

CORPORATION TAX ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Part 13: Other special types of company etc

Chapter 5: Companies in liquidation or administration

Overview

1959. This Chapter deals with the taxation of companies in liquidation or administration. It is based on sections 342 and 342A of ICTA.
1960. The rules governing the accounting periods of such companies are in Chapter 2 of Part 2 of CTA 2009.

Section 626: Meaning of “final year”, “penultimate year” etc

1961. This section defines a number of the terms used in the Chapter. It is based on sections 6(4), 342(1) and 342A(1) of ICTA.

Section 627: Meaning of “rate of corporation tax” in case of companies with small profits

1962. This section defines “rate of corporation tax” for companies with small profits subject to this Chapter. It is based on section 342(2) and (3) and section 342A(2) and (3) of ICTA.

Section 628: Company in liquidation: corporation tax rates

1963. This section sets out the corporation tax rates that are to be applied in the final or penultimate year of the liquidation period of a company that is being wound up. It is based on section 342(2), (3) and (8) of ICTA.
1964. If the rates of corporation tax have been either fixed or proposed for the final year or the penultimate year then the proposed or fixed rates are to be used. Accordingly in the vast majority of cases the normal corporation tax rates apply.
1965. Corporation tax rates are generally proposed in the PBR (Pre-Budget Report). The PBR takes place in autumn. The PBR in the autumn of Financial Year 1 proposes corporation tax rates for Financial Year 3. The same PBR proposes the rate of corporation tax for companies with small profits and fractions for Financial Year 2. The associated Finance Act usually becomes law in July of Financial Year 2. The corporation tax rates for Financial Year 3 become fixed in Financial Year 2 and the rate for companies with small profits and fractions for Financial Year 2 also become fixed in Financial Year 2.
1966. The section assists liquidators seeking to finalise a company’s liability in advance of a formal winding up by setting out the rates to be used even in those rare cases where corporation tax rates have not been fixed at the time when a liquidator wishes to make an assessment to tax.

Section 629: Company in liquidation: making of assessment to tax

1967. This section enables a liquidator to make a corporation tax self-assessment for an accounting period that has not finished. It is based on section 342(4), (5) and (6) of ICTA.
1968. In normal circumstances it is not possible to make a corporation tax self-assessment before the end of an accounting period. In the majority of instances the profits for the period are not known in advance and the relevant corporation tax rates may not have been fixed.
1969. Liquidators may seek to finalise a company's liability to corporation tax in advance of the completion of a formal winding up. This section enables the liquidator to do so by making a corporation tax self-assessment before the end of an accounting period.
1970. The rules about accounting periods for companies being wound up are in section 12 of CTA 2009 (see in particular subsection (3)).

Section 630: Company in administration: corporation tax rates

1971. This section sets out the corporation tax rates that are to be applied in the final year and the penultimate year of an administration period that concludes with the company's dissolution. It is based on section 342A(2), (3) and (10) of ICTA.
1972. If the rates of corporation tax have been either fixed or proposed for the final year or the penultimate year then the proposed or fixed rates are to be used. Accordingly in the vast majority of cases the normal corporation tax rates apply.
1973. The section assists administrators seeking to finalise a company's liability in advance of an anticipated dissolution date by setting out the rates to be used even in those rare cases where corporation tax rates have not been fixed at the time when the administrator wishes to make an assessment to tax.

Section 631: Company in administration: making of assessment to tax

1974. This section enables an administrator to make a corporation tax self-assessment for an accounting period that has not finished. It is based on section 342A(6), (7) and (8) of ICTA.
1975. In normal circumstances it is not possible to make a corporation tax self-assessment before the end of an accounting period. In the majority of instances the profits for the period are not known in advance and the relevant corporation tax rates may not have been fixed.
1976. Administrators may seek to finalise a company's liability to corporation tax in advance of an anticipated dissolution date. This section enables the administrator to do so by making a corporation tax self-assessment before the end of an accounting period.
1977. The rules about determining the end of an accounting period are in section 10 of CTA 2009 (see particularly subsection (3)).

Section 632: Meaning of rate being "fixed" or "proposed"

1978. This section defines terms used in the previous sections. It is based on section 342(7) and 342A(9) of ICTA.

Section 633: Exemption for interest on overpaid tax in final accounting period

1979. This section provides a limited exemption for interest on overpaid tax received or paid in the final accounting period. It is based on sections 342(3A) and 342A(4), (5) of ICTA.

*These notes refer to the Corporation Tax Act 2010
(c.4) which received Royal Assent on 3 March 2010*

1980. The rules about accounting periods for companies being wound up are in section 12 of CTA 2009 (see in particular subsection (4)).