EXPLANATORY MEMORANDUM TO

THE CORPORATION TAX (INSTALMENT PAYMENTS) (AMENDMENT) REGULATIONS 2017

2017 No. 1072

1. Introduction

1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs on behalf of HM Treasury 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 (CT) by instalments.

2.2 These Regulations amend and insert regulations into the principal Regulations so that companies with annual taxable profits exceeding £20m pay CT by instalments 4 months earlier than large companies.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

Other matters of interest to the House of Commons

3.2 As this instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

4.1 Under section 59D Taxes Management Act 1970 ("TMA 1970"), corporation tax is due and payable nine months after the expiry of an accounting period, (AP). However, the principal Regulations provide that companies that are defined as large are required to make instalment payments on account of their corporation tax liability in advance of that date.

4.2 These Regulations amend the principal Regulations so that companies defined as very large are required to make instalment payments 4 months earlier than large companies. Regulation 3 of the principal Regulations defines a large company for this purpose. These Regulations substitute new regulation 3 and 3A, setting out the definitions of large and very large companies.

4.3 The changes will apply to APs beginning on or after 1 April 2019.

5. Extent and Territorial Application

5.1 The extent of this instrument is the United Kingdom.

5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

What is being done and why

7.1 Currently, companies with annual taxable profits of over £1.5m (or if a member of one or more 51% groups, a proportion of this amount) (large companies) pay CT in instalments. For an AP of 12 months, companies are required to make payments in months 7 and 10 for the AP to which the liability relates, and months 1 and 4 of the next AP.

7.2 At the Summer Budget on the 8th July 2015, the Government announced that companies with annual taxable profits of over £20m (or if a member of one or more 51% groups, a proportion of this amount as described below) (very large companies) will be required to make payments 4 months earlier than previously. For a 12 month AP, payments will be due in months 3, 6, 9 and 12 of the AP to which the liability relates.

7.3 Where the company is a member of one or more 51% groups, the threshold of £20m will be divided by the number of related 51% group companies plus 1. For example, if a company has 3 related 51% group companies, the threshold is £5m, (20/(1+3)). A company is a related 51% company of another if either company is a 51% subsidiary of the other, or both are 51% subsidiaries of a third company.

7.4 This policy ensures that the largest companies pay tax closer to the point at which they earn their income, and is consistent with the Government's strategy for tax administration.

7.5 The policy also brings the UK's system for payment of CT much closer to those already in operation in other G7 countries, in particular the US and Germany.

7.6 Payment dates will not change for Bank Levy or CT and the supplementary charge on ring fence and adjusted ring fence profits of oil and gas companies.

7.7 For companies with annual taxable profits of £20m or less, the payment dates won't change. For a 12 month AP, companies with taxable profits in excess of £1.5m but £20m or less will continue to make instalment payments in months 7 and 10 of the AP to which the liability relates, and months 1 and 4 of the next AP. Companies with taxable profits of £1.5m or less will pay CT 9 months and 1 day after the end of the AP.

7.8 The changes will apply to APs beginning on or after 1 April 2019.

Consolidation

7.9 There are no plans to consolidate the principal Regulations.

8. Consultation outcome

8.1 The Regulations were published in draft on HMRC's website for 12 weeks beginning 2 December 2015. As a result of representations, the start date for the changes was deferred.

9. Guidance

9.1 Draft guidance was published on HMRC's website alongside the draft Regulations. The Company Taxation Manual and other relevant guidance published on the Government website (gov.uk) will be rewritten 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 relates to the cost of the IT changes needed to implement this change.

10.3 A Tax Information and Impact Note covering this instrument was published on 2 December 2015. This has been updated as a result of changes to the impacts as a result of this instrument, and will be available on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins

11. Regulating small business

11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

12.1 The policy will be monitored through information collected from tax receipts.

13. Contact

13.1 Clare Dunne at the HMRC Telephone: 03000 585961 or email: clare.e.dunne@hmrc.gsi.gov.uk can answer any queries regarding the instrument.