Inland Revenue

BUSINESS SERIES
CTSA/BK4

A general guide to Corporation Tax Self Assessment

Contents

This guide explains the basic rules of Corporation Tax Self Assessment. It is for anyone setting up or running a new company and for directors and managers of companies.

What is a 'company?'

1. As well as covering registered companies, the word '**company**' is also used in this guide to include
- members' clubs, societies and associations
- trade associations
- housing associations
- groups of individuals carrying on a business, but not as a partnership (for example, co-operatives).

You should read this guide if you represent any of these, as corporation tax applies to all these bodies, even if they are not set up as registered companies.

Are there additional rules for clubs, societies and charities?

2. No. However, for more information, if you represent a
- club or society you should also read our leaflet IR46 'Clubs, societies and voluntary associations'
- charity, you should contact IR Charities.

See page 29 for details of Helplines and ways to get our leaflets.

What does this guide cover?

3. It provides help and guidance on company taxation, including
- how we can help you when you start in business
- the records your company has to keep
- some important forms you have to fill in and when you have to do this
- paying your corporation tax
- when we charge penalties
- enquiries we may make into Company Tax Returns, and
- how to appeal if you do not agree with what we have done.

4. In particular, this guide describes the basic rules of Corporation Tax Self Assessment. These apply to accounting periods (see paragraph 27) ending on or after 1 July 1999. Under Corporation Tax Self Assessment, you must work out and pay the tax that you believe your company owes. A different set of rules, called Corporation Tax Pay and File, applies to accounting periods before 1 July 1999.

For more information about these earlier rules ask your Inland Revenue Office.

5. This guide has two appendices that cover some subjects in detail.

If your company is part of a group of companies or a consortium, or if you represent a **'large' company** (broadly speaking, a company with profits over £1.5m), you will need to read Appendix 1.

If your company has made any loans to **participators**, you will need to read Appendix 2.

In either of these cases, your company should consult its accountant or professional adviser.

What is not covered by this guide?

6. This guide does not cover
- other taxes, like income tax or VAT
- how to operate Pay As You Earn
- the Construction Industry Scheme
- all aspects of company tax.

Note: This guide cannot take the place of your company's accountant or professional adviser.

How can I get help if I am starting in business as a company?

7. We can give you help and advice through our national Helplines and locally based Business Support Teams. You can use these services if you are setting up in business for the first time, or if you have been running a business for some years. Business Support Teams offer workshops and presentations on a wide range of tax and National Insurance issues affecting employers and businesses. If you are a small new employer, they can also offer an educational visit, of up to one day, to take you through your payroll responsibilities and help you to deliver them accurately and on time.

You can find out more about these services through
- the Internet at **www.inlandrevenue.gov.uk**
- the New Enterprise Support Initiative or Employers' Helplines
- your local Inland Revenue Enquiry Centre
- local advertising campaigns.

If you have been an employer for less than three years, you can ring the New Employers Helpline. All other employers should ring the Employers' Helpline. You will find their phone numbers on page 30.

If you register with us as a new business you should automatically get a guide to Starting Up In Business, which gives useful information. If you do not receive one you can get copies from the New Employers' Helpline.

You can find out how to register a company at Companies House by
- visiting their website at **www.companieshouse.gov.uk**
- phoning their Central Enquiry number on **029 2038 0801**.

What does my company need to do?

9. If your company or organisation has any taxable income or profits, you must tell us that your company exists and that it is liable to tax. You have to do this within 12 months of the end of your **accounting period** (see paragraph 27). If you do not, your company may be liable to a penalty (see paragraph 56).

10. Companies House tells us when a new limited company is formed, but it is still your responsibility to tell us that the company exists and that it is liable to tax. Companies House will not tell us about all the organisations that we treat as companies and who pay corporation tax. In both cases, you must make sure that we know about your organisation within the 12-month period. You can do this by contacting your local Inland Revenue office.

11. When you or Companies House tell us your company exists, we create a computer record and send a form to the registered office or compay address notified to us for you to give us basic tax-relevant information (form CT41G) to your company address. When you send it back, we use the information from the form to complete the computer record. If your company is a limited company and you do not receive this form after your company is registered at Companies House, you should contact your local Inland Revenue office to tell us that your company exists.

12. You should also tell us as soon as possible if your company's details change. Changes you need to tell us about include
- your company's address, or
- its accounting date.

If you do not, your company may pay more tax than is due.

13. Your company must also
- keep and retain records (see 'What records does my company need to keep?' below)
- work out and pay its tax without us asking your company to pay
- send its Company Tax Return to us within a set period (see paragraph 42).

14. You must make sure that the company correctly operates Pay As You Earn **(PAYE)** and National Insurance contributions **(NICs)** on any payments to employees. You must also tell us about any benefits the company gives to its employees. It is important to note that employees include directors. You can get more information from your local Inland Revenue Enquiry Office, or by phoning the Employers' Helpline. (see paragraph 7 for more details.)

What records does my company need to keep?

15. All taxpayers, including companies or organisations we treat as companies (see paragraph 1), must keep records. Your company has to keep 'sufficient' records to enable it to make a correct and complete Company Tax Return. 'Sufficient' records include
- details of all receipts and expenses incurred in the course of your company's activities and of what they relate to
- details of all sales and purchases made in the course of the trade, if your company has a trade that involves dealing in goods
- all other supporting documents.

16. The precise records your company needs to keep will depend on the type and size of its business, but they must be adequate to enable your company to send in a correct Company Tax Return. It is up to you to make sure that that they are adequate.

17. More information on keeping records is available in our booklet 'A Guide to Corporation Tax Self Assessment for Tax Practitioners and Inland Revenue staff'. You can see this booklet in your local Inland Revenue Office or view it on our website at **www.inlandrevenue.gov.uk**

You may also find SA/BK4 'Self Assessment. A general guide to keeping records' useful.

See page 29 for details of how to obtain copies of our leaflets.

18. If your company was set up under the Companies Acts, then those rules oblige you to keep and preserve certain accounting records. Most companies that meet those obligations will not need to keep any extra records for tax purposes, but there are some important exceptions detailed in the next paragraph.

19. If your company and a related individual or organisation outside the UK has an arrangement to provide goods, services or loans etc., between the two parties, then your company must make sure that the value and terms are the same as would apply in an 'arm's length' arrangement, that is, between two unconnected persons acting entirely independently. To be able to show this, your company will need to keep records beyond those required by the Companies Acts. If you believe your company falls within this category, you must discuss it with your company's accountant or professional advisor. You can also find more extensive guidance on keeping the necessary records in our Tax Bulletin, Issue 37, October 1998. You can see this Bulletin in your local Inland Revenue office, or view it on our website at **www.inlandrevenue.gov.uk**

20. The Companies Acts require private limited companies to keep their records for three years and public companies for six years. For tax purposes, any organisation we treat as a company must keep its records for at least six years from the end of the **accounting period**. (See paragraph 27.)

21. Your company may need to keep records longer than this six-year period if

- it makes its return late
- it sends in a return more than six years after the end of the **accounting period**
- a return is under **enquiry** more than six years after the end of the **accounting period**
- the records relate to a later period (like a loan agreement giving rise to interest claimed as a deduction for a number of years).

22. Your company will not need to keep the original records if all the information they contain is kept in an acceptable alternative form. Acceptable alternatives include optical imaging systems and other systems which capture all the information needed to show that your company has made a complete and correct Company Tax Return and can provide that information in a legible way. However, your company must always keep the original vouchers for tax deducted or for tax credits.

23. If your company does not keep records, we can charge a penalty of up to £3,000. However, we will only consider issuing penalties in more serious cases, for example, where records have been destroyed deliberately to obstruct an enquiry into the company's tax affairs, or if the company has a history of serious failure to keep records.

When is corporation tax chargeable?

24. If your company is resident in the UK, it is generally chargeable to corporation tax on its total profits. If it is a club or charity, different rules may apply (see paragraph 2). You can find your company's total profits by adding together the profits from all its activities, including any chargeable gains. The starting point for working this out will be your company's accounts, but there are some special rules it must follow for tax purposes.

25. Companies make a self assessment and pay tax for an **accounting period**. Corporation tax is different from the charge on individuals and also on companies that are not resident in the UK and who do not trade in the UK. Individuals and these types of company pay tax for the year that runs from 6 April one year to 5 April the next.

26. Your company may also have to pay tax in three other cases. The first applies if your company has any **controlled foreign companies**. (See Appendix 1.8.) The second applies if the company operates a **ring fence trade** (broadly oil extraction activities etc.) The third applies to certain companies that have made loans to **participators** (See Appendix 2). In any of these three cases, your company should consult its accountant or professional advisor.

What is an 'accounting period'?

27. An accounting period is normally the period for which your company's accounts are drawn up, but the two periods do not have to coincide. An accounting period for tax purposes can never be longer than 12 months. Every company within the charge to corporation tax has accounting periods, whether or not it draws up accounts. Your company is responsible for deciding what its accounting periods are.

Accounting Periods

An accounting period starts
- when your company first becomes chargeable to corporation tax, or
- when the previous accounting period ends

and ends when the earliest of the following takes place
- the company reaches its accounting date
- it is 12 months since the start of the accounting period
- the company starts or stops trading
- the company is no longer within the charge to corporation tax (for example, it winds up its business and sells all income-producing assets, or if a non-resident company stops trading in the UK)
- the company goes into liquidation, in which case its accounting periods will then run for 12- month periods until winding-up is completed
- the company goes into administration (after 15 September 2003)
- the company starts or stops being resident in the UK.

When and how does my company pay corporation tax?

28. Your company must assess its own liability to tax and pay the tax that is due. It must pay this tax no later than nine months and one day after the end of the **accounting period** (the **normal due date**). We will not send your company an assessment, or work out the tax it must pay.

29. **'Large' companies** pay their tax earlier than this date, by Quarterly Instalment Payments (QIPs). (See Appendix 1.)

30. Payment can be made electronically through the BACS and CHAPS systems, by GIRO, or by cheque, to your company's usual Accounts Office at either Cumbernauld or Shipley. You should send your payment with a correct payslip. A Payslip is issued automatically with the Notice to deliver a company tax return (see paragraph 36) and we also send reminders with payslips both for companies that pay by QIPs and those due to pay by the normal due date. Payslips are clearly marked and electronically coded for the company and a specific **accounting period** so, please make sure you always use the right payslip to help avoid mistakes.

Can my company claim a repayment if it has paid too much tax?

31. If your company has paid any tax before it is due, you can ask us to repay it at any time before the normal due date. After the **normal due date** (see paragraph 28), you can ask for a repayment only if you think that the amount your company has paid will be more than its likely tax liability. If your company has had tax deducted under the Construction Industry Scheme, this should be set against any liabilities the company may have as an employer, for example, **PAYE**.

32. Once you have established your tax bill, we will automatically repay any overpayments your company has made. Wherever possible, we do this by automatic transfer to a bank or building society account. This gets the money to your company quickly, without the risk of any postal delay or loss. To do this we need

- the name of your bank or building society
- branch sort code
- account number
- name of the account (for instance, 'Bettabiskits Ltd No 1 A/ C')
- building society reference (where relevant).

33. You can put this information in the overpayments and repayment section of the Company Tax Return form, or in a separate letter. For security reasons, you should give these details in writing, not over the phone or in person. We can repay in the same way to a nominee (such as your company's accountant or professional adviser) if you tell us in writing to do so. If you prefer us not to repay you by automatic transfer, we will send your company a payable order.

How is interest calculated if my company has paid too much or too little tax?

34. If your company pays its tax after it was due, we will charge interest. We work out the interest from the date the tax was due until the date when it was actually paid, regardless of when the tax liability was finally agreed. If the company was not **large** (see Appendix 1.1) tax is payable on the **normal due date**. If we charge your company interest for an **accounting period** that ends after 30 June 1999, this interest is a deductible business cost.

35. We pay interest on any tax your company paid us before it was due. We also normally pay interest if we are repaying tax. If your company paid its tax on more than one date, we work out interest by assuming that tax paid last is being repaid first, so that interest is based on later payments before earlier payments. Any interest we pay for an **accounting period** that ends after 30 June 1999 is taxable, so your company must include this interest in its Company Tax Return.

When does my company file its Company Tax Return?

36. We will send your company a Notice to deliver its Company Tax Return (form CT603) usually from three to seven weeks after the end of its **accounting period**. This notice requires your company to send in a completed Company Tax Return. We will also send you a company tax return form CT600 to complete if the company has no agent or has not told us it uses an approved software substitute return form. You (or your agent if you do have one) can get company tax return forms, supplementary pages and the return form guide

- by downloading copies from our website at **www.inlandrevenue.gov.uk**
- by contacting our Corporation Tax Self Assessment Orderline on 0845 300 6555 (fax **0845 300 6777**)

What is a 'specified period'?

37. The Notice to deliver a company tax return (form CT603) shows a period of no more than 12 months, called the **specified period**. The **specified period** will usually be the period that we think is your company's **accounting period**. If it is, then that is the period your company's Company Tax Return must cover.

If we have made a mistake about the dates of your company's **accounting period**, you cannot alter the dates on the Notice or decide not to send in a return. The next section will help you work out what is the right period to cover in the return. Your company must send in a return, unless we have specified a period of less than 12 months and this falls entirely within an **accounting period** of your company (see paragraph 41). After we have received the return we will, if necessary, change our records so that the next Notice we send your company will be for the correct period. You can help us avoid sending a Notice for the wrong period by telling us at the time if your company changes its **accounting period**.

Specified periods: particular cases

38. If the period specified in the Notice is not your company's accounting period

- your company should make a return for any **accounting period** that ended in the **specified period**. If your company has more than one **accounting period** that ended in the **specified period**, it should make a separate return for each.

Example 1

A Ltd has always prepared accounts and sent in Company Tax Returns for the year to 31 December. On 1 January 2002, A Ltd changes its accounting date to 31 March and then prepares accounts to 31 March. However, in June it decides to go back to 31 December and prepares accounts from 1 April to 31 December. A Ltd did not tell us about the changes and we send a Notice to deliver for the period 1 January 2002 to 31 December 2002.

A Ltd has to send in a return for each accounting period, 1 January to 31 March 2002 and 1 April to 31 December 2002.

If an accounting period began in the specified period, but no accounting period ended in that period

39. Your company must send in a return for the part of the **specified period** before the **accounting period** started, even if there are no figures to put in it. You do this by putting '0' or 'NIL' in all the relevant boxes. (You may be in this position if your company is new and you have not told us the date when your company started trading.)

Example 2

B Ltd is set up as a new company and completes form CT41G. (See paragraph 11.) The company tells us that it will start trading on 1 January 2002 and will prepare accounts to 31 December 2002. However, B Ltd does not actually start trading until 1 July 2002 and decides to prepare accounts to 30 June 2003. Based on what the company told us, we send B Ltd a Notice to deliver for the period 1 January 2002 to 31 December 2002. B Ltd must send in a return for the period from 1 January to 30 June 2002, even if it will contain no figures.

If your company was not liable to tax for the specified period

40. Your company must send us a return for the whole of the **specified period**, even if there are no figures to put in it. It does this by putting '0' or 'NIL' in all the relevant boxes. (Your company may be in this position if it was dormant, or was not tax resident in the UK and did not trade in the UK.)

If we have specified a period of less than 12 months and this falls entirely within an accounting period of your company

41. Your company does not have to send in a return. However, you will need to let us know so that we can put our records right.

Example 3

C Ltd has always prepared accounts and sent in Company Tax Returns for the year to 31 December. In June 2002, C Ltd tells us it is going to change its accounting date to 30 September. In November, we send C Ltd a Notice to deliver for the period 1 January 2002 to 30 September 2002. However, C Ltd did not actually change its accounting date and so does not need to send in a return, but it does need to tell us the correct accounting date.

What is the 'statutory filing date'?

42. Your company can send in its Company Tax Return at any time after the end of its **accounting period**, but must do so no later than the **statutory filing date**. This is normally the later of

- twelve months after the end of the **accounting period**, or
- three months after your company receives the Notice to deliver.

Example 4

D Ltd starts trading on 1 January 2002 and prepares its accounts for the period to 31 December 2002. It receives a Notice to deliver for this period. The filing date will depend on the date D Ltd gets this Notice. For example, if it receives the Notice

- at any time before 1 October 2003, D Ltd must file by 31 December 2003. This is 12 months after the end of the **accounting period**
- at any time after 1 October 2003, D Ltd must file no later than three months after it received the notice.

Statutory filing date: particular cases

43. Sometimes there may be more than one **accounting period** within the period covered by your company's accounts. For instance, your company could change its accounting date and draw up accounts for more than 12 months (but no more than 18 months). If this happens, the **statutory filing date** can be delayed.

Example 5

E Ltd has always drawn up its accounts to 30 September. In January 2002, it changes its accounting date to 31 December and prepares accounts for the 15 months from 1 October 2001 to 31 December 2002. We send E Ltd Notices to deliver, specifying two 12-month periods, one from 1 October 2001 to 30 September 2002 and one from 1 October 2002 to 30 September 2003.

E Ltd has two **accounting periods**. The first runs from 1 October 2001 to 30 September 2002. The second runs from 1 October 2002 to 31 December 2002. The **statutory filing date** for both **accounting periods** is 31 December 2003. This is 12 months from the end of the period for which it prepared accounts.

44. If your company is registered as a company with Companies House then normally it cannot draw up accounts for a period longer than 18 months, but other organisations we treat as companies can draw up accounts for periods longer than 18 months. If your company does this, the filing date is 30 months after the start of the period covered by its accounts.

Example 6

F always prepares its accounts for the 12 months to 31 March. In April 2002, it changes its accounting date to 31 December and prepares accounts for the 21 months from 1 April 2002 to 31 December 2003. We send F a Notice to deliver for the **specified period**, 1 April 2002 to 31 March 2003 and it tells us that it will only prepare accounts for the 21 months to 31 December 2003. F asks if it can file its return in December 2004.

F has two **accounting periods**, 1 April 2002 to 31 March 2003 and 1 April 2003 to 31 December 2003. As the period covered by F's accounts is more than 18 months, the **statutory filing date** for the first **accounting period** is 30 September 2004. This is 30 months from the start of an **accounting period** more than 18 months long. So F cannot delay filing until December 2004.

The filing date for the second **accounting period** (1 April 2003 to 31 December 2003) is 31 December 2004, as this is 12 months after the end of the **accounting period**.

What should my company include in its Company Tax Return?

45. If we send your company a Notice (form CT603) it must complete a company tax return form (CT600) or approved software or other substitute version of it. This must contain the company's self assessment, and details of any trade and other losses, like capital losses. Under the earlier rules of Corporation Tax Pay and File, we formally agreed losses, but we do not do this under Corporation Tax Self Assessment. Any negative amounts that are shown in your company's return become final when the self assessment becomes final.

46. Your company must also include in its return
- accounts that it has to draw up under UK company law, or
- accounts that it has to prepare if it is not a limited company
- computations, showing how the figures in the return have been arrived at from the figures in the accounts
- other documents required under company law, like Directors' and Auditors' reports
- Supplementary Pages that your company has to complete (see paragraph 49).

47. A person authorised by the company must sign every return. That person must state that the return is, to the best of his or her knowledge, correct and complete. We expect the company to take all reasonable steps to file a complete return by the filing date without using estimates. However, we recognise that there will, from time to time, be circumstances when the company cannot do this, although it has done its best to do so. In these circumstances, the company must make its best estimate of the figure and tell us why and how it has been estimated. If it intends to replace this estimate at a later date it must say when it will supply the final figure. Where the company takes all such reasonable steps, we will regard returns delivered in this way as satisfying the filing obligation.

48. If you subsequently become aware that an estimated figure in the company's return is no longer the 'best estimate', or you can replace it with an accurate figure, you must tell us without unreasonable delay. If you do not do so, your company could become liable to a penalty. If you supply estimated figures which prove not to be 'best estimates', this does not mean the return did not satisfy the filing obligation. However, your company could become liable to a penalty for making an incorrect return. There is more information about these penalties in paragraph 59.

49. All companies have to complete the main return (form CT600). There are also the following Supplementary Pages that companies use to provide additional information.

- Loans to **participators** by **close companies** (CT600A).
- **Controlled foreign companies** (CT600B).
- Group and consortium relief (CT600C).
- Insurance (CT600D).
- Charity and community amateur sports clubs (CASCs) (CT600E).
- Tonnage tax (CT600F).
- Corporate Venturing Scheme (CT600G).
- Cross Border Royalties (CT600H).
- Supplementary Charge in respect of ring fence trades (CT600I).

You can order these Supplementary Pages from us in the same way as the main return form (see paragraph 36).

Can my company amend its Company Tax Return after it has sent it in?

50. Your company can amend its return, including the self assessment, at any time within 12 months of the **statutory filing date**. We do not extend this time limit, so if your company sends in its return more than 12 months after the statutory filing date, you cannot amend it. If we amend such a late return, your company has three months in which to reject it. (See paragraph 54.)

How does my company make claims and elections?

51. Wherever possible, your company must make claims by including them in its Company Tax Return, or by amending its return and giving effect to them in its self assessment. If your company does this, it can usually amend, or withdraw, the claim or election by amending the return within the time allowed (see paragraph 52). Claims may, for example, be for capital allowances or group relief. Elections may include things like the payment of interest between group companies without having to deduct income tax, rebasing for capital gains, matching or local currency elections for foreign exchange calculations.

52. If your company's claim was not made in a return, or amendment to a return, it can amend the claim within 12 months of making it.

What happens after my company sends in its Company Tax Return?

53. We will acknowledge your company's Company Tax Return when we get it and transfer the information on the return to our computer system. Your company's self assessment is final unless

- you amend it within the time allowed (paragraph 50)
- we correct any obvious errors or omissions (see paragraph 54) within the time allowed
- we enquire into it (paragraph 61)
- an amendment is needed because of an **enquiry** into another return for another period
- we make an assessment under 'discovery' provisions (paragraph 70).

54. We may correct your company's return at any time up to nine months from the day your company delivered it. If your company amends its return, we have another nine months in which to correct the amendment. We may correct any obvious errors, omissions, or errors of principle, but we do not make any judgement on the

accuracy of the figures in the return. Your company cannot appeal against our correction. If it disagrees, your company can amend the return so as to reject our **correction**. This must be done within twelve months of the statutory deadline or, if that period has expired, within three months of the date of issue of the notice of correction.

What will happen if my company sends in its return late?

55. If your company does not send us a Company Tax Return, we can make a determination of the tax payable by the company. Your company cannot appeal against this determination. The only way it can change the determination is to send in the appropriate Company Tax Return.

Will my company be charged penalties?

56. If we do not send your company a Notice to deliver, it must still tell us if it is liable to tax. Your company has to do this within 12 months of the end of its **accounting period**. If your company does not tell us, it can be charged a tax-related penalty. The maximum penalty is equal to the amount of tax that your company owes for the **accounting period**, but is unpaid 12 months after the end of that **accounting period**.

57. If we send your company a Notice to deliver, but it does not send in the Company Tax Return by the filing date, it may become liable to a penalty. The amount of the penalty depends on how late your company sends in the return and on the previous filing record.

Return filed	Flat-rate penalty	Flat-rate penalty if return is late for three or more accounting periods in a row
Up to three months after the filing date.	£100	£500
More than three months after the filing date.	£200	£1,000

58. As well as a flat-rate penalty, there can also be tax-related penalties. We normally charge tax- related penalties when your company

- does not file a return within 18 months of the end of the **accounting period**, or of the filing date if this is later, and
- has not paid the right amount of tax.

Late return filed	Tax-related penalty
At least 18, but less than 24 months after the end of the **accounting period**.	10% of the unpaid tax at the 18-month point or, if later, the filing date.
24 months or more after the end of the **accounting period**.	20% of the tax unpaid at the 18-month point or, if later, the filing date

59. We can also charge a tax-related penalty if your company fraudulently or negligently

- delivers an incorrect return, or
- makes an incorrect return, statement or declaration in connection with a claim for an allowance, deduction or relief in respect of tax,
  or
- sends in incorrect accounts relating to its tax liability.

We can also charge a tax-related penalty if your company finds out that it has sent in a return that is incorrect, but then fails to put this right without unreasonable delay.

In all such cases the maximum penalty we can charge is the same as the amount of tax understated.

Your company can appeal against any of these penalties (see paragraph 72).

When does the Inland Revenue conduct enquiries into Company Tax Returns?

60. We want all companies to pay the right amount of tax and will do all we reasonably can to help companies meet their obligations. We also want companies to feel confident that other taxpayers are paying the right amount of tax and we operate the tax system fairly.

61. We will enquire into some Company Tax Returns
- to check that they are correct, or
- if we need more information to help us understand the figures in them.

62. If we decide to enquire into your company's return we will
- tell your company in writing that we are going to start enquiries
- send your company a copy of our Code of Practice, COP14 'Corporation Tax. Self Assessment enquiries' which tells your company its rights and responsibilities
- let your company know what information we require.

63. We normally have 12 months from the date your company had to send in its Company Tax Return (the **statutory filing date**) in which to tell your company that we intend to start **enquiries**. We may have longer if your company sends in its return late. We will always have at least 12 months to enquire into any amendment that your company makes to its return.

64. When our enquiries are completed, we will tell your company in writing. If we find nothing wrong, we will confirm that our enquiries have finished. If we think any adjustments are needed to your company's return we will tell the company in writing.

65. We will ask your company, if it agrees with our figures, to amend its Company Tax Return. Your company will have 30 days to do so and to amend any other Company Tax Returns affected by the outcome of our enquiries. If it does not do this within 30 days, we will amend the return for the period under **enquiry**, and for any other period, to give effect to the adjustments we think are needed.

66. After we have made our amendments, your company has 30 days to appeal to the independent **Appeal Commissioners** (see paragraph 76) against these amendments, or against any assessment to corporation tax we make that it does not think is correct.

67. Your company can also ask the Appeal Commissioners to tell us to end an **enquiry** if it believes there are no reasonable grounds for continuing.

68. We can make only one **enquiry** into a return, unless your company amends the return.

69. If we have not begun **enquiries** by the end of the period allowed (see paragraph 63), your Company Tax Return will normally become final. We can make a 'discovery assessment' after that period only if we find that

- an amount which ought to have been assessed has not been assessed
- an assessment to tax is, or has become insufficient, or
- relief has been given which is or has become excessive

70. We can make a discovery assessment only if

- the company's return was incorrect because of fraudulent or negligent conduct, or
- we discover an error of which we could not reasonably have been expected to be aware from the information provided in, or with, the Company Tax Return.

We will only make a discovery assessment where we cannot open an **enquiry**.

71. If we do not discover fraudulent or negligent conduct, we can make an assessment or determination up to six years after the end of the **accounting period**. If we do discover that your company (or someone acting on behalf of your company, or a partner of your company) has acted negligently or fraudulently, we can make an assessment or determination at any time up to 21 years after the end of the **accounting period**.

How can my company make an appeal?

72. Your company can appeal against any

- notice we send asking for documents or information during an enquiry and any penalty for failing to meet the terms of that notice
- amendment we make to its self assessment during the course of an enquiry, or at the end of an enquiry
- discovery determination
- assessment that is not a self assessment
- penalty for not keeping records
- penalty for filing its Company Tax Return late
- penalty for delivering an incorrect return, claim or accounts.

73. To make an appeal, your company can write to us at the address on the letter or notice within 30 days from the date we sent it. It needs to give us

- its name, and
- tax reference number, or
- assessment number and file number (shown at the top of the notice).

It can also use the special appeal form sent with the notice.

74. There is more information about when and how to appeal in

- the notes we send with the notice

You can also contact your local Inland Revenue Office or Enquiry Centre (listed in your local telephone book under 'Inland Revenue') and ask us to explain how to make an appeal.

75. When your company appeals, it has to say why it is making the appeal. It may ask to postpone paying the tax that it thinks is not due. However, we will charge interest on any unpaid tax which is finally agreed to be payable (see paragraph 32). If your company appeals against a penalty then we will automatically postpone collection of the penalty. We do not charge interest on penalties.

76. If we accept your company's appeal, we will tell you and let you know the revised amount of tax your company should pay. If we cannot agree, we will ask the **Appeal Commissioners** to decide. The **Appeal commissioners** are an independent body whose job it is to hear the arguments from both sides, find out the facts, and then make a decision.

Appendix 1

Large companies, groups of companies and consortia, controlled foreign companies

Large companies

1.1 '**Large**' companies must pay their tax bill by Quarterly Instalment Payments (QIPs). 'Large' companies are those with annual profits of more than £1.5 million (divided by the total number of **associated companies**). There are special rules so that companies do not pay by QIPs in the first period in which they are large (unless their profits exceed £10 million). Your company's accountant or professional adviser will advise you whether your company needs to pay by QIPs.

1.2 If your company, or one of the companies in a group of companies, has to pay its tax by QIPs, the group can also enter into a Group Payment Arrangement with us. This arrangement lets you manage any uncertainty over how much tax individual companies owe, compared to what the group owes. You will still have to estimate the right amount of tax for the group as a whole, but need not worry about the precise division between the companies in the group. This arrangement also means that the group can minimise any interest on tax underpaid by the group as a whole.

You can make enquiries about Group Payment Arrangements by calling

Accounts Office Cumbernauld: **01236 785228**

Accounts Office Shipley: **01274 539561**

You can also find out more in our leaflet CTSA/BK3 'A modern system for corporation tax payments. A guide to Quarterly Instalment Payments'.

Groups and consortia

1.3 Special rules apply to the way in which companies in groups or consortia can arrange their tax affairs. If you believe your company forms part of a group or consortium, you should check this with your company's accountant or professional adviser, as there are precise legal definitions of both terms. For example, companies are not in a group simply because one individual, like a director, directly controls all of them. You should contact your company's accountant or professional adviser for specific advice if you are considering any of the types of transfer described below.

1.4 Companies that are part of the same group can decide to transfer overpayments of corporation tax from one company to another.

1.5 If one company has paid too much corporation tax, it is entitled to a repayment. However, it can, instead, allocate all or part of the tax overpaid to another group company with the same **accounting period**. Special rules apply to treat the company to which the overpayment was surrendered as having paid the tax on the date it was actually paid by the surrendering company. Broadly speaking, this evens out the interest position between the companies involved.

1.6 Another relief, called 'group relief', allows trading losses and certain other reliefs to be transferred between companies which are members of the same group. Reliefs may also be transferred between companies that are members of the same group and companies owned by a consortium of which one of the companies in the group is a member. There are complex rules, which are set out in the Taxes Acts, to decide how much can be transferred and the accounting periods involved.

1.7 Your company can enter into arrangements with us, called 'Simplified Arrangements', under which one company can manage claims and surrenders made by a group. This is likely to be useful for larger groups of companies.

Controlled foreign companies

1.8 You may need to calculate and pay a special tax if your company has any **controlled foreign companies**. There are detailed rules for deciding whether or not an overseas company in which your company has an interest is a controlled foreign company and, if so, whether that company qualifies for any exemptions. This will depend on where the overseas company is resident, its business activities, turnover, how much tax it pays and the reason why it has been set up. You should seek advice from your company's accountant or professional adviser if your company has an interest in an overseas company.

Appendix 2

Loans to Participators

2.1 Most private limited companies are **close companies**. Close companies are companies controlled directly or indirectly by five or fewer **participators**, or any number of directors who are participators. The term '**participator**' most commonly refers to a person who owns shares in a company, but the definition is much wider than that. It also includes any person who has a share or interest in the capital or income of the company or who is a loan creditor.

2.2 We tax **close companies** on the amount of any 'loan or advance' that they make to any individual who is a **participator**, or to any 'associate' of a participator. An 'associate' includes any relative or business partner of a **participator**, or the trustees of any settlement made by the participator or their relative. A 'loan or advance' occurs most often when a participator (often a director) incurs a debt to the **close company** by overdrawing a current or loan account with the company. There are two exceptions.

- We will not tax a debt as a loan or advance to a participator if the company incurred that debt for the supply of goods or services in the ordinary course of its business. However, we will tax the company in any case where more than six months' credit is given, or if the company allows a longer credit period to the participator than that normally given to the company's customers.
- Certain small loans made to participators who are full time working directors and who do not have a material interest in the close company will not be treated as loans.

2.3 As well as the charge on your company, there may also be a separate income tax charge on the **participator**. If your company employs the **participator**, and also completes a form P11D, it is your responsibility as an employer to tell us about any loan or advance.

2.4 Your company must calculate its liability to this tax and pay it along with any corporation tax due. When the loan balance has been reduced or cleared, your company can claim relief from any tax paid and have it repaid. You enter the amount of the charge on the Company Tax Return (form CT600) and give us more information on the Supplementary Pages (CT600A). We will send out guidance notes on how to calculate this tax with the CT600A.

2.5 If you are not sure if your company has any liability to this tax on loans or advances, or how to work out the tax or any relief, you must consult your company's accountant or professional adviser.

Glossary

Accounting period
The period for which your company's accounts are drawn up, which can never be longer than 12 months (see paragraph 27).

Appeal Commissioners
The Appeal Commissioners are independent of the Inland Revenue. They hear appeals about the way the tax rules apply to the affairs of taxpayers (see paragraph 76).

Associated company
A company is treated as an associated company of another, if one of the two controls the other or both are under the control of the same person or persons.

Close company
A company which is under the control, direct or indirect, of
- five or fewer participators, or
- any number of directors who are participators (see Appendix 2).

Company
Any company, body corporate or unincorporated association changeable to corporation tax. Companies that are not resident in the UK and who do not trade in the UK are not chargeable to corporation tax.

Members' clubs, societies and voluntary associations may also be companies for corporation tax purposes (see leaflet IR46 'Clubs, societies and voluntary associations). Partnerships, local authorities and local authority associations are not companies.

Controlled foreign companies
A company that is resident overseas and in which your company has an interest of 25% or more (see Appendix 1).

Correction
The way we put right any obvious errors or omissions in a Company Tax Return (see paragraph 54).

Enquiry
The way we check that a return is correct or gather more information to understand the figures on your return (see paragraphs 60-71).

Large company
A company is 'Large' if its profits for an accounting period exceed the 'upper relevant maximum amount' in force at the end of that period.

At 1 April 2003 this amount was £1.5 million.

NICs
An employer pays National Insurance contributions (NICs) for various Government benefits, such as the State pension, for their employees. The company collects them in the same way as PAYE and pays them at the same time as PAYE.

Normal due date
The normal due date is nine months and one day after the end of the accounting period. This is the date by which a company's corporation tax is due to be paid, except for large companies, which must pay by quarterly instalments.

Participator
A person who has a share or interest in the capital or income of a company, including certain loan creditors of the company (see Appendix 2.)

PAYE
Pay As You Earn (PAYE) is the system by which employers deduct income tax (and NICs) from the wages and salaries they pay their staff. Employers pay PAYE to us on a monthly basis and we offset the amounts against the annual tax bill for each employee.

Specified period
The period of time set out in a Notice to deliver a Company Tax Return. it is usually what we think is, or will be, the company's accounting period.

Statutory filing date
The date by which companies must send in their Company Tax Returns (see paragraphs 42-44).

Total profits
The total profits from all company activities (see paragraph 24).

Further Information

We produce a wide range of leaflets. Some you might find useful are

COP1	Putting things right. How to complain
COP14	Corporation tax. Self Assessment enquiries
CTSA/BK2	A guide to Corporation Tax Self Assessment for tax practitioners and Inland Revenue staff (Internet only)
CTSA/BK3	A modern system for corporation tax payments. A guide to Quarterly Instalment Payments
IR46	Clubs, societies and voluntary associations
P/SE/1	Thinking of working for yourself?
SA/BK4	Self Assessment. A general guide to keeping records

Our leaflets are available at **www.inlandrevenue.gov.uk** and from any Inland Revenue office or Enquiry Centre. Most offices are open to the public from 8.30am to 5.00pm, Monday to Friday. Addresses are in your local phone book under 'Inland Revenue' and at **www.inlandrevenue.gov.uk/local**

You can get most of our leaflets from our Orderline, seven days a week (except Christmas Day, Boxing Day and New Year's Day) by

- phone or textphone (for Minicom users) on **0845 9000 404** between 8.00am and 10.00pm
- fax on **0845 9000 604**
- e-mail at **saorderline.ir@gtnet.gov.uk**
- writing to
  PO Box 37
  St Austell
  Cornwall
  PL25 5YN.

- You can also call the CTSA Orderline on **0845 300 6555** (fax: **0845 300 6777**) between 8.00am and 10.00pm, seven days a week (except Christmas Day, Boxing Day and New Year's Day).

Orderline calls are charged at local rates.
Your library or Citizens Advice Bureau may also have copies of some of our leaflets, but may not have them all.

We have a full range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask your local Inland Revenue office or Enquiry Centre.

Helplines and Orderlines

There are a number of other Helplines and Orderlines, which can provide you with information on particular subjects.

For companies
Companies House, Central Enquiries **029 2038 0801**
Companies House website **www.companieshouse.gov.uk**
Calls are charged at national rates

For employers
New Employer's Helpline
Open Monday to Friday 8.00am to 8.00pm **0845 607 0143**
Saturday and Sunday 8.00am to 5.00pm **0845 714 3143**
Textphone **0845 602 1380**

National Minimum Wage Helpline
Open Monday to Friday 8.00am to 8.00pm **0845 600 0678**

Employer Helpline
Open Monday to Friday 8.30am to 8.00pm
Saturday and Sunday 8.00am to 5.00pm **0845 714 3143**
Textphone **0845 602 1380**

Employer's Orderline for leaflets and forms
Open Monday to Friday 8.00am to 8.00pm **0845 764 6646**
Saturday 10.00am to 1.00pm

For charities
IR Charities
Open Monday to Friday 8.30am to 6.00pm **0845 3020203**
Calls are charged at national rates.

Statutory References

The law that governs company taxation is mainly set out in

- Schedule 18 Finance Act 1998
- Taxes Management Act 1970, and
- Income and Corporation Taxes Act (ICTA) 1988.

Meaning of 'company'
Company' is described on paragraph 1 of this guide and there is a legal definition in Section 832 ICTA 1988.

Meaning of 'accounting period'
'**Accounting period**' is described on paragraph 27 of this guide and there is a legal definition in Section 12 ICTA 1988.

There is a glossary of some terms that have a special meaning on page 26. The terms that are defined in the glossary are printed in bold type in this guide.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

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