

Inland Revenue Corporation Tax Overview

All companies resident in the UK pay corporation tax on their TOTAL trading profits including capital gains (excluding UK company dividend's received).

Mutual organisations must also register for Corporation Tax but the surplus of income to expenditure is not taxable within the rules of [mutual organisations](#).

To establish the trading taxable profits a computation must be prepared to add back to profits certain items in the accounts not allowable for deduction and then take off items that are allowable for deduction

Examples of items to be added back to profits

- Bad Debts
- General Reserve
- Entertaining
- Donations
- Fines and penalties
- Depreciation
- Loss on sale of assets

Examples of items taken off profits

- Interest
- UK Company Dividends received
- Writing down allowances
- Balancing allowances

Tax rates are determined in the annual budgets and cover the period from 1st April to 31st March

Companies who have year ends other than 31st March, the annual profits are apportioned over the two fiscal years straddling the 31st March on a days/annual percentage basis

	Taxable Profits	Rate %
Small Companies		
Small Company rate	£0-£300,000	20
Marginal Relief	£300,001- £1,500,000	Marginal Relief
Large Companies	Over £1,500,000	26

The new Corporation tax rates can be found at [Corporation Tax Rates](#)