

**EXPLANATORY MEMORANDUM TO**  
**THE CORPORATION TAX (INSTALMENT PAYMENTS) (AMENDMENT)**  
**REGULATIONS**  
**2015 No. [XXXX]**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

**2. Purpose of the instrument**

- 2.1 These Regulations amend the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175) ("the principal Regulations") the purpose of which is to provide for collection of corporation tax by instalments.
- 2.2 These Regulations amend and insert regulations into the principal Regulations so that companies with annual taxable profits exceeding £20m pay corporation tax by instalments four months earlier than large companies.

**3. Matters of special interest to Parliament.**

*Matters of special interest to the Select Committee on Statutory Instruments*

- 3.1 None.

*Other matters of interest to the House of Commons*

- 3.2 As this instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**4. Legislative Context**

- 4.1 Under section 59D Tax Management Act 1970 ("TMA 1970"), corporation tax is due and payable nine months after the expiry of an accounting period. However, the principal Regulations provide that companies that are defined as large are required to make instalment payments on account of their corporation tax liability in advance of that date.
- 4.2 These Regulations amend the principal Regulations so that companies defined as very large are required to make instalment payments 4 months earlier than large companies. Regulation 3 of the principal Regulations defines a large company for this purpose. These Regulations substitute new regulation 3 and 3A, setting out the definitions of large and very large companies. The definition of a large company is unchanged from the principal Regulations.
- 4.3 The changes will apply to accounting periods beginning on or after 1 April 2017.

**5. Extent and Territorial Application**

- 5.1 This instrument applies to the whole of the United Kingdom.

## **6. European Convention on Human Rights**

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

### *What is being done and why*

- 7.1 Currently, companies with annual taxable profits of over £1.5m (or if a member of one or more 51% groups, a proportion of this amount) (large companies) pay corporation tax in instalments. For an accounting period of 12 months, companies are required to make payments in months 7 and 10 for the accounting period to which the liability relates, and months 1 and 4 of the next accounting period.
- 7.2 At the Summer Budget on the 8th July 2015, the Government announced that companies with annual taxable profits of over £20m (or if a member of one or more 51% groups, a proportion of this amount as described below) (very large companies) will be required to make payments 4 months earlier than previously. For a 12 month accounting period, payments will be due in months 3, 6, 9 and 12 of the AP to which the liability relates.
- 7.3 Where the company is a member of one or more 51% groups, the threshold of £20m will be divided by the number of related 51% group companies plus 1. For example, if a company has 3 related 51% group companies, the threshold is £5m, ( $20m/(1+3)$ ). 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. This is the same way that the existing threshold for instalment payments operates.
- 7.4 This policy ensures that the largest companies pay tax closer to the point at which they earn their income, and is consistent with the Government's strategy for tax administration.
- 7.5 The policy also brings the UK's system for payment of corporation tax much closer to those already in operation in other G7 countries.
- 7.6 The changes will apply to accounting periods beginning on or after 1 April 2017.
- 7.7 Payment dates will not change for bank levy or corporation tax and the supplementary charge on ring fence and adjusted ring fence profits of oil and gas companies.
- 7.8 For other companies with annual taxable profits of £20m or less, the payment dates will not change. For a 12 month accounting period, companies with taxable profits in excess of £1.5m but £20m or less will continue to make instalment payments in months 7 and 10 of the accounting to which the liability relates, and months 1 and 4 of the next accounting period. Companies with taxable profits of £1.5m or less will pay corporation tax 9 months and 1 day after the end of the accounting period.

### *Consolidation*

- 7.9 There are no plans to consolidate the principal Regulations.

## **8. Consultation outcome**

- 8.1 [The Regulations will be published on the HMRC website alongside related draft primary legislation for a period of 12 weeks.]

## **9. Guidance**

- 9.1 The Company Taxation Manual and other relevant guidance published on the Government website (gov.uk) will be rewritten to include the above changes.

## **10. Impact**

- 10.1 The impact on business, charities or voluntary bodies is negligible.
- 10.2 The impact on the public sector relates to the cost of the IT changes needed to implement this change.
- 10.3 A Tax Information and Impact Note covering this instrument [is being published alongside the Explanatory Memorandum and draft Regulations] on the gov.uk website.

## **11. Regulating small business**

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

## **12. Monitoring & review**

- 12.1 The policy will be monitored through information collected on tax receipts.

## **13. Contact**

- 13.1 Clare Dunne at the HMRC Telephone: 03000 585 61 or email: [clare.e.dunne@hmrc.gsi.gov.uk](mailto:clare.e.dunne@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.