Finance Act 2007

2007 CHAPTER 11

PART 1

CHARGES, RATES, THRESHOLDS ETC

Corporation tax

2 Charge and main rates for financial year 2008

(1) Corporation tax is charged for the financial year 2008; and for that year the rate of corporation tax is—

(a) 28% on profits of companies other than ring fence profits, and

(b) 30% on ring fence profits of companies.

(2) In this section "ring fence profits" has the same meaning as in Chapter 5 of Part 12 of ICTA (see section 502(1) and (1A)).

3 Small companies' rates and fractions for financial year 2007

(1) For the financial year 2007 the small companies' rate is—

(a) 20% on profits of companies other than ring fence profits, and

(b) 19% on ring fence profits of companies.

(2) For the financial year 2007 the fraction mentioned in section 13(2) of ICTA is—

(a) 1/40th in relation to profits of companies other than ring fence profits ("the standard fraction"), and

(b) 11/400ths in relation to ring fence profits of companies ("the ring fence fraction").

(3) If—

(a) a company makes a claim under subsection (2) of section 13 of ICTA in respect of any accounting period any part of which falls in the financial year 2007, and

(b) its profits for that accounting period consist of both ring fence profits and other profits,

that subsection applies with the following modification.

(4) The corporation tax charged on its basic profits for that period is reduced by the aggregate of—

(a) the sum equal to the ring fence fraction of the ring fence amount, and

(b) the sum equal to the standard fraction of the remaining amount.

(5) For the purposes of subsection (4)(a) "the ring fence amount" is the amount given by the formula—

$$(MR - PR) \times \frac{IR}{PR}$$

where—

MR is the sum equal to the appropriate fraction of the upper relevant maximum amount,

PR is so much of the profits for the accounting period as consist of ring fence profits, and

IR is so much of the basic profits for that period as consist of ring fence profits,

and the appropriate fraction is the fraction of the profits for the accounting period that consist of ring fence profits.

(6) For the purposes of subsection (4)(b) "the remaining amount" is the amount given by the formula—

$$(MNR - PNR) \times \frac{INR}{PNR}$$

where—

MNR is the sum equal to the appropriate fraction of the upper relevant maximum amount,

PNR is so much of the profits for the accounting period as do not consist of ring fence profits, and

INR is so much of the basic profits for that period as do not consist of ring fence profits,

and the appropriate fraction is the fraction of the profits for the accounting period that do not consist of ring fence profits.

(7) In this section "ring fence profits" has the same meaning as in Chapter 5 of Part 12 of ICTA (see section 502(1) and (1A)).