REINZA TRAINING

Tax Essentials for the Owner-Managed IT Company

Module RT-103

Corporation Tax, VAT and the Annual Compliance Cycle

Course Pack

Version v1.2

Content basis: rates, thresholds and allowances for the 2026/27 tax year (corporation tax: financial year beginning 1 April 2026)

This pack contains:

Study guide · Course text · Annual compliance calendar
Checklist · Reference list

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REINZA TRAINING

Module RT-103 — Study Guide

Corporation Tax, VAT and the Annual Compliance Cycle

Programme: Tax Essentials for the Owner-Managed IT Company
Module reference: RT-103
Document: Study guide
Version: v1.1
Content basis: rates, thresholds and allowances for the 2026/27 tax year (corporation tax: financial year beginning 1 April 2026)

> *This material is provided for general training and educational purposes only. It does not constitute professional advice in relation to the specific circumstances of any person or entity. Independent professional advice should be obtained before acting on any matter covered in this material. Content is based on the rates, thresholds and allowances applying for the 2026/27 tax year and for the corporation tax financial year beginning 1 April 2026.*

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1. What this module is for, and where it sits

RT-103 is the third and final module of the programme, and it is where the other two arrive.

- **RT-101** dealt with how money leaves the company and reaches the director.
- **RT-102** dealt with what the company can deduct before it reaches a profit figure.
- **RT-103** takes that profit figure, turns it into a corporation tax liability, adds the VAT question that arrives as a business grows, and places the whole thing inside the calendar of filings and payments a company has to keep.

The first two modules were mostly about **decisions**. This one is mostly about **obligations** — things that must be done, by dates that do not move, with penalties attached when they are missed. That makes it the most practical module of the three and the one most worth returning to during the year.

2. What you have been supplied

Item	What it is for	When to use it
Course text	The complete written treatment of the module, and the content master from which everything else is derived. The current master is **v1.5** and every calculation is worked in full.	Read once through; keep as the reference
Training video	The same material presented as a slide-based	Watch first, for the

Item	What it is for	When to use it
	recorded session	shape of the subject
Slide deck	The teaching presentation, with the narration in the speaker-notes field	Use for revision, or to follow along with the video
Self-assessment (ten questions) and answer commentary	Tests whether the reasoning has landed, not whether the figures have been memorised	Complete after the course text; return it to Reinza Training
Checklist	The practical review points arising from the module, in a form you can work through	Use at the year-end, and monthly for the VAT test
Annual compliance calendar	One printable page setting out the five filing regimes against a 31 March year-end	Print it; keep it where you will see it
Reference list	The published official sources the module is based on	Use when you need to check a point at source

3. Suggested route through the material

Allow **two and a half to three hours** in total, spread over more than one sitting. Working straight through in one go is possible but not the best use of it.

Step	What to do	Roughly
1	Watch the **training video** once, without stopping to take notes. The aim is the shape of the subject, not the detail.	video length
2	Read the **course text**, Sections A to H, with the worked examples followed through on paper rather than skimmed. Sections D and E are the longest and the most useful; do not read them last thing at night.	90–120 minutes
3	Complete the **self-assessment**, without looking back at the course text first. Then check against the answer commentary and re-read any section where the reasoning did not hold up. **Return the completed self-assessment to Reinza Training.**	30–40 minutes
4	Work through the **checklist** against your own position, and print the **annual compliance calendar**.	20 minutes

If time is short and you can only do two things, do steps 2 and 4.

4. The spine of the module

Eight sections. What to take from each:

Section	The point to carry away
A. How a corporation tax liability is built	The rate is not one number. Between £50,000 and £250,000 the effective rate is **26.5%**, higher than the headline main rate. The four-step build is a

Section	The point to carry away
	simplified model for a single trading company, and it is stated as one.
B. Timing around the accounting year-end	Taxable profit follows the accounts, so most timing cannot be shifted. The two genuine levers are capital purchases and pension contributions — and they work on **different tests**: *incurred* for one, *paid* for the other.
C. Pension contributions as company expenditure	Two separate questions with two separate answers: can the company deduct it, and does it produce a personal tax charge. The annual allowance answers the second, never the first.
D. VAT: calculating the threshold	A **monthly** check, not an annual one. Resold hardware counts at its full value. Registering late means paying VAT that was never charged.
E. Life after VAT registration	Whether registration hurts depends on whether your customers can recover the VAT. Under the flat rate scheme, the limited-cost test is re-run each VAT period, while the separate £230,000 leaving tests run at the anniversary of joining and on a thirty-day forward look.
F. Making Tax Digital and digital filing	For a company, Making Tax Digital means VAT. Separately, the free filing routes are closing — HMRC's in 2026, Companies House's in 2028.
G. The annual compliance cycle and penalties	**Five** regimes run at once, each with its own deadline and its own penalty mechanism, and they converge in the same few weeks.
H. Putting it together	The figures change; the structure does not. A method survives a change that a memorised number does not.

5. How to use this module after you have finished it

The course text is written to be picked up again, not read once. The four moments it is most likely to earn its keep:

1. **At the end of every month** — the rolling twelve-month VAT check (Section D.5 shows the arithmetic laid out).
2. **Six to eight weeks before the accounting year-end** — the timing decisions in Sections B and C, while there is still time to act on them.
3. **When a large or unusual transaction appears** — the thirty-day VAT registration forward-look test, the separate thirty-day Flat Rate Scheme leaving test if the company uses that scheme, the tax point rules in Section E.8, and the associated-companies point in Section A.5 if a second company is being considered.
4. **When a filing deadline approaches** — the calendar, and Section G for what the penalty actually is.

6. A note on dates and figures

Every figure in this module is stated for the **2026/27 tax year**, or for corporation tax the financial year beginning 1 April 2026. More of this module's figures moved recently than a reader might expect: the corporation tax late-filing penalties doubled in April 2026, the VAT late-payment penalties were sharpened in 2025, HMRC closed its free corporation tax filing service, and Companies House began verifying directors' identities.

Further changes are already legislated or confirmed for 2027 and 2028, and the course text flags each one where it arises rather than folding it into the current position. The April 2027 changes include the new penalty regime for personal Self Assessment returns, the first phase of mandatory payrolling of benefits in kind, and the inheritance tax change for most unused pension funds and pension death benefits. Companies House accounts filing changes follow in April 2028. HMRC's implementation guidance for the 2027 benefit-payrolling change is still described as interim in the course text, so those operational details should be checked again before implementation.

One figure in particular should never be memorised: **HMRC's late-payment interest rate is variable**, and should be checked at the date of use.

When you come back to these materials in a later year, treat the **method** as durable and every **number** as something to verify.

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Reinza Limited, trading as Reinza Training. Module RT-103, study guide, version v1.1.

REINZA TRAINING

Module RT-103 — Course Text

Corporation Tax, VAT and the Annual Compliance Cycle

Programme: Tax Essentials for the Owner-Managed IT Company
Module reference: RT-103
Document: Course text
Version: v1.5
Content basis: rates, thresholds and allowances for the 2026/27 tax year (corporation tax: financial year beginning 1 April 2026)

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How to use this course text

This document is the complete written treatment of Module RT-103, the final module in the programme. It is written to be read on its own, and to remain useful as a reference through the compliance year.

RT-103 is where the other two modules arrive. Module RT-101 dealt with how money leaves the company and reaches the director. Module RT-102 dealt with what the company can deduct before it reaches a profit. This module takes that profit figure, turns it into a corporation tax liability, adds the VAT question that arrives as the company grows, and sets the whole thing inside the calendar of filings and payments that a company has to keep.

Where the first two modules were mostly about *decisions*, this one is mostly about *obligations* — the things that must be done, by dates that do not move, with penalties attached when they are missed. That makes it the most practical module of the three, and the one most worth returning to.

Every calculation is set out in full. Where a figure is derived rather than quoted, the derivation is shown, because rates change and a method survives a change that a memorised number does not. This matters especially in RT-103, because **more of this module's figures moved in 2025 and 2026 than a reader might expect**. The corporation tax late-filing penalties doubled. The VAT late-payment penalties were sharpened. HMRC closed its free corporation tax filing service. Companies House began mandatory identity verification for directors. Making Tax Digital continued its staged rollout, in a shape different from the one originally announced.

Several further changes are already legislated or formally confirmed for 2027 and 2028: the self-assessment penalty regime, mandatory payrolling of the most common benefits in kind, the inheritance tax treatment of unused pension funds, and Companies House accounts filing. Where a change is already known, this module says so and marks it as something that has not yet taken effect, rather than folding it into the 2026/27 position. A document meant to be used as a reference for a year or more is more useful if it says what is coming than if it describes only the present moment.

A note on how the module treats its own conclusions. Where this text says that a particular course of action is often efficient, or that a particular figure usually applies, the qualification is deliberate. General rules produce general answers, and the point at which a general answer meets a particular company is the point at which independent professional advice is needed. This document describes rules of general application, using a fictitious company. It does not take account of the circumstances of any particular company or person, and it does not tell any reader what to do.

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- **Key figures for 2026/27** used throughout this module
- **The illustrative company**
- **A.** How a corporation tax liability is built
- **B.** Timing around the accounting year-end
- **C.** Pension contributions as company expenditure
- **D.** VAT: calculating the threshold
- **E.** Life after VAT registration
- **F.** Making Tax Digital and digital filing
- **G.** The annual compliance cycle and penalties
- **H.** Putting it together
- **Glossary**
- **Sources**

A separate one-page **annual compliance calendar** is supplied alongside this module.

Key figures for 2026/27

Every figure below is stated for the tax year 6 April 2026 to 5 April 2027, or for company accounting periods in the financial year beginning 1 April 2026, as the context requires. Several changed with effect from 2025 or 2026, and those are flagged, because older published material still shows the previous position.

Corporation tax

Item	2026/27	Note
Small profits rate	19%	Augmented profits up to £50,000

Item	2026/27	Note
Main rate	25%	Augmented profits above £250,000
Effective marginal rate	26.5%	On profits in the £50,000–£250,000 band; see Section A
Marginal relief fraction	3/200	The statutory fraction used in the relief formula
Marginal relief lower / upper limit	£50,000 / £250,000	Divided by one plus the number of associated companies; reduced proportionately for short periods
Payment date (non-instalment)	9 months + 1 day	After the accounting period end
Return (CT600) filing date	12 months	After the accounting period end
Quarterly instalments threshold	£1.5m augmented profits	Subject to associated-company and period adjustments, and to further exceptions — see Section A.10
Late-filing penalty	£200 at 1 day; **£400 in total** at 3 months	**Doubled for returns whose statutory filing date falls on or after 1 April 2026** (was £100, £200 in total); then 10% of unpaid tax at 6 months and a further 10% at 12 months
Late-filing penalty, third consecutive late return	£1,000 at 1 day; **£2,000 in total** at 3 months	**Doubled from 1 April 2026** (was £500, £1,000 in total)
CT600 filing channel	commercial software	**HMRC's free filing service closed on 31 March 2026** — see Section F

VAT

Item	2026/27	Note
Registration threshold	£90,000	Rolling twelve-month test or thirty-day forward-look; unchanged since April 2024
Deregistration threshold	£88,000	
Standard rate	20%	Reduced rate 5%, zero rate 0%, plus exempt and out-of-scope supplies
Return and payment deadline	1 month + 7 days	After the end of the VAT period
Late submission	points-based	Quarterly filers: 4 points triggers £200, then £200 for each further late return

Item	2026/27	Note
Late payment penalty	3% + 3%, then 10% p.a.	**Sharpened from April 2025** (was 2%/2%/4%); the first 3% is charged by reference to day 15 and the second by reference to day 30 — see Section G.4
Flat rate scheme — joining limit	£150,000	Expected taxable turnover, excluding VAT, in the next twelve months
Flat rate scheme — leaving limits	£230,000	Annual check at the anniversary of joining: total income including VAT in the year then ending; separate thirty-day forward-look test — see Section E.5
Flat rate scheme — first-year discount	1 percentage point	Runs to the first anniversary of **VAT registration**, and applies to the limited cost rate as well as to sector rates
Flat rate scheme — limited cost business rate	16.5%, or 15.5% in year one	Applies for any VAT period in which the relevant goods test is failed
Flat rate scheme — capital goods reclaim	£2,000 including VAT	Input tax on a single purchase of capital expenditure goods at or above this figure may be reclaimed outside the scheme
Cash accounting — joining / leaving limit	£1.35m / £1.6m	Expected taxable turnover, excluding VAT

Pensions

Item	2026/27	Note
Annual allowance	£60,000	Employer and personal pension input combined
Carry-forward	previous 3 tax years	Requires pension scheme membership in the years carried forward
Tapered annual allowance	down to £10,000	Applies only where threshold income exceeds £200,000 **and** adjusted income exceeds £260,000
Money purchase annual allowance	£10,000	Applies after flexible access to a defined contribution pension; no carry-forward against it

Employer obligations

Item	2026/27	Note
Employer National Insurance	15%	On earnings above the £5,000 secondary threshold
Employment allowance	£10,500	Not available where a director is the only employee whose earnings give rise to a secondary Class 1 liability
Final payroll report for the year	19 April	Year-end cut-off; the final FPS itself is due on or before the final payday — see Section G.5
P60 to the employee	31 May	
P11D and P11D(b)	6 July	
Class 1A National Insurance payment	22 July	Electronic payment; 19 July if by post

Making Tax Digital

Item	2026/27	Note
MTD for VAT	mandatory	From the point of VAT registration, unless HMRC has granted an exemption
MTD for Income Tax	staged	£50,000 from April 2026; £30,000 from April 2027; £20,000 from April 2028; sole traders and landlords only
MTD for Corporation Tax	not proceeding	But the CT600 filing channel has changed — see Section F.4

A figure that is not fixed

HMRC late-payment interest: 7.75% at the date of this material — but variable.

This is the one number in the tables above that should not be memorised. Late-payment interest is set at the Bank of England base rate plus four percentage points, and it changes whenever the base rate changes. The rate has been 7.75% since 9 January 2026, reflecting a base rate of 3.75%. It was 8.00% before that, and 8.25% before that. The margin itself changed on 6 April 2025, from base rate plus 2.5% to base rate plus 4%, which is a substantial increase quite separate from any movement in the base rate.

The practical instruction is to check the current rate on GOV.UK before doing any calculation that depends on it, rather than relying on a figure printed in a document — including this one.

Three changes most likely to trip up anyone using older material

The corporation tax late-filing penalties doubled from 1 April 2026. The flat penalties at one day and three months late are now £200 each, not £100. For a company that has filed late in each of the two preceding periods, the third consecutive late return attracts £1,000 at each stage rather than £500. The change applies to any return whose **statutory filing date** falls on or after 1 April 2026 — that is, the date the return was due, not the date the company actually submitted it. Because the filing date is twelve months after the period end, the new penalties catch returns for accounting periods that ended well before April 2026. The tax-geared penalties at six and twelve months are unchanged at 10% each.

The VAT late-payment penalties were sharpened from April 2025. The first penalty is now calculated at 3% by reference to day 15 and a further 3% by reference to day 30, with a second penalty accruing at 10% a year from day 31 — replacing the older 2%/2%/4% figures. These rates are themselves due to rise again, to 4% and 4%, from April 2027.

Making Tax Digital for Corporation Tax is not going ahead, but corporation tax filing has still changed. HMRC has confirmed that it will not introduce MTD for Corporation Tax, so companies continue to file an annual CT600 rather than quarterly updates. That does not mean nothing changed: HMRC closed its own free filing service on 31 March 2026, and from 1 April 2026 a company generally has to file its return through commercial software. Section F deals with the distinction, which is worth understanding properly because it is widely misreported.

The illustrative company

RT-103 uses the same fictitious company as the rest of the programme, but with one deliberate change: **this year, Brackford grows.** Nothing in the following, and no figure used anywhere in these materials, relates to any real company or person.

Brackford IT Support Limited

Trade	Managed IT support for small businesses, with project work and some hardware resale
Director and sole shareholder	Sam Ellis
Employees	None other than the director
Accounting year end	31 March
Workplace	Sam's home, with visits to client premises
Customers	Mainly other small businesses; a small number of consumer and non-registered clients
Turnover, year to 31 March 2027	growing through the year, crossing £90,000
VAT	Not registered at the start of the year — the VAT question arrives during it

In the first two modules, Brackford's turnover was a steady £86,400 and the company was comfortably below the VAT registration threshold. **In RT-103 the business is growing**, and its rolling twelve-month turnover climbs towards the £90,000 line during the year. That single fact drives Sections D and E: the company has to work out when it must register for VAT, and what changes when it does.

The company's shape for the year, used in the worked examples:

Turnover, year to 31 March 2027	£92,000
of which hardware resale	£14,000
Allowable costs (from RT-102's categories)	£26,000
Taxable profit before director's pension	£66,000

These figures are illustrative and fictitious. They are chosen to put Brackford in the two positions this module needs to teach: a profit inside the corporation tax marginal band, and a turnover crossing the VAT threshold. The hardware resale figure is separated out because it matters for the VAT threshold calculation in Section D, in a way that catches out a good number of IT businesses.

A. How a corporation tax liability is built

A.1 From accounting profit to the tax bill

A company does not pay corporation tax on the profit shown in its accounts. It pays tax on its **taxable profit**, which is the accounting profit adjusted for tax purposes. Understanding those adjustments is the whole of the first half of this module, because most of them are things the earlier modules already taught.

For a company like Brackford — a single trading company with no other sources of income — the build has four steps:

1. Start with the **accounting profit** — income less expenses, as shown in the profit and loss account.
2. **Add back** the expenses that are not allowable for tax — depreciation, client entertaining, and any other disallowed items (all from Module RT-102).
3. **Deduct** the tax reliefs that are not in the accounts as expenses — chiefly capital allowances (again, RT-102).
4. Apply the **corporation tax rate** to the result.

The output of steps one to three is the **taxable profit**. Step four turns it into the liability.

A.2 Four steps is a simplified model, and should be treated as one

Before going further it is worth being explicit about what those four steps leave out, because a reader who takes them as a complete description of company taxation will eventually be surprised.

The four-step bridge describes a **single trading company with no income other than its trade**. That is Brackford, and it is a very large number of owner-managed IT companies. A fuller corporation tax computation may also involve:

- **non-trading income**, such as bank interest, which is taxed under the loan relationship rules rather than as trading profit;
- **property income**, where the company owns or lets property;
- **chargeable gains**, where the company disposes of an asset;
- **losses** of various kinds — trading losses, property losses, non-trading loan relationship deficits — each with its own rules on what it can be set against and when;

- **qualifying charitable donations**, deducted after the profit figure is arrived at;
- **group relief**, where the company is part of a group;
- **research and development relief**, which some software-developing companies can claim, and which is a specialist area in its own right.

None of these is dealt with in this module. The point of listing them is not to teach them but to mark the boundary: the four steps are a reliable description of Brackford's position and a poor description of a complicated company's. Where a company has income beyond its trade, has made a loss, has sold an asset, or belongs to a group, the computation needs proper professional attention.

A.3 The rate is not one number

There are two statutory corporation tax rates, and a band between them where an effective third rate applies.

Profits	Rate
Up to £50,000	19% — the small profits rate
£50,000 to £250,000	taxed at 25% with marginal relief, giving an effective 26.5% on the amount in the band
Above £250,000	25% — the main rate

The **small profits rate** of 19% applies where profits do not exceed £50,000. The **main rate** of 25% applies where they exceed £250,000. In between, the company pays the main rate of 25% but receives **marginal relief**, which claws part of it back, so that the overall rate steps up smoothly from 19% to 25% across the band.

The important figure is the one hidden inside that band. The relief is structured so that every extra pound of profit between £50,000 and £250,000 is effectively taxed at **26.5%** — higher than the main rate itself. That is not a typographical oddity; it is the deliberate design of the mechanism, and it has a real planning consequence, which Section C uses.

A.4 A necessary refinement: augmented profits

The tables above say "profits", and for Brackford that is accurate enough. But the statutory tests use a defined term, and it is worth knowing what it is, because the shortcut fails in exactly the situation where a director sets up a second company or receives dividends into the company.

Two figures matter:

- **Taxable total profits (TTP)** — the figure arrived at by the four-step build in A.1. This is what the tax rate is applied to.
- **Augmented profits** — taxable total profits *plus* certain exempt distributions received from companies that are not part of the same 51% group. This is the figure used to decide **which rate band the company falls into** and whether it is within the marginal relief limits.

For a company that receives no dividends from other companies, augmented profits and taxable total profits are the same number, and the distinction never surfaces. **That is Brackford's position: augmented profits equal taxable total profits at £66,000.**

Where the two differ, the effect is that a company can be pushed into a higher rate band by dividend income that is not itself taxed. It is an unwelcome surprise for anyone who has, for example, put a shareholding in an unconnected trading company inside their own limited company. Worth knowing that the trap exists.

A.5 The two limits are shared, and shrink

The £50,000 and £250,000 limits are not fixed for every company. They are adjusted in two ways.

Associated companies. If a company is associated with others — broadly, where one controls the other, or both are under the control of the same person or persons — the two limits are **divided by one plus the number of associated companies**. The wording matters, because "divided by the number of associated companies" is a common shorthand that produces the wrong answer if read literally.

Worked through:

Situation	Divisor	Lower limit	Upper limit
A company with no associates	1	£50,000	£250,000
A company with one associate	2	£25,000	£125,000
A company with four associates	5	£10,000	£50,000

The purpose of the rule is to stop a business splitting itself into several small companies so that each stays in the 19% band. It bites at modest scale: a director who incorporates a second company for a side project can move the first company's marginal band down by half, with an immediate effect on its tax bill, without anything having changed in the first company at all.

The rule is not automatic on the mere existence of a second company. The companies have to be associated within the statutory definition — broadly a question of control, and one that has its own detail around attribution of rights held by associates and around dormant and passive companies. A second company is not always an associated company; but it very often is, and the assumption should be that it is until checked.

Short accounting periods. If an accounting period is shorter than twelve months, the limits are **reduced proportionately**. A six-month period has limits of £25,000 and £125,000. This most commonly matters in a company's first year, or in the year it changes its accounting date.

For Brackford — one company, no associates, a full twelve-month year — the limits are the full £50,000 and £250,000.

A.6 Brackford's liability, built

Take Brackford's illustrative figures for the year to 31 March 2027, before any pension contribution.

Rather than stating the taxable profit and moving on, the build is worked here in full, because the adjustments are the substance of the module and because a reader who has watched them once will recognise them on a real computation.

Brackford's profit and loss account for the year shows:

	Amount
Turnover	£92,000
Cost of hardware for resale	(£11,600)
Software subscriptions and licences	(£3,100)
Motor and travel	(£2,400)
Home office, telephone and broadband	(£1,900)
Insurance, accountancy and professional	(£1,700)
Client entertaining	(£600)
Depreciation of equipment	(£4,700)
Accounting profit	**£66,000**

The tax adjustments:

Step		Amount
Accounting profit		£66,000
Add back depreciation	not an allowable deduction; capital allowances replace it	+£4,700
Add back client entertaining	disallowed under the entertaining rules (RT-102, Section G)	+£600
Deduct capital allowances	annual investment allowance on the year's equipment purchases	(£5,300)
Taxable total profits		**£66,000**
Augmented profits	no distributions received; equal to TTP	**£66,000**

The figures have been chosen so that the adjustments net to nil and the taxable profit equals the accounting profit at £66,000. That is a convenience for the worked example and is not a general rule — in most years the two figures differ, sometimes substantially, and the difference is driven mainly by the relationship between depreciation charged in the accounts and capital allowances claimed for tax. In a year with a large equipment purchase, capital allowances usually exceed depreciation and the taxable profit is lower than the accounting profit. In a year with no purchases, the reverse.

The point to carry away is not the arithmetic but the shape of it: depreciation is always added back, capital allowances claimed are deducted in its place, and the two figures are not the same.

One qualification on the second half of that sentence. Capital allowances are not automatic. They depend on there being qualifying expenditure, they generally have to be claimed on the return, and a company may claim less than the full amount available — which is occasionally the right thing to do, for instance where claiming in full would create a loss that has nowhere useful to go. So the accurate formulation is that capital allowances **claimed, where available**, are deducted.

A.7 The tax, calculated two ways

The taxable profit of £66,000 falls in the marginal band — above £50,000, below £250,000. There are two ways to arrive at the tax, and they give the same answer.

The statutory method. Charge the whole profit at the main rate, then deduct marginal relief.

The relief formula is:

> *F × (U − A) × (N ÷ A)*

where **F** is the marginal relief fraction of 3/200, **U** is the upper limit of £250,000, **A** is augmented profits and **N** is taxable total profits. Where the company has received no distributions, N and A are the same, so N ÷ A is 1 and the formula reduces to F × (U − A).

Corporation tax at the main rate: £66,000 × 25%	£16,500
Marginal relief: 3/200 × (£250,000 − £66,000)	(£2,760)
Corporation tax payable	**£13,740**

The slice method. Treat the profit as two slices and charge each at its effective rate.

First £50,000 at 19%	£9,500
Next £16,000 at 26.5%	£4,240
Corporation tax payable	**£13,740**

The two agree, and they will always agree where augmented profits equal taxable total profits. The statutory method is what appears on the CT600. The slice method is what makes the planning visible, because it isolates the £4,240 of tax sitting on the top slice.

That £4,240 — taxed at 26.5%, not 19% or 25% — is the number that makes the work in Section C worth doing. Every pound Brackford can legitimately move out of that band saves 26.5p rather than 19p.

Watch point: for a company with profits between £50,000 and £250,000, the marginal band is taxed at an effective 26.5% — higher than the headline main rate, and the reason year-end planning matters most for companies in this range.

A.8 When the tax is paid, and when the return is filed

Two dates, and they are not the same date — which catches directors out every year.

Obligation	Deadline	Brackford (year to 31 March 2027)
Pay the corporation tax	9 months and 1 day after the period end	1 January 2028
File the CT600 return	12 months after the period end	31 March 2028

The payment comes **first** — three months before the return is due. So the company has to work out its tax and pay it before it formally files the return that reports it. The company that remembers only the twelve-month filing date, and forgets the nine-month-and-one-day payment date, pays interest without realising it.

A practical point about the payment date. 1 January 2028 falls on a Saturday, and 1 January is a bank holiday in any event. Where a payment deadline falls on a weekend or bank holiday, HMRC generally expects cleared funds to have reached it by the **last working day before** the deadline — which here is **Friday 31 December 2027**. Some payment methods clear same-day and some take three working days, so the effective date by which a payment has to be *initiated* can be earlier still.

This is not a technicality. It is the single most common way that a company that intended to pay on time ends up paying late, and it is worth building into the compliance calendar rather than rediscovering each year. Section G returns to it, because 31 December 2027 also happens to be Brackford's Companies House accounts deadline — two obligations converging on one Friday.

Interest, not a penalty. There is no fixed penalty for paying corporation tax late. Instead HMRC charges interest, daily and on a simple rather than compound basis, at the prevailing late-payment rate — 7.75% at the date of this material, but variable as explained above. There *is* a fixed penalty for filing late, dealt with in Section G.

One point of detail that is genuinely useful and rarely mentioned: for a company, **late-payment interest on corporation tax is deductible** as a non-trading loan relationship debit, and repayment interest received is taxable. That softens the cost, though it does not remove it. The position is different for an individual: interest on late self-assessment tax carries no such deduction.

A.9 The first accounting period: why a new company usually files two returns

A company's **accounting reference period** — the period its accounts cover — can run for more than twelve months. A **corporation tax accounting period cannot**; it is capped at twelve months. Almost every new company runs into the gap between those two rules in its first year.

One point of definition before the example. A corporation tax accounting period begins when the company **comes within the charge to corporation tax** — which is usually when it starts to trade, but can also be triggered by other taxable income such as interest on a business deposit. It is not automatically the date of incorporation. A company incorporated in March and dormant until September has no corporation tax accounting period for those six months, even though its accounts cover them. Companies House and HMRC are asking different questions, and the dates only coincide when the company begins business immediately.

Take a company incorporated on 12 June 2026, **and assume it starts to trade on that date**, so that its corporation tax accounting period begins then. Its default accounting reference date is the end of the month of the anniversary of incorporation, so its first accounts cover 12 June 2026 to 30 June 2027 — twelve months and nineteen days. For corporation tax, that single set of accounts has to be split into **two accounting periods**:

Corporation tax accounting period	Length
12 June 2026 to 11 June 2027	12 months
12 June 2027 to 30 June 2027	19 days

Three consequences follow:

- **Two CT600 returns** are required, not one.
- **Two payment dates**, each nine months and one day after the end of the respective corporation tax accounting period — so the first falls due several weeks before the second.
- **Pro-rated limits for the short period.** As Section A.5 explained, the £50,000 and £250,000 limits are reduced proportionately for a period shorter than twelve months. A nineteen-day period has a lower limit of roughly £2,600 and an upper limit of roughly £13,000, so even a modest amount of profit landing in that stub period can be taxed at the marginal rate.

None of this is visible from the Companies House deadline, which speaks only of accounts. It is worth flagging in a module about the compliance cycle because it is one of the more common reasons a new company collects a late-filing penalty in its first two years: the director has one set of accounts prepared, files one return, and does not realise that a second was due for the same period.

Brackford is long past this point, with a settled 31 March year-end and a single twelve-month accounting period. The rule matters to the reader rather than to the example.

A.10 Quarterly instalments: awareness only

Companies with large profits do not pay corporation tax in a single sum nine months after the year-end. They pay in **quarterly instalments**, with the first falling due during the accounting period itself — before the company knows what its profit for the year will be.

The headline trigger is **augmented profits above £1.5 million**. Brackford is far below that, and this module does not work the regime through. But the £1.5 million figure is not a complete rule on its own, and it should not be read as one. In outline, the threshold is:

- **divided by one plus the number of associated companies**, in the same way as the marginal relief limits;
- **reduced proportionately for accounting periods shorter than twelve months**;
- subject to a **de minimis**, so that a company is not treated as large where its corporation tax liability for the period does not exceed £10,000;
- subject to a **first-year easement**, so that a company is generally not required to pay by instalments in the first period in which it becomes large, unless its profits exceed £10 million;
- accompanied by a separate **“very large” regime** for companies with augmented profits above £20 million, under which the instalments fall due earlier still.

Interest on underpaid quarterly instalments runs at a lower rate than ordinary late-payment interest — 6.25% at the date of this material, against 7.75%.

The reason to flag this in a module for an owner-managed company is simple: a company that grows quickly can cross the threshold without anyone noticing, and the consequence is that tax becomes payable a year earlier than the director expects. It is a cash-flow event as much as a tax event.

B. Timing around the accounting year-end

B.1 Why the year-end date is a lever

Corporation tax is charged on the profit of an accounting period. So **which period a transaction falls into** can change which year it is taxed in, and sometimes the rate at which it is taxed. The weeks either side of the year-end are the one window in which a company can still affect its taxable profit for the year, legitimately, by controlling timing.

This is not about hiding profit. It is about the ordinary rule that income and expenses are recognised in the period they belong to, and about the handful of decisions — a purchase, a pension contribution — where the company genuinely controls the timing.

For a company like Brackford, sitting in the 26.5% marginal band, a deduction pulled from next year into this one is worth 26.5p in the pound. That is enough to make the year-end worth a deliberate review, in good time rather than in the last week.

B.2 Income and expenses follow the accounts

The starting point is that taxable profit follows the accounts, drawn up under normal accounting standards. Income is recognised when it is earned, not when it is paid; expenses when they are incurred, not when they are settled. This is the accruals basis, and it limits how much timing can actually be shifted.

Three consequences matter.

The date on the invoice does not determine the period. If the work was done before the year-end, the income has usually been earned before the year-end, whatever date the invoice bears. Delaying the paperwork does not delay the tax. Where work is partly complete at the year-end, accounting standards require a proportion of the income to be recognised, which cuts the same way. This is worth stating plainly because it is one of the more persistent pieces of bad advice circulating among small company directors.

Prepayments and accruals put costs in the right period. A cost paid this year that relates to next year — insurance or a software licence paid twelve months in advance, say — is a prepayment, and the part relating to next year is carried forward to be deducted next year. A cost incurred this year but not yet paid is an accrual, and is still deducted this year. Properly prepared accounts put each cost in the period it belongs to, regardless of when money moved.

Paying early does not usually create a deduction. The corollary of the prepayment rule is that a company cannot generate a deduction simply by paying next year's costs in March. The payment creates a prepayment on the balance sheet, not an expense in the profit and loss account. There are exceptions — the pension contribution in Section C is the most important of them — but the default is that prepayment achieves nothing for tax.

B.3 Where genuine timing choices exist

Within those rules, a few decisions are genuinely the company's to time. These are the year-end levers.

Capital purchases. As Module RT-102 showed, the annual investment allowance and full expensing give relief by reference to the period in which the expenditure is **incurred**. A genuinely-needed equipment purchase brought forward from just after the year-end to just before it moves the relief forward a whole year. The discipline from RT-102 applies: bring forward only a purchase the business was going to make anyway. Accelerating expenditure that would have happened regardless is timing; incurring expenditure that would not otherwise have happened, in order to save tax at 26.5%, spends a pound to save 26.5p.

Employer pension contributions. These are deductible in the accounting period in which they are **paid**, not the period in which they are accrued. A contribution paid before the year-end reduces this year's profit; the same contribution paid one day after falls into next year. This is the most flexible year-end lever a company of Brackford's size has, and Section C is devoted to it.

Director bonuses. A bonus can be accrued in the accounts at the year-end and still deducted in that period, provided it is actually paid within nine months of the year-end. It brings a payroll cost with it — income tax and employee National Insurance for the director, employer National Insurance at 15% for the company — so for an owner-manager it is usually a less efficient route than a pension contribution or a dividend. Module RT-101 works the comparison through.

B.4 "Incurred" and "paid" are not the same word

The two main levers above use different tests, and conflating them produces mistakes in both directions. It is worth setting them side by side.

Lever	The test	What has to happen by the year-end
Capital purchase	expenditure **incurred**	The obligation to pay must have become unconditional — broadly, on delivery or on the date the contract makes payment unconditional. Payment itself can fall later; there is a further rule extending the date where payment is required more than four months after the obligation arises.
Employer pension contribution	contribution **paid**	The money must actually have left the company and reached the pension scheme. An accrual does not count, and neither does an intention.

So a company can order and take delivery of a server on 30 March, pay for it on 30 April, and still claim the allowance in the year to 31 March. The same company cannot resolve on 30 March to make a pension contribution and pay it on 30 April and have it count for that year.

Watch point: the two most useful year-end levers work on different tests. Capital allowances follow the date the expenditure is *incurred*; employer pension contributions follow the date the contribution is *paid*. Do not apply one test to the other.

B.5 Brackford at the year-end

Brackford's profit before any pension contribution is £66,000 — £16,000 of it in the 26.5% band. Sam does not need to draw that £16,000 personally this year, and he has been paying into a pension irregularly for several years.

The obvious question, then, is whether an employer pension contribution before 31 March 2027 would be worth making. Section C works it through in full, including the parts of the question that are not about tax at all.

C. Pension contributions as company expenditure

C.1 Why this section exists

For an owner-managed company, an **employer pension contribution** is often the most tax-efficient way of moving value out of the company for the director's eventual benefit — in many cases more efficient than either salary or dividends. It earns its own section because the amounts involved can be large, because the rules sit in two separate places that are easily confused, and because the trade-off attached to it is a real one.

The reason it is efficient is that a contribution the company pays into the director's pension:

- is **deductible** for corporation tax, subject to the wholly-and-exclusively test, so it reduces the company's tax bill;
- carries **no employer National Insurance** — unlike salary, which would cost 15% on top;
- carries **no employee National Insurance and no income tax** on the way in — unlike salary;
- is **not limited by the director's own earnings** — unlike a *personal* pension contribution, which is restricted by reference to relevant UK earnings.

That last point is the one that matters most for an owner-manager. A director taking a small salary and the balance in dividends has very little in the way of relevant earnings, so their *personal* pension contributions are tightly capped. The *company*, contributing on their behalf, is not subject to that cap.

Note the phrasing used above: the money moves out of the company **for the director's eventual benefit**. It does not become money the director can spend. Section C.6 returns to this, but it is worth fixing at the outset, because a description of pension contributions that reads like a description of profit extraction is misleading in a way that matters.

C.2 Two separate rules, often confused

There are two questions here and they have different answers given by different rules. Treating them as one question is the most common source of error in this area.

Question one: can the company deduct the contribution against its profits?
This is a **corporation tax** question, answered by the wholly-and-exclusively test and by the specific rule that employer contributions are relieved in the period of payment. It is dealt with in C.4.

Question two: does the contribution give rise to a tax charge on the individual?
This is a **personal pension tax** question, answered by the annual allowance rules. It is dealt with in C.3.

These interact but they are not the same test, and neither one answers the other. In particular:

- A contribution can be **within the annual allowance and still not deductible**, if the company's deduction fails the wholly-and-exclusively test.
- A contribution can be **deductible by the company and still produce a personal tax charge**, if it takes the individual's total pension input above their available allowance.
- There is **no rule of company law or tax law capping a company's contribution at £60,000**. The annual allowance is a limit on tax-relieved pension input for the individual, not a ceiling on what the company may pay. Exceed it and the consequence is an annual allowance charge on the individual, not an illegal contribution.

The habit of saying "the company can put in up to sixty thousand pounds" collapses all of this into a single sentence that is not quite true in any of its parts. It is a useful rule of thumb and a poor rule.

C.3 The annual allowance, and the two ways it can be reduced

The **annual allowance** is the limit on the total pension input for an individual in a tax year — from all sources, employer and personal combined — without an annual allowance charge arising. For 2026/27 it is **£60,000**.

A point of definition that matters for accuracy even though it will not usually affect an owner-manager with a personal pension: the annual allowance measures **pension input**, which for a defined contribution scheme is the contributions paid, but for a defined benefit scheme is a calculated increase in the value of the promised benefits rather than any sum of money paid in. Anyone with a legacy final-salary pension from a former employer needs that figure before assuming they have allowance available. The examples in this module assume a defined contribution scheme, which is the ordinary case.

Three features extend or restrict the allowance.

Carry-forward. Unused annual allowance from the previous **three** tax years can be carried forward and added to the current year's, provided the individual was a member of a registered pension scheme in each year being carried forward — membership, not contribution. A director who has been a scheme member but has contributed little can therefore make a much larger contribution in one year: up to the current year's £60,000 plus up to three years of unused allowance. The current year's allowance is used first, then the earliest of the carried-forward years.

The taper for high earners. Where an individual's income is high enough, the annual allowance tapers down, by £1 for every £2, to a floor of £10,000. The condition is a **two-part test**, and this is where the rule is most often misstated:

> *The taper applies only where **threshold income exceeds £200,000** and **adjusted income exceeds £260,000**.*

Both limbs must be satisfied. Broadly, threshold income is the individual's net income excluding pension contributions made by the employer, and adjusted income is the individual's net income *including* the employer's pension input. The effect of the two-part structure is that a person whose income is modest but who receives a very large employer contribution is not caught, because their threshold income stays below £200,000. Testing adjusted income alone would produce the wrong answer for exactly the case an owner-manager is most likely to encounter.

Neither limb is anywhere near Brackford's figures. The reason to state the test properly is that the single-limb version circulates widely, and a director who half-remembers it may believe a large one-off contribution has tapered their allowance when it has not.

The money purchase annual allowance. This is the restriction most likely to be overlooked, and it is worth knowing about before it applies rather than after.

Once an individual has **flexibly accessed** a defined contribution pension — most commonly by taking taxable income from a drawdown pot, or by taking an uncrystallised funds pension lump sum — the amount that can subsequently be paid into their money purchase pensions with tax relief drops to the **money purchase annual allowance of £10,000** for 2026/27. Two further points follow:

- **Carry-forward cannot be used against the money purchase annual allowance.** Unused allowance from earlier years does not lift the £10,000.
- The trigger is flexible access, not simply reaching a particular age. Taking only the tax-free lump sum and moving the rest into drawdown without drawing taxable income does not by itself trigger it; taking taxable drawdown income does.

For a director in their fifties who has already drawn something from an old pension pot, this converts "the company can contribute £60,000" into "the company can contribute £10,000 without a charge", which is a very different planning position. It is a question to ask before a large contribution is made, not after.

C.4 The company's deduction: wholly and exclusively

The company's deduction depends on the contribution being **wholly and exclusively for the purposes of the trade** — the same test as any other company cost (Module RT-102, Section A) — together with the specific rule that employer contributions are relieved by reference to the period in which they are **paid**.

For an ordinary employee this is rarely questioned. For a **director who is also the owner**, HMRC can look at it more closely, and the question it asks is whether the **total remuneration package** — salary, benefits and pension together — is commercially reasonable for the work the director actually does for the company. The comparison HMRC has in mind is what the company would have to pay an unconnected person to do the same job.

Where the package is reasonable for the role, the contribution is deductible. Where a contribution is in substance a way of moving profit out of the company rather than rewarding work — the clearest example being a large contribution for a spouse or family member whose involvement in the business is nominal — the deduction can be challenged.

It is worth resisting the comfortable formulation that a contribution within the annual allowance is normally accepted. The annual allowance is a personal tax limit and has no bearing on the company's deduction. The deduction rests on the contribution being genuine remuneration for genuine work, and on nothing else. For a full-time working director of a trading company, that condition is usually met without difficulty, and the two questions then happen to give the same answer — but they are still two questions.

C.5 Brackford: the year-end contribution, worked

Brackford has a taxable profit of £66,000, with £16,000 sitting in the 26.5% marginal band. Sam is a full-time working director, has been a member of a personal pension scheme for years without contributing much recently, has not flexibly accessed any pension, and does not need to draw that £16,000 now.

Suppose the company makes an **employer pension contribution of £16,000** before the year-end.

	Without contribution	With £16,000 contribution
Taxable total profits	£66,000	£50,000
Corporation tax at main rate, 25%	£16,500	£12,500
Marginal relief, 3/200 × (£250,000 − profits)	(£2,760)	(£3,000)
Corporation tax	**£13,740**	**£9,500**
Corporation tax saved		**£4,240**

Checked the other way, by slices: without the contribution, £50,000 at 19% plus £16,000 at 26.5%, being £9,500 plus £4,240. With the contribution, £50,000 at 19%, being £9,500. The saving is the whole of the £4,240 that was sitting on the top slice — relief at the full marginal 26.5%, because the contribution comes precisely out of the marginal band.

The comparison with salary is stark. To put £16,000 into Sam's hands as salary, the company would pay employer National Insurance at 15% on the amount above the secondary threshold, and Sam would pay income tax and employee National Insurance on the way in. To put £16,000 into Sam's pension, the company pays £16,000 and nothing else, and Sam pays nothing on the way in.

Two conditions on that result:

Timing. The contribution must be **paid before 31 March 2027** to fall in this accounting period. A contribution paid on 1 April 2027 reduces the following year's profit instead — which may still be worth doing, but it is a different year's tax and a different year's marginal band.

Allowance. The contribution is well within Sam's £60,000 annual allowance, so no annual allowance charge arises, and no carry-forward is needed. Had Sam previously flexibly accessed a pension, the money purchase annual allowance of £10,000 would have applied instead, and £6,000 of the contribution would have exceeded it — the company's deduction would be unaffected, but Sam would face a personal charge. That is precisely the kind of point that has to be established before the payment is made.

Watch point: an employer pension contribution is deductible in the period it is *paid*, not accrued. To reduce this year's tax it must actually leave the company's account before the year-end date — and the date the payment reaches the pension provider, not the date it is instructed, is what counts.

C.6 The trade-off, stated properly

A pension contribution is efficient, and it is also **money the director cannot use**. The funds are locked until the individual reaches the normal minimum pension age — currently 55, rising to 57 from April 2028. That change is usually summarised as a date-of-birth cut-off, but the position is subject to protected pension ages and to transitional provisions for members of particular schemes, so it is a question to check for the individual rather than a clean birthday line. Between the contribution and that date, the money is not available for a house, a business opportunity, or a bad year.

There are two further considerations, and one of them recently stopped being speculative.

Investment risk and business risk are different risks. Value left in a pension is exposed to investment markets. Value left in the company is exposed to the business. Value taken out as a dividend has been taxed but is unrestricted. These are genuinely different positions, and which one suits a particular director depends on their age, their other assets, their plans for the business and their appetite for risk — none of which is a tax question.

The inheritance tax treatment of pensions changes on 6 April 2027. This one is legislated rather than forecast. Finance Act 2026 received Royal Assent on 18 March 2026 and, for deaths on or after 6 April 2027, brings most unused pension funds and pension death benefits within the value of the deceased's estate for inheritance tax purposes — regardless of whether the scheme administrator has discretion over who receives them. Death in service benefits payable from a registered pension scheme are excluded, and the existing exemptions for benefits passing to a surviving spouse, civil partner or charity are maintained. Personal representatives, rather than pension scheme administrators, are liable to report and pay the tax.

The reason this belongs in a corporation tax module is that it changes one side of a comparison owner-managers make constantly. For years a pension has been attractive partly because unused funds usually sat outside the estate, so money moved into a pension and never spent could pass to children free of inheritance tax. From April 2027 that advantage can no longer be assumed and is materially reduced. It is not removed in every case: the exemptions for benefits passing to a spouse or civil partner and to charity survive, death in service benefits are excluded, and an estate that sits comfortably within the available nil-rate bands may see no change at all. What has gone is the general proposition that an unspent pension pot passes outside the estate.

Employer pension contributions therefore remain highly efficient for their original purpose — funding the director's own retirement — while their secondary role as a way of passing wealth down a generation is much weaker than it was. A director whose plan depended on that secondary feature has reason to revisit it with a suitably qualified adviser well before the change takes effect.

So the correct framing is that a pension contribution converts money the director does *not* need in the near term into a form that carries a lower current tax cost and a longer wait, on terms that are themselves capable of changing. Where the director does need the money, the tax saving is not a saving at all. The decision belongs with the director and a suitably qualified financial adviser, informed by the tax position rather than driven by it.

D. VAT: calculating the threshold

D.1 The question that arrives with growth

For the first two modules, Brackford was comfortably below the VAT threshold and VAT could be ignored. This year the business grows, its turnover climbs towards £90,000, and the VAT question arrives whether Sam wants it or not. Getting the timing right matters, because registering late carries a real cost that falls on the company rather than on its customers.

The rule has two separate triggers, and a business has to watch both.

D.2 The two tests

The backward-look test (the rolling twelve months). At the end of **every month**, the company adds up its taxable turnover for the **previous twelve months**. If that rolling total **exceeds** £90,000, the company must register. The test is not done once a year, and it is not tied to the accounting year or the tax year — it is a rolling window checked monthly.

Note the word *exceeds*. A rolling total of exactly £90,000 does not trigger registration; £90,000.01 does. Section D.5 shows why that is not a pedantic distinction.

The forward-look test (the next thirty days). If at any point the company **expects** its taxable turnover in the **next thirty days alone** to exceed £90,000, it must register. The test looks only at that thirty-day window, and it is independent of the previous twelve months.

The precision matters here. The trigger is not the signing of a large contract; it is the expectation of making more than £90,000 of **taxable supplies within the next thirty days**. A contract with a face value of £120,000 for a project delivered over eight months does not trigger the forward-look test, because the supplies are not all made in a thirty-day window. A single order for £120,000 of hardware for delivery next week does. The question is always about the supplies, not the paperwork.

D.3 What counts as taxable turnover

The words doing the work in both tests are **taxable turnover**, and getting them right is the difference between a correct answer and an approximately correct one.

The calculation starts with the total value of taxable supplies made in the United Kingdom, and certain amounts have to be added to it for registration-threshold purposes. It includes:

- **standard-rated** supplies (20%) — almost everything an IT support company sells;
- **reduced-rated** supplies (5%);
- **zero-rated** supplies (0%) — zero-rated is a rate of tax, not an absence of one, so these count;
- the value of certain **reverse charge** services received from overseas suppliers. These are not supplies the company makes at all — they are purchases — but the reverse charge treats the recipient as if it had made the supply, and their value must be added when testing the registration threshold. An IT company buying development or support services from an overseas supplier can therefore be pushed towards registration by its own purchases.

It does **not** include:

- **exempt** supplies — insurance, most finance, certain education and health services;
- supplies that are **outside the scope** of UK VAT, which for a service business most often means services supplied to a business customer belonging outside the United Kingdom, where the place of supply is the customer’s country;
- the sale of **capital assets** of the business, such as a van or equipment, which is excluded from the threshold calculation;
- income that is not consideration for a supply at all — for example a grant with nothing given in return, or interest received on a business deposit.

The distinction between *exempt* and *outside the scope* is not merely academic. Both are excluded from taxable turnover, but they behave differently once the company is registered, and an IT company with overseas business clients can find that a material part of its income sits outside the scope of UK VAT and therefore does not count towards the threshold at all. That is a point to check rather than assume, and it is one where the answer depends on the place-of-supply rules rather than on where the invoice was posted.

For Brackford, all sales are to United Kingdom customers and all are standard-rated. Taxable turnover equals total turnover.

D.4 Hardware resale: the point that catches IT companies

Brackford resells hardware. In the year to 31 March 2027, £14,000 of its £92,000 turnover is hardware sold on to clients — laptops, switches, a small server — at a margin of around 17%. The cost of that hardware to Brackford was £11,600, so the resale contributes about £2,400 of gross profit.

The trap is this: **the full £14,000 counts towards taxable turnover, not the £2,400 of margin.**

VAT is a tax on supplies, and Brackford is making a supply of goods for £14,000. That the goods cost Brackford £11,600 is irrelevant to the threshold test; the cost is input tax territory, not turnover territory. So a low-margin resale line inflates a company's VAT turnover far faster than it inflates its profit — and it is entirely possible for an IT company to be pushed over the registration threshold by resale activity that contributes almost nothing to the bottom line.

Without the hardware resale, Brackford's taxable turnover for the year would be £78,000 and the VAT question would not have arisen at all. With it, the company crosses the line.

There is a variation worth knowing about, because directors sometimes reach for it in the wrong way. If a business acts as a genuine **agent** or introducer — the client buys the hardware directly from the supplier, and the business receives a commission for arranging it — then only the commission is the business's turnover. But that is a different commercial arrangement, not a different way of describing the same one. It changes who contracts with whom, who carries the risk of the goods, and who the client pursues if the equipment fails. Recharacterising an existing principal transaction as agency in the bookkeeping, without changing the underlying contracts, does not work and is straightforwardly wrong.

Watch point: for VAT threshold purposes, resold goods count at their full sale value, not at the margin. A low-margin resale line can push a company over £90,000 while adding very little profit.

D.5 Brackford: reading the rolling total

This is the calculation that the rule actually requires, and it is worth doing once properly rather than reading a description of it.

Brackford's monthly taxable turnover, for the eighteen months from October 2025:

Month	Monthly taxable turnover
Oct 2025	£7,400
Nov 2025	£7,500
Dec 2025	£6,900
Jan 2026	£7,300

Month	Monthly taxable turnover
Feb 2026	£7,400
Mar 2026	£7,500
Apr 2026	£7,600
May 2026	£7,700
Jun 2026	£7,800
Jul 2026	£7,900
Aug 2026	£8,000
Sep 2026	£8,200
Oct 2026	£8,300
Nov 2026	£8,000
Dec 2026	£7,300
Jan 2027	£7,700
Feb 2027	£7,000
Mar 2027	£6,500

The year to 31 March 2026 totalled £86,400; the year to 31 March 2027 totals £92,000.

Now the test. At each month-end, add the previous twelve months. The month that **drops out** of the window matters as much as the month that comes in.

Month-end	Month dropping out	Month coming in	Movement	Rolling 12-month total	Over £90,000?
30 Apr 2026	Apr 2025 (£7,000)	Apr 2026 (£7,600)	+£600	£87,000	No
31 May 2026	May 2025 (£7,200)	May 2026 (£7,700)	+£500	£87,500	No
30 Jun 2026	Jun 2025 (£7,100)	Jun 2026 (£7,800)	+£700	£88,200	No
31 Jul 2026	Jul 2025 (£7,300)	Jul 2026 (£7,900)	+£600	£88,800	No
31 Aug 2026	Aug 2025 (£6,800)	Aug 2026 (£8,000)	+£1,200	£90,000	**No — reached, not exceeded**
30 Sep 2026	Sep 2025 (£7,000)	Sep 2026 (£8,200)	+£1,200	**£91,200**	**Yes**
31 Oct 2026	Oct 2025 (£7,400)	Oct 2026 (£8,300)	+£900	£92,100	Yes

Three things are visible in that table that a description alone does not convey.

First, the rolling total moves slowly. Brackford's monthly turnover rose from £7,600 in April to £8,200 in September — an increase of £600 a month — but the rolling twelve-month total rose by only about £600 to £1,200 at each month-end, because each new month replaces a month from the previous year rather than adding to it. A business watching its monthly sales figures grow may not appreciate how gradually the rolling total is climbing, and equally may not notice how close to the line it has come.

Second, a weak month in the prior year is what pushes the total over. August 2025 was Brackford's quietest month at £6,800. When it dropped out of the window at the end of August 2026, the rolling total jumped by £1,200 — twice the usual movement — even though nothing unusual happened in August 2026. The rolling total can rise sharply because of something that happened a year ago.

Third, the threshold is a strict inequality. At the end of August 2026 the rolling total is exactly £90,000. That does not exceed £90,000, so no obligation arises. One month later it does. The example is contrived to land on the figure precisely, but the underlying point is not contrived at all: a business at £89,900 has no obligation and a business at £90,100 has one, and the only way to know which one it is, is to do the arithmetic each month.

D.6 The deadlines, and what "effective date" means

The two tests have different timing, and the difference is not cosmetic.

Under the backward-look test: the company has **30 days from the end of the month** in which the threshold was exceeded to notify HMRC. Registration then takes effect from the **first day of the second month** after the month in which the threshold was exceeded.

Applied to Brackford:

Rolling twelve-month total first exceeds £90,000	measured at the end of **September 2026**
Notify HMRC by	**30 October 2026**
VAT registration effective from	**1 November 2026**
From that date	Brackford must charge VAT on its taxable supplies

Note the sequence: the notification deadline and the effective date are only two days apart. A company that leaves notification to the last permitted day is registered from almost immediately afterwards, with no time to prepare its pricing, its invoicing or its software. In practice the useful deadline is the end of the month in which the threshold is crossed, not thirty days later.

Under the forward-look test: the company must notify within 30 days of the date on which it formed the expectation, and registration takes effect from **the date the expectation arose** — that is, the beginning of the thirty-day period being looked at. This is both earlier and sharper than the backward-look test: there is no first-day-of-the-second-month grace, and the company may find itself registered from a date that has already passed by the time it does the arithmetic.

D.7 What late registration costs

If the company registers late, HMRC treats it as having been registered from the date on which it **should** have registered. The consequence is that the company is liable to account for VAT on all of its taxable supplies from that date — including supplies on which it charged no VAT to its customers.

The liability is the company's. Whether it can recover any of that VAT from its customers depends on the contracts and on the commercial relationship: a business customer who is itself registered may accept a supplementary VAT-only invoice and reclaim the tax, whereas a consumer customer almost certainly will not, and in either case there may be nothing in the contract requiring the customer to pay. So the accurate statement is that **the company remains liable to HMRC, and will have to bear the VAT itself to the extent that it cannot recover it retrospectively from customers** — which, in practice, is often most of it.

A failure-to-notify penalty can be charged on top, calculated as a percentage of the tax due, with the percentage depending on whether the failure was careless or deliberate and on whether the disclosure was prompted or unprompted. A genuine oversight disclosed voluntarily is treated a good deal more leniently than the same failure discovered by HMRC.

This is why a growing business checks the rolling total monthly. Discovering in March that registration was due the previous November means four months of sales on which VAT is now owed and was never collected. On an IT company's turnover, that is comfortably into four figures and possibly five.

D.8 The exception for a one-off spike

There is one relief, and it is narrower than it looks.

If the rolling total crosses £90,000 only because of a **one-off event**, and the company can show that it expects its taxable turnover for the **next twelve months not to exceed the deregistration threshold of £88,000**, it can apply to HMRC for an **exception from registration**. The application must be made at the time, in writing, with evidence supporting the forecast — typically an explanation of the one-off transaction and a projection of ordinary trading without it. HMRC decides; the exception is not automatic and is not something the company can simply assume. Note the wording of the condition: the forecast has to be that turnover will *not exceed* £88,000, so a forecast of exactly £88,000 satisfies it. That is the same strict-inequality point made about the £90,000 threshold in D.2, applied at the other end. If it is refused, the company must register in the normal way, from the date it would otherwise have been registered.

The exception exists for a genuine spike: a single unusually large project that will not recur, or a one-off supply of equipment well outside the company's ordinary pattern of trade. (An insurance payout is not an example of this, and is worth mentioning only to be set aside: an ordinary indemnity payment is not consideration for a supply, so it does not enter taxable turnover in the first place and cannot push a business over the threshold.) It does not exist for a business that is simply growing through the threshold and would prefer not to be. Brackford is in the second category, not the first: its turnover crosses the line because the business is bigger than it was, and its forecast for the following twelve months is expected to exceed £88,000.

It is worth noticing, though, how close the question comes. Brackford's turnover falls back in the final quarter of the year, as a large project completes and the hardware resale does not repeat. If that pattern continued far enough to support a credible forecast that taxable supplies for the **next twelve months would not exceed £88,000**, the company could apply to **deregister** — a different decision, made at a different time, and one that has its own consequences for input tax already reclaimed. The two thresholds, £90,000 to get in and £88,000 to get out, exist precisely to stop businesses crossing back and forth on small movements.

Watch point: check the rolling twelve-month taxable turnover at the *end of every month*. The VAT threshold is not an annual test, the rolling total can jump because of a weak month a year ago, and late registration means paying VAT that was never charged.

D.9 Registering before you have to

Everything above concerns *compulsory* registration. A business below the threshold may also **register voluntarily**, and for a company with Brackford's customer profile that is a real decision rather than a technicality.

Voluntary registration tends to make sense where:

- **customers are VAT-registered and recover in full**, so adding VAT costs them nothing in net terms while the company gains input tax recovery on its own purchases;
- the company has **substantial input tax** relative to its output tax — equipment, hardware, software — so it may even be in a repayment position;
- the company makes **zero-rated supplies**, which carry no output tax but still allow full recovery;
- the company is **approaching the threshold anyway**, and would rather move its pricing, its invoicing and its software on its own timetable than inside the thirty days the compulsory rules allow.

It makes little sense where customers are consumers or unregistered businesses, for the reasons set out in Section E.2: the company then either raises its prices by 20% or absorbs the VAT out of its margin, and gains only its input tax recovery in exchange.

There are costs on both sides of the decision. Registration brings quarterly returns, Making Tax Digital record-keeping and compatible software, and the administrative attention that goes with them. Those are real for a one-person company, and they are the reason a business with modest input tax and a mixed customer base often sensibly stays out until it has to come in.

For Brackford the analysis is finely balanced. Its client base is mainly registered businesses, and in the years before this one it bought equipment on which it could not recover VAT. Registering a year or two earlier would have recovered that input tax and cost its business clients nothing, at the price of the quarterly cycle and a price conversation with its handful of consumer clients.

The point for the reader is that £90,000 is the figure at which registration becomes **compulsory**, not the figure at which it becomes **possible**. A company that has never considered voluntary registration has not weighed the decision; it has simply not asked the question.

D.10 Coming back out: deregistration is not free

A business may **apply** to cancel its registration where it can satisfy HMRC that its taxable turnover for the **next twelve months will not exceed £88,000**. The test is forward-looking: the rolling twelve-month total at the date of the application does not itself have to have fallen below £88,000. Cancellation is not automatic and it is not obviously desirable, because it carries a cost that catches people out.

The final return carries a deemed supply. On deregistration the business is treated as making a supply of the **stock and assets it still holds** at that date on which it reclaimed input tax, and must account for VAT on their current market value on the final return. There is a de minimis: no VAT is due if the total would be £1,000 or less. For a company that has reclaimed VAT on a server, several laptops and a quantity of hardware, the figure can exceed that comfortably.

The final return still has to be filed and paid in the ordinary way, within one month and seven days of the effective date of cancellation.

So the shape of the decision is not “turnover fell, therefore leave”. It is a comparison between the ongoing administrative cost of remaining registered, the input tax recovery that would be given up by leaving, the VAT payable on the deemed supply of assets still held, and the likelihood of crossing £90,000 again — because a business that deregisters and then grows back over the threshold has to register afresh, with a new effective date and the whole sequence to run again.

Brackford’s turnover falls back in the final quarter of its year, as a large project completes and the hardware resale does not repeat. That is worth noticing, but it is not by itself a reason to leave. Sam would need credible evidence that Brackford’s taxable supplies for the **next twelve months will not exceed £88,000**. The rolling total at the application date need not already be below that figure.

E. Life after VAT registration

E.1 What changes on registration

Registration changes three things at once. From the effective date the company must **charge VAT** on its taxable supplies (output tax), it may **reclaim VAT** on its business purchases (input tax), and it must **keep digital records and file VAT returns through compatible software** under Making Tax Digital (Section F), normally every quarter.

There is also a practical sequence that is easy to get wrong. HMRC issues the VAT registration number some time after the application, but the obligation to charge VAT runs from the **effective date of registration**, which may be earlier. In the interval, the company cannot issue a valid VAT invoice because it has no number to put on it. The conventional handling is to raise invoices for the VAT-inclusive amount without showing VAT separately, and then reissue proper VAT invoices once the number arrives — having explained the position to the customer in advance. Doing nothing and hoping to absorb the VAT later is the expensive alternative.

E.2 The customer question decides how much it hurts

This is the single most important commercial point about VAT registration, and it turns almost entirely on who the customers are.

Where the customer is VAT-registered and can recover the VAT in full, adding VAT to the invoice costs them nothing in net terms — they reclaim it on their own return. Brackford can add 20% to its prices without becoming more expensive to those customers, and it simultaneously gains the ability to reclaim VAT on its own costs. For a business-to-business IT company, registration is often close to neutral and can be positively advantageous.

The qualification in that sentence — **to the extent that the customer is entitled to recover the input VAT in full** — is doing real work and should not be dropped. Not every VAT-registered business recovers everything. A partly exempt business, such as an insurance broker, a financial adviser, a private medical practice or a business with significant exempt rental income, can recover only a proportion of its input tax. A customer of that kind bears part or all of the VAT as a genuine cost, and Brackford’s prices become genuinely more expensive to them. In an IT support book of business, that category is not unusual.

Where the customer is a consumer or an unregistered small business, there is no recovery at all. Adding 20% either makes Brackford 20% more expensive or forces it to absorb the VAT out of its own margin. For a business-to-consumer company, crossing the threshold genuinely hurts.

Brackford's client base is mainly other small businesses, most of which are registered, with a small number of consumer clients and one or two partly exempt professional practices. So the honest answer for Brackford is that registration is manageable but not costless, and that the pricing decision has to be made separately for the two groups.

E.3 Input tax: what can and cannot be reclaimed

Once registered, Brackford reclaims the VAT on its business purchases — hardware, equipment, software subscriptions, professional fees, and the business proportion of mixed-use costs such as the mobile phone. Several restrictions are worth knowing:

- **Client entertaining.** VAT on entertaining customers is generally not recoverable, mirroring the corporation tax position from RT-102, Section G.
- **Cars.** VAT on the purchase of a car that is available for private use is blocked entirely, even where there is substantial business use. VAT on a commercial vehicle is recoverable in the ordinary way, subject to business use.
- **Non-business and private use.** Where a cost serves both the business and the household, only the business proportion is recoverable. The apportionment has to be reasonable and supported.
- **Exempt supplies.** Input tax attributable to exempt supplies is not recoverable, and a business making both taxable and exempt supplies has to operate partial exemption. This does not arise for Brackford.
- **Evidence.** A valid VAT invoice is needed. A card receipt showing a total is not a VAT invoice, though simplified invoices are permitted below a value limit.

E.4 Pre-registration input tax: the numbers, not just the principle

A newly registered business can recover some VAT incurred **before** the effective date of registration. This is frequently overlooked at exactly the moment it is worth money, so the time limits are given here rather than left as "conditions apply".

What	How far back	Condition
Goods — stock, equipment, assets	**4 years** before the effective date	The goods must still be held by the business at the effective date, or have been used to make goods still held. Goods consumed or sold before registration do not qualify.
Services	**6 months** before the effective date	The services must have been supplied for business purposes and not relate to goods disposed of before registration.

For Brackford this is not a trivial line. In the four years before November 2026 the company bought laptops, monitors, a server, network equipment and a workshop bench, much of which it still owns. The

VAT on the items still held at 1 November 2026 is recoverable on the first return, provided the original invoices can be produced. The six-month window for services picks up accountancy fees, software subscriptions and professional costs from May 2026 onwards.

The practical instruction is to assemble the purchase records **before** the first return rather than after it, because the claim is made on that return and the records are the whole of the evidence.

E.5 The three schemes, with their limits

Most small companies use **standard VAT accounting**: charge VAT on sales, reclaim VAT on purchases, account for the difference each quarter by reference to tax points (Section E.8). Three alternative schemes are worth understanding.

Cash accounting. VAT is accounted for by reference to when the company is actually paid and actually pays, rather than when invoices are raised. It helps cash flow where customers pay slowly, because the company does not have to pay over VAT on an invoice it has not yet been paid for. It also gives automatic relief where a customer never pays at all. The trade-off is that input tax cannot be reclaimed until the supplier is paid. A business can join if its expected taxable turnover for the next twelve months is **£1.35 million or less**, and must leave once turnover exceeds **£1.6 million**.

Annual accounting. One return a year with instalment payments through the year. Same entry limit of £1.35 million. A business must leave if its taxable turnover is, or is likely to be, more than **£1.6 million** at the end of its annual accounting year. The scheme reduces the administrative rhythm but delays the recovery position for a business in a repayment situation, and it does not remove the Making Tax Digital record-keeping requirement.

The flat rate scheme. Instead of tracking input tax on each purchase, the company pays a fixed percentage of its **VAT-inclusive** turnover to HMRC and keeps the difference. Input tax is generally not reclaimed at all, with one exception: VAT on a **single purchase of capital expenditure goods costing £2,000 or more including VAT** can be reclaimed in the ordinary way. A business can join if its expected taxable turnover, excluding VAT, for the next twelve months is **£150,000 or less**.

There are **two leaving tests**, but they do not operate on the same timetable:

- **the annual anniversary test** — at the anniversary of joining the scheme, total business income including VAT for the **year then ending** exceeds **£230,000**; and
- **the forward test** — there are reasonable grounds to expect total business income including VAT in the **next thirty days alone** to exceed **£230,000**.

The first of these is an **annual check**, not a rolling monthly test like VAT registration in Section D.2. The second is deliberately sharper: a single very large transaction can require the business to leave the scheme from the beginning of that thirty-day period, without waiting for the anniversary check.

There is a limited concession attached to the **annual anniversary test**. If the £230,000 limit has been exceeded because of unexpected, non-recurring business activity, and HMRC is satisfied that total income including VAT for the coming twelve months will **not exceed £191,500**, it may allow the business to remain in the scheme. That is a discretion to be applied for, not an entitlement. **It does not apply where the thirty-day forward test is triggered.**

There is a **1% discount** on the applicable rate for the first year, and its timing is worth noting: the discount runs from the date the business joins the scheme until the **first anniversary of its VAT registration**, not the first anniversary of joining. A business that registers for VAT and joins the scheme six months later gets six months of discount, not twelve; a business that joins more than twelve months after registering gets none.

The flat rate scheme is where most of the confusion sits, and it deserves working through properly.

E.6 Relevant goods: the test that decides the rate

The flat rate percentage depends on the business sector. For computer and IT consultancy the rate is **14.5%**; for computer repair services it is **10.5%**. Where a business's activities span more than one sector it does not apply two percentages: it identifies the sector representing the **largest part of its expected turnover** and applies that single rate to the whole of its flat rate turnover, reviewing the position at the anniversary of joining the scheme if the balance of the business changes.

But a separate test overrides the sector rate entirely. A business that is a **limited cost business** for a VAT period must use **16.5%** for that period, whatever its sector — reduced to **15.5%** while the first-year discount is still running.

A business is a limited cost business for a period if the cost of its **relevant goods, including VAT**, is either:

- **less than 2%** of its VAT-inclusive flat rate turnover for the period; or
- **more than 2% but less than £1,000 a year** — that is, less than £250 in a quarter.

Two measurement points are easy to get wrong and both matter:

- **Both sides of the comparison are VAT-inclusive.** The goods figure is taken including VAT, not net, and it is compared with turnover including VAT. Using the net cost of goods against a gross turnover figure understates the ratio and can produce the wrong answer.
- **The test is applied separately for each VAT period.** A business can pass in one quarter and fail in the next, and must check every time it prepares a return.

What counts as relevant goods is where nearly all of the errors sit. Relevant goods are *goods*, not services, used exclusively for the purposes of the business. For an IT company the exclusions matter far more than the inclusions:

Excluded from relevant goods	Why this bites an IT company
All services	Software subscriptions, hosting, cloud storage, licences, telecoms, accountancy and professional fees are services. Anything supplied electronically is a service.
Capital expenditure goods, of any value	A laptop, monitor, server or handset bought for the company's own use is capital expenditure and does not count — even though it is unmistakably a good and unmistakably a business cost.
Goods for resale, unless selling such goods is ordinarily the main business activity	The one most often missed. A managed IT support company that resells some hardware is not ordinarily in the business of selling hardware, so the resold hardware is excluded.
Vehicles, vehicle parts and fuel	Unless the business operates in the transport

Excluded from relevant goods	Why this bites an IT company
	sector using its own or a leased vehicle.
Food and drink for the director or staff	
Goods not used exclusively for the business	Household electricity supplying a home office fails the exclusivity test.
Goods bought solely to pass the test	Stockpiling stationery to get over 2% does not work, and HMRC says so expressly.

One distinction arises constantly in an IT business and is worth committing to memory: **standard software supplied on a disk is goods; the same software downloaded or delivered online is a service.** The identical product, bought two ways, falls on opposite sides of the test.

What is left for a typical IT support company is a short list — stationery and office supplies, cleaning materials, cabling, connectors, small parts and consumables genuinely used up in delivering the service. That is usually not very much, which is precisely why service businesses are the ones the limited cost rules were designed to catch.

E.7 Brackford: running the numbers on the flat rate scheme

Take Brackford's first VAT quarter, 1 November 2026 to 31 January 2027.

The turnover side.

Net sales (Nov £8,000 + Dec £7,300 + Jan £7,700)	£23,000
VAT charged at 20%	£4,600
VAT-inclusive flat rate turnover	**£27,600**

The purchases, sorted into the right buckets. This is the step that decides the outcome, and it cannot be done from a single "purchases" total.

Purchase	Net	Including VAT	Relevant goods?
Hardware bought in to resell to clients	£2,200	£2,640	**No** — goods for resale, and reselling hardware is not Brackford's main business activity
Cabling, connectors and consumables used up in delivering support	£400	£480	**Yes**
Software subscriptions, hosting and other online services	£1,600	£1,920	**No** — services
Total standard-rated purchases	**£4,200**	**£5,040**	

Input tax on the whole £4,200 is **£840**, and that is the figure standard accounting uses. But only **£480** of VAT-inclusive cost counts as relevant goods.

Step one — is Brackford a limited cost business this quarter?

Relevant goods, including VAT	£480
2% of VAT-inclusive flat rate turnover: £27,600 × 2%	£552

£480 is less than £552, so the first limb is satisfied and **Brackford is a limited cost business for this quarter.** The £250 quarterly floor is the second limb and only comes into play where relevant goods *exceed* 2%; it does not rescue a business that has already failed the first test.

Notice what did not help. Brackford spent £2,640 including VAT on hardware in the quarter — nearly five times the 2% figure — and none of it counted. Nor would a new laptop for Sam's own use, at any price, because capital expenditure goods are excluded whatever they cost.

Step two — the rate. Brackford registered for VAT on 1 November 2026, so the first-year discount runs until 31 October 2027. The limited cost rate of 16.5% is therefore reduced by one percentage point to **15.5%** for this quarter.

Step three — compare the two methods.

	Standard accounting	Flat rate scheme at 15.5%
Output tax	£4,600	—
Input tax reclaimed	(£840)	nil
Flat rate: £27,600 × 15.5%	—	£4,278
VAT payable for the quarter	**£3,760**	**£4,278**

The flat rate scheme costs **£518 more** for the quarter — and that is *with* the first-year discount. Once the discount ends and the rate returns to 16.5%, the flat rate figure becomes £4,554, which is **£794 worse** per quarter, or around £3,200 a year.

Step four — why that is the expected result rather than a quirk of these numbers. Applying 16.5% to a VAT-inclusive figure is the same as applying 19.8% to the net invoice value. Brackford charges its customers 20%. So a limited cost business hands over very nearly everything it collects and recovers nothing on its purchases. For a business with meaningful input tax it will usually be difficult for the scheme to outperform standard accounting on those numbers, and the gap widens as input tax rises.

The qualification matters, because the arithmetic does not rule the scheme out absolutely. A business whose input tax is very small — because almost everything it buys is exempt, zero-rated, or bought from unregistered suppliers — has little to give up by joining, and the 0.2 percentage point margin between the 19.8% effective rate and the 20% charged can leave it marginally ahead. That is not Brackford, which has £840 of recoverable input tax in a single quarter. But it is the reason the answer comes from running the figures rather than from a general statement about limited cost businesses.

The scheme's remaining attraction for a limited cost business is administrative simplicity, and £794 a quarter is an expensive way to buy it.

The asymmetry worth carrying away. Look at what the £14,000 of hardware resale has done across this module.

- In **Section D**, it counted **in full** towards taxable turnover, and it is the reason Brackford crossed the £90,000 registration threshold at all. Without it the company's taxable turnover for the year would have been £78,000.
- In **Section E**, the same hardware counts **for nothing** towards the relevant goods test, and does nothing to keep Brackford out of the limited cost category.

The same transactions, treated one way by the registration rules and the opposite way by the flat rate rules. That is not an oversight in the legislation — the two rules are answering different questions, one about the scale of a business's supplies and the other about whether it is genuinely a goods-buying business. But it is exactly the sort of asymmetry that a rule of thumb conceals.

So the conclusion for the reader is the method, not the figure: sort the purchases into goods and services, strip out anything bought for resale and anything that is capital expenditure, use VAT-inclusive amounts on both sides of the 2% comparison, and repeat the exercise every quarter.

E.8 The tax point: which period a supply falls into

VAT returns are quarterly, so every supply has to land in one quarter or another. The rule that decides which is the **tax point**, or time of supply, and for a business with recurring contracts, staged project work and deposits it is the most common source of ordinary, unglamorous VAT error.

The basic tax point is the date the goods are removed or made available to the customer, or the date the service is completed.

The actual tax point overrides it in two situations:

- Where the supplier **issues a VAT invoice or receives a payment before** the basic tax point, the tax point becomes the earlier of those dates, to the extent of the amount invoiced or received.
- Where the supplier **issues a VAT invoice within 14 days after** the basic tax point, the invoice date becomes the tax point instead.

Three consequences for an IT support company:

A deposit or payment on account creates a tax point immediately. A client paying half of a project fee up front creates a tax point for that half on the date of payment, even though no work has yet been done. The output tax is due on the return covering that quarter, not on the return covering completion. A business that treats the deposit as "not income yet" will understate its output tax, and the error compounds across a year of staged projects.

Continuous supplies have their own rule. A managed support contract billed monthly or quarterly is a continuous supply of services, and the tax point is the earlier of the date a VAT invoice is issued and the date payment is received, taken period by period. An annual retainer invoiced and paid in advance produces a single tax point at that point, not twelve monthly ones — which can put a large slice of output tax into one quarter.

Delaying an invoice does not defer the VAT indefinitely. Where a service has been completed and no invoice has been issued and no payment received, the basic tax point has already occurred. The 14-day rule moves the tax point to the invoice date only where the invoice follows within 14 days; beyond that, the completion date governs.

The parallel with Section B is worth noticing. Corporation tax asks which *accounting period* a transaction belongs to and answers with the accruals basis. VAT asks which *VAT period* it belongs to and answers with tax points. The two questions have different answers, and a payment on account is the clearest illustration: it creates a VAT tax point at once, while for corporation tax it is deferred income until the work is actually done.

E.9 Pricing: the decision to make before registering

The commercial decision Brackford faces as it approaches the threshold is what to do about prices. For registered business customers who recover in full, adding 20% on top is straightforward and the customer is indifferent. For consumer clients and partly exempt clients, the company must choose between raising the price by 20% and treating the existing price as VAT-inclusive — which means absorbing the VAT out of its own margin and reducing the net price by one sixth.

Absorbing it is not a small thing. On a consumer support contract priced at £600 a year, treating the price as VAT-inclusive reduces Brackford's net income to £500 — a 16.7% cut in revenue on that contract. If consumer clients are a tenth of the book, the effect on the whole business is manageable; if they are half of it, it is not.

The decision is commercial rather than technical, but it is much easier to make in September, with two months' notice to customers, than in November with none. The timing point is the practical lesson: registration should be planned for while the rolling total is still approaching the threshold, not after it has crossed.

E.10 Brackford from 1 November 2026

From its effective date, Brackford charges 20% VAT on its taxable supplies. Its business clients absorb the change without difficulty; its handful of consumer clients are given two months' notice of a price change, and the two partly exempt professional practices are handled individually. Brackford reclaims input tax on its hardware, software and other business costs, and makes a pre-registration claim on the first return for VAT on equipment still held and on services from the previous six months. It keeps digital records and files quarterly through compatible software. Sam runs the flat rate arithmetic set out above, finds that the company is a limited cost business and that the scheme would cost it several hundred pounds a quarter even with the first-year discount, and stays on standard accounting. He keeps cash accounting under review as a cash-flow measure rather than a tax-saving one, and diarises the tax point rules against the two projects the company has agreed to invoice in stages.

Watch point: whether VAT registration hurts depends on whether the customers can recover the VAT — in full, in part, or not at all. Work out the customer base before the threshold arrives, not after.

F. Making Tax Digital and digital filing

F.1 What Making Tax Digital is, and what it is not

Making Tax Digital is HMRC's programme to move tax record-keeping and reporting onto software. Instead of a business keeping records in whatever form it likes and typing figures into an online form, it keeps digital records in compatible software and files directly from that software, with digital links between the records and the return.

For a company, the practical question is narrow: **which taxes does it actually affect?** The answer is more limited than most coverage suggests, and the coverage is confusing because the programme's scope has changed several times.

There is also a second question, which most coverage misses entirely: **which filing obligations have become software-only for reasons that have nothing to do with Making Tax Digital?** That is F.4, and for a company it is the more immediately practical of the two.

F.2 MTD for VAT — the one that affects Brackford

MTD for VAT is mandatory, and it applies from the moment a company registers for VAT. There is no separate turnover threshold to reach; registration is the trigger. So from 1 November 2026, Brackford must:

- keep its VAT records digitally, including the required details of each supply made and received;
- use **functional compatible software** that can both preserve those records and submit returns to HMRC;
- maintain **digital links** between the records and the return, so that figures are not manually retyped between systems;
- file each VAT return through that software, rather than by entering figures into an HMRC web form.

Filing through the wrong channel can itself be a failure, with a penalty attached, so having compatible software in place is part of preparing for registration rather than something to sort out after the first return is due.

One qualification: the requirement applies **unless HMRC has granted an exemption**. Exemptions are narrow and are granted on application, principally on grounds of digital exclusion — for example age, disability, remoteness of location, or religious grounds — and not because a business finds software inconvenient. The category exists and it is small.

F.3 MTD for Income Tax — why it does not affect the company

MTD for Income Tax generates a large amount of noise, most of which does not apply to a company at all.

It is being introduced in stages, by income level, and it applies to **sole traders and landlords** — not to companies:

From	Applies to sole traders and landlords with qualifying income over
April 2026	£50,000
April 2027	£30,000
April 2028	£20,000

Two points of precision are worth having.

"Qualifying income" is a defined figure, not this year's profit. It means gross income from self-employment and from property — turnover and rents before expenses, not profit — and HMRC identifies who is in scope by reference to the figures on an **earlier year's** tax return rather than the current year's results. So the question is not whether a person expects to earn more than the threshold this year; it is what an earlier return showed.

Salary, dividends, pensions and savings income do not count towards it. They are outside the definition entirely.

Brackford is a **company**, and Sam takes his income as salary and dividends. MTD for Income Tax does not apply to the company, and it does not apply to Sam on these facts. It could apply to him personally only if he separately had sole-trade or property income above the relevant threshold — if he let out a flat, for example. On the facts of an owner-managed IT company, it does not arise.

F.4 MTD for Corporation Tax is not happening — but corporation tax filing has still changed

Two facts sit side by side here, and conflating them is the most common error in this area.

Fact one: Making Tax Digital for Corporation Tax is not going ahead. HMRC has confirmed that it does not intend to introduce it. Companies will not be filing quarterly updates for corporation tax. The annual CT600 remains the return.

Fact two: the way that return is filed has changed. HMRC closed its own free service for filing company accounts and company tax returns on **31 March 2026**. From **1 April 2026**, a company generally has to file its Company Tax Return through **commercial corporation tax software**, with only limited exceptions such as a return in Welsh or a case where the company has a reasonable excuse for filing on paper.

It is worth separating two things that are often run together. The **CT600 itself** is submitted electronically by the software; the **accounts and the tax computations** that accompany it are the documents that must be tagged in **iXBRL** format. Saying that the return is filed "in iXBRL" is shorthand, and it obscures where the tagging risk actually sits — which is in the accounts and computations, not in the return form.

The practical consequences are worth spelling out because they interact with the penalty regime:

- A company that previously used HMRC's free service — which was a large number of small companies — needs commercial software, and needs it in place before the filing deadline rather than in the week the return is due.
- A submission that HMRC's validation rejects, for example because of incorrect iXBRL tagging or a mismatched taxonomy, **does not count as filed**. If the error is not corrected and the return resubmitted before the deadline, the return is late.
- The fixed penalty for a late return **doubled to £200 on 1 April 2026** — the same date. A company migrating to new software for the first time faces the highest risk of a rejected submission at precisely the moment the cost of one has doubled.

So the accurate summary for a company is: **Making Tax Digital, for a company, currently means VAT only — but the absence of MTD for Corporation Tax does not mean corporation tax filing is unchanged.** The filing channel is now software-only, and the penalty for getting it wrong is larger than it was.

Watch point: for a company, Making Tax Digital means VAT. Separately, and for different reasons, the CT600 must now be filed through commercial software — HMRC's free service closed on 31 March 2026, and a rejected submission is not a filed one.

F.5 The same direction of travel at Companies House: April 2028

Corporation tax filing went software-only in April 2026. Companies House is following, and a company that has just absorbed one change should know the other is coming.

On 9 June 2026 the government confirmed a package of accounts-filing reforms under the Economic Crime and Corporate Transparency Act 2023, taking effect from **April 2028**:

- **Software-only filing.** Every UK-registered company — including dormant companies — must file its annual accounts through **commercial software in iXBRL format**. The free Companies House web filing route for accounts, and the paper route, both close. Web filing remains available for other documents, including the confirmation statement.
- **Profit and loss accounts for small companies and micro-entities.** These companies must file a profit and loss account for the first time. They will be able to **opt out of having it published** on the public register, though the mechanism for opting out is still to be confirmed; Companies House, HMRC and law enforcement retain access either way.
- **Abridged accounts are removed** as an option.
- **All component parts of the accounts must be filed together**, rather than delivered separately.
- A **strengthened eligibility statement** is required from companies claiming audit exemption, and there are tighter limits on how often a company may shorten its accounting reference period.

The reforms were originally planned for April 2027 and were deferred by a year, giving companies one full accounting year plus nine months to prepare. The cut-off is a **filing date**, not an accounting period: any accounts delivered on or after the commencement date are caught, so which set of a company's accounts is the first to be affected depends on its year-end.

For a company like Brackford, whose accounts are already prepared and filed through an accountant's software, the practical impact is limited. For a director who files micro-entity or dormant accounts himself through the free web service, it is not: that route disappears, and commercial software or an agent takes its place.

Taken together with the corporation tax change in F.4, the pattern is clear enough to state as a principle rather than a pair of facts. **The free, hand-keyed filing routes are closing across both bodies.** Making Tax Digital is only one part of that; the rest is happening under separate legislation and on a separate timetable, and a company that watches only the Making Tax Digital headlines will be surprised twice.

G. The annual compliance cycle and penalties

G.1 Five filing regimes running at once

An owner-managed company does not have one deadline a year. Once it is VAT-registered it has **five separate streams of obligations**, each with its own deadlines and its own penalty mechanism, running simultaneously:

1. **Companies House** — the annual accounts, the confirmation statement, and now identity verification for directors and people with significant control.
2. **Corporation tax (HMRC)** — the CT600 return and the tax payment, on two different dates.

3. **VAT (HMRC)** — a return and a payment every quarter, with its own points-based penalty system. This is the most frequent of the five.
4. **PAYE and real time information (HMRC)** — a submission on or before every payday, monthly or quarterly payments, and a set of year-end tasks.
5. **The director's personal self-assessment (HMRC)** — Sam's own return and payments, on a tax-year cycle that does not align with the company's.

The first two modules could treat compliance as an afterthought because Brackford had four of these and the fourth was light. From 1 November 2026 it has five, and the newest one is also the most frequent. A compliance picture for this company that leaves VAT out is not a picture of this company.

The separate one-page **annual compliance calendar** supplied with this module lays all five out against a 31 March year-end.

G.2 Companies House

Three obligations now, where there used to be two.

Annual accounts. An established private company must file its statutory accounts with Companies House within **9 months** of the accounting reference date. For Brackford's 31 March 2027 year-end, that is **31 December 2027**.

The nine-month rule does not apply to a company's **first** accounts, which are on a different footing for the same reason set out in Section A.9: the first accounting reference period is usually longer than twelve months. For a private company the first accounts are generally due **21 months after the date of incorporation**, or three months after the accounting reference date if that is later. A new company therefore has two special rules to keep straight — a longer first Companies House deadline, and two corporation tax returns.

Late filing carries an automatic penalty, on a scale that depends on the delay:

How late	Penalty (private company)
Up to 1 month	£150
1 to 3 months	£375
3 to 6 months	£750
More than 6 months	£1,500

If accounts are filed late in two successive financial years, the penalty **doubles**. The penalty is automatic and Companies House has very limited discretion; reliance on an accountant, cash-flow difficulty and unfamiliarity with the rules are not accepted as excuses. Persistent failure can also lead to the company being struck off and to action against the directors personally.

Confirmation statement. At least once every twelve months the company must file a confirmation statement, confirming its directors, its registered office, its shareholders and people with significant control, its SIC codes and its statement of lawful purposes. The company has a **review period** of twelve months, and the statement must be filed within **14 days of the end of that review period**. It is a light filing but it is not optional, and failure to file is a criminal offence as well as a route to being struck off.

Identity verification. This is new, and it is the most likely thing to catch an owner-managed company out in 2026, because it changes what a routine filing requires.

Under the Economic Crime and Corporate Transparency Act 2023, identity verification became a legal requirement from **18 November 2025**. That date is not a deadline; it is the start of a twelve-month transition. What matters for any particular company is the **trigger**, not the date:

- **New directors** must verify their identity before being appointed or before incorporating a company.
- **Existing directors** must have verified their identity by the time the company files its **next confirmation statement** after 18 November 2025, and must provide their **personal code** as part of that filing. Until every director has done so, **the company cannot file the confirmation statement at all** — the filing is blocked, not merely flagged.
- **People with significant control** have a separate obligation. Where the individual is also a director of the same company, the PSC confirmation and personal code must be provided within **14 days of the company's confirmation statement date**, through a separate Companies House service. Where the individual is a PSC but not a director, the fourteen-day window instead starts on the first day of their month of birth as shown on the register.

Sam Ellis is both the sole director and the sole person with significant control of Brackford, which is the ordinary position in an owner-managed company. So he has to provide his personal code **twice**: once as director, within the confirmation statement itself, and once as PSC, within fourteen days of the confirmation statement date, using the separate service. Verifying once is enough — the personal code is issued once and reused — but it has to be supplied for each role and for each company in which the person holds a role.

Two consequences follow, and they are the reason this belongs in a compliance module rather than a company-law one. First, an unverified director cannot get the confirmation statement filed, so an identity-verification failure converts directly into a Companies House filing failure. Second, continuing to act as a director without having verified is an offence in itself, with the company potentially liable as well.

Verification is done either directly with Companies House through GOV.UK One Login, using identity documents, or through an Authorised Corporate Service Provider — a firm supervised for anti-money-laundering purposes, which in practice often means the company's accountant.

Watch point: identity verification is not a date to diarise; it is a condition attached to the next confirmation statement. Find the company's confirmation statement date, work backwards, and verify before it — because without every director's personal code the statement cannot be filed.

G.3 Corporation tax

From Section A, restated as compliance dates for a 31 March year-end:

Obligation	Timing	Brackford (year to 31 March 2027)
Pay the corporation tax	9 months + 1 day	1 January 2028 — in practice cleared by Friday 31 December 2027
File the CT600	12 months	31 March 2028

Late filing of the CT600 carries fixed penalties that **doubled for returns whose statutory filing date falls on or after 1 April 2026**. Set out as running totals, which is how HMRC presents them and how they are most easily remembered:

How late	Fixed penalty	Running total
1 day	£200	£200
3 months	a further £200	**£400**
6 months	10% of the unpaid tax, on HMRC's own determination	£400 plus 10%
12 months	a further 10% of the unpaid tax	£400 plus 20%

For a company that has filed late in each of the two preceding accounting periods, the third consecutive late return attracts **£1,000** at one day and a further £1,000 at three months, giving a running total of **£2,000** before any tax-geared penalty.

Two features of this regime are worth holding on to. The fixed penalties apply **whether or not any tax is due** — a dormant or loss-making company that has been issued a notice to deliver a return is caught in exactly the same way. And at six months HMRC may issue a determination of the tax due, which is its own estimate, and the 10% is calculated on that estimate rather than on the real figure.

Late payment of the tax carries no fixed penalty, but interest runs daily from the day after the due date at the prevailing rate — 7.75% at the date of this material, variable with the Bank of England base rate. Because the payment date falls three months before the filing date, this is the trap directors fall into most often, and the interest accrues quietly without any notice arriving to prompt action.

G.4 VAT

The most frequent of the five, and the one most recently added to Brackford's list.

Returns and payments. For a business filing quarterly, both the return and the payment are due **one calendar month and seven days** after the end of the VAT period. Brackford's first quarter ends 31 January 2027, so its first return and payment are due by **7 March 2027**. Direct debit payments are collected a few working days after the due date, which is a small but real cash-flow advantage; other payment methods must reach HMRC by the due date itself.

Brackford's VAT cycle, once established, runs:

VAT period ending	Return and payment due
31 January	7 March
30 April	7 June
31 July	7 September
31 October	7 December

Late submission — a points-based system. VAT does not use a fixed penalty for a late return. Each late submission earns one **penalty point**. When the points threshold is reached, a **£200 penalty** is charged, and a further £200 for every subsequent late return while the business remains at the threshold.

Filing frequency	Points threshold
Annual	2
Quarterly	4
Monthly	5

Points expire automatically after 24 months if the threshold has not been reached. Once the threshold **has** been reached, points do not simply expire: the business must complete a period of compliance — twelve months of returns submitted on time for a quarterly filer — and must also have submitted all returns due in the previous 24 months, before the points are reset to nil.

The design is deliberate. One late return costs nothing; a habit of late returns costs £200 a time.

Late payment. This is a separate regime from late submission, and it runs on percentages rather than points:

Payment made	Penalty
Within 15 days of the due date	No late-payment penalty
Days 16 to 30	First penalty: 3% of the amount outstanding at day 15
Still outstanding after day 30	First penalty: 3% of the amount outstanding at day 15, plus 3% of the amount outstanding at day 30
From day 31 onwards	Second penalty accrues daily at an annualised 10% on the amount outstanding, until paid

The most useful thing to notice is the fifteen-day window. A business that pays a week late pays no penalty at all — only interest. A business that pays a month late pays 3%. A business that lets the debt run pays 6% plus 10% a year on top of interest at 7.75%. The escalation is steep and it starts gently, which is the opposite of the corporation tax filing regime.

Time to Pay is worth understanding precisely, because it is genuinely useful to a company having a difficult quarter and it is frequently described too loosely. Simply contacting HMRC does not stop a penalty. What has the effect is a **Time to Pay proposal that HMRC subsequently agrees**: where a proposal is made before the relevant date and an arrangement is then agreed, the late-payment penalties are treated as stopping from the date of the proposal, subject to the statutory conditions and to the company keeping to the agreed terms. A proposal that is refused, or an arrangement that the company then breaks, does not protect it.

A change already scheduled. These percentages are due to increase, to 4% and 4%, from April 2027, as part of a wider alignment of penalties across VAT and income tax self-assessment.

G.5 PAYE and real time information

If the company pays the director a salary, it operates PAYE and reports in real time.

During the year. A **Full Payment Submission** must be sent on or before **each payday** — not monthly by reference to a calendar date, but by reference to the date the director is actually paid. Where no one is paid in a tax month, an **Employer Payment Summary** must be sent instead, by the 19th of the following tax month, to tell HMRC that it is a nil month. Failing to send either is what triggers an automatic late-filing notice.

Paying HMRC. PAYE tax and National Insurance are due by the **22nd** of the following tax month for electronic payment, or the 19th if paying by post. An employer whose average monthly liability is below **£1,500** may pay **quarterly** instead, by the 22nd after the end of the quarter — which will often apply to a company paying only a small director's salary.

Year-end tasks. These have a fixed sequence, and the ordering matters more than any single date:

Task	Timing
Final FPS for the tax year	**On or before the final payday of the tax year**, marked as the final submission
Final EPS, where needed	Where no one was paid in the final pay period, or the final-submission indicator was not set on the FPS
Year-end cut-off for final payroll reporting	**19 April** — after this date, changes are made through the year-end correction process rather than as an ordinary submission
P60 to each employee employed on 5 April	**31 May**
P11D and P11D(b), where taxable benefits were provided	**6 July**
Class 1A National Insurance on those benefits	**22 July** electronically, 19 July by post

The distinction between the first and third rows is the one worth getting right. The final FPS is due **on or before the last payday**, in the ordinary way; 19 April is the year-end cut-off by which the final submission for the tax year must have reached HMRC. It is not a licence to leave the final FPS until 19 April, and treating it as one produces late-filing notices for every payday in the meantime.

Two annual points from RT-101, restated here as compliance facts:

- Employer National Insurance is **15%** on pay above the **£5,000** secondary threshold.
- The **employment allowance** of £10,500, which offsets employer National Insurance, is **not available** where a director is the only employee whose earnings give rise to a secondary Class 1 National Insurance liability. The condition is about who generates the liability, not simply about headcount — taking on a second employee paid below the secondary threshold does not create entitlement.

Penalties under PAYE. This part of the module promises penalties, and PAYE has its own set, separate from everything else in the cycle.

Late real-time submissions. A penalty applies for each tax month in which a required Full Payment Submission is late or missing, scaled by the number of employees:

Employees	Penalty per tax month
1 to 9	£100
10 to 49	£200
50 to 249	£300

Employees	Penalty per tax month
250 or more	£400

The first default in a tax year is not normally penalised, so a single slip usually costs nothing. A habit of them costs a company of Brackford's size £100 a month. Where a submission is more than three months late, HMRC can charge a further penalty of 5% of the tax and National Insurance that should have been reported.

Late payment of PAYE. Penalties escalate with the number of defaults in the tax year, running from 1% to 4% of the amount paid late, with additional penalties of 5% where an amount is still unpaid after six months and again after twelve months. Interest runs alongside at the prevailing rate.

For a company paying only a small director's salary the PAYE burden is light, but the real-time obligation still falls on every payday, the penalty for missing it does not scale down below £100, and the year-end sequence still has to be worked through.

A change already fixed for April 2027: mandatory payrolling of benefits in kind. The P11D route described above is being replaced, in phases.

From	What changes
6 April 2027	Payrolling becomes mandatory for **company cars, car fuel, vans, van fuel and employer-provided medical benefits**. Income tax and Class 1A National Insurance on these move into the Full Payment Submission each pay period, in real time, instead of onto an annual P11D. No registration is required.
6 April 2028	Most remaining benefits in kind follow.
Later, date to be confirmed	Employment-related loans and employer-provided living accommodation stay outside the mandatory regime for now, and continue on the P11D unless voluntarily payrolled.

Two practical points follow for an owner-managed company. First, the P11D is not abolished in April 2027 — it survives for benefits outside the first phase, and the P11D for 2026/27, due on 6 July 2027, is the last ordinary one for company cars and medical cover. Second, and more significant for cash flow, **Class 1A National Insurance on the affected benefits becomes payable through the year rather than as a single sum in the following July.** A company providing a director with a car has been paying that Class 1A up to sixteen months after the benefit began; from April 2027 it pays it as it goes. HMRC's implementation guidance is still described as **interim** at the date of this material, so the final payroll software specifications and reporting detail should be checked again before April 2027.

G.6 The director's self-assessment

Separately from the company, **Sam** may need to file a personal self-assessment return. It is worth being accurate about when, because two pieces of folklore circulate here.

Being a director does not by itself require a return. HMRC's published position is that a directorship alone does not create a filing obligation. What creates the obligation is having income to report that has not been taxed correctly at source.

Dividends create an obligation above a threshold. Where a person is not already within self-assessment, dividend income of **more than £10,000** in the tax year requires a return. Below that figure, the tax can generally be dealt with by contacting HMRC and having it collected through the tax code, without a return. Above it, a return is required. For an owner-manager taking a meaningful dividend, the threshold is usually crossed comfortably, so in practice Sam files — but he files because of the amount of his dividends, not because of his job title.

The key dates:

Obligation	Deadline	Sam, for 2026/27
Register for self-assessment, if not already registered	5 October after the tax year	5 October 2027
File a paper return	31 October after the tax year	31 October 2027
File online	31 January after the tax year	31 January 2028
Pay the balancing payment	31 January after the tax year	31 January 2028
First payment on account for the following year	31 January	31 January 2028
Second payment on account	31 July	31 July 2028

Payments on account deserve their own line, because they are the single most common cause of an owner-manager being surprised by a January tax bill. The statutory test uses the relevant amount - broadly, total income tax assessed for the year less income tax deducted at source. Payments on account are due where that relevant amount is £1,000 or more and tax deducted at source is less than 80% of the total income tax assessed. Each payment is normally 50% of the relevant amount. The first falls on 31 January alongside the balancing payment for the year just ended, and the second on 31 July.

The effect in a director's first significant dividend year is that the January bill is not one year's tax but one and a half years' — the balancing payment plus the first payment on account. A director who has set aside exactly the tax on last year's dividends will be short. Payments on account can be reduced by claim where income is genuinely expected to fall, but reducing them too far attracts interest backdated to the original due dates.

Late filing penalties, and a change coming. For 2026/27, the existing self-assessment regime still applies to a taxpayer like Sam, who is not within Making Tax Digital for Income Tax:

How late	Penalty
1 day	£100, whether or not any tax is due
3 months	£10 a day for up to 90 days, to a maximum of £900
6 months	The greater of 5% of the tax due and £300
12 months	The greater of a further 5% of the tax due and £300

Late payment attracts separate penalties of 5% of the unpaid tax at 30 days, six months and twelve months, together with interest throughout.

From 2027/28 this changes, and Sam is in the first cohort of ordinary self-assessment taxpayers affected. From **6 April 2027**, the points-based regime extends to **everyone who submits a personal Self Assessment tax return** — that is, for the 2027/28 tax year onwards — whether or not they are within Making Tax Digital.

Late submission. For a taxpayer with an annual filing obligation the points threshold is **2**. One late return earns a point and costs nothing; a second within the relevant period triggers a **£200** penalty, and each further late return costs another £200. Points expire after 24 months if the threshold has not been reached. Once it has been reached, the taxpayer must file on time for a period of compliance — two consecutive annual returns — and have no returns outstanding for the previous 24 months, before the points reset to nil.

Late payment. The fixed 5% penalties are replaced by a percentage structure with a fifteen-day grace period. The rates that will apply to a taxpayer entering the regime in 2027/28 are the **increased** ones legislated to take effect from April 2027: **4%** of the amount outstanding by reference to day 15, a further **4%** by reference to day 30, and a second penalty accruing at **10% a year** from day 31. In a taxpayer's first year in the new system there is an additional fifteen days' grace, giving 30 days in total before a late-payment penalty is charged.

A caution about the commentary on this. Much of what is currently written describes the late-payment penalties as 3% and 3%. Those are the rates that applied to the earlier cohort — taxpayers brought into the regime through Making Tax Digital for Income Tax from April 2026 — before the increase. A taxpayer in Sam's position joins after the increase and never encounters the 3% figures at all.

One point of sequencing that is easy to get wrong: a taxpayer who is **already** within Making Tax Digital for Income Tax from April 2026 is in the new penalty regime for their 2026/27 year-end return, even though there is a soft landing for that year's quarterly updates. Sam is not in that group — he has no sole-trade or property income — so his 2026/27 return sits under the old rules and his 2027/28 return under the new ones.

G.7 The cycle, seen whole

The reason to see all five together is that they do not queue up politely. For Brackford's 31 March year-end, the last quarter of the calendar year carries the Companies House accounts deadline and the corporation tax payment date **on the same working day** — Friday 31 December 2027 — with the director's personal deadline and first payment on account a month later on 31 January 2028, and the VAT return for the quarter to 31 October falling due on 7 December in the middle of it. Meanwhile the confirmation statement, the identity-verification requirement attached to it, and the monthly payroll submissions run on cycles of their own that have no relationship to the year-end at all.

Nothing in that list is difficult on its own. The difficulty is that they arrive together, in the six weeks of the year when a small business is least able to give them attention. That is what the compliance calendar is for.

Watch point: five filing regimes run at once — Companies House, corporation tax, VAT, PAYE and the director's self-assessment — each with its own deadline and its own penalty mechanism. The annual calendar is the tool that keeps them visible.

H. Putting it together

H.1 Brackford's year, assembled

This module has taken Brackford from an accounting profit to a tax liability, through the VAT threshold, and into the compliance cycle. Pulling it together:

Stage	What happened	Figure or date
Accounting profit	from the accounts	£66,000
Tax adjustments	depreciation and entertaining added back, capital allowances deducted	net nil in this year
Taxable total profits before pension		£66,000
Corporation tax before pension	£50,000 at 19% plus £16,000 at 26.5%	£13,740
Employer pension contribution	paid before the year-end	£16,000
Taxable total profits after contribution		£50,000
Corporation tax after contribution	£50,000 at 19%	£9,500
Corporation tax saved	relief at the marginal 26.5%	£4,240
VAT threshold exceeded	rolling twelve-month total reaches £91,200	end of September 2026
Notification to HMRC	within 30 days of the month end	by 30 October 2026
VAT registration effective	first day of the second month	1 November 2026
Companies House accounts due	9 months	31 December 2027
Corporation tax due	9 months and 1 day, cleared by the preceding working day	1 January 2028 (in practice 31 December 2027)
CT600 due	12 months	31 March 2028
Sam's personal return and payments	31 January and 31 July	31 January 2028 and 31 July 2028

The pension contribution did two things at once: it moved £16,000 into Sam's pension and it took the company's profit out of the 26.5% band, saving £4,240 of corporation tax — at the cost of locking that money away until Sam reaches minimum pension age. The VAT registration happened on time because the rolling total was being checked monthly rather than annually. And every compliance date above was known a year or more in advance.

H.2 The five things that stick

1. **The rate is not one number.** Between £50,000 and £250,000 the effective corporation tax rate is 26.5% — higher than the headline main rate. That band is where year-end planning is worth the most, and the two methods of calculating the tax, statutory and by slices, agree.
2. **The pension contribution is the most flexible year-end lever, and the least reversible.** For an owner-manager it is often more efficient than salary and sometimes more efficient than dividends: deductible, no National Insurance either side, not limited by the director's own earnings. It is also money that cannot be touched for years, and the company's deduction depends on a different test from the individual's allowance.
3. **VAT is a monthly check, not an annual one.** The rolling twelve-month total decides when registration is due; resold hardware counts at its full value; and late registration means accounting for VAT that was never charged, out of the company's own pocket.
4. **Schemes have to be calculated, not assumed — and the same facts can point in opposite directions.** Brackford's hardware resale pushed it over the VAT registration threshold, counting in full towards taxable turnover, and then counted for nothing towards the flat rate relevant goods test, leaving the company a limited cost business paying more under the scheme than under standard accounting. Sort the purchases properly, use VAT-inclusive figures on both sides of the 2% test, and repeat it every quarter.
5. **Five regimes run at once.** Companies House, corporation tax, VAT, PAYE and personal self-assessment each have their own deadline and their own penalty structure, and they converge in the same few weeks of the year. Identity verification has now attached itself to the confirmation statement: until every director has verified and supplied a personal code, that particular filing cannot be made.

And the sixth, the honest one, the same as in the other modules: **the figures change.** The corporation tax filing penalties doubled in April 2026. The VAT late-payment penalties sharpened in 2025 and are due to rise again in 2027. HMRC's free corporation tax filing service closed. Companies House started verifying identities. The self-assessment penalty regime changes in 2027. Every one of those happened within roughly eighteen months.

What does not change is the structure: how a liability is built, why the marginal band matters, how the two VAT tests work, what a scheme comparison requires, and that several regimes run in parallel with independent deadlines. That structure is what this module, and this programme, has tried to give — because a method survives a change that a memorised number does not.

H.3 The programme, complete

This is the end of the three-module programme.

- **RT-101** dealt with getting money out of the company — salary, dividends, the director's loan account, and timing.
- **RT-102** dealt with what the company can deduct before it reaches a profit — allowable expenses and capital allowances.
- **RT-103** has dealt with turning that profit into tax, the VAT question that arrives with growth, and the compliance cycle that runs around it all.

Together they are the working tax framework of an owner-managed IT company: how value comes out, what reduces the profit, and how the resulting obligations are met. The materials are yours to keep, and the most likely time to reach for them is the next time a real decision — a vehicle, a large purchase, a pension contribution, a turnover figure creeping towards a threshold — comes up in the year ahead. At that point the right use of these materials is to recognise the question and its shape, and then to take advice on the specific facts.

Glossary

Term	Meaning
Taxable total profits	The accounting profit adjusted for tax — disallowed items added back, capital allowances deducted. The figure the corporation tax rate is applied to.
Augmented profits	Taxable total profits plus certain exempt distributions from companies outside the same 51% group. Used to decide which rate band applies.
Small profits rate	The 19% corporation tax rate where augmented profits do not exceed £50,000.
Main rate	The 25% corporation tax rate where augmented profits exceed £250,000.
Marginal relief	The relief that tapers the rate between £50,000 and £250,000, calculated as 3/200 of the difference between the upper limit and augmented profits.
Effective marginal rate	The 26.5% rate borne by each pound of profit in the £50,000–£250,000 band.
Associated companies	Companies under common control. The rate-band limits are divided by one plus the number of associated companies.
CT600	The company tax return, due 12 months after the accounting period end, filed through commercial software from 1 April 2026.
Quarterly instalment payments	The regime under which companies with augmented profits above £1.5m (as adjusted) pay corporation tax in instalments during and after the period.
Taxable turnover	The value of taxable supplies made in the UK — standard-rated, reduced-rated and zero-rated — with certain reverse-charge services received also added for registration-threshold purposes; excluding exempt supplies, supplies outside the scope of UK VAT, and sales of capital assets.
Rolling twelve-month test	The backward-look VAT test: at the end of every month, the previous twelve months' taxable turnover measured against £90,000.
Forward-look test	The VAT test triggered where taxable supplies in the next 30 days alone are expected to exceed £90,000.

Term	Meaning
Effective date of registration	The date from which a business must account for VAT once registered. Under the backward-look test, the first day of the second month after the threshold was exceeded.
Exception from registration	HMRC's discretion to excuse registration where the threshold was exceeded by a one-off event and taxable turnover for the next 12 months is expected **not to exceed £88,000**.
Output tax / input tax	VAT charged on sales / VAT incurred on purchases. The difference is paid to or reclaimed from HMRC.
Voluntary registration	Registration for VAT below the £90,000 threshold. Available at any time; usually considered where customers recover VAT in full or input tax is substantial.
Deemed supply on deregistration	On cancelling a registration, the business must account for VAT on the current value of stock and assets still held on which input tax was reclaimed, unless the total is £1,000 or less.
Tax point (time of supply)	The date that determines which VAT period a supply falls into: the basic tax point, overridden where an invoice is issued or payment received earlier, or an invoice is issued within 14 days after.
Flat rate scheme	A simplified VAT scheme under which a fixed percentage of VAT-inclusive turnover is paid over and input tax is generally not reclaimed, except on a single purchase of capital expenditure goods costing £2,000 or more including VAT. Joining limit £150,000 excluding VAT.
First-year discount	A 1 percentage point reduction in the flat rate, running from the date of joining the scheme to the first anniversary of VAT registration. Applies to the limited cost rate as well as to sector rates.
Limited cost business	A business whose relevant goods for a VAT period cost, including VAT, less than 2% of its VAT-inclusive flat rate turnover, or more than 2% but less than £250 in the quarter. Must use 16.5% for that period, or 15.5% while the first-year discount runs.
Relevant goods	Goods, not services, used exclusively for the business. Excludes capital expenditure goods of any value, food and drink, vehicles and fuel, goods not used exclusively for the business, and **goods**

Term	Meaning
	for resale or hire unless selling or hiring such goods is ordinarily the business's main activity.
Annual allowance	The £60,000 limit on tax-relieved pension input for an individual in a tax year, from all sources combined.
Carry-forward	Using unused annual allowance from the previous three tax years, provided the individual was a scheme member in those years.
Tapered annual allowance	The reduction of the annual allowance where threshold income exceeds £200,000 **and** adjusted income exceeds £260,000, down to a £10,000 floor.
Money purchase annual allowance	The £10,000 limit that applies once a defined contribution pension has been flexibly accessed. Carry-forward cannot be used against it.
Making Tax Digital (MTD)	HMRC's digital record-keeping and filing programme. For a company, currently VAT only.
Real Time Information (RTI)	The requirement to report payroll to HMRC on or before each payday, by Full Payment Submission.
Confirmation statement	The annual Companies House filing confirming directors, PSCs, shareholders, registered office and lawful purpose. Due within 14 days of the end of the review period.
Identity verification / personal code	The Companies House requirement, in force from 18 November 2025, for directors and PSCs to verify their identity and supply a personal code. Without it, the confirmation statement cannot be filed.
Payments on account	Two advance payments towards the following year's Self Assessment, due 31 January and 31 July. Each is normally 50% of the relevant amount - broadly, total income tax assessed less income tax deducted at source. They are required where that relevant amount is £1,000 or more and less than 80% of total assessed income tax was deducted at source.

Sources

The content of this module is based on published legislation and official guidance. The **reference list** supplied with this module gives the full set of links. In outline, the principal sources are:

- **Corporation Tax Act 2010** — the corporation tax rates, the small profits rate, marginal relief and the marginal relief fraction, augmented profits, the rate-band limits and associated companies

- **Corporation Tax Act 2009** — the loan relationship treatment of interest paid and received, and the rule on deductions for amounts paid within nine months of the period end
- **Finance Act 1998, Schedule 18** — company tax returns, filing and payment dates, determinations, and the flat-rate and tax-geared late-filing penalties
- **Value Added Tax Act 1994, Schedule 1** — liability to register, the registration and deregistration thresholds, the two tests, notification deadlines and exception from registration
- **Finance Act 2021, Schedules 24 to 26** — the points-based late submission regime, the late payment penalty regime, and the interest provisions
- **Finance Act 2004** — the pension annual allowance, carry-forward, the taper and the money purchase annual allowance
- **Finance Act 2026** — the inheritance tax treatment of unused pension funds and pension death benefits for deaths on or after 6 April 2027
- **VAT Regulations 1995, regulations 55A to 55V, 57A and 69A** — the flat rate scheme, the limited cost business definition, the first-year reduction and related scheme rules
- **Companies Act 2006** — accounts filing periods, the confirmation statement and the late filing penalty regime
- **Economic Crime and Corporate Transparency Act 2023** — identity verification for directors and persons with significant control
- **GOV.UK** — corporation tax rates, payment and filing dates and penalties, including the increases applying from 1 April 2026; the closure of HMRC’s free company accounts and tax return service on 31 March 2026; VAT registration thresholds and the two tests; VAT return and payment deadlines; VAT late submission and late payment penalties; the flat rate scheme and the limited cost business test; cash and annual accounting limits; Making Tax Digital timelines for VAT and income tax; payroll annual reporting and year-end tasks; self-assessment deadlines, payments on account and penalties; HMRC interest rates for late and early payments; Companies House filing deadlines, penalties, confirmation statements and identity verification
- **HMRC guidance and notices** — VAT Notice 700/1 on registration and deregistration; **VAT Notice 733** on the flat rate scheme, including the definition of relevant goods and the limited cost business examples; VAT Notice 700 on time of supply; the technical note on Inheritance Tax on pensions
- **HMRC internal manuals** — the Company Taxation Manual, the Flat Rate Scheme manual, the Business Income Manual and the Pensions Tax Manual
- **Companies House** — the June 2026 announcement of accounts-filing reforms taking effect from April 2028, and the identity verification guidance in force from 18 November 2025

Several figures in this module changed with effect from 2025 or 2026 — the corporation tax late-filing penalties, the VAT late-payment penalties, the corporation tax filing channel, Companies House identity verification and the continuing Making Tax Digital rollout.

Further changes are already legislated or confirmed for later years and are flagged in the text where they arise: the extension of the points-based penalty regime to all self-assessment taxpayers and the increase in late-payment penalty rates (April 2027); mandatory payrolling of the most common benefits in kind (April 2027, with a second phase in April 2028); the inheritance tax treatment of unused pension funds (deaths on or after 6 April 2027); and the Companies House accounts-filing reforms (April 2028).

When checking any figure, confirm both the tax year it relates to and the date of the page being read.

All rates, thresholds and allowances stated in this document are those applying for the 2026/27 tax year, and for corporation tax the financial year beginning 1 April 2026. The HMRC late-payment interest rate is variable and should be checked at the date of use.

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REINZA TRAINING

Annual Compliance Calendar

An owner-managed limited company with a 31 March accounting year-end

Programme: Tax Essentials for the Owner-Managed IT Company · **Module:** RT-103 · **Version:** v1.1
Content basis: 2026/27 tax year; corporation tax financial year beginning 1 April 2026

Assumed profile: one director on monthly payroll · PAYE paid monthly for this calendar (quarterly payment may be available where eligible) · accounting year-end 31 March · VAT registered, quarters ending January, April, July and October · not a large company for quarterly instalment purposes. **Change any of those and the dates change with them.**

The five streams

#	Stream	Runs on
1	**Companies House**	The accounting year, plus a separate confirmation statement cycle
2	**Corporation tax**	The accounting year — payment at 9 months + 1 day, return at 12 months
3	**VAT**	Its own quarterly stagger — return and payment at 1 month + 7 days
4	**PAYE and RTI**	Every payday, then monthly payment, then a fixed year-end sequence
5	**Director's self-assessment**	The tax year, 6 April to 5 April — which is not the company's year

The year, month by month

Month	Falls due
April	**5** — tax year ends · **19** — year-end cut-off for final payroll reporting; the final FPS itself is due on or before the final payday · **22** — PAYE for the tax month to 5 April
May	**22** — PAYE · **31** — P60 to each employee employed on 5 April
June	**7** — VAT return and payment, quarter to 30 April · **22** — PAYE
July	**6** — P11D and P11D(b), where taxable benefits were provided · **22** — PAYE, and Class 1A National Insurance if paid electronically (**19 July** if by post) · **31** — second payment on account, personal self-assessment
August	**22** — PAYE

Month	Falls due
September	**7** — VAT return and payment, quarter to 31 July · **22** — PAYE
October	**5** — register for self-assessment, if newly required, for the tax year ended 5 April · **22** — PAYE · **31** — paper self-assessment return
November	**22** — PAYE
December	**7** — VAT return and payment, quarter to 31 October · **22** — PAYE · **31** — **Companies House accounts** for the year ended 31 March
January	**1** — **corporation tax payment** for the year ended 31 March (see the note below) · **22** — PAYE · **31** — self-assessment return filed online, balancing payment, and first payment on account
February	**22** — PAYE
March	**7** — VAT return and payment, quarter to 31 January · **22** — PAYE · **31** — **CT600** for the year ended 31 March *two* years earlier · **31** — accounting year ends: last day for a pension contribution to be **paid** and capital expenditure to be **incurred**

> ***The 1 January point, for a 31 March year-end.*** *Corporation tax is due 9 months and 1 day after the period end. For a 31 March year-end that is always 1 January — and 1 January is always a bank holiday. In practice the payment must therefore reach HMRC by* ***the last working day of December****, which is also the Companies House accounts deadline. Two obligations, one working day, every single year. Some payment methods take three working days to clear, so the payment has to be started earlier still.*

Not on a fixed date — triggered by events

Obligation	What triggers it
VAT threshold check	The end of **every** month: rolling twelve-month taxable turnover against £90,000. Separately, any expectation of exceeding £90,000 in the next thirty days alone
VAT registration — backward look	Notify within 30 days of the month end in which the rolling threshold was exceeded; registration effective from the first day of the second month after
VAT registration — forward look	If taxable supplies in the next thirty days alone are expected to exceed £90,000, notify within 30 days of forming that expectation; registration is effective from the date the expectation arose
VAT deregistration	May be considered where HMRC can be satisfied that taxable turnover for the **next twelve months will not exceed £88,000**; the current rolling twelve-month total does not first have to fall below £88,000
Flat Rate Scheme leaving tests	If using the scheme: annual check at the anniversary of joining for total income including VAT over **£230,000**; separately, consider whether the next thirty days alone are expected to exceed £230,000. The £191,500 concession applies only to the annual test and requires HMRC agreement
Confirmation statement	Within **14 days** of the end of the company's twelve-month review period
Director identity	Must be complete, with a personal code available, **before** the next

Obligation	What triggers it
verification	confirmation statement — the statement cannot be filed without it
PSC identity verification	Within **14 days** of the confirmation statement date, through the separate service, where a director is also a person with significant control
Full Payment Submission	On or before **each payday**; an Employer Payment Summary instead for any tax month in which nobody is paid
First accounting period	A first long accounting reference period produces **two** corporation tax returns and two payment dates

Penalties, in brief

Stream	If late
Companies House accounts	£150 up to 1 month · £375 at 1–3 months · £750 at 3–6 months · £1,500 beyond 6 months. Doubled if late two years running
Corporation tax return	£200 at 1 day, **£400 in total** at 3 months, then 10% of unpaid tax at 6 months and a further 10% at 12 months. £1,000 / £2,000 for a third consecutive late return
Corporation tax payment	No fixed penalty — daily interest at the prevailing rate instead
VAT return	Points-based: 4 points for a quarterly filer triggers £200, then £200 for each further late return
VAT payment	Nothing within 15 days · 3% by reference to day 15 · a further 3% by reference to day 30 · then 10% a year from day 31
PAYE (RTI)	£100 per tax month for 1–9 employees; the first default in a tax year is not normally penalised
Personal self-assessment (2026/27)	£100 at 1 day · £10 a day from 3 months (maximum £900) · 5% or £300 at 6 and again at 12 months

Already legislated for later years

From	What changes
April 2027	Personal Self Assessment returns move to the points-based penalty regime; late-payment rates rise to 4% and 4% · payrolling becomes mandatory for company cars, car fuel, vans, van fuel and employer-provided medical benefits · most unused pension funds and pension death benefits come within the estate for inheritance tax, subject to the surviving exemptions
April 2028	Companies House accounts filing becomes software-only, in iXBRL; small companies and micro-entities file a profit and loss account, with the announced option to withhold publication · normal minimum pension age rises from 55 to 57

> ***2027 payrolling note.*** *HMRC's implementation guidance is still described as interim in the course text. Re-check the final payroll software specifications and reporting detail before April 2027.*

REINZA TRAINING

Module RT-103 — Checklist

Corporation Tax, VAT and the Annual Compliance Cycle

Programme: Tax Essentials for the Owner-Managed IT Company
Module reference: RT-103
Document: Checklist
Version: v1.1
Content basis: rates, thresholds and allowances for the 2026/27 tax year (corporation tax: financial year beginning 1 April 2026)

> *This material is provided for general training and educational purposes only. It does not constitute professional advice in relation to the specific circumstances of any person or entity. Independent professional advice should be obtained before acting on any matter covered in this material. Content is based on the rates, thresholds and allowances applying for the 2026/27 tax year and for the corporation tax financial year beginning 1 April 2026.*

How to use this checklist. These are the review points arising from Module RT-103, in the order they arise during a company's year. They are prompts for general review and for a conversation with a professional adviser — not a substitute for one, and not a statement about any particular company's position. The section reference against each point shows where the underlying explanation sits in the course text.

A. Every month

#	Review point	Ref	✓
A1	Rolling twelve-month taxable turnover calculated at the month end and compared with £90,000	D.2, D.5	☐
A2	Hardware and other goods resold included at **full sale value**, not at margin	D.4	☐
A3	Zero-rated and reduced-rated sales included; exempt and out-of-scope income excluded; sales of capital assets excluded	D.3	☐
A4	Reverse-charge services bought from overseas suppliers added for threshold purposes	D.3	☐
A5	Any expectation of more than £90,000 of taxable supplies **in the next thirty days alone** considered separately	D.2	☐
A6	Payroll: Full Payment Submission sent **on or before** each payday; Employer Payment Summary sent for any nil month	G.5	☐
A7	PAYE and National Insurance paid by the 22nd of the following tax month (or	G.5	☐

#	Review point	Ref	✓
	quarterly if eligible)		

B. VAT returns and scheme checks (once registered)

#	Review point	Ref	✓
B1	Return filed and payment made within **one month and seven days** of the period end	G.4	☐
B2	Return filed through Making Tax Digital compatible software, with digital links preserved	F.2	☐
B3	Deposits and payments on account brought into the correct period under the tax point rules	E.8	☐
B4	Annual retainers invoiced or paid in advance recognised at the right tax point	E.8	☐
B5	Input tax checked for the standard blocks — client entertaining, cars, private-use proportions	E.3	☐
B6	If on the flat rate scheme: relevant goods test re-applied **for this period**, using VAT-inclusive figures on both sides	E.6	☐
B7	Penalty points position checked if any return has been late	G.4	☐
B8	If on the flat rate scheme: **annual anniversary** leaving test checked against £230,000, and the separate **next-thirty-days** £230,000 test considered; the £191,500 concession applies only to the annual test and requires HMRC agreement	E.5	☐
B9	If using annual accounting: taxable turnover checked against the **£1.6m leaving limit** at the end of the annual accounting year	E.5	☐
B10	If turnover is falling: voluntary deregistration considered on the **forward twelve-month** test — taxable turnover expected not to exceed £88,000; do not wait for the rolling twelve-month total to fall below £88,000	D.10	☐

C. Six to eight weeks before the accounting year-end

#	Review point	Ref	✓
C1	Expected taxable profit estimated, and the amount falling in the 26.5% marginal band identified	A.3, A.7	☐
C2	Any equipment purchase the business was going to make anyway considered for acceleration — expenditure **incurred** before the year-end	B.3, B.4	☐
C3	Employer pension contribution considered — must be **paid**, and reach the scheme, before the year-end	B.4, C.5	☐
C4	Available annual allowance confirmed, including carry-forward from the previous three years and scheme membership in those years	C.3	☐
C5	Money purchase annual allowance checked if any defined contribution pension has been flexibly accessed	C.3	☐
C6	Total remuneration package considered as a whole for the wholly-and-	C.4	☐

#	Review point	Ref	✓
	exclusively test		
C7	Any director bonus to be accrued identified, and the nine-month payment condition noted	B.3	☐
C8	Number of associated companies confirmed — limits are divided by **one plus** that number	A.5	☐
C9	Prepayments identified: paying next year's costs early generally achieves nothing for tax	B.2	☐

D. After the year-end

#	Review point	Ref	✓
D1	Corporation tax paid **9 months and 1 day** after the period end — and cleared by the last working day before, where that date falls on a weekend or bank holiday	A.8	☐
D2	Companies House accounts filed within **9 months** (first accounts have their own longer deadline)	G.2	☐
D3	CT600 filed within **12 months**, through commercial software; accounts and computations tagged in iXBRL	A.8, F.4	☐
D4	Submission confirmed as accepted — a rejected filing is not a filed one	F.4	☐
D5	If a first accounting period: two corporation tax accounting periods, and therefore **two returns**	A.9	☐

E. Companies House, on its own cycle

#	Review point	Ref	✓
E1	Confirmation statement date known, and the statement filed within **14 days** of the review period ending	G.2	☐
E2	**Every director** has verified their identity and can supply a personal code — without it the confirmation statement cannot be filed at all	G.2	☐
E3	Where a director is also a person with significant control, the PSC code supplied within **14 days** of the confirmation statement date, through the separate service	G.2	☐
E4	Register details still accurate: officers, registered office, shareholders, PSCs, SIC codes, lawful purpose statement	G.2	☐

F. Personal self-assessment (the director, not the company)

#	Review point	Ref	✓
F1	Filing obligation checked on the facts — dividend income above £10,000 requires a return; being a director does not by itself	G.6	☐
F2	Registration by 5 October following the tax year, if newly required	G.6	☐
F3	Return filed and balancing payment made by 31 January	G.6	☐
F4	Payments on account budgeted for - 31 January and 31 July - where the relevant	G.6	☐

#	Review point	Ref	✓
	amount is £1,000 or more and less than 80% of total assessed income tax was deducted at source; each payment is normally 50% of the relevant amount		
F5	Cash set aside for a first significant dividend year, where the January bill is one and a half years' tax rather than one	G.6	☐

G. Watch list — changes already legislated or confirmed

#	Review point	From	✓
G1	**Personal Self Assessment returns** move to the points-based penalty regime; late-payment rates rise to 4% and 4%	Apr 2027	☐
G2	Payrolling of company cars, car fuel, vans, van fuel and employer-provided medical benefits becomes mandatory; re-check final implementation guidance before April 2027	Apr 2027	☐
G3	**Most** unused pension funds and pension death benefits come within the estate for inheritance tax; surviving spouse/civil partner, charity and other stated exceptions still need checking	Apr 2027	☐
G4	VAT late-payment penalty rates rise to 4% and 4%	Apr 2027	☐
G5	Companies House accounts filing becomes software-only in iXBRL; small companies and micro-entities file a profit and loss account, with the announced option to withhold publication	Apr 2028	☐
G6	Normal minimum pension age rises from 55 to 57	Apr 2028	☐

H. Figures to re-check rather than remember

#	Item	Note	✓
H1	HMRC late-payment interest rate	Variable — Bank of England base rate plus 4 percentage points at the content date	☐
H2	VAT registration and deregistration thresholds	Reviewed periodically	☐
H3	Corporation tax rates and the £50,000 / £250,000 limits	Set by Finance Act each year	☐
H4	Pension annual allowance, taper and money purchase annual allowance	Changed several times in recent years	☐
H5	VAT scheme limits — Flat Rate, Cash Accounting and Annual Accounting	Re-check joining and leaving limits before relying on them	☐

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Module RT-103 — Reference List

Corporation Tax, VAT and the Annual Compliance Cycle

Programme: Tax Essentials for the Owner-Managed IT Company
Module reference: RT-103
Document: Reference list
Version: v1.1
Content basis: rates, thresholds and allowances for the 2026/27 tax year (corporation tax: financial year beginning 1 April 2026)

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Every substantive point in Module RT-103 traces back to published legislation or official guidance. This list gives the principal sources, grouped by the section of the course text in which they arise, so that any point can be checked at source.

Guidance pages are revised regularly. When checking a figure, confirm both the **tax year it relates to** and the **date the page was last updated**.

Legislation

Source	What it governs
Corporation Tax Act 2010, Part 3	Corporation tax rates, the small profits rate, marginal relief and the standard fraction, augmented profits, the rate-band limits and associated companies
Corporation Tax Act 2009	Loan relationship treatment of interest paid and received; the rule allowing a deduction for amounts paid within nine months of the period end
Finance Act 1998, Schedule 18	Company tax returns, filing and payment dates, HMRC determinations, and the flat-rate and tax-geared late-filing penalties
Value Added Tax Act 1994, Schedule 1	Liability to register, the registration and deregistration thresholds, the two tests, notification deadlines and exception from registration
VAT Regulations 1995, regulations 55A to 55V, 57A and	The flat rate scheme, the limited cost business definition, the first-year reduction and related scheme rules

Source	What it governs
69A	
Finance Act 2021, Schedules 24 to 26	The points-based late submission regime, the late payment penalty regime and the associated interest provisions
Finance Act 2004, Part 4	Pension annual allowance, carry-forward, the tapered annual allowance and the money purchase annual allowance
Finance Act 2026	Inheritance tax treatment of unused pension funds and pension death benefits for deaths on or after 6 April 2027
Companies Act 2006	Accounts filing periods, the confirmation statement and the late filing penalty regime
Economic Crime and Corporate Transparency Act 2023	Identity verification for directors and persons with significant control; accounts filing reform

Section A — How a corporation tax liability is built

Source	Reference
Pay your Corporation Tax bill	https://www.gov.uk/pay-corporation-tax
Company Tax Returns: penalties for late filing	https://www.gov.uk/company-tax-returns/penalties-for-late-filing
Accounts and tax returns for private limited companies	https://www.gov.uk/prepare-file-annual-accounts-for-limited-company
Your limited company's first accounts and Company Tax Return	https://www.gov.uk/first-company-accounts-and-return
CTM03915 — definition of augmented profits	https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm03915
CTM03957 — associated companies: worked examples	https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm03957
HMRC interest rates for late and early payments	https://www.gov.uk/government/publications/rates-and-allowances-hmrc-interest-rates-for-late-and-early-payments/rates-and-allowances-hmrc-interest-rates

Sections B and C — Year-end timing and pension contributions

Source	Reference
HMRC Pensions Tax Manual, PTM050000 series — annual allowance, tapered annual allowance, money purchase annual allowance and carry-forward	https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm050000
PTM056430 — annual allowance charge: scheme pays deadlines	https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056430
Technical note: Inheritance Tax on pensions	https://www.gov.uk/government/publications/inheritance-tax-on-pensions-

Source	Reference
	technical-note/technical-note-inheritance-tax-on-pensions
BIM46000 — employer pension contributions: contents and timing	https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim46000
BIM46035 — employer pension contributions for controlling directors and shareholders	https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim46035

Section D — VAT: calculating the threshold

Source	Reference
VAT Notice 700/1: who should register for VAT	https://www.gov.uk/government/publications/vat-notice-7001-should-i-be-registered-for-vat/vat-notice-7001-should-i-be-registered-for-vat
Cancel your VAT registration	https://www.gov.uk/register-for-vat/cancel-your-registration
VAT Notice 700/11: cancelling your registration	https://www.gov.uk/government/publications/vat-notice-70011-cancelling-your-registration/vat-notice-70011-cancelling-your-registration
Insurance (VAT Notice 701/36)	https://www.gov.uk/guidance/insurance-notice-70136

Section E — Life after VAT registration

Source	Reference
VAT guide (VAT Notice 700) — including time of supply and tax points	https://www.gov.uk/guidance/vat-guide-notice-700
Flat Rate Scheme for small businesses (VAT Notice 733)	https://www.gov.uk/guidance/flat-rate-scheme-for-small-businesses-vat-notice-733--2
Cash Accounting Scheme (VAT Notice 731)	https://www.gov.uk/guidance/vat-cash-accounting-scheme-notice-731
VAT Cash Accounting Scheme: join or leave the scheme	https://www.gov.uk/vat-cash-accounting-scheme/join-or-leave-the-scheme
Annual Accounting Scheme (VAT Notice 732)	https://www.gov.uk/guidance/vat-annual-accounting-notice-732
VAT Annual Accounting Scheme: overview	https://www.gov.uk/vat-annual-accounting-scheme
VAT Annual Accounting Scheme: eligibility and £1.6m leaving limit	https://www.gov.uk/vat-annual-accounting-scheme/eligibility
How VAT works: VAT schemes	https://www.gov.uk/how-vat-works/vat-schemes

Section F — Making Tax Digital and digital filing

Source	Reference
VAT Notice 700/22: Making Tax Digital for VAT	https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat
Find out if and when you need to use Making Tax Digital for Income Tax	https://www.gov.uk/guidance/find-out-if-and-when-you-need-to-use-making-tax-digital-for-income-tax
Filing company accounts and tax returns if you previously used the HMRC online service	https://www.gov.uk/guidance/closure-of-the-service-to-file-your-company-accounts-and-tax-return
Filing your Company Tax Return online: commercial software suppliers	https://www.gov.uk/government/publications/corporation-tax-commercial-software-suppliers
Companies House: changes to accounts filing from April 2028	https://www.gov.uk/government/news/companies-house-to-bring-in-changes-to-accounts-filing-from-april-2028

Section G — The annual compliance cycle and penalties

Companies House

Source	Reference
Filing your company's confirmation statement	https://www.gov.uk/guidance/filing-your-companys-confirmation-statement
Verify your identity for Companies House	https://www.gov.uk/guidance/verify-your-identity-for-companies-house
Companies House confirms identity verification rollout from 18 November 2025	https://www.gov.uk/government/news/companies-house-confirms-identity-verification-rollout-from-18-november-2025
Life of a company, part 1: accounts — including late filing penalties	https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts

VAT

Source	Reference
Sending a VAT Return: when to do a VAT Return	https://www.gov.uk/submit-vat-return
How late payment penalties work if you pay VAT late	https://www.gov.uk/guidance/how-late-payment-penalties-work-if-you-pay-vat-late
CH193140 — first and second late payment penalties, and Time to Pay	https://www.gov.uk/hmrc-internal-manuals/compliance-handbook/ch193140

PAYE

Source	Reference
Payroll: annual reporting and tasks	https://www.gov.uk/payroll-annual-reporting
Send your final payroll report of the year	https://www.gov.uk/payroll-annual-reporting/send-your-final-payroll-report
Pay employers' PAYE	https://www.gov.uk/pay-paye-tax
Changes to reporting of benefits in kind from April 2027	https://www.gov.uk/government/publications/changes-to-reporting-of-benefits-in-kind-from-april-2027

Personal self-assessment

Source	Reference
Tax on dividends: how to report tax on dividends	https://www.gov.uk/tax-on-dividends/how-to-report-tax-on-dividends
Understand your Self Assessment tax bill: payments on account	https://www.gov.uk/understand-self-assessment-bill/payments-on-account
Penalties for Making Tax Digital for Income Tax	https://www.gov.uk/guidance/penalties-for-making-tax-digital-for-income-tax

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