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## PRACTICE NOTE

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**PN 136/06**

**Date: 7 July 2006**

### ADMINISTRATION OF THE CORPORATE CHARGE

#### Introduction

This Practice Note explains how the corporate charge will be administered for the 2006/2007 year of assessment. The scope of the corporate charge was detailed in PN 133/06 "The Corporate Charge"; the main points of which are summarised here:

- The corporate charge is due and payable:
  - on 1 January in the year of assessment for continuing companies,
  - within 30 days of incorporation, registration, etc. for companies incorporated or registered after 1 January in the year of assessment,
  - on cessation for companies being dissolved or removed from the register before 1 January in the year of assessment;
- A corporate charge for a year of assessment can be offset against the tax liability which a company chargeable at the 10% rate has for that same year of assessment, but NOT against any Distributable Profits Charge;
- The corporate charge for 2006/2007 is £250.

#### Administration in 2006/2007

It is anticipated that the 2006/2007 corporate charge notices for continuing companies will be issued in late November/early December 2006, with a due and payable date of 1 January 2007.

For the 2006/2007 year of assessment, administration of the corporate charge will differ depending on the income tax liability of the company:

- income tax liability of more than £250
- income tax liability of between £0 and £250
- income tax liability of £0.

#### Companies with an income tax liability of more than £250

Companies with an income tax liability of more than £250 will be treated as though they are exempt from the corporate charge, and will not be issued with a corporate charge notice.

The overall effect of this treatment will be the same as having to pay the charge and then offset this against the assessed liability. A company will therefore only receive one charge and will only have one payment to make.

Where it is known by November 2006 that the company has or, based on assessment records held, is likely to have, a tax liability of more than £250, the Division will not issue a corporate charge notice.

If a company's tax liability for 2006/2007 has not been determined by November 2006 (for example, those companies on a current year basis of assessment) the Division will issue a corporate charge notice due and payable on 1 January 2007.

If a company expects to have a tax liability of more than £250 the Division will accept a request for the charge to be postponed and, once the tax liability has been assessed and is shown to exceed £250, the corporate charge notice will be cancelled.

#### Companies with an income tax liability of between £0 and £250

Where a company's income tax liability does not exceed £250, the corporate charge will be payable in full.

In such cases, the company will automatically be given a "corporate charge adjustment" in its income tax assessment, which will reduce the income tax liability to £0.

No claim is required; the adjustment will be given automatically in all assessments for 2006/2007 no matter which basis of assessment applies or when the assessment is issued.

#### Companies with an income tax liability of £0

These companies will receive a corporate charge notice and will be required to pay the amount in full.

### **M Couch Assessor of Income Tax**

This practice note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.