

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 **2025/26** · Reviewed by **Kiran Boparai** · Last reviewed **6 June 2026** · 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.

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

02 The rates — 19%, 25% and marginal relief

How much you pay depends 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

i 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

i 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

i 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 33.75% S455 charge until it is repaid.

- 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 2025/26?

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

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