
CORPORATION TAX MAIN RATES

Who is likely to be affected?

1. Companies with profits above the upper limit (£1.5 million).

General description of the measure

2. Legislation will be introduced in Finance Bill 2010 to set the main rate of corporation tax (CT) at 27 per cent on and after 1 April 2011.
3. The main rate of CT for companies with profits, arising on and after 1 April 2011, from oil extraction and oil rights in the UK and the UK Continental Shelf ("ring fence profits") will remain at 30 per cent.

Operative date

4. This change in the main rate of CT will have effect on and after 1 April 2011.

Current law and proposed revisions

5. Where companies have profits above the upper limit, the whole of those profits are chargeable to the main rate of CT. Section 2 of the Finance Act 2010 set the main rate on and after 1 April 2011 at 28 per cent for companies with profits other than ring fence profits and at 30 per cent for companies with ring fence profits. The main rate of CT needs to be set in advance. This is because companies paying at this rate have to pay some of their CT by in-year instalments.
6. Finance Bill 2010 will reduce the main rate of CT for non-ring fence profits to 27 per cent on and after 1 April 2011. There will be further reductions to 24 per cent by 1 April 2014. The main rate of CT for ring fence profits will remain at 30 per cent.

Further advice

7. If you have any questions about this change, please contact Andrea Pierce on 020 7147 2591 (email: andrea.pierce2@hmrc.gsi.gov.uk). Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk