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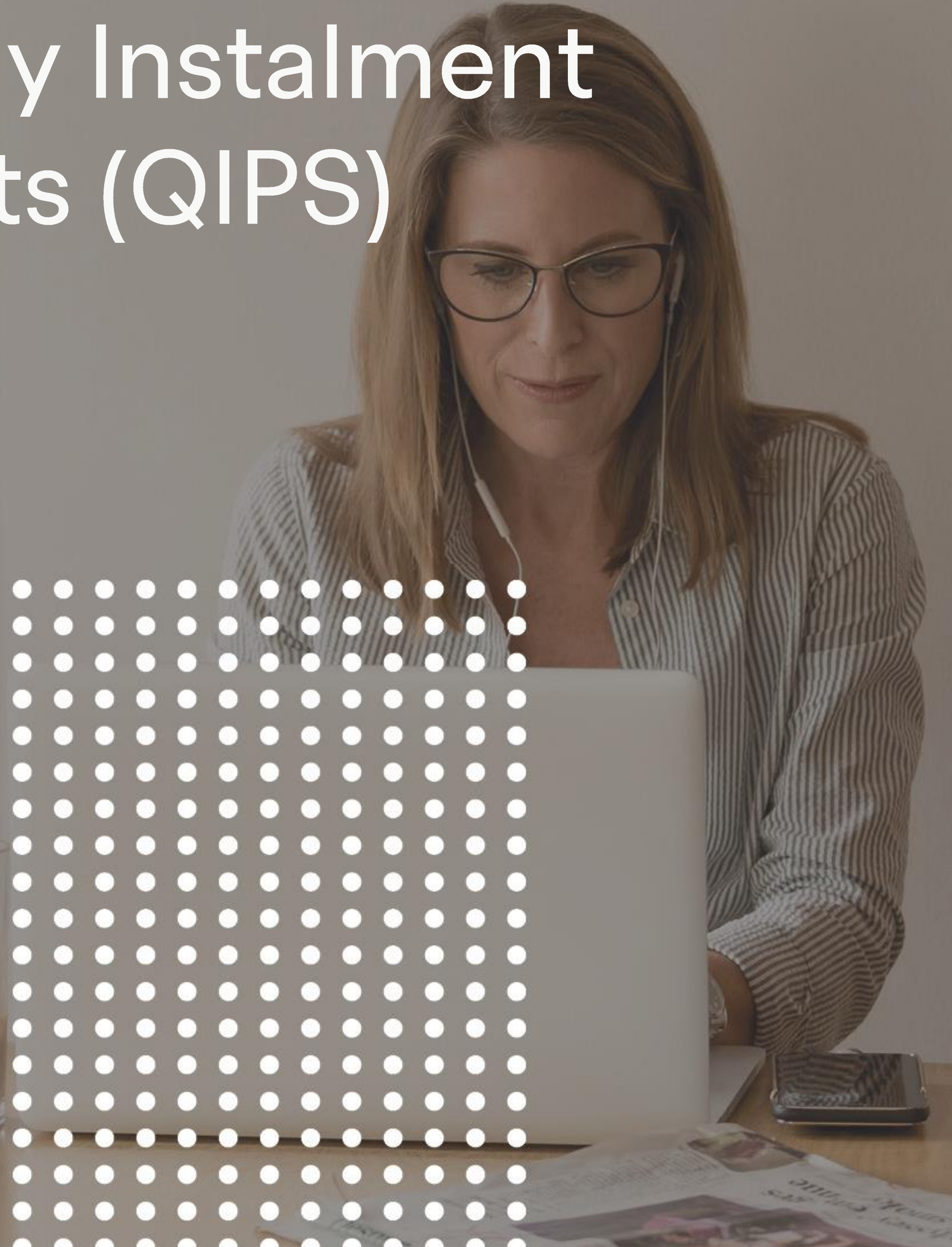
Quarterly Instalment Payments (QIPS)

July 2022



Quarterly Instalment Payments (QIPS)

Background

A company that is deemed ‘large’ or ‘very large’ is required to pay its corporation tax liability in quarterly instalments. In contrast, other companies are generally required to pay their corporation tax liability nine months and one day after the company’s period end. The deadlines for QIPs payments are slightly different depending on whether the company is large or very large.

Large companies

The deadline for the first QIP will be six months and 14 days after the start of the chargeable period, then every three months. This means the last QIP is due three months and 14 days after the end of the accounting period. (This will be different for shorter accounting periods (AP).

Very large companies

The first QIP is due two months and 14 days after the start of the chargeable period, then every three months until the final QIP, which is due 11 months and 14 days after the start of the chargeable period. For example, companies with an accounting period of 1 January 2022 to 31 December 2022.

	Payment Date	
	Large company	**Very large company**
1st	14 July 2022	14 March 2022
2nd	14 October 2022	14 June 2022
3rd	14 January 2023	14 September 2022
4th	14 April 2023	14 December 2022

What makes a company large or very large?

A company is deemed to be large where its augmented profits are more than the threshold of £1.5m (pro-rated if shorter AP). For reference, 'augmented profits' for these purposes, are profits chargeable to corporation tax, plus dividends received from UK or overseas companies but excluding group companies.

For very large companies, the augmented profits are more than the threshold of £20m (again pro-rated for shorter AP). Companies exceeding this threshold will be subject to QIPs in the year the threshold is first exceeded – which means careful planning is required at the outset of the AP.

What about groups?

As only one threshold is available per group, it must be divided by the number of companies within the group – meaning that companies with relatively modest profits can be subject to QIPS.
A 'group' for QIPs purposes, currently takes the form of a company and its related 51% group companies.

However, this will change from 1 April 2023, where it will be replaced by the associated companies' rules, for which the test is widened to include companies under the same person's (including individuals) control. For more information, read our Comment On here - Changes to associated company rules.

Are there any exemptions?

Some large companies whose profits exceed £1.5m may be exempt from paying QIPS, where either:

- The total tax liability for the accounting period is less than £10k (pro-rated for accounting periods more or less than 12 months); or

- The profits for the accounting period do not exceed £10m, and either of the following applies:
    - At any point in the previous 12 months, it did not exist or did not have an accounting period; or
    - For any accounting period which ended in the previous 12 months, it did not have profits above £1.5m or a tax liability in excess of £10k.

Please note that the £1.5m and £10m thresholds (above) should be pro-rated for the number of companies within the group. If any of the exemptions apply, payments of the corporation tax will be due by the normal payment deadline (i.e. nine months and one day following the end of the accounting period).

How do you work out how to pay each QIP?

Firstly, estimate the corporation tax liability for the accounting period, including any s455 tax due on overdrawn director's loan accounts. From there, work out how much is due for each instalment, which will be dependent on how many months are within the company's accounting period. For example, say there is an eight-month accounting period, and the estimated tax liability was £800k, the amounts due would be as follows:

1st QIP	£300k (£800k/8*3)
2nd QIP	£300k (£800k/8*3)
3rd QIP	£200k (£800k/8*2)
Total	£800k

As time goes on, it is likely that the estimated corporation tax liability will change, therefore the QIPs may need to be revised and adjusted for. Any overpayment made to HMRC can either be claimed back or offset against future QIPs payments.

Interest is payable to HMRC on any underpayments of QIPs (currently at a rate of 2.25% p.a.), and receivable from HMRC on overpayments of QIPs (currently at a rate of 0.5% p.a.).

Is there anything else we should know?

The rules surrounding groups for QIPs purposes are changing for accounting periods beginning on or after 1 April 2023. This could mean that companies not currently deemed to be grouped may find themselves within groups, and subsequently within the QIPs regime. We strongly advise you to consider your company's position well in advance of the new rules being implemented.

We 're happy to assist with any queries you have about these changes. Feel free to contact us using one of the methods below.

Need more help?

Please contact John Rodger, Corporate Tax Partner at john.rodger@ct.me or Claire Howie, Corporate Tax Assistant Manager at claire.howie@ct.me

- Information correct at July 2022.

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