

# Corporation Tax

# Agenda and speakers

## With you today



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## Agenda

**01**

CT rate increases

**02**

Capital Expenditure

**03**

R&D regime  
changes

**01**

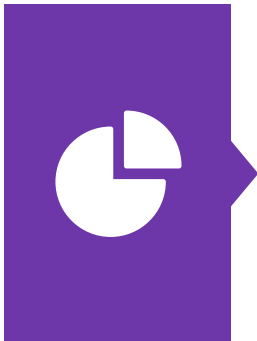
# **Corporation Tax Rate Increase**

# Corporation Tax Rate Increase



## Rate increase

- CT main rate increase from 19% to 25%, effective from 1 April 2023
- Small profits rate of 19% also introduced for companies with profits of up to £50,000. Marginal relief (phased rate between 19% and 25%) is available for profits up to £250,000



## Profit Apportionment

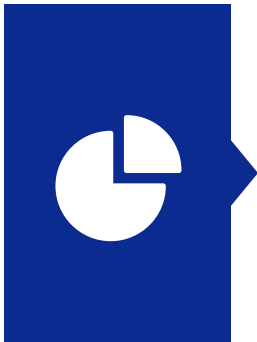
- **Must** be on a time basis throughout the accounting period rather than a 'just an reasonable' basis, therefore QIPs should be calculated on 23.5% basis
- Relevant if an accounting period ends within FY23

# Corporation Tax Rate Increase



## Thinking points

- **Losses** – Timing of utilisation – Differential between group relief surrender at 19%/23.5% and c/f for relief at 25% once 50% restriction and £5m allowance factored in
- **Capital Allowances** – Voluntary disclaiming of capital allowances to future periods
- **Pension Contributions and Bonus Deferrals** – Timings
- **Intangibles** – Whether to elect to follow accounts or 4% straight line basis



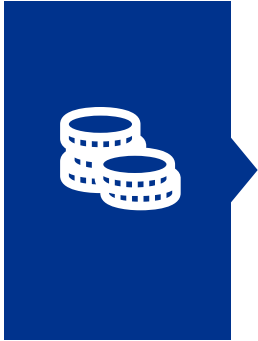
## Other considerations

- Branch Exemption Election and irrecoverable foreign tax
- CFC Impact – now applies to entities with a tax rate lower than 18.75%
- Deferred tax and LACDT
- DPT – DPT rate increased to 31% from 1 April 2023, and scope of application extends to jurisdictions with headline rate lower than 20%

**02**

# **Capital Expenditure**

# Capital expenditure



## Full expensing

- 100% first year allowance on qualifying main pool plant and machinery expenditure
- 50% first year allowance on qualifying special rate pool plant and machinery expenditure (remainder available at 6% WDA)
- Initially for 3 years from 1 April 2023 but intention to make permanent



## Investment Zones

- Tax zones within these areas which include benefits for:
  - Capital allowances (100% relief on all P&M and 10% relief for structures and buildings)
  - SDLT (full relief for commercial property)
  - Business Rates (full relief subject to conditions) and
  - Employer's NIC (relief for new employees)

**03**

# **R&D Regime Changes**



# R&D Changes



- **Increase in RDEC rate from 13% to 20%** (SME rate of relief for additional deductions decreasing from 130% to 86%)
- **Data licenses and cloud computing services expenditure** is now **qualifying** expenditure as of 1 April 2023
- The definition of R&D for tax purposes will be extended to include ‘mathematics’, including pure mathematics
- The proposed restrictions on overseas R&D expenditure will now be **deferred** to APs starting on or after 1 April 2024
- For all R&D claims submitted on or **after 1 August 2023**, a separate **Additional Information form** will need to be submitted digitally for a claim to be valid
- No concrete plans to merge the RDEC and SME schemes. However, the Government intends to keep open the option to implement a merged scheme from April 2024. Consultation on legislation is expected in **Summer 2024**

**04**

**Other**

# Other

- Modernisation of Stamp Taxes on shares
- DPT, transfer pricing and permanent establishment reform
- Co-Operatives, Mutuels and Friendly Societies Bill



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