HMRC - CTM93280 - CTSA: Estimated Figures In Returns

The purpose of the company tax return is to establish the tax chargeable for an accounting period. It is therefore reasonable to ask companies to include final figures of income and gains in their returns. The time limits for filing company tax returns are such that we expect the vast majority of companies to provide correct and final figures by the statutory filing date.

We normally expect a company tax return to include a set of accounts complying with Companies Act requirements if it is to meet the filing requirements of FA98/SCH18/PARA3. A company will therefore have to ‘take a view’ on any doubtful or estimated figures included in the accounts. Their estimate should represent their view or best assessment of the estimate at that time. Any estimate should be reasonable and to the best of the company’s judgement.

Nevertheless, there will be some circumstances in which it is impossible for the company to provide final figures despite its best efforts to do so. In such cases the return form CT600 asks the company to provide information on estimated entries. These include entries based on valuations that use estimated figures and entries that contain estimates because the company does not have adequate records, or is waiting for information from a third party.

The company must explain why it had to use an estimated figure. If it intends to replace an estimated figure at a later date it should say when it expects to be able to finalise the figure. If it cannot provide a date, it should explain why.

If a company supplies estimated figures which prove not to be reasonable and therefore not ‘best estimates’, it may become liable to a penalty under FA07/SCH24/PART2, where a degree of culpability falling within FA07/SCH24/PARA3 can be demonstrated.

If the company does not provide a figure, whether estimated or otherwise, but uses general words, such as ‘information to follow’ or ‘not yet finally ascertained’, then it cannot have met the obligations imposed by a Paragraph 3 notice.

The Board’s policy with regard to accepting returns that contain estimated figures for CTPF was the subject of a Technical Release by the Institute of Chartered Accountants for England and Wales (ICAEW) in 1992 - see CTM93290.

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