HMRC - INTM248150 - Alphabetic Index Of Terms Defined In Part 9A: Accounting Periods

TIOPA10/S371VB provides the rules for identifying the commencement and cessation of an “accounting period” of a CFC.

There are two circumstances resulting in the commencement of an accounting period. An accounting period starts when a CFC first becomes a CFC, or, if it is already a CFC and continues to be a CFC, immediately after the end of the previous accounting period.

There are four circumstances resulting in the cessation of an accounting period. An accounting period will come to an end if the CFC:

ceases to be a CFC;

becomes or ceases to become liable to tax in a territory due to a change in its domicile, residence or place of management;

ceases to have any source of income; or

a company with a relevant interest in the CFC no longer has that interest at all or ceases to be within the charge to corporation tax.

Certain sections of Chapter 2 of CTA 2009 (web) also apply in determining a CFC’s accounting period. These provisions apply to determine the length of a CFC’s accounting period in more unusual circumstances where, for example, a company’s period of account is longer than twelve months or a CFC has entered into administration or is being wound up. These rules however do not affect the main rules for the commencement and cessation of an accounting period of a CFC as set out above.

If the commencement or cessation of a CFC’s accounting period is uncertain, an officer of HMRC may specify a CFC’s accounting period by issuing a notice. Any such period must not exceed twelve months. After the issuance of such a notice, if further facts come to the knowledge of an officer of HMRC and it appears to the officer that the accounting period specified in the notice is not the correct accounting period, then the officer must issue another notice amending the earlier notice to reflect the correct accounting period. A notice or amended notice must be given to each company which the officer of HMRC considers likely to be liable to a CFC charge in the CFC’s accounting period in question.