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CCH Hardman's

Tax Rates & Tables

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PREFACE

Now in its 52nd edition, *Hardman's Tax Rates & Tables* contains the numerical and factual data in everyday use by the tax practitioner. The material is conveniently arranged in 23 chapters:

- Principles of income tax
- Taxation of business profits
- Taxation of investment income
- Taxation of earnings
- Taxation of capital gains
- Inheritance tax
- Taxation of companies
- Capital allowances
- National Insurance contributions
- Tax credits
- State benefits and statutory payments
- General
- Stamp taxes
- Value added tax
- Insurance premium tax
- Landfill tax
- Aggregates levy
- Climate change levy
- Air passenger duty
- Vehicle excise duty
- Scottish taxes
- Welsh taxes
- Northern Irish taxes

This edition takes full account of Autumn Budget 2017. Where available, 2018–19 rates and allowances are included. The 2018–19 Second Edition will contain full coverage of 2018–19.

Cross-references to CCH's *Tax Reporter, Indirect Tax Reporter* and *SDLT Reporter* are included.

The data in this book is maintained by Sarah Arnold of Elucidate Tax Limited and CCH's team of tax writers: Mark Cawthron, Julie Clift, Paul Davies, Stanley Dencher, Stephen Relf and Meg Wilson.

Every effort has been taken to include, within the constraints of available space, the information of greatest use to the practitioner. A number of changes have been made in the light of suggestions received from users of previous years' editions. CCH welcomes further suggestions as to material which might be inserted in future editions.

Paul Robbins

December 2017

Note: the late Philip Hardman was the original editor of *Hardman's Tax Rates & Tables*. CCH gratefully acknowledges the considerable help and guidance that he provided.

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PRINCIPLES OF INCOME TAX

INCOME TAX RATES

Note: See also ¶26-100 for rates applicable in Scotland from April 2016.

[¶1-000] Structure of income tax rates: 2018–19

(ITA 2007, s. 9A, 10–15; FA 2016, s. 6)

Finance Act 2016 included legislation to separate the income tax rates that apply to savings (the savings rates), from those that apply to non-savings, non-dividends income (the main rates), with effect for the tax year 2017–18 (as the first tax year for which the Scottish Government can set Scottish rates of income tax (SI 2016/1161, reg. 3)) and subsequent tax years, in order to facilitate the devolution of income tax rates to Scotland (for Scottish taxpayers) and, in due course, to Wales (for Welsh taxpayers).

The savings and dividend rates are not being devolved and apply across the UK whereas the main rates were devolved to Scotland from April 2017 (for Scottish taxpayers) and will be devolved, in due course, to Wales (for Welsh taxpayers).

Finance Act 2016 also created a default rate of income tax on non-savings, non-dividends income that will apply to, but is not limited to, trustees and non-residents.

The general effect of ITA 2007, s. 10–15 is outlined in the following table:

Type of taxpayer	Rates payable on savings income	Rates payable on most dividend income	Rates payable on other income
UK resident individual who is neither a Scottish taxpayer nor a Welsh taxpayer	Savings rates	Dividend rates	Main rates
Scottish taxpayer	Savings rates	Dividend rates	Scottish rates
Welsh taxpayer	Savings rates	Dividend rates	Main rates while ITA 2007, s. 11B is not in force; Welsh rates once in force
Non-UK resident individual	Savings rates	Dividend rates	Default rates
Non-individual, except some trustees subject to trust rate or dividend trust rate in certain circumstances	Default basic rate	Dividend ordinary rate	Default basic rate

Note

[1] The table does not address the effect of some exceptions referred to in ITA 2007, s. 10–15.

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[¶1-002] Income tax rates: 2018–19

(Autumn Budget 2017)

	Rate %	Taxable income band £	Tax on band £
Main rates			
Basic rate	20	1–34,500	6,900
Higher rate	40	34,501–150,000	46,200
Additional rate	45	Over 150,000	
Default rates			
Default basic rate	20	1–34,500	6,900
Default higher rate	40	34-501–150,000	46,200
Default additional rate	45	Over 150,000	
Scottish rates			
Scottish basic rate			
Scottish higher rate			
Scottish additional rate			

Other rates	Rate %	Taxable income
Savings rates		
Starting rate for savings	0	£1–£5,000
Savings nil rate	0	First £1,000 or £500
Savings basic rate	20	Savings income otherwise chargeable at basic rate or default basic rate
Savings higher rate	40	Savings income otherwise chargeable at higher rate or default higher rate
Savings additional rate	45	Savings income otherwise chargeable at additional rate or default additional rate
Dividend rates		
Dividend nil rate	0	First £2,000
Dividend ordinary rate	7.5	Dividend income otherwise chargeable at basic rate or Scottish basic rate
Dividend upper rate	32.5	Dividend income otherwise chargeable at higher rate or Scottish higher rate
Dividend additional rate	38.1	Dividend income otherwise chargeable at additional rate or Scottish additional rate
Special rates for trustees' income		
Trust rate	45	Trustees accumulated or discretionary income and other amounts under ITA 2007, Pt. 9, Ch. 3–6
Dividend trust rate	38.1	

[¶1-003] Income tax rates: 2017–18

(ITA 2007, s. 6–9; FA 2016, s. 6)

(Tax Reporter: ¶148-075ff.)

	Rate %	Taxable income band £	Tax on band £
Main rates[1][2]			
Basic rate	20	1–33,500[3]	6,700
Higher rate	40	33,501–150,000	46,600
Additional rate	45	Over 150,000	
Default rates[4]			
Default basic rate	20	1–33,500[3]	6,700
Default higher rate	40	33,501–150,000	46,600
Default additional rate	45	Over 150,000	
Scottish rates			
Scottish basic rate	20	1–31,500	6,300
Scottish higher rate	40	31,501–150,000	47,400
Scottish additional rate	45	Over 150,000	

Other rates	Rate %	Taxable income
Savings rates		
Starting rate for savings[5]	0	£1–£5,000
Savings nil rate[6]	0	First £1,000 or £500
Savings basic rate	20	Savings income otherwise chargeable at basic rate or default basic rate
Savings higher rate	40	Savings income otherwise chargeable at higher rate or default higher rate
Savings additional rate	45	Savings income otherwise chargeable at additional rate or default additional rate
Dividend rates		
Dividend nil rate[7]	0	First £5,000
Dividend ordinary rate	7.5	Dividend income otherwise chargeable at basic rate or Scottish basic rate
Dividend upper rate	32.5	Dividend income otherwise chargeable at higher rate or Scottish higher rate
Dividend additional rate	38.1	Dividend income otherwise chargeable at additional rate or Scottish additional rate

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Other rates	Rate %	Taxable income
Special rates for trustees' income[8]		
Trust rate	45	Trustees accumulated or discretionary income and other amounts under ITA 2007, Pt. 9, Ch. 3–6
Dividend trust rate	38.1	

Notes

(1) Income tax lock: F(No. 2)A 2015, s. 1 set a ceiling for the main rates of income tax at 20%, 40% and 45% respectively for tax years beginning on or after 18 November 2015 (Royal Assent) but before the date of the first parliamentary general election after that day.

(2) From 2017–18, the main rates are separated into the main rates, the savings rates and the default rates. From 6 April 2017, the main rates apply to non-savings, non-dividend income (income to which the main rates apply includes income from employment, property or pensions not subject to the Scottish rate of income tax). Prior to 6 April 2017, the main rates applied to all non-dividend income, including income from savings, employment, property or pensions.

(3) Autumn Statement 2016 confirmed the Government's commitment to raise the income tax personal allowance to £12,500 and the higher rate threshold to £50,000, by the end of this Parliament, on which figures the basic rate limit will increase to £37,500.

(4) Default rates apply from 6 April 2017 to non-savings and non-dividend income of any taxpayer that is not subject to either the main rates or the Scottish rates of income tax.

(5) The 'starting rate for savings' is available for savings income only. If an individual's taxable non-savings income (i.e. after deduction of their personal allowance) exceeds the starting rate, then the starting rate is not available and an individual's savings income is chargeable at the nil rate (to the extent available), the basic, higher or additional rate (as would otherwise apply).

(6) The savings allowance (the savings nil rate) is available to individuals with savings income. The savings allowance is £1,000 for basic rate taxpayers, £500 for higher rate taxpayers and nil for additional rate taxpayers. Savings income within the savings allowance is chargeable at the savings nil rate 0% (ITA 2007, s. 12A and 12B). The 'savings nil rate' is available in addition to the 'starting rate for savings' (where this is available) on savings income above the starting rate limit.

(7) The tax-free dividend allowance operates as a 0% tax rate substituted for the dividend ordinary rate, dividend upper rate or dividend additional rate as would otherwise apply on the first £5,000 of an individual's dividend income (ITA 2007, s. 13A). From 2018–19, the dividend allowance will be reduced to £2,000 (F(No. 2)A 2017, s. 8).

(8) The special trust rates do not apply to the first £1,000 slice of the 'trust rate income'. Instead, the normal income tax rates (currently the basic rate and dividend ordinary rate) apply as appropriate (ITA 2007, s. 491(1)–(3)).

[¶1-004] Income tax rates: 2016–17

(ITA 2007, s. 6–15; FA 2015, s. 4; FA 2016, s. 1)

(Tax Reporter: ¶148-075ff.)

UK rates (England, Wales and Northern Ireland)

	Taxable income band £	Tax rate[1] %	Tax on band £
Basic rate	1–32,000	20	6,400
Higher rate	32,001–150,000	40	47,200
Additional rate	Over 150,000	45	
Starting rate for savings income	1–5,000	0	

Scottish rates

UK rate for England, Wales and Northern Ireland	Taxable income band £	UK rate paid in Scotland %	Scottish rate %	Total rate for Scottish taxpayers %
Basic rate 20%	1–32,000	10	10	20
Higher rate 40%	32,001–150,000	30	10	40
Additional rate 45%	Over £150,000	35	10	45

Savings, dividends and special trust rates

Starting rate for savings income[2]	0% up to starting rate limit
Rate on non-dividend savings income	0% on savings income charged at the savings nil rate[3] 20% up to basic rate limit 40% up to higher rate limit 45% thereafter
Dividend nil rate[5]	0% on first £5,000 dividends
Dividend ordinary rate	7.5%[5] up to basic rate limit
Dividend upper rate	32.5%[5] up to higher rate limit
Dividend additional rate	38.1%[5] above higher rate limit
Trust rate	45%[4]
Dividend trust rate	38.1%[4]

Notes

(1) Income tax lock: F(No. 2)A 2015, s. 1 set a ceiling for the main rates of income tax at 20%, 40% and 45% respectively for tax years beginning on or after 18 November 2015 (Royal Assent) but before the date of the first parliamentary general election after that day.

(2) The 'starting rate for savings' is available for savings income only. If an individual's taxable non-savings income (i.e. after deduction of their personal allowance) exceeds the starting rate limit, then the starting rate is not available and an individual's savings income is chargeable at the basic, higher or additional rate (as would otherwise apply). From 6 April 2016, a new savings allowance is available to individuals with savings income, 'the savings nil rate'.

(3) The savings allowance is £1,000 for basic rate taxpayers, £500 for higher rate taxpayers and nil for additional rate taxpayers. Savings income within the savings allowance is chargeable at the savings nil rate 0% (ITA 2007, s. 12A and 12B). The 'savings nil rate' is available in addition to the 'starting rate for savings' (where this is available) on savings income above the starting rate limit.

(4) The special trust rates do not apply to the first £1,000 slice of the 'trust rate income'. Instead, the normal income tax rates (currently the basic rate and dividend ordinary rate) apply as appropriate (ITA 2007, s. 491(1)–(3)).

(5) From April 2016, the dividend tax credit was abolished and replaced with a £5,000 tax-free dividend allowance. The allowance operates as a 0% tax rate substituted for the dividend ordinary rate, dividend upper rate or dividend additional rate as would otherwise apply on the first £5,000 of an individual's dividend income (ITA 2007, s. 13A).

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[¶1-005] Income tax rates: 2015–16

(ITA 2007, s. 6–15; FA 2014, s. 2)

(Tax Reporter: ¶148-075ff.)

2015–16

	Taxable income band £	Tax rate %	Tax on band £
Basic rate	1–31,785	20	6,357
Higher rate	31,786–150,000	40	47,286
Additional rate	Over 150,000	45	

Rate on non-dividend savings income	0% up to £5,000[1] 20% up to basic rate limit 40% up to higher rate limit 45% thereafter
Dividend ordinary rate (effective rate with tax credit)	10% up to basic rate limit 0%
Dividend upper rate (effective rate with tax credit)	32.5% up to higher rate limit 25%
Dividend additional rate (effective rate with tax credit)	37.5% above higher rate limit 30.6%
Trust rate	45%[2]
Dividend trust rate	37.5%[2]

Notes

[1] The starting rate is available for savings income only. If an individual's taxable non-savings income (i.e. after deduction of their personal allowance) exceeds the starting rate limit, then the starting rate is not be available.

[2] The special trust rates do not apply to the first £1,000 slice of the 'trust rate income'. Instead, the normal income tax rates (currently the basic rate and dividend ordinary rate) apply as appropriate (ITA 2007, s. 491(1)–(3)).

[¶1-006] Income tax rates: 2014–15

(ITA 2007, s. 6–15; FA 2014, s. 1)

(Tax Reporter: ¶148-075ff.)

2014–15

	Taxable income band £	Tax rate %	Tax on band £
Basic rate	1–31,865	20	6,373
Higher rate	31,866–150,000	40	47,254
Additional rate	Over 150,000	45	

Rate on non-dividend savings income	10% up to £2,880[1] 20% up to basic rate limit 40% up to higher rate limit 45% thereafter
Dividend ordinary rate (effective rate with tax credit)	10% up to basic rate limit 0%
Dividend upper rate (effective rate with tax credit)	32.5% up to higher rate limit 25%
Dividend additional rate (effective rate with tax credit)	37.5% above higher rate limit 30.6%
Trust rate	45%[2]
Dividend trust rate	37.5%[2]

Notes

[1] A 10% starting rate applies to the first £2,880 of non-dividend savings income. The starting rate does not apply if non-savings income exceeds the personal allowance plus £2,880.

[2] The special trust rates do not apply to the first £1,000 slice of the 'trust rate income'. Instead, the normal income tax rates (currently the basic rate and dividend ordinary rate) apply as appropriate (ITA 2007, s. 491(1)–(3)).

[¶1-008] Income tax rates: 2013–14

(ITA 2007, s. 6–15; FA 2013, s. 3)

(Tax Reporter: ¶148-075ff.)

2013–14

	Taxable income band £	Tax rate %	Tax on band £
Basic rate	1–32,010	20	6,402
Higher rate	32,011–150,000	40	47,196
Additional rate	Over 150,000	45	

Rate on non-dividend savings income	10% up to £2,790[1] 20% up to basic rate limit 40% up to higher rate limit 45% thereafter
Dividend ordinary rate (effective rate with tax credit)	10% up to basic rate limit 0%
Dividend upper rate (effective rate with tax credit)	32.5% up to higher rate limit 25%
Dividend additional rate (effective rate with tax credit)	37.5% above higher rate limit 30.6%
Trust rate	45%[2]
Dividend trust rate	37.5%[2]

Notes

[1] A 10% starting rate applies to the first £2,790 of non-dividend savings income. The starting rate does not apply if non-savings income exceeds the personal allowance plus £2,790.

[2] The special trust rates do not apply to the first £1,000 slice of the 'trust rate income'. Instead, the normal income tax rates (currently the basic rate and dividend ordinary rate) apply as appropriate (ITA 2007, s. 491(1)–(3)).

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[¶1-100] Personal allowances and reliefs

(ITA 2007, s. 35–46)

(Tax Reporter: ¶155-000ff.)

From 2016–17 onwards, there is one income tax personal allowance regardless of an individual's date of birth.

The Government has committed to raising the personal allowance to £12,500 by the end of its Parliamentary term (first announced at Summer Budget 2015, reconfirmed at Autumn Statement 2016).

For tax years up to 2012–13, higher (age-related) allowances were available for individuals attaining 'age 65–74' or age '75 and over' in the tax year. These allowances were frozen at 2012–13 rates and phased out between 2013–14 and 2015–16 as the basic personal allowance caught up with the frozen amounts of the former allowances.

Transferable tax allowances for married couples

(ITA 2007, Pt. 3, Ch. 3A)

(Tax Reporter: ¶156-725)

From the 2015–16 tax year, a spouse or civil partner who is not liable to income tax because their income is below their personal allowance or who is liable to income tax at the basic rate, dividend ordinary rate or the starting rate for savings has been able to elect to transfer a portion (set at 10%) of their personal allowance to their spouse or civil partner, with a corresponding reduction to the transferring spouse's personal allowance. Only a spouse or civil partner who is liable to income tax at the basic rate, dividend ordinary rate or the starting rate for savings can receive the transferred personal allowance. The transferred allowance is given effect as a reduction to the recipient's income tax liability at the basic rate of tax. Married couples or civil partners entitled to claim the married couple's allowance are not entitled to make a transfer.

At Autumn Budget 2017, it was announced that amending legislation will be introduced in Finance Bill 2017–18, effective from 29 November 2017, to enable an individual whose spouse or civil partner is deceased to make an application for the marriage allowance, and for the claim to be backdated for up to four years where the entitlement conditions are met.

Specific income allowances

From 6 April 2016, two 'allowances' were introduced for savings income and dividend income. Both 'allowances' operate as 0% rates of tax substituted for the rates that would otherwise apply. The savings allowance is available for up to £1,000 of a basic rate taxpayer's savings income and up to £500 of a higher rate taxpayer's savings income each year. The savings allowance is not available to additional rate taxpayers. The dividend allowance is available to all taxpayers on up to £5,000 of dividend income.

From 6 April 2017, two further £1,000 allowances each for property and trading income were introduced (amendments by *Finance (No. 2) Act* 2017). The new allowances mean that individuals with property income below £1,000 or trading income below £1,000 do not need to declare or pay tax on that income. The trading income allowance also applies to certain miscellaneous income from providing assets or services. Those with income above the allowance may calculate their taxable profit either by deducting their expenses in the normal way or by electing for partial relief and simply deducting the relevant allowance from their gross income (instead of deducting expenses).

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Type of relief[1]	2018–19[9] £	2017–18	2016–17 £	2015–16 £	2014–15 £	2013–14 £
Personal allowance[2]						
All ages	11,850	11,500	11,000	—	—	—
– born after 5 April 1948	—	—	—	—	10,000	9,440
– born after 5 April 1938	—	—	—	10,600	—	—
– born after 5 April 1938 but before 6 April 1948	—	—	—	—	10,500	10,500
– born before 6 April 1938	—	—	—	10,660	10,660	10,660
Marriage allowance[3]	1,185	1,150	1,100	1,060	—	—
Married couple's allowance[4]						
– born before 6 April 1935 and age 75 and over	8,695	8,445	8,355	8,355	8,165	7,915
– minimum amount of allowance	3,360	3,260	3,220	3,220	3,140	3,040
Maximum income before abatement of:						
– personal allowance[2]						100,000
– married couples allowance [reliefs for older taxpayers]	100,000 28,900	100,000 28,000	100,000 27,700	100,000 27,700	100,000 27,000	26,100
Abatement income ceiling						
Personal allowance (basic)	123,700	123,000	122,000	121,200	120,000	118,880
Single (age personal allowance)						
– born after 5 April 1938 but before 6 April 1948	—	—	—	—	28,000	28,220
– born before 6 April 1938	—	—	—	27,820	28,320	28,540
Married couple's allowance (only)	39,570	38,370	37,970	37,970	37,050	35,850
Married (age personal allowance and MCA)						
– relevant partner born after 5 April 1938 but before 6 April 1948	—	—	—	—	38,050	37,970
– relevant partner born before 6 April 1938	—	—	—	38,090	38,370	38,290
Blind person's allowance	2,390	2,320	2,290	2,290	2,230	2,160
Dividend allowance[5]	2,000	5,000	5,000	—	—	—
Personal savings allowance[6]						
Basic rate taxpayers	1,000	1,000	1,000	—	—	—
Higher rate taxpayers	500	500	500	—	—	—
Life assurance relief (policies issued before 14 March 1984)[7]	—	—	—	—	12.5% of premiums	12.5% of premiums
'Rent-a-room' limit	[7,500]	7,500	7,500	4,250	4,250	4,250
Trading allowance[8]	[1,000]	1,000	—	—	—	—
Property allowance[8]	[1,000]	1,000	—	—	—	—

Notes

[1] The personal allowance, blind persons allowance, married couples allowance (MCA), income limit for MCA abatement (but not the £100,000 income limit for personal allowance abatement) are indexed by the annual percentage increase in CPI (RPI until 2014–15) for the year to September preceding the new tax year. Amounts determined by the annual indexation order may be overridden by provision in a Finance Act. Existing legislation further provides that once the personal allowance has reached £12,500, it will be uprated in line with the national minimum wage (NMW) (and CPI based provisions would no longer apply). However, at Autumn Statement 2016, it was announced that once the personal allowance reaches £12,500, it will continue to be uprated in line with CPI rather than NMW.

[2] From April 2010, the personal allowance is gradually withdrawn for income over £100,000 at a rate of £1 of allowance lost for every £2 over £100,000 until it is completely removed (ITA 2007, s. 35).

[3] Legislation will be introduced in Finance Bill 2017–18 to amend ITA 2007, s. 55B–55D, with effect from 29 November 2017, so as to enable an individual whose spouse or civil partner is deceased to make an application for the marriage allowance, and for the claim to be backdated for up to four years where the entitlement conditions are met (Autumn Budget 2017).

(4) The married couple's allowance is available only where at least one partner was born before 6 April 1935. Relief is given as a tax reduction at a rate of 10%.
(5) From 6 April 2016, a 0% rate of tax (the dividend nil rate) applies to the first £5,000 of dividend income received (ITA 2007, s. 13A). The dividend allowance will be reduced to £2,000 from April 2018–19 (F(No. 2)A 2017, s. 8).
(6) From 6 April 2016, a 0% rate of tax applies to an individual's savings income (the savings nil rate or savings allowance). The savings nil rate applies to the first £1,000 of a basic rate taxpayer's savings income, or the first £500 of a higher rate taxpayer's savings income. The savings nil rate is not available to additional rate taxpayers (ITA 2007, s. 12A and 12B).
(7) By relief at source. Abolished for payments becoming due and payable on or after 6 April 2015, and payments becoming due and payable before 6 April 2015 but actually paid on or after 6 July 2015 (FA 2012, s. 227 and Sch. 39, para. 23).
(8) Trading and property allowances introduced with effect from 6 April 2017. The allowances provide for full relief on trading and property income of up to each allowance of £1,000 (the trading allowance applies to miscellaneous income also). Individuals with gross income of up to the allowance do not have to declare or pay tax on this income. Where gross income is above the level of the allowance, individuals can either elect for partial relief and deduct the allowance from gross receipts instead of deducting actual expenses, or calculate profits applying normal rules. (ITTOIA 2005, Pt. 6A, as inserted by F(No. 2)A 2017, Sch. 3)
(9) Rates announced at Autumn Budget 2017. Amounts shown in square brackets are amounts prescribed in current legislation and in respect of which no announcement was made at Autumn Budget 2017.

[¶1-110] High income child benefit charge

(ITEPA 2003, s. 681B–681H)

(Tax Reporter: ¶490-075)

The high income child benefit charge applies to individuals whose income exceeds £50,000 who are themselves, or whose partner is, in receipt of child benefit. The charge is levied on the partner with the highest income, irrespective of which partner claims the child benefit. The charge is calculated as the 'appropriate percentage' of child benefit payments received during the tax year which equates to 1% of the amount of child benefit received for every £100 of income over £50,000.

Adjusted Net Income	Appropriate percentage
£60,000 and over	100%
£50,001–£59,999	$\frac{ANI - L}{X}$ %
Up to £50,000	Nil

Where:

ANI = Adjusted Net Income
L = £50,000
X = £100

Adjusted Net Income is calculated as:

- net income (total income charged to income tax less income tax reliefs);
- less grossed up (at basic rate) gift aid donations;
- less gross pension contributions (before deduction of basic rate tax);
- add back any relief for payments to trade unions or police organisations (ITEPA 2003, s. 457 or 458) deducted in calculating net income.

Child benefit(1)	2018–19(2) £/week	2017–18 £/week	2016–17 £/week	2015–16 £/week	2014–15 £/week	2013–14 £/week
Eldest qualifying child	20.70	20.70	20.70	20.70	20.50	20.30
Each other child	13.70	13.70	13.70	13.70	13.55	13.40

Note
(1) Individuals who elected not to continue to receive child benefit by 28 March 2013 were not liable for the charge for 2013–14. From 2014–15 onwards, individuals who opt out and whose payments stopped before the beginning of the tax year will not be liable for the charge and will otherwise be liable only for the period until payments stop.
(2) Rates per Autumn Budget 2017.

[¶1-120] Cap on income tax relief

(ITA 2007, s. 24A)

(Tax Reporter: ¶148-450)

From 6 April 2013, a limit applies to the amount of certain income tax reliefs that may be deducted from income under the *Income Tax Act* 2007, s. 24. The limit does not apply to charitable reliefs.

From	Amount of cap
6 April 2013(1)	greater of: – £50,000; or – 25% of adjusted total income

Note
(1) The limit applies for the tax year 2013–14 and subsequent tax years, and additionally, where loss relief is claimed for a tax year before 2013–14 in relation to losses made in 2013–14 or a later year. However, the limit does not apply in relation to property loss relief arising from a loss made in 2012–13 where the loss is claimed for relief against general income in the tax year 2013–14.

Limited reliefs	Legislation
Trade loss relief against general income (excluding relief for losses attributable to overlap relief and business premises renovation allowances (BPRA)) [and excluding deductions so far as made from profits of the trade or business to which the relief relates – see next table]	ITA 2007, s. 64
Early trade loss relief (first four years of trade, profession or vocation; excluding relief for losses attributable to overlap relief and BPRA) [and excluding deductions so far as made from profits of the trade or business to which the relief relates – see table below]	ITA 2007, s. 72
Post-cessation trade relief (qualifying payments or qualifying events within seven years of the permanent cessation of the trade) [and excluding deductions so far as made from profits of the trade or business to which the relief relates – see table below]	ITA 2007, s. 96
Property loss relief against general income (property business losses arising from capital allowances or agricultural expenses; excluding relief for losses attributable to BPRA) [and excluding deductions so far as made from profits of the trade or business to which the relief relates – see table below]	ITA 2007, s. 120

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TAXATION OF CAPITAL GAINS

[¶5-000] Rates

(TCGA 1992, s. 4)

(Tax Reporter: ¶500-220)

Tax year	Gains eligible for:		Individuals		Trustees and PRs	
	Entrepreneurs' relief	Investors' relief[3]	Main rates[1]	Residential property/ carried interest[2]	Main rate	Residential property/ carried interest[2]
2018–19[4]	10	[10]	10/20	18/28	20	28
2017–18	10	[10]	10/20	18/28	20	28
2016–17	10	[10]	10/20	18/28	20	28
2015–16	10	—	18/28	18/28	28	28
2014–15	10	—	18/28	18/28	28	28
2013–14	10	—	18/28	18/28	28	28
2012–13	10	—	18/28	18/28	28	28

Notes

[1] For disposals on or after 6 April 2016, the chargeable gains arising from those disposals are aggregated with the individual's taxable income and to the extent that the aggregate falls above the threshold of the income tax basic rate, capital gains tax is charged at 20% (taking the chargeable gains as being the highest part of that aggregate). If the aggregate falls below the threshold, the capital gains tax rate is 10% (TCGA 1992, s. 4, as amended by FA 2016, s. 83).

[2] Gains accruing on the disposal of interests in residential properties that do not qualify for private residence relief and carried interest remain chargeable at the 18% and 28% rates as applicable for disposals before 6 April 2016 (TCGA 1992, s. 4, as amended by FA 2016, s. 83).

[3] *Finance Act* 2016 introduces a new relief for investors in unlisted trading companies. The relief applies a lower (10%) rate of capital gains tax on disposals of qualifying holdings (of newly issued shares purchased on or after 17 March 2016), providing they are held for a minimum of three years from 6 April 2016 (meaning that effectively, the relief will not be available until 2019–20) (TCGA 1992, Pt. 5, Ch. 5).

[4] Rates per Autumn Budget 2017.

[¶5-010] Exemptions

(TCGA 1992, s. 3 and 262)

(Tax Reporter: ¶509-050; ¶535-100)

Tax year	Annual exempt amount[1]		
	Individuals, PRs[2], trusts for mentally disabled £	Other trusts[3] £	Chattel exemption (max sale proceeds)[4] £
2018–19[5]	11,700	5,850	6,000
2017–18	11,300	5,650	6,000
2016–17	11,100	5,550	6,000
2015–16	11,100	5,550	6,000

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Tax year	Annual exempt amount[1]		Chattel exemption (max sale proceeds)[4] £
	Individuals, PRs[2], trusts for mentally disabled £	Other trusts[3] £	
2014–15	11,000	5,500	6,000
2013–14	10,900	5,450	6,000

Notes

[1] The annual exempt amount is increased annually, unless Parliament determines otherwise, by reference to the increase in CPI (from 2013–14, previously by reference to RPI).

[2] For year of death and next two years in the case of personal representatives (PRs) of deceased persons.

[3] Multiple trusts created by the same settlor; each attracts relief equal to the annual amount divided by the number of such trusts (subject to a minimum of 10% of the full amount).

[4] Where disposal proceeds exceed the exemption limit, marginal relief restricts any chargeable gain to 5/3 of the excess. Where there is a loss and the proceeds are less than £6,000, the proceeds are deemed to be £6,000.

[5] Rates per Autumn Budget 2017.

[¶5-020] ATED-related capital gains on high value residential property

(TCGA 1992, s. 2B, Sch. 4ZZA)

(Tax Reporter: ¶808-015)

From 6 April 2013, capital gains tax applies to companies and other corporate bodies on disposals of UK residential property valued at over the 'threshold amount'. If a residential property which has been subject to annual tax on enveloped dwellings (ATED) is disposed of some or all of the gains or losses will be 'ATED-related' and charged to capital gains tax.

Tax year	Threshold amount	Rate
2016–17 to 2018–19	£500,000	28%
2015–16	£1,000,000	28%
2014–15 and 2013–14	£2,000,000	28%

The charge applies to any of the following that own an interest in residential property that is subject to ATED:

- companies that are resident in the UK for tax purposes;
- companies that are not UK resident;
- companies (both UK resident and non-UK resident) which are a partner in a partnership; and
- some collective investment schemes, depending on the terms and nature of the scheme.

The charge arises in respect of ATED-related gains only, which, normally, will be gains attributable to periods after 5 April 2013. However, it is possible to elect out of the rules of apportionment between pre- and post-April 2013 periods, and calculate the ATED-related gain by reference to the entire period of ownership. In most cases, such an election will only be beneficial where the market value at 5 April 2013 is greater than the value at the time of disposal.

Gains and losses that are ATED-related are ring-fenced from non-ATED-related gains and losses, and a general computational feature of the rules is that indexation allowance is available only against non-ATED-related gains.

[¶5-030] Disposals of UK residential property by non-residents, etc.

(TCGA 1992, s. 14B–14H)

(Tax Reporter: ¶510-750ff.)

The charge to capital gains tax is extended, with effect in relation to disposals made on or after 6 April 2015, to chargeable gains accruing to non-UK resident persons on the disposal of an interest in UK residential property.

Tax year	Rate		
	Individuals	Trustees and PRs	Companies
From 2015–16	18%/28%	28%	20%

Non-UK resident persons include:

- non-UK resident individuals;
- non-UK resident trusts;
- personal representatives of a deceased person who was non-UK resident; and
- non-UK resident companies controlled by five or fewer persons, except where the company itself, or at least one of the controlling persons, is a 'qualifying institutional investor'.

'UK residential property' is broadly, an interest in UK land that has consisted of or included a dwelling at any time during the relevant ownership period, being the period from acquisition or 6 April 2015 (whichever is later) to the day before the date of disposal.

The charge only applies to the portion of any gain that relates to the post-6 April 2015 ownership period calculated by rebasing the property at its 5 April 2015 market value to calculate a notional pre- and post-5 April 2015 gain or loss. An election for straight-line time apportionment will also be possible.

NRCGT losses accruing by a person on chargeable non-resident disposals of UK residential property interests when non-UK resident will be general allowable losses for use against chargeable gains when UK resident but are otherwise ring-fenced and can only be relieved against gains from other UK residential property in the same or a subsequent tax year and cannot be carried back.

[¶5-040] Entrepreneurs' relief and investors' relief

(TCGA 1992, s. 169H–169S)

(Tax Reporter: ¶572-500ff.)

Chargeable gains arising on disposals of qualifying business assets on or after 23 June 2010 are charged to tax at a rate of 10%.

Period	Lifetime limit for entrepreneurs[1] £	Lifetime limit for investors[2] £
From 2019–20	–	10,000,000
From 06.04.11	10,000,000	–

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Notes

(1) The limit is a lifetime limit applying to disposals on or after 6 April 2008. Transitional provisions allow relief to be claimed in certain circumstances where gains deferred from disposals made on or before 5 April 2008 subsequently become chargeable (FA 2008, Sch. 3, para. 7 and 8).

(2) *Finance Act* 2016 introduces a new relief for investors in unlisted trading companies. The relief applies a lower (10%) rate of capital gains tax on disposals of qualifying holdings (of newly issued shares purchased on or after 17 March 2016), providing they are held for a minimum of three years from 6 April 2016 (meaning that effectively, the relief will not be available until 2019-20). The relief is subject to a separate lifetime limit of £10m of gains (TCGA 1992, Pt. 5, Ch. 5).

Restrictions

- **Goodwill on incorporation:** with effect for transfers on or after 3 December 2014, individuals are prevented from claiming entrepreneurs' relief on disposals of the reputation and customer relationships associated with a business ('goodwill') when they transfer the business to a related close company. The restriction does not extend to partners in a firm who do not hold or acquire any stake in the successor company (TCGA 1992, s. 169LA). However, entrepreneurs' relief may still be claimed, subject to certain conditions, on gains on the goodwill of a business when that business is transferred to a company controlled by five or fewer persons or by its directors. The principal condition is that the claimant must hold less than 5% of the acquiring company's shares. There are special rules to allow relief where the acquiring company is then sold to a third party.
- **Associated disposals:** with effect for disposals on or after 18 March 2015, individuals are prevented from claiming entrepreneurs' relief in respect of gains on disposals of privately held assets used in a business, unless they are associated with a significant material disposal, that is to say a disposal of at least a 5% shareholding in the company or of at least a 5% share in the assets of the partnership carrying on the business (TCGA 1992, s. 169K). However, entrepreneurs' relief may be claimed on a disposal of a privately-held asset when the accompanying disposal of business assets is to a family member.
- **Joint ventures and partnerships:** with effect for disposals on or after 18 March 2015, individuals are prevented from claiming entrepreneurs' relief in respect of gains on shares in certain companies which invest in joint venture companies, or which are members of partnerships. Relief is denied where the investing company has no trade (or no relevant trade) of its own (TCGA 1992, s. 169S). However, entrepreneurs' relief may be claimed in some cases involving joint ventures and partnerships where the disposal of business assets does not meet the existing 5% minimum holding conditions. The definitions of a trading company and trading group which apply for entrepreneurs' relief purposes have been amended. To allow a percentage of the activities of a joint venture company to be treated as carried on by a company which holds shares in that company. Accordingly, trading activities of a company in its capacity as a partner in a firm may be taken into account as such rather than treated as being non-trading (TCGA 1992, s. 169SA and Sch. 7ZA).

[¶5-050] Other exemptions and reliefs

EMI shares

(TCGA 1992, s. 169I(7A)–(7R))

(Tax Reporter: ¶572-950)

With effect in relation to disposals on or after 6 April 2013 of shares acquired pursuant to the exercise of a qualifying EMI option, entrepreneurs' relief will be available in respect of the disposal notwithstanding that the 'personal company' requirement (5% holding) may not be satisfied. To qualify, the shares must be:

- acquired since 6 April 2012;
- disposed of at least one year after the grant of the option; and
- the individual must have been an employee of the company, or a company in the same trading group, throughout the one year period ending with the disposal.

Employee shareholder status

(TCGA 1992, s. 236B–236G)

(Tax Reporter: ¶565-050)

Finance Act 2017 removes the capital gains tax exemption and relief associated with shares received in return for entering into an employee shareholder agreement on or after 1 December 2016.

Period	Gains exemption[1] £	Lifetime limit[2] £
From 17 March 2016	50,000	100,000
From 1 September 2013	50,000	–

Notes

(1) Gains on the disposal of up to £50,000 worth of shares (based on acquisition value) acquired in respect of agreements entered into before 1 December 2016 (extended to 2 December in certain cases) are exempt from capital gains tax. Where a particular acquisition of shares caused the £50,000 limit to be breached, the remainder of the £50,000 limit was applied against the total value of the particular share acquisition and only that portion of the total number of shares acquired by the particular acquisition will be exempt from capital gains tax. The capital gains tax exemption was not available if the shareholder or connected person had a material interest (25% or more) in the company or parent undertaking. Normal share pooling and share identification rules do not apply to exempt employee shareholder shares.

(2) *Finance Act* 2016 introduced a lifetime limit of £100,000 in respect of capital gains tax exempt gains arising on employee shareholder shares. The limit applies to employee shareholder shares issued as consideration for entering into employee shareholder agreements from midnight at the end of 16 March 2016. Any past or future gains, realised or unrealised, on employee shareholder shares that were issued in respect of employee shareholder agreements made before midnight at the end of 16 March 2016 do not count towards the limit (TCGA 1992, s. 236B).

See ¶4-690 for further details on employee shareholder status and income tax reliefs. (also withdrawn from 1 December 2016).

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qualifying SEIS investment expenditure being exempt from CGT (subject to the £100,000 investment limit). *Finance Act* 2013 extended the relief and *Finance Act* 2014 made it permanent.

Relevant year[1]	Relevant percentage[2]
2017–18	50%
2013–14 to 2016–17	50%
2012–13	100%

Notes

[1] The relevant year is year in which the investor is eligible for and makes a claim for SEIS income tax relief in respect of an amount subscribed for an issue of shares which must be the same tax year as the disposal of the asset and year in which the chargeable gain accrues.

[2] The relevant percentage of the 'available SEIS expenditure' is to be set against a corresponding amount of the original gain. The 'available SEIS expenditure' is the amount specified in the claim (provided that the amount has not been previously set against a gain) but cannot exceed the amount of the gain which remains unmatched after any previous claims or claims under the EIS deferral relief. To the extent that the gain is matched with the relevant percentage of the amount subscribed, it is not a chargeable gain.

Investment in social enterprises

(TCGA 1992, s. 255A–255E; Pt. 5, Ch. 4 and Sch. 8B)

(Tax Reporter: ¶569-300ff.)

Disposal relief

The disposal relief provides an exemption from capital gains tax in respect of the disposal of an investment where the investor has received income tax relief (which has not subsequently been withdrawn) on the cost of the investment, and the investment is disposed of after it has been held for at least three years. However, if no claim to income tax relief is made, then any subsequent disposal of the investment will not qualify for exemption from capital gains tax.

Deferral relief

The deferral relief enables the payment of tax on a capital gain to be deferred where the gain is reinvested in shares or debt investments which also qualify for SITR income tax relief. It is not, however, necessary for the investor to have made a claim for SITR income tax relief. The gain can arise from the disposal of any kind of asset, but must arise in the period from 6 April 2014 to 5 April 2019. The SITR qualifying investment must be made in the period one year before or three years after the gain arose. There is no minimum period for which the investment must be held; the deferred capital gain is brought back into charge whenever the investment is disposed of or the social enterprise ceases to meet the requirements of the scheme, but if an amount equal to the gain is once more invested in shares or debt investments which also qualify for SITR income tax relief then the gain may be held over again.

Gains that are eligible for entrepreneurs' relief and deferred into investment under the enterprise investment scheme on or after 3 December 2014 will benefit from entrepreneurs' relief when the gain is realised.

Charities

(TCGA 1992, s. 256, 257; ITA 2007, s. 518ff.; CTA 2010, s. 466ff.)

(Tax Reporter: ¶815-440)

The gains of charities are not taxable provided they are applicable, and applied, for charitable purposes only. The legislation is designed to charge charities to tax on the amount of their income and gains that has not been invested, lent or spent in an approved way.

A charge to capital gains tax arises if a charity ceases to be a charity, when there is a deemed sale and reacquisition of the trust property by the trustees at market value.

Gifts to the nation

(TCGA 1992, s. 258; FA 2012, Sch. 14)

(Tax Reporter: ¶535-620)

Gains arising on gifts of pre-eminent property to be held for the benefit of the public or the nation are not chargeable to capital gains tax.

For the tax year 2012–13 and subsequent tax years, a reduction in income tax and/or capital gains tax is available where an individual makes a gift of pre-eminent property to be held for the benefit of the public or the nation. The tax reduction is 30% of the value of the gift. A gift offer must be made and registered in accordance with the scheme and relief is available against the individual's liability for the year in which the gift offer is registered and/or any of the succeeding four tax years.

Pre-eminent property includes any picture, print, book, manuscript, work of art, scientific object or other thing that is pre-eminent for its national, scientific, historic or artistic interest, collections of such items and any object kept in a significant building where it is desirable that it remain associated with the building.

Disincorporation relief

(TCGA 1992, s. 162B and 162C; CTA 2009, s. 849A; FA 2013, s. 58–60)

Disincorporation relief is due to expire on 31 March 2018 and will not be extended (Autumn Budget 2017).

Disincorporation relief is a form of rollover or deferral relief which allows a company to transfer certain assets to its shareholders who continue the business in an unincorporated form. The assets are deemed to be transferred at below market value so that no corporation tax charge arises to the company, although shareholders may still be liable to income tax or capital gains tax on the transfer of assets to them by the company. Shareholders will be liable to capital gains tax, as usual, on a future sale of the assets, for which purpose the assets are treated as having been acquired at the reduced transfer value.

The relief applies in relation to a 'qualifying transfer' of a business with a disposal date falling within the period of five years beginning 1 April 2013. A qualifying transfer is one which meets the following conditions:

- the business must be transferred as a going concern;
- the business must be transferred together with all the assets of the business or together with all the assets of the business apart from cash;
- the total market value of the 'qualifying assets' at the time of the transfer must not be more than £100,000;
- the shareholders that the business is transferred to must be individuals; and
- those shareholders must have held shares in the company throughout the 12 months before the transfer.

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Qualifying assets are interests in land (other than land held as trading stock) and goodwill. Special rules apply to determine the transfer value of any post-FA 2002 goodwill.

A claim for disincorporation relief must be made jointly by the company and all the shareholders to whom the business is transferred. The claim must be made within two years of the business transfer date.

[¶5-100] Leases which are wasting assets

Restrictions of allowable expenditure

(TCGA 1992, s. 240 and Sch. 8, para. 1)

(Tax Reporter: ¶509-600ff.)

Fraction equal to $\frac{P(1) - P(3)}{P(1)}$ excluded from expenditure under TCGA 1992, s. 38(1)(a),

and fraction equal to $\frac{P(2) - P(3)}{P(2)}$ excluded from expenditure under TCGA 1992, s. 38(1)(b),

where:

P(1) = table percentage for duration of lease at time of acquisition (or 31 March 1982 where applicable);

P(2) = table percentage for duration of lease at time expenditure incurred; and

P(3) = table percentage for duration of lease at time of disposal.

Years	%	Monthly[(1)] increment
50 or more	100	–
49	99.657	0.029
48	99.289	0.031
47	98.902	0.032
46	98.490	0.034
45	98.059	0.036
44	97.595	0.039
43	97.107	0.041
42	96.593	0.043
41	96.041	0.046
40	95.457	0.049
39	94.842	0.051
38	94.189	0.054
37	93.497	0.058
36	92.761	0.061
35	91.981	0.065
34	91.156	0.069
33	90.280	0.073

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Years	%	Monthly[(1)] increment
32	89.354	0.077
31	88.371	0.082
30	87.330	0.087
29	86.226	0.092
28	85.053	0.098
27	83.816	0.103
26	82.496	0.110
25	81.100	0.116
24	79.622	0.123
23	78.055	0.131
22	76.399	0.138
21	74.635	0.147
20	72.770	0.155
19	70.791	0.165
18	68.697	0.175
17	66.470	0.186
16	64.116	0.196
15	61.617	0.208
14	58.971	0.221
13	56.167	0.234
12	53.191	0.248
11	50.038	0.263
10	46.695	0.279
9	43.154	0.295
8	39.399	0.313
7	35.414	0.332
6	31.195	0.352
5	26.722	0.373
4	21.983	0.395
3	16.959	0.419
2	11.629	0.444
1	5.983	0.470
0	0	0.499

Note

[(1)] Where duration is *not* an *exact* number of years, the table percentage for the whole number of years is increased by $^1/_{12}$ of the difference between that and the next highest percentage for each odd month. Fourteen odd days or more are rounded up and treated as a month; less than 14 odd days are ignored.

Stocks and bonds charged on the National Loans Funds – cont'd	
4¼%	Treasury Stock 2032
1¼%	Index-Linked Treasury Gilt 2032
0¾%	Index-Linked Treasury Gilt 2034
4½%	Treasury Gilt 2034
2%	Index-Linked Treasury Stock 2035
0⅛%	Index-Linked Treasury Gilt 2036
4¼%	Treasury Stock 2036
1⅛%	Index-Linked Treasury Gilt 2037
1¾%	Treasury Gilt 2037
4¾%	Treasury Stock 2038
4¼%	Treasury Gilt 2039
0⅝%	Index-Linked Treasury Gilt 2040
4¼%	Treasury Gilt 2040
4½%	Treasury Gilt 2042
0⅝%	Index-Linked Treasury Gilt 2042
0⅛%	Index-Linked Treasury Gilt 2044
3¼%	Treasury Gilt 2044
3½%	Treasury Gilt 2045
0⅛%	Index-Linked Treasury Gilt 2046
4¼%	Treasury Gilt 2046
0¾%	Index-Linked Treasury Gilt 2047
1½%	Treasury Gilt 2047
4¼%	Treasury Gilt 2049
0½%	Index-Linked Treasury Gilt 2050
0¼%	Index-Linked Treasury Gilt 2052
3¾%	Treasury Gilt 2052
1¼%	Indexed-Linked Treasury Gilt 2055
4¼%	Treasury Gilt 2055
0⅛%	Index-Linked Treasury Gilt 2058
4%	Treasury Gilt 2060
0½%	Index-Linked Treasury Gilt 2060
0⅜%	Index-Linked Treasury Gilt 2062
0⅛%	Index-Linked Treasury Gilt 2065
2½%	Treasury Gilt 2065
0⅛%	Index-Linked Treasury Gilt 2068
3½%	Treasury Gilt 2068

Securities issued by certain public corporations and guaranteed by the Treasury	
3%	North of Scotland Electricity Stock 1989–92

[¶5-250] Securities of negligible value

(TCGA 1992, s. 24(2))

(Tax Reporter: ¶515-150)

The HMRC website contains a list, constantly updated, of shares or securities formerly quoted (largely) on the London Stock Exchange which have been officially declared of negligible value for the purposes of a claim under s. 24(2). The list was last updated as at 30 September 2017 and can be found at www.gov.uk/guidance/negligible-value-agreements-to-30-june-2014.

The time limit for a claim is two years from the end of the tax year (or accounting period of a company) in which the deemed disposal and reacquisition take place.

[¶5-300] Identification of securities

(TCGA 1992, s. 104–109)

(Tax Reporter: ¶556-525ff.)

Disposals by individuals and trustees: 2008–09 onwards

Disposals on or after 6 April 2008 are to be identified with acquisitions in the following order:

(1) same-day acquisitions, but subject to an election under s. 105A (see below);

(2) acquisitions within the following 30 days on the basis of earlier acquisitions in that period, rather than later ones (a FIFO basis); and

(3) securities within the expanded s. 104 holding, which specifically does not include acquisitions under (1) and (2) above.

Where the number of securities which comprise the disposal exceed those identified under the above rules, that excess is identified with subsequent acquisitions beyond the 30-day period referred to above.

Where an individual acquires shares of the same class on the same day and some of those shares are acquired pursuant to the exercise of approved scheme share options, a s. 105A election may be made. The election treats the option scheme shares as a separate holding from the other shares acquired and as being disposed of after the remainder of the other shares.

Disposals by companies

The order of identification is:

(1) any acquisition on the same day;

(2) acquisitions within the previous nine days;

(3) acquisitions since 1 April 1982, 'the s. 104 holding', previously termed 'the new holding';

(4) acquisitions in the period 6 April 1965 to 31 March 1982, 'the 1982 holding'; and

(5) those held on 6 April 1965, in respect of which no election has been made to include them in the pre-1982 pool; these will be identified on a last-in, first-out (LIFO) basis.

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In respect of disposals before 5 December 2005, where a company or group of companies held at least 2% of the shares or securities of that class, acquisitions and disposals within one month (for most quoted shares or securities) or six months (for most other shares or securities) could be matched.

[¶5-350] Expenses incurred by personal representatives

(SP 2/04)

(Tax Reporter: ¶367-575)

In respect of deaths after 5 April 2004, the scale of expenses allowable in computing the gains or losses of personal representatives on the sale of assets in a deceased person's estate is as follows:

Gross value of estate	Allowable expenditure
Up to £50,000	1.8% of probate value of assets sold by personal representatives
£50,001–£90,000	£900, divided among all assets in the estate in proportion to their probate values and allowed in those proportions on assets sold by personal representatives
£90,001–£400,000	1% of probate value of assets sold
£400,001–£500,000	£4,000, divided as above
£500,001–£1,000,000	0.8% of probate value of assets sold
£1,000,001–£5,000,000	£8,000, divided as above
Over £5,000,000	0.16% of the probate value of the assets sold, subject to a maximum of £10,000

Note

Computations based either on the above scale or on actual expenditure incurred are accepted.

[¶5-500] Compliance and administration

(TMA 1970, s. 8ff.)

(Tax Reporter: ¶180-000ff.)

For summary of the main provisions which relate both to capital gains tax and income tax, see ¶1-250ff.

Capital gains can be reported straightaway using HMRC's capital gains tax online service (www.gov.uk/capital-gains-tax/report-and-pay-capital-gains-tax) or are otherwise reported annually in a self-assessment tax return.

Submission dates for 2017–18 capital gains tax returns

Gain	Filing date	References
Gains within self-assessment (UK resident individuals, trustees, personal representatives)	31 January following tax year of disposal	See ¶1-250ff.
ATED-related gains	31 January following tax year or 5 October where tax return not issued	See www.gov.uk/guidance/pay-annual-tax-on-enveloped-dwellings
Non-resident capital gains tax returns (NRCGT returns)	Within 30 days of the completion date of the disposal	TCGA 1992, s. 222A; TMA 1970, s. 12ZB (Tax Reporter: ¶545-975)

[¶5-950] Time limits for elections and claims

In the absence of any specific provision to the contrary, under self-assessment the normal rule is that claims by individuals, trustees and companies are to be made within four years from the end of the tax year or chargeable period to which they relate (TMA 1970, s. 43(1) and FA 1998, Sch. 18, para. 55).

In certain cases, HMRC *may* permit an extension of the strict time limit in relation to certain elections and claims.

Provision	Time limit	References
Post-cessation expenses relieved against gains	12 months from 31 January next following the tax year in which expenses paid	TCGA 1992, s. 261D(6) (Tax Reporter: ¶524-125)
Trading losses relieved against gains	12 months from 31 January next following the tax year loss arose	TCGA 1992, s. 261B(8) (Tax Reporter: ¶524-100)
Value of asset negligible	Two years from end of tax year (or accounting period if a company) in which deemed disposal/ reacquisition takes place	TCGA 1992, s. 24(2) (Tax Reporter: ¶515-150)
Re-basing of all assets to 31 March 1982 values (companies only from 06/04/08)	Two years from end of accounting period of disposal for company	TCGA 1992, s. 35(6) (Tax Reporter: ¶520-350)
50% relief if deferred charge on gains before 31 March 1982 (companies only from 06/04/08)	Two years from end of accounting period of disposal for company	TCGA 1992, s. 36 and Sch. 4, para. 9(1) (Tax Reporter: ¶520-600)
Variation within two years of death not to have CGT effect	Six months from date of variation	TCGA 1992, s. 62 (Tax Reporter: ¶367-825)
Specifying which 'same day' share acquisitions (through employee share schemes) should be treated as disposed of first	Within 12 months from 31 January next following the tax year of disposal	TCGA 1992, s. 105A (Tax Reporter: ¶556-650)
Replacement of business assets (rollover relief)	Four years from the end of the tax year/accounting period Replacement asset to be purchased between 12 months before and three years after disposal of old asset	TCGA 1992, s. 152(1) (Tax Reporter: ¶570-250)

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Provision	Time limit	References
Disapplication of incorporation relief under TCGA 1992, s. 162	Two years from 31 January following the end of the year of assessment in which the business is transferred	TCGA 1992, s. 162A (Tax Reporter: ¶574-125)
Holdover of gain on gift of business asset	Four years from the end of the tax year	TCGA 1992, s. 165(1) (Tax Reporter: ¶574-550)
Determination of main residence	Two years from acquisition of second property (see ESC D21)	TCGA 1992, s. 222(5) (Tax Reporter: ¶545-950)
Determination of main residence: non-resident CGT disposals	Notice must be given in NRCGT return in respect of the disposal which must be filed within 30 days following the completion date for the disposal	TCGA 1992, s. 222A; TMA 1970, s. 12ZB (Tax Reporter: ¶545-975)
Irrecoverable loan to a trader	Four years from the end of the tax year/accounting period	TCGA 1992, s. 253(4A) (Tax Reporter: ¶511-150)
Deemed disposal/reacquisition on expiry of mineral lease	Four years from the date of the relevant event	TCGA 1992, s. 203(2) (Tax Reporter: ¶799-475)
Delayed remittances of foreign gains	Four years from the end of the tax year/accounting period	TCGA 1992, s. 279(5) (Tax Reporter: ¶591-150)
Deferred unascertainable consideration: election for treatment of loss	12 months from 31 January next following the tax year loss arose	TCGA 1992, s. 279A and 279D (Tax Reporter: ¶524-250)
Earn out right treated as a security	Within 12 months from 31 January next following the tax year in which the right is received for individuals or two years from the end of the accounting period for companies	TCGA 1992, s. 138A (Tax Reporter: ¶561-600)
Appropriations of assets to trading stock; no deemed disposal at market value on transfer to stock but subsequent trading profits adjusted by gain or loss that would have arisen	Within 12 months from 31 January next following tax year of assessment for the period of account in which the appropriation is made for capital gains tax purposes, or within two years from the end of the accounting period in which the appropriation is made for corporation tax	TCGA 1992, s. 161 (Tax Reporter: ¶573-800)
Entrepreneurs' relief	Within 12 months from 31 January next following tax year in which qualifying disposal is made	TCGA 1992, s. 169M (Tax Reporter: ¶572-550)
Small part disposals of land; no disposal but base cost on subsequent disposal reduce by consideration received	Within 12 months from 31 January next following tax year in which part disposal is made for individuals, or two years from end of accounting period in which part disposal is made for companies	TCGA 1992, s. 242 (Tax Reporter: ¶510-350)
Holdover relief on gifts chargeable to inheritance tax	Four years from end of the tax year of gift	TCGA 1992, s. 260 (Tax Reporter: ¶548-700)
Disincorporation relief	Within two years beginning with the business transfer date	FA 2013, s. 60
EIS/SEIS/SI deferral relief	Five years from 31 January following tax year in which shares are issued/investment is made	TCGA 1992, Sch. 5B, para. 6; Sch. 5BB, para. 3; Sch. 8B, para. 8 (Tax Reporter: ¶565-600; ¶569-200; ¶569-800)

INHERITANCE TAX

[¶6-000] Rates of tax

(IHTA 1984, s. 7 and Sch. 1)

(Tax Reporter: ¶607-000; ¶624-000)

From 15 March 1988

	Gross rate of tax
Lifetime transfers	
Gross transfers up to cumulative limit	Nil
Gross transfers over cumulative limit	20%
Grossing-up fraction	$^{1}/_{4}$
Death transfers	
Gross transfers up to cumulative limit	Nil
Gross transfers over cumulative limit	40%
Grossing-up fraction	$^{2}/_{3}$
Reduced rate[1]	36%

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Note

[1] For deaths occurring on or after 6 April 2012, a reduced rate of inheritance tax of 36% applies where 10% or more of a deceased person's net estate (after deducting IHT exemptions, reliefs and the nil-rate band) is left to charity. To determine whether the lower rate will apply, the estate is broken down into three components (with the nil-rate band apportioned): the survivorship component (property passing automatically to the survivor), the settled property component (settled property in which the deceased held an interest in possession) and the general component (all other property excluding gifts with reservation of benefit to which the lower rate cannot apply). The 10% test is applied to each component separately and the lower rate applied to those components which satisfy the 10% test. An election to merge components of the estate and apply the 10% test in aggregate is possible, as is an election to opt out of the lower rate for one or more components of the estate. Both elections must be made within two years of the date of death and may be withdrawn within two years and one month of the date of death.

[¶6-050] Cumulative chargeable transfers limit

(IHTA 1984, s. 7 and Sch. 1)

Period	Cumulative chargeable transfers limit[1] £
2017–18[2]	325,000
2009–10 to 2016–17	325,000
2008–09	312,000

Notes

[1] A claim can be made to transfer any unused nil-rate band of the first deceased spouse or civil partner to the estate of their surviving spouse or civil partner.

[2] The inheritance tax nil-rate band has been frozen since 2012–13 and is set to remain at £325,000 until April 2021 (F(No. 2)A 2015, s. 10).

[¶6-075] Residence nil-rate band

(IHTA 1984, s. 8D–8M)

Year	Residential enhancement £
2017–18	100,000
2018–19	125,000
2019–20	150,000
2020–21	175,000

Note

(1) For deaths on or after 6 April 2017, an additional nil-rate band is available when a residence is passed on death to direct descendants. Amounts are set for years 2017–18 to 2020–21 as per the table above and the amount will then increase in line with CPI from 2021–22 onwards. Any unused nil-rate band will be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants. There will also be a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2m. This will be at a withdrawal rate of £1 for every £2 over this threshold (IHTA 1984, s. 8D–8M, as amended by FA 2016, s. 93 and Sch. 15).

[¶6-200] Annual and small gift exemption

(IHTA 1984, s. 19 and 20)

(Tax Reporter: ¶643-200; ¶643-700)

	On or after 6 April 1981 £
Annual	3,000
Small gift (to the same person)	250

[¶6-250] Gifts in consideration of marriage/civil partnership

(IHTA 1984, s. 22)

(Tax Reporter: ¶644-450)

Donor	Exemption limit £
Parent of party to the marriage/civil partnership	5,000
Remote ancestor of party to the marriage/civil partnership	2,500
Party to the marriage/civil partnership	2,500
Any other person	1,000

[¶6-300] Transfers by UK-domiciled spouse/civil partner to non-UK domiciled spouse/civil partner

(IHTA 1984, s. 18)

(Tax Reporter: ¶644-900)

Transfer on or after	Exemption limit £
6 April 2013	325,000[1]
9 March 1982	55,000

Note

(1) The rate is aligned with the exemption limit at the time of the transfer per IHTA 1984, Sch. 1 (the nil-rate band).

[¶6-325] Election to be treated as domiciled in UK

(IHTA 1984, s. 267ZA–267ZB)

(Tax Reporter: ¶684-575)

A person who is not domiciled in the UK but who is, or has been married to, or in a civil partnership with, someone who is domiciled in the UK can elect to be treated as domiciled in the UK for the purposes of inheritance tax. There are two types of elections:

(1) A lifetime election by the non-domiciled individual who is at any time on or after 6 April 2013 and during the period of seven years ending with the date of the election married to or in a civil partnership with a UK-domiciled individual.

(2) A death election by the personal representatives of a deceased person who was at any time on or after 6 April 2013, and during the period of seven years ending with the date of death themselves domiciled in the UK and married to or in a civil partnership with a non-domiciled person who is, by virtue of the election, to be treated as domiciled in the UK.

The election is irrevocable but ceases to have effect if the individual is not resident in the UK for income tax purposes for four successive tax years. The election must be in writing and in the case of a death election made within two years of the date of death. The election cannot relate back to before 6 April 2013, or more than seven years before either the election is made or the date of death and any date the election relates back to must be a date when the individual was married, or in a civil partnership, and either the individual or their spouse (as the case may be) was UK domiciled on that date.

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[¶6-335] Non-domiciles

(Tax Reporter: ¶684-300)

Deemed domicile

Non-domiciled individuals pay inheritance tax only in respect of their UK assets. However, an individual who is not domiciled in the UK can become deemed UK-domiciled for inheritance tax purposes in certain circumstances. Then, they pay UK inheritance tax on their worldwide assets.

Finance (No. 2) Act 2017 amends the inheritance tax legislation relating to individuals who will be treated as domiciled in the UK. The amendments provide that an individual will be treated as domiciled for IHT purposes if they have been resident in the UK for at least 15 out of the previous 20 tax years (rather than 17 out of the 20 tax years ending with the tax year in question). The changes take effect from the start of the 2017–18 tax year.

Those who become deemed domicile in April 2017, excepting those who were born in the UK with a UK domicile of origin, can treat the cost base of their non-UK based assets as the market value of that asset on 5 April 2017.

The returning UK dom

Finance (No. 2) Act 2017 also introduces a separate rule to provide that an individual born in the UK with a UK domicile of origin who has acquired a domicile of choice elsewhere will be treated as domiciled for inheritance tax purposes if at any time they are resident in the UK and have been resident in the UK in at least one out of the two previous tax years. The provisons take effect from the start of the 2017–18 tax year.

Residential property of non-domiciles

Under IHTA 1984, an individual who is domiciled outside the UK is not liable to tax on any property they own which is situated overseas (because it falls within the definition of excluded property in IHTA 1984, s. 6), unlike UK domiciled individuals who are liable to inheritance tax on their worldwide property. This difference in treatment has been used by some non-doms as a means of avoiding inheritance tax by holding UK residential properties indirectly through overseas structures such as companies, trusts and partnerships. *Finance (No. 2) Act* 2017 extends the scope of inheritance tax to include the value of overseas structures or financing that is attributable to residential properties situated in the UK where they are held through overseas structures by amending the definition of excluded property in IHTA 1984 so that any value attributable to UK residential properties does not fall to be treated as 'excluded property'. Minor interests in UK residential property (less than 5%) are disregarded. The extended charge will be effective from 6 April 2017.

[¶6-350] Gifts to the nation

(IHTA 1984, s. 25; FA 2012, Sch. 14)

(Tax Reporter: ¶646-050)

Gifts of pre-eminent property to be held for the benefit of the public or the nation are exempt from inheritance tax. Pre-eminent property includes any picture, print, book, manuscript, work of art, scientific object or other thing that is pre-eminent for its national, scientific, historic or artistic interest, collections of such items and any object kept in a significant building where it is desirable that it remain associated with the building.

[¶6-360] Employee ownership trusts

(IHTA 1984, s. 13A, 28A, 72(3A), 75A, 86)

(Tax Reporter: ¶646-750; ¶363-770; ¶364-750)

An exemption from inheritance tax applies to transfers on or after 6 April 2014 by individuals of shares in a company to an employee ownership trust and for transfers of cash and other assets by a close company to the employee ownership trust (such transfers are not transfers of value for IHT purposes). Employee ownership trusts are also excluded from the definition of 'relevant property' and, therefore, not subject to the ten-year charge or the exit charge under the relevant property regime (from 6 April 2014).

[¶6-400] Agricultural and business property relief

(IHTA 1984, s. 103ff. and 115ff.)

(Tax Reporter: ¶664-000; ¶658-000)

Type of relief	Rate of relief for disposals on or after 6/4/96 %
Agricultural property[1]	
Vacant possession or right to obtain it within 12 months	100
Tenanted land with vacant a possession value	100
Entitled to 50% relief at 9 March 1981 and not since able to obtain vacant possession	100
Agricultural land let on or after 1 September 1995	100
Other circumstances	50
Business property	
Nature of property	
Business or interest in business	100
Controlling shareholding in quoted company	50
Controlling shareholding in unquoted[2] company	100
Settled property used in life tenant's business	100/50[3]
Shareholding in unquoted[2] company: more than 25% interest	100
Minority shareholding in unquoted[2] company: 25% or less	100
Land, buildings, machinery or plant used by transferor's company or partnership	50

Notes

[1] Applies to property in the European Economic Area.

[2] 'Unquoted' means shares not quoted on a recognised stock exchange and therefore includes shares dealt in on the Unlisted Securities Market (USM) or Alternative Investment Market (AIM).

[3] The higher rate applies if the settled property is transferred along with business itself.

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[¶6-450] Quick succession relief

(IHTA 1984, s. 141)

(Tax Reporter: ¶627-400)

Years between transfers		Percentage applied to formula below
More than	Not more than	
0	1	100
1	2	80
2	3	60
3	4	40
4	5	20

Formula

$$\text{Tax charge on earlier transfer} \times \frac{\text{Increase in transferee's estate}}{\text{Diminution in transferor's estate}}$$

[¶6-475] Intestate rules

(*Administration of Estates Act* 1925, s. 46(1) and Sch. 1A)

Note: See ¶26-500 for succession and intestacy rules applicable in Scotland.

Surviving family	Beneficiaries	
	Deaths before 1 October 2014[1]	**Deaths on or after 1 October 2014**[2]
Spouse or civil partner but no issue Spouse or civil partner only (no issue, parents, brothers or sisters of the whole blood (or their issue)).	Spouse or civil partner takes everything, absolutely.	Spouse or civil partner takes everything, absolutely.
Spouse or civil partner (no issue) and parent or whole blood brother or sister, or issue of whole blood brother or sister.	Spouse or civil partner takes: • personal chattels; • £450,000 absolutely (or the entire estate where this is less); • one-half share of residue (if any) absolutely.	Spouse or civil partner takes everything, absolutely.
	Remainder distributable to: • parent(s); • failing a parent then on trust for the deceased's whole blood brothers and sisters, (nephews and nieces step into their parent's shoes if the latter is dead).	Parents/siblings receive nothing.

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Surviving family	Beneficiaries	
	Deaths before 1 October 2014[1]	**Deaths on or after 1 October 2014**[2]
Spouse or civil partner and issue	Spouse or civil partner takes: • personal chattels (e.g. furniture, pictures, clothing, jewellery, etc.), absolutely; • £250,000 absolutely (or the entire estate where this is less); • **life interest** in one-half of the residue (if any). Issue receive: • one half of residue (if any) on statutory trusts; • the other half of residue on statutory trusts upon the death of the spouse or civil partner.	Spouse or civil partner takes: • personal chattels (e.g. furniture, pictures, clothing, jewellery, etc.), absolutely; • £250,000[3] absolutely (or the entire estate where this is less); • one half of the residue (if any) **absolutely**. Issue receive: • one half of residue (if any) on statutory trusts.
No spouse or civil partner	Everything is taken by: • Issue, but if none; • Parent(s), but if none; • Brothers and sisters of the whole blood (nephews and nieces step into their parent's shoes), but if none; • Brothers and sisters of the half blood (nephews and nieces step into their parent's shoes), but if none; • Grandparents, but if none; • Uncles and aunts of the whole blood and the issue of any deceased uncle or aunt, but if none; • Uncles and aunts of the half blood and the issue of any deceased uncle or aunt, but if none; • the Crown.	

Notes

[1] For deaths on or after 1 February 2009 under the *Administration of Estates Act* 1925, s. 46(1); not applicable in Scotland.

[2] For deaths after 1 October 2014 (2014/2039) under the *Administration of Estates Act* 1925, s. 46(1) (as amended by the *Inheritance and Trustees' Powers Act* 2014); not applicable in Scotland.

[3] The fixed sum statutory legacy is to be index-linked using the consumer prices index and amended by statutory instrument (*Administration of Estates Act* 1925, Sch. 1A (as inserted by the *Inheritance and Trustees' Powers Act* 2014)).

[¶6-500] Instalment option

(IHTA 1984, s. 227)

(Tax Reporter: ¶183-215)

Interest-free:

- controlling shareholdings;
- holdings of 10% or more of unquoted shares with value over £20,000;
- certain other death transfers of unquoted shares;

- business or interest in business;
- agricultural value of agricultural property; and
- woodlands.

Not interest-free:

- land, wherever situated, other than within categories above; and
- shareholdings in certain land investment and security dealing companies, or market makers or discount houses.

[¶6-550] Fall in value relief

(IHTA 1984, s. 179, 191 and 197A)

(Tax Reporter: ¶627-900)

Type of property	Period after death
Quoted securities sold	One year
Qualifying investments[1]	One year
Interests in land – deaths after 15 March 1990	Four years

Note

[1] Qualifying investments mean shares or securities which are quoted at the date of death in question, holdings in a unit trust which at that date is an authorised unit trust, shares in an open-ended investment company and shares in any common investment fund established under the *Administration of Justice Act* 1982, s. 42.

[¶6-600] Taper relief

(IHTA 1984, s. 7(4))

(Tax Reporter: ¶611-400)

Years between gift and death		Percentage of full tax charge at death – rates actually due
More than	Not more than	%
3	4	80
4	5	60
5	6	40
6	7	20

[¶6-650] Pre-owned assets

(FA 2004, s. 84 and Sch. 15)

(Tax Reporter: ¶614-800)

A freestanding income tax charge where individuals continue to enjoy property previously owned by them with effect from 6 April 2005. The charge to tax arises under three main heads, relating to:

- land;
- chattels; and
- intangible property in settlor interested trusts.

In determining whether charges arise in respect of land or chattels, certain transactions are excluded and there are a number of exemptions.

Limited reliefs prevent double charges to tax. Special rules apply to individuals not resident or not domiciled in the UK. Provisions allow for opting out of the pre-owned assets charge arising in respect of any property, with inheritance tax consequences.

Land

The chargeable amount in the case of land or any interest in land is the 'appropriate rental value' less an amount paid under any legal obligation in respect of the occupation of the land. The appropriate rental value is:

$$R \times \frac{DV}{V}$$

Where:

R is the 'rental value' of the relevant land for the 'taxable period';

DV is the value at the 'valuation date' of the interest in the relevant land that was disposed of by the chargeable person or, where the disposal was a non-exempt sale, the appropriate proportion of that value; and

V is the value of the relevant land at the valuation date.

The 'taxable period' is the year of assessment, or part of the year of assessment, during which the relevant conditions are met.

The 'rental value' is based on the assumption of a letting from year-to-year where the tenant pays the taxes, rates and charges and the landlord is responsible for repair and insurance. Land may be valued on a five-yearly rather than an annual valuation (SI 2005/724).

Chattels

In respect of chattels, the chargeable amount is the 'appropriate amount' less an amount paid under a legal obligation to the owner of the chattel. The 'appropriate amount' is:

$$N \times \frac{DV}{V}$$

Where:

N is the notional interest for the taxable period, at the prescribed rate, on the value of the chattel at the valuation date;

DV is the value at the valuation date of the interest in the relevant chattel that was disposed of by the chargeable person or, where the disposal was a non-exempt sale, the appropriate proportion of that asset; and

V is the value of the chattel at the valuation date.

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Intangible property in settlor interested trusts

The chargeable amount in relation to the relevant property is:

N – T

Where:

N is the notional amount of interest for the taxable period, at the prescribed rate, on the value of the property at the valuation date; and

T is the amount of income tax or capital gains tax payable by the chargeable person in the taxable period on gains from contracts of life assurance, income where settlor retains an interest, transfer of assets abroad, charge on settlor with interest in settlement and attribution of gains to settlors with interest in non-resident or dual resident settlements.

Where the aggregate amount attributable to a chargeable person in respect of land, chattels and intangibles does not exceed £5,000, there is no income tax payable. If benefits exceed £5,000, the charge is on the full amount including the first £5,000.

[¶6-700] Delivery of accounts

(IHTA 1984, s. 216)

(Tax Reporter: ¶180-725)

Nature of transfer	Due Date
Chargeable lifetime transfer	Later of: – 12 months after end of month in which transfer occurred – three months after person became liable
Potentially exempt transfers which have become chargeable	12 months after end of month in which death of transferor occurred
Transfers on death	Later of: – 12 months after end of month in which death occurred – three months after personal representatives first act or have reason to believe an account is required
Gifts subject to reservation included in donor's estate at death	12 months after end of month in which death occurred
National heritage property	Six months after end of month in which chargeable event occurred
Relevant property settlements: ten-year anniversary and exit charges	Six months from end of month in which the occasion occurs

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Values below which no account required

(SI 2008/605)

(Tax Reporter: ¶180-775)

Excepted lifetime chargeable transfers on or after 6 April 2007	£
Where the property given away, or in which the interest subsists, is wholly attributable to cash or quoted stocks and securities, the cumulative total of all chargeable transfers made by the transfer in the seven years before the transfer must not exceed the nil-rate band.	
Where the property given away, or in which the interest subsists, is wholly or partly attributable to property other than cash or quoted stocks and securities: (1) the value transferred by the chargeable transfer together with the cumulative total of all chargeable transfers made by the transferor in the seven years before the transfer must not exceed 80% of the relevant IHT nil-rate band; (2) the value transferred must not exceed the nil-rate band that is available to the transferor at the time the disposal takes place.	
Excepted lifetime chargeable transfers from 1 April 1981 to 5 April 2007	
Transfer in question, together with all other chargeable transfers in same 12-month period ending on 5 April	10,000
Transfer in question, together with all previous chargeable transfers during preceding ten years	40,000

Excepted settlements

(SI 2008/606)

(Tax Reporter: ¶180-905)

Excepted settlements: chargeable events on or after 6 April 2007
No qualifying interest in possession subsists and: **Either:** • Cash is and has always been the only property comprised in the settlement; • No further property has been added to the settlement (since it was made); • The trustees are and have always been UK resident; • Gross value of settled property less than **£1,000** throughout; and • No related settlements. **Or:** • UK domiciled settlor (when settlement made until earlier of the chargeable event or death of settlor); • Trustees are and have always been UK resident; • No related settlements; and • One of following conditions satisfied.

Chargeable event:

1) ***Ten-year anniversary*** (IHTA 1984, s. 64)
Value transferred does not exceed 80% of IHT threshold.
2) ***Exit charge before first ten-year anniversary*** (IHTA 1984, s. 65)
Value transferred does not exceed 80% of IHT threshold.
3) ***Exit charge after one or more ten-year anniversaries*** (IHTA 1984, s. 65)
Value transferred (under IHTA 1984, s. 66(3), taking into account s. 69) does not exceed 80% of IHT threshold.
4) ***Exit charge age 18–25 trusts*** (IHTA 1984, s. 71E)
Value transferred (under IHTA 1984, s. 71F) does not exceed 80% of IHT threshold.

Excepted estates

(SI 2004/2543)

(Tax Reporter: ¶180-855)

Domiciled in the United Kingdom

Deaths on and after	But on or before	Total gross value[(1)(2)(3)(4)(5)] £	Total gross value of property outside UK £	Total value of settled property £	Aggregate value of 'specified transfers' £
6 April 2017	5 April 2018	325,000	100,000	150,000	150,000
6 April 2009	5 April 2017	325,000	100,000	150,000	150,000

Notes

[(1)] The aggregate of the gross value of that person's estate, the value transferred by any specified transfers made by that person, and the value transferred by any specified exempt transfers made by that person, must not exceed the IHT threshold. (Where the deceased dies after 5 April and before 6 August and application for probate or confirmation is made before 6 August in the same year as death, the inheritance tax threshold used is that for the preceding tax year.)

[(2)] An estate will qualify as an excepted estate where the gross value of the estate, plus the chargeable value of any transfers in the seven years to death, does not exceed £1m and the net chargeable estate after deduction of spouse or civil partner and/or charity exemption only is less than the IHT threshold, and the total value transferred on that person's death by a spouse, civil partner or charity transfer must be greater than nil (SI 2004/2543).

[(3)] The limit applies to the aggregate of the gross value of the estate *plus* the value of 'specified transfers' including chargeable transfers, within seven years prior to death, of cash, quoted shares or securities, or an interest in land and furnishings and chattels disposed of at the same time to the same person (excluding property transferred subject to a reservation or property which becomes settled property).

[(4)] The IHT threshold for these purposes is increased by 100% where (SI 2004/2543):

(a) the deceased is a surviving spouse or civil partner;
(b) a claim has been made for the transfer of the unused nil-rate band of their deceased spouse or civil partner;
(c) all of the first deceased spouse's or civil partner's nil-rate band was unused; and
(d) the first deceased met similar criteria to those listed above for excepted estates.

[(5)] Where, in any tax year in the seven years prior to death, a person has transferred over £3,000 that is considered to be exempt as part of normal expenditure out of income, the amount will be included in the value of a person's estate for the purposes of determining whether the estate is an excepted estate, even though the transfer itself may qualify for the exemption (SI 2004/2543).

[¶6-750] Due dates for payment

(IHTA 1984, s. 226)

(Tax Reporter: ¶183-205)

Transfer	Due date
Chargeable lifetime transfers between 6 April and 30 September	30 April in following year
Chargeable lifetime transfers between 1 October and 5 April	Six months after end of month in which transfer made
Potentially exempt transfers which become chargeable	Six months after end of month in which death occurred
Transfers on death; extra tax payable on chargeable lifetime transfers within seven years before death	Six months after end of month in which death occurred or on delivery of accounts by personal representatives, if earlier
Relevant property settlements: ten-year anniversary and exit charges	Six months after end of month in which the occasion occurs

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[¶6-800] Penalties for failure in relation to obligations falling due after 22 July 2004

(IHTA 1984, s. 245–253; FA 2007, Sch. 24; FA 2008, Sch. 36)

(Tax Reporter: ¶181-550)

Failure to deliver an IHT account (IHTA 1984, s. 245)	Account outstanding at end of statutory period	Fixed penalty of £100 (but not exceeding tax due)
	Daily penalty after failure declared by a court or the tribunal	Up to £60 a day
	Penalty after six months from end of statutory period, if proceedings for declaring the failure not started before then	Fixed penalty of further £100 (but not exceeding tax due)
	Penalty after 12 months from end of statutory period where tax is payable	Up to £3,000

Failure by professional person to deliver a return of a settlement by a UK-domiciled person but with non-resident trustees (IHTA 1984, s. 245A)	Account outstanding at end of statutory period (three months from making of settlement) Daily penalty after failure declared by a court or the tribunal	Up to £300 Up to £60 a day
Failure to report a deed of variation which increases the IHT liability (IHTA 1984, s. 245A)	Penalty for failure to report within 18 months of deed of variation being executed Penalty Daily penalty after failure declared by a court or the tribunal	Up to £3,000 Up to £100 Up to £60 a day
Failure to comply with a notice requiring information (FA 2008, Sch. 36)	Penalty Daily penalty Penalty where continued failure and significant tax at stake, determined by tribunal	Up to £300 Up to £60 a day Tax related
Incorrect information or document provided in compliance with information notice (FA 2008, Sch. 36)	Penalty	Up to £3,000 per inaccuracy
Incorrect information provided by any person (IHTA 1984, s. 247(3))	Fraud or negligence	Up to £3,000
Error in taxpayer's document (careless or deliberate) (FA 2007, Sch. 24, para. 1) For reductions for disclosure, see ¶1-350 (but note FA 2016, Sch. 22 increases in offshore penalties apply for inheritance tax purposes in relation to transfers of value occurring on or after 1 April 2017).	Standard amount (careless behaviour) Where the inaccuracy is deliberate but not concealed Where the inaccuracy is deliberate and concealed	30% of potential revenue lost 70% of potential lost revenue 100% of the potential lost revenue
Error in taxpayer's document attributable to another person (FA 2007, Sch. 24, para. 1A)[1]	Penalty	Tax geared

Offshore asset moves (FA 2015, Sch. 21)	Additional penalty for offshore asset moves from specified territory[2] to non-specified territory on or after 26 March 2015 following an original deliberate failure penalty under: FA 2007, Sch. 24, para. 1; or FA 2009, Sch. 55, para. 6.	50% of original penalty
Enabling offshore tax evasion or non-compliance (FA 2016, Sch. 20) from 1 January 2017 Penalty for engaging in offshore tax evasion of non-compliance where the tax at stake is inheritance tax.	Standard penalty: Where a penalty under FA 2015, Sch. 21, para. 1 arises:	The higher of: 100% of the potential lost revenue; or £3,000 The higher of: 50% of the potential lost revenue; or £3,000
Asset based penalty for offshore inaccuracies and failures: (FA 2016, Sch. 22) in relation to transfers of value made on or after 1 April 2017 Additional penalty where one or more standard offshore penalties and the offshore potential lost revenue in relation to a tax year exceeds £25,000. Standard offshore penalties means penalties under: FA 2007, Sch. 24, para. 1; or FA 2009, Sch. 55, para. 6 imposed involving offshore matters or offshore transfers and deliberate behaviour.	Lower of 10% of value of asset and offshore PLR x 10.	

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Reductions for:	Reduction factors	
	Unprompted disclosure 50%	Prompted disclosure 20%
• disclosing to HMRC • providing a reasonable value • providing information or access to records to assist HMRC value the asset • special circumstances		

Notes

[1] Where it can be shown that the other person deliberately withheld information or supplied false information to the liable person, with the intention that the account or return would contain an inaccuracy, a penalty may be charged on that other person. But that will not necessarily mean that the personal representative themselves may not also be chargeable to a penalty. If the withheld or false information gave rise to inconsistencies in the information they had received about the estate and they did not question those inconsistencies; the liable person may still be charged a penalty for failing to take reasonable care as well.

[2] See ¶1-370 for table of specified territories.

[¶6-850] Prescribed rates of interest

(IHTA 1984, s. 233 and 235)

Interest is charged at the following rates on late payments or repayments of inheritance tax or capital transfer tax.

Interest period	Interest rate %	Repayment interest rate %	Days
From 23 August 2016	2.75	0.5	–
29 September 2009 to 22 August 2016	3	0.5	2,520

Note

[1] Fixed by Treasury Order under SI 1989/1297. Interest is charged on late payments of tax at the Bank of England base rate plus 2.5% and the interest rate on overpayments is the Bank of England rate minus 1, subject to a minimum rate of 0.5% on repayment.

TAXATION OF COMPANIES

[¶7-000] Rates of corporation tax

(Tax Reporter: ¶704-000ff.)

Financial year[1]	Main rate[2][4] %	Main ring fence profits rate[3] %	Small ring fence profits rate[3] %	Special IP rate[5] %	Diverted profits rate[6] %
2018 & 2019[8]	19	30	19	10	[25]
2017	19	30	19	10	25
2016	20	30	19	10	25
2015	20	30	19	10	25

Notes

[1] A financial year begins on 1 April and ends on 31 March. The financial year 2017 began on 1 April 2017 and will end on 31 March 2018.

[2] F(No. 2)A 2015, s. 7 sets the main rate of corporation tax for the financial years 2018 and 2019 at 19%. FA 2016, s. 46 reduces the rate (as set by F(No. 2)A 2015) for financial year 2020 to 17%.

[3] The small ring fence profits rate applies to profits falling below the lower limit of £300,000 and the main ring fence rate applies otherwise. However, where ring fence profits exceed the lower limit of £300,000 but do not exceed the upper limit of £1,500,000, the amount of corporation tax (calculated at the main rates) is reduced by an amount equal to:

$$R \times (U - A) \times \frac{N}{A}$$

Where:

R is the marginal relief fraction of 11/400ths;

U is the upper limit of £1,500,000;

A is the amount of the augmented profits (CTA 2010, s. 279G); and

N is the amount of the taxable total profits.

The lower and upper limits are reduced proportionally for accounting periods of less than 12 months; and where a company has one or more related 51% group companies by dividing the limits by one plus the number of those related 51% group companies (CTA 2010, Ch. 3A).

[4] Special rules apply to companies in liquidation and administration (CTA 2010, s. 628 and 630) and to open-ended investment companies and authorised unit trusts (CTA 2010, s. 614 and 618).

[5] Qualifying companies may elect that relevant intellectual property profits of a trade are chargeable at a lower rate of corporation tax (CTA 2010, s. 357A) (see ¶7-050).

[6] Diverted profits tax is charged at a rate of 25% where multinational companies use artificial arrangements to divert profits overseas in order to avoid UK tax (FA 2015, Pt. 3).

[7] Recent and future changes:

- *Finance Act* 2016 reduced the restriction on the amount of banking companies' profits that can be offset by carried-forward losses to 25%, with effect for the purposes of determining the taxable profits of companies for accounting periods beginning on or after 1 April 2016 (with periods straddling 1 April 2016 treated as separate accounting periods before and after that date). The restriction was first introduced at 50% from 1 April 2015 (to ensure banks continued to contribute through corporation tax payments notwithstanding having large accumulated losses), subject to an exemption for losses incurred in the first five years of a bank's authorisation (CTA 2010, Pt. 7A).

- A special 45% rate of corporation tax on income is applied to restitution interest, with effect in relation to interest (whether arising before or on or after 21 October 2015) which falls within F(No. 2)A 2015, s. 38(11) (a determination by a court becoming final on or after 21 October 2015 or an agreement between HMRC and a company in final settlement of a claim for restitution made on or after 21 October 2015) (CTA 2009, Pt. 8C).
- A restriction on the amount of interest and other financing amounts that a company may deduct in computing its profits for corporation tax purposes, with effect from 1 April 2017. These rules limit deductions where a group has net interest expenses of more than £2m to 30% of the earnings before interest, tax, depreciation and amortisation (EBITDA) that is taxable in the UK. An optional group ratio rule, based on the net-interest to EBITDA ratio for the worldwide group, may permit a greater amount to be deducted in some cases. The legislation also provides for repeal of the existing debt cap legislation and its replacement by a modified debt cap which will ensure that the net UK interest deduction does not exceed the total net interest expense of the worldwide group. All groups will be able to deduct up to £2m of net interest expense per annum, so groups below this threshold will not need to apply the rules (F(No. 2)A 2017, Sch. 5).
- The ability for all companies to utilise carried forward losses arising on or after 1 April 2017 against profits from different types of income and other group companies, subject to a restriction on the use of carried forward losses so that they cannot reduce their profits arising on or after 1 April 2017 by more than 50%. This restriction applies to a company or group's profits above £5m (banking companies remain subject to separate bank loss restriction). Profits and losses subject to the oil and gas ring-fence regime are excluded from the loss reform (F(No. 2)A 2017, Sch. 4).

[8] Rates per Autumn Budget 2017. Rates shown in square brackets not announced at Autumn Budget 2017, therefore, shown as per current legislation.

[¶7-020] Charge on loan to participators

(CTA 2010, s. 455)

(Tax Reporter: ¶776-900ff.)

Loans and benefits conferred	Rate
On or after 6 April 2016	32.5%[1]
Pre-5 April 2016	25.00%

Note

[1] The rate is set at such percentage as corresponds to the dividend upper rate specified in ITA 2007, s. 8(2) for the tax year in which the loan or advance is made.

The charge itself is separate from other liabilities, being treated as if it were an amount of corporation tax chargeable on the company.

The charge is not applied to qualifying loans or advances made on or after 25 November 2015, by close companies to charity trustees for charitable purposes (CTA 2010, s. 456(2A)).

[¶7-050] Patent profits election

(CTA 2010, Pt. 8A)

(Tax Reporter: ¶705-000ff.)

The patent box enables companies to apply a lower rate of corporation tax to profits earned after 1 April 2013 from its patented inventions and certain other innovations. The lower rate of corporation tax to be applied is 10%. The relief is subject to a number of conditions.

A company must elect into the regime, the election must be in writing, and specify the first accounting period for which the election will apply. The election will apply for all subsequent accounting periods until the election is revoked by notice in writing.

Any revocation must be in writing, specifying the accounting period for which it is to take effect. Any new election will have no effect for any accounting period which begins less than five years after the last day of the accounting period following the period identified in the revocation notice.

In order to avoid complications where losses and other reliefs are claimed, the reduced 10% rate is applied by subtracting an additional trading deduction from corporation tax profits as calculated below.

Additional deduction

The amount of the deduction is:

$$RP \times FY\% \times \left(\frac{MR - IPR}{MR}\right)$$

Where:

RP is the relevant IP (patent box) profits of the trade of the company;

FY% is the appropriate percentage for each financial year;

MR is the main rate of corporation tax; and

IPR is the special IP rate of corporation tax.

Financial year	Appropriate percentage
2013	60%
2014	70%
2015	80%
2016	90%
2017 and subsequent years	100%

[¶7-100] Additional relief for research and development

(CTA 2009, Pt. 13)

(Tax Reporter: ¶715-000ff.)

Additional relief is available for companies incurring expenditure on qualifying research and development (R&D). The relief is subject to a number of conditions. SMEs with losses can claim a payable tax credit.

	Expenditure incurred on or after					
	1 April 2016	1 April 2015	1 April 2014	1 April 2013	1 April 2012	1 April 2011
Additional deduction where SME qualifies for main or pre-trading relief	130%	130%	125%	125%	125%	100%
Rate of payable tax credit (SME only)	14.5%	14.5%	14.5%	11%	11%	12.5%
Additional deduction where R&D subcontracted to SME	–[1]	30%	30%	30%	30%	30%

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	Expenditure incurred on or after					
	1 April 2016	1 April 2015	1 April 2014	1 April 2013	1 April 2012	1 April 2011
Additional deduction where expenditure of SME is subsidised or capped	—[1]	30%	30%	30%	30%	30%
Additional deduction for non-SME	—[1]	30%	30%	30%	30%	30%
R&D expenditure credit[1]	11%	11%	10%	10%	–	–

Note

[1] The 'above the line credit' (ATL) scheme is mandatory from 1 April 2016. The credit is taxable but paid net of tax to companies with no corporation tax liability. Prior to 31 March 2016, the ATL scheme was optional, as an alternative to (but not in addition to) the former large company enhanced deduction scheme of R&D relief. Rate of the R&D expenditure credit will be increased from 11% to 12% from 1 January 2018 (Autumn Budget 2017).

Limits applying for SMEs:

A company must pass the headcount test and either the turnover test or the Balance Sheet total test.

Staff headcount less than	500
Turnover not exceeding	€100m
Balance sheet total not exceeding	€86m

[¶7-125] Creative industry tax reliefs

(CTA 2009, Pt. 15, 15A, 15B, 15C and 15D)

(Tax Reporter: ¶714-000ff.)

Creative industry tax reliefs allow qualifying companies to claim a larger deduction, or in some circumstances, claim a payable tax credit when calculating their taxable profits. The reliefs work by increasing the amount of allowable expenditure, which may be surrendered in exchange for a payable tax credit if the company makes a loss.

Additional relief is available for companies incurring expenditure on (i) qualifying film production, (ii) animation and high-end television production (including children's television programmes), (iii) video games development, (iv) theatrical productions and (v) production of orchestral concerts.

The creative industry tax reliefs are all subject to a number of conditions (in particular, that the film, animation, high-end television programme or game must be certified as culturally British to qualify).

	Financial year			
	From 2016–17	2015–16	2014–15	2013–14 (and earlier)
Minimum expenditure (% of core expenditure)				
Film (UK expenditure)	10%	10%	10%	25%
Animation/television (UK expenditure)	10%	10%	25%	25%
Video games development/theatrical productions/orchestral concert production (EEA expenditure)	25%	25%	25%	25%

	Financial year			
	From 2016–17	2015–16	2014–15	2013–14 (and earlier)
Additional deduction (% of qualifying core expenditure)				
Film: limited budget[1]	100%	100%	100%	100%
Film: any other[1]	100%	100%	80%	80%
Animation/television/video games development/theatrical productions/orchestral concert production[2]	100%	100%	100%	100%
Maximum qualifying core expenditure (% of total core expenditure)	80%	80%	80%	80%
Tax credits (% of surrendered loss)				
Film: first £20m	25%	25%	25%	–
Film: remainder	25%	25%	20%	–
Film: limited budget[1]	–	–	–	25%
Film: any other	–	–	–	20%
Animation/television/video games development/theatrical productions/orchestral concert production[2]	25%	25%	25%	25%

Notes

[1] Limited-budget films are those with a total core expenditure of £20m or less.

[2] Film production relief has been available since 1 January 2007. Animation and television reliefs were introduced from 1 April 2013, video games development relief from 1 April 2014, theatrical productions relief from 1 September 2014 and orchestra tax relief from 1 April 2016.

[¶7-130] Museum and galleries tax relief

(CTA 2009, Pt. 15E)

Museum and gallery exhibitions tax relief allows qualifying companies engaged in the production of exhibitions to claim an additional deduction in computing their taxable profits and where that additional deduction results in a loss, to surrender those losses for a payable tax credit.

Expenditure incurred on or after 1 April 2017 until 31 March 2022	
Additional deduction (the lesser of):	
Qualifying expenditure which is EEA expenditure	100%
Total amount of qualifying expenditure	80%
Payable tax credit	
Non-touring exhibitions	20% up to £80,000
Touring exhibitions	25% up to £100,000
Maximum equivalent expenditure cap	£500,000
Maximum qualifying core expenditure (% of total core expenditure)	80%

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[¶7-150] Gifts to the nation

(FA 2012, Sch. 14)

(Tax Reporter: ¶716-685ff.)

For accounting periods beginning on or after 1 April 2012, a reduction in corporation tax is available where a company makes a gift of pre-eminent property to be held for the benefit of the public or the nation. The tax reduction is 20% of the value of the gift. A gift offer must be made and registered in accordance with the scheme and relief is available against the company's liability for the accounting period in which the gift offer is registered.

Pre-eminent property includes any picture, print, book, manuscript, work of art, scientific object or other thing that is pre-eminent for its national, scientific, historic or artistic interest, collections of such items and any object kept in a significant building where it is desirable that it remain associated with the building.

[¶7-200] Car hire

(CTA 2009, s. 56ff.)

(Tax Reporter: ¶707-860ff.)

Leased cars, where the lease begins from 1 April 2009, suffer a 15% disallowance of relevant payments if CO_2 emissions exceed the limits set out below, otherwise no disallowance. This applies to all cars (not just those costing more than £12,000).

	CO_2 emissions
From 1 April 2013	Over 130g/km
1 April 2009 to 31 March 2013	Over 160g/km

For leased cars where the lease began before 1 April 2009, the restricted deduction for hire charges of motor cars with a retail price greater than £12,000 is calculated as follows:

$$\text{Allowable amount} = \frac{£12{,}000 + ½\,(\text{retail price} - £12{,}000)}{\text{retail price}} \times \text{hire charge}$$

[¶7-300] Bank levy

(FA 2011, Sch. 19)

(Tax Reporter: ¶807-000)

The rates of charge are as follows:

Period	Chargeable equity and long-term chargeable liabilities[1][2][3] %	Short-term chargeable liabilities[1][2][3] %
1 Jan. 2017–31 Dec. 2017	0.085	0.17
1 Jan. 2016–31 Dec. 2016	0.09	0.18
1 Jan. 2015–31 Dec. 2015	0.105	0.21
1 Jan. 2014–31 Dec. 2014	0.078	0.156
1 Jan. 2013–31 Dec. 2013	0.065	0.130

Notes

[1] F(No. 2)A 2015, s. 16 and Sch. 2 set future long-term and short-term rates as follows:

Period	Long-term rate	Short-term rate
1 Jan. 2018–31 Dec. 2018	0.08%	0.16%
1 Jan. 2019–31 Dec. 2019	0.075%	0.15%
1 Jan. 2020–31 Dec. 2020	0.07%	0.14%
Any time on or after 1 Jan. 2021	0.05%	0.10%

[2] Double tax relief is available against the UK bank levy for payments made to the Eurozone Single Resolution Fund. Affected banks may claim relief in relation to accounting periods ending on or after 1 January 2016 (SI 2016/1212).

[3] The bank levy charge will be restricted to UK balance sheet liabilities from 1 January 2021, subject to an exemption for certain UK liabilities relating to the funding of non-UK companies and an exemption for UK liabilities relating to the funding of non-UK branches (Autumn Budget 2017, as previously announced).

[¶7-325] Banking companies: surcharge

(CTA 2010, Pt. 7A, Ch. 4)

(Tax Reporter: ¶807-000)

Accounting periods beginning on or after	Surcharge[1]
1 January 2016	8%

Note

[1] A surcharge of 8% is levied on the taxable profits of banking companies arising on or after 1 January 2016. Taxable profits are calculated before the offset of losses that arose before the commencement date or from non-banking companies, and before the surrender of group relief from non-banking companies. An annual surcharge allowance of £25m is available to groups and individual banking companies which reduces the profits liable to the surcharge.

[¶7-350] Annual tax on enveloped dwellings (ATED)

(FA 2013, Pt. 3; SI 2014/854; SI 2016/1244)

(Tax Reporter: ¶807-800ff.)

Annual tax on enveloped dwellings (ATED) is a tax payable by companies and other corporate bodies (partnerships with corporate partners or other collective investment vehicle) that own UK residential property valued above the threshold amount.

The tax is charged for the chargeable period (a period of 12 months beginning 1 April and ending 31 March) concerned.

Property value		Annual charge[1]					
More than £	Less than £	2018–19[2] £	2017–18 £	2016–17 £	2015–16 £	2014–15 £	2013–14 £
500,000	1,000,000	3,600	3,500	3,500	0	0	0
1,000,000	2,000,000	7,250	7,050	7,000	7,000	0	0
2,000,000	5,000,000	24,250	23,550	23,350	23,350	15,400	15,000
5,000,000	10,000,000	56,550	54,950	54,450	54,450	35,900	35,000
10,000,000	20,000,000	113,400	110,100	109,050	109,050	71,850	70,000
20,000,000		226,950	220,350	218,200	218,200	143,750	140,000

Note

[1] The annual charge will be increased by consumer prices index inflation each year.

[2] Rates per Autumn Budget 2017.

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Reliefs[1]	References
Property rental businesses	FA 2013, s. 133 (Tax Reporter: ¶807-922)
Rental property: preparation for sale, etc.	FA 2013, s. 134
Dwellings opened to the public	FA 2013, s. 137 (Tax Reporter: ¶807-923)
Property developers	FA 2013, s. 138
Property developers: exchange of dwellings	FA 2013, s. 139
Property traders	FA 2013, s. 141
Financial institutions acquiring dwellings in the course of lending	FA 2013, s. 143
Occupation by certain employees or partners	FA 2013, s. 145 (Tax Reporter: ¶807-924)
Farmhouses	FA 2013, s. 148 (Tax Reporter: ¶807-925)
Providers of social housing	FA 2013, s. 150

Exemptions	References
Charitable companies	FA 2013, s. 151 (Tax Reporter: ¶807-927)
Public bodies	FA 2013, s. 153 (Tax Reporter: ¶807-928)
Bodies established for national purpose	FA 2013, s. 154 (Tax Reporter: ¶807-929)
Dwelling conditionally exempt from inheritance tax	FA 2013, s. 155 (Tax Reporter: ¶807-930)

Note

[1] *Finance Act* 2016 extends the reliefs available from ATED (and the 15% higher rate of SDLT) to equity release schemes (home reversion plans) and properties occupied by employees from 1 April 2016 (FA 2013, s. 144A and 145).

Administration

[¶7-400] Filing deadlines

(FA 1998, Sch. 18, para. 14)

(Tax Reporter: ¶181-075ff.)

The filing date for a return of profits (CT600) is generally the **later** of the dates outlined below:

- 12 months from the end of the return period;
- where the period of account is 18 months or less, 12 months from the end of the period of account;
- where the period of account is greater than 18 months, 30 months from the start of the period of account; and
- three months after the issue of a notice to deliver a corporation tax return.

Notes

Obligation to file a return is not automatic but is imposed by notice.

Every company which is chargeable to corporation tax in respect of any accounting period, and which has not made a return of its profits for that period, nor received a notice to make such a return, is under a duty to give notice to the inspector that it is so chargeable. The notice must be given not later than 12 months after the end of that accounting period.

A company must notify HMRC that its first accounting period has begun within three months of the accounting period beginning. This also applies to dormant companies which cease to be dormant.

An amended return under self-assessment may not be made later than 12 months after the filing date stipulated above.

[¶7-450] Due and payable dates

(TMA 1970, s. 59D–59FA; ITA 2007, Pt. 15; SI 1998/3175)

(Tax Reporter: ¶183-410ff.; ¶117-000ff.)

Liability	Due date
Corporation tax	Nine months and one day after end of an accounting period[1]
Corporation tax in instalments[2][3]	The 14th day of the 7th, 10th, 13th and 16th months after start of a 12-month accounting period
Income tax on interest, annual payments, etc.	14 days after end of return period

Notes

[1] The *Taxes Management Act* 1970, s. 59G provides for companies to enter into voluntary payment plans with HMRC under which corporation tax liabilities can be paid in instalments spread equally before and after the due date. It should be noted that only corporation tax payable in accordance with TMA 1970, s. 59D (i.e. tax payable nine months and one day after the end of the accounting period) can be the subject of a managed payment plan. This excludes corporation tax payable by large companies in accordance with the quarterly instalment payment scheme. In addition, companies which have entered into a group payment arrangement can not enter into a managed payment plan.

[2] The *Taxes Management Act* 1970, s. 59E and SI 1998/3175 provide for the payment of corporation tax by 'large' companies (defined in accordance with the small profits marginal relief upper limit) in instalments.

Companies which are 'large' because of the number of associated companies or because of substantial dividend income will not have to pay by instalments if their corporation tax liabilities are less than £10,000. Companies which become 'large' in an accounting period, having previously had profits below the upper limit, may be exempt from instalment arrangements in certain circumstances. Groups containing 'large' companies are able to pay corporation tax on a group-wide basis.

Corporation tax and the supplementary charge payable by oil companies on ring fence profits are payable in three equal instalments. Corporation tax due on other profits (i.e. non-ring fence) continues to be payable in quarterly instalments as above.

The payment dates for the three instalments once the transitional period (see below) has passed are as follows:

(1) one-third payable six months and 13 days from the start of the accounting period (unless the date for instalment (3) is earlier);

(2) one-third payable three months from the first instalment due date (unless (3) is earlier); and

(3) the balance payable 14 days from the end of the accounting period (regardless of the length of the period).

Transitional arrangements apply for the first accounting period affected. These arrangements leave the first two quarterly instalments unchanged (at one-quarter each of the estimated liability for the period) but then require payment of the remainder of the estimated liability on ring fence profits for that accounting period to be paid on the new third instalment date.

[3] Return periods end on 31 March, 30 June, 30 September, 31 December and at the end of an accounting period. Summer Budget 2015 announced that the Government will introduce new payment dates for companies with annual taxable profits of £20m or more. Where a company is a member of a group, the £20m threshold will be divided by the number of companies in the group. Affected companies will be required to pay corporation tax in quarterly instalments in the third, sixth, ninth and twelfth months of their accounting period. The measure was due to apply to accounting periods starting on or after 1 April 2017, however, the commencement of rules has been deferred for two years, so will now have effect for accounting periods commencing on or after 1 April 2019 (Budget 2016).

[¶7-500] Penalties

(Tax Reporter: ¶181-350ff.)

Infringement penalised[5][6][7]	Maximum penalty	Provision
Failure to notify chargeability • deliberate and concealed act or failure • deliberate but not concealed act or failure • any other case	*Standard amount* 100% of potential lost revenue 70% of potential lost revenue 30% of potential lost revenue	FA 2008, Sch. 41, para. 1, 6
Failure to make return[1] • up to three months after filing date • more than three months after filing date • at least 18 months but less than 24 months after end of return period • 24 months or more after end of return period	*Fixed rate penalty*[2] £100 (persistent failure, £500) £200 (persistent failure, £1,000) *Tax-geared penalty*[3] 10% of tax unpaid at 18 months after end of return period 20% of tax unpaid at 18 months after end of return period	FA 1998, Sch. 18, para. 17(2), (3) FA 1998, Sch. 18, para. 18
Error in a return (careless or deliberate) • standard amount • where the inaccuracy is deliberate but not concealed • where the inaccuracy is deliberate and concealed	30% of potential lost revenue 70% of potential lost revenue 100% of potential lost revenue	FA 2007, Sch. 24, para. 4

Infringement penalised[5][6][7]	Maximum penalty	Provision
Failure to keep and preserve records (subject to specific exceptions)	Up to £3,000	FA 1998, Sch. 18, para. 23
Failure to produce document required in connection with an enquiry[4] • standard amount • continued failure	£300 daily penalty of £60	FA 2008, Sch. 36, para. 39 and 40

Notes

[1] From a date yet to be announced, FA 2009 introduced a new flat-rate and tax-geared penalty regime for the late filing of corporation tax returns (FA 2009, Sch. 55).

[2] Fixed rate penalty does not apply if return filed by date allowed by registrar of companies.

[3] Tax geared penalty is charged in addition to fixed penalty. Where more than one tax-geared penalty is incurred the total penalty shall not exceed the largest individual penalty on that part.

[4] An additional tax-related penalty can be imposed under FA 2008, Sch. 36, para. 50.

[5] From a date yet to be announced, FA 2009 introduced a new penalty regime for late payment of corporation tax (FA 2009, Sch. 56).

[6] For financial years beginning on or after 21 July 2009, the senior accounting officer of a qualifying company is obliged to ensure that the company establishes and maintains appropriate tax accounting arrangements, and to provide a certificate to HMRC indicating whether or not this was the case for each financial year (FA 2009, Sch. 46; see Tax Reporter: ¶191-660ff.). Qualifying companies are obliged to provide details of their senior accounting officer to HMRC. Failure to comply with these requirements will make the senior accounting officer and/or the company liable to a penalty.

[7] A criminal offence for corporates which fail to prevent their agents from criminally facilitating tax evasion by an individual or entity was introduced by the *Criminal Finances Act* 2017, with effect from 30 September 2017 (SI 2017/739).

[¶7-550] Interest on overdue tax

(Tax Reporter: ¶183-430ff.)

Interest on	Interest runs from	Provision in TMA 1970[2]
Overdue corporation tax	Date tax due and payable (nine months and one day after end of accounting period)[1]	s. 87A
Corporation tax payable in instalments	Date instalment is due to be paid	s. 87A
Overdue income tax deducted from certain payments	14 days after end of return period	s. 87
Overdue tax due on loans to participators	Date tax due and payable	s. 109

Notes

[1] Where one group company is liable to interest and another group company with the same accounting period is due a repayment of corporation tax an election may be made for the overpayment to be surrendered so as to reduce the interest liability of the first company which will be treated as having paid tax at the same time as the surrendering company (CTA 2010, s. 963).

[2] *Finance (No. 3) Act* 2010 contains provisions to apply the harmonised interest regime introduced by FA 2009 to corporation tax and PRT. The provisions will be brought into force by Treasury Order.

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[¶7-650] Interest on tax repayments

(ICTA 1988, s. 826; SI 1998/3175, reg. 8)

(Tax Reporter: ¶183-430ff.)

Repayment interest on corporation tax runs from later of:

(1) due and payable date (nine months after end of accounting period); and

(2) date of actual payment except for:

  (a) overpayments of instalments of corporation tax, when interest runs from the first instalment date on which the excess amount would have been due and payable or, if later, the date on which that excess arises; and

  (b) for companies outside the instalments regime, if tax was paid earlier than the normal due date, then interest on repayments in advance of agreement of liability runs from the first instalment date on which the excess amount would have been due and payable had the instalments regime applied or, the date on which the amount repayable was originally paid, whichever is later.

Interest on repayments of income tax deducted at source from income will run from the day after the end of the accounting period in which the income was received for accounting periods under self-assessment.

Finance (No. 3) Act 2010 contains provisions to apply the harmonised interest regime introduced by *Finance Act* 2009 to corporation tax and PRT. The provisions will be brought into force by Treasury Order.

[¶7-700] Rates of interest

With effect for interest periods commencing on 6 February 1997, the rates of interest for the purposes of corporation tax are different from those for other taxes. The rate of interest on corporation tax will depend on the accounting period for which the tax is due and, under self-assessment, the nature of the tax due or repayable.

Self-assessment

For accounting periods within the self-assessment regime (CTSA), i.e. APs on or after 1 July 1999, the rates of interest are distinct from those for pre-CTSA periods, because the interest is taxable and tax deductible (see below).

In addition, there are separate provisions for:

- overpaid instalments of corporation tax; and
- payments of corporation tax made after the normal due date.

CTSA

1. CT (other than instalments and CT not due by instalments)

From	Late payment %	Repayment %
23 August 2016	2.75	0.5
29 September 2009 to 22 August 2016	3.00	0.50

2. Instalments and CT not due by instalments

From	Late payment %	Repayment %
15 August 2016	1.25	0.5
21 September 2009 to 14 August 2016	1.50	0.50

[¶7-900] Time limits for elections and claims

(Tax Reporter: ¶191-835)

In the absence of any provision to the contrary (some of which are considered below), the normal rule is that a claim must be made within four years of the end of the accounting period to which it relates (six years prior to 1 April 2010) (FA 1998, Sch. 18, para. 55).

In certain cases, HMRC *may* permit an extension of the strict time limit in relation to certain elections and claims.

Provision	Time limit	References
Stock transferred to a connected party on cessation of trade to be valued at higher cost or sale price	Two years from end of accounting period in which trade ceased	CTA 2009, s. 167(4)
Carry-forward of trading losses	Relief is given automatically	CTA 2010, s. 45
Set-off of trading losses against profits of the same, or an earlier, accounting period	Two years from end of accounting period in which loss incurred	CTA 2010, s. 37(7)
Group relief	Claims to group relief must be made (or withdrawn) by the later of: (1) 12 months after the claimant company's filing date for the return for the accounting period covered by the claim; (2) 30 days after a closure notice is issued on the completion of an enquiry[1]; (3) 30 days after HMRC issue a notice of amendment to a return following the completion of an enquiry (issued where the company fails to amend the return itself); or (4) 30 days after the determination of any appeal against an HMRC amendment (as in (3) above).	FA 1998, Sch. 18, para. 74
Set-off of loss on disposal of shares in unquoted trading company against income of investment company	Two years from end of accounting period	CTA 2010, s. 70(4)
Surrender of company tax refund within group	Before refund made to surrendering company	CTA 2010, s. 963(3)

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