

UK Corporation Tax

Large Companies - Payment by Instalments

Thresholds

If total taxable profits are greater than £1.5 million, reduced pro-rata where there are associated companies and for accounting periods of less than 12 months, then payment of Corporation Tax by instalments will be required. For example, assuming four trading companies in the group, taxable profits need to be greater than £375k for payment by instalments to be required.

However, if a company's profits are below the small companies' rate upper limit (£1.5 million) in one year, they will not have to make quarterly payments in the following year if their profits in that year do not exceed £10 million (reduced pro-rata where there are associated companies).

A company that is large because of its number of associates does not have to pay by instalments if its corporation tax liability is less than £10,000.

Instalment dates

(Assumes a 12 month accounting period 'AP')

First instalment:	6 months + 13 days after start of AP
Second instalment:	9 months + 13 days after start of AP
Third instalment:	12 months + 13 days after start of AP
Fourth instalment:	15 months + 13 days after start of AP

Amount to pay

Prior to payment of each quarterly amount, a best estimate of the actual anticipated taxable profits for the year should be made.

When each payment is considered, an appropriate proportion of the anticipated total liability for the year will have been paid cumulatively and needs to be taken into account to determine the amount of the next instalment.

Example

Anticipated liability for year at time of first quarterly instalment	£ 1,040,000
First quarterly instalment due (25% x £1,040,000) = £260k	260,000
Anticipated liability for year at time of second quarterly instalment	1,000,000
Second quarterly instalment due (50% x £1,000,000) = £500k	240,000
Anticipated liability for year at time of third quarterly instalment	1,060,000
Third quarterly instalment due (75% x £1,060,000) = £795k - £500k	295,000
Anticipated liability for year at time of fourth quarterly instalment	900,000
Fourth quarterly instalment due £900k - £795k	105,000
Total payments made by instalments	900,000