

Corporation Tax (CT) Guidance for Non- Departmental Government Bodies

**This guide has been produced by the Tax Centre of Excellence and
the Public Bodies Group, HMRC.**

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Section 1: Introduction

1.1 The aim of this guide is to give you a basic overview of Corporation Tax (CT) for Non-Departmental Government Bodies (NDPBs). It gives basic definition of CT, who is liable and what you must do and when, if you are subject to CT requirements. It outlines how the tax is calculated, what the tax rates are and where to go for further advice.

HM Revenue and Customs has confirmed that NDPBs are trading entities and liable to Corporation Tax. This is because NDPBs are corporate bodies under various Acts of Parliament, supplying services to their main financing Ministries and other bodies.

HMRC guide CTM41020 (**see Annex E**) and <https://www.gov.uk/topic/business-tax/corporation-tax> give further information.

NDPBs are therefore subject to CT on their profits and profit for this purpose means income and chargeable gains.

Unlike VAT, there is no threshold for registering for CT. To be liable to register for CT, the NDPB must be a body corporate or unincorporated association and operate a bank account other than a paymaster general account.

1.2 Income and Chargeable gains

All Trading and Investment Income will be subject to CT though some activities undertaken by some NDPBs may not be classified as trade in the everyday sense and will therefore not be subject to CT. NDPBs must therefore carefully consider all income streams to determine if the activities generating that income are trade or investment for CT purposes. NDPBs should also consider if income classified as Revenue Grant is indeed grant or generated from a trading activity.

1.3 What is Trade?

To establish whether trading is taking place, HM Revenue and Customs (HMRC) have set down some badges (or indicators) of trade (<https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim20205>) – see examples below. These are only indicators and HMRC would look at all the facts, including whether activities are undertaken in a commercial manner and in the same way as a similar private sector enterprise might operate. These indicators are not decisive when considered in isolation.

- Is there a profit-seeking motive (it is irrelevant whether a profit is made or not). It must also be emphasised that, even though there may be no intention to make profit, once a trade is held to be carried on, there is liability to tax on any resulting profits irrespective of whether or not the trading activities were directed to the making of a profit.

- Is there any trading activity? Is the transaction a one off or ongoing activity? (Systematic and repeated transactions will support “trade”).
- The existence of similar trading transactions or interests. (Transactions that are similar to those of an existing trade may themselves be trading.)
- Where the source of funding lies.

Some trading activities to note in respect of NDPBs include (not exhaustive):

- Staff secondments are a form of trading and the income is subject to CT regardless of whether a management fee is charged.
- A revenue grant is likely to be trading income
- Property rental from letting surplus business accommodation is treated as a trading receipt. However, other property income is not considered to be trading. There is a separate heading on the Corporation Tax return for rent and this is still subject to Corporation Tax
- Bank interest, interest from car loans and investment income is subject to CT.

Other areas to consider:

- Are charges made for publications?
- Are charges levied for the provision of speakers and/or consultants?
- Does the NDPB organise conferences and charge other organisations for this?
- Consider income generating activities carefully – they are likely to fall within the CT remit
- Does the NDPB receive Local Authority contributions? If so, consider how the contributions will be used to determine if funding is trading income.
- Being registered for VAT is likely an indicator that CT registration is needed.
- Care must be taken to consider the taxation implications when a statutory activity is carried out outside the boundary dictated by legislation. Although the income may appear to be for the same type of activity, the taxation treatment would differ. A good example of this is where a statutory activity is delivered to an organisation that it is not obliged to deliver under statute.
- NDPBs should advise their banks that they are obliged to pay Corporation Tax so that no further deductions should be made at source. HMRC will provide confirmation for the bank if required.

1.4 Grants

As a general rule, the tax treatment of grants received follows the normal principles detailed above. So where grants are available to cover trading costs they will form part of the taxable trading income, unless specifically

designated as capital grants. Capital grants are not chargeable as income but they may still be chargeable under capital gains and losses (see 2.3).

If the grant funds are received for non-trading activities, it is not taxable income. But consideration must be given to how the funds will be used in order to determine whether it is trading income and therefore subject to CT.

Where there are mixed activities, the terms of the grant should be closely examined and trading including other taxable income must be separated from non-taxable activities. Expenses too must be allocated against the correct source.

Section 2: Taxable profits for Corporation Tax and how they are calculated

2.1 HMRC has agreed two methods of calculating Taxable profits for NDPBs. The examples given within the two methods below are not prescriptive. Either of these methods may be used:

A. The general method (see annex A for pro-forma)

Start with your organisation's pre-tax profit figure (sometimes known as 'profit before tax') in your financial accounts for the financial year. You then:

- Add back any depreciation charges you've included in your accounts as well as any other notional or non-allowable expenses such as cost of capital charges, amortisation and pension provisions charged to the Profit and loss account (Statement of Comprehensive Net Expenditure).
- Add back any adjustments made in respect of annual leave accruals. HMRC has confirmed that for CT purposes, no adjustment needs to be made.
- Deduct your capital allowances (they take the place of depreciation charges). (Assets acquired from Capital Grants are excluded from capital allowances computations).
- Add any other relevant income or chargeable gains. Adjust for non-trading activities
- Deduct any other relevant deductions such as employer pension contributions and negative past service cost not already deducted or included as an expense, relief, allowances or losses
- Deduct any early retirement cost or early exit package not included in staff pension cost or as an expense anywhere in the Income Statement or Statement of Comprehensive Expenditure (SoCNE).
- All capital items and any other expenses not incurred wholly and exclusively for the purpose of the trade must be added back.

or

B. The special method

For each taxable income stream, a calculation should be done:

- Start with the income per the final trial balance
- Decide whether the activities are subject to CT
- For those that are subject to CT deduct all expenses wholly and exclusively incurred in relation to these activities (or rental stream for property income). Where expenses are not easily attributable to business activities or where an expense covers both business and non-business activities, a reasonable method of apportionment should be agreed with HMRC. This method must be auditable.
- For those activities that are not subject to CT a summary reason should be included detailing the reasons for the treatment.

- It is important to note that for CT purposes you may not deduct any capital items from your income.

2.2 Donations

Donations to registered charities may be offset against profits but there are some requirements:

1. There must be no provision for repayment of the sum
2. No benefit must be received by the donating organisation.
3. The payment must not be a distribution of profit, e.g. dividends.

2.3 Losses

Losses can be carried forward to set against future profits. Losses arising from 1 April 2017 will be subject to changes made in the Finance Bill 2017.

www.gov.uk/guidance/corporation-tax-calculating-and-claiming-a-loss

2.4 Gains and Losses on Disposal of Fixed Asset

Gains on disposal of fixed assets should be included within the calculation under the Capital Gains heading and not under the trading section. Further guidance is included in **Annex D** or via <https://www.gov.uk/tax-when-your-company-sells-assets>

Losses on disposal can be offset against other capital gains during the year or carried forward to be offset against future capital gains.

Gains and/or Loss on disposal of grant funded assets which are repaid to the grant provider are excluded from the CT computations.

2.5 Group relief: relief that may be claimed

Group relief may be claimed only by companies registered by shares. NDPBs and other corporate bodies are therefore not likely to be able to surrender and claim group relief.

To access Group Relief a number of tests must be passed. One key proviso to be mindful of is that a company, in order to access group reliefs, must be able to demonstrate it is part of a group by reference to a 75% holding of share capital. By definition a company which is Limited by Guarantee, or otherwise without share capital, cannot pass this test. This means a company Limited by Guarantee cannot belong to a larger group. It can however be the parent of its own sub-group provided it holds at least 75% share capital in its subsidiaries and meets all the other relevant tests.

So it is important to be clear what is the relationship between the various NDPBs and other companies and bodies corporate which are controlled by and sponsored by for example a Secretary of State and his Government Dept?

Within these groupings you must correctly identify whether there is a 75% holding (direct and indirect) by share capital, and you must take care to restrict the flow of Group Relief where appropriate for the presence of companies without share capital.

Where group relief is allowable, i.e. corporate bodies under the control of one secretary of state and registered by shares, then Trading Losses made by any member of a CT group and excess capital allowances may be surrendered and set off against Profits made by other members of the group before calculation of Corporation Tax.

2.6 Corporation Tax accounting period

A CT accounting period **can be shorter than 12 months**. For example, if a NDPB's accounts cover a period of less than 12 months, then the accounting period can be the same and only one Company Tax Return covering that period is required.

A CT accounting period however **cannot be longer than 12 months**. If a NDPB's accounts (for some reason) cover a period longer than 12 months and the NDPB has been active throughout, two Company Tax Returns must be filed, the first covering the first 12 months and the second covering the rest of the time.

For example, if a NDPB has its accounts prepared for 15 months from 1 January 2015 to 31 March 2016, its Corporation Tax accounting periods will be:

- 1 January 2015 to 31 December 2015 (12 months)
- 1 January 2016 to 31 March 2016 (3 months)

Further information can be found via <https://www.gov.uk/corporation-tax-accounting-period>

Section 3: Capital Allowances

Capital allowances will be allowed for assets acquired for trading purposes. Where assets are acquired that serve a dual purpose, i.e. used for both trading and non-trading activities, a reasonable apportionment will be

required. For example, if a NDPB acquires a new car (emitting 75g/km CO₂ in 2015) and used 60% for trade and 40% for exempt non-trade activity, only 60% of the value will be allowed for First Year Allowance (FYA), and so on.

Gains and/or losses on disposal of fixed assets should be adjusted for in the Capital Allowances claim.

Assets acquired from Capital Grants are excluded from capital allowances computations to the extent of the Grant contribution i.e. where an asset costs £2m and a capital grant is received of £1.8m Capital allowances may still be claimed on £200K subject to the normal rules.

Values to be used for fixed assets acquired from a previous organisation, assuming the assets are classified as Plant and machinery and that the previous organisation has not claimed capital allowances on those assets in question, should be as detailed below.

If the previous organisation was:

- Connected to the NDPB then the value of the assets would be the market value at the time of the acquisition.
- If not connected to the NDPB then the value of the asset would be the purchase price.

Assets – de-minimis values / rules

For the purposes of Corporation Tax, the de-minimis rule cannot be applied to assets meeting the legal definition of fixed assets. Fixed assets values written off as revenue expenditure due to the application of the de-minimis rule should be excluded and treated as fixed assets, applying capital allowances where applicable.

See Annex B for more details of the types of Capital Allowances available. Where in doubt, contact MoJ Tax Centre of Excellence at taxation@justice.gsi.gov.uk

Further details on Capital Allowances can be found at <https://www.gov.uk/capital-allowances>

Section 4: Corporation Tax rates

From 1st April 2017 the Corporation tax rate for all companies is 19% (except for ring fence companies). Ring fence companies are those that make profits from oil extraction or oil rights in the UK or UK continental shelf.

For the financial years 2015 and 2016 the rate was 20%. For 2014/15 and earlier years, there was a sliding scale between the lower and upper rates known as '**Marginal Relief**'. This meant that if a company or organisation's profits were over the lower rate but less than the main rate, the effective rate of CT the company/organisation pays rose gradually from the lower rate to the upper rate depending on your taxable profit.

For tax purposes (but not Group Relief) all NDPBs under the control of the same Secretary of State of a department are 'associated' and has effect on the rate of CT charged. The CT rate boundaries for the 2014/15 and earlier years were to be divided by the number of associated entities within the CT group. **See annex A** for current CT rates and for apportioned rate boundaries for an organisation with 42 associated group members.

These apportionments no longer apply for tax years beginning 1st April 2015 and later.

See Annex A for rates for earlier years. Further details may also be found on the HMRC website via <https://www.gov.uk/corporation-tax-rates>

Section 5: Submitting your Corporation Tax Returns

As with VAT, all NDPBs registered for CT must complete returns even if the income for a particular year is nil. Failure to do so would make the NDPB concerned liable to penalties and fines. A NDPB will no longer be obliged to complete CT returns only if it has satisfied HMRC that it has ceased trading; and received no form of income including bank interest.

From 1 April 2011, you must pay your CT electronically for any accounting period. And from the same date, you must also file your Company Tax Return online – including supporting documentation – for any accounting period ending after 31 March 2010.

HMRC may issue a CT return reminder to each NDPB closer to the NDPB's submission due date of 31st March but will no longer issue a CT600 manual form. NDPBs needing the CT600 form for working purposes can download one from the HMRC website.

As well as filing online and paying electronically, NDPBs may either file accounts and computations in a set format - Inline eXtensible Business Reporting Language (iXBRL) or attach a PDF format of their relevant financial statement. **HMRC has confirmed that Bodies corporate set up by an act of Parliament are exempt from filing their accounts in the iXBRL format.**

iXBRL

There are many benefits for using online filing software including:

- After you've downloaded the software, you can complete your return at your own pace.
- Built-in automatic calculations and checks leave less room for mistakes and there's on-screen help to guide users as they work through it.
- It's easy for users to store their returns on their own systems and they can also print out copies for their records.
- Receipt of an on-screen message to confirm that your return has reached HMRC safely.
- Users can easily and securely amend returns they have already filed.

But HMRC's CT Online Service is not just about filing your return. You can also:

- check your CT account (known to HMRC as 'view liabilities and payments')
- change your company or organisation's details - for example the contact address
- add, change or remove your accountant or authorised agent.

For further guidance please refer to the HMRC website.

Section 6: Payment of Tax Due

6.1 Self-Assessment

It is up to each NDPB (rather than HMRC) to work out how much CT they must pay for each CT accounting period. In other words each NDPB is to 'self-assess' their own CT.

6.2 Pay and File

Unlike other taxes such as Income Tax or VAT - where in most cases the filing and payment deadlines are identical - this is not the case with CT. The deadline to pay your CT is before the deadline to file your Company Tax Return. Generally, you must:

- **Pay by 9 months and 1 day** after the end of the NDPB's Corporation Tax accounting period (unless you are obliged to pay by instalments).
- **File by 12 months** after the end of your company or organisation's CT accounting period

6.3 Instalment Payments

As a general rule, companies that have profits for an accounting period at an annual rate of more than £1.5 million, have an obligation to pay their CT by instalments, all of which are due before the deadline to file the Corporation Tax Return.

Please note that for companies (NDPBs) that are associated with other companies, the instalment payment threshold (£1.5m), will be divided by the number of associates in the "group". For example, a NDPB group with three associates will have to pay CT by instalment, if the annual profit is more than £500,000.

See Annex C for further details and exemptions. Also see <https://www.gov.uk/pay-corporation-tax>

Section 7: Fines and Penalties

The fine for late filing of a CT return is £100 plus a further £100 after 3 months. Where 3 consecutive returns have been filed late, the initial flat-rate penalty increases to £500 with a further £500 charged if the return is more than three months late.

A return that is received more than 18 months after the end of the CT accounting period is termed a very late CT return. The fine in respect of this is 10% of the unpaid CT. If this is received 24 months or more after the end of the CT accounting period a further fine of 10% of the unpaid CT is due.

If you pay your CT late, don't pay enough or don't pay at all, HMRC will charge your company or organisation interest. This interest is known to HMRC as 'late payment interest'.

There are other penalties that HMRC may charge. See below for link to and extracts from the HMRC website.

Extracts from HMRC website

- **When a penalty may arise**

If after 1 April 2010, you don't tell HMRC that your company or organisation is liable for Corporation Tax, the penalty is based on the amount of tax that's unpaid or that your company or organisation is liable for. This is called the potential lost revenue or PLR.

But HMRC won't charge a penalty if you had a reasonable excuse for not notifying them at the right time, provided that you did so promptly after the reason for not notifying them ended.

- **How the penalty is calculated**

The amount of the penalty is calculated by applying a percentage to the amount of tax that you owe. The percentage applied depends on whether your error (or failure) was:

- Careless – a lack of reasonable care
- Deliberate – such as intentionally sending incorrect information
- Deliberate and concealed – such as intentionally sending incorrect information and taking steps to hide the error

While the maximum penalty HMRC can charge your company or organisation depends on the type of failure, it may be less if you:

- tell HMRC promptly and make a full disclosure of all the facts
- help HMRC to calculate what's owed (or not repayable) and allow them access to the records needed to do so

The maximum penalty for each type of failure

Type of failure	Maximum penalty payable
Non-deliberate	30% of the potential lost revenue
Deliberate but not concealed	70% of the potential lost revenue
Deliberate and concealed	100% of the potential lost revenue

<https://www.gov.uk/guidance/corporation-tax-penalties>

Annex A: Corporation Tax Calculation

Rates for Corporation Tax years starting 1 April

Rate	2016	2015	2014	2013
Small profits rate (companies with profits under £300,000)	-	-	20%	20%
Main rate (companies with profits over £300,000)	-	-	21%	23%
Main rate (all profits except ring fence profits)	20%	20%	-	-
Marginal Relief lower limit	-	-	£300,000	£300,000
Marginal Relief upper limit	-	-	£1,500,000	£1,500,000
Standard fraction	-	-	1/400	3/400
Special rate for unit NDPBs and open-ended investment companies	20%	20%	20%	20%

Taxable profits for CT and how they are calculated

To work out how much CT a NDPB will have to pay, you need to work out the NDPB's 'taxable profits for Corporation Tax' as detailed under section 2.

Then you:

- Apply the relevant tax rate(s) to calculate your gross CT payable
- Deduct any relevant tax credits (such as over-payment in the previous year) and any Income Tax already deducted from interest income your company received (for example the tax deducted by your bank before it paid you interest)

Finally, you deduct any CT you've already paid, for example tax paid early, to find the amount of CT you need to pay, or the amount of CT you can claim back as an overpayment.

Apportioned CT rate margins

Year ending 31 March	2013/14	2014/15	2015/16 And 2016/17
Small rate margin (Profits up to)	£7,142	£7,142	All at 20%
Marginal relief Lower Limit (Above)	£7,142	£7,142	All at 20%
Marginal relief Upper Limit (Profits up to)	£35,714	£35,714	All at 20%
Main rate (Above)	£35,714	£35,714	All at 20%

Annex A Cont.

Pro – Forma

XXX NDPB

SAMPLE CT COMPUTATION (GENERAL METHOD)

	£	£
Pre-tax Profit (Loss) per accounts (Net operating Cost)		XX,XXX
Less Negative Past service cost		<u>(XX,XXX)</u>
		X,XXX
Add		
Depreciation	X,XXX	
Amortisation	XXX	
Loss / (Profit) on Disposal (Notional)	X	
Profit on Disposal (section 2.3 of guidance)	X	
Early retirement provision (Increase in Provision)	X	
Annual Leave adjustments made	X	
Other Provisions (Increase in Provision)	<u>X,XXX</u>	
		<u>X,XXX</u>
		X,XXX
Early retirement Provision (Reduction in provision)	(XXX)	
Other Provisions (reduction in provision)	<u>(X,XXX)</u>	
		<u>(X,XXX)</u>
		XX,XXX
Add		
Notional Pension Cost included in Staff cost	(XX,XXX)	
Notional Pension cost included in Other Admin cost	<u>(XX,XXX)</u>	
		(XX,XXX)
		X,XXX
Less		
Employers Pension contribution		<u>(X,XXX)</u>
Profit / (Loss) before adjustment for capital allowance / AIA		(X,XXX)
Less Capital Allowance or Annual Investment Allowance (AIA)		(X,XXX)
Profit / (Loss) Chargeable to corporation tax (PCTCT)		<u>(XX,XXX)</u>

Note: The adjustments shown in this example are not exhaustive

Annex B

Capital Allowance computation

Main Capital Allowance Schedule								
	Book Value b/f	Additions	Disposal	AIA	FYA	WDA	Gain/loss on disposal	Book Value c/f
Plant & Machinery								
Item 1								
Item 2								
Item 3								
Item 4								
Item 5								
Item 6								
Item 7								
Item 8								
Item 9								
Item 10								

Carry over the following to Capital Allowances Summary Sheet – AIA, FYA and WDA
 Carry over the following to Corp Tax Computation (chargeable gain) - Gain on disposal

Glossary

AIA – Annual Investment Allowance, **FYA** – First Year Allowance and **WDA** – Writing Down Allowance.

Please note that where disposal proceeds exceed the written down value brought forward, there should be a balancing charge up to the extent of the acquisition value of the asset used at the start of the Capital Allowance computation. If the disposal proceeds exceed the acquisition value then it is only the excess over that amount which should go into the Capital Gains computations.

Capital Allowances: rates and allowances

Type	2015/16 to 2016/17	2014/15	2013/14	2012/13 to 2014/15	2011/12	2010/11	2009/10
Enhanced capital allowances (ECA) (energy saving and environmentally beneficial plant and machinery)	100%	100%	100%	100%	100%	100%	100%
Business Property Renovation	100%	100%	100%	100%	100%	100%	100%
Annual investment allowance (AIA)	100%	100%	100%	100%	100%	100%	100%
AIA annual limit	From 1/6-April-12 £25,000 From 1-Jan-13 £250,000 From 1/6-April-14 £500,000 From 1-Jan-16 £200,000				£100,000	£100,000	£50,000

First year allowance (FYA) for expenditure not covered by ECA or AIA	-	-	-	-	-	-	40%
Writing down allowance (WDA) - general pool	18%	18%	18%	18%	20%	20%	20%
WDA - integral features and long life assets	8%	8%	8%	8%	10%	10%	10%
Small pool write-off, written down balance in either or both WDA pool(s) is £1,000 or less	100%	100%	100%	100%	100%	100%	100%

Motor cars

	2015/16 to 2016/17	2014/15	2013/14	2012/13	To 2011/12
Type	Rate	Rate	Rate	Rate	Rate
FYA for electric cars or if CO2 emissions are 75g/km or lower	100%				
FYA for electric cars or if CO2 emissions are 95g/km or lower		100%	100%	-	-
FYA for electric cars or if CO2 emissions are 110g/km or lower		-	-	100%	100%
WDA if CO2 emissions exceed 75g/km but do not exceed 130g/km	18%				
WDA if CO2 emissions exceed 95g/km but do not exceed 130g/km		18%	18%	-	-
WDA if CO2 emissions exceed 110g/km but do not exceed 160g/km		-	-	18%	20%
WDA if CO2 emissions exceed 130g/km	8%	8%	8%	-	-
WDA if CO2 emissions exceed 160g/km		-	-	8%	10%

Annex B Cont.

CAPITAL ALLOWANCES

	AIA	FYA	Main Schedule	Allowance
Period of account				
Bal / Fwd			X	
Additions qualifying for AIA	X			
Less AIA (max £xxk/42) ²	(X)			X
Transfer balance to main schedule	X		X	
Additions not qualifying for AIA			X	
Disposals			(X)	
			X	
WDA (from main capital allow schedule)			(X)	X
			X	
In year additions qualifying for 100% FYA		X		
Less 100% FYA		(X)		X
TWDV c/fwd			X	
Max allowance claimed				X

Notes

1) Where an asset has been acquired and used for both business and non-business purposes, the amount of the amount of capital allowances used should be a proportion of the total, calculated with reference to the value of business income compared to the total income received. The method of calculation of this percentage should be agreed with HMRC.

2) Where a number of Bodies Corporate (NDPBs, Corporations Sole and Companies) form a group, then for any one year the whole group is entitled to only one maximum AIA allowance. The allowance can be allocated among the group as they wish. Note that for the purposes of the Capital Allowances Act the definition of a group in this context is a broad one of overall control. Control does not have to be by reference to share capital. This means that companies without share capital, as

long as they are controlled **can** be part of the group and **will not** be entitled to a separate AIA maximum.

The amount of entitlement to Annual Investment Allowance (AIA) has continued to change over the years. Please check the table above for the applicable allowable amounts. Also check the HMRC website for future updates.

Note: Assets acquired from Capital Grant should be excluded from the Capital Allowance computations.

Annex C

Exceptions to paying by instalments

If your profits go over the limit but were below it in the previous 12 months, then you don't have to pay in instalments, as long as your company's profits for the accounting period do not exceed an annual rate of £10 million. (The figure of £10 million is an annual rate - that is, the threshold is proportionately reduced for accounting periods of less than 12 months.) The annual rate of £10 million should also be divided by the number of entities within the corporation tax group.

Also you don't have to pay in instalments if any of the following are true:

- There was any part of the previous 12 months when your company wasn't liable for or 'within the charge to' CT.
- For a CT accounting period that ended during the previous 12 months the annualised profits didn't exceed £1.5 million and the annualised tax liability didn't exceed £10,000 (divided by the number of entities within the CT Group).
- Your organisation's total CT liability for the accounting period is less than £10,000. (The limit was £5,000 for accounting periods that ended before 1 July 2000.) (Again this limit is divided by the number of entities within the CT group).

Dates when instalment payments have to be paid

The dates when you have to pay your instalments of CT, and the number of payments, depend on the length of your accounting period. For accounting periods of 12 months, you'll normally pay your CT in four quarterly instalments, two of which are due before the end of your accounting period. **If your company has a 12 month accounting period, you'll have to pay in 4 equal instalments due:**

- 6 months and 13 days after the first day of the accounting period
- months after the first instalment
- months after the second instalment (14 days after the last day of the accounting period)
- 3 months and 14 days after the last day of the accounting period

For NDPBs with accounting period 1 April 20XX to 31 March 20XX, instalment dates will be as follows:

Payment	Payment Due Date
First Payment	14 October 20XX
Second Payment	14 January 20XX
Third Payment (Due after the accounting Period)	14 April 20XX

Accounting periods shorter than 12 months

If your organisation has an accounting period shorter than 12 months, your last instalment will be due three months and 14 days after the last day of your accounting period.

Also, depending on the length of your accounting period, the first payment will be due six months and 13 days after the first day of the accounting period, and other payments at three-monthly intervals thereafter.

The minimum number of instalments will be one, and the maximum number will be four.

Annex D

Corporation Tax on chargeable gains

If your NDPB is liable for CT and sells or otherwise disposes of an asset for more than its cost, then a chargeable gain may have arisen. This gain is usually liable for CT, and the details need to be included in your CT Return for the accounting period when the asset was sold or otherwise disposed of.

What is Capital Gains Tax?

Common assets that may give rise to a chargeable gain when they are sold or otherwise disposed of include:

- Business premises
- Land
- Shares and certain securities convertible into shares (unless covered by the Substantial Shareholding Exemption – see separate section below)
- Other securities (for example, loan stock)

Working out Capital Gains Tax

You need to work out the gain or loss separately for each chargeable asset. So you should perform the following calculation steps for each chargeable asset that was disposed of during the accounting period.

Step 1: Work out how much was received for the asset

This is normally the amount of money (or money's worth) received when the asset was sold or otherwise disposed of.

However, in some cases, you may have to use its 'market value' (the price the asset might reasonably be expected to fetch if it had been sold on the open market) - for example:

- If the asset was given away
- If the asset was intentionally sold for more or less than it was worth

Step 2: Deduct how much the asset cost

The cost of the asset is often the amount paid, or money's worth given, when it was purchased or otherwise acquired.

However, in some cases, you might use a different figure - for example:

- If only **part of an asset** was sold or otherwise disposed of, you use the appropriate proportion of the cost. (Follow the first link below for more on this.)
- If the asset was a **wasting asset** (for example - a lease with less than 50 years to run), you can normally deduct only a part of the cost - the amount depends on the length of the lease left. (Follow the link below for to find out more.)
- If you disposed of an asset that was **held on 31 March 1982**, on or after 6 April 1988, then you may need to make an additional calculation called a 'kink test'. (Follow the link below to find out more.) This will help you decide if you use the market value of the asset at 31 March 1982 or its cost at that time.
- If, when the asset was purchased or otherwise acquired, **Business Asset Roll-Over Relief** (see section below for more information) was claimed on the sale of a previous asset, then you will have deducted the amount of relief claimed previously from the purchase cost of the asset being disposed of.

- If the asset was acquired for **more or less than it was worth** at the time it was acquired (that is: other than a bargain made 'at arm's length'), then you use its market value. But if the asset was acquired from another company within the same group, alternative rules may apply.

Annex D Cont.

Step 3: Deduct certain expenses for buying, selling or improving the asset

If you've spent extra money on buying, selling or improving the value of the asset, you may be able to deduct these costs from the amount received. Examples of what may be reasonably incurred and can be deducted are:

- money or money's worth given to acquire the asset
- improvement costs to increase the value of the asset (you can't include normal maintenance or repair costs) and reflected in the asset at the time of disposal
- fees or commission for professional advice or services - for example estate agent or advertising fees to find a seller or buyer
- Stamp Duty Land Tax

Now, subtract these expenses from the figure in Step 2. The result might be negative, in which case your NDPB has made a capital loss on this asset. If the disposal of an asset results in a loss, that loss may be deducted from gains on other asset disposals. But there can be restrictions on this in some circumstances such as sale to connected persons (e.g. employees and controlling organisation).

Step 4: Deduct any Indexation Allowance

Indexation Allowance allows for the effects of inflation when calculating chargeable gains. You apply it both to the cost of the asset itself and any allowable costs of acquisition used in Step 3, and then deduct it from the chargeable gain.

But Indexation Allowance can't be used to turn a gain into a loss or to increase a loss. So if you have already calculated a capital loss, you have already arrived at the final figure for the disposal of this particular asset.

To work out the Indexation Allowance to deduct, you need to first identify the correct table to use to find the inflation factors for the month when you disposed of the asset, using the link on the HMRC website.

Then find the entry in the table for the month when you acquired the asset or incurred the qualifying expenditure. Multiply the cost of the asset or expense by the indexation factor, and deduct this from the figure you arrived at after Step 3. If the Indexation Allowance is more than the chargeable gain, then there is no gain.

The figure you now have is the chargeable gain for this particular asset.

<https://www.gov.uk/capital-gains-tax/work-out-need-to-pay>

Annex D Cont.

Business Asset Roll-Over Relief

When a NDPB sells or disposes off some types of business asset, for example an office, but intend to buy a new asset to replace it, the NDPB may be able to 'roll-over' or postpone the payment of any Capital Gains Tax that would normally be due.

Who qualifies?

NDPBs can claim the relief if they are trading and use both the assets sold or disposed of and the new assets in their trade.

Conditions that must be met

The NDPB must have invested in the new asset in the period between one year before and three years after the date you disposed of the old asset.

These time limits may be extended by HM Revenue & Customs (HMRC) in exceptional circumstances.

There are different additional conditions for different types of disposal - for example land and buildings must be occupied as well as used for your trade.

Transfer of Assets to NDPBs

When property or an asset is transferred from an exempt body to and NDPB for nil value or consideration and subsequently sold, the market value at the time of transfer should be taken as the acquisition value when computing the chargeable gain.

The transfer of such assets from non-chargeable to chargeable entities must be considered carefully, and decisions on future status not be based entirely on previous treatment.

Annex E

1. CTM41020 - Particular Bodies: Public bodies

<https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm41020>

Government Departments are not subject to Corporation Tax, they have Crown exemption. This includes Trading Funds.

However Non-Departmental Public Bodies (NDPBs), sometimes also called Non-Government Organisations (NGOs) or quangoes are not Government Departments (the clue is in the name!) and do not (with a very few exceptions) enjoy Crown exemption.

They are deliberately established in such a way as to have separate legal identity from the Department(s) creating them but it is that separate legal identity which means that they are generally liable to Corporation Tax.

ICTA88/S6 states that Corporation Tax shall be charged on the profits of companies. It also states that profits means income and chargeable gains.

The term company is defined in ICTA88/S832 as:

...any body corporate or unincorporated association...

NDPBs can take a variety of legal forms. Those established as Companies Act Companies (either limited companies or companies limited by guarantee) are clearly within the scope of Corporation Tax, they are "companies".

Most however are not Companies Act companies but are established separately by legislation. The statute generally states:

"there will be a **body corporate** known as 'XYZ'".

As above this means they are squarely within the Corporation Tax provisions.

All of the Corporation Tax provisions will therefore apply to NDPBs whether they are set up as companies or as bodies corporate. They should be making CTSA returns and paying tax accordingly.

However many of them will not be undertaking a trade and thus will not have trading profits. Any grant income is unlikely to be taxable, but see the instructions in BIM40450+. Whether or not a trade exists depends on a detailed consideration of the facts (see BIM20050+).

Whether or not an NDPB is chargeable on any trading income, it will be chargeable on any investment income, e.g. income from letting or bank interest, and on any chargeable gains.

Annex F

2. Other Corporation Tax General Information

Why you can't just pay CT on your pre-tax profits in your accounts

Your accountant will prepare your resource accounts using recognised accounting standards. But the profit figures calculated in this way don't necessarily represent the appropriate amount of profit on which to pay CT.

Also, your company's accounts may cover a different period from your CT accounting period (see the section above on accounting periods).

So you need to make various calculations and adjustments to your accounting profit before tax to work out your taxable profit for CT. You do this by completing and filing an online Company Tax Return. A Company Tax Return includes a return form (CT600) and other supporting documents.

3. The Company Tax Return: the basics

Corporation Tax financial years and Corporation Tax rates

3.1 Corporation Tax financial years

For CT, the tax year is called the 'financial year' or 'fiscal year' and runs from 1 April to 31 March. This is different from the tax year for individual taxpayers, which runs from 6 April to 5 April.

The Chancellor sets out the rates of CT and various allowances, relief and credits in the Budget each year (usually in March or April) and also in the Pre-Budget Report the previous November/December. Normally any changes are announced one or more financial years in advance of the year to which they will apply. NDPBs are therefore advised to look out for rate changes.

3.2 What activities are exempt from Corporation Tax?

HMRC uses the term 'exempt' to refer to certain activities carried out by organisations that are otherwise subject to CT requirements.

These include:

- Trading profits generated by charities where those profits arise from, and are applied to, charitable purposes
- Profits from any fundraising events run by charities or voluntary organisations provided that those profits are applied to charitable purposes

HMRC defines charitable purposes as carrying out the primary purpose of the charity and/or directly serving the beneficiaries of the charity.