



# Finance Act 2006

## 2006 CHAPTER 25

### PART 3

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 1

#### INCOME TAX AND CORPORATION TAX: CHARGE AND RATE BANDS

VALID FROM 19/07/2006

#### *Corporation tax*

**24 Charge and main rate for financial year 2007**

Corporation tax shall be charged for the financial year 2007 at the rate of 30%.

**25 Small companies' rate and fraction for financial year 2006**

For the financial year 2006—

- (a) the small companies' rate shall be 19%, and
- (b) the fraction mentioned in section 13(2) of ICTA (marginal relief for small companies) shall be 11/400ths.

**26 Abolition of corporation tax starting rate and non-corporate distribution rate**

- (1) Section 13AA of ICTA (corporation tax starting rate) shall cease to have effect.
- (2) Section 13AB of ICTA (the non-corporate distribution rate), and Schedule A2 to that Act (supplementary provisions in relation to that rate), shall cease to have effect.

*Status: Point in time view as at 22/03/2006. This version of this cross heading contains provisions that are not valid for this point in time.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, Cross Heading: Corporation tax. (See end of Document for details)*

- (3) In section 13A of ICTA (close investment-holding companies), in subsection (1) (meaning of “close investment-holding company” for purposes of sections 13(1) and 13AA(8)), omit “or 13AA(8)”.
- (4) In section 468 of ICTA (authorised unit trusts), in subsection (1A) (rate of corporation tax in relation to such trusts), for “and sections 13, 13AA and 13AB shall not apply” substitute “ and section 13 shall not apply ”.
- (5) In section 468A of ICTA (open-ended investment companies), in subsection (1) (rate of corporation tax in relation to such companies), for “(and sections 13, 13AA and 13AB shall not apply)” substitute “ (and section 13 shall not apply) ”.
- (6) In paragraph 1(a) of Schedule 12 to FA 1989 (provision of information for the purposes of close companies provisions), for “13 to 13A” substitute “ 13, 13ZA, 13A ”.
- (7) In paragraph 8(1) of Schedule 18 to FA 1998 (tax calculation in company tax return), in the second step, omit “or 13AA(2)”>.
- (8) The amendments made by this section have effect for the financial year 2006 and subsequent financial years (but see also subsections (9) to (11)).
- (9) In the case of an accounting period (a “straddling period”)—
  - (a) beginning before 1st April 2006, and
  - (b) ending on or after that date,
 sections 13AA and 13AB of, and Schedule A2 to, ICTA (“the repealed provisions”) apply as if the different parts of the straddling period falling in the different financial years were separate accounting periods.
- (10) Where the rate of corporation tax charged on a company's basic profits for any such separate accounting period ending with 31st March 2006 is determined in accordance with any of the repealed provisions, section 13 of ICTA (small companies' relief) also so applies.
- (11) For the purpose of treating different parts of the straddling period as separate accounting periods in accordance with subsections (9) and (10), the profits and basic profits of the straddling period are to be apportioned between those separate accounting periods.

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