Plus+ accounting

chartered accountants

Indie Dev' Guide
Corporation tax

Introduction

A UK Limited company pays corporation tax on its taxable profits for the accounting period. Corporation tax is due 9 months and 1 day after the accounting period end. For example, a company with a 31 March year end, would be required to pay any tax due by the following 1 January. However, the company tax return is due 12 months after the accounting period end.

The corporation tax rate for 2018/19 is 19%. It is currently proposed that the rate is decreased to 17% from April 2020.

Important points to consider

Accounting profits vs taxable profits:

Profits taxable for corporation tax are often different to profits appearing in the company accounts and this can be for a number of reasons such as:

- Not all business expenses are allowable for tax purposes e.g. client entertaining or depreciation; and must be added back into the profits for tax purposes.

- Capital additions, which are depreciated in the accounts, attract different rates of allowances for tax purposes. For example, if you buy a computer, the cost might be written off in the accounts over 3 years, but for tax purposes, you are likely to obtain full relief in the year of purchase

- Taxable profits can be reduced by way of R&D and Video Games Tax Relief claims.

Tax losses:

- If a company has made a taxable loss for the accounting period, these losses can be carried forward and offset against future profits of the same trade.

- If the company had a corporation tax liability in the previous period, the losses for the current accounting period can be carried back, enabling you to claim a corporation tax refund.

- Losses created by R&D or Video Games Tax Relief claims, can be surrendered for repayable tax credits..

Tax planning:

The corporation tax liability can be manipulated through effective, legitimate pre year-end planning including bringing forward planned expenditure or extra pension contributions.