

EXPLANATORY NOTE**CLAUSE 114: CORRECTION AND AMENDMENT OF TAX RETURNS: AMENDMENT 239****SUMMARY**

1. Clause 114 aligns proceedings at the end of a company tax enquiry with those at the end of an income tax enquiry. It allows for an officer to make the necessary amendments to a company tax return directly, rather than requiring the company to do so. The amendment makes small changes elsewhere in legislation to make it clear that certain taxpayer rights and safeguards continue to apply.

DETAILS OF THE AMENDMENT TO THE CLAUSE

2. Amendment 239 inserts four new subsections making amendments to other pieces of legislation.
3. New subsection [8A] amends paragraph 61(1)(a) and (3)(a) of Schedule 18 to Finance Act 1998. This ensures that where a company could make consequential claims following the amendment of a return for another period under paragraph 34(2)(b), it will continue to be able to do so following the amendment of such a return under paragraph 34(2A).
4. New subsection [8B] amends paragraph 88 of Schedule 18 to Finance Act 1998. This ensures that

an amount stated in a company tax return is conclusively determined for the purposes of the Corporation Tax Acts when an enquiry is concluded under paragraph 34.

5. New subsection [8C] amends paragraph 93(1)(b) of Schedule 18 to Finance Act 1998. This ensures that where provisions related to rights of appeal applied following the amendment of a return for another period under paragraph 34(2)(b), they will continue to apply following the amendment of such a return under paragraph 34(2A).
6. New subsection [8D] amends sections 46B, 46C and 46D of the Taxes Management Act 1970. This ensures that where a question could be considered by the Special Commissioners or the Lands Tribunal following the amendment of a return for another period under paragraph 34(2)(b), this will continue to be the case following the amendment of such a return under paragraph 34(2A).

BACKGROUND NOTE

7. Provision for the amendment of a return at the conclusion of an enquiry was amended for income tax in 2001. However, provision for corporation tax was not amended at this time.

8. For income tax, the return is directly amended by the closure notice. For corporation tax there are two consecutive windows of 30 days after the issue of the closure notice. During the first the company can amend the return in accordance with the closure notice. During the second HMRC can amend the return as it sees necessary.

9. Clause 114 aligns corporation tax closure procedures with the more recent income tax procedures, so that the HMRC officer makes the necessary amendments to the return with the closure notice. This shortens the closure process. The right of appeal against amendments to company tax returns will be continued.