ONESOURCE CORPORATE TAX

UNITED KINGDOM RELEASE NOTES

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THOMSON REUTERS®

DOCUMENT HISTORY

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1	29/09/2023	ONESOURCE Corporate Tax v16.0 – Life tax module

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RELEASE SUMMARY

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This release is primarily to provide the new packs supporting corporation tax computations for proprietary and mutual life assurance companies for periods ending in Financial Year 2023 (FY 2023), although updated packs for such companies for periods ending in Financial Year 2022 (FY 2022) are also included.

The most significant changes made to the life packs for FY 2023 relate to the introduction of IFRS 17. We have implemented a new income statement structure for companies preparing their accounts under IFRS 17, and made corresponding amendments to a number of sheets for IFRS 17, details of which are described in the notes that follow. There are also two new transitional adjustments sheets, which will deal with any spreading arising on the transition to IFRS 17.

In addition, we have included a number of legislative and other updates, details of which are included below, but some of the significant changes are:

- Reintroduction of the small profits rate and marginal relief calculations,
- Support for the temporary full expensing of plant and machinery expenditure at 100% or 50% rates,
- Increase in the R&D expenditure credit rate,
- Provide support for the “relevant rate/factor” on eligible super-deduction expenditure and disposals in periods straddling 1 April 2023.

We have also made a significant change to our background processes in relation to the online submission of the CT600 forms. We will now always use the current version of the HMRC schema, regardless of the period being submitted. More details relating to this change are included below.

The CT computational taxonomy 2023 was deployed on HMRC’s live service in the middle of June. Where applicable we have incorporated new tags from the taxonomy into the FY 2023 computation packs.

The notes are structured to focus on functional areas of change, rather than changes made to individual modules. Unless otherwise stated, all changes detailed have been made to all relevant computation or group template packs.

HMRC SCHEMA AND BUSINESS VALIDATION RULES

AREA OF CHANGE	DETAILS AND LIMITATIONS
Version of the XML schema and business validation rules used for submissions	Since the introduction of online filing for the CT600, we have maintained the link between the XML schema and business validation rules (known collectively as the artefacts) that were released with version of the CT600 and supplementary pages. For instance, version 1.97 of the HMRC XML schema and business validation rules were released alongside the CT600 (2022) and related supplementary pages (known as the form set) on 1 April 2022. So where late or amended submissions are made, the XML produced for submission, and the business rules applied in the offline validation, are from the artefacts that were originally applied to the CT600 form set when it was released. ONESOURCE always carries out an offline validation prior to making the submission, but HMRC also carry an online validation before accepting the submission. That online validation always uses the latest set of business validation rules. HMRC previously avoided making changes that had retrospective impact, but it has become increasingly common for HMRC requirements and guidance to be amended or "reinterpreted" and retrospectively applied to earlier periods – most obviously when the CT600L was introduced, and the CT600B was updated for hybrid mismatches. HMRC also now delay making changes to the CT600 form set and artefacts following legislative changes each year. Taking Residential property developer tax (RPDT) as an example, this was introduced in April 2022, but the CT600 form set and artefacts supporting it was not released until April 2023. All of this has made it increasingly difficult for us to keeps computation template packs fully up to date for online submissions purposes, particularly for years where the deadline for CT600 submission itself would now be passed - FY 2021 for instance. We have decided to change our approach from this release onwards. All submissions of v3.0 CT600 form sets (broadly FY 2015 onwards) and will be produced using the latest HMRC artefacts that ONESOURCE supports. Currently this is version 1.991, that was released by HMRC in April 2023. When HMRC update the artefacts, they are typically adding support for new information and correcting issues from previous versions. By using the latest version of the artefacts, no information will be excluded from the submission which is included on the form. When HMRC release a new set of artefacts, we will update ONESOURCE to support submissions using those artefacts, and that version will used for all submissions from that release onwards.

CHANGES AND UPDATES – IFRS 17

AREA OF CHANGE	DETAILS AND LIMITATIONS
General	IFRS 17 changes have been made to FY 2023 life computation packs only. The **Information for return** sheet includes new tickboxes to indicate a) whether IFRS 17 applies, and b) whether this is the first period in which IFRS 17 applies. If IFRS has been set as the accounting standard, the default for both questions is 'Yes', but this can be overridden if required. Please note that if a FY 2023 file is rolled forward into an FY 2024 early build file, the tickbox for 'Is this the first period in which IFRS 17 applies?' may need to be manually amended to 'No'.
Income statement	If IFRS 17 applies, the **Income statement** sheet, as well as the various income statement blocks, will show an amended income statement layout. This layout has been created based on illustrative financial statements published by the large accountancy films and is designed to provide some flexibility in disclosure. The expense analysis sheets have been amended so that if IFRS 17 applies, they analyse out the amounts entered in the new 'Other expenses' row. Figures entered into the 'Investment return', 'Fee and commission income', 'Other operational income' and 'Other finance costs' rows in the income statements are taken to the **Reconciliation of income/(losses)** sheet to reconcile with the various income streams. Please note that where IFRS 17 is being applied for the first time, the prior period comparative figures will need to be amended accordingly.
IFRS transitional amounts	On transition to IFRS 17 there are likely to be some transitional adjustments, both in respect of IFRS 17 but also some transitional amounts in respect of IFRS 9 may crystallise. To deal with this, two new sheets have been created: • IFRS 17 transitional amounts • Spreading of IFRS transitional amounts **IFRS 17 transitional amounts** This sheet will only be present for the first period in which IFRS 17 applies, and allows users to calculate transitional amounts per income statement block. The total transitional amount calculated must be manually allocated between BLAGAB and non-BLAGAB, and these allocated amounts are taken to the new **Spreading of IFRS transitional amounts** sheet. **Spreading of IFRS transitional amounts** The purpose of this sheet is to apply the spreading rules to each transitional amount. For transitional amounts that have fed in from the **IFRS 17 transitional amounts** sheet, the only user entry required is to confirm the adjustment type and enter the number of years that the amount is required to be spread over. Transitional amounts can also be entered directly onto the sheet. The sheet also deals with the scenario where a transitional amount is transferred in as part of a transfer of long-term business. The transfer

AREA OF CHANGE	DETAILS AND LIMITATIONS
	amount and date should be entered along with the spreading period and a pro-rated amount to be brought into account in the current period will be calculated. Where there has been a transfer out of a transitional amount, e.g. as part of a transfer of long-term business, the adjustment columns and the override in the far right column should be used. As noted above, if a FY 2023 file is rolled forward into an FY 2024 early build file, the tickbox for 'Is this the first period in which IFRS 17 applies?' may need to be manually amended to 'No' to avoid seeing superfluous rows on the **Spreading of IFRS transitional amounts** sheet.
Deferred acquisition costs (DAC) and deferred income reserves (DIR)	The **Summary of DAC and DIR in accounts** sheet includes a new column to deal with adjustments to opening balances that arise on a change in basis. Where IFRS 17 is being applied for the first time, any manual links from the income statement to either the **Deferred acquisition costs analysis** or **Deferred income reserves analysis** sheets will need to be amended accordingly. Additionally, BLAGAB-related deferred acquisition costs that arise or are referrable to an accounting period beginning on or after 1 January 2023 are no longer required to be spread in the calculation of adjusted BLAGAB management expenses. The **BLAGAB acquisition expenses** and **BLAGAB acquisition expenses table** sheets have been amended so that current period amounts do not feed into the spreading calculations.
Double tax relief	Where IFRS 17 applies and calculations are required on the **Double tax relief restriction** sheet to potentially limit the amount of foreign tax credit allowable, the figures for 'Total technical income', 'Total relevant expenses', etc must be entered manually on the **Income statement – category summaries** sheet. This is due to the layout and flexibility of the income statement under IFRS 17 preventing the required figures from being calculated automatically.

CHANGES AND UPDATES – OTHER

AREA OF CHANGE	DETAILS AND LIMITATIONS
Reintroduction of small profits rate and marginal relief calculations	We have made the required changes to support the calculation of tax on shareholder/non-BLAGAB profits that are subject to small profits rate or marginal rate relief in FY 2023, as well as the increased main rate of tax of 25%. This has included improvements in the way the table of associated companies works on the **Tax rates** sheet. In addition, the way that the background calculation sheets work mean that much of the structure and layout that were present when small profits rates and marginal relief were previously part of the UK corporate tax landscape have remained within the templates.
Support for the temporary full expensing of plant and machinery expenditure at 100% or 50% rates	We have added support for the temporary claims and related calculations in respect of plant and machinery: - • qualifying for 100% first year allowance as main rate expenditure, and • qualifying for 50% first year allowance as special rate expenditure The relevant expenditure should be included as first year allowance expenditure of the relevant capital allowance type on the **Management assets** sheet. New fields have been added to the **Plant pool** and **Special rate assets pool** sheets, to allow the relevant qualifying expenditure to be identified. New sheets have been provided to track the individual assets/expenditure on which claims have been made. This allows for the history of the expenditure within the pool to be tracked, as balancing charges may be due when the asset is disposed of. All life computation template packs for FY 2023 have been updated for the claims and new sheets. These amounts are reported on the CT600 (2023) as per the guidance provided by HMRC on the Changes and issues affecting the corporation tax online service webpage. Note that this also states this will be changing when the CT600 (2024) is released in April 2024.
Increase in the R&D expenditure credit rate	The **R and D expenditure credit** sheet has been updated to support claims for credit at 20% on expenditure post 31 March 2023. Where a *Date of expenditure* is entered, the system applies the relevant credit rate depending upon whether the expenditure was incurred pre or post 1 April 2023. If no date is entered, the system defaults to applying the credit rate for pre-April 2023 expenditure. All life computation template packs for FY 2023 have been updated for the claims and new sheets.

AREA OF CHANGE	DETAILS AND LIMITATIONS
Support for the relevant rate/factor required to calculate super-deduction in straddling periods, plus additional VAT liabilities post 31 March 2023	We have updated the **Super-deduction expenditure** sheet to calculate and apply FYA at the relevant percentage set out in FA 2021, section 11(5) to eligible super-deduction expenditure incurred during “relevant periods”, i.e those straddling the end of the temporary super-deduction qualifying period. The relevant percentage will automatically be applied to all additions entered, unless the *FA 2021, s11(4)(b) applies* flag is set to indicate that the addition is in respect of an additional VAT liability that has arisen post 31 March 2023. Where the flag is set, the alternative rate of FYA of 100% will be applied. We display the rate(s) being applied for full disclosure. This has also required changes to the **Plant pool** sheet, as this is currently where the FYA is calculated using the fixed rate of 130%. In addition to removing the calculation of FYA, we have removed all references to the rate being applied. Although the relevant factor used for calculation of the balancing charge in ”relevant periods” is laid out in different terms legislatively under FA 2021, s12(8), the calculation is the same as for FYA. We therefore use the same calculation as above to determine the balancing charge for the period. The one significant difference for the balancing charge calculation, of course, is that it remains relevant for periods after the “relevant period” at an effective 100% of the relevant proportion of the disposal value. The legislation is silent on the number decimal places to use, and the HMRC examples at Examples for super-deduction and special rate first year allowance - GOV.UK (www.gov.uk) are not clear cut. As this could be significant for large disposal values, we do not restrict the number of decimal places in the calculations, although we naturally exclude pence. All life computation template packs for FY 2023 have been updated for these changes.
Super-deduction and SR allowance qualifying expenditure carry forward not reducing to zero	We have received reports that if no *Date of disposal* was entered but a *Disposal value* was, the relevant calculations were being correctly carried out, but the *Qualifying expenditure c/f* was not reducing to zero and so the asset was incorrectly rolling forward to the following period. We have now made a small amendment to the calculations to ensure that the carry forward value now zeros correctly. All life computation template packs for FY 2023 have been updated for these changes.

CT600 GUIDANCE AND RELATED CHANGES

AREA OF CHANGE	DETAILS AND LIMITATIONS
Completion of box 326 by large and very large companies	With the reintroduction of the small profits rate and marginal relief, HMRC added new boxes 326 to 329 to the CT600 (2023). This collects data about the number of associated companies in the period required to complete the calculations for periods ending after 31 March 2023. Note that, unlike box 625 that was completed for periods ending before 1 April 2023, the number of associates included in boxes 326-328 should not include the company itself. Box 329 should be checked where small profits rate or marginal relief is claimed. Where box 329 is checked, either box 326 or boxes 327 and 328 should be completed. Box 326 is completed with the maximum number of associates for the period, unless: - • the period straddles two financial years • the upper or lower limit has changed • the number of associates was different in the two financial years In which case, box 327 and 328 should be completed with the maximum number of associates in each of the two financial years. Surprisingly, HMRC also require that companies that are classified as either large or very large for quarterly instalment payment purposes, also complete box 326. Large or very large companies are required to enter the number of associates at the end of the previous accounting period. Companies that are not subject to small profits rate or marginal rate relief and are not large or very large for QIPs purposes are not required to complete box 326 at all. All life computation template packs have been updated for the new guidelines for FY 2023.
No longer required to complete box 625 for periods ending after 31 March 2023	HMRC have added validation 9436 that will cause an efiling failure if box 625 of the CT600 is completed when the period ends after 31 March 2023. This point was not originally stated when the guidance was first provided online and has only been clarified after it was raised by us. Additionally, the guidance for boxes 630 and 631 continued to refer to the completion of box 625, and this has only very recently been updated by HMRC to correctly reference box 326 for periods ending after 31 March 2023. All life computation template packs have been updated for FY 2023.
Queries raised with HMRC relating to claims to RPDT group relief	As noted in the release notes accompanying the April update, we had raised queries with HMRC that were still awaiting formal confirmation. **Authorisation for group relief claims**

AREA OF CHANGE	DETAILS AND LIMITATIONS
	We raised with HMRC that there is a logical error in the business rule (validation code 9799), relating to authorisation of group relief claims. The logic states that it is not possible to attach notices of consent with the submission for new claims, instead the authorisation in section 3 of the CT600N must be completed whether simplified arrangements are in force or not. HMRC have acknowledged that this is an issue and updated the Changes and issues affecting the Corporation Tax online service webpage confirming that they do not intend to fix this until April 2024. It would seem as though HMRC will deal with such cases on an individual basis. **Group relief for carried forward losses** The legislation at FA 2022, s42 states it is possible to claim more group relief for carried forward losses than can be utilised in the period, with the unutilised balance being carried forward as the company's own losses. This is confirmed by the example given in the HMRC RPDT manual at RPDT20445 - The charge to RPDT: reliefs: restrictions on RPDT relief - extended example - HMRC internal manual - GOV.UK (www.gov.uk). We raised with HMRC how this is to be included in the CT600N. In HMRC's view, the amount entered in the CT600N by the claimant should only be the amount that is utilised. It is the surrendering company that should show the full amount surrendered in the CT600N. Where more is claimed than can be utilised in the period, the amount not utilised in the period can now be entered on the **RPDT – Loss relief** sheet and will be included in the total carried forward. All life computation template packs for FY 2022 and FY 2023 have been updated. We have not updated existing FY 2022 computation files, please contact support if this may cause an issue.

UPDATES – OTHER CHANGES AND IMPROVEMENTS

AREA OF CHANGE	DETAILS AND LIMITATIONS
Computation templates packs for FY 2023 updated to 2023 computation taxonomy	All FY 2023 life computation template packs have been updated to support the 2023 computation taxonomy. Where relevant, and practical, we have added new tags/concepts introduced by the taxonomy.
HMRC confirmation that CT600L not required if only step 2 b/f and c/f without being utilised	We raised a query with HMRC regarding the requirement to complete a CT600L when there was no Research and development expenditure credit (RDEC) claim in the current period, only step 2 restriction brought forward and carried forward unused. ONESOURCE errors to state that the CT600L is not required in this instance, but we had received reports that some clients had been informed that this was not the case. HMRC have now confirmed that a CT600L is not required in this scenario. Having checked the business validations around this area however, we can confirm that submitting the CT600L does not cause any validation issues. We have decided to remove the error trap that required the CT600L to be deleted, as submitting it does not cause errors and some clients have stated a clear preference for submitting in these cases. All life computation template packs for FY 2022 and FY 2023, as well as existing FY 2022 computation files have been updated to remove the error trap. We add a note to the **W_FIXES** sheet to confirm when existing files have been updated.

COMPUTATION PACKS

COMPUTATION PACK	COMPUTATIONS, CLAIMS AND FORMS SUPPORTED
Corporation tax	New templates for periods ending in FY 2023, and updates to the templates for periods ending in FY 2022, for the following computations: • Proprietary life assurance companies • Mutual life assurance companies Supporting, where required, the following returns and supplementary pages: • CT600 v3 (2022) - Company tax return (available for FY 2022 files only) • CT600 v3 (2023) - Company tax return • CT600B v3 (2022) - CFCs, foreign PEs & hybrid/other mismatches • CT600C v3 (2018) - Group and consortium relief • CT600D v3 (2015) - Insurance • CT600J v3 (2015) - Disclosure of tax avoidance schemes • CT600K v3 (2017) - Restitution tax • CT600L v3 (2022) - Research & Development • CT600M v3 (2022) - Freeports • CT600N v3 (2023) - Residential property developer tax