



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 13

#### OTHER SPECIAL TYPES OF COMPANY ETC

### CHAPTER 5

#### COMPANIES IN LIQUIDATION OR ADMINISTRATION

##### *Introduction*

#### **626 Meaning of “final year”, “penultimate year” etc**

- (1) This section applies for the purposes of this Chapter.
- (2) In relation to a company that is being wound up—
  - “the final year” means the financial year in which the winding up of the company is completed, and
  - “the penultimate year” means the last financial year before the company’s final year.
- (3) In relation to a company in administration—
  - “the final year” means the financial year in which the dissolution event in respect of the company occurs, and
  - “the penultimate year” means the last financial year before the company’s final year.
- (4) A reference in this Chapter to the “dissolution event” in respect of a company in administration is a reference—
  - (a) to the administrator sending a notice in respect of the company under paragraph 84(1) of Schedule B1 to the Insolvency Act 1986 (company moving from administration to dissolution), or

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- (b) if the company enters administration otherwise than under that Act, to the doing of any other act for a similar purpose.
- (5) “Profits” means income and chargeable gains, except so far as the context otherwise requires.

### **627 Meaning of “rate of corporation tax” in case of companies with small profits**

- (1) This section applies if corporation tax chargeable on profits of a company for a financial year—
  - (a) is to be charged at the small profits rate (see section 18), or
  - (b) is to be reduced by reference to the standard fraction or the ring fence fraction within the meaning of Part 3 (see sections 19 and 20).
- (2) References in this Chapter to the “rate of corporation tax”, so far as relating to profits of the company for the financial year concerned, are to be taken—
  - (a) as references to the small profits rate, or
  - (b) (as the case may be) as including references to the standard fraction or the ring fence fraction (and with references to a rate being “fixed” or “proposed” read accordingly as references to the fraction concerned being fixed or proposed).

#### *Companies in liquidation*

### **628 Company in liquidation: corporation tax rates**

- (1) This section applies, in the case of a company that is being wound up, in relation to profits of the company arising in its final year (see subsections (2) to (5)) or its penultimate year (see subsections (6) and (7)).
- (2) The rate of corporation tax to be applied in assessing, before the winding up of the company is completed, the corporation tax chargeable on the profits of the company arising in the winding up in its final year is to be determined in accordance with subsections (3) to (5).
- (3) If the rate of corporation tax has been fixed for the final year, that fixed rate is to be applied.
- (4) If the rate of corporation tax has been proposed (but not yet fixed) for the final year, that proposed rate is to be applied.
- (5) If the rate of corporation tax has been neither fixed nor proposed for the final year, the rate fixed or proposed for the penultimate year is to be applied.
- (6) Subsection (7) applies if—
  - (a) the winding up of the company started before the company’s final year, and
  - (b) an assessment to corporation tax is made at a time when the rate of corporation tax for the company’s penultimate year is proposed (but not yet fixed).
- (7) The rate of corporation tax proposed for the penultimate year is to be applied in relation to the profits of the company arising in the winding up at any time in that year.

## **629 Company in liquidation: making of assessment to tax**

- (1) This section applies if—
  - (a) an assessment to corporation tax is made on the profits of a company that is being wound up, and
  - (b) the assessment is made before the date when the winding up is completed (“the actual winding up date”).
- (2) An assessment for an accounting period falling after the start of the winding up is not invalid because it is made before the end of the period.
- (3) In applying section 12 of CTA 2009 (accounting periods of companies being wound up) for the purpose of determining when an accounting period of the company ends, the liquidator may make an assumption as to what the actual winding up date will be (“the assumed winding up date”).
- (4) The company’s final and penultimate years are not changed if the assumption made under subsection (3) as to the actual winding up date is wrong.
- (5) If the actual winding up date is later than the assumed winding up date—
  - (a) an accounting period of the company ends on the assumed winding up date (“period A”), and
  - (b) a new accounting period of the company (“period B”) begins immediately after the end of period A.
- (6) Section 12 of CTA 2009 then applies as if the winding up of the company started at the time when period B begins.

### *Companies in administration*

## **630 Company in administration: corporation tax rates**

- (1) This section applies, in the case of a company in administration, in relation to profits of the company arising in its final year (see subsections (2) to (5)) or its penultimate year (see subsections (6) and (7)).
- (2) The rate of corporation tax to be applied in assessing, before the dissolution event in respect of the company, the corporation tax chargeable on the profits of the company arising in the administration in its final year is to be determined in accordance with subsections (3) to (5).
- (3) If the rate of corporation tax has been fixed for the final year, that fixed rate is to be applied.
- (4) If the rate of corporation tax has been proposed (but not yet fixed) for the final year, that proposed rate is to be applied.
- (5) If the rate of corporation has been neither fixed nor proposed for the final year, the rate fixed or proposed for the penultimate year is to be applied.
- (6) Subsection (7) applies if—
  - (a) the company entered administration before its final year, and
  - (b) an assessment to corporation tax is made at a time when the rate of corporation tax for the company’s penultimate year is proposed (but not yet fixed).

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- (7) The rate of corporation tax proposed for the penultimate year is to be applied in relation to the profits of the company arising in the administration at any time in that year.

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

- (1) This section applies if—
- (a) an assessment to corporation tax is made on the profits of a company in administration, and
  - (b) the assessment is made before the date of the dissolution event in respect of the company (“the actual dissolution date”).
- (2) An assessment for an accounting period in which the company is in administration is not invalid because it is made before the end of the period.
- (3) In applying section 10(1) of CTA 2009 (time when accounting periods come to an end) for the purpose of determining when an accounting period of the company ends, the administrator may make an assumption as to what the actual dissolution date will be (“the assumed dissolution date”).
- (4) The company’s final and penultimate years are not changed if the assumption made under subsection (3) as to the actual dissolution date is wrong.
- (5) If the actual dissolution date is later than the assumed dissolution date—
- (a) an accounting period of the company ends on the assumed dissolution date (“period A”), and
  - (b) a new accounting period of the company (“period B”) begins immediately after the end of period A.
- (6) Section 10(1) of CTA 2009 then applies as if the company had entered administration at the beginning of period B.

*Supplementary*

**632 Meaning of rate being “fixed” or “proposed”**

- (1) This section applies for the purposes of sections 628 and 630.
- (2) A rate of corporation tax is “fixed”—
- (a) in the case of a company that is being wound up, if the rate has been fixed by an Act passed before the completion of the winding up, and
  - (b) in the case of a company that is in administration, if the rate has been fixed by an Act passed before the dissolution event in respect of the company, but this is subject to subsection (4).
- (3) A rate of corporation tax is “proposed” if the rate is proposed by a Budget resolution (whether or not subsequently fixed by an Act).
- (4) If a Budget resolution proposes to alter a rate of corporation tax that has been fixed, references in sections 628 and 630 to a fixed rate are references to that rate as proposed to be altered by the resolution.
- (5) In this section “Budget resolution” means a resolution of the House of Commons for fixing a rate of corporation tax.

### **633 Exemption for interest on overpaid tax in final accounting period**

- (1) This section applies if, in the final accounting period of a company that is being wound up or is in administration, interest within subsection (2) arises to the company.
- (2) Interest within this subsection arises to a company if—
  - (a) the interest is received or is receivable by the company under section 826 of ICTA (interest on tax overpaid), and
  - (b) the interest does not exceed £2000.
- (3) The interest is excluded in calculating the company's income for corporation tax purposes.
- (4) In subsection (1) the "final accounting period" means—
  - (a) in the case of a company being wound up, the accounting period which ends, in accordance with section 12 of CTA 2009 (accounting periods of companies being wound up), with the completion of the winding up, and
  - (b) in the case of a company in administration, the last accounting period of the company before the dissolution event in respect of the company.