Corporation Tax Self-Assessment Fact Sheet

Practical effect of Corporation Tax Self-Assessment (CTSA) for companies

Notice to file

Every year, HMRC issue a notice to file to companies. In most cases, the return must be submitted to HMRC within 12 months of the end of the accounting period.

Filing your company tax return online

Companies must file their corporate return online. Their accounts and computations must also be filed in the correct format - inline eXtensible Business Reporting Language (iXBRL).

Unincorporated organisations and charities that don't need to prepare accounts under the Companies Act can choose to send their accounts in iXBRL or PDF format. However any computations must be sent in iXBRL format.

Penalties

Penalties apply for late submission of the return of £100 if it is up to three months late and £200 if the return is over three months late. Additional tax geared penalties apply when the return is either six or twelve months late. These penalties are 10% of the outstanding tax due on those dates.

Submission of the return

The return required by a Notice to file contains the company's self-assessment, which is final, subject to:

- taxpayer amendment
- HMRC correction; or
- HMRC enquiry.

The company has a right to amend a return (for example changing a claim to capital allowances). The company has 12 months from the statutory filing date to amend the return.

HMRC have 9 months from the date the return is filed to correct any 'obvious' errors in the return (for example an incorrect calculation). This process should be a fairly rare occurrence. In particular, the correction of errors does not involve any judgement as to the accuracy of the figures in the return. This is dealt with under the enquiry regime.

Enquiries

Under CTSA, HMRC check returns and has an explicit right to enquire into the completeness and accuracy of any tax return. This right covers all enquiries, from straightforward requests for further information on individual items through to full reviews of a company's business including examination of the company's records.

The main features of the rules for enquiries under CTSA are:

- HMRC generally have a fixed period, of 12 months from the date the return is filed, in which to commence an enquiry
- where the company is a member of a group (other than a small group), HMRC can raise an enquiry up to 12 months from the due filing date
- if no enquiry is started within this time limit, the company's return becomes final - subject to the possibility of an HMRC 'discovery'
- HMRC will give the company formal notice when an enquiry commences

- HMRC are also required to give formal notice of the completion of an enquiry, and to state their conclusions
- a company may ask the Commissioners to direct HMRC to close an enquiry if there are no reasonable grounds for continuing it.

Discovery assessments

HMRC have the power to make an assessment (a 'discovery assessment') if information comes to light after the end of the enquiry period indicating that the self-assessment was inadequate as a result of fraudulent or negligent conduct, or of incomplete disclosure.

Summary of self-assessment process

For example:

A company prepares accounts for the 12 month ending 31/5/20 and submits the return by 31/12/20.

Key dates

1/3/21	Payment of Corporation Tax
31/5/21	Deadline for return to be filed
31/12/21	End of period for HMRC to open enquiry (being 12 months from the date the return as was actually filed)

On 21/12/21 the company tax position is finalised subject to HMRC's right to make a discovered assessment discovery assessment in some circumstances.

Payment of tax

There is a single, fixed due date for payment of corporation tax, nine months and one day after the end of the accounting period (subject to the Quarterly Instalment Payment regime for large companies).

If the payment is late or is not correct, there will be late payment interest on tax paid late and repayment interest on overpayments of tax. These interest payments are tax deductible/taxable.

Credit interest

If a company pays tax before the due date, it receives credit interest on amounts paid early. Any interest received is chargeable to corporation tax.

Loans to shareholders

If a closed company makes a loan to a participator (for example most shareholders in unquoted companies), the company must make a payment to HMRC if the loan is not repaid within nine months of the end of the accounting period. The amount of the tax is 32.5% of the loan for loans made or benefits conferred.

Additional rules for loans to shareholders

Further rules prevent the avoidance of the charge by repaying the loan before the nine-month date and then effectively withdrawing the same money shortly afterwards.

A '30-day rule' applies if at least £5,000 is repaid to the company and within 30 days new loans or advances of at least £5,000 are made to the shareholder. The old loan is effectively treated as if it has not been repaid. A further rule stops the tax charge being avoided by waiting 31 days before the company advances further funds to the shareholder. This is a complex area so please do get in touch if this is an issue for you and your company. This tax is included within the CTSA system and the company must report loans outstanding to participators in the tax return.

How we can help

We provide pre year end meetings to our clients to discuss a range of subjects including tax planning and saving, guiding you in how to ensure you don’t pay more tax than you need to.

We also provide a one-off ad hoc consultation service should you want to take advantage of our tax saving knowledge.