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Guidance

Rates and allowances: Corporation Tax

Updated 1 April 2016

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Corporation Tax rates

The rate of Corporation Tax (<https://www.gov.uk/corporation-tax>) you pay depends on how much profit your company makes.

Rates for Corporation Tax years starting 1 April

There are different rates for ring fence companies

Rate	2016	2015	2014	2013
Small profits rate (companies with profits under £300,000)	-	-	20%	20%
Main rate (companies with profits over £300,000)	-	-	21%	23%
Main rate (all profits except ring fence profits)	20%	20%	-	-
Marginal Relief (https://www.gov.uk/corporation-tax-marginal-relief) lower limit	-	-	£300,000	£300,000
Marginal Relief upper limit	-	-	£1,500,000	£1,500,000
Standard fraction	-	-	1/400	3/400
Special rate for unit trusts and open-ended investment companies	20%	20%	20%	20%

From 1 April 2015 there is a single Corporation Tax rate of 20% for non-ring fence profits.

Use the Marginal Relief calculator (<https://www.gov.uk/marginal-relief-calculator>) to work out how much Marginal Relief you can claim on your Corporation Tax for profits before 1 April 2015.

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

Ring fence companies

There are different Corporation Tax rates for companies that make profits from oil extraction or oil rights (<https://www.gov.uk/oil-gas-and-mining-ring-fence-corporation-tax>) in the UK or UK continental shelf. These are known as ‘ring fence’ companies.

Ring fence companies can claim Marginal Relief on profits between £300,000 and £1.5 million.

Rate	2016	2015	2014	2013
Small profits rate (companies with profits under £300,000)	19%	19%	19%	19%
Main rate (companies with profits over £300,000)	30%	30%	30%	30%
Ring fence fraction	11/400	11/400	11/400	11/400

Corporation Tax on chargeable gains

If you sell or dispose of a business asset, you’ll need to pay Corporation Tax on any profits (<https://www.gov.uk/tax-when-your-company-sells-assets/overview>) (or ‘chargeable gains’).

When working out your chargeable gain, you can use Indexation Allowance Rates (<https://www.gov.uk/government/collections/corporation-tax-on-chargeable-gains-indexation-allowance-rates>) to work out the value of the asset at today’s prices.