



Corporation Tax Act 2009

2009 CHAPTER 4

PART 20

GENERAL CALCULATION RULES

CHAPTER 1

RESTRICTION OF DEDUCTIONS

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

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- (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
- (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.

Modifications etc. (not altering text)

- C1** 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](#))

[^{F1}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

- F1** 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](#))

[^{F2}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

- F2** 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

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- (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,
- 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^[F3], interest and VAT surcharges^[F3] and interest^[F3]

- (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
^[F4] Interest under section 101 of FA 2009 in respect of an amount of value added tax	
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	

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of Schedule 8 to and paragraph 5 of
 Schedule 10 to FA 2001

Penalty under section 25 or 26 of FA 2003 ^[F5]Customs duties]

Penalty under any provision of Part 4 of FA 2003 Stamp duty land tax

Interest under any provision of that Part

^[F6]Interest under section 101 of FA 2009
 in connection with sums required to be
 deducted under section 61 of FA 2004
 (construction industry)]

^[F7]Penalty under Schedule 24 to FA 2007 Various taxes and excise duties]

^[F7]Penalty under Schedule 41 to FA 2008 Various taxes and excise duties]

^[F8]Penalty under Schedule 16 to F(No. 2)A 2017 Various taxes]

- (3) ^[F9]In calculating profits for any corporation tax purpose, no deduction is allowed for any surcharge under section 59 of VATA 1994.]

Textual Amendments

- F3** Words in s. 1303 heading substituted (1.1.2023 for specified purposes) by [Finance Act 2021 \(c. 26\)](#), s. 118(2), [Sch. 27 para. 36\(a\)](#); S.I. 2022/1278, [reg. 2\(3\)\(4\)\(c\)](#)
- F4** Words in s. 1303(2) table substituted (with effect in accordance with art. 1(3)(b) of the amending S.I.) by [The Finance Act 2009, Sections 101 and 102 \(Value Added Tax\) \(Late Payment Interest and Repayment Interest\) \(Exceptions and Consequential Amendments\) Order 2022 \(S.I. 2022/1298\)](#), arts. 1(3)(a), [5\(3\)](#)
- F5** Words in s. 1303(2) substituted (13.9.2018 for specified purposes, 31.12.2020 in so far as not already in force) by [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(1)(a), [Sch. 7 para. 157](#) (with savings and transitional provisions in S.I. 2020/1449, [reg. 3](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)-\(9\)](#)); S.I. 2020/1642, [reg. 4\(a\)](#)
- F6** Words in s. 1303(2) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2009, Sections 101 and 102 \(Interest on Late Payments and Repayments\) \(Consequential Amendments\) Order 2014 \(S.I. 2014/1283\)](#), art. 1(1), [Sch. para. 6](#)
- F7** 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](#)
- F8** Words in s. 1303(2) table inserted (with effect in accordance with Sch. 16 para. 62 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 16 para. 60](#)
- F9** S. 1303(3) omitted (1.1.2023 for specified purposes) by virtue of [Finance Act 2021 \(c. 26\)](#), s. 118(2), [Sch. 27 para. 36\(b\)](#); S.I. 2022/1278, [reg. 2\(3\)\(4\)\(c\)](#)

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.

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[^{F10}(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—

- (a) in making a payment if the making of the payment constitutes a criminal offence, or
- (b) 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—

- (a) the offence of blackmail under section 21 of the Theft Act 1968 (c. 60) (England and Wales),
- (b) the offence of extortion (Scotland), or
- (c) the offence of blackmail under section 20 of the Theft Act (Northern Ireland) 1969 (c. 16 (N.I.)) (Northern Ireland).

Textual Amendments

F10 S. 1304(3) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 212](#)

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.

[^{F11}1305A] Avoidance schemes involving the transfer of corporate profits

(1) This section applies if—

- (a) two companies (“A” and “B”) are party to any arrangements (whether or not at the same time),
- (b) A and B are members of the same group,
- (c) the arrangements result in what is, in substance, a payment (directly or indirectly) from A to B of all or a significant part of the profits of the business of A or of a company which is a member of the same group as A or B (or both) (“the profit transfer”), and
- (d) the main purpose or one of the main purposes of the arrangements is to secure a tax advantage for any person involving the profit transfer (whether by circumventing section 695A (disguised distribution arrangements: derivative contracts) or otherwise).

(2) A's profits are to be calculated for corporation tax purposes as if the profit transfer had not occurred.

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(3) Accordingly—

- (a) if (apart from this section) an amount relating to the profit transfer would be brought into account by A as a deduction in that calculation, no deduction is allowed in respect of that amount, and
- (b) A's profits are to be increased by so much of the amount of the profit transfer as is not an amount to which paragraph (a) applies (whether or not the profits transferred would be A's profits apart from the arrangements).

(4) For the purposes of this section a company is a member of the same group as another company if it is (or has been) a member of the same group at a time when the arrangements mentioned in subsection (1) have effect.

(5) Where in relation to arrangements involving one or more derivative contracts the requirements of section 695A(1)(a) to (e) are met, nothing in this section applies in relation to any debit in respect of any of those contracts.

(6) In this section—

“arrangements” includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions;

“group” has the meaning given by section 357GD of CTA 2010;

“tax advantage” has the meaning given by section 1139 of CTA 2010.]

Textual Amendments

F11 S. 1305A inserted (with effect in accordance with s. 30(2) of the amending Act) by [Finance Act 2014](#) (c. 26), s. 30(1)

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)