

## UK Corporation Tax and Offshore Companies

### In April 2020 significant changes were made to offshore corporate landlords as the tax regime switched from income tax to corporation tax.

From 6 April 2020 non-UK resident companies are within the scope of UK corporation tax (currently 19%, but rising to 25% from April 2023) on:

- Profits from UK property business including profits of “other property income” which includes for example rent for UK electric-line wayleaves.
- Profits of a “trade of dealing in or developing UK land” are chargeable to UK corporation tax. The ‘trade of dealing in or developing UK land’ consists of dealing in UK land; developing UK land for the purpose of disposing of it; and any activities the profits from which are treated as profits of the company’s trade of dealing in or developing UK land. ‘Land’ includes buildings and structures, any estate, interest or right in or over land, and land under water.
- Profit on the disposal of UK land and buildings held for investment purposes, subject to possible rebasing.

### Tax Return Filings

From 6 April 2020 non-UK resident companies now file electronic corporation tax returns in respect of their accounting periods.

Corporation tax returns are due within 12 months of the end of an accounting period. However, note that Corporation tax payments are usually due 9 months plus one day from the end of the accounting period. Certain larger companies are required to make quarterly instalment payments.

### Income Tax Losses

Grandfathering rules apply where the non-UK resident company has made a UK property business loss in the income tax year ended 5 April 2020 or any prior tax years, for which income tax relief has not been given. The unused loss is referred to as the “unrelieved amount”.

The unrelieved amount is automatically carried forward to reduce the profits of the UK property business that is now subject to corporation tax for accounting periods ending after 6 April 2020 and before utilisation of any carried forward corporation tax loss.

The unrelieved amount is not a corporation tax loss and is therefore not subject to the 50% carry forward restriction (see below) and cannot be surrendered as group relief or be used to reduce other sources of income.

Losses that arise post 6 April 2020 are corporation tax losses and are subject to the rules on corporation tax loss relief, which restricts the amount of the loss that can be utilised in an accounting period, depending on a company’s level of profits and available deduction allowance.

Corporate tax rental losses are more flexible than the ‘unrelieved amount’ as they may be set against gains on property disposals that are now subject to corporation tax and also group relieved.

### Corporate Interest Restriction

For corporation tax purposes there is a limit (known as the corporate interest restriction) on the amount of interest allowed as a deduction. This restriction may apply to companies or groups of companies that have over £2 million of interest and associated finance costs in an accounting period. If a company (or group of companies) net interest and financing costs are restricted, a Corporate Interest Restriction return is also required.

For further information, please contact:



**Francis Snoding** CTA

Managing Director, LTS Tax Limited

DD: +44 (0)1481 755881 T: +44 (0)1481 755862

E: [fran.snoding@lts-tax.com](mailto:fran.snoding@lts-tax.com)



**Sarah Kenealy** CTA

Associate Director, LTS Tax Limited

DD: +44 (0)1481 747744 T: +44 (0)1481 755862

E: [sarah.kenealy@lts-tax.com](mailto:sarah.kenealy@lts-tax.com)



**Julian Turian** ATT FMAAT

Director, LTS Tax Limited

DD: +44 (0)1481 743045 T: +44 (0)1481 755862

E: [julian.turian@lts-tax.com](mailto:julian.turian@lts-tax.com)



**Garth van Huyssteen** CTA

Associate Director, LTS Tax Limited

DD: +44 (0)1481 755864 T: +44 (0)1481 755862

E: [garth.vanhuysteen@lts-tax.com](mailto:garth.vanhuysteen@lts-tax.com)



**David Parrott** CTA

Associate Director, LTS Tax Limited

DD: +44 (0)1481 743049 T: +44 (0)1481 755862

E: [david.parrott@lts-tax.com](mailto:david.parrott@lts-tax.com)