

Quarterly Instalment Payments - Very Large Companies

Existing tax legislation requires companies with taxable profits above £1.5m to pay their corporation tax liability in advance of the normal due date, by means of quarterly instalments. Where a company's accounting period is 12 months, these instalments are due in 3 month intervals, starting on the 14th day of the 7th month of the accounting period. For example, for a year ended 31 March 2018, the quarterly instalments will be due on 14 October 2017, 14 January 2018, 14 April 2018 and 14 July 2018.

New legislation brings the payment dates forward by four months for companies with taxable profits of more than £20m. This threshold is divided by the number of subsidiary companies in a group, including overseas companies, but excluding dormant companies. For example, if there are 4 companies in the group the threshold would be £20m/4=£5m. Any group company with taxable profits of more than £5m would then pay instalments on the earlier dates, but a group company with taxable profits of less than £5m would not be affected by the new rules.

The new legislation will come into force for accounting periods that begin on or after 1 April 2019. For a 12 month accounting period payments are due on the 14th day of the 3rd, 6th, 9th and the 12th month of the accounting period. There are special rules where the accounting period is not 12 months.

In the first year of the new rules, the acceleration of the payment dates means that six instalments of tax will fall due in a 12 month period. The example shows a company with a March year end where the final payment for March 2019 is due on the 14th July 2019 and the first payment for March 2020 is due a month before this on the 14th June 2019.

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By necessity, instalment payments will be estimated. Once the final corporation tax liability is determined, the quarterly payments will be restated, and under/over payments will attract an interest charge/credit.

Please do not hesitate to contact the Corporate Tax team at MHA Moore and Smalley for advice on how these rules may impact on your company.

Example:

- Company A Ltd with £20million taxable profits;
- Year End 31 March 2019 **Old** rules apply
 - Year End 31 March 2020 **New** rules apply

Y/E March 2019	Y/E March 2020
14 October 2018	14 June 2019
14 January 2019	14 September 2019
14 April 2019	14 December 2019
14 July 2019	14 March 2020

If you would like to discuss this in more detail, please contact a member of MHA Moore and Smalley's Corporate Tax team on **01772 821 021** or **01524 62801**.