EXPLANATORY MEMORANDUM TO

THE CORPORATION TAX (INSTALMENT PAYMENTS) (AMENDMENT) REGULATIONS 2014

2014 No. 2409

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 regulations 2 and 3 of the principal Regulations so that references to definitions in the Corporation Tax Act 2010 ("CTA 2010") that will be repealed as a result of the unification of tax rates are replaced by new, simplified definitions.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 Under section 59D Taxes Management Act 1970 ("TMA 1970"), corporation tax is due and payable nine months and one day after the expiry of an accounting period. However, the principal Regulations provide that companies that are defined as large are required to pay corporation tax in instalments that fall due before that date.

4.2 Regulation 3 of the principal Regulations defines a large company for this purpose, and in doing so uses definitions included in Part 3 CTA 2010 that makes provision for companies with small profits and marginal relief.

4.3 As a result of the unification of corporation tax rates for the financial year 2015 onwards, small profits rate and marginal relief will no longer apply to companies other than those with oil and gas ring fence profits. Part 3 CTA 2010 will be repealed, and the legislation rewritten in Chapter 3A Part 8 CTA 2010 (oil activities.)

4.4 These Regulations amend the principal Regulations to replace the repealed definitions, and where appropriate, use the rewritten, simplified definitions in Part 8 CTA 2010.

4.5 The changes will apply to accounting periods beginning on or after 1 April 2015.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

7.1 At Budget 2013, the Government announced that a single unified rate of corporation tax of 20 per cent will apply from 1 April 2015 to profits other than oil and gas ring fence profits.

7.2 Consequently, Part 3 CTA 2010 that includes the legislation for companies with small profits and marginal relief will be repealed and the legislation rewritten to new Chapter 3A Part 8 CTA 2010 that includes the oil activities legislation.

7.3 The principal Regulations previously used some of the definitions included within Part 3 CTA 2010, and are therefore amended by these Regulations to replace or where appropriate use the rewritten definitions in Chapter 3A Part 8 CTA 2010. The changes are as follows:

7.4 The insertion of a monetary profits limit of £1,500,000 to replace the "upper limit" (also £1,500,000) previously defined in Part 3 CTA 2010 and used to determine if a company is large and therefore within the scope of the principal Regulations.

7.5 The replacement of references to "associated companies" with references to "related 51 per cent group companies" used to ensure the £1,500,000 and £10,000,000 limits are shared between related companies, the new "related 51 per cent group" definition has been written in Part 8 CTA 2010 and is simpler to apply than the "associated companies" definition.

7.6 The replacement of the reference to section 32 CTA 2010 with reference to section 279G CTA 2010 where the definition of "augmented profits" used for the purposes of applying the £1,500,000 limit has been rewritten.

7.7 The changes will apply to accounting periods beginning on or after 1 April 2015.

7.8 There are no plans to consolidate the principal Regulations.

8. Consultation outcome

8.1 The Regulations were published on the HMRC website on 10 December 2013 alongside related draft primary legislation for a period of 12 weeks. There were no comments.

9. Guidance

9.1 The Company Taxation Manual (published on the HMRC website) and other relevant guidance will be updated 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 is expected to be negligible.

10.3 A Tax Information and Impact Note covering this instrument was published on 10 December 2013 alongside related draft Finance Bill legislation and is available on the HMRC website at https://www.gov.uk/government/publications/finance-bill-2014-tiins. It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

The measure will be kept under review through regular communication with affected taxpayer groups.

13. Contact

Clare Dunne at HMRC can answer any queries regarding the instrument.
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