

Should you reorganise your company structure?

Corporation tax is set to increase from 1 April 2023. With this in mind, companies should consider these three scenarios:

- The main corporation tax rate will increase to 25% where profits are over the upper profits limit, set at £250,000.
- A small profits rate will apply for companies whose profits are equal or below the lower profits limit, set at £50,000. The small profits rate is set at 19%.
- Companies with profits between the lower and upper limits (£50,000 and £250,000) will pay tax at the main rate of 25%, but this will be reduced by marginal relief. The effect of marginal relief is that the effective rate of corporation tax gradually increases from 19% where profits are £50,000 or less to 25% where profits are more than £250,000.

The limits are reduced if you have associated companies or if your accounting period is less than 12 months. A company with just one associated company – a company where there is common ownership – will see the upper and lower profits limits halved.

Reviewing company structures

Business owners who control two or more companies could benefit from restructuring their business interests before 1 April 2023.

For example, if you have one company with taxable profits of £40,000 and one company with taxable profits of £5,000, the company with the taxable profits of £40,000 will not benefit from the small profits rate as the profits are above the lower limit of £25,000 that applies to a company with one associate. Merging the companies will mean that there is only one company and the combined profits of £45,000 will be charged at the small profits rate of 19%.



Restructuring, and considering your options in this way can take time. If you have an active share in more than one company the first job is to consider if your holdings constitute common ownership. If they do, then consideration of the change in corporation tax rates will need to be undertaken to see if restructuring would be appropriate. We would recommend contacting your accountant who can offer you guidance.

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