

CHAPTER 5 Computational provisions: corporation tax

Computation of income: application of income tax principles. CTA76 s11(1), (2)(b) and (3) to (8); FA96 s132(2) and Sch5 PtII 76.—(1) Except where otherwise provided by the Tax Acts, the amount of any income shall for the purposes of corporation tax be computed in accordance with income tax principles, all questions as to the amounts which are or are not to be taken into account as income, or in computing income, or charged to tax as a person's income, or as to the time when any such amount is to be treated as arising, being determined in accordance with income tax law and practice as if accounting periods were years of assessment.

(2) For the purposes of this section, “income tax law”, in relation to any accounting period, means the law applying to the charge on individuals of income tax for the year of assessment in which that accounting period ends, but does not include such of the enactments of the Income Tax Acts so applying as make special provision for individuals in relation to matters referred to in subsection (1).

(3) Accordingly, for the purposes of corporation tax, income shall be computed and the assessment shall be made under the like Schedules and Cases as apply for the purposes of income tax, and in accordance with the provisions applicable to those Schedules and Cases, but (subject to the Corporation Tax Acts) the amounts so computed for several sources of income, if more than one, together with any amounts to be included in respect of chargeable gains, shall be aggregated to arrive at the total profits.

(4) Nothing in this section shall be taken to mean that income arising in any period is to be computed by reference to any other period (except in so far as this results from apportioning to different parts of a period income of the whole period).

(5) Subject to section 77 and to any enactment applied by this section which expressly authorises such a deduction, no deduction shall be made for the purposes of the Corporation Tax Acts in computing income from any source—

(a) in respect of dividends or other distributions, or

(b) in respect of any yearly interest, annuity or other annual payment or any other payments mentioned in section 104 or 237 (2), but not including sums which are, or but for any exemption would be, chargeable under Case V of Schedule D.

(6) Without prejudice to the generality of subsection (1), any provision of the Income Tax Acts, or of any other statute, which confers an exemption from income tax, provides for the disregarding of a loss, or provides for a person to be charged to income tax on any amount (whether expressed to be income or not, and whether an actual amount or not), shall, except where otherwise provided, have the like effect for the purposes of corporation tax.

(7) This section shall not have effect so as to apply for the purposes of corporation tax anything in section 71.

(8) Where by virtue of this section or otherwise any enactment applies both to income tax and to corporation tax—

(a) that enactment shall not be affected in its operation by the fact that income tax and corporation tax are distinct taxes but, in so far as is consistent with the Corporation Tax Acts, shall apply in relation to income tax and corporation tax as if they were one tax, so that, in particular, a matter which in a case involving 2 individuals is relevant for both of them in relation to income tax shall in a like case involving an individual and a company be relevant for such individual in relation to income tax and for such company in relation to corporation tax, and

(b) for that purpose, references in any such enactment to a relief from or charge to income tax or to a specified provision of the Income Tax Acts shall, in the absence of or subject to any express adaptation, be construed as being or including a reference to any corresponding relief from or charge to corporation tax or to any corresponding provision of the Corporation Tax Acts.