

CORPORATION TAX (NORTHERN IRELAND) ACT 2015

EXPLANATORY NOTES

SUMMARY

5. The Act contains taxation provisions under which the Northern Ireland Assembly will have the power to set the main rate of corporation tax in respect of certain trading profits, to be called the Northern Ireland rate. The rate, in general, will apply to all of the trading profits of a company if that company is a micro, small or medium-sized enterprise (SME), and the company's employee time and costs fall largely in Northern Ireland. It will also apply to a corporate partner's share of the profits of a partnership trade if that company and partnership are both SMEs and the partnership's employee time and costs fall largely in Northern Ireland.
6. The rate will also apply to the profits of large companies, and (in the case of a corporate partner not covered by the SME rules referred to above) to a corporate partner's share of the profits of a partnership that are attributable to a Northern Ireland trading presence, that presence being termed as a "Northern Ireland regional establishment" (NIRE). The trading profits attributable to the NIRE are computed using internationally recognised principles with some modifications and adaptations.
7. A company (or partnership) that is within the Part 8B regime in an accounting period is referred to in Part 8B as a "Northern Ireland company" (or a "Northern Ireland firm"). In an accounting period in which it is a Northern Ireland company (or Northern Ireland firm), the company's (or partnership's) trading profit or trading loss is split between what Part 8B refers to as "Northern Ireland profits or losses" of the trade (which are taxed and relieved at the Northern Ireland rate) and "mainstream profits or losses" of the trade (which are taxed and relieved at the main rate). It is possible that a company (or partnership) making profits overall could in certain circumstances make a Northern Ireland loss (in conjunction with a mainstream profit) or a mainstream loss (in conjunction with a Northern Ireland profit). Similarly a company (or partnership) making a loss overall could in certain circumstances made a Northern Ireland profit (in conjunction with a mainstream loss) or a mainstream profit (in conjunction with a Northern Ireland loss).