



HM Revenue
& Customs

Insolvency Guidance

21 July 2021

Changes to HMRC's liquidation process for Corporation Tax cases

As part of our work to reduce the administrative burden on Insolvency Practitioners (IPs) we're improving our process for when Companies House notify HMRC about an insolvent liquidation.

- After receiving a notification of liquidation, we will update our system to make these records inactive. This will stop initial and annual notices to file (CT603) being issued, so you won't have to respond to those communications.
- We'll write and tell you that we have made the company's Corporation Tax record inactive and provide you with the company's Unique Tax Reference (UTR).

- If, during the period of liquidation, there's been no activity giving rise to a charge under Corporation Tax, you will no longer have to submit nil Company Tax returns or liquidator reports. This will remain the case for the period of liquidation and, under normal circumstances, there will be no requirement to contact HMRC for tax clearance relating to Corporation Tax prior to closing your liquidation.
- HMRC will only contact you if we require a Company Tax Return or any additional information.
- In insolvent liquidations, you will need to be satisfied you have all outstanding tax matters closed before you move to have the company struck off.

The process for Administrations and solvent liquidations remains unchanged.

What happens next?

Over the coming weeks, the new letters stating the company's Corporation Tax record is inactive and providing the company's Unique Tax Reference (UTR) will start being delivered.

Once delivered, if IPs experience any issues in the initial few months please raise them with R3 or your representative body, who will contact HMRC to take forward.

Questions & answers

Q. Does HMRC's new way of working only apply to notifications after the new process is implemented?

A. The new process will only apply to new insolvency cases. For current insolvency cases the IP can inform HMRC that no future returns will be expected, then we won't normally issue an Annual Notice to File (CT603).

Q. What is the process for CT603s when there's no liability for Corporation Tax?

A. Where there is no liability for Corporation Tax, the IP does not need to:

- file a nil Company Tax Return (CT600)
- send a liquidator report to HMRC's CT Services.

To reduce the administrative burden, we would expect IPs to file a CT600 only when there is something to declare or in response to a request from HMRC for example if we send you a CT603.

Q. Where there is a CT liability, how will accounting periods work?

A. These will continue to be based on the current accounting period rules normally applied to Corporation Tax.

Q. If a CT liability exists in one period but not in others, does the Insolvency Practitioner have to submit further CT returns because one has been submitted for the first year? Or are IPs expected to file a CT600 for earlier accounting periods only when a CT liability arises in a later period?

A. The IP should submit the return of the period where the charge is raised. There is no requirement to complete further returns unless there are additional charges or a CT603 has been issued.

Q. What will happen when there are 'local arrangements' in place across firms where there is de minimis liability for CT indicating no return is required, or payment made?

A. HMRC does not operate 'local arrangements' and returns are required in all cases where a liability exists.

Q. Which address will HMRC write to when confirming with IPs that the CT records are dormant?

A. HMRC will write to the Companies House (COHO) liquidator address once records are updated with the insolvency details. This letter will include the Unique Tax Reference (UTR).

Q. If income is received post liquidation and a tax liability arises, when should a return be made?

Example

In a company voluntary liquidation (CVL) if the company goes into voluntary liquidation on 1st January 2021 - is due to file tax returns to 31 December each year and income is received in March 2022

Would IPs be expected to submit a tax return for the year ending 31st December 2022? Or is there scope to shorten the period/file one tax return, at the end of the CVL to deal with all income at once?

A. This new process does not change established practices. The IP should follow the guidance <https://www.gov.uk/change-your-companys-year-end> to shorten the final period.

Q. As tax is payable before a CT600 is due, how does HMRC propose IPs obtain the tax payment reference normally stated on the CT603? Can they be obtained over the phone/web chat while the company is marked as dormant or will IPs have to write in to request it?

A. IPs can contact HMRC [Corporation Tax: general enquiries - GOV.UK](#) via phone or webchat with their proposed accounting period dates and advisors will give them a tax payment reference number.

Q. If a tax return is filed, is the company automatically marked dormant again or does the IP have to contact HMRC to request this?

Example - If a return is filed for the year end 31 December 2022, would a CT603 be issued for the year end 31 December 2023 or would the return be treated as a one-off and not affect the overall dormant status?

A. IPs should submit the return for the period where the charge is raised. There is no requirement to complete future returns unless there are additional charges or a CT603 has been issued.

Q. IPs are asked to satisfy themselves that all outstanding tax matters are closed in insolvent liquidations, before moving to have the company struck off. Does the same apply to compulsory winding up orders?

A. HMRC classify this as an insolvent liquidation.