HMRC - CTM92530 - CTSA: Special Cases

SI1998/3175/REG3 (3) (see CTM92505) exempts certain companies from quarterly instalment payments.

Under these provisions a company does not have to make quarterly instalment payments if

both its profits for the accounting period do not exceed £10 million, and

it was not large in the twelve months preceding the accounting period (except because of the operation of this exemption).

One effect of this is that growing companies are not quarterly instalment payment cases for the first accounting period in which they are ‘large’, unless the growth is very substantial.

‘Profits’ means the same as it does in CTM92520. The £10 million limit is reduced:

for accounting periods of less than twelve months proportionately,

for accounting periods ending before 1 April 2015 by the number of associated companies including the reference company,

as at the day before the start of the accounting period, or

there is any part of that twelve months in which it did not exist or did not have an accounting period, or

an accounting period in which it was not a large company (except because of the operation of this exemption) falls or ends within that twelve-month period.

Example 1 is a company that is ‘large’ by reference to the upper limit and the level of profits. Nevertheless, it does not need to make quarterly instalment payments if it was not large in the previous accounting period.

Example 2 covers three accounting periods of a company. In the first the company is not large by reference to the upper limit. In the second it is not large because it was not large in the previous accounting period. In the third it is large and must make quarterly instalment payments.

Example 1

Company C has five 51 per cent related group companies. Its profits for the 12 month accounting period ended 31 December 2016 are £260,000 and the tax liability £72,000.

On these figures C is a large company for this accounting period. If it was not a large company during the previous 12 months it is not a large company for this period.

Example 2

Company D, with nine associated companies, has the following profits for accounting periods of 12 months:

Company D is not large for either the 2009 or the 2010 accounting period because:

for 2009 its profits do not exceed the upper limit of £1,500,000 / 10 = £150,000.

for 2010, although its profits do exceed that figure, it was not a large company during the previous 12 months.

Company D is large for the accounting period ended 31.12.2011 because:

its profits exceed the upper limit and in the previous 12 months it was only treated as not large under the REG3 (3) exemption.

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