REINZA Training

# Corporation Tax

## CT600 Filing Guide

Complete Training Manual for UK Limited Companies

From Registration to iXBRL Submission
**Tax Computation • Capital Allowances • R&D Relief**

**Financial Year 2025/26**
(1 April 2025 - 31 March 2026)
**Including FY 2026/27 Changes**

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# Corporation Tax: CT600 Filing Guide

Complete Training Manual for UK Limited Companies

Published by Reinza Training, a division of Reinza Limited



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# Introduction

## Welcome to This Course

Welcome to the Reinza Training Corporation Tax Guide. This comprehensive manual has been designed to provide you with all the knowledge and practical skills needed to successfully prepare and file Corporation Tax returns (CT600) for UK limited companies.

Corporation Tax is a fundamental obligation for all UK companies, and understanding how to calculate taxable profits, claim reliefs, and meet filing requirements is essential for business owners, accountants, and finance professionals alike.

## Who Is This Course For?

This course is designed for anyone involved in preparing or filing Corporation Tax returns:

- **Company Directors and Business Owners** – Understanding your company's tax obligations and how to minimise your tax bill legally
- **Accountants and Bookkeepers** – Preparing accurate tax computations and CT600 returns
- **Finance Managers** – Managing corporate tax planning and compliance
- **AAT and ACCA Students** – Building practical knowledge for professional examinations
- **Anyone Starting a Limited Company** – Learning what to expect when your first CT600 is due

## What You Will Learn

By completing this course, you will be able to:

- Understand the Corporation Tax system and current tax rates (19% and 25%)
- Register a company for Corporation Tax and meet all filing deadlines
- Calculate taxable profits by adjusting accounting profit for disallowable items
- Claim capital allowances including Full Expensing, AIA, and the new 40% FYA
- Utilise trading losses effectively through carry back, carry forward, and group relief
- Claim R&D tax relief under the merged ERIS scheme
- Calculate chargeable gains and apply available reliefs

- Complete the CT600 form and all relevant supplementary pages
- Prepare and file iXBRL tagged accounts
- Avoid common mistakes that trigger HMRC enquiries

## Important: 2026 Changes

**Key Changes Coming in 2026**

This manual covers several significant changes taking effect in 2026: • January 2026: New 40% First Year Allowance for main pool assets (including leased assets) • April 2026: Writing Down Allowance main rate reducing from 18% to 14% • April 2026: Late filing penalties approximately doubling • March 2027: 100% FYA for zero-emission cars extended • Spring 2026: R&D Advance Assurance pilot for SMEs These changes are highlighted throughout the manual with this red border style.

## How to Use This Manual

This manual is structured into ten comprehensive modules, each building upon the previous. We recommend working through the modules in order, though experienced practitioners may wish to focus on specific areas.

Throughout the manual you will find:

**Information Boxes (Blue)**

Important tips, HMRC guidance, and key points to remember.

**Warning Boxes (Yellow)**

Common mistakes, potential pitfalls, and areas requiring extra care.

**Example Boxes (Green)**

Worked examples and practical illustrations of concepts.

**Change Boxes (Red)**

New legislation and upcoming changes for 2026/27.

# Module 1: Introduction to Corporation Tax

## 1.1 What is Corporation Tax?

Corporation Tax (CT) is a tax charged on the profits of UK companies and certain other organisations. It is distinct from Income Tax (paid by individuals and sole traders) and operates under its own rules and rates.

The key characteristics of Corporation Tax are:

- **Self-assessment system** – Companies calculate their own tax liability and file returns
- **Based on accounting periods** – Not calendar years, but the company's own financial year
- **Follows the Financial Year** – FY runs 1 April to 31 March (e.g., FY 2025/26 = 1 April 2025 to 31 March 2026)
- **Charged on worldwide profits** – For UK resident companies, all profits regardless of where earned

## 1.2 Who Must Pay Corporation Tax?

The following entities are liable to Corporation Tax:

### UK Limited Companies

All companies incorporated in the UK are subject to Corporation Tax on their worldwide profits. This includes:

- Private limited companies (Ltd)
- Public limited companies (PLC)
- Companies limited by guarantee
- Unlimited companies

### Foreign Companies with UK Presence

A foreign company (incorporated outside the UK) is liable to Corporation Tax if it carries on a trade in the UK through a "permanent establishment" – typically a fixed place of business such as an office, branch, factory, or workshop.

### Other Organisations

Corporation Tax also applies to:

- Unincorporated associations (clubs, societies) that carry on a business
- Co-operative societies
- Community Interest Companies (CICs)
- Housing associations (on non-charitable activities)

> **Charities**
> Registered charities are generally exempt from Corporation Tax on most of their income and gains, provided the income is applied for charitable purposes. However, they may be taxable on certain trading activities.

## 1.3 Corporation Tax Rates (FY 2025/26 and FY 2026/27)

Since 1 April 2023, the UK has operated a two-tier Corporation Tax rate structure. These rates are confirmed unchanged for FY 2025/26 and FY 2026/27:

| Profit Level | Rate | Name |
|---|---|---|
| £0 - £50,000 | 19% | Small Profits Rate |
| £50,001 - £250,000 | 19% - 25% | Marginal Relief Band |
| Over £250,000 | 25% | Main Rate |

### Understanding the Small Profits Rate

Companies with taxable profits of £50,000 or less pay Corporation Tax at 19%. This lower rate was retained when the main rate increased to 25% in April 2023, providing significant tax savings for smaller companies.

> **Example: Small Profits Rate**
> NewStart Ltd has taxable profits of £45,000 for FY 2025/26. Corporation Tax = £45,000 × 19% = £8,550 If the main rate applied, tax would be £45,000 × 25% = £11,250. Saving from small profits rate: £2,700

### Understanding Marginal Relief

Companies with profits between £50,000 and £250,000 receive Marginal Relief, which gradually increases the effective tax rate from 19% to 25%. The formula is:

**Marginal Relief = (Upper Limit - Augmented Profits) × Taxable Total Profits / Augmented Profits × 3/200**

Where the Upper Limit is £250,000. In practice, HMRC's online system calculates this automatically.

> **Example: Marginal Relief Calculation**
> MidSize Ltd has taxable profits of £150,000 for FY 2025/26. Step 1: Calculate CT at main rate CT at 25% = £150,000 × 25% = £37,500 Step 2: Calculate Marginal Relief Relief = (£250,000 - £150,000) × 3/200 = £100,000 × 3/200 = £1,500 Step 3: Deduct relief CT payable = £37,500 - £1,500 = £36,000 Effective tax rate = £36,000 / £150,000 = 24%

### Associated Companies

If a company has "associated companies" (companies under common control), the £50,000 and £250,000 thresholds must be divided by the number of associated companies plus one.

Two companies are associated if:

- One controls the other, OR
- Both are under the control of the same person(s)

"Control" generally means owning more than 50% of the share capital or voting rights.

> **Example: Associated Companies**
> John owns 100% of Company A and 100% of Company B. Both companies are associated. Thresholds for each company: • Lower limit: £50,000 ÷ 2 = £25,000 • Upper limit: £250,000 ÷ 2 = £125,000 If Company A has profits of £40,000, it cannot use the small profits rate as £40,000 exceeds the adjusted threshold of £25,000. It falls into the marginal relief band.

> **Dormant Companies**
> Dormant companies (those that have not traded or received income) are generally not counted as associated companies for threshold purposes. However, if a dormant company has been trading within the last 12 months, it may still be counted.

## 1.4 What is Taxed?

Corporation Tax is charged on three categories of profit:

### 1. Trading Profits

The profits arising from the company's trade or business activities. This is calculated by taking the accounting profit and making various tax adjustments (covered in Module 3).

### 2. Investment Income

Income from non-trading sources, including:

- Interest received on bank deposits and loans
- Rental income from property
- Royalty income

> **Dividends from UK Companies**
> Dividends received from other UK companies are NOT taxable for Corporation Tax purposes. They are "franked investment income" and should be excluded from the tax computation. However, they may be included in "augmented profits" for determining thresholds.

### 3. Chargeable Gains

Profits arising from the disposal of capital assets, such as:

- Property (land and buildings)
- Shares and investments
- Goodwill and intellectual property
- Machinery and equipment (where disposal proceeds exceed written down value)

Unlike individuals, companies do not pay a separate Capital Gains Tax. Chargeable gains are added to trading profits and taxed at the company's Corporation Tax rate.

## 1.5 Patent Box

Companies that earn profits from patented inventions may be eligible for the Patent Box regime, which applies a reduced effective tax rate of 10% to qualifying profits.

The Patent Box can apply to:

- Royalties from licensing patents
- Profits from selling patented products

- Proceeds from selling patents

The scheme requires an election and detailed calculations. Companies interested in Patent Box should seek specialist advice.

# Module 2: Registration and Key Deadlines

## 2.1 Registering for Corporation Tax

When a company is incorporated at Companies House, it does not automatically become registered for Corporation Tax. The company must separately notify HMRC when it becomes "active" for tax purposes.

### When to Register

A company must register for Corporation Tax within 3 months of becoming active. A company becomes active when it starts:

- Trading (buying or selling goods/services)
- Carrying on a business activity
- Receiving income
- Buying or selling assets
- Employing staff
- Advertising or marketing

### How to Register

Registration is completed online through HMRC's website. You will need:

- Company Registration Number (from Companies House)
- Company name and registered office address
- Date the company became active
- Principal business address (if different from registered office)
- Nature of business (SIC code)
- Accounting period end date
- Directors' details

After registration, HMRC will issue:

- **Unique Taxpayer Reference (UTR)** – A 10-digit reference number for all CT matters
- **Activation code** – To access HMRC's online services
- **CT41G** – Notice to deliver a Company Tax Return

**Late Registration Penalty**

Failure to notify HMRC within 3 months of becoming active can result in penalties. The penalty depends on the amount of tax involved and whether the failure was deliberate.

## 2.2 Accounting Periods

For Corporation Tax purposes, a company's profits are calculated for each "accounting period". This is usually aligned with the company's financial year but has specific rules.

### Key Rules

- An accounting period cannot exceed 12 months
- If accounts cover more than 12 months, they must be split into two periods
- The first accounting period starts when the company becomes active

### When an Accounting Period Ends

An accounting period ends on the earliest of:

- 12 months from its start
- The company's accounting reference date
- The date the company starts or ceases to trade
- The date the company becomes or ceases to be UK resident
- The start of winding up

**Example: Long Period of Accounts**

NewCo Ltd was incorporated in January 2025 and started trading on 1 February 2025. The directors chose 31 December as the year end. The first accounts run from 1 February 2025 to 31 December 2025 (11 months) – this is one accounting period. If the first accounts ran to 31 December 2026 (23 months), this would be split: • AP1: 1 Feb 2025 to 31 Jan 2026 (12 months) • AP2: 1 Feb 2026 to 31 Dec 2026 (11 months)

## 2.3 Key Filing and Payment Deadlines

Meeting Corporation Tax deadlines is crucial to avoid penalties and interest. All deadlines are measured from the end of the accounting period.

| Deadline | Action Required |
|---|---|

| | |
|---|---|
| 3 months after becoming active | Register for Corporation Tax |
| 9 months after period end | File accounts with Companies House |
| 9 months + 1 day after period end | Pay Corporation Tax due |
| 12 months after period end | File CT600 with HMRC |

**Example: Key Dates for Year End 31 March 2026**

Accounting period: 1 April 2025 to 31 March 2026 • Companies House accounts deadline: 31 December 2026 • Corporation Tax payment deadline: 1 January 2027 • CT600 filing deadline: 31 March 2027 Note: The payment deadline (9 months + 1 day) falls one day after the Companies House deadline.

## 2.4 Late Filing Penalties

Late filing of the CT600 return triggers automatic penalties, regardless of whether any tax is owed.

**Penalty Changes from 1 April 2026**

The Autumn Budget 2025 announced that CT600 late filing penalties will approximately double from 1 April 2026. This applies to accounting periods ending on or after this date.

| How Late | Current Penalty | From April 2026 |
|---|---|---|
| 1 day late | £100 | £200 |
| 3 months late | Additional £100 (£200 total) | Additional £200 (£400 total) |
| 6 months late | HMRC estimates tax + 10% of unpaid | Same basis + higher fixed penalties |
| 12 months late | Additional 10% of unpaid (20% total) | Same basis + higher fixed penalties |

**Repeat Offenders**

If your company files late 3 times in a row, the fixed penalties increase significantly. For returns due before April 2026: £500 each. The new doubled penalties will make repeat late filing even more costly.

## 2.5 Late Payment Interest

Interest is charged on any Corporation Tax paid after the due date. The interest runs from the day after the payment deadline until the date of payment.

HMRC's late payment interest rate is the Bank of England base rate plus 2.5%. As of January 2026, this rate is subject to change based on Bank of England decisions.

> **Repayment Interest**
> If you overpay Corporation Tax or are due a repayment, HMRC pays interest on the amount from 9 months + 1 day after the period end until the repayment is made. The repayment interest rate is lower than the late payment rate (Bank of England base rate minus 1%, minimum 0.5%).

## 2.6 Quarterly Instalment Payments (QIPs)

"Large" companies cannot wait until 9 months after the period end to pay. They must pay estimated Corporation Tax in four quarterly instalments during and shortly after the accounting period.

### Who Must Pay Quarterly?

A company is "large" if its augmented profits (taxable profits plus dividends from non-group companies) exceed £1.5 million in the current or previous accounting period.

Important: The £1.5 million threshold is divided by the number of associated companies plus one. If you have one associated company, the threshold becomes £750,000.

### When to Pay

For a 12-month accounting period:

| Instalment | Due Date |
|---|---|
| 1st payment | 6 months + 13 days after start of period |
| 2nd payment | 9 months + 13 days after start of period |
| 3rd payment | 13 days after end of period |
| 4th payment | 3 months + 13 days after end of period |

> **Example: QIP Dates**
> LargeCo Ltd has an accounting period 1 April 2025 to 31 March 2026. • 1st instalment: 14 October 2025 • 2nd instalment: 14 January 2026 • 3rd instalment: 14 April 2026 • 4th instalment: 14 July 2026 Each payment should be 25% of the estimated annual tax liability. If the estimate changes, later instalments should be adjusted.

### "Very Large" Companies

Companies with augmented profits exceeding £20 million are "very large" and must base their quarterly payments on the current period's estimated liability from day one. They cannot use the previous year's liability as a basis for estimates.

# Module 3: Calculating Taxable Profits

## 3.1 Overview: From Accounts to Tax

The starting point for calculating Corporation Tax is the company's accounting profit (profit before tax) from the statutory accounts. However, accounting rules and tax rules differ in many ways. The tax computation adjusts the accounting profit to arrive at "Taxable Total Profits" (TTP).

### The Basic Structure

A Corporation Tax computation follows this structure:

| | |
|---|---|
| **Accounting profit before tax** | X |
| Add: Disallowable expenses | X |
| Add: Depreciation and amortisation | X |
| Less: Capital allowances | (X) |
| Less: Non-taxable income | (X) |
| **Adjusted Trading Profit** | **X** |
| Add: Investment income | X |
| Add: Chargeable gains | X |
| Less: Qualifying charitable donations | (X) |
| Less: Losses brought forward | (X) |
| **Taxable Total Profits (TTP)** | **X** |

## 3.2 Common Adjustments: Add Back

Certain expenses are deducted in the accounts but are not allowed for tax purposes. These must be added back to the accounting profit.

### Depreciation and Amortisation

Accounting depreciation is ALWAYS added back. The tax system has its own method of giving relief for capital expenditure through capital allowances (covered in Module 4). This is the most common and usually the largest adjustment.

## Entertainment Expenses

Client entertainment and hospitality is specifically disallowed. This includes:

- Restaurant meals with clients
- Event tickets and corporate hospitality
- Gifts to customers (except small branded items under £50)

> **Staff Entertainment is Allowable**
> Entertainment for employees (such as a Christmas party) IS allowable, provided it is open to all staff and costs less than £150 per head per year. Staff entertainment should not be added back.

## Fines and Penalties

Fines and penalties imposed for breaking the law are not allowable. This includes:

- Parking fines and speeding tickets
- Health and safety penalties
- Tax penalties and interest
- Competition law fines

## Political Donations

Donations to political parties are never allowable for Corporation Tax purposes.

## Legal Costs - Capital vs Revenue

Legal costs are only allowable if they relate to revenue (trading) matters. Legal costs relating to capital items must be added back:

- **Disallowable (capital):** Purchase of property, acquisition of shares, defending title to assets
- **Allowable (revenue):** Debt collection, employment disputes, defending trade, lease renewals

## General Provisions

Provisions charged in the accounts that are not specific and quantifiable must be added back. Examples include general bad debt provisions (as opposed to specific debts known to be irrecoverable).

## 3.3 Common Adjustments: Deduct

Some items need to be deducted from the accounting profit because they are either not taxable or are dealt with elsewhere.

### Capital Allowances

After adding back depreciation, capital allowances are deducted. These are the tax equivalent of depreciation and are covered in detail in Module 4.

### Profit on Sale of Fixed Assets

Any profit on the disposal of fixed assets shown in the accounts should be deducted. The disposal is instead dealt with under the chargeable gains rules (or as a balancing adjustment for capital allowances).

### Dividends Received

Dividends received from UK companies are not taxable and should be deducted if included in accounting profit. They are "franked investment income".

## 3.4 Worked Example: Full Tax Computation

**Example: TechGrowth Ltd - Year ended 31 March 2026**

The accounts show profit before tax of £285,000. The following items are included in the accounts: • Depreciation: £45,000 • Client entertainment: £8,000 • Staff Christmas party: £3,000 (all staff invited, £80 per head) • Parking fines: £600 • Legal fees for property purchase: £5,000 • Legal fees for debt recovery: £2,000 • Dividends received from UK company: £10,000 • Profit on sale of van: £3,000 Capital allowances calculated: £52,000

| Item | £ |
|---|---|
| Profit before tax (per accounts) | 285,000 |
| Add: Depreciation | 45,000 |
| Add: Client entertainment | 8,000 |
| Add: Parking fines | 600 |
| Add: Legal fees (property - capital) | 5,000 |
| Less: Capital allowances | (52,000) |
| Less: Dividends received (UK) | (10,000) |
| Less: Profit on sale of van | (3,000) |

| | |
|---|---|
| Taxable Total Profits | 278,600 |

Notes: The staff Christmas party is allowable (under £150 per head). The debt recovery legal fees are allowable (revenue expense). The profit on the van is excluded (dealt with via capital allowances balancing adjustment).

Corporation Tax calculation (FY 2025/26):

Profits of £278,600 exceed £250,000, so the main rate of 25% applies:

CT = £278,600 × 25% = £69,650

# Module 4: Capital Allowances

## 4.1 What are Capital Allowances?

Capital allowances are the tax mechanism for obtaining relief on capital expenditure. While accounting depreciation is added back in the tax computation, capital allowances are deducted instead.

Capital allowances apply to "plant and machinery" – essentially equipment, vehicles, and fixtures used in the business. The rules determine how quickly you can claim tax relief on the purchase cost.

**Major Changes from 2026**

The capital allowances regime is changing significantly in 2026: • January 2026: New 40% First Year Allowance introduced • April 2026: Main rate WDA reducing from 18% to 14% • March 2027: 100% FYA for electric vehicles extended These changes affect how companies should plan capital expenditure.

## 4.2 Types of Capital Allowances

| Allowance | Rate | Applies To |
|---|---|---|
| Full Expensing | 100% | New main rate plant & machinery (companies only) |
| Annual Investment Allowance (AIA) | 100% | Most plant & machinery up to £1,000,000 |
| 100% First Year Allowance | 100% | Zero-emission cars, EV charge points |
| NEW: 40% First Year Allowance | 40% | Main pool assets from Jan 2026 (incl. leased) |
| 50% First Year Allowance | 50% | New special rate assets |
| Main Rate WDA | 18% (14% from Apr 2026) | Main rate pool |
| Special Rate WDA | 6% | Special rate pool |

## 4.3 Full Expensing (Companies Only)

Full expensing allows companies to deduct 100% of the cost of qualifying plant and machinery in the year of purchase. This is now a permanent feature of the UK tax system.

### Qualifying Conditions

- Must be a company (not available to sole traders or partnerships)
- Asset must be NEW and unused (not second-hand)
- Asset must be main rate pool plant and machinery
- Asset must be for use in the company's trade
- No limit on the amount that can be claimed

### What Does NOT Qualify

- Second-hand assets
- Cars (of any type)
- Assets for leasing (prior to January 2026)
- Special rate pool assets (integral features, long-life assets)

> **Full Expensing vs AIA**
> Both give 100% relief in year one. The key differences are: • AIA has a £1m limit; Full Expensing has no limit • AIA covers new AND second-hand; Full Expensing only covers new • AIA is available to all businesses; Full Expensing is companies only Most smaller companies will continue to use AIA as it is simpler.

## 4.4 Annual Investment Allowance (AIA)

The AIA provides 100% relief on qualifying plant and machinery expenditure up to the annual limit.

### Key Features

- **Limit: £1,000,000 per year** (permanent since January 2019)
- **Covers new and second-hand** assets
- **Available to all businesses** (companies, sole traders, partnerships)
- **Does NOT cover cars** (any type of car)

### Sharing the AIA

Related businesses under common control must share the £1,000,000 limit between them. This includes:

- Companies in the same group
- Companies under common control

- A sole trader and their partnership

## 4.5 New 40% First Year Allowance (from January 2026)

> **New Allowance from January 2026**
> The Autumn Budget 2025 introduced a new 40% First Year Allowance for expenditure from 1 January 2026.

### Key Features

- Applies to main pool qualifying expenditure
- Applies to expenditure that could otherwise qualify for full expensing
- **NEW: Assets used for leasing are now eligible**
- Available to both companies and unincorporated businesses
- The remaining 60% goes into the main pool for WDA

This allowance provides additional relief above the 14% WDA rate applying from April 2026.

## 4.6 Writing Down Allowances (WDA)

For expenditure not qualifying for 100% relief (or the portion remaining after partial relief), Writing Down Allowances are claimed annually on the reducing balance.

> **WDA Rate Change from April 2026**
> The main rate WDA is reducing from 18% to 14% from 1 April 2026. For accounting periods spanning this date, a hybrid rate will apply based on the number of days before and after 1 April 2026.

| Pool | Rate to 31 March 2026 | Rate from 1 April 2026 | Assets |
|---|---|---|---|
| Main Rate Pool | 18% | 14% | Most plant & machinery |
| Special Rate Pool | 6% | 6% (unchanged) | Integral features, long-life assets, high-emission cars |

### What Goes in the Special Rate Pool?

- **Integral features:** Electrical systems, cold water systems, space/water heating, air conditioning, lifts, escalators

- **Long-life assets:** Assets with useful life exceeding 25 years (expenditure over £100k)
- **Thermal insulation** of buildings
- **High-emission cars:** CO2 emissions over 50g/km

## 4.7 Cars - Special Rules

Cars have their own rules and cannot benefit from AIA, Full Expensing, or the new 40% FYA. The allowance depends on the car's CO2 emissions.

| CO2 Emissions | Allowance | Notes |
|---|---|---|
| 0g/km (Electric) | 100% First Year Allowance | Extended to 31 March 2027 |
| 1-50g/km | Main Rate Pool (18%→14%) | Low emission vehicles |
| Over 50g/km | Special Rate Pool (6%) | Higher emission vehicles |

**Electric Vehicle Charge Points**

First Year Allowance of 100% also applies to new electric vehicle charge points. This has been extended to 31 March 2027 for CT purposes.

## 4.8 Capital Allowances Computation

**Example: DesignCo Ltd - Year ended 31 December 2026**

Additions during the year: • Computers (new): £25,000 • Office furniture (second-hand): £15,000 • Electric company car: £48,000 • Delivery van (diesel, new): £32,000 • Petrol car (95g/km): £28,000 Existing pools brought forward: • Main rate pool: £40,000 • Special rate pool: £30,000

| Asset/Pool | Treatment | Allowance |
|---|---|---|
| Computers (new) | Full Expensing 100% | £25,000 |
| Office furniture (second-hand) | AIA 100% | £15,000 |
| Electric car | 100% FYA | £48,000 |
| Delivery van (new) | Full Expensing 100% | £32,000 |
| Petrol car | Special Rate Pool 6% | £1,680 |
| Main pool b/f (£40,000 @ 14%*) | WDA | £5,600 |
| Special pool b/f (£30,000 @ 6%) | WDA | £1,800 |
| TOTAL ALLOWANCES | | £129,080 |

*Hybrid rate would apply if period spans 1 April 2026

## 4.9 Balancing Adjustments

When an asset is sold or scrapped:

- **Balancing Allowance:** If sale proceeds are less than the tax written down value, claim the difference as an additional allowance
- **Balancing Charge:** If sale proceeds exceed the written down value, add the excess back to taxable profits

**Example: Balancing Adjustment**

A car with a tax written down value of £8,000 is sold for £5,000. Balancing Allowance = £8,000 - £5,000 = £3,000 This £3,000 is an additional deduction from profits.

# Module 5: Trading Losses

## 5.1 Overview of Loss Relief

When a company makes a trading loss, it has several options for obtaining tax relief. Choosing the right option depends on the company's circumstances and can significantly impact cash flow.

## 5.2 Loss Relief Options

| Option | Set Against | Time Limit to Claim |
|---|---|---|
| Current Year Relief | Total profits of the same accounting period | 2 years from end of loss-making period |
| Carry Back | Total profits of previous 12 months | 2 years from end of loss-making period |
| Carry Forward | Future total profits (subject to restriction) | No time limit |
| Group Relief | Profits of group companies (same period) | 2 years from end of period |

## 5.3 Current Year and Carry Back Relief

These reliefs allow losses to be set against "total profits" – meaning trading profits, investment income, and chargeable gains combined.

### Key Rules

- Relief is "all or nothing" – you cannot restrict the claim to preserve other reliefs
- Current year relief must be claimed before carry back
- Carry back is limited to the previous 12 months

**Wasted Reliefs**

Setting losses against total profits may "waste" the qualifying charitable donations deduction, as charitable donations can only be deducted from profits that exist. Also, reducing profits below the marginal relief band may result in a lower overall tax benefit.

## 5.4 Carry Forward Relief

Losses can be carried forward indefinitely against future profits. The rules depend on when the loss arose:

### Losses from April 2017 onwards

- Can be set against total profits (not just trading profits)
- Subject to a restriction: £5 million deductions allowance, plus 50% of remaining profits

**Example: Carry Forward Restriction**

Company has carried forward losses of £12 million and makes profits of £8 million in the current year. • Deductions allowance: £5,000,000 • Remaining profits: £8,000,000 - £5,000,000 = £3,000,000 • Additional relief: £3,000,000 × 50% = £1,500,000 • Total loss relief: £5,000,000 + £1,500,000 = £6,500,000 • Taxable profits: £8,000,000 - £6,500,000 = £1,500,000 • Losses remaining to carry forward: £12,000,000 - £6,500,000 = £5,500,000

## 5.5 Terminal Loss Relief

When a company ceases trading, it can carry back losses from the final 12 months against total profits of the preceding 3 years on a LIFO (Last In, First Out) basis.

This extended carry back ensures losses are not wasted when a company closes down.

## 5.6 Group Relief

Companies in a 75% group relationship can surrender current period losses to other group members. This allows profitable companies to absorb losses from loss-making group companies in the same accounting period.

### 75% Group Relationship

Company A is in a group with Company B if:

- A owns at least 75% of B's ordinary share capital, OR
- Both A and B are 75% owned by the same parent company

# Module 6: R&D Tax Relief

## 6.1 Overview

Research and Development (R&D) tax relief is a government incentive to encourage innovation. It allows companies to claim additional tax relief on qualifying R&D expenditure, either reducing their Corporation Tax bill or receiving a cash credit.

## 6.2 The Merged Scheme (ERIS) – From April 2024

From 1 April 2024, the previous SME R&D scheme and RDEC scheme were merged into a single "Expenditure-Incurred Relief Scheme" (ERIS). Most companies now claim under this merged scheme.

| Feature | Merged Scheme Rate |
|---|---|
| Enhanced deduction | 86% additional deduction (total 186%) |
| Above-the-line credit | 20% (taxable) |
| Notional tax credit (loss-making) | 16.2% of qualifying expenditure |
| Effective benefit (profitable company, 25% CT) | 21.5% net |

### How the Enhanced Deduction Works

For every £100 of qualifying R&D expenditure:

- Normal deduction in accounts: £100
- Enhanced deduction (86%): £86
- Total deduction: £186
- Tax saving at 25%: £186 × 25% = £46.50
- Effective benefit: £46.50 / £100 = 46.5%... but you've spent £100 to save £46.50
- Net benefit: £46.50 - £25 (the tax you'd pay on £100 profit) = £21.50 per £100 spent

## 6.3 R&D Intensive SMEs

Loss-making SMEs where R&D expenditure is at least 30% of total expenditure can claim under enhanced rates:

- 86% additional deduction

- 14.5% payable credit on surrendered losses

> **Spring 2026: Advance Assurance Pilot**
> A targeted R&D advance assurance service will be piloted from Spring 2026. This enables SMEs to gain clarity on key aspects of their R&D tax relief claims before submitting to HMRC, reducing uncertainty and the risk of claims being rejected.

## 6.4 What Qualifies as R&D?

To qualify, the project must seek an advance in science or technology by resolving scientific or technological uncertainty.

### Key Criteria

- **Advance:** Not just new to the company, but an advance in the overall field of science or technology
- **Uncertainty:** The solution was not readily deducible by a competent professional in the field
- **Systematic approach:** The work follows a structured investigation or experimentation

> **What Does NOT Qualify**
> The following do not qualify as R&D: • Routine analysis, testing, or quality control • Making minor modifications to existing products • Market research or sales promotion • Social sciences, arts, and humanities • Commercial and financial innovation

## 6.5 Qualifying Expenditure

- **Staff costs:** Salaries, wages, employer's NIC, and pension contributions for employees directly engaged in R&D
- **Consumables:** Materials and utilities consumed or transformed in R&D activities
- **Software:** Software used directly in R&D
- **Subcontracted R&D:** Payments to subcontractors for R&D work (65% of cost claimable)
- **Externally provided workers:** Agency staff engaged in R&D (65% of cost claimable)

## 6.6 Making an R&D Claim

- Submit within 2 years of the end of the accounting period
- Claim as part of the CT600 return or by amending a previous return
- Submit an Additional Information Form (AIF) to HMRC
- Include a technical narrative explaining the R&D activities

**Pre-notification Requirement**

Companies making their first R&D claim (or who haven't claimed in the previous 3 years) must notify HMRC within 6 months of the accounting period end that they intend to make a claim. Failure to pre-notify will result in the claim being rejected.

# Module 7: Chargeable Gains for Companies

## 7.1 Overview

When a company sells a capital asset for more than its cost, it makes a chargeable gain. Unlike individuals who pay Capital Gains Tax (CGT), companies pay Corporation Tax on their gains. The gain is added to trading profits and taxed at the company's CT rate.

## 7.2 Key Differences from Individual CGT

| Aspect | Companies | Individuals |
|---|---|---|
| Tax charged | Corporation Tax (19-25%) | Capital Gains Tax (18-24%) |
| Annual Exemption | None | £3,000 (2025/26) |
| Indexation Allowance | Yes (frozen December 2017) | No |
| Business Asset Disposal Relief | No | Yes (10% rate) |

## 7.3 Calculating a Chargeable Gain

The basic computation is:

| Step | £ |
|---|---|
| Sale proceeds (or market value if gift) | X |
| Less: Incidental costs of disposal | (X) |
| = Net proceeds | X |
| Less: Original cost | (X) |
| Less: Incidental costs of acquisition | (X) |
| Less: Enhancement expenditure | (X) |
| = Unindexed gain | X |
| Less: Indexation allowance | (X) |
| = Chargeable gain | X |

## 7.4 Indexation Allowance

Companies can claim indexation allowance to eliminate the inflationary element of a gain. Key points:

- Based on Retail Prices Index (RPI) from acquisition to disposal
- FROZEN at December 2017 values – no further indexation for post-2017 inflation
- Can reduce a gain to nil but cannot create or increase a loss
- Applies to original cost and any enhancement expenditure

## 7.5 Key Reliefs

### Rollover Relief

When a company sells a qualifying business asset and reinvests in another qualifying asset, it can defer the gain.

- **Qualifying assets:** Land and buildings, fixed plant and machinery, goodwill
- **Reinvestment window:** 1 year before to 3 years after disposal
- **Full rollover:** If all proceeds are reinvested
- **Partial rollover:** If only part is reinvested, gain deferred equals proceeds reinvested

### Substantial Shareholding Exemption (SSE)

Gains on the disposal of shares can be completely exempt if:

- The selling company held at least 10% of the ordinary share capital
- The holding was for at least 12 continuous months in the 6 years before sale
- Both companies are trading companies (or holding companies of trading groups)

> **SSE Importance**
> The Substantial Shareholding Exemption can make the sale of subsidiary companies completely tax-free. It is a key consideration in corporate restructuring, mergers and acquisitions, and private equity transactions.

# Module 8: The CT600 Form Explained

## 8.1 Overview

The CT600 is the Company Tax Return that all UK companies must file with HMRC. It summarises the company's income, gains, reliefs, and the resulting tax liability. Since April 2011, the CT600 must be filed online.

## 8.2 Main Sections

| Box Range | Section | Contents |
|---|---|---|
| 1-30 | Company Information | Name, UTR, accounting period, company type |
| 35-80 | Turnover & Income | Trading profits, investment income, property income |
| 85-120 | Chargeable Gains | Gains and losses from disposals |
| 125-170 | Deductions & Reliefs | Losses, group relief, donations |
| 175-235 | Tax Calculation | TTP, rates, marginal relief, tax payable |
| 240-295 | Tax Reliefs | R&D credits, creative reliefs, DTR |
| 300-350 | Payments & Returns | Tax paid, repayments claimed |

## 8.3 Key Boxes

- **Box 145:** Trading profits – Adjusted profit after capital allowances
- **Box 155:** Property income – Net rental profit
- **Box 160:** Non-trading loan relationships – Interest received
- **Box 190:** Chargeable gains – Net gains after losses
- **Box 235:** Profits chargeable to Corporation Tax – Taxable Total Profits
- **Box 430:** Tax payable – Corporation Tax due

## 8.4 Supplementary Pages

Depending on the company's circumstances, additional pages may be required:

- **CT600A:** Loans to participators (close companies)
- **CT600B:** Controlled foreign companies
- **CT600C:** Group and consortium relief

- **CT600D:** Insurance companies
- **CT600E:** Charities and community amateur sports clubs
- **CT600J:** Disclosure of tax avoidance schemes

**Supporting Computations**

The CT600 contains only summarised figures. A detailed tax computation showing how the figures were calculated should be prepared and kept with the company's records. This is essential for any HMRC enquiry.

# Module 9: iXBRL Accounts and Filing

## 9.1 What is iXBRL?

iXBRL (Inline eXtensible Business Reporting Language) is a standardised format for submitting financial information electronically. All CT600 returns must be filed online, and the accompanying accounts must be in iXBRL format.

## 9.2 How iXBRL Works

iXBRL "tags" each item in the accounts with a standardised code from a taxonomy. This allows:

- HMRC to automatically process and analyse accounts
- Consistent reporting across all companies
- The document to remain human-readable (HTML format)
- Machine processing of the underlying data

## 9.3 What Must Be Tagged?

- All items in the balance sheet
- All items in the profit and loss account
- Key notes to the accounts
- Directors' report information
- Tax computation figures

## 9.4 Software Options

| Option | Examples | Best For |
|---|---|---|
| Commercial Software | Xero, QuickBooks, Sage, CCH, Iris | Regular filing, automatic tagging |
| HMRC Joint Filing | Companies House/HMRC service | Small dormant companies |
| Third-Party Converters | DataTracks, CoreFiling | Converting existing accounts |

## 9.5 Filing Process

1. Prepare statutory accounts in accordance with UK GAAP or IFRS

2. Calculate tax and prepare the CT600 computation
3. Convert accounts to iXBRL using approved software
4. Validate the iXBRL file for errors
5. Submit online to HMRC
6. Receive and save acknowledgement

## 9.6 Common Filing Errors

- **Tagging errors:** Using incorrect or missing XBRL tags
- **Calculation mismatches:** Figures that don't reconcile between accounts and CT600
- **Invalid file format:** File not meeting iXBRL specification
- **Missing mandatory items:** Required disclosures not tagged
- **Date inconsistencies:** Accounting period dates not matching CT600

**Validate Before Submitting**

Always validate your iXBRL file before submission. Most software includes validation tools, and HMRC's online service will reject files with errors. Fix all validation errors before attempting to file.

## 9.7 Joint Filing

Companies can submit accounts to both HMRC and Companies House simultaneously through joint filing. This saves time by avoiding duplicate submissions but is only available if:

- The accounts meet both HMRC and Companies House requirements
- The filing software supports joint filing
- The company qualifies for small company filing

# Module 10: Practical Checklist & Common Mistakes

## 10.1 Pre-Filing Checklist

Before filing the CT600, ensure you have completed the following:

### Accounts Preparation

- Statutory accounts finalised and approved by directors
- Accounts signed and dated
- Accounting period dates confirmed and match HMRC records

### Tax Adjustments

- Depreciation identified and added back
- Disallowable expenses reviewed (entertainment, fines, political donations)
- Capital vs revenue items correctly classified
- Non-taxable income excluded (UK dividends)

### Capital Allowances

- All qualifying expenditure identified
- Correct allowances claimed (AIA, Full Expensing, 40% FYA, WDA)
- Pools correctly maintained
- Disposals and balancing adjustments calculated

### Other Reliefs

- Loss relief claims considered and documented
- R&D claims with AIF submitted (if applicable)
- Group relief claims agreed with other group companies
- Associated companies counted for rate thresholds

### Filing

- iXBRL accounts converted and validated
- CT600 completed with correct figures
- Supporting computation prepared and retained

## 10.2 Most Common Mistakes

| Mistake | Consequence | How to Avoid |
|---|---|---|
| Missing filing deadline | £100-£200+ penalties (doubling from April 2026) | Set calendar reminders, file early |
| Forgetting depreciation add-back | Understated profits, amended return needed | Use standard adjustment checklist |
| Claiming disallowed entertainment | HMRC enquiry, additional tax + interest | Review expenses for dual-purpose items |
| Missing AIA/Full Expensing claim | Overpaid tax, cash flow impact | Review all capital purchases |
| Incorrect associated company count | Wrong tax rate applied | Document group structure annually |
| Late payment | Interest charges from day 1 | Set up Direct Debit, pay early |
| R&D pre-notification missed | Claim rejected entirely | Submit notification within 6 months |

## 10.3 Record Keeping Requirements

Companies must keep records for at least 6 years from the end of the accounting period:

- Statutory accounts and tax computations
- All receipts, invoices, and vouchers
- Bank statements and payment records
- Contracts and agreements
- PAYE and payroll records
- Capital asset register
- VAT records (if VAT registered)

## 10.4 HMRC Enquiries

HMRC can open an enquiry into a Company Tax Return within 12 months of the later of:

- The date the return was filed
- The filing deadline (if filed late)

If you receive an enquiry:

- Respond within the timeframe specified
- Provide all information requested
- Consider professional representation
- Keep detailed records to support your return

# Appendix A: Corporation Tax Rates Summary

## FY 2025/26 and FY 2026/27

| Profit Level | Rate | Thresholds (standalone company) |
|---|---|---|
| Small Profits Rate | 19% | £0 - £50,000 |
| Marginal Relief Band | 19% - 25% | £50,001 - £250,000 |
| Main Rate | 25% | Over £250,000 |

## Capital Allowances Summary

| Allowance | Rate | From April 2026 |
|---|---|---|
| Full Expensing | 100% | 100% (unchanged) |
| Annual Investment Allowance | 100% (up to £1m) | 100% (unchanged) |
| 100% FYA - Electric vehicles | 100% | 100% (extended to Mar 2027) |
| 40% FYA (NEW Jan 2026) | 40% | 40% |
| Main Rate WDA | 18% | 14% |
| Special Rate WDA | 6% | 6% (unchanged) |

# Appendix B: Key Deadlines Quick Reference

| Action | Deadline |
|---|---|
| Register for Corporation Tax | 3 months after becoming active |
| File accounts with Companies House | 9 months after period end |
| Pay Corporation Tax (standard) | 9 months + 1 day after period end |
| File CT600 with HMRC | 12 months after period end |
| Claim R&D relief | 2 years after period end |
| Amend CT600 | 12 months after filing deadline |

# Appendix C: Useful Resources

## HMRC Online Services

- HMRC Corporation Tax login: www.gov.uk/log-in-register-hmrc-online-services
- Register for Corporation Tax: www.gov.uk/limited-company-formation/set-up-your-company-for-corporation-tax
- Payment options: www.gov.uk/pay-corporation-tax

## HMRC Helplines

- Corporation Tax helpline: 0300 200 3410
- Corporation Tax payment enquiries: 0300 200 3401
- Opening hours: Monday to Friday, 8am to 6pm

## Reinza Training Support

- Website: www.reinza.com
- Email: training@reinza.com
- Tax Services: www.reinza.com/tax

*— End of Manual —*

Thank you for choosing Reinza Training