



Finance (No. 2) Act 1987

1987 CHAPTER 51

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER V

TAXES MANAGEMENT PROVISIONS

Company returns

85 Interest on overdue corporation tax etc.

With respect to accounting periods ending after the appointed day, after section 87 of the Management Act there shall be inserted the following section—

“87A Interest on overdue corporation tax etc.

- (1) Corporation tax shall carry interest at the [^{F1}rate applicable under section 178 of the Finance Act 1989] from the date when the tax becomes due and payable (in accordance with section [^{F2}10] of the principal Act) until payment.
- (2) Subsection (1) above applies even if the date when the tax becomes due and payable (as mentioned in that subsection) is a non-business day within the meaning of section 92 of the ^{M1}Bills of Exchange Act 1882.
- (3) In relation to corporation tax assessed by virtue of section [^{F3}346(2) or 347(1) of the principal Act, section 267(3C) or 278(5) of the Income and Corporation Taxes Act 1970][^{F4}, section 96(8) of the Finance Act 1990] or section 87(4) of the ^{M2}Capital Gains Tax Act 1979 (which enable unpaid corporation tax assessed on a company to be assessed on other persons in certain circumstances), the reference in subsection (1) above to the date when the tax

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becomes due and payable is a reference to the date when it became due and payable by the company.

- (4) [^{F5}Subject to subsection (7) below] in any case where—
- (a) there is in any accounting period of a company (in this subsection referred to as “the later period”) an amount of surplus advance corporation tax, as defined in subsection (3) of section [^{F6}239 of the principal Act], and
 - (b) pursuant to a claim under the said subsection (3), the whole or any part of that amount is treated for the purposes of the said section [^{F6}239] as discharging liability for an amount of corporation tax for an earlier accounting period (in this subsection referred to as “the earlier period”), and
 - (c) disregarding the effect of the said subsection (3), an amount of corporation tax for the earlier period would carry interest in accordance with this section,

then, in determining the amount of interest payable under this section on corporation tax unpaid for the earlier period, no account shall be taken of any reduction in the amount of that tax which results from the said subsection (3) except so far as concerns interest for any time after the date on which any corporation tax for the later period became due and payable (as mentioned in subsection (1) above).

- (5) A sum assessed on a company by such an assessment as is referred to in [^{F7}section 252(5) of the principal Act] (recovery of payment of tax credit or interest on such a payment) shall carry interest at the [^{F8}rate applicable under section 178 of the Finance Act 1989] from the date when the payment of tax credit or interest was made until the sum assessed is paid.”

[^{F9}(6) In any case where—

- (a) on a claim under section 393A(1) of the principal Act, the whole or any part of a loss incurred in an accounting period (“the later period”) has been set off for the purposes of corporation tax against profits of a preceding accounting period (“the earlier period”);
- (b) the earlier period does not fall wholly within the period of twelve months immediately preceding the later period; and
- (c) if the claim had not been made, there would be an amount or, as the case may be, an additional amount of corporation tax for the earlier period which would carry interest in accordance with this section,

then, for the purposes of the determination at any time of whether any interest is payable under this section or of the amount of interest so payable, the amount mentioned in paragraph (c) above shall be taken to be an amount of unpaid corporation tax for the earlier period except so far as concerns interest for any time after the date on which any corporation tax for the later period became (or, as the case may be, would have become) due and payable as mentioned in subsection (1) above.

(7) Where, in a case falling within subsection (6)(a) and (b) above—

- (a) there is in the earlier period, as a result of the claim under section 393A(1) of the principal Act, an amount of surplus advance corporation tax, as defined in subsection (3) of section 239 of that Act; and
- (b) pursuant to a claim under the said subsection (3), the whole or any part of that amount is to be treated for the purposes of the said section 239 as discharging

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liability for an amount of corporation tax for an accounting period before the earlier period,

the claim under the said subsection (3) shall be disregarded for the purposes of subsection (6) above but subsection (4) above shall have effect in relation to that claim as if the reference in the words after paragraph (c) to the later period within the meaning of subsection (4) above were a reference to the period which, in relation to the claim under the said section 393A(1), would be the later period for the purposes of subsection (6) above.]

Textual Amendments

- F1** Finance Act 1989, s. 179(1)(b) and [S.I. 1989/1298](#). Previously “prescribed rate”. And see [S.I. 1989/1297](#) for regulations made, and interest rate set, under Finance Act 1989, s. 178
- F2** [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 29 para. 10\(4\)\(a\)](#). Previously “243(4)”
- F3** [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 29 para. 10\(4\)\(b\)](#). Previously “266(2), section 267(3C), section 277(1) or section 278(5) of the Taxes Act”.
- F4** Finance Act 1990, s. 96(12)
- F5** [S. 85](#): words in s. 87A(4) of [Taxes Management Act 1970 \(c. 9\)](#) inserted (27.7.1993) by [1993 c. 34, s. 120](#), [Sch. 14](#), para. 4 (1)
- F6** [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 29 para. 10\(4\)\(c\)\(d\)](#). Previously “85 of the Finance Act 1972” and “85” respectively.
- F7** [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 29 para. 10\(4\)\(d\)](#). Previously “subsection (2) of section 102 of the Finance Act 1972”
- F8** Finance Act 1989, s. 179(1)(b), [S.I. 1989/1298](#). Previously “prescribed rate”. And see [S.I. 1989/1297](#) for regulations made and interest rate set under Finance Act 1989, s. 178
- F9** [S. 85](#): s. 87A(6) of [Taxes Management Act 1970 \(c. 9\)](#) substituted (27.7.1993) by [1993 c. 34, s. 120](#), [Sch. 14](#), para. 4(2)

Modifications etc. (not altering text)

- C1** The appointed day for the purposes of s. 85 is 30.9.1993, see [S.I. 1992/3066](#), art. 2(2)(a)

Marginal Citations

- M1** 1882 c. 61.
M2 1979 c. 14.

Changes to legislation:

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