

Corporation Tax (CT) instalment payments: technical guidance on payments by very large companies.

Introduction

1. Currently, “large” companies are required to pay corporation tax (CT) by instalments. The relevant legislation is in the Corporation Tax (Instalment Payments) Regulations 1998 (SI 1998/3175.)
2. In the Summer Budget 2015, the government announced that from April 2017, the dates on which very large companies are required to make instalment payments would be brought forward by 4 months.
3. Draft legislation together with an Explanatory Memorandum and Tax Information and Impact Note has been published today. HMRC are seeking comments of a technical nature on the draft legislation.

Current position

4. For a large company that has a 12 month accounting period (AP), payments are required on the 14th day of months 7 and 10 of the AP to which the liability relates and months 1 and 4 of the following AP.
5. A large company is one that has taxable profits of over £1.5m in the AP.
6. If the AP is less than 12 months, this threshold is reduced proportionately.
7. If the company has one or more related 51% group companies, the threshold is divided by the number of those companies plus 1. For example, if there are 3 related 51% group companies, the threshold is $1.5m / (1+3) = £375,000$. A company is a related 51% company of another if either company is a 51% subsidiary of the other, or both are 51% subsidiaries of a third company.
8. A company is not large if its total liability for the AP is £10,000 or less. This amount is reduced proportionately for APs of less than 12 months.
9. A company is not large if it was not large in the 12 months immediately preceding the AP, and the total profits are £10m or less, (“period of grace”). This amount is reduced proportionately where the AP is less than 12 months.
10. The above is modified in relation to companies that pay bank levy and oil and gas companies that pay CT and the supplementary charge on ring fence profits and adjusted ring fence profits, (see paragraphs 31 and 36 below.)
11. Further guidance on the current legislation can be found at the following links:

<http://www.hmrc.gov.uk/manuals/ctmanual/CTM92505.htm>

<https://www.gov.uk/guidance/corporation-tax-paying-in-instalments>

Date changes effective from

12. The changes apply for APs beginning on or after 1 April 2017.

Meaning of “very large” company

13. “Very large” companies will be required to pay CT by instalments 4 months earlier than large companies.
14. A company is defined as “very large” if its taxable profits are more than £20m in an AP.
15. As with large companies, the threshold is reduced proportionately if the AP is less than 12 months, and where the company has one or more related 51% group companies. (See paragraphs 6 and 7 above.)
 - the definition of a large company has now been modified to one that has taxable profits in an AP of more than £1.5m but £20m or less. These thresholds are reduced where the AP is less than 12 months and the company has one or more related 51% group companies
 - the £10,000 liability limit referred to in paragraph 8 above will apply for the purposes of determining is a company is very large. This is modified in the case of a company that pays bank levy
16. The “period of grace” referred to in paragraph 5 above will not apply in determining if a company is very large

Payment dates

17. The guidance below sets out the payments dates for all liabilities except bank levy and CT and the supplementary charge on ring fence profits and adjusted ring fence profits of oil and gas companies.
18. Where the AP is 12 months, payment dates will be as follows:
 - the first payment is due 2 months and 13 days after the beginning of the AP
 - the second payment is due 3 months after the first
 - the third payment is due 3 months after the second.
 - the final payment is due 3 months after the third.

This will be the 14th day of months 3, 6, 9 and 12 of the AP.
19. Where the AP is less than 12 months, the payment dates will be determined as explained in paragraphs 20 to 25 below
20. Subject to the exception in paragraph 21 below, the last instalment date will depend on which day of the month the end of the AP falls:
 - if the AP ends on the last day of the month, the last instalment will be due 14 days after the end of the preceding month
 - if the AP ends on a day for which there is a corresponding date in the preceding month, the last instalment falls 14 days after that date in the preceding month
 - if the AP ends on a day for which there is no corresponding day in the previous month, the last instalment is due 14 days after the last day of the previous month
21. The exception referred to in paragraph 20 applies where following the above rules, the last instalment date falls before the beginning of the AP. If that occurs, a single payment is due on the last day of the AP.

22. The first instalment date is 2 months and 13 days after the start of the AP. There is an exception to this is if this date is on or after that on which the final instalment falls. If this occurs, the total liability is paid on the final instalment date.
23. The second instalment date is 3 months after the first, unless this falls on or after the final instalment date in which case the total liability is paid on the first and final instalment dates.
24. The third instalment date is 3 months after the second, unless this falls on or after the final instalment date in which case the total liability is paid on the first, second and final instalment dates.
25. Examples can be found at the end of this note.

Amounts due

26. The amount of a very large company's liability that is due on the above dates ("CTI") is the total liability as calculated under paragraph 3(1) of Schedule 18 Finance Act 1998 (which includes tax charged in respect of controlled foreign companies and the Bank CT surcharge) but excluding the following:
 - bank levy
 - CT or supplementary charge on ring fence profits and adjusted ring fence profits of oil and gas companies
27. The amounts due at each instalment date is explained in paragraphs 28 to 30.
28. If there is only one payment date, the whole of the liability referred to in paragraph 26 above is due on that date.
29. If there is more than one instalment date:
 - the amount due on the first instalment date is the lesser of CTI and the amount given by the formula below
 - the amounts due on the second and third instalment dates is the lesser of $CTI - A$ and the amounts given by the formula below. B is the amount of the liability due to be paid on previous instalment dates
 - the amount payable on the final instalment date is $CTI - B$
30. The formula is:

$$3 \times (CTI / (wm + wmd))$$

where

- "wm" is the number of whole months falling within the accounting period;
- "wmd" is the decimal (calculated to two places rounded arithmetically where necessary) of the fraction $R/30$, where "R" is the number of days in an accounting period outside the whole months represented by "wm"

Bank Levy

31. Currently all companies that pay bank levy are large for the purposes of applying the instalment payment regime.

32. For accounting periods beginning on or after 1 April 2017, a company that pays bank levy will be very large if its profits for the AP exceed £20m. This threshold is reduced proportionately if the AP is less than 12 months, and where the company has one or more related 51% group companies. (See paragraphs 6 and 7 above.)
33. A company that is not very large will be treated as large regardless of the level of profits.
34. If a company that pays bank levy is very large, the payments of bank levy will not move to the dates in paragraphs 17 to 25 above but will remain on the current instalment dates. However, all other liabilities including Bank CT surcharge will move to the dates for very large companies.
35. Bank levy is excluded from the total liability in applying the £9,000 test to determine if the company is very large, (see paragraph 15 above.)

Oil and gas companies

36. Currently, CT and the supplementary charge paid on ring fence profits and adjusted ring fence profits of oil and gas companies are paid in 3 instalments. For a 12 month AP, payments are made in months 7 and 10 of the AP to which the liability relates and month 1 of the following AP.
37. These liabilities will not move to the dates in paragraphs 17 to 25 above but will remain on the current instalment dates. However, for accounting periods beginning on or after 1 April 2017 all other liabilities will move to the dates for very large companies.

Examples of payment dates

38. Example 1: AP from 1 January 2018 to 31 December 2018.

12 month AP

First instalment: 14 March 2018 (2 months and 13 days from the beginning of the AP.)

Second instalment: 14 June 2018 (3 months after the first instalment.)

Third instalment: 14 September 2018 (3 months after the second instalment.)

Final instalment: 14 December 2018 (3 months after the third instalment.)

39. Example 2: AP from 1 January 2018 to 28 February 2018.

AP less than 12 months and ends on the last day of the month.

Final instalment: 14 February 2018 (14 days after the end of the preceding month.)

First Instalment: No first instalment. This would have been 14 March 2018, that is 2 months and 13 days after the beginning of the AP. But as this ends after the date of the final instalment, the whole liability is payable on the last instalment date.

40. Example 3: AP from 1 January 2018 to 30 March 2018.

AP less than 12 months but ends on a date for which there is no corresponding day in the previous month.

Final instalment: 14 March 2018 (14 days after the last day of the previous month.)

First instalment: No first instalment. This would have been 14 March 2018, that is 2 months and 13 days after the beginning of the AP. But as this ends on the date of the final instalment, the whole liability is payable on the last instalment day.

41. Example 4: AP from 1 January 2018 to 14 February 2018

AP less than 12 months and AP ends on a date for which there is a corresponding day on the previous month.

Final instalment: 28 January 2018 (14 days after the day in the previous month that corresponds to the last day of the AP.)

First instalment: No first instalment. This would have been 14 March 2018, that is 2 months and 13 days after the beginning of the AP. But as this ends after the date of the final instalment, the whole liability is payable on the last instalment day.

42. Example 5: AP from 1 January 2018 to 14 January 2018.

AP less than 12 months. Last instalment due before AP start date.

Last instalment: 14 January 2018. This would have been 28 December 2017 (i.e. 14 days after the corresponding date in the previous month.) But as this falls before the beginning of the AP, the total liability is payable on the last day of the AP.

43. Example 6: AP from 1 January 2018 to 30 May 2018.

AP less than 12 months and AP ends on a day for which there is a corresponding date in the previous month.

Final instalment: 14 May 2018 (14 days after the date in the previous month that corresponds with the last day of the AP.)

First instalment: 14 March 2018 (2 months and 13 days after the beginning of the AP.)

Second instalment: No second instalment. This would have been 3 months after the first instalment (14 June 2018.) But as this is on or after the final instalment date, the liability is payable over 2 instalments.

44. Example 7: AP from 1 January 2018 to 31 October 2018.

AP less than 12 months and ends on the last day of the month.

Final instalment: 14 October 2018 (14 days after the last day of the preceding month.)

First instalment: 14 March 2018 (2 months and 13 days after the beginning of the AP.)

Second instalment: 14 June 2018 (3 months after the first instalment.)

Third instalment: 14 September 2108 (3 months after the second instalment.)