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SCHEDULES.

SCHEDULE 18

SUPPLEMENTARY PROVISIONS ABOUT CLOSE COMPANIES.

PART II

PROVISIONS SPECIALLY RELATED TO SHORTFALLS IN OR APPORTIONMENT OF DISTRIBUTIONS.

Transitional and consequential.

- 14 (1) Sections 77 and 78 of this Act shall not have effect as regards any accounting period or part of an accounting period falling before the beginning of the year 1966-67.
- (2) As regards income arising to a company before the end of the year 1965-66 Chapter III of Part IX of the Income Tax Act 1952 shall continue to have effect, and the income of a company to be taken into account under that Chapter shall include income chargeable to corporation tax, subject to the following provisions:—
- (a) in deciding under section 245 whether a company has distributed a reasonable part of its actual income account may be taken of amounts treated under paragraph 9 above as distributions for a period after the end of the year 1965-66, but only to the extent to which they exceed the required standard ; and
 - (b) section 249(5) shall have effect subject to the like limitation as is imposed by section 78(7)(d) of this Act for purposes of section 78.
- (3) Where a period of account or an accounting period of a company falls partly in the year 1965-66, and partly in the year 1966-67, the two parts shall for purposes of the said Chapter III or, as the case may be, the said sections of this Act be dealt with as separate accounting periods:

Provided that—

- (a) where under paragraph 9(2) above it is necessary to apportion any dividends treated as dividends for any such period of account, it shall be done according to the proportion which the income of the part falling in the year 1965-66, computed as for the said Chapter III (but less income tax at the standard rate), bears to the distributable income for the part falling in the year 1966-67 ; and
- (b) where the distributions for any such accounting period are to be treated as including any amount in respect of the directors' remuneration, then—
 - (i) in the case of a trading company, that amount shall be apportioned between the two parts of the period, and the amount apportioned to the earlier may be treated for purposes of the said Chapter III as income distributed by the company;

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- (ii) in the case of a company other than a trading company, the whole amount shall be taken into account in the part of the period falling in the year 1966-67.
- 15 (1) In relation to income arising in or after the year 1966-67 section 411(1)(b) of the Income Tax Act 1952 (which defines " income arising under a settlement " for certain purposes relating to revocable settlements etc.) shall have effect with the substitution for the reference to Chapter III of Part IX of that Act of a reference to section 78 of this Act; and in relation to that and subsequent years of assessment there shall be substituted for subsection (4) of that section—
- “(4) For the purposes of this Chapter, a body corporate shall be deemed to be connected with a settlement in any year of assessment if, within the meaning of Part IV of the Finance Act 1965, it is at any time in the year a close company (or only not a close company because it is not resident in the United Kingdom) and the participators then include the trustees of or a beneficiary under the settlement.”
- (2) In relation to the year 1966-67 and later years of assessment—
- (a) in section 412(8)(d) of the Income Tax Act 1952 (which provides for amounts apportioned to a person under Chapter III of Part IX of that Act to be treated as his income for certain purposes) for the words " Chapter III of Part IX of this Act" there shall be. substituted the words " section 78 of the Finance Act 1965 "; and
- (b) in section 414(4) of that Act (which relates to the information a solicitor may be required to furnish under that section about transactions resulting in transfers of income to persons abroad) for the words from " The bodies corporate " onwards there shall be substituted the words—
- “The bodies corporate mentioned in the preceding provisions of this section are bodies corporate resident or incorporated outside the United Kingdom which are, or if resident in the United Kingdom would be, close Companies, but not trading companies, within the meaning of Part IV of the Finance Act 1965.”.
- (3) Any amount apportioned under section 78 of this Act to the personal representatives of a deceased person shall be treated as included as regards surtax in the aggregate income of the estate for purposes of Part XIX of the Income Tax Act 1952.