



Corporation Tax Act 2009

2009 CHAPTER 4

PART 20

GENERAL CALCULATION RULES

CHAPTER 1

RESTRICTION OF DEDUCTIONS

Modifications etc. (not altering text)

- C1** Pt. 20 Ch. 1 applied by 1989 c. 26, s. 85(2BA) (as substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 348\(4\)](#) (with [Sch. 2 Pts. 1, 2](#)))
- C2** Pt. 20 Ch. 1 applied (with effect in accordance with s. 148 of the amending Act) by [Finance Act 2012 \(c. 14\), s. 92\(4\)](#) (with [s. 147, Sch. 17](#))

Unpaid remuneration

1288 Unpaid remuneration

- (1) This section applies if—
- an amount is charged in respect of employees' remuneration in a company's accounts for a period,
 - the amount would, apart from this section, be deductible in calculating income from any source for corporation tax purposes, and
 - the remuneration is not paid before the end of the period of 9 months immediately following the end of the period of account.
- (2) If the remuneration is paid after the end of that period of 9 months, the deduction for it is allowed for the period of account in which it is paid.

Status: Point in time view as at 17/07/2013.

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- (3) No deduction is allowed for the remuneration if it is not paid.
- (4) Provision corresponding to that made by this section is made by—
- (a) section 1249 (in relation to expenses of management of a company's investment business), [^{F1}including as applied by section 82 of FA 2012]^{F2} ...
 - ^{F2}(b)

Textual Amendments

- F1** Words in s. 1288(4)(a) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\), Sch. 16 para. 209\(a\)](#)
- F2** S. 1288(4)(b) and the word immediately preceding it omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\), Sch. 16 para. 209\(b\)](#)

1289 Unpaid remuneration: supplementary

- (1) For the purposes of section 1288 an amount charged in the accounts in respect of employees' remuneration includes an amount for which provision is made in the accounts with a view to its becoming employees' remuneration.
- (2) For the purposes of section 1288 it does not matter whether an amount is charged for—
 - (a) particular employments, or
 - (b) employments generally.
- (3) If the income is calculated before the end of the 9 month period mentioned in section 1288(1)(c)—
 - (a) it must be assumed, in making the calculation, that any remuneration which is unpaid when the calculation is made will not be paid before the end of that period, but
 - (b) if the remuneration is subsequently paid before the end of that period, nothing in this subsection prevents the calculation being revised and any tax return being amended accordingly.
- (4) For the purposes of this section and section 1288 remuneration is paid when it—
 - (a) is treated as received by an employee for the purposes of ITEPA 2003 by section 18 or 19 of that Act (receipt of money and non-money earnings), or
 - (b) would be so treated if it were not exempt income.
- (5) In this section and section 1288—

“employee” includes an office-holder and “employment” therefore includes an office, and

“remuneration” means an amount which is or is treated as earnings for the purposes of Parts 2 to 7 of ITEPA 2003.

Employee benefit contributions

1290 Employee benefit contributions

- (1) This section applies if, in calculating for corporation tax purposes the profits of a company (“the employer”) of a period of account, a deduction would otherwise be

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allowable for the period in respect of employee benefit contributions made or to be made (but see subsection (4)).

- (2) No deduction is allowed for the contributions for the period except so far as—
 - (a) qualifying benefits are provided, or qualifying expenses are paid, out of the contributions during the period or within 9 months from the end of it, or
 - (b) if the making of the contributions is itself the provision of qualifying benefits, the contributions are made during the period or within 9 months from the end of it.
- (3) An amount disallowed under subsection (2) is allowed as a deduction for a subsequent period of account so far as—
 - (a) qualifying benefits are provided out of the contributions before the end of the subsequent period, or
 - (b) if the making of the contributions is itself the provision of qualifying benefits, the contributions are made before the end of the subsequent period.
- (4) This section does not apply to any deduction that is allowable—
 - (a) for anything given as consideration for goods or services provided in the course of a trade or profession,
 - (b) for contributions under a registered pension scheme or under a superannuation fund to which section 615(3) of ICTA applies,
 - (c) for contributions under a qualifying overseas pension scheme in respect of an individual who is a relevant migrant member of the pension scheme in relation to the contributions,
 - (d) for contributions under an accident benefit scheme,
 - (e) under Chapter 1 of Part 11 (share incentive plans),
 - (f) under section 67 of FA 1989 (qualifying employee share ownership trusts), or
 - (g) under Part 12 (other relief for employee share acquisitions).
- (5) For the purposes of subsection (4)(c) “qualifying overseas pension scheme” and “relevant migrant member” have the same meaning as in Schedule 33 to FA 2004 (see paragraphs 4 to 6 of that Schedule).
- (6) See also—
 - section 1291 (making of “employee benefit contributions”),
 - section 1292 (provision of qualifying benefits),
 - section 1293 (timing and amount of certain qualifying benefits),
 - section 1294 (provision or payment out of employee benefit contributions),
 - section 1295 (profits calculated before end of 9 month period),
 - section 1296 (interpretation of sections 1290 to 1296),
 - section 1297 (some special rules for companies carrying on a life assurance business).

1291 Making of “employee benefit contributions”

- (1) For the purposes of section 1290 an “employee benefit contribution” is made if, as a result of any act or omission—
 - (a) property is held, or may be used, under an employee benefit scheme, or
 - (b) there is an increase in the total value of property that is so held or may be so used (or a reduction in any liabilities under an employee benefit scheme).

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- (2) For this purpose “employee benefit scheme” means a trust, scheme or other arrangement for the benefit of persons who are, or include, present or former employees of the employer [^{F3}or persons linked with present or former employees of the employer].
- [^{F4}(3) Section 554Z1 of ITEPA 2003 applies for the purposes of subsection (2) but as if references to A were to a present or former employee of the employer.
- (4) So far as it is not covered by subsection (2), “employee benefit scheme” also means—
- (a) an arrangement (“the relevant arrangement”) within subsection (1)(b) of section 554A of ITEPA 2003 to which subsection (1)(c) of that section applies, or
 - (b) any other arrangement connected (directly or indirectly) with the relevant arrangement.]

Textual Amendments

- F3** Words in s. 1291(2) inserted (19.7.2011) (with effect in accordance with Sch. 2 paras. 52-59, 61 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 45\(2\)](#)
- F4** S. 1291(3)(4) inserted (19.7.2011) (with effect in accordance with Sch. 2 paras. 52-59, 61 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 45\(3\)](#)

1292 Provision of qualifying benefits

- (1) For the purposes of section 1290 qualifying benefits are provided if there is—
- (a) a payment of money, or
 - (b) a transfer of assets,
- which meets condition A, B, C or D.
- (2) Condition A is that the payment or transfer gives rise both to an employment income tax charge and to an NIC charge.
- (3) Condition B is that the payment or transfer would give rise to both charges if—
- (a) the duties of the employment in respect of which the payment or transfer was made were performed in the United Kingdom, and
 - (b) the person in respect of whose employment the payment or transfer was made met at all relevant times the conditions as to residence or presence in Great Britain or Northern Ireland prescribed under section 1(6) of the Contributions and Benefits Act.
- (4) Condition C is that the payment or transfer is made in connection with the termination of the recipient's employment with the employer.
- (5) Condition D is that the payment or transfer is made under an employer-financed retirement benefits scheme [^{F5}and the payment or transfer—
- (a) gives rise to an employment income tax charge under Chapter 2 of Part 6 of ITEPA 2003 or under Part 9 of that Act, or
 - (b) is an excluded benefit as defined in section 393B(3) of that Act.]
- (6) None of the conditions is met if the payment or transfer is by way of loan.
- [^{F6}(6A) For the purposes of section 1290 qualifying benefits are also provided if—

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- (a) a relevant step within the meaning of Part 7A of ITEPA 2003 is taken, and
- (b) Chapter 2 of that Part applies by reason of the step.]

(7) In this section—

“the Contributions and Benefits Act” means—

- (a) the Social Security Contributions and Benefits Act 1992 (c. 4), or
- (b) the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7),

“employment income tax charge” means a charge to tax under ITEPA 2003 (whether on the recipient or on someone else), and

“NIC charge” means a liability to pay national insurance contributions under section 6 (Class 1 contributions), section 10 (Class 1A contributions) or section 10A (Class 1B contributions) of the Contributions and Benefits Act.

Textual Amendments

- F5** Words in s. 1292(5) inserted (19.7.2011) (with effect in accordance with Sch. 2 paras. 52-59, 62 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 46\(2\)](#)
- F6** S. 1292(6A) inserted (19.7.2011) (with effect in accordance with Sch. 2 para. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 46\(3\)](#)

1293 Timing and amount of certain qualifying benefits

[^{F7}(1) If the provision of a qualifying benefit takes the form of a payment of money, the benefit, so far as Chapter 4 of Part 2 of ITEPA 2003 applies to the money, is provided for the purposes of section 1290 when the money is treated as received for the purposes of that Chapter (applying the rules in section 18 of that Act (receipt of money earnings)).]

[^{F8}(1A) Except so far as subsection (1) applies to the provision of the qualifying benefit, if the provision of a qualifying benefit is a chargeable relevant step, for the purposes of section 1290—

- (a) the benefit is provided when A's employment with B starts if the chargeable relevant step is taken before then, or
- (b) otherwise, the benefit is provided when the chargeable relevant step is taken.]

(2) If the provision of a qualifying benefit takes the form of a transfer of an asset [^{F9}which meets condition A, B, C or D in section 1292], the amount provided for the purposes of section 1290 is the total of—

- (a) the amount (if any) spent on the asset by a scheme manager, ^{F10}...
- (b) in a case where the asset was transferred to a scheme manager by the employer, the amount of the deduction that would be allowable as mentioned in subsection (1) of that section in respect of the transfer [^{F11}, and
- (c) if the transfer is a chargeable relevant step, the cost of the relevant step so far as not covered by paragraph (a) or (b)]

(3) But if the amount given by subsection (2) is more than the amount that—

- (a) is charged to tax under ITEPA 2003 in respect of the transfer, or
- (b) would be so charged if condition B in section 1292 were met,

the deduction allowable under section 1290(2) or (3) is limited to that lower amount.

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- [^{F12}(4) If the provision of a qualifying benefit is a chargeable relevant step which does not involve a sum of money (see section 554Z(10) of ITEPA 2003) and is not covered by subsection (2), the amount provided for the purposes of section 1290 is the cost of the relevant step (subject to subsection (5)).
- (5) If the provision of a qualifying benefit is a chargeable relevant step which is not covered by subsection (2) (whether or not it involves a sum of money), the amount provided for the purposes of section 1290 is not to exceed the amount that—
- (a) is charged to tax under ITEPA 2003 in relation to the relevant step (whether under Part 7A of that Act or otherwise), or
 - (b) would be charged had not A been non-UK resident in any tax year.
- (6) In this section—
- (a) “chargeable relevant step” means a relevant step within the meaning of Part 7A of ITEPA 2003 by reason of which Chapter 2 of that Part applies (and references to A and B are to be read accordingly), and
 - (b) references to the cost of a chargeable relevant step are to be read in accordance with section 554Z3(6) of that Act.]

Textual Amendments

- F7** S. 1293(1) substituted (19.7.2011) (with effect in accordance with Sch . 2 para. 52-59 63 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 47\(2\)](#)
- F8** S. 1293(1A) inserted (19.7.2011) (with effect in accordance with Sch . 2 para. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 47\(3\)](#)
- F9** Words in s. 1293(2) inserted (19.7.2011) (with effect in accordance with Sch . 2 para. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 47\(4\)\(a\)](#)
- F10** Word in s. 1293(2)(a) omitted (19.7.2011) (with effect in accordance with Sch . 2 para. 52-59 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 47\(4\)\(b\)](#)
- F11** S. 1293(2)(c) and word inserted (19.7.2011) (with effect in accordance with Sch . 2 para. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 47\(4\)\(c\)](#)
- F12** S. 1293(4)-(6) inserted (19.7.2011) (with effect in accordance with Sch . 2 para. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 47\(5\)](#)

1294 Provision or payment out of employee benefit contributions

- (1) For the purposes of section 1290(2)(a)—
- (a) any qualifying benefits provided, or
 - (b) any qualifying expenses paid,
- by a scheme manager after the receipt by the scheme manager of employee benefit contributions are treated as being provided or paid out of the contributions.
- (2) The rule in subsection (1) operates up to the total amount of the contributions reduced by the amount of any benefits or expenses previously provided or paid as mentioned in section 1290(2)(a).
- (3) For the purposes of section 1290(3)(a) any qualifying benefits provided by a scheme manager after the receipt by the scheme manager of employee benefit contributions are treated as being provided out of the contributions.

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- (4) The rule in subsection (3) operates up to the total amount of the contributions reduced by the amount of any benefits or expenses previously provided or paid as mentioned in section 1290(2)(a) or (3)(a).
- (5) For the purposes of this section no account is taken of any other amount received or paid by the scheme manager.

1295 Profits calculated before end of 9 month period

- (1) This section applies if the income of the period of account mentioned in section 1290(1) is calculated before the end of the 9 month period mentioned in section 1290(2).
- (2) It must be assumed, in making the calculation, that any benefits, expenses or contributions which are not provided, paid or made when the calculation is made will not be provided, paid or made before the end of that period.
- (3) But if the benefits, expenses or contributions are subsequently provided, paid or made before the end of that period, nothing in this section prevents the calculation being revised and any tax return being amended accordingly.

1296 Interpretation of sections 1290 to 1296

- (1) In this section and sections 1290 to 1295—
 - “accident benefit scheme” means an employee benefit scheme under which benefits may be provided only by reason of a person's disablement, or death, caused by an accident occurring during the person's service as an employee of the employer,
 - “employee benefit contribution” is to be read in accordance with section 1291(1),
 - “employee benefit scheme” has the meaning given by section [F¹³1291(2) to (4)],
 - “the employer” is to be read in accordance with section 1290(1),
 - “employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see section 393A of that Act) [F¹⁴ but ignoring section 393B(2)(a) and (c) of that Act],
 - “qualifying benefits” is to be read in accordance with section 1292,
 - “qualifying expenses” includes any expenses of a scheme manager (other than the provision of benefits to employees of the employer)—
 - (a) which are incurred in operating the employee benefit scheme, and
 - (b) which, if incurred by the employer, would be deductible in calculating for corporation tax purposes the employer's profits of any period of account, and
 - “scheme manager” means a person who administers an employee benefit scheme (acting in that capacity).
- (2) A reference in this section and sections 1290 to 1295 to a company's employee includes the holder of an office under that company, and “employment” is to be read accordingly.

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Textual Amendments

- F13** Words in s. 1296(1) substituted (19.7.2011) (with effect in accordance with Sch. 2 paras. 52-59, 61 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 48\(a\)](#)
- F14** Words in s. 1296(1) inserted (19.7.2011) (with effect in accordance with Sch. 2 paras. 52-59, 62 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 48\(b\)](#)

1297 ^[F15]Basic life assurance and general annuity business]

- (1) This section applies if the employer is a company in relation to which ^[F16]the I - E rules apply].
- (2) In determining for the purposes of section 1290(1) whether a deduction would otherwise be allowable, the effect of ^[F17]section 79 of FA 2012] (spreading of relief for acquisition expenses) is ignored.
- (3) But section 1290(3) is subject to that section if, in accordance with subsection (2) above, an amount is allowed as a deduction for a particular period under section 1290(3).
- (4) For the ^[F18]purpose of calculating the adjusted BLAGAB management expenses of the company for the purposes of section 73 of FA 2012], the employee benefit contributions are treated as expenses ^[F19]debited, in accordance with generally accepted accounting practice, in the accounts drawn up by the company for that period].
- (5) For the purposes of sections 1290 to 1296—
 - (a) any reference to a deduction for employee benefit contributions is to be read as a reference to ^[F20]an amount constituting ordinary BLAGAB management expenses of the company for the purposes of section 76 of FA 2012], and
 - (b) references to deduction are to be read in that light.

Textual Amendments

- F15** S. 1297 heading substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 210\(6\)](#)
- F16** Words in s. 1297(1) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 210\(2\)](#)
- F17** Words in s. 1297(2) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 210\(3\)](#)
- F18** Words in s. 1297(4) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 210\(4\)\(a\)](#)
- F19** Words in s. 1297(4) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 210\(4\)\(b\)](#)
- F20** Words in s. 1297(5)(a) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 210\(5\)](#)

Business entertainment and gifts

1298 Business entertainment and gifts

- (1) This section applies if a company incurs expenses in providing entertainment or gifts in connection with a business which it carries on.
- (2) The general rule is that—
 - (a) no deduction is allowed for the expenses in calculating income from any source for corporation tax purposes,

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- (b) no deduction is allowed under section 1219 for the expenses, and
 - [^{F21}(c) expenses to which this section applies are not to be regarded as constituting ordinary BLAGAB management expenses of the company for the purposes of section 76 of FA 2012.]
- (3) The general rule prohibits the deduction, or the bringing into account, of expenses which are incurred—
- (a) in paying sums to or on behalf of an employee of the company, or
 - (b) in putting sums at the disposal of an employee of the company,
- if (and only if) the sums are paid, or put at the employee's disposal, exclusively for meeting expenses incurred or to be incurred by the employee in providing the entertainment or gift.
- (4) The general rule is subject to exceptions—
- for entertainment (see section 1299), and
 - for gifts (see section 1300).
- (5) For the purposes of this section and those two sections—
- (a) “employee” includes a director of the company and a person engaged in the management of the company,
 - (b) “entertainment” includes hospitality of any kind, and
 - (c) the expenses incurred in providing entertainment or a gift include expenses incurred in providing anything incidental to the provision of entertainment or a gift.

Textual Amendments

F21 S. 1298(2)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 211](#)

1299 Business entertainment: exceptions

- (1) The prohibition in section 1298 on deducting, or bringing into account, expenses incurred in providing entertainment does not apply in either of cases A and B.
- (2) Case A is where—
- (a) the entertainment is of a kind which it is the company's business to provide, and
 - (b) the entertainment is provided in the ordinary course of the business either for payment or free of charge in order to advertise to the public generally.
- (3) Case B is where the entertainment is provided for employees of the company unless—
- (a) the entertainment is also provided for others, and
 - (b) the provision of the entertainment for the employees is incidental to its provision for the others.

1300 Business gifts: exceptions

- (1) The prohibition in section 1298 on deducting, or bringing into account, expenses incurred in providing gifts does not apply in any of cases A, B, C and D.
- (2) Case A is where—

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- (a) the gift is of an item which it is the company's business to provide, and
 - (b) the item is given away in the ordinary course of the business in order to advertise to the public generally.
- (3) Case B is where the gift incorporates a conspicuous advertisement for the company unless—
- (a) the gift is food, drink, tobacco or a token or voucher exchangeable for goods, or
 - (b) the cost of the gift to the company, together with any other gifts (except food, drink, tobacco or a token or voucher exchangeable for goods) given to the same person in the same accounting period, exceeds £50.
- The Treasury may by order amend the sum for the time being specified in paragraph (b) so as to increase it.
- (4) Case C is where gifts are provided for employees of the company unless—
- (a) gifts are also provided for others, and
 - (b) the provision of the gifts for the employees is incidental to the provision of gifts for the others.
- (5) Case D is where the gift is given to—
- (a) a charity,
 - (b) the Historic Buildings and Monuments Commission for England, or
 - (c) the Trustees of the National Heritage Memorial Fund.

Miscellaneous

1301 Restriction of deductions for annual payments

- (1) In calculating a company's income from any source, no deduction is allowed for an annual payment which meets the conditions in subsections (2) to (6).
- (2) The payment must be a payment charged to—
 - (a) income tax under Part 5 of ITTOIA 2005 otherwise than as relevant foreign income, or
 - (b) corporation tax under Chapter 7 of Part 10 (annual payments not otherwise charged).
- (3) The payment must be made under a liability incurred for consideration in money or money's worth all or any of which—
 - (a) consists of, or of the right to receive, a dividend, or
 - (b) is not required to be brought into account in calculating for corporation tax purposes the income of the company making the payment.
- (4) The payment must not be a payment of income—
 - (a) which arises under a settlement made by one party to a marriage or civil partnership by way of provision for the other—
 - (i) after the dissolution or annulment of the marriage or civil partnership, or
 - (ii) while they are separated under an order of a court, or under a separation agreement, or if the separation is likely to be permanent, and

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- (b) which is payable to, or applicable for the benefit of, the other party.
- (5) The payment must not be made to an individual under a liability incurred at any time in consideration of the individual surrendering, assigning or releasing an interest in settled property to or in favour of a person with a subsequent interest.
- (6) The payment must not be a payment of an annuity granted in the ordinary course of a business of granting annuities.
- (7) In subsection (2) “relevant foreign income” has the same meaning as in the Income Tax Acts (see section 989 of ITA 2007).
- (8) In the application of this section to Scotland the reference in subsection (5) to settled property is to be read as a reference to property held in trust.

[^{F22}1301A] **Restriction of deductions for interest**

In calculating a company's income from any source for corporation tax purposes, no deduction is allowed for interest otherwise than under Part 5 (loan relationships).]

Textual Amendments

F22 S. 1301A inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 7 para. 39](#) (with Sch. 9 paras. 1-9, 22)

[^{F23}1301B] **Qualifying charitable donations**

In calculating a company's income from any source for corporation tax purposes, no deduction is allowed in respect of qualifying charitable donations.]

Textual Amendments

F23 S. 1301B inserted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 692](#) (with Sch. 2)

1302 Social security contributions

- (1) No deduction is allowed for corporation tax purposes for any contribution paid by any person under—
 - (a) Part 1 of the Social Security Contributions and Benefits Act 1992 (c. 4), or
 - (b) Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7).
- (2) But this prohibition does not apply to an employer's contribution.
- (3) For this purpose “an employer's contribution” means—
 - (a) a secondary Class 1 contribution,
 - (b) a Class 1A contribution, or
 - (c) a Class 1B contribution,

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within the meaning of Part 1 of the Social Security Contributions and Benefits Act 1992 or of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

- (4) Subsection (1) does not apply to the calculation of income from the holding of an office (in relation to which section 969 applies income tax principles, those including section 360A of ITEPA 2003 which corresponds to this section).

1303 Penalties, interest and VAT surcharges

- (1) In calculating profits for any corporation tax purpose, no deduction is allowed for any penalty or interest mentioned in the first column of the following table.
- (2) This is the table—

<i>Penalty or interest</i>	<i>Description of tax, levy or duty</i>
Penalty under any of sections 60 to 70 of VATA 1994	Value added tax
Interest under section 74 of VATA 1994	
Penalty under any of sections 8 to 11 of FA 1994	Excise duties
Penalty under any of paragraphs 12 to 19 of Schedule 7 to FA 1994	Insurance premium tax
Interest under paragraph 21 of that Schedule	
Penalty under any provision of Part 5 of Schedule 5 to FA 1996	Landfill tax
Interest under paragraph 26 or 27 of that Schedule	
Penalty under any provision of Schedule 6 to FA 2000	Climate change levy
Interest under any of paragraphs 70, 81 to 85 and 109 of that Schedule	
Penalty under any provision of Part 2 of FA 2001	Aggregates levy
Interest under any of paragraphs 5 to 9 of Schedule 5 to, paragraph 6 of Schedule 8 to and paragraph 5 of Schedule 10 to FA 2001	
Penalty under section 25 or 26 of FA 2003	Customs, export and import duties
Penalty under any provision of Part 4 of FA 2003	Stamp duty land tax
Interest under any provision of that Part	

Status: Point in time view as at 17/07/2013.

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Interest required to be paid by regulations made under section 71 of FA 2004 (construction industry)	Income tax
[^{F24} Penalty under Schedule 24 to FA 2007	Various taxes and excise duties]
[^{F24} Penalty under Schedule 41 to FA 2008	Various taxes and excise duties]

- (3) In calculating profits for any corporation tax purpose, no deduction is allowed for any surcharge under section 59 of VATA 1994.

Textual Amendments

F24 Words in s. 1303(2) added (1.4.2010) by [The Finance Act 2008 \(Penalties for Errors and Failure to Notify etc\) \(Consequential Amendments\) Order 2010 \(S.I. 2010/530\)](#), art. 1, **Sch. para. 10**

1304 Crime-related payments

- (1) In calculating income from any source for corporation tax purposes, no deduction is allowed for any expenses to which subsection (4) or (5) applies.
- (2) No deduction is allowed under section 1219 (expenses of management of a company's investment business) for any expenses to which subsection (4) or (5) applies.
- [^{F25}(3) Expenses to which subsection (4) or (5) applies are not to be regarded as constituting ordinary BLAGAB management expenses of a company for the purposes of section 76 of FA 2012.]
- (4) This subsection applies to expenses incurred—
- in making a payment if the making of the payment constitutes a criminal offence, or
 - in making a payment outside the United Kingdom if the making of a corresponding payment in any part of the United Kingdom would constitute a criminal offence in that part.
- (5) This subsection applies to expenses incurred in making a payment induced by a demand which constitutes—
- the offence of blackmail under section 21 of the Theft Act 1968 (c. 60) (England and Wales),
 - the offence of extortion (Scotland), or
 - the offence of blackmail under section 20 of the Theft Act (Northern Ireland) 1969 (c. 16 (N.I.)) (Northern Ireland).

Textual Amendments

F25 S. 1304(3) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 212**

Status: Point in time view as at 17/07/2013.

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1305 Dividends and other distributions

- (1) In the calculation of a company's profits for corporation tax purposes, no deduction is allowed in respect of a dividend or other distribution.
- (2) Subsection (1) is subject to any provision of the Corporation Tax Acts expressly authorising a deduction.
- (3) In this section “profits” has the same meaning as in Part 2.

Status:

Point in time view as at 17/07/2013.

Changes to legislation:

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