2000

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. This chapter excludes the windfall tax on the excess profits of privatised utilities which was introduced in the July 1997 Budget (see table 1.2 for details). Following the abolition of advance corporation tax the four tables that formerly dealt with company distributions have been dropped.

B. CORPORATION TAX

An outline and major milestones

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 rates of tax are set for the financial year-April to March; where an accounting period straddles 31 March the profits are apportioned between the two financial years on a time basis.

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.

4. In 1973 a 'partial imputation system' was introduced to mitigate the double tax charge when profits are distributed. This was achieved by the twin mechanisms of advance corporation tax (ACT) and tax credits.

5. In July 1997, the new Government began a series of reforms of tax credits and corporation tax payments. Payments of tax credits to pension schemes and UK companies were abolished on dividends paid on or after 2 July 1997 and the remaining payments of tax credits were cut from 6 April 1999. ACT was abolished for dividends paid on or after 6 April 1999 as were Foreign Income Dividends which allowed companies to pay dividends without tax credits. A system of quarterly instalment payments of corporation tax was introduced for large companies for accounting periods ending on or after 1 July 1999.

The partial imputation system

6.. Until April 1999 a company paid ACT when it paid a dividend. This tax could be set off, within a limit, against the corporation tax liability of the accounting period. The remaining tax liability was called "mainstream" corporation tax. One purpose of ACT was to finance the tax credit which the Exchequer made available to the shareholder receiving the dividend. The tax credit could be set against the shareholder's income tax liability on the dividend or, until the payment of tax credit was abolished for non-taxpayers and exempt institutions, the credit would be paid to the shareholder.

7. A company which could not set off the whole of the ACT paid against the tax charged on its profits had "surplus ACT". This could be carried back for up to 6 years (up to 2 years before 1984) to reduce tax liability in earlier accounting periods, or it could be carried forward without time limit. In any accounting period the amount of ACT set against tax on profits was limited to the amount which, with the distribution to which it related, absorbed the whole of the profits of the accounting period. For example, a company with profits of 100 would have had an ACT limit of 20 (assuming an ACT rate of a quarter), because a distribution of 80 and ACT of 20 would have absorbed all the profits of 100.

Tax rates

8. The rates of corporation tax since 1969 are shown in appendix A.6. 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 until its abolition the rate was 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.

9. 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 of profits (as given in appendix A.6). Between that limit and an upper limit, a higher marginal rate is applied 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. In April 2000 a new starter rate of 10 per cent was introduced on profits up to £10,000 but the benefit is withdrawn for more profitable companies by a higher marginal rate on profits in the band £10,000 to £50,000.

Payment and assessment arrangements

10. ACT was payable on the 14th day of the month following the end of the quarter in which the distribution was made and mainstream corporation tax was payable 9 months after the end of the accounting period. Before 1990-91, payment rules allowed a longer period before mainstream tax was paid. Some companies paid mainstream tax up to 21 months after the end of their accounting periods.

11. 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 administrative system, after nine months a company was required to pay its own estimate of its mainstream corporation tax liability, rather than an estimate produced by the tax inspector. After twelve months it submitted a standard return giving the basis of the liability. Further payments and repayments could be made when a final assessment of tax was agreed. This 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. For accounting periods ending on or after 1 July 1999 companies are required to assess their liabilities on broadly the same self assessment principles that underly the collection of inome tax under self assessment.

12. With the abolition of ACT in 1999, a system of quarterly instalment payments was introduced for large companies starting with accounting periods ending on or after 1 July 1999. The first instalment became due in month 7 of the accounting period with

further instalments due in months 10, 13, and 16 with any balance to be paid 9 months after the end of the period. Transitional arrangements phase in the change over four years. Quarterly payments were first made in January 1999 and the first large amounts were paid in July 1999.

13. 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) except that companies have no exempt amount and 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 to produce the equivalent of the tax rate on gains by individuals.

14. Capital allowances provide relief, for corporation tax purposes, for the consumption or 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.5). 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

15. A company which makes a trading loss may carry that loss back for 1 year (3 years from 1991 to July 1997) 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.

16. Deductions are allowed from a company's total profits for any charges (interest and other payments) it pays and, in the case of an investment company, its management expenses. From April 1996, new "loan relationship" rules have been in force 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 on profits.

Company groups

17. 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. Before the abolition of ACT a subsidiary could pay a dividend to its parent company without paying ACT and a parent could surrender ACT it had paid to a subsidiary company.

Inter-company dividends

18. 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 had 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

19. 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 on their share of the production of fields approved for development before 15 March 1993. Revenues from fields approved after that date are only subject to corporation tax on their profits.

20. 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. 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.

21. 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.

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

- Losses when expenditure is 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 expenditure on exploration and appraisal, like other spending can, if necessary, be carried forward to be set against revenues in the same field. However expenditure occurring between 16 March 1983 and 15 March 1993 could obtain immediate PRT relief by being set against any profits in a developed field of the same company. This relief was phased out in the period to 15 March 1995;

- 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.

23. 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

24. 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.

25. 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

26. 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. Similarly ACT accounted for on dividends paid by associated UK resident companies outside the ring fence cannot be set off against tax liability of companies within the ring fence.

Other imposts

27. 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, 1992 to 1999 and corporation tax receipts, 1993-94 to 2000-01

28. 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 and for 1998-99 to 2000-01 it also shows the amounts to be paid under the new instalment regime. 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 was normally paid in the quarter following the dividend payment. The instalment payments shown in the table mainly reflect the first two years of the transition. In the first year large companies were required to pay four instalments, each of 15 per cent of their annual liability, to be followed later by the balance of 40 per cent. In the second year of the transition each instalment should be 18 per cent of the annual liability. A few of the payments in 2000-01 are for the third year of the transition when each instalment should be 22 per cent of the annual liability. Company payments of instalments have to be estimated before the final liability is known and thus payments may not precisely match the intended distribution. The dates for the payments are given in paragraph 12.

29. Estimates of the receipts in 2000-01 and the accruals in 1999 are consistent with the economic assumptions and estimates given in the *November 2000 Pre-Budget Report*. The receipts figures for earlier years are final but 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, 1995 to 1999

30. 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 and from 1996 deductions under the new rules for loan relationships. Capital allowances, as detailed in appendix A.5, 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.

31. 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, which until April 1996 were mostly long term interest and other annual payments made by the company, are deducted. Since 1996, under the new loan relationship rules these have been much smaller than previously as most relevant payments have already been deducted from gross case 1 profits or other income. Any other allowable deductions and group relief are also subtracted. The result is the profit chargeable to corporation tax.

32. 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.

33. 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 29). 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, 1995-96 to 1998-99

34. These tables are estimated from data for a stratified sample of companies but in which large companies are represented fully. 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;

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

35. 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.

36. 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".

37. 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 1998-99 was about 300,000.

Tables 11.6 to 11.8: Corporation tax payable, 1997-98 and 1998-99

38. The advent of instalment payments has made it necessary to alter the basis on which tables 11.6 to 11.8 are prepared by changing them from the amounts of tax paid in the year to the tax payable according to the year in which the liability arose.

39. Tables 11.6 and 11.7 present an analysis of corporation tax payable arising from tax liabilities in the financial years shown. The figures are consistent with similar figures shown in tables 11.3, 11.4 and 11.5. Table 11.6 shows a distribution by size of tax payable. Table 11.7 shows a distribution by industry.

40. Table 11.8 shows the extent of variation in corporation tax payable from year to year. In 1998-99, 129,900 companies with a CT liablity had no liability in 1997-98, while 93,200 companies with a liability in 1997-98 had no liability in 1998-99. Only 1,500 companies had a liability of more than £1 million in both years.

Tables 11.9 and 11.10: Capital allowances due 1972 to 1998, and by industry, 1997 and 1998

41. The types of capital asset which qualify for relief and the rates of allowances since 1978 are given in appendix A.5. Rates of allowance between 1965 and 1978 are contained in appendix A.3 of Inland Revenue Statistics 1996.

42. 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.

43. The figures in Tables 11.9 and 11.10 are based on the sample referred to in paragraph 34.

Table 11.11, charts 11.1 and 11.2: Government revenues from oil and gas production, 1968-69 to 2000-01

44. Table 11.11 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.

45. 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.

46. Chart 11.1 shows the annual tax yield, and its separate components, since 1981-82. 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 tax yield halved in 1986-87 because of the comparable fall in the oil price in 1986. Subsequently, it continued to fall as expenditure rose, but from 1992-93 to 1996-97, the yield rose steadily in line with rising production and some recovery in oil prices. From 1997-98 to 1999-2000 the yield dropped in line with falling oil prices. The latest estimates of the yield for 2000-01, consistent with the economic assumptions and estimates given in the *Pre-Budget Report 2000*, show an increase in yield due to higher oil prices..

47. Further information about North Sea production is available in *Development of UK Oil and Gas Resources 2000* published by the Department of Trade and Industry.

Table 11.12: Petroleum revenue tax assessments, 1994 to 1999

48. This table summarises the assessments made for each six month period from the first half of 1994 to the second half of 1999. Estimated assessments which may later be revised are included.

49. 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.

50. 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.

51. 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 for each period the PRT arising for repayment as a result of losses carried back from the period; it is split between repayments of principal and associated interest. There is thus no simple direct link between the amounts of PRT paid in each financial year and the amounts shown as payable for each reporting period.

Table 11.13: Oil and gas fields assessed for PRT, 1994 to 1999

52. In this table, the amount of tax for each field is the sum of the amount shown on the assessments for all the 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

53. Enquiries about statistics on corporate taxes should be addressed to the appropriate statistician listed below at Analytical Services Division, Inland Revenue, West Wing, Somerset House, Strand, London WC2R 1LB. Tel 020 7438 (Extension).

Corporation Tax receipts	Elizabeth Mellor	Ext 7423
Assessments	Richard Balley	Ext 6271
Capital Allowances	Jane Whittaker	Ext 7624
North Sea taxes	Steve Barry	Ext 6384

11.1 Corporation tax

Corporation Tax accruals [1] 1992 to 1999 and receipts 1993-94 to 2000-01

Amounts: £ million

Corporation tax accruals [1]

	1992	1993	1994	1995	1996	1997	1998	1999 [2]
Company sector								
Onshore companies								
Industrial and commercial	7,739	9,086	11,794	13,464	14,133	14,326	15,177	16,810
Financial including Life Assurance	2,005	3,694	4,149	4,374	5,733	5,996	6,849	9,400
Overseas	40	40	100	98	130	169	50	50
Total Onshore	9,784	12,820	16,043	17,936	19,996	20,491	22,076	26,260
North Sea companies	39	81	92	430	958	950	1,040	1,740
Total company sector	9,823	12,901	16,135	18,366	20,954	21,441	23,116	28,000
Public Corporations	153	142	230	203	467	225	227	120
Total	9,976	13,043	16,365	18,569	21,421	21,666	23,343	28,120

Corporation tax receipts

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01 [2]
Onshore companies and public corporations								
Gross payments								
Mainstream corporation tax	9,715	13,594	16,221	18,048	20,667	20,650	23,415	2,000
Small companies	..	..	..	..	..	..	..	3,950
Instalments and balancing payments	..	..	..	..	..	69	11,012	26,250
Total payments	9,715	13,594	16,221	18,048	20,667	20,719	34,427	32,200
Repayments	2,683	2,371	2,630	2,577	2,690	2,641	2,992	2,400
Net Receipts	7,032	11,223	13,591	15,471	17,977	18,078	31,435	29,800
North Sea companies (net receipts)								
Mainstream corporation tax	39	81	92	430	958	950	578	0
Instalments and balancing payments	..	..	..	..	..	..	602	2,700
Total net receipts	39	81	92	430	958	950	1,180	2,700
Advanced corporation tax								
Net receipts	7,816	8,086	9,886	11,887	11,502	11,004	1,737	-300
Total net receipts of corporation tax	14,887	19,390	23,569	27,788	30,437	30,032	34,352	32,200
Memorandum item: Estimated receipts from corporation tax charge on capital gains	200	600	600	1,030	1,060	1,220	2,450	2,270

[1] Until the abolition of ACT for dividends paid on or after 6 April 1999 tax accruals relate to mainstream corporation tax accruals

[2] These figures fall outside the scope of National Statistics

11.2 Corporation tax

Income, allowances, deductions and tax accruals by company sector, 1995 to 1999

Amounts: £ million

	Home industrial and commercial companies excluding North Sea oil and gas					Financial companies excluding Life Assurance				
	1995	1996	1997	1998	1999 [1]	1995	1996	1997	1998	1999 [1]
Gross Case 1 profits	100,896	104,173	112,774	118,394	120,723	27,465	32,782	34,878	37,080	42,679
Capital allowances used	30,815	32,304	36,094	38,789	42,563	6,181	6,989	7,080	7,729	8,537
Balancing charges	713	318	560	657	831	198	163	332	257	347
Losses brought forward and used	6,906	3,529	3,492	2,875	4,849	1,314	1,940	2,344	2,758	2,897
Net Case 1 profit	63,888	68,658	73,748	77,387	74,142	20,168	24,016	25,786	26,850	31,592
Other income and gains	33,531	31,825	36,524	47,843	51,118	21,651	15,439	17,340	18,763	20,568
Losses used against other income	3,228	2,835	3,381	4,798	5,780	1,340	1,922	2,046	2,175	2,351
Charges paid and relieved	12,523	3,069	2,452	1,858	1,906	8,789	1,415	603	551	598
Group relief received	12,844	17,703	19,317	23,185	24,346	7,222	9,251	8,298	8,701	9,611
Other deductions	3,571	6,218	7,095	7,943	8,024	2,506	2,270	2,258	2,512	2,734
Profits chargeable to corporation tax	65,253	70,658	78,027	87,446	85,204	21,962	24,597	29,921	31,674	36,866
Charge to corporation tax	21,493	22,778	24,057	26,365	25,272	7,247	8,117	9,425	9,819	11,152
Small company relief	748	492	541	744	1,243	59	73	80	106	172
Advance corporation tax set off	5,102	5,436	6,064	6,591	2,942	1,681	1,800	2,136	2,285	550
Double taxation relief	2,098	2,710	3,059	3,777	4,200	1,229	1,333	1,882	2,034	2,180
Income tax set off	82	7	67	76	74	267	192	191	148	154
Mainstream corporation tax	13,464	14,133	14,326	15,177	16,813	4,011	4,719	5,136	5,246	8,096

[1] These figures fall outside the scope of National Statistics

11.3 Corporation tax

Number, income, allowances, tax liability and deductions
Financial years 1995-96 to 1998-99 [1]

Numbers: actual; Amounts: £ million

	1995-96		1996-97		1997-98		1998-99	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Gross trading profit	366,681	146,022	402,038	153,838	442,740	163,324	484,272	166,561
Capital allowances [2]	367,622	50,126	391,146	53,738	417,080	56,765	446,471	60,132
Net trading profits	336,089	103,815	362,640	110,722	406,251	117,356	456,999	119,014
Other income & gains	333,969	74,884	336,631	67,697	344,468	72,164	360,046	87,394
Deductions allowed	255,730	74,575	238,422	63,890	246,729	61,992	260,295	69,772
Total chargeable profits	366,100	104,124	396,885	114,529	433,676	127,528	472,255	136,636
Rates at which profits charged:								
Main rate:	32,923	87,868	32,908	96,203	33,183	104,225	32,485	109,075
Marginal small company rate:	15,310	3,933	16,642	4,934	18,397	6,027	19,799	6,530
Small company rate:	315,238	12,323	345,716	13,392	380,506	17,276	417,983	21,031
Total tax charge	364,783	33,407	395,420	36,651	432,310	38,652	471,011	40,341
Double tax relief	4,805	5,290	4,988	5,564	4,994	6,057	5,216	7,052
Act set-off	141,343	8,174	159,230	8,796	181,871	9,833	204,849	10,068
Income tax set-off	44,860	1,099	44,898	1,216	43,244	1,105	40,856	873
Other reliefs [3]	17,555	145	18,959	161	21,303	273	23,801	243
Mainstream corporation tax due	347,272	18,699	382,369	20,914	413,833	21,384	450,534	22,105

[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 1997-98 [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	9,546	677	365	404	198
Energy, water supply	2,078	20,080	10,184	11,215	4,653
Extraction, metal mfg,chemicals	9,895	9,222	3,283	6,424	3,624
Metal goods and engineering	41,241	15,212	6,029	10,651	3,065
Other manufacturing	34,248	15,988	5,006	11,683	3,669
Construction	49,867	4,336	1,195	3,407	909
Distribution and repairs	80,969	21,487	5,909	16,308	3,386
Hotels and catering	20,393	2,580	919	1,799	693
Transport and communication	18,504	13,179	7,045	7,177	1,908
Banking, finance and insurance	30,692	35,092	9,410	28,388	29,343
Business services	185,918	14,859	4,484	11,246	10,201
Other services	48,638	4,759	1,380	3,688	1,824
Overseas activities	782	2,230	472	1,955	2,023
Not classified	52,710	3,623	1,084	3,011	6,668
All industries	585,481	163,324	56,765	117,356	72,164

Industry	Deductions allowed	Income chargeable to tax	ACT set-off	Other reliefs set against tax	Tax payable
Agriculture, forestry, fishing	190	412	17	5	92
Energy, water supply	5,612	10,256	1,169	501	1,546
Extraction, metal mfg,chemicals	3,029	7,019	800	531	862
Metal goods and engineering	4,229	9,487	870	235	1,791
Other manufacturing	4,202	11,150	1,046	490	1,923
Construction	1,194	3,122	210	54	618
Distribution and repairs	4,465	15,229	1,271	208	3,141
Hotels and catering	974	1,518	132	21	306
Transport and communication	3,096	5,989	606	140	1,091
Banking, finance and insurance	19,680	38,051	2,102	2,921	6,464
Business services	8,402	13,045	1,092	397	2,259
Other services	2,451	3,061	202	88	626
Overseas activities	645	3,333	54	935	60
Not classified	3,823	5,856	262	909	605
All industries	61,992	127,528	9,833	7,435	21,384

1 These figures relate to earnings in accounting periods ending in the financial year 1997-98.

2 Capital allowances less balancing charges.

11.5 Corporation tax

Computation of liability: financial year 1998-99 [1]
Number, income, allowances, deductions and tax, by industry

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	9,470	596	383	331	177
Energy, water supply	1,999	16,900	8,864	9,912	6,251
Extraction, metal mfg,chemicals	9,683	8,124	3,540	5,451	3,294
Metal goods and engineering	41,084	15,975	7,101	10,195	3,636
Other manufacturing	33,677	14,909	5,025	10,524	5,386
Construction	52,990	4,935	1,352	3,821	1,139
Distribution and repairs	79,959	20,436	6,344	15,119	3,789
Hotels and catering	18,983	2,810	999	1,982	723
Transport and communication	18,560	15,000	7,671	8,710	2,284
Banking, finance and insurance	31,791	37,415	10,067	29,821	34,805
Business services	204,081	17,452	5,125	13,344	10,845
Other services	45,970	4,987	1,397	3,937	1,849
Overseas activities	817	1,601	414	1,366	3,388
Not classified	73,805	5,421	1,850	4,501	9,828
All industries	622,869	166,561	60,132	119,014	87,394

Industry	Deductions allowed	Income chargeable to tax	ACT set-off	Other reliefs set against tax	Tax payable
Agriculture, forestry, fishing	157	351	11	3	78
Energy, water supply	6,384	9,779	1,203	642	1,193
Extraction, metal mfg,chemicals	3,201	5,544	565	436	695
Metal goods and engineering	4,342	9,489	613	371	1,854
Other manufacturing	5,216	10,694	921	717	1,606
Construction	1,351	3,609	222	71	693
Distribution and repairs	4,883	14,025	1,093	217	2,849
Hotels and catering	1,235	1,470	112	19	303
Transport and communication	3,595	7,399	679	92	1,482
Banking, finance and insurance	22,139	42,487	2,505	3,112	6,841
Business services	8,492	15,697	1,280	355	2,711
Other services	2,302	3,484	242	107	667
Overseas activities	564	4,190	119	1,127	53
Not classified	5,911	8,418	503	899	1,080
All industries	69,772	136,636	10,068	8,168	22,105

[1] These figures relate to earnings in accounting periods ending in the financial year 1998-99.

[2] Capital allowances less balancing charges.