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## SCHEDULES.

### SCHEDULE 19

Section 83.

#### SUPPLEMENTARY PROVISIONS ABOUT DIVIDEND INCREASES IN 1965-66.

##### *Preliminary.*

- 1 (1) This Schedule has effect for the modification of section 83 of this Act (" the principal section ") in relation to companies, being bodies corporate, which are members of a group of companies.
- (2) For purposes of this Schedule, save as otherwise provided therein.—
- (a) two companies shall be deemed to be members of a group of companies if one is the subsidiary of the other or both are subsidiaries of a third company ;
  - (b) " subsidiary " has the meaning assigned to it for certain purposes of the profits tax by section 42 of the Finance Act 1938, and subsections (2) and (3) of that section shall apply as they applied for purposes of that section ;
  - (c) " dividend " does not include a capital dividend.
- (3) References in this Schedule to a company apply only to companies resident in the United Kingdom ; and in determining for purposes of this Schedule whether one company is a subsidiary of another, the other company shall be treated as not being the owner—
- (a) of any share capital which it owns directly in a body corporate if a profit on a sale of the shares would be treated as a trading receipt of its trade ; or
  - (b) of any share capital which it owns indirectly, and which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt; or
  - (c) of any share capital which it owns directly or indirectly in a body corporate not resident in the United Kingdom.

##### *Company paying dividends within the group.*

- 2 Where in the year 1965-66 a company pays a gross amount in dividends greater than the standard amount, but any of those dividends are paid to another member of the same group of companies, the amount to be treated under subsection (1) of the principal section as dividends paid in the year 1966-67 shall be such part only of the excess as is proportionate to the gross amount of the dividends (if any) paid otherwise than to members of the same group.

##### *Company receiving dividends from within the group.*

- 3 (1) Subject to paragraph 4 below, where a company's profits in the financial year 1965 (as ascertained for purposes of the principal section) include dividends paid in the year 1965-66 by a member of the same group of companies, and that member pays in the year 1965-66 a gross amount in dividends greater than its standard amount,

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then there shall, except as provided in sub-paragraph (2) below, be deducted from the said profits as so ascertained an amount equal to such part of the excess as bears to the whole the same proportion as the gross amount of the part of those dividends which is included in the profits bears to the gross amount of all the dividends paid by the said member in the year 1965-66.

- (2) Sub-paragraph (1) above shall not apply to the computation of a company's profits in the financial year 1965 unless the profits include a gross amount of dividends received by it from members of the same group of companies in excess of one-third of the gross amount of the dividends received by the company in its standard period from companies then being members of the same group of companies (or if the standard period is less than three years, an amount bearing to the dividends last mentioned the same proportion as one year bears to the standard period); and where in computing a company's profits for the financial year 1965 a deduction would fall to be made under sub-paragraph (1) above, the company may elect that instead there shall be made a deduction equal to the excess referred to in this sub-paragraph.
- (3) This paragraph shall apply where for purposes of the principal section a company's profits in the financial year 1965 are ascertained by reference to some period ending in that year, but not where its profits for another period are substituted for its profits in the financial year 1965.
- (4) Any election under this paragraph shall be made by notice in writing given to the inspector before the end of the year 1966-67.

*Alternative treatment of company receiving dividends from within the group.*

- 4 (1) Where in the year 1965-66 a company has one or more subsidiaries and is not itself the subsidiary of another company, the company may elect that the following provisions of this paragraph shall apply to it, and if it does so, paragraph 3 above shall not apply.
- (2) Where this paragraph applies to a company, the company's standard amount of dividends for purposes of the principal section shall be arrived at—
  - (a) by aggregating the dividends paid by the company in its standard period with those then paid by the companies which are from time to time its subsidiaries in that period, but excluding such of those dividends as are paid by one of the companies concerned to another ; and
  - (b) by aggregating the share capital of the company in any period with that of the companies which are from time to time its subsidiaries in that period, but excluding any share capital which is directly owned by any of the companies concerned (and disregarding any share capital so owned in the application of subsection (8)(a) and (b) of the principal section); and
  - (c) by treating as profits or losses of the company in any period the profits or losses of the companies which are from time to time its subsidiaries in that period, but disregarding in the computation of any such profits or losses franked investment income (within the meaning of the profits tax) received from any of the companies concerned.

For purposes of paragraph (b) above the initial capital of a subsidiary in relation to any period, if it became a subsidiary during the period, shall be ascertained as at the time when it did so.

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- (3) There shall be aggregated the gross amount of the dividends paid in the year 1965-66 by a company to which this paragraph applies and by any companies which are its subsidiaries, but so that—
- (a) there shall be excluded dividends paid by one of the companies concerned to another ; and
  - (b) from the aggregate dividends paid by the subsidiaries other wise than to any of the companies concerned there shall be deducted the amounts (if any) which under the principal section the subsidiaries are treated as paying in the year 1966-67 ;
- and for purposes of the principal section the amount so arrived at shall be treated as the gross amount of the dividends paid in the year 1965-66 by the company to which this paragraph applies.
- (4) Any election under this paragraph shall be made by notice in writing given to the inspector before the end of the year 1966-67.

*Adjustments in respect of dividends received from overseas trade corporations.*

- 5 (1) Where paragraph 3 or 4 above has effect in determining for purposes of the principal section whether in the year 1965-66 a company pays a gross amount in dividends greater than the standard amount, and the company's profits in the financial year 1965 include dividends paid out of exempt trading income by overseas trade corporations which are members of the same group of companies, then the gross amount of dividends which the company is apart from this paragraph to be treated under the principal section as paying in the year 1966-67 shall be reduced by the amount on which income tax at the standard rate for the year 1966-67 is equal to the income tax payable by those overseas trade corporations on exempt trading income in respect of dividends paid thereout to the company in the year 1965-66, subject, however, to the limitation imposed by sub-paragraph (2) below on the amount of the exempt trading income to be taken into account under this paragraph.
- (2) The exempt trading income to be taken into account under this paragraph shall not exceed the following fraction of the gross amount of dividends which the company is apart from this paragraph to be treated under the principal section as paying in the year 1966-67, that is to say.—
- (a) where paragraph 3 has effect in relation to the company, the fraction obtained by dividing by the amount of the company's profits in the financial year 1965 (as ascertained for purposes of the principal section) the gross amount of the dividends included therein which are paid by any such overseas trade corporations as aforesaid out of exempt trading income ; and
  - (b) where paragraph 4 above has effect in relation to the company, the fraction obtained by dividing by the amount taken under paragraph 4(2)(c) above as the profits of the company in the financial year 1965 the amount included therein of exempt trading income of such overseas trade corporations as aforesaid.
- (3) Where sub-paragraph (2) above has effect in the case of the company to exclude part of the exempt trading income of other members of the same group, the part to be taken into account shall be such as that company may select.
- (4) In relation to a dividend paid partly out of exempt trading income and partly not, this paragraph shall apply as if the two parts were separate dividends, and any question how far a dividend is paid out of exempt trading income, or out of what exempt

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trading income a dividend is paid, shall be determined for purposes of this paragraph as it is determined for purposes of Part IV of the Finance Act 1957.

- (5) Where for purposes of the principal section the company's profits in the financial year 1965 are ascertained by reference to some period ending in that year, references in this paragraph to the financial year 1965 shall be construed as referring to that period ; but where the company's profits for another period are substituted for its profits in the financial year 1965, this paragraph shall not apply.