STATUTORY INSTRUMENTS

2026 No. 196

CORPORATION TAX

The Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) (Amendment) Regulations 2026

Made - - - -	*2nd March 2026*
Laid before the House of Commons - - - -	*4th March 2026*
Coming into force - -	*26th March 2026*

The Treasury make these Regulations in exercise of the powers conferred by section 32 of the Finance Act 1998(**1**).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) (Amendment) Regulations 2026 and come into force on 26th March 2026.

(2) These Regulations have effect in relation to accounting periods ending on or after 1st April 2026.

Amendment of the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999

2.—(1) The Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999(**2**) are amended as follows.

(2) Omit regulations 4, 5, 6A to 13, and 20 to 22.

(3) In regulation 2 (introductory), in paragraph (1), omit "", other than an accounting period that is subsequent to the company's final accounting period".

(4) In regulation 3 (interpretation)—

(a) in paragraph (1)—

(i) omit the following definitions—

(aa) "abnormal dividend";

(**1**) 1998 c. 36.
(**2**) S.I. 1999/358. Relevant amending instruments are 2003/1981, 2010/669, 2013/157 and 2017/454.

(bb) "company";

(cc) "exempt ABGH distribution";

(dd) "final accounting period";

(ee) "franked distribution";

(ff) "qualifying investment income";

(gg) "relevant distribution";

(hh) "shadow ACT";

(ii) "straddling accounting period";

(jj) "surplus qualifying investment income";

(kk) "surplus shadow ACT".

(ii) amend the following definitions—

(aa) in the definition of "distribution", for "section 832(1)", substitute "section 1119 of the CTA"(**3**);

(bb) in the definition of "parent company", omit the words from "to (7)", to the end;

(cc) in the definition of "unrelieved surplus ACT", after "paragraph,", for "would", substitute "was".

(iii) insert the following definitions in the appropriate places—

""Subsidiary" has the same meaning as in section 371(1) of the Corporation Tax Act 2009(**4**);";

""Surrendering company" means a company that has paid an amount of corporation tax in respect of a dividend or dividends paid by it in an accounting period, that surrenders any part of the benefit of that amount;";

""TIOPA" means the Taxation (International and Other Provisions) Act 2010(**5**);",

(b) in paragraph (3), for "section 747(4)(a) (controlled foreign companies)", substitute "Part 9A (controlled foreign companies) of the TIOPA.", and

(c) omit paragraphs (4) and (7).

(5) In Regulation 6 (definition of a group)—

(a) in paragraph (1), omit "resident in an EEA state",

(b) in paragraphs (2)(c) and 6(8), for "section 838", substitute "section 1154 of the CTA",

(c) in paragraph 3(b), for "section 838(1)(a)", substitute "section 1154 of the CTA", and

(d) omit paragraphs (4) to (7).

(6) After regulation 13 (intra-group allocation of surplus ACT), insert—

(**3**) For the definition of CTA see regulation 3(1) of the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999 (S.I. 1999/358). This definition was inserted by S.I. 2010/669.

(**4**) 2009 c. 4; Section 371(1) was amended by section 1184(1) of, and paragraph 609(2)(e) of Schedule 1 to the Corporation Tax Act 2010 (c. 4).

(**5**) 2010 c. 8; Section 18(3A) was inserted by paragraphs 26 and 31 of Schedule 13 to the Finance Act 2011 (c. 11), Section 42(4) was amended section 292(6) of the Finance Act 2014 (c. 26), Section 42(5) was inserted by paragraph 12 of Schedule 47 to the Finance Act 2013 (c. 29), and Part 9A was inserted by paragraph 1 of Schedule 20 to the Finance Act 2012 (c. 14).

"**13A (extinguishment of shadow ACT)**

13A. Any remaining balance of shadow ACT that a company has on 1st April 2026 is extinguished from that date.".

(7) In Regulation 14 (set-off of unrelieved surplus ACT against liability to corporation tax)—

(a) in paragraph (1), for "(2) to", substitute "(3) and",

(b) omit paragraph (2),

(c) in paragraph (3), for "section 116(2)", substitute "section 960 of the CTA",

(d) for paragraph (4), substitute—

"(4) The amount of unrelieved surplus ACT(**6**) to be set against a company's liability for an accounting period under paragraph (1) shall not exceed the sum of—

$$A + B$$

where—

A is 20% of the company's profits that arise in the UK in that accounting period, and

B is the lower of—

(a) 20% of the company's profits that arise outside of the UK in that accounting period, and

(b) the relevant percentage of the company's profits that arise outside of the UK in that accounting period, less any amount in respect of credit for foreign tax allowable in accordance with sections 18 and 42 of the TIOPA.",

(e) after paragraph (4), insert—

"(4A) For the purpose of paragraph 4(b)—

(a) the "relevant percentage" is equivalent to the main rate of corporation tax for the financial year, or for each of the financial years, falling within the accounting period to which the set-off relates, and

(b) where the accounting period straddles more than one financial year, the profits are apportioned in accordance with section 1172 of the CTA.", and

(f) in paragraph (5), for "section 116(3)" substitute "section 960(4) of the CTA".

(8) In regulation 15 (restriction on set-off of company's unrelieved surplus ACT against subsidiary company's liability to corporation tax)—

(a) in paragraph (1)—

(i) after "subsidiary" the first time it appears, for "is" substitute "was";

(ii) after "section 240(2)", insert "of the Taxes Act",

(b) in paragraph (2)—

(i) at the beginning of the paragraph, for "No", substitute "For the purpose of paragraph (1), no";

(ii) after "section 240(2)", insert "of the Taxes Act", and

(c) omit paragraph (3).

(9) In regulation 16 (calculation of unrelieved surplus ACT on change of ownership of company) —

(a) in paragraph (4), omit "by virtue of section 240(2)", and

(**6**) "unrelieved surplus ACT" is defined in regulation 3(1) of the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999 (S.I. 1999/358).

(b) omit paragraph (5).

(10) In regulation 17 (restriction on application of regulation 15 on change of ownership of company), in paragraph (1)(b), after "section 240(2)" insert "of the Taxes Act".

(11) In regulation 18 (restriction on set-off under regulation 14 where asset transferred after change of ownership of company), in paragraph (2), after "treated", omit "as".

Christian Wakeford
Taiwo Owatemi
Two of the Lords Commissioners of His Majesty's Treasury

2nd March 2026

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999 (S.I. 1999/358) ("the 1999 regulations"). The 1999 regulations provided for the treatment of unrelieved surplus advance corporation tax arising as a result of the abolition (by virtue of section 31 of the Finance Act 1998 (c. 36)) of advance corporation tax ("ACT") in respect of distributions made by a company on or after 6th April 1999.

Regulation 1 of these regulations provides for citation, commencement and effect of the regulations.

Regulation 2 of these regulations amends the 1999 regulations. This includes inserting, omitting and amending several definitions and paragraphs to reflect both the updated legislative references to the Taxation (International and Other Provisions) Act 2010, the Corporation Tax Act 2009, and the Corporation Tax Act 2010. Regulation 2 also omits regulations 4, 5, 6A to 13, and 20 to 22 from the 1999 regulations and inserts regulation 13A (extinguishment of shadow ACT) to extinguish any balance of shadow ACT that a company holds on 1st April 2026, from that date.

Authority for the retrospective effect of the Regulations is provided by section 32(11) of the Finance Act 1998.

A Tax Information and Impact Note covering this instrument will be published on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.