

# Corporation Tax for Limited Companies



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# How do I calculate Corporation Tax?

Limited companies pay Corporation Tax on the profits that they make.

Profit is the difference between your income and expenditure for that financial year.

Corporation Tax is a percentage of this amount and must be paid within 9 months of your year end.

You might receive a penalty if you miss the deadlines for reporting how much tax you owe for an accounting period, and for paying the bill.

For the current financial year, the government has set the rate of Corporation Tax at 19%.





## Is Corporation Tax classed as a business expense?

No. This is because it's a levy the company must pay on its profits, rather than an expense it incurs making those profits.

## Are there ways I can reduce my Corporation Tax bill?

Yes, there are! Easy ways in which to legitimately reduce Corporation Tax liability include:

- ✓ Salaries for yourself and anyone else who works for the company.
- ✓ Recording all of your [business expenses](#) so you can offset these against your profits.
- ✓ Claiming Capital Allowances for all major, eligible asset purchases.
- ✓ Remember too that any pension payments your company makes on behalf of directors are also deductible, and can help you reduce your Corporation Tax bill.



## How do I pay Corporation Tax?

Before you can pay your Corporation Tax bill, your company must submit a company tax return, so HMRC know how much is due.

You can then pay it online (which is generally quicker and easier), through your online bank account, or over the phone.

When you pay your bill, you'll need to quote the Corporation Tax payment reference which relates to the accounting period you're paying for.

## Where will I find my Corporation Tax payment reference?

Your Corporation Tax payment reference is 17 characters long, for example 1234567890A01234B, and will be on the payslip from HMRC.

You can view this using your HMRC online account, by selecting 'View account', then 'Accounting period', and selecting the payslip.

**It is not the same as your company registration number!**



## What is the deadline for submitting Corporation Tax?

The deadline for paying your Corporation Tax bill is different to the deadline by which you must submit your company tax return.

Your company tax return deadline is **12 months after the end of the accounting period** which it relates to.

The deadline for paying your Corporation Tax bill is normally **9 months and 1 day after the end of the accounting period** it relates to.

## What is an accounting period for Corporation Tax?

An accounting period is the period of time that your accounts cover. This is normally a **12-month period**, but there may be times when your accounting period is longer than this.

For example, when you first start your company, the end of your accounting period is **automatically set as the last day of the month your company was set up**.

If your accounting period is longer than 12 months, you will need to submit two tax returns to cover that period.



# What about Making Tax Digital for Corporation Tax?

[Making Tax Digital \(MTD\) rules](#) are already in place for VAT payments and are due to roll out from April 2023 for MTD Income Tax Self Assessment.

MTD for Corporation Tax isn't expected to launch before 2026, but it's worth having on your radar!

## How can Pandle help?

[Pandle](#) can show you a real-time Corporation Tax estimate, so you'll always know how much you'll need to pay and how much you can take from your company's profits. So, no nasty surprises.





## Looking for more advice on Corporation Tax?

If you have any further questions simply call us on  
020 3355 4047 and one of our friendly  
accountancy advisors will be happy to help.



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