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LIMITED COMPANIES

ZMARTLY FACTSHEET SERIES

Corporation Tax Explained

How Corporation Tax works for UK limited companies — the rates, the marginal-relief band, the deadlines that catch directors out, and the legitimate ways to bring the bill down.

Tax year **2026/27** · Prepared by **Harvey Dhillon** · Last reviewed **28 October 2025** · Sources: gov.uk

CORPORATION TAX	MARGINAL RELIEF BAND	EMPLOYER'S NIC	PENSION ANNUAL ALLOWANCE
19% – 25%	**£50,000 – £250,000**	**15% over £5,000**	**£60,000**

01 What Corporation Tax is

Corporation Tax is the tax a limited company pays on its profits — trading profits, investment income and chargeable gains. Unlike Income Tax it follows the financial year (1 April to 31 March), though your company can keep its own accounting period.

GOOD TO KNOW
Sole traders, partnerships and LLPs do not pay Corporation Tax — they are taxed under Income Tax instead.

02 Corporation Tax rates — 19%, 25% and marginal relief

The Corporation Tax rates you pay depend on your profit:

- 19% small-profits rate on profits up to £50,000
- 25% main rate on profits over £250,000
- Between the two, marginal relief tapers the effective rate from 19% up towards 25%
- The £50,000 and £250,000 limits are shared between associated companies and reduced for short accounting periods

GOOD TO KNOW
A standalone company making £100,000 profit pays an effective rate of about 22.75%.

03 Key dates to remember

Corporation Tax has an unusual quirk: you pay before you file.

- Register for Corporation Tax within 3 months of starting to trade
- Pay your bill 9 months and 1 day after your accounting period ends
- File your CT600 return within 12 months of the period end
- Very large companies pay in quarterly instalments

GOOD TO KNOW
Payment is due before the filing deadline — a common and costly trap.

04 Legitimate ways to reduce your bill

Most overpayment comes from reliefs that were never claimed:

- Claim every allowable business expense
- Capital allowances — the Annual Investment Allowance gives 100% relief on up to £1m of qualifying plant and equipment
- R&D tax relief if you are developing products or processes
- Employer pension contributions are a deductible cost
- Carry trading losses back or forward against profits

GOOD TO KNOW
Reliefs are claimed, not given automatically — the savings are in the detail.

05 Director's loans and the s455 charge

Money you take out that is not salary, a dividend or an expense repayment is a director's loan. If your loan account is overdrawn more than nine months and one day after year-end, the company pays a temporary S455 charge until it is repaid, at 35.75% on loans made on or after 6 April 2026 and 33.75% on loans made between 6 April 2022 and 5 April 2026.

- Repay within 9 months and 1 day of year-end to avoid the charge
- Loans over £10,000 can create a benefit-in-kind
- The S455 charge is refundable once the loan is repaid — but slowly

Common questions

When is Corporation Tax due?

Payment is due 9 months and 1 day after your accounting period ends, and the CT600 return within 12 months. Note that payment comes before the filing deadline.

What is the Corporation Tax rate for 2026/27?

19% on profits up to £50,000 and 25% on profits over £250,000, with marginal relief tapering the effective rate in between.

How can I reduce my Corporation Tax bill?

Claim all allowable expenses and capital allowances, make employer pension contributions, and check whether R&D relief applies. The savings come from claiming reliefs you are entitled to.

NEXT STEP

Get expert eyes on your tax

Book a free 30-minute Tax Health Check — we review your situation, sense-check the figures and show you where you could save.

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For guidance only — this factsheet does not constitute professional advice and is not a substitute for advice based on your specific circumstances. Whilst every care has been taken in its preparation, it may contain errors for which we cannot be responsible. Figures are for the 2026/27 UK tax year (England, Wales & Northern Ireland) and may change. Scottish taxpayers face different income tax rates; dividend rates are UK-wide. Last reviewed 28 October 2025.

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