HMRC - OT21300 - The Payment Of Ring Fence CT And The Supplementary Charge In Three Instalments

Special rules for the payment of ring fence corporation tax and supplementary charge came into force on 13 April 2005. Under these rules, companies that would otherwise pay tax under the general system for quarterly instalments must pay their RFCT and SC under a modified system for three equal instalments. The guidance on the quarterly instalment regime is at CTM92505 onwards. This change does not affect the timing of the payments of non-ring fence CT. These remain in the quarterly instalment regime, even if payable by a company that also has a liability to ring fence corporation tax and/or supplementary charge.

Under the new rules, a company with a normal 12 month accounting period pays its ring fence corporation tax and supplementary charge in equal instalments as follows

This compares with the existing rules for quarterly instalment payments (which continue to apply to a company’s non-ring fence CT), under which a company with a normal 12 month accounting period pays its corporation tax in equal instalments as follows

The rules that apply if the company’s accounting period is less than one year are also based on those in the quarterly instalment regime. For accounting periods of less than one year, the final payment of ring fence corporation tax and supplementary charge is 14 days after the end of the accounting period. Earlier instalments will be due if the dates for those instalments fall earlier than the date for the final instalment. The amount due on any instalment date that is not the final payment is found using the formula 4 x RFA/n, where

RFA is the amount of ring fence corporation tax and supplementary charge for the period (the “ring fence amount”) and

n is the number of whole months falling within the accounting period plus the number of extra days divided by 30.

The amount due on the final instalment is the balance of the ring fence corporation tax and supplementary charge due for the accounting period less any earlier instalment payments.

Rules for the payment of interest and penalties also follow the rules that currently apply for quarterly instalments.

The rules are contained in The Corporation Tax (Instalment Payments)(Amendment) Regulations 2005 (S.I.2005\889) which amend the main instalment payment regulations in S.I.1998\3175.

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