

A Corporation Tax liability in the UK

Corporation Tax is the tax payable on a company's **income** (for example from investment in shares) or **gains** (for example from the sale of assets) at the statutory rate. In this context 'company' is used to refer to the following, in addition to the more conventional meaning of the word:

- **Members' clubs, societies and associations** who might have trading activities or income from non-members, for example amateur sports clubs
- **Trade associations**, for example the Association of British Travel Agents (ABTA), the regulatory body for British travel agents
- **Housing associations** – in the UK, independent, not-for-profit bodies that provide low cost 'social housing' for people in housing need
- **Groups of individuals carrying on a business**, for example **cooperatives**, but not **partnerships** (see Unit 19)



All companies resident in the UK are **subject to** Corporation Tax on their **profits** in an accounting period. A non-UK incorporated company may also be subject to Corporation Tax, if it is managed and controlled from within the UK.

Although Companies House **notifies** the Inland Revenue – the UK tax authority – of the formation of a company on completion of registration, it is still the responsibility of the company to inform the Revenue of its existence and liability to pay tax. This must be done within 12 months of the end of the company's accounting period. An **accounting period** starts when a company first becomes chargeable to Corporation Tax or when the previous accounting period ends. It cannot **exceed** 12 months for the purpose of tax. The normal **due date** for the payment of tax is no later than nine months plus one day after the end of the accounting period, although large companies – that is, those with annual profits **in excess of a stipulated amount** – are obliged to pay their tax early by Quarterly **Instalment Payments**.

B Word combinations with 'tax'

tax	trying legally to minimise the tax to be paid, for example by using tax loopholes (gaps in the law)
	advantages
	demand for money owed in taxes
	tax that may be levied on profits
	tax that has to be paid by a required date
	ways of reducing taxes owed
	illegally trying to not pay tax
	a principle permitting freedom from payment of tax. For example, non-profit-making organisations may claim tax exemption .
	date at which a tax begins to be applied
	help, allowing a company (or individual) not to pay tax on part of their income
	form issued by the taxation authorities for declaration of income and allowances, also known as a declaration