

**2005 No. 889**

**INCOME TAX**

**The Corporation Tax (Instalment Payments) (Amendment)  
Regulations 2005**

<i>Made</i> - - - -	<i>23rd March 2005</i>
<i>Laid before the House of Commons</i>	<i>23rd March 2005</i>
<i>Coming into force</i> - -	<i>13th April 2005</i>

The Treasury, in exercise of the powers conferred upon them by section 59E of the Taxes Management Act 1970(a) and section 826A of the Income and Corporation Taxes Act 1988(b) hereby make the following Regulations:

**Citation, commencement, interpretation and effect**

1.—(1) These Regulations may be cited as the Corporation Tax (Instalment Payments) (Amendment) Regulations 2005 and shall come into force on 13th April 2005 (“the commencement date”).

(2) In these Regulations “the principal Regulations” means the Corporation Tax (Instalment Payments) Regulations 1998(c).

(3) These Regulations—

- (a) have effect in relation to accounting periods of companies ending on or after 1st July 2005, but
- (b) do not affect any amount which is treated as becoming due and payable, by virtue of the principal Regulations as they had effect before the coming into force of these Regulations, before the commencement date.

**Amendment to the principal Regulations**

2. Amend the principal Regulations as follows.

3.—(1) Amend regulation 5 (instalment payments – principal provisions) as follows.

(2) In paragraph (1) for “or (3)(b)” substitute “, (3)(b) or regulation 5A”.

(3) In paragraph (5) in the definition of “CTI” after “percentage amount” insert “less any amounts falling within regulation 5A(1)”.

4. After regulation 5 insert—

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(a) 1970 c. 9. Section 59E was inserted by section 30 of the Finance Act 1998 (c. 36).  
(b) 1988 c. 1. Section 826A was inserted by paragraph 1 of Schedule 4 to the Finance Act 1998.  
(c) S.I. 1998/3175, amended by S.I. 1999/1929, S.I. 2000/892 and S.I. 2001/3629.

## “Instalment payments – ring fence profits and adjusted ring fence profits

**5A.**—(1) This regulation applies to amounts in respect of the liability to corporation tax and supplementary charge in relation to the ring fence profits and adjusted ring fence profits of a large company for an accounting period (“the ring fence amount”).

(2) The ring fence amount shall be treated as becoming due and payable in instalments (not exceeding three) on the dates specified in paragraph (3).

(3) The first instalment payment shall be treated, subject to paragraph (4), as being due and payable on the date which is six months and 13 days from the start of the accounting period.

The final instalment payment shall be treated as being due and payable on the date which is 14 days from the end of the accounting period.

An additional instalment payment shall, where the length of the accounting period so allows, be treated as becoming due and payable on the date which is three months after the date of the first instalment payment.

(4) Where the length of the accounting period is such that the date which is 14 days from the end of the accounting period falls earlier than the date which is six months and 13 days from the start of the accounting period, the ring fence amount shall be treated as becoming due and payable on the date which is 14 days from the end of the accounting period.

(5) Where in accordance with paragraph (2) ring fence amounts are treated as becoming due and payable in instalments, the amount treated as becoming due and payable on any instalment payment date shall be calculated in accordance with paragraphs (6) to (8) and by reference to the formula—

- (a) in relation to an accounting period of a large company ending on or after 1st July 2005 but before 1st July 2006,  $3 \times \text{RFA} / n$ , and
- (b) thereafter,  $4 \times \text{RFA} / n$

where—

RFA is the ring fence amount, and

n is the number of whole months falling within that accounting period plus the appropriate decimal.

(6) The amount treated as becoming due and payable on the first instalment payment date is the smaller of RFA and the amount resulting from the formula in paragraph (5).

(7) The amount treated as becoming due and payable on any subsequent instalment payment date other than the final instalment payment date is the smaller of—

- (a) the balance of the company’s ring fence amount for that accounting period carried forward from the immediately preceding instalment payment date, and
- (b) the amount resulting from the formula specified in paragraph (5).

(8) The amount treated as becoming due and payable on the final instalment payment date is the balance of the company’s ring fence amount for that accounting period carried forward from the immediately preceding instalment payment date.

(9) In this regulation—

“adjusted ring fence profits” has the meaning given in section 501A(2) of the Taxes Act(a);

“the appropriate decimal” is a decimal, calculated to two places rounded arithmetically where necessary, representing the number of days in the accounting period falling outside the whole months falling within that period and corresponding to the fraction of which the numerator is the number of those days and the denominator is 30;

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(a) 1988 c. 1. Section 501A was inserted by section 91 of the Finance Act 2002 (c. 23).

“ring fence profits” has the meaning given in section 502(1) of the Taxes Act(a);  
“supplementary charge” means the charge imposed by section 501A(1) of the Taxes Act.”.

5. In regulation 6(1)(a) (repayment of amounts) after “regulation 5” insert “or 5A”.

6. In regulation 7(2) (interest on unpaid amounts) in paragraph (1A) notionally inserted into section 87A of the Taxes Management Act 1970(b) after “regulation 5” insert “or 5A”.

7.—(1) Amend regulation 8 (interest on overpaid amounts) as follows.

(2) In paragraph (1)(a) after “regulation 5” insert “or 5A”.

(3) In paragraph (2)(a) in paragraph (d) notionally inserted into section 826 of the Income and Corporation Taxes Act 1988(c) after “regulation 5” insert “or 5A”.

(4) In paragraph (3) in paragraphs (3A) and (3B)(a) notionally inserted into section 826 of the Income and Corporation Taxes Act 1988 after “regulation 5(3)” insert “or 5A(3)” in both places.

8. In regulation 9(4) (consequential amendments of section 102 of the Finance Act 2002) in paragraph (5B)(a) notionally inserted into section 102 of the Finance Act 1989(d) after “regulation 5” insert “or 5A”.

9.—(1) Amend regulation 10(1) (information to be provided to the Board) as follows.

(2) In sub-paragraph (a) after “regulation 5” insert “or 5A”.

(3) In sub-paragraph (b) after “regulation 5” insert “or 5A”.

10.—(1) Amend regulation 11(1) (production of records) as follows.

(2) In sub-paragraph (a) after “regulation 5” insert “or 5A”.

(3) In sub-paragraph (b) after “regulation 5” insert “or 5A”.

11. In regulation 13(a) (penalty for unpaid tax) after “regulation 5” insert “or 5A”.

*Nick Ainger*  
*Gillian Merron*

23rd March 2005

Two of the Lords Commissioners of Her Majesty’s Treasury

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(a) Definition inserted by paragraph 14(1) and (30) of Schedule 10 to the Taxation of Chargeable Gains Act 1992 (c.12).  
(b) Section 87A was inserted by section 85 of the Finance (No. 2) Act 1987 (c. 51), and the inserted section was amended by paragraph 10(4) of Schedule 29 to the Income and Corporation Taxes Act 1988, section 179(1)(b) of the Finance Act 1989, paragraph 2(9) of Schedule 10 to the Taxation of Chargeable Gains Act 1992 (c. 12), paragraph 4 of Schedule 14 and paragraph 1 of Schedule 18 to the Finance Act 1993 (c. 34), paragraph 24 of Schedule 19 to the Finance Act 1994, paragraphs 8 and 9 of Schedule 24 to the Finance Act 1995, paragraph 1 of Schedule 14 to the Finance Act 1996 and paragraph 4 of Schedule 4 to the Finance Act 1998.  
(c) Section 826 was amended by section 180(6) of the Finance Act 1989, paragraph 23 of Schedule 15 to the Finance Act 1991 (c. 31), paragraph 10(1) to (4) of Schedule 14 and paragraph 5 of Schedule 18 to the Finance Act 1993, paragraph 20 of Schedule 16 and paragraph 42 of Schedule 19 to the Finance Act 1994, paragraphs 11 and 12(1) and (2) of Schedule 24 to the Finance Act 1995, section 173(5) of, and paragraph 48 of Schedule 14 to, the Finance Act 1996, Part II(4) of Schedule 8 to the Finance (No. 2) Act 1997, and section 34 of, and paragraphs 1(1), (2) and 3(1) of Schedule 4 to, the Finance Act 1998.  
(d) 1989 c. 26. Section 102 was amended by paragraph 11 of Schedule 14 to the Finance Act 1993 and paragraph 12(3) of Schedule 24 to the Finance Act 1995.

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175) which make provision for quarterly instalment payments of corporation tax by large companies. The Regulations have effect in relation to accounting periods of companies ending on or after 1st July 2005 and provide that corporation tax and the supplementary charge in relation to ring fence profits and adjusted ring fence profits (which arise from a company's oil extraction activities or from oil rights) are payable in up to three instalments rather than four.

These Regulations impose minimal costs on individual businesses: a Regulatory Impact Assessment has been prepared.

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