

BUSINESS TAX

Corporation Tax: Reliefs, Deadlines and Planning

How corporation tax works for a small company, the key dates, the reliefs worth knowing, and the planning that makes a difference.

FOR: COMPANY DIRECTORS AND OWNERS • SOME EXPERIENCE

What corporation tax is

A limited company pays corporation tax on its profits, which means the profits shown in its accounts adjusted for tax. The adjustments matter. Some costs in the accounts are not allowed for tax, such as client entertainment, and some tax reliefs are not shown in the accounts, such as capital allowances. The result, called the taxable profit, is what the tax rate is applied to.

Rates

There is a main rate, a lower rate for companies with small profits, and a band in between where relief is phased out. The rates and limits have changed in recent years, and the limits are shared where companies are connected, so a group of companies may reach the higher rate sooner than a single company would. Check the current figures on GOV.UK, or ask us.

Key dates

The dates run from your company's accounting period, normally twelve months ending on its year-end.

- **Corporation tax payment:** for most small companies, nine months and one day after the end of the period. Larger companies pay in instalments during the year.
- **Company tax return:** due twelve months after the end of the period.
- **Statutory accounts at Companies House:** due nine months after the end of the period.

Missing these brings penalties, and interest on late payment starts to run from the due date. Because payment falls before the return is due, you need to know your tax bill before you file.

Tell HMRC you are trading

A new company must tell HMRC when it starts business activity, within three months. Registration at Companies House does not do it.

Who this is for

- Directors of small companies
- Owners planning the year-end
- Growing groups of companies

Key points

- Payment is due before the return.
- Know your profit before the year-end, not after.
- Reliefs reduce tax. They must be claimed correctly.
- Connected companies share the thresholds.
- Plan during the year, not at the deadline.

Reliefs worth knowing

- **Capital allowances** on equipment and vehicles. Our guide explains how timing purchases can matter.
- **Research and development relief**, for qualifying innovation spend.
- **Losses**. A loss in one year can usually be carried forward against future profits, or in some cases back, and sometimes used against other group companies. Rules and limits apply.
- **Pension contributions** paid by the company for directors and employees, which are generally deductible if they meet the conditions.
- **Gift Aid and charitable donations** in some cases.
- **Other reliefs**: patent box, creative industry reliefs and others, for particular activities.

Year-end tax planning

- Latest profit forecast
- Equipment purchases
- Pension contributions
- Bonus and dividend plans
- Losses to use
- Cash set aside

Planning that makes a difference

- **Forecast profit before the year-end**. If you know the likely result with several months to go, you can decide on investment, pension contributions, bonuses or dividends with the tax in view.
- **Time purchases of equipment**. Buying before the year-end can bring forward relief, if the rules allow.
- **Review how you take income**. The mix of salary, dividends and pension affects the company's tax and yours. See our guide on paying yourself.
- **Watch the thresholds**. If profits are near a rate band, small changes can have a large effect.
- **Check your group structure**, if you have connected companies.
- **Keep the accounts accurate**. Poor records and wrongly claimed costs are the commonest reason for enquiries.

Paying the bill

Put money aside each month, in a separate account if you can. A tax bill that comes as a surprise is a cash problem as well as a tax problem. If you cannot pay in full by the due date, speak to HMRC before it passes, as time-to-pay arrangements are possible but not automatic.

Review each year

Ask your accountant, before the year-end, for a projection of profit and tax and a list of actions. A short conversation then is worth far more than a long one afterwards.

Related guides

- Capital allowances
- R&D tax relief
- Paying yourself

How King Street can help

0161 835 2080
client@mtmlp.co.uk

We prepare your accounts and corporation tax return, project your tax before the year-end, advise on timing and reliefs, and make sure you know the amount and date of your payment well ahead. For groups and connected companies, we review the limits and structure.

Manchester: 3rd Floor, 82 King Street, M2 4WQ · Wilmslow: Cresta House, 42 Water Lane, SK9 5AL