

Restriction on Corporation Tax relief for interest deductions

Check if your company's or group's interest deductions for Corporation Tax will be restricted, and if you need to send a Corporate Interest Restriction return.

When you calculate how much UK Corporation Tax your company or group has to pay, there's a limit (known as a Corporate Interest Restriction) to the amount of tax relief you can get for deducting net interest and other financing costs.

This Corporate Interest Restriction only applies to individual companies or groups of companies that will deduct over £2 million in a 12-month period.

If your company's or group's net interest and financing costs are restricted, you should [appoint a reporting company](#) within 6 months of the end of the period of account. The reporting company must then [submit a Corporate Interest Restriction return](#).

If you'll deduct less than £2 million

Your company or group does not need to submit a Corporate Interest Restriction return. However, you must keep documents that show that your company or group will not deduct more than £2 million in net interest and financing costs in that period of account.

You can [appoint a reporting company](#), which must then [submit an abbreviated return](#). If you do, you can carry forward unused interest allowance for up to 5 years to reduce a future interest restriction, by replacing that abbreviated return with a full return for that period of account.

If you'll deduct more than £2 million

You must work out your company's or group's 'interest allowance'. This is the maximum amount of net interest and financing costs your company or group can deduct in a period of account.

You can use the 'fixed ratio method' or the 'group ratio method'. Use the method that gives you the largest allowance.

You must keep records of your calculation.

If your company's or group's net interest and financing costs are restricted, you should normally [appoint a reporting company](#) within 6 months of the end of the period of account, then [submit a full Corporate Interest Restriction return](#).

Fixed ratio method

Using the fixed ratio method, the interest allowance is the lower of:

- 30% of the company's or group's UK taxable profits before interest, taxes, capital allowances and some other tax reliefs
- the company's or group's worldwide net interest expense

Group ratio method

To use this method, you must:

- [appoint a reporting company](#)
- [elect to use the method](#) in a return

Using the group ratio method, the interest allowance is the lower of:

- the ratio of the company's or group's worldwide net interest expense owed to unrelated parties, to the company's or group's overall profit before tax, interest, depreciation and amortisation multiplied by the company's or group's taxable UK profits before interest and capital allowances
- the company's or group's worldwide net interest expense owed to unrelated parties

Find more detailed guidance on [how to calculate your company's or group's interest allowance](#).

If your interest deductions are not restricted

You can [appoint a reporting company](#), which must then [submit an abbreviated return](#). If you do, you can carry forward unused interest allowance for up to 5 years to reduce a future interest restriction, by replacing that abbreviated return with a full return for that period of account.

Appoint a reporting company

Individual companies and groups can appoint a reporting company. Your reporting company will be responsible for submitting your company's or group's Corporate Interest Restriction return. The reporting company must be:

- liable to UK Corporation Tax
- non-dormant
- authorised by at least 50% of the group's non-dormant companies (which are liable for UK Corporation Tax) to be appointed as the reporting company

When you have appointed a reporting company, you must submit a Corporate Interest Restriction return for every period of account, including when there's no interest restriction. If you [revoke the appointment of a reporting company](#) and do not have an interest restriction, you will not have to submit a return.

If you do not appoint a reporting company, HMRC might appoint one for you.

Tell HMRC about the appointment of your reporting company