HMRC - OT26085 - Accounting Periods

ICTA88\Sch19B\para3, ICTA88\Sch19B\para5

A qualifying company may claim EES for up to 6 accounting periods (ICTA88\Sch19B\para5). These do not need to be consecutive. This means, for example, an accounting period with taxable ring fence profits within a sequence of periods showing losses need not count against this total of 6 accounting periods. Alternatively, a company may choose not to claim EES because it has not incurred much qualifying expenditure and does not want to use up one of its 6 claims.

RFES replaces EES from 1 January 2006. RFES has a similar limit of 6 accounting periods for which it can be claimed (see OT26120). Accounting periods for which EES claims have been made are taken into account for that purpose. The EES rules are different in detail depending on whether or not the company has started its ring fence trade. There is a pre-commencement supplement (OT26090) and a post-commencement supplement (OT26095). The company’s accounting periods for the purposes of the EES are defined as follows.

The “Commencement Period” is the accounting period in which the company sets up and commences its ring fence trade and the “Post-Commencement Period” comprises any accounting period ending on or after 1 January 2004 but before 1 January 2006.

which is the commencement period, or

which ends after the commencement period.

The “Pre-Commencement Period” comprises any accounting period ending

on or after 1 January 2004 but before 1 January 2006 and

before the commencement period.

Exceptionally, a company may start to carry out E&A activities before it has an accounting period for tax purposes (ICTA88\S12). If a company incurs qualifying E&A expenditure (OT26083) but is not within the charge to corporation tax, it is treated for EES purposes as if those E&A activities were carried on in a trade. The company is then treated as having accounting periods commencing from the date on which that deemed trade started.

A ‘straddling period’ of a qualifying company is an accounting period that begins before 1 January 2006 and ends on or after that date (ICTA88\Sch19B\Para3(3)). The part of the straddling period that falls before 1 January 2006 and the part that falls after that date are treated as separate accounting periods for EES purposes. A qualifying company can make an EES claim for the first of those two deemed accounting periods.

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