonnes of oil is given for each 6 month chargeable period, subject to a total of 5 million tonnes per field. For fields given development consent after 31 March 1982 and before 16 March 1993, a double allowance (0.5 million tonnes per chargeable period up to a total of 10 million tonnes per field) is given for offshore fields outside the Southern Basin of the North Sea; Southern Basin fields approved between those dates receive an allowance of 0.125 million tonnes up to a total of 2.5 million tonnes;

- Tariff Receipts Allowance: this excludes from charge tariff income from each 'satellite' field approved for development before 16 March 1993 up to a limit of the income from processing 0.25 million tonnes in a 6 month chargeable period;

- Exploration and Appraisal Relief: offshore exploration and appraisal expenditure occurring between 16 March 1983 and 15 March 1993 was allowed immediate PRT relief by being set against profits in a developed field. Under transitional provisions some expenditure incurred between 16 March 1993 and 15 March 1995 was also eligible for relief. Relief is still given for exploration and appraisal work undertaken within a discovered field;

- Unrelievable Field Loss: when a field is abandoned with a net loss for PRT purposes, this can be transferred to a productive field;

- Cross Field Allowance: companies cannot in general defer tax on profits in one field by offsetting costs in another. However, the cross field allowance has allowed 10 per cent of development expenditure in offshore fields outside the Southern Basin of the North Sea and approved for development between 17 March 1987 and 15

March 1993 to be deducted from profits in other fields;

- Research Relief: since 1987, certain research expenditure not related to specific fields has been deductible, but only after a three year delay. The first such relief appears in assessments for the first 6 months of 1990.

19. Tax is charged on profits arising in each chargeable period and the rates at which petroleum revenue tax has been charged are:

1975 to 1978	45 per cent
1979	60 per cent
1980 to 1982	70 per cent
1983 to June 1993	75 per cent
from July 1993	50 per cent

20. Safeguard relief may be set against the tax charge. This is available in chargeable periods up to pay-back and for half as many periods again. If, in any of these periods, the tax charge would otherwise reduce the return on a field for the period before corporation tax to less than 15 per cent of the cumulative "upliftable" expenditure measured on the basis of historical cost, the charge is cancelled. There is also a tapering provision which limits the charge to a maximum of 80 per cent of the excess if the rate of return on the field exceeds 15 per cent of the cumulative upliftable expenditure.

21. PRT is paid by instalments each month with payments based on 75 per cent of the liability in the previous period. Companies make self-assessed residual payments on account two months after the end of each chargeable period. Assessments are issued three months later and any repayments from the carry back of losses would be made subsequently.

Corporation tax

22 The corporation tax regime for companies which operate in the North Sea allows any PRT liability as a deduction against chargeable profits. There are however special rules which prevent profits from oil and gas production being reduced by losses transferred from other activities; North Sea profits are 'ring fenced' for corporation tax purposes. For the same reason, advance corporation tax on dividends paid to associated UK resident companies cannot be set off against mainstream tax liability on those profits.

Other imposts

23. In addition to PRT and corporation tax, other imposts charged on North Sea oil and gas production are as follows:

- Royalties: administered by the Department of Trade and Industry and, broadly, levied at 12.5 per cent of the value of production, less the cost of initial transportation and treatment, for fields approved before 1 April 1982. Royalties payable are deductible against profits chargeable to PRT and corporation tax;

- Gas Levy: administered by the Department of Trade and Industry and levied, since 1982-83, at 4p per therm on certain PRT exempt deliveries from fields under contracts dating before 1975. It was paid by British Gas (now Centrica) as a consumer and was deductible against profits for corporation tax purposes. The gas levy was cut to zero in April 1998;

- Supplementary Petroleum Duty: was charged in 1981 and 1982 at 20 per cent on oil and gas revenues (less an allowance of the value of 0.5 million tonnes per field in each 6 month period). It was treated as an expense for the purpose of computing PRT;

- Advance Petroleum Revenue Tax: was charged from 1983 to 1986 on oil and gas revenues (less an allowance of the value of 0.5 million tonnes per field in each 6 month period). Rates of charge decreased from 20 per cent to 5 per cent over the 4 years. Credit for it was given against any liability for petroleum revenue tax. Any amount not credited was repaid after 5 years or earlier in some circumstances.

D. NOTES ON THE TABLES AND CHARTS

Table 11.1: Mainstream corporation tax accruals, 1990 to 1997 and corporation tax receipts, 1991-92 to 1998-99

24. Table 11.1 is in two sections. The top section of the table gives estimates of the accrual of mainstream corporation tax for accounting periods ending in each financial year. This broadly approximates to tax accruing on profits earned in the calendar year as shown. The lower section of the table shows annual receipts of both mainstream tax and ACT. The receipts of mainstream tax in each financial year are shown directly below the years (in the top section) when most of the tax accrued. ACT is normally paid in the quarter following the dividend payment.

25. Estimates of the receipts in 1998-99 and the accruals in 1997 are consistent with the economic assumptions and estimates given in the *Financial Statement and Budget Report March 1998.* Figures for earlier years, particularly those for accruals of mainstream corporation tax, may be revised as further information becomes available. Also, the accrual estimates may not include the effect of some recent Budget changes which have been incorporated directly into receipts. Tax charged on corporate gains is not accounted for separately in tax receipts and therefore rounded estimates are provided as a memorandum item in table 11.1.

Table 11.2: Income, allowances, deductions and tax accruals by company sector, 1993 to 1997

26. Table 11.2 gives estimates of profits and other income subject to tax, allowances and deductions, and corporation tax accrual for the two main subsectors of the corporate sector. The table follows the stages of the tax assessment. It starts from the gross trading income or gross Case 1 profits which takes account of trading expenses and interest payments on short term loans. Capital allowances, as detailed in appendix A.3, are taken into account and balancing charges, the amounts by which the realised value of depreciable assets exceeds their written down value, are added back. Any losses from the same trade carried forward from earlier periods are then deducted to give the net trading income. Life assurance companies are excluded from the estimates for financial companies as their tax assessments are subject to different rules.

27. Other income and capital gains are included, but offset by any trading losses of the period which have not been used in calculating trading income. Next, charges, ie mostly long term interest and other annual payments made by the company, are deducted as are any other allowable deductions and group relief. The result is the profit chargeable to corporation tax. In these

tables which are prepared to forecast levels of taxation no allowance has been made for the loan relationship legislation in 1996 which is expected to change the manner in which interest payments are handled but not change the overall impact.

28. The next line shows the charge to corporation tax if all profits were charged at the main rate. This is then reduced by small company relief. This is the difference between tax at the main rate and tax at the small companies' rate (including marginal relief if appropriate). Three offsets are shown, for double taxation relief, for advance corporation tax and for income tax deducted at source.

29. The figures in this table are consistent with the accruals in table 11.1. They will also be revised as more information becomes available (see paragraph 25). In both tables the estimates are consistent with the income estimates in National Accounts and the receipts of tax. In subsequent tables, data are not adjusted in this way.

Tables 11.3, 11.4 and 11.5: Computation of corporation tax liability, 1993-94 to 1996-97

30. These tables are estimated from data for a stratified sample of companies in which large companies are sampled more than proportionately. The data collected come from:

i tax assessments where they have been agreed with the Inland Revenue;

ii if there is no agreed assessment, draft assessments or the taxpayer's own tax computations submitted to the Inland Revenue with any provisional amendments pending final agreement; the taxpayer's own computations comprise the major part of the estimates for the most recent years following the introduction of Pay and File in October 1993;

iii if no other information is available, extrapolations from agreed assessments for past years or for related cases

31. The analyses by industry are as far as possible consistent with the Standard Industrial Classification (SIC) (see appendix D). The unit of classification is the company. A company is placed in the industry of its largest source of profit. Statistics produced by other departments may use a different unit of classification, eg the establishment, and may not be directly comparable with these figures. Privatised public corporations are included in the tables from the point at which they fall within the scope of corporation tax.

32. The figures for capital allowances are the amounts which companies claim in the period, less balancing charges. If capital allowances exceed the gross trading profit, leading to a loss for tax purposes, a zero is included in the net trading profits column rather than a negative figure. Losses brought forward are not deducted in arriving at net trading profits. They and losses of the current period so far as they are allowed are included in "Deductions allowed".

33. In tables 11.4 and 11.5 the "number of cases" is the number of companies with positive income (gross trading income, other income or gains). Companies with unrelieved trading losses and no other income are excluded as are companies without any reported income for the year. The total number of these excluded companies in 1996-97 was about 450,000.

Tables 11.6 to 11.8: Payments of corporation tax, 1996-97 and 1997-98

34. Tables 11.6 and 11.7 present analyses of gross mainstream corporation tax payments made during the financial years shown. The figures exclude repayments and so differ from net receipts shown in table 11.1. The figures are estimated from a sample and therefore sampling errors may cause further differences. The figures for 1997-98 are provisional.

35. Table 11.7 shows the distribution of payments by industry.

36. Table 11.8 shows the extent of variation in mainstream corporation tax payments from year to year. In 1997-98, 77,200 companies which paid tax in 1996-97 did not pay any mainstream tax, while 105,000 companies which did not pay in 1996-97 did pay in 1997-98. Only 1,300 companies paid more than £1 million in both years.

Tables 11.9 and 11.10: Capital allowances due 1970 to 1995, and by industry, 1994 and 1995

37. The types of capital asset which qualify for relief and the rates of allowances since 1970 are given in appendix A.3. Rates of allowance between 1965 and 1970 are contained in appendix A.3 of Inland Revenue Statistics 1996.

38. These tables give estimates of the capital allowances due each year whether or not they were used against profits of the year shown. The totals differ from those in tables 11.3 to 11.5, mainly because the latter are net of balancing charges.

39. The estimates of total allowances are based on the sample referred to in paragraph 30 but the asset breakdown is based on a smaller sample of companies for which more detail is collected.

Tables 11.11 to 11.14: Distributions and ACT payments, annual payments and income tax, 1991-92 to 1996-97 and by industry, 1995-96 and 1996-97

40. Table 11.11 shows annual levels of franked payments, franked investment income, and ACT payable. The data are derived from the quarterly returns made by companies to account for their ACT on distributions. Franked investment income received need not be reported each quarter as it may be carried forward to be offset against later distributions. Intra-group distributions paid without accounting for ACT are excluded.

41. Tax-credits to non-residents: distributions paid to non-residents may in certain circumstances be accompanied by a part payment of the tax credit under a double taxation agreement. Companies fund payment of the tax credit by withholding part of the ACT they would otherwise hand over.

42. ACT repayments. Repayments of ACT occur :

i. when franked investment income exceeds franked payments;

ii. when tax credits paid to non-residents cannot be fully set off against ACT liability; and

iii. when liability to petroleum revenue tax of a company operating in the North Sea reduces the ACT that can be set off against corporation tax liability;

iv. when a company is left with surplus ACT arising from the payment of a foreign income dividend.

43. Table 11.12 gives details of 'annual payments' by companies; these include yearly interest, patent royalties, annuities, some rents and payments under deeds of covenant. When a company makes an annual payment it deducts income tax at the basic rate which it must pay to the Inland Revenue. The arrangements for paying the tax are similar to those for advance corporation tax (see above) with the reports being made on the same forms. Similar arrangements also apply for payments to non-residents.

44. If, in its accounting period, a company receives payments from which income tax has been deducted, it may set off the tax deducted against its own liability to deduct income tax from the payments it makes in the same period. Any tax deducted which cannot be set off may be used to satisfy the company's liability for corporation tax on the payments received or it may be repaid.

45. Tables 11.13 and 11.14 provide an analysis of these payments by type of industry.

Table 11.15, charts 11.1 and 11.2: Government revenues from oil and gas production, 1968-69 to 1997-98

46. Table 11.15 summarises the tax revenues from oil and gas production in the UK and its continental shelf since 1968-69. The yield from the gas levy is shown in the table, but it is excluded in estimates of the total tax on income from oil and gas production because it is categorised as a tax on expenditure. APRT is included with petroleum revenue tax.

47. The corporation tax estimates include the mainstream tax and ACT set-off against the tax charged. Dividends attributable to UK oil and gas production cannot be separately identified from other dividends and therefore the amount of ACT set-off is estimated.

48. Chart 11.1 shows the annual tax yield, and its separate components, since 1977-78. Chart 11.2 shows three of the main determinants of tax liability: annual production, the sterling oil price, and total expenditure. Each is shown as an index based on 1990 = 100 and the absolute values in 1990 were as follows:

Production:	131 million tonnes of oil or the energy equivalent of gas (92 million tonnes of oil and natural gas liquids and 39 million tonnes oil equivalent of gas);
Oil price:	£95 per tonne (£12.60 per barrel) average over 1990;
Total expenditure:	£8.0 billion of capital, operating and exploration and appraisal expenditure.

The halving of tax yield in 1986-87 resulted mainly from a comparable fall in the oil price in 1986. Subsequently, production fell until 1989 after which it grew steadily but low oil prices and sharply rising expenditure prevented any substantial increase in yield. The increase in yield for 1996-97 (mainly PRT) and the increased forecast for 1997-98 (for CT) reflect a strong recovery in oil prices in 1996. However reductions in the oil price are expected to yield low levels of PRT in 1998-99.

49. Revenues for 1997-98 and the indices for 1997 are consistent with the economic assumptions in the *Financial Statement and Budget Report March 1998*. Further information about North Sea production is available in *The Energy Report 2. Oil and Gas Resources of the United Kingdom 1998* published by the Department of Trade and Industry.

Table 11.16: Petroleum revenue tax assessments, 1991 to 1996

50. This table summarises the assessments made for each six month period from the first half of 1991 to the second half of 1996. Estimated assessments which may later be revised are included.

51. No PRT assessment on a field is made until production commences. At that stage, all expenditure claimed by the companies during the preceding development is taken into account. In general, assessments may be delayed when there is no liability to tax; the table figures do not include allowance for such cases.

52. In the table, the deduction for expenditure is limited to the amounts in assessments required to reduce the assessable profit to nil. Field expenditure (both capital and operating) in the period is distinguished from expenditure claimed under the cross-field reliefs (mainly exploration and appraisal relief). Losses brought forward from earlier periods are not subdivided; they are predominantly from field expenditure as it is usually inefficient to claim cross-field reliefs before they are effective.

53. As stated above, losses in a period (which are sometimes augmented by use of cross-field reliefs) may be carried back indefinitely to earlier periods to reduce liabilities, leading to tax repayments. In the main part of the table, these losses are attributed to the period to which they were carried back. A memorandum item gives the PRT repaid as a result of losses carried back from the period; it is split between repayments of principal and associated interest. The effective net PRT paid resulting from income and expenditure in the chargeable period up to 6 months after the period end approximates to:

"net PRT payable" as given in the table;

plus PRT initially charged but removed by loss carry back from later periods (this is likely to be somewhat less than the "less losses carried back" amount times the tax rate then pertaining);

minus PRT repaid from loss carry back to earlier periods (the memorandum item).

Table 11.17: Oil and gas fields assessed for PRT, 1991 to 1996

54. In this table, the assessment for each field is the total of the assessments on all companies with an interest in the field. For the more recent periods, the numbers of fields with no liabilities will be revised as further assessments are made.

E. ENQUIRIES AND FURTHER INFORMATION

55. Some statistics are updated during the year as more data become available. Further analyses may also be available but users will normally be asked to meet the costs of providing them.

56. Enquiries about statistics on corporate taxes should be addressed to the appropriate statistician listed below at Statistics and Economics Division, Inland Revenue, West Wing, Somerset House, Strand, London WC2R 1LB. Tel (0171) 438 (Extension).

Corporation Tax receipts	Elizabeth Mellor	Ext 7423
Assessment and distributions	Richard Balley	Ext 6271
Capital Allowances	Jane Whittaker	Ext 7624
North Sea taxes	Peter Smedley	Ext 6384

11.1 Corporation tax

Mainstream corporation tax accruals 1990 to 1997 and corporation tax receipts, 1991-92 to 1998-99

Amounts: £ million

Onshore mainstream corporation tax - accrual	1990	1991	1992	1993	1994	1995	1996	1997
Company sector								
Industrial and commercial	8,956	7,640	7,739	9,086	11,403	12,791	13,915	12,686
Financial including Life Assurance	1,950	1,750	2,005	3,694	4,145	4,346	4,851	4,336
Overseas	40	30	40	40	100	100	120	130
Total	10,946	9,420	9,784	12,820	15,648	17,237	18,886	17,152

Corporation tax receipts	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Mainstream corporation tax								
Onshore companies								
Gross payments	11,276	9,499	9,562	13,452	15,991	17,845	20,133	19,340
Repayments	2,002	2,796	2,683	2,371	2,630	2,577	2,691	1,950
Net receipts	9,274	6,703	6,879	11,081	13,361	15,268	17,442	17,390
Public Corporations	784	140	153	142	230	203	467	470
North Sea companies	269	202	39	81	92	430	1,026	810
Total	10,327	7,045	7,071	11,304	13,683	15,901	18,935	18,670
Advance corporation tax								
Gross payments	8,400	9,029	8,060	8,300	10,257	12,426	12,559	12,640
Repayments	464	291	244	214	371	539	1,058	1,310
Net receipts	7,936	8,738	7,816	8,086	9,887	11,887	11,502	11,330
Total net receipts of corporation tax	18,263	15,783	14,887	19,390	23,570	27,788	30,437	30,000
Memorandum item: Estimated receipts from corporation tax charge on capital gains	550	250	200	600	600	750	950	1,450

11.2 Corporation tax

Income, allowances, deductions and tax accruals by company sector, 1993 to 1997

Amounts: £ million

	Home industrial and commercial companies excluding North Sea oil and gas					Financial companies excluding Life Assurance				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Gross Case 1 profits	84,505	93,529	98,157	107,213	113,182	29,744	29,481	31,093	33,932	36,862
Capital allowances used	28,795	28,013	29,186	30,405	32,397	7,721	8,552	8,988	9,903	10,830
Balancing charges	228	301	694	856	939	117	220	184	205	212
Losses brought forward and used	2,318	3,745	3,026	4,188	4,497	4,321	1,951	1,600	1,378	1,187
Net Case 1 profit	53,619	62,072	66,639	73,476	77,227	17,819	19,198	20,689	22,856	25,057
Other income and gains	33,688	32,340	37,251	39,791	43,003	18,033	21,464	23,816	24,024	26,135
Losses used against other income	2,726	2,386	3,086	3,008	3,119	1,831	1,482	1,410	1,499	1,611
Charges paid and relieved	13,206	12,868	13,823	14,215	14,462	7,399	7,705	9,145	9,804	11,050
Group relief received	14,776	14,158	14,319	16,391	18,099	6,998	7,404	7,811	8,622	9,480
Other deductions	3,154	3,660	3,660	3,807	4,205	2,340	2,766	3,886	4,183	4,494
Profits chargeable to corporation tax	53,445	61,340	69,002	75,846	80,345	17,284	21,305	22,253	22,772	24,557
Charge to corporation tax	17,637	20,242	22,771	25,029	25,309	5,704	7,031	7,343	7,515	7,736
Small company relief	690	744	815	945	1,045	46	49	42	48	57
Advance corporation tax set off	5,107	5,678	6,040	6,797	8,037	1,242	1,697	1,498	1,800	2,132
Double taxation relief	2,687	2,336	3,003	3,242	3,411	782	989	1,240	1,247	1,410
Income tax set off	66	81	122	130	130	115	346	562	618	653
Mainstream corporation tax	9,086	11,403	12,791	13,915	12,686	3,519	3,950	4,001	3,802	3,484

11.3 Corporation tax

Number, income, allowances, tax liability and deductions
Financial years 1993-94 to 1996-97 [1]

Numbers: actual; Amounts: £ million

	1993-94		1994-95		1995-96		1996-97	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Gross trading profit	396,007	124,141	364,411	134,722	382,428	145,485	408,316	149,705
Capital allowances [2]	423,664	49,306	387,591	46,962	384,578	50,290	403,240	53,230
Net trading profits	381,768	83,614	358,395	95,621	371,590	103,710	397,313	107,089
Other income & gains	370,225	60,516	347,591	61,062	346,816	74,773	342,715	64,043
Deductions allowed	313,715	67,093	287,553	67,552	281,184	75,222	262,560	62,296
Total chargeable profits	368,923	77,037	352,024	89,131	374,290	103,261	400,461	108,836
Rates at which profits charged:								
Main rate:	37,311	65,108	37,813	75,424	37,534	86,948	37,041	90,866
Marginal small company rate:	14,569	2,980	17,242	3,884	14,690	3,811	14,497	4,952
Small company rate:	317,043	8,949	296,969	9,823	322,066	12,502	348,923	13,018
Total tax charge	368,923	24,341	352,024	28,524	374,290	33,009	400,461	34,619
Double tax relief	4,968	4,393	4,723	4,028	4,632	5,164	4,685	5,217
Act set-off	141,187	6,617	132,330	7,314	141,789	7,835	156,565	8,337
Income tax set-off	41,352	512	44,103	750	45,944	1,114	45,424	1,140
Other reliefs [3]	18,377	298	19,327	141	17,083	187	18,722	189
Mainstream corporation tax due	327,925	12,521	331,326	16,291	355,770	18,709	384,777	19,736

1 Figures correspond to company accounting periods ending in the financial years shown.
2 Capital allowances less balancing charges.
3 Reliefs not classified.

11.4 Corporation tax

Computation of liability: financial year 1995-96 [1]

Number, income, allowances, deductions and tax, by industry

Numbers: actual; Amounts: £ million

Industry	Number of cases with trading profits and other income	Gross trading profits	Capital allowances [2]	Net trading profits	Other income & gains
Agriculture, forestry, fishing	9,562	781	258	557	156
Energy, water supply	1,817	20,028	9,892	11,333	5,295
Extraction, metal mfg,chemicals	10,211	10,665	3,077	7,930	5,362
Metal goods and engineering	40,706	14,514	5,424	10,286	2,966
Other manufacturing	34,655	14,214	4,272	10,467	4,059
Construction	47,971	3,480	1,026	2,723	1,084
Distribution and repairs	81,337	17,616	5,091	13,398	3,923
Hotels and catering	21,510	1,823	800	1,173	903
Transport and communication	18,156	12,534	5,829	7,183	2,085
Banking, finance and insurance	30,506	30,438	8,400	24,082	30,712
Business services	157,516	10,544	3,784	7,506	10,290
Other services	51,784	4,107	1,146	3,164	1,419
Overseas activities	842	2,672	558	2,278	2,408
Not classified	33,877	2,069	733	1,630	4,111
All industries	540,450	145,485	50,290	103,710	74,773

Industry	Deductions allowed	Income chargeable to tax	ACT set-off	Other reliefs set against tax	Tax payable
Agriculture, forestry, fishing	208	505	20	6	122
Energy, water supply	6,906	9,722	1,142	527	1,538
Extraction, metal mfg,chemicals	4,174	9,118	832	1,038	1,123
Metal goods and engineering	4,630	8,622	680	277	1,815
Other manufacturing	5,265	9,261	850	392	1,761
Construction	1,375	2,432	160	43	530
Distribution and repairs	4,909	12,412	893	194	2,881
Hotels and catering	1,362	714	48	12	162
Transport and communication	3,665	5,603	375	81	1,364
Banking, finance and insurance	27,068	27,726	1,759	2,420	4,588
Business services	9,309	8,487	757	171	1,667
Other services	2,290	2,293	138	35	541
Overseas activities	1,075	3,611	83	912	195
Not classified	2,986	2,755	98	357	422
All industries	75,222	103,261	7,835	6,465	18,709

[1] These figures relate to earnings in accounting periods ending in the financial year 1995-96.

[2] Capital allowances less balancing charges.

11.5 Corporation tax

Computation of liability: financial year 1996-97 [1]

Number, income, allowances, deductions and tax, by industry

Numbers: actual; Amounts: £ million

Industry	Number of cases with trading profits and other income	Gross trading profits	Capital allowances [2]	Net trading profits	Other income & gains
Agriculture, forestry, fishing	9,530	818	303	559	170
Energy, water supply	1,838	20,114	9,988	11,886	3,824
Extraction, metal mfg,chemicals	9,896	9,420	3,118	6,591	3,702
Metal goods and engineering	40,435	14,024	5,338	10,007	2,981
Other manufacturing	33,899	14,358	4,642	10,255	3,401
Construction	47,389	3,631	1,103	2,842	809
Distribution and repairs	80,637	18,770	5,398	14,228	3,458
Hotels and catering	21,159	1,991	782	1,389	586
Transport and communication	17,804	12,780	6,322	7,129	1,739
Banking, finance and insurance	29,894	31,780	9,830	25,028	25,676
Business services	165,700	11,391	3,558	8,463	9,499
Other services	51,029	4,553	1,256	3,571	1,344
Overseas activities	856	2,864	493	2,546	2,803
Not classified	49,080	3,211	1,099	2,595	4,051
All industries	559,146	149,705	53,230	107,089	64,043

Industry	Deductions allowed	Income chargeable to tax	ACT set-off	Other reliefs set against tax	Tax payable
Agriculture, forestry, fishing	205	523	20	6	125
Energy, water supply	4,802	10,922	1,166	593	1,840
Extraction, metal mfg,chemicals	2,843	7,451	725	706	1,010
Metal goods and engineering	4,213	8,775	719	292	1,799
Other manufacturing	3,849	9,808	883	514	1,778
Construction	1,128	2,523	178	34	537
Distribution and repairs	5,086	12,600	1,014	143	2,849
Hotels and catering	936	1,041	100	11	214
Transport and communication	3,235	5,634	500	100	1,228
Banking, finance and insurance	21,770	28,934	1,714	2,353	5,016
Business services	8,228	9,734	805	235	1,907
Other services	2,125	2,790	165	61	648
Overseas activities	689	4,659	169	1,145	223
Not classified	3,187	3,442	179	353	562
All industries	62,296	108,836	8,337	6,546	19,736

[1] These figures relate to earnings in accounting periods ending in the financial year 1996-97.

[2] Capital allowances less balancing charges.