

Reduced rate of corporation tax for certain income. CTA76 s28A(1) to (8) and FA96 s44; FA 97 s60(1)(a) and (2) 22.—(1) (a) Notwithstanding section 21, so much of the profits of a company for an accounting period as does not exceed the lower of either—

(i) the specified amount in relation to the accounting period, or

(ii) the income of the company for the accounting period,

shall be charged to corporation tax as if the rate of corporation tax for the financial year were—

(I) as respects accounting periods ending before the 1st day of April, 1997, 30 per cent, and

(II) as respects accounting periods ending on or after that date, 28 per cent.

(b) For the purposes of paragraph (a), where an accounting period of a company begins before the 1st day of April, 1997, and ends on or after that day, it shall be divided into 2 parts, one beginning on the day on which the accounting period begins and ending on the 31st day of March, 1997, and the other beginning on the 1st day of April, 1997, and ending on the day on which the accounting period ends, and both parts shall be treated for the purpose of this section as if they were separate accounting periods of the company.

(2) For the purposes of subsection (1) and subject to subsections (3) and (4), the specified amount in relation to an accounting period of a company shall be an amount determined by the formula—

$$£50,000 \times N \div 12 \times 1 \div A$$

where—

N is the number of months in the accounting period, and

A is one plus the number of associated companies which the company has in the accounting period.

(3) (a) Where, in the case of a company which has one or more associated companies in an accounting period—

(i) the accounting period of the company ends on a date on which accounting periods of all of the associated companies end, and

(ii) the company and all of the associated companies jointly elect in writing that this subsection shall apply,

then—

(I) the specified amount under subsection (2) shall be computed as if, in relation to the accounting

period, the company and all of the associated companies were a single company (with no associated companies) with an accounting period ending on that date and beginning on the earliest date on which the accounting period of the company, or of any of the associated companies, begins, and

(II) the specified amount computed under subparagraph (I) shall be allocated to the accounting period of the company and to the accounting periods of its associated companies in such manner as is specified in the election, and the amount so allocated to a company shall be deemed to be the specified amount in relation to the accounting period of the company.

(b) Notwithstanding paragraph (a)—

(i) the aggregate of amounts allocated under subparagraph (II) of that paragraph for an accounting period shall not exceed the specified amount computed under subparagraph (I) of that paragraph, and

(ii) the amount allocated to an accounting period of a company shall not exceed the amount which would have been the specified amount in relation to the accounting period if the company had no associated companies in the accounting period.

(4) Where, in the case of a company which has one or more associated companies in an accounting period, the end of the accounting period of the company and the end of an accounting period of each of its associated companies do not coincide—

(a) subsection (3) shall apply as respects any period (in this subsection referred to as a “relevant period”) which falls in the accounting period of the company and an accounting period of each of the associated companies as if the relevant period were an accounting period of the company and of the associated companies,

(b) the amount allocated to any company in respect of a relevant period shall be deemed to be the specified amount in relation to that period, and

(c) where an amount has been allocated to a company in respect of a relevant period falling in an accounting period of the company, the specified amount for the accounting period of the company shall be the aggregate of—

(i) any specified amounts in relation to relevant periods falling in the accounting period, and

(ii) the amounts which would be the specified amounts in relation to any periods (which are not relevant periods) within the accounting period if each of those periods was treated as an accounting period;

but the specified amount in relation to an accounting period of a company shall not exceed the amount which would be the specified amount in relation to the accounting period if the company had no associated companies in the accounting period.

(5) (a) In this subsection, “control” shall be construed in accordance with section 432.

(b) In applying this section to any accounting period of a company, an associated company which—

(i) has not carried on any trade or business at any time in that accounting period or, if an associated company during part only of that accounting period, at any time in that part of that accounting period, or

(ii) has no income within the charge to corporation tax in the State in the accounting period,

shall be disregarded and, for the purposes of this section, a company shall be treated as an associated company of another company at a particular time if at that time one of the 2 companies has control of the other company or both companies are under the control of the same person or persons.

(6) In determining how many associated companies a company has in an accounting period or whether a company has an associated company in an accounting period, an associated company shall be counted even if it was an associated company for part only of the accounting period, and 2 or more associated companies shall be counted even if they were associated companies for different parts of the accounting period.

(7) For the purposes of this section, the income of a company for an accounting period shall be taken to be an amount determined by the formula—

$I - M$

where—

I is the amount of the company's profits for the accounting period on which corporation tax falls finally to be borne exclusive of the part of the profits attributed to chargeable gains, and that part shall be taken to be the amount brought into the company's profits for that period for the purposes of corporation tax in respect of chargeable gains before any deduction for charges on income, expenses of management or other amounts which can be deducted from or set against or treated as reducing profits of more than one description, and

M is the amount of the company's income from the sale of goods for the purpose of section 448.

(8) (a) A company shall include in the return required to be delivered under section 951—

(i) a statement specifying—

(I) the amount of its profits to be charged to corporation tax at the rate specified in subsection (1),  
and

(II) the number of companies which are its associated companies in relation to the accounting period,

and

(ii) a copy of any election made under subsection (3) or (4).

(b) A company which has specified an amount under paragraph (a) shall not be entitled to alter the amount so specified.