

COMPANY TAX ADMINISTRATION

Companies are subject to an obligation to self assess their liability for tax in the same way as individuals. They must therefore calculate their own Corporation Tax liability and submit a self assessment return. The return must be made within 12 months at the end of the accounting period. The Corporation Tax must be paid within 9 months at the end of the accounting period.

Returns

The return must contain all information required to calculate the company's profits chargeable to Corporation Tax. The company must submit a copy of its financial accounts together with the self assessment returns. Any claims such as for relief etc. must be made in the self assessment tax returns.

A company coming within the scope of Corporation Tax for the first time must notify HMRC when its first accounting period begins, within three months of the start of the first accounting period. If companies do not receive a tax return from HMRC, they are required to notify HMRC if they have income or chargeable gains on which tax is due.

Penalties apply for failure to submit returns. In addition to fixed penalties there are tax geared penalties. The penalty is 10% of Corporation unpaid tax where the return is within 12 months and 20% where it is outside 12 months.

HMRC may determine the amount of Corporation Tax due by issuing a determination assessment. This is treated as a self assessment by the company and will replace the actual self assessment when it is submitted by the company. There is no appeal against the determination assessment. Instead the company can substitute its own self assessment. The determination assessment can be made within five years of the filing date.

Payments

The due date for payment of Corporation Tax is 9 months after the year end.

Larger companies are subject to a scheme for quarterly payments. A large company is one paying the full rate of Corporation Tax. Therefore a company without associated companies will be subject to this regime if profits exceed £1.5 million. Four quarterly instalment dates apply in months seven, ten, thirteen and sixteen following the start of the accounting period. Instalments are based on the expected Corporation Tax liability for the current accounting period. It is therefore necessary for companies to produce accurate forecasts of their tax liability.

Interest is charged on unpaid Corporation Tax at 6.5%.

HMRC have a right to enquire into the completeness and accuracy of a self assessment return. Assessments can be made due to information and possession.

HMRC can make enquiries on the basis of information coming into their possession or as part of a random selection process. They do not need to give reasons for their enquiries.

HMRC can demand that the company produce documents, accounts, written particulars and answer specific questions. Information should be limited to that in connection with the return.

HMRC may raise additional assessments referred to as discovery assessments. Discovery assessments may be made within five years of the filing dates. The use of discovery assessment is restricted if a self assessment has already been paid. Enquiries must normally be given within 12 months of the filing date.

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances.

This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

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While we have taken due care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.

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