1996

# 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.

## 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 is 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. 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.

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. The rate of ACT changed in line with the basic rate of income tax until 1992-93. From then the rate and the value of the tax credit have 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 increase the recorded levels of both payments and repayments, but have no effect on net receipts. The changes also allow some payments to be allocated to corporation tax earlier. ACT is payable on the 14th day of the month following the end of the quarter in which the distribution was made.

### 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 for the depreciation of assets. Gains are calculated in the same way as for capital gains tax but there is no exempt amount for companies. 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. 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. 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.

11. A deduction is 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. 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 credit against the tax charged as profits.

**Company groups**

12. 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**

13. 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**

14. 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.

15. Unlike corporation tax, PRT is not assessed on each company's profits. 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 under contracts agreed before July 1975 are exempt from PRT. Following the March 1993 Budget, all fields approved for development after 15 March 1993 are exempt from PRT.

16. 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.

17. 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; other fields approved after that date 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;

- 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.

18. 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 |

19. 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

vould otherwise reduce the return on a field for the period efore corporation tax to less than 15 per cent of the cumulative upliftable" expenditure measured on the basis of historical cost, he charge is cancelled. There is also a tapering provision which imits the charge to a maximum of 80 per cent of the excess if he rate of return exceeds 15 per cent.

20. 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 nonths 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**

21. The corporation tax regime for companies which operate n 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**

22. 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 is paid by British Gas as a consumer and is deductible against profits for corporation tax purposes. One field operating under such a contract lost exemption from PRT in 1993 and a further field lost exemption in 1996.

- 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

**Chart 11.1: Quarterly corporation tax receipts, 1989-90 to 1995-96**

23. Chart 11.1 shows quarterly net receipts of ACT, gross mainstream receipts, and mainstream repayments over the last 7 years. For ACT, payments are highest in the first quarter of each calendar year, but there are large payments every quarter. Mainstream tax payments are highly seasonal; most payments are in October and January. The pattern has changed in the last few years as a result of changes in payment dates. Repayments of mainstream tax occur throughout the year. The figures excluded some repayments made directly by Accounts Offices which could not be separately identified and were accounted for as reductions in gross payments until the introduction of Corporation Tax Pay and File. This led in part to the increase in recorded repayments in 1995-96.

**Table 11.1: Mainstream corporation tax accruals, 1988 to 1995 and corporation tax receipts, 1989-90 to 1996-97**

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 1996-97 and the accruals in 1995 are consistent with the economic assumptions and estimates given in the *Summer Economic Forecast 1996*. Figures for earlier years, particularly those for accruals of mainstream corporation tax, may be revised as further information becomes available. 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, 1990 to 1995**

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.

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.

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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**

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
- 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 1993-94 was about 300,000.

**Tables 11.6 to 11.8: Payments of corporation tax, 1994-95 and 1995-96**

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 chart 11.1 and table 11.1. The figures are estimated from a sample and therefore sampling errors may cause further differences. The figures for 1995-96 are provisional.

35. In table 11.7 on the distribution of payments by type of industry, the memorandum item gives details for certain types of company

36. Table 11.8 shows the extent of variation in mainstream corporation tax payments from year to year. In 1995-96, 89,000 companies which paid tax in 1994-95 did not pay any mainstream tax, while 109,000 companies which did not pay in 1994-95 did pay in 1995-96. Only 1,018 companies paid more than £1 million in both years.

**Tables 11.9 and 11.10: Capital allowances, 1970 to 1993**

37. Capital allowances provide relief from corporation tax for depreciation of capital assets incurred for the purposes of carrying on a trade. The types of capital asset which qualify for relief and the rates of allowances since 1965 are given in 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 or carried back up to 3 years.

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, 1989-90 to 1994-95 and by industry, 1993-94 and 1994-95**

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: a lower rate of ACT (and tax credit) may apply to distributions paid to non-residents under certain double taxation agreements. In these cases, the company is authorised to pay the difference between the tax at the full rate of ACT and the tax at the rate applied to the non-resident.

42. ACT repayments. Repayments of ACT occur in three situations:

- 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.

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 11.2 and 11.3: Government revenues from oil and gas production, 1968-69 to 1996-97**

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 11.2 shows the annual tax yield, and its separate components, since 1976-77. Chart 11.3 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 forecast for 1996-97 reflects some recovery in the oil price in the first half of 1996.

49. Revenues for 1996-97 and the indices for 1996 are consistent with the economic assumptions in *Summer Economic Forecast 1996*. Further information about North Sea production is available in *The Energy Report 2. Oil and Gas Resources of the United Kingdom 1996* published by the Department of Trade and Industry.

**Table 11.16: Petroleum revenue tax assessments, 1990 to 1995**

50. This table summarises the assessments made for each six month period from the first half of 1990 to the second half of 1995. 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, 1990 to 1995**

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 Office, Inland Revenue, West Wing, Somerset House, Strand, London WC2R 1LB.

| | |
|---|---|
| Corporation Tax receipts | Elizabeth Mellor |
| Assessment and distributions | Richard Balley |
| Capital Allowances | Maurice Nettley |
| North Sea taxes | Peter Smedley |

A general telephone enquiry number is given in the introduction on page 1 of this volume.

# 11.1 Corporation tax

Mainstream corporation tax accruals 1988 to 1995 and corporation tax receipts, 1989–90 to 1996–97

Amounts: £ million

| Onshore mainstream corporation tax – accrual | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|---|---|---|---|---|---|---|---|
| Company sector | | | | | | | | |
| Industrial and commercial | 11,695 | 10,773 | 8,956 | 7,640 | 7,344 | 8,810 | 11,657 | 11,792 |
| Financial | 2,700 | 2,350 | 1,950 | 1,750 | 1,750 | 3,650 | 3,900 | 4,565 |
| Overseas | 60 | 60 | 40 | 30 | 40 | 40 | 140 | 160 |
| Total | 14,455 | 13,183 | 10,946 | 9,420 | 9,134 | 12,500 | 15,697 | 16,517 |

| Corporation tax receipts | 1989–90 | 1990–91 | 1991–92 | 1992–93 | 1993–94 | 1994–95 | 1995–96 | 1996–97 |
|---|---|---|---|---|---|---|---|---|
| Mainstream corporation tax | | | | | | | | |
| Onshore companies | | | | | | | | |
| Gross payments | 14,728 | 13,906 | 11,276 | 9,499 | 9,562 | 13,455 | 15,998 | 17,350 |
| Repayments | 886 | 1,330 | 2,002 | 2,796 | 2,683 | 2,371 | 2,630 | 3,250 |
| Net receipts | 13,842 | 12,576 | 9,274 | 6,703 | 6,879 | 11,084 | 13,368 | 14,100 |
| Public Corporations | 138 | 756 | 784 | 140 | 153 | 139 | 224 | 240 |
| North Sea companies | 248 | 484 | 269 | 202 | 39 | 81 | 92 | 660 |
| Total | 14,228 | 13,816 | 10,327 | 7,045 | 7,071 | 11,304 | 13,684 | 15,000 |
| Advance corporation tax | | | | | | | | |
| Gross payments | 7,517 | 8,100 | 8,400 | 9,029 | 8,060 | 8,300 | 10,257 | 11,230 |
| Repayments | 250 | 421 | 464 | 291 | 244 | 214 | 371 | 530 |
| Net receipts | 7,267 | 7,679 | 7,936 | 8,738 | 7,816 | 8,086 | 9,886 | 10,700 |
| Total net receipts of corporation tax | 21,495 | 21,495 | 18,263 | 15,783 | 14,887 | 19,390 | 23,570 | 25,700 |
| Memorandum item: Estimated receipts from corporation tax charge on capital gains | 1,000 | 1,000 | 550 | 250 | 250 | 600 | 550 | 900 |

# 11.2 Corporation tax

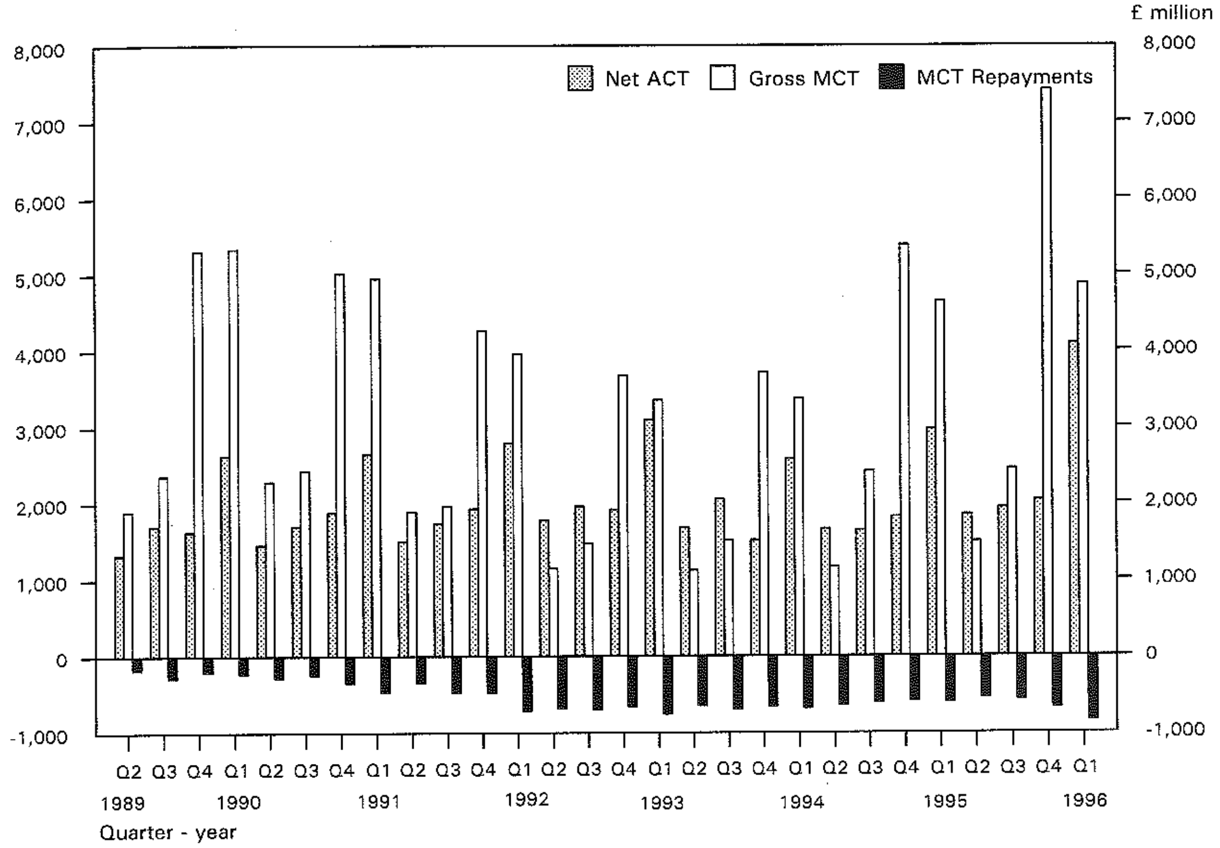
Income, allowances, deductions and tax accruals by company sector, 1990 to 1995

Amounts: £ million

| | Home industrial and commercial companies excluding North Sea oil and gas | | | | | | Financial companies | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
| Gross Case 1 profits | 69,867 | 68,610 | 68,958 | 81,503 | 92,795 | 95,320 | 21,676 | 20,482 | 22,438 | 30,256 | 33,489 | 37,209 |
| Capital allowances used | 20,318 | 21,672 | 23,353 | 27,710 | 26,048 | 27,532 | 5,688 | 6,066 | 6,068 | 7,160 | 7,129 | 7,650 |
| Balancing charges | 937 | 351 | 331 | 501 | 551 | 598 | 76 | 24 | 67 | 59 | 88 | 93 |
| Losses brought forward and used | 3,240 | 2,338 | 2,165 | 3,433 | 5,020 | 5,157 | 533 | 507 | 878 | 1,993 | 1,733 | 1,507 |
| Net Case 1 profit | 47,246 | 44,951 | 43,771 | 50,861 | 62,278 | 63,229 | 15,531 | 13,933 | 15,559 | 21,162 | 24,715 | 28,145 |
| Other income and gains | 30,451 | 31,168 | 32,600 | 27,959 | 28,998 | 33,630 | 15,579 | 19,198 | 17,458 | 18,111 | 16,476 | 18,288 |
| Losses used against other income | 4,224 | 4,302 | 3,711 | 3,224 | 2,861 | 3,021 | 1,640 | 2,079 | 2,005 | 2,348 | 2,289 | 2,541 |
| Charges paid and relieved | 12,724 | 12,610 | 11,680 | 10,402 | 10,590 | 11,615 | 9,238 | 8,625 | 8,354 | 7,563 | 7,310 | 8,275 |
| Group relief received | 12,944 | 13,080 | 12,820 | 12,517 | 13,520 | 14,322 | 5,617 | 6,167 | 5,737 | 5,516 | 6,114 | 6,736 |
| Other deductions | 1,953 | 2,572 | 2,554 | 2,283 | 2,400 | 2,674 | 3,993 | 6,061 | 5,672 | 5,351 | 4,958 | 5,474 |
| Profits chargeable to corporation tax | 45,852 | 43,555 | 45,606 | 50,394 | 61,905 | 65,227 | 10,622 | 10,199 | 11,249 | 18,495 | 20,520 | 23,407 |
| Charge to corporation tax | 15,709 | 14,466 | 15,050 | 16,630 | 20,429 | 21,526 | 3,638 | 3,391 | 3,712 | 6,103 | 6,771 | 7,725 |
| Small company relief | 601 | 548 | 574 | 679 | 818 | 866 | 36 | 42 | 35 | 42 | 45 | 50 |
| Advance corporation tax set off | 4,730 | 4,714 | 5,242 | 5,229 | 5,696 | 6,281 | 975 | 921 | 1,051 | 1,341 | 1,556 | 1,688 |
| Double taxation relief | 1,301 | 1,454 | 1,800 | 1,802 | 2,138 | 2,463 | 470 | 518 | 674 | 708 | 797 | 897 |
| Income tax set off | 121 | 110 | 90 | 110 | 120 | 124 | 207 | 160 | 202 | 362 | 473 | 525 |
| Mainstream corporation tax | 8,956 | 7,640 | 7,344 | 8,810 | 11,657 | 11,792 | 1,950 | 1,750 | 1,750 | 3,650 | 3,900 | 4,565 |

## CHART 11.1

### Corporation tax receipts




# 11.3 Corporation tax

## Number, income, allowances, tax liability and deductions
## Financial years 1990–91 to 1993–94[1]

Numbers: actual; Amounts: £ million

| | 1990–91 | | 1991–92 | | 1992–93 | | 1993–94 | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| Gross trading profit | 399,776 | 102,848 | 389,937 | 97,063 | 381,957 | 100,496 | 448,066 | 124,429 |
| Capital allowances [2] | 432,248 | 37,639 | 433,318 | 40,946 | 417,721 | 43,663 | 481,592 | 50,468 |
| Net trading profits | 343,102 | 71,874 | 329,867 | 64,949 | 332,414 | 66,304 | 431,325 | 83,095 |
| Other income & gains | 340,434 | 51,620 | 346,852 | 52,900 | 345,784 | 56,179 | 403,819 | 58,416 |
| Deductions allowed | 292,567 | 63,825 | 291,451 | 61,786 | 287,192 | 60,941 | 362,643 | 65,546 |
| Total chargeable profits | 352,601 | 59,547 | 342,770 | 56,064 | 345,000 | 61,538 | 414,217 | 75,965 |
| Rates at which profits charged: | | | | | | | | |
| Main rate: | 32,438 | 50,037 | 31,930 | 46,547 | 33,905 | 51,966 | 38,335 | 63,133 |
| Marginal small company rate: | 20,511 | 3,568 | 16,020 | 3,246 | 12,661 | 2,737 | 15,018 | 3,011 |
| Small company rate: | 299,652 | 5,942 | 294,820 | 6,271 | 298,434 | 6,835 | 360,864 | 9,821 |
| Total tax charge | 352,601 | 19,926 | 342,770 | 18,154 | 345,000 | 19,792 | 414,217 | 24,347 |
| Double tax relief | 4,903 | 2,493 | 4,677 | 2,518 | 4,961 | 3,679 | 5,505 | 4,323 |
| Act set–off | 127,627 | 6,172 | 128,059 | 5,200 | 129,957 | 5,820 | 146,897 | 6,584 |
| Income tax set–off | 30,359 | 188 | 29,187 | 154 | 31,322 | 173 | 46,765 | 412 |
| Other reliefs [3] | 25,961 | 259 | 21,241 | 195 | 17,123 | 487 | 19,064 | 154 |
| Mainstream corporation tax due | 290,387 | 10,814 | 277,036 | 10,087 | 274,387 | 9,633 | 358,986 | 12,874 |

[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 1992–93 [1]

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

Numbers: actual; Amounts: £ million

| Industry | Number of cases | Gross trading profits | Capital allowances[2] | Net trading profits | Other income & gains |
|---|---|---|---|---|---|
| Agriculture, forestry, fishing | 10,062 | 547 | 244 | 369 | 111 |
| Energy, water supply | 1,654 | 14,708 | 10,417 | 6,696 | 4,832 |
| Extraction, metal mfg,chemicals | 10,910 | 5,223 | 2,690 | 3,373 | 3,276 |
| Metal goods and engineering | 47,412 | 8,596 | 4,342 | 5,746 | 2,757 |
| Other manufacturing | 40,124 | 11,299 | 3,772 | 8,102 | 3,893 |
| Construction | 55,660 | 3,014 | 1,021 | 2,235 | 1,257 |
| Distribution and repairs | 94,563 | 13,819 | 4,767 | 10,155 | 3,949 |
| Hotels and catering | 22,458 | 1,140 | 628 | 705 | 794 |
| Transport and communication | 20,947 | 8,821 | 4,725 | 4,204 | 1,831 |
| Banking, finance and insurance | 31,376 | 19,308 | 6,203 | 14,343 | 14,946 |
| Business services | 154,517 | 7,803 | 3,023 | 5,532 | 10,259 |
| Other services | 53,276 | 3,060 | 1,045 | 2,241 | 1,591 |
| Overseas activities | 1,086 | 2,127 | 450 | 1,844 | 2,666 |
| Not classified | 17,576 | 1,031 | 336 | 759 | 4,017 |
| All industries | 561,621 | 100,496 | 43,663 | 66,304 | 56,179 |

| Industry | Deductions allowed | Income chargeable to tax | ACT set–off | Other reliefs set against tax | Tax payable |
|---|---|---|---|---|---|
| Agriculture, forestry, fishing | 158 | 322 | 15 | 4 | 75 |
| Energy, water supply | 4,634 | 6,893 | 837 | 612 | 824 |
| Extraction, metal mfg,chemicals | 2,495 | 4,154 | 407 | 528 | 424 |
| Metal goods and engineering | 3,746 | 4,757 | 500 | 169 | 847 |
| Other manufacturing | 4,542 | 7,453 | 839 | 457 | 1,124 |
| Construction | 1,786 | 1,706 | 164 | 22 | 332 |
| Distribution and repairs | 5,705 | 8,399 | 831 | 198 | 1,641 |
| Hotels and catering | 962 | 536 | 32 | 14 | 119 |
| Transport and communication | 2,640 | 3,395 | 483 | 32 | 583 |
| Banking, finance and insurance | 18,189 | 11,100 | 735 | 1,077 | 1,825 |
| Business services | 9,820 | 5,971 | 600 | 135 | 1,097 |
| Other services | 1,806 | 2,025 | 160 | 46 | 424 |
| Overseas activities | 1,368 | 3,141 | 118 | 854 | 64 |
| Not classified | 3,090 | 1,686 | 99 | 191 | 254 |
| All industries | 60,941 | 61,538 | 5,820 | 4,339 | 9,633 |

[1] These figures relate to earnings in accounting periods ending in the financial year 1992–93.

[2] Capital allowances less balancing charges.

# 11.5 Corporation tax

## Computation of liability: financial year 1993–94 [1]

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

Numbers: actual; Amounts: £ million

| Industry | Number of cases | Gross trading profits | Capital allowances[2] | Net trading profits | Other income & gains |
|---|---|---|---|---|---|
| Agriculture, forestry, fishing | 10,682 | 588 | 275 | 361 | 108 |
| Energy, water supply | 2,134 | 18,168 | 11,098 | 8,796 | 4,683 |
| Extraction, metal mfg,chemicals | 12,506 | 7,059 | 3,160 | 4,554 | 2,591 |
| Metal goods and engineering | 49,924 | 10,666 | 4,918 | 7,009 | 2,423 |
| Other manufacturing | 44,560 | 13,009 | 4,794 | 8,933 | 4,067 |
| Construction | 60,972 | 3,384 | 1,258 | 2,498 | 1,112 |
| Distribution and repairs | 103,690 | 16,077 | 5,674 | 11,373 | 4,084 |
| Hotels and catering | 25,106 | 1,420 | 708 | 887 | 704 |
| Transport and communication | 23,518 | 10,573 | 5,541 | 5,706 | 1,605 |
| Banking, finance and insurance | 33,890 | 26,788 | 6,888 | 20,879 | 13,269 |
| Business services | 185,637 | 9,386 | 3,822 | 6,477 | 9,928 |
| Other services | 61,719 | 3,128 | 1,043 | 2,213 | 1,131 |
| Overseas activities | 1,253 | 2,260 | 428 | 2,014 | 3,687 |
| Not classified | 35,953 | 1,923 | 861 | 1,395 | 9,024 |
| All industries | 651,544 | 124,429 | 50,468 | 83,095 | 58,416 |

| Industry | Deductions allowed | Income chargeable to tax | ACT set–off | Other reliefs set against tax | Tax payable |
|---|---|---|---|---|---|
| Agriculture, forestry, fishing | 148 | 321 | 14 | 4 | 75 |
| Energy, water supply | 5,523 | 7,956 | 902 | 730 | 991 |
| Extraction, metal mfg,chemicals | 3,410 | 3,735 | 432 | 287 | 498 |
| Metal goods and engineering | 3,861 | 5,571 | 469 | 196 | 1,112 |
| Other manufacturing | 4,388 | 8,611 | 1,022 | 479 | 1,294 |
| Construction | 1,718 | 1,892 | 171 | 24 | 370 |
| Distribution and repairs | 5,392 | 10,065 | 902 | 191 | 2,108 |
| Hotels and catering | 1,109 | 482 | 44 | 9 | 93 |
| Transport and communication | 2,486 | 4,824 | 508 | 80 | 977 |
| Banking, finance and insurance | 18,199 | 15,949 | 1,122 | 743 | 3,360 |
| Business services | 9,780 | 6,626 | 619 | 151 | 1,249 |
| Other services | 1,584 | 1,761 | 120 | 61 | 358 |
| Overseas activities | 1,324 | 4,377 | 44 | 1,364 | 36 |
| Not classified | 6,624 | 3,795 | 215 | 570 | 353 |
| All industries | 65,546 | 75,965 | 6,584 | 4,889 | 12,874 |

[1] These figures relate to earnings in accounting periods ending in the financial year 1993–94.
[2] Capital allowances less balancing charges.