



Sapphire
ACCOUNTING

FAQs

Corporation Tax



What is Corporation Tax?

Corporation Tax is a tax on the profits of a business and it is usually payable nine months after the end of the financial year. Depending on your specific industry and type of business, there may be different ways to mitigate or reduce your tax liability.


Can I reduce how much Corporation Tax I owe?

Allowable business expenses are one way to potentially reduce your Corporation Tax bill – making sure all expenses are justified and accurately recorded is essential in order to benefit from any deductions. If you are an owner-director, then you need to consider the salary combination for yourself, employees and other types of payments made by the company (such as director's loan account) – this can help reduce your Corporation Tax bill.

What is the current rate of Corporation Tax?

As of April 2024, the main rate of Corporation Tax is 25% but there is a lower rate of 19% for smaller companies.

There are different ways of reducing Corporation Tax:

- Capital allowances
 - Research & Development claims
 - Group relief
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How will this impact my profits?

If you earn up to £50k nothing will change, you will still be taxed at 19%. The main impact of this is that profits in the margin (between the upper and lower limits of £50k and £250k) will pay an effective rate of tax of 26.5%. For example, if you earn £120k, you will be taxed at an effective rate of 23.4%. If you earn over £250k you will be taxed at a rate of 25%.

What if my financial year doesn't start on 1st April?

If a company's financial year starts after the 1st of April, the apportioned profits of this period will be taxed at a blended tax rate of 19% and 25%, depending on when the company's financial year starts.



New Corporation Tax rates

| | Previous | New |
|-----------------|----------|---------|
| Profits | £40,000 | £40,000 |
| Corporation Tax | £7,600 | £7,600 |
| Difference | | N/A |
| Effective Rate | 19.0% | |

| | Previous | New |
|-----------------|----------|---------|
| Profits | £80,000 | £80,000 |
| Corporation Tax | £15,200 | £17,450 |
| Difference | | +£2,250 |
| Effective Rate | 21.8% | |

| | Previous | New |
|-----------------|----------|----------|
| Profits | £120,000 | £120,000 |
| Corporation Tax | £22,800 | £28,050 |
| Difference | | +£5,250 |
| Effective Rate | 23.4% | |

| | Previous | New |
|-----------------|----------|----------|
| Profits | £160,000 | £160,000 |
| Corporation Tax | £30,400 | £38,650 |
| Difference | | +£8,250 |
| Effective Rate | 24.2% | |

| | Previous | New |
|-----------------|----------|----------|
| Profits | £200,000 | £200,000 |
| Corporation Tax | £38,000 | £49,250 |
| Difference | | +£11,250 |
| Effective Rate | 24.6% | |

| | Previous | New |
|-----------------|----------|----------|
| Profits | £250,000 | £250,000 |
| Corporation Tax | £47,500 | £62,500 |
| Difference | | +£15,000 |
| Effective Rate | 25.0% | |

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