

## Corporation tax accruals, 1997 to 2008 and net receipts, 1997-98 to 2009-10

1. The upper section of this table provides estimates of the accruals of corporation tax for accounting periods ending in each financial year. These estimates approximate to tax accruing on profits earned in the calendar year shown. The lower section depicts net receipts of corporation tax in each financial year.
2. In 1999, there were major changes to the way in which corporation tax payments were made. For accounting periods ending in June 1999 or earlier, Advance Corporation Tax (ACT) was levied on any dividend payments by the company, usually in the following quarter. Mainstream Corporation Tax (MCT) was then due nine months and a day after the end of the accounting period, allowing for any ACT already paid (ACT set off). For accounting periods ending July 1999 or later there is no ACT; however large companies were required to make quarterly instalment payments (QIPs) around 5½ and 2½ months before the end of the accounting period, and around ½ and 3½ months after the end. Initially, each QIP was intended to represent 15 per cent of the company's estimate of its likely liability for the year as a whole, with a 40 per cent balancing payment made nine months and a day after the end of the accounting period (the same point at which MCT had been payable). However the QIP size was increased progressively, and for accounting periods ending July 2002 or later, each QIP is intended to represent 25 per cent of the company's likely liability for the year with no balancing payment. Small companies are not required to pay QIPs, and make a single payment nine months and a day after the end of the accounting period.
3. The net effect of the introduction of QIPs and the abolition of ACT has been to reduce the interval between liabilities accruing and payments being made. The majority of each year's accrual is now paid in the financial year corresponding to the calendar year in which the liabilities accrued, although a substantial portion is still not paid until the following financial year. The transition to QIPs exaggerated both the peak in receipts in 1999-00, and the subsequent decline relative to the underlying movements in accruals.
4. Until December 2006, the table of receipts also included projections for an additional year that were consistent with corporation tax forecasts published in either the most recent Financial Statement and Budget Report or Pre Budget Report. However, changes to the corporation tax forecasting methodology mean that it is no longer possible to provide a reliable breakdown of receipts between the different sectors for the additional year.