



## 2016 Budget

### Changes affecting the CT600 Company Tax Return form

Announcements in the March 2016 Budget mean that we will be updating the CT600 Guide Company Tax Return guide. Please bear in mind that generally you cannot make a claim under any new proposal until the Finance Bill receives Royal Assent and becomes law. We will update the HMRC Corporation Tax online service as quickly as possible.

This Budget Insert tells you about some of the main changes affecting Corporation Tax. Go to [www.gov.uk](http://www.gov.uk) for more information about Budget measures, the up to date position and the availability of forms.

#### Rates of Corporation Tax

For the financial year 2016 starting on the 1 April 2016, the rate of Corporation Tax is 20%.

#### Rates, limits and fractions for financial years starting 1 April

	2015	2016
Main rate	20%	20%
Main rate on ring fence profits*	30%	30%
Small profits rate	N/A**	-
Small profits rate on ring fence profits	19%	19%
Lower limit	£300,000	£300,000
Upper limit	£1,500,000	£1,500,000
Marginal relief standard fraction	N/A**	-
Marginal relief ring fence fraction	11/400	11/400
Rate for unit trusts and open ended investment companies	20%	20%

\* Ring fence profits mean the income and gains from oil extraction activities or oil rights in the UK and UK continental shelf.

\*\* N/A means not applicable. You cannot claim small profits rate or marginal relief for financial year 2015 unless you have ring fence profits.

#### Rates of Corporation Tax

The main rate of Corporation Tax for 2016 is 20%. (With the exception of oil and gas companies with ring fence profits, from 1 April 2015, Corporation Tax is charged at a single rate known as the main rate. The small profits rate was abolished with effect from 1 April 2015 when it was unified with the main rate.) The rates for ring fence profits are unchanged. The Corporation Tax rate for 2017 was set at 19%.

#### Repeal of Business Premises Renovation Allowance (BPPRA)

Finance Act 2005 introduced BPPRA, which allowed businesses of any size to claim 100% first-year allowances for qualifying expenditure incurred in respect of buildings in specified assisted areas. BPPRA ends on 31 March 2017 and will not be renewed.

#### Repeal of the Renewals allowance

Finance Act 2016 will repeal the renewals allowance with effect for expenditure incurred on or after 6 April 2016 for income tax purposes and from 1 April 2016 for Corporation Tax purposes. These dates align with the introduction of a new relief for domestic items for residential landlords, ensuring alternative relief for this type of expenditure is available.

#### Capital Allowances – Business Cars

The government will extend the 100% FYA for businesses purchasing low emission cars for a further three years to April 2021.

#### For more information about the Budget changes

Go to [www.gov.uk](http://www.gov.uk) for:

- the up-to-date position
- updated forms and supplementary pages

#### Online filing and electronic payment

All companies have to file their Company Tax Return **online** for any accounting period ending after 31 March 2010. Companies also have to pay any Corporation Tax and related payments **electronically**.

For more information go to [www.gov.uk/corporation-tax](http://www.gov.uk/corporation-tax)

## Loans to participators – Limited exemption for charities

Finance Act 2016 will exempt loans or advances made by close companies to trustees of charities for charitable purposes from the tax charge applied under the loans to participators rules. The measure will apply to loans or advances made on or after 25 November 2015.

Charities may refrain from accounting for any section 455 charge which could arise between this date and Royal Assent to Finance Bill 2016. However if the exemption is not ultimately approved by Parliament then charities will be liable to the section 455 charge according to the current law.

## Loans to participators – Rate of Tax charge

Legislation will be introduced in Finance Bill 2016 to link the rates of tax chargeable in sections 455 and 464A to the dividend upper rate. It will mean an increase in the rates from 25% to 32.5% for all relevant loans made or benefits conferred by close companies on or after 6 April 2016.

## Creative industry tax reliefs

Legislation will be introduced in Finance Bill 2016 to provide a CT relief for orchestral concerts. The tax relief for orchestral concerts will allow eligible companies engaged in the production of qualifying orchestral concerts (or a series of concerts) to claim an additional deduction in computing their taxable profits. Where that additional deduction results in a loss, that loss may be surrendered for a payable tax credit.

Claims to relief should be entered in creative measure boxes of the CT600 return form.

## Reform of loss relief

The government will reform the rules governing certain corporate losses carried forward from earlier periods.

Firstly, the reform will give all companies more flexibility by relaxing the way in which they can use losses arising on or after 1 April 2017 when they are carried forward. These losses will be useable against profits from different types of income and other group companies. Secondly, companies will have their use of carried forward losses restricted so that they cannot reduce their profits arising on or after 1 April 2017 by more than 50%. This restriction will apply to a company or group's profits above £5m. Carried forward losses arising at any time will be subject to the restriction.

For banking companies, losses that are within the separate bank loss restriction will continue to be subject to those rules (see 'Bank loss relief restriction: amendment to restriction'). Profits and losses subject to the oil and gas ring fence regime will be excluded from the loss reform.

Following a consultation later in 2016 on the detailed design and implementation of the reform, legislation will be introduced in Finance Bill 2017.

## Bank loss relief restriction: amendment to restriction

Legislation will be introduced in Finance Bill 2016 to amend the rules restricting loss relief for banks announced at Autumn Statement 2014 and legislated in Finance Act 2015. The proportion of a banking company's annual taxable profit that can be offset by carried-forward losses will be restricted to 25%. The new rules will apply with effect from 1 April 2016.

## Repeal of Vaccine research relief

Vaccine research relief (VRR) was introduced in 2003 as an additional research and development tax relief for companies undertaking research in the fields of vaccines and treatments for tuberculosis, malaria and HIV/AIDS.

Legislation will be introduced in Finance Bill 2016 to repeal Chapter 7 of Part 13 of Corporation Tax Act 2009 in respect of expenditure incurred on or after 1 April 2017.

## UK oil and gas fiscal regime – Rate reduction for supplementary charge

Legislation will be introduced in Finance Bill 2016 to further reduce the rate of supplementary charge payable in respect of adjusted ring fence profits from 20% to 10%. The reduction in the rate of supplementary charge will have effect for accounting periods commencing on and after 1 January 2016.

There are transitional rules for accounting periods beginning before the operative date.

## Patent Box – compliance with new international rules

Legislation will be introduced in Finance Bill 2016 to modify the Patent Box computation rules so that they comply with the new international framework. In particular it will remove the 'proportional profit split' option so that 'streaming' applies in all cases at the level of an intellectual property (IP) asset, a product or a product family.

## State aid modernisation

Legislation will be introduced in Finance Bill 2016 to provide HMRC with additional powers to:

- require information to be provided by the beneficiary as a condition of entitlement for tax relief
- require information to be provided for the purpose of checking that state aid requirements have been fulfilled
- disclose information through a legal gateway for the purpose of publication