



Finance Act 1965

1965 CHAPTER 25

PART IV

TAXATION OF COMPANIES AND OF COMPANY DISTRIBUTIONS.

General system of taxation.

47 Taxation of company distributions.

(1) Except as otherwise provided by this Part of this Act, corporation tax shall not be chargeable on dividends and other distributions of a company resident in the United Kingdom, nor shall any such dividends or distributions be taken into account in computing income for corporation tax; but income tax for a year of assessment after the year 1965-66 shall be chargeable under a new Schedule F in respect of all dividends and other distributions in that year of a company resident in the United Kingdom which are not charged under Schedule D or Schedule E and are not specially exempted from income tax, and for purposes of income tax all such distributions shall be regarded as income, however they fall to be dealt with in the hands of the recipient.

(2) Income tax under Schedule F for any year of assessment shall be charged in respect of any distribution made in the year on such sum as, after deduction of income tax thereon at the standard rate, equals the amount or value of the distribution after any deduction of income tax actually made; and, subject to any enactment to the contrary, the distribution shall be deemed for purposes of income tax to represent income, of an amount equal to that sum, on which income tax has been borne by deduction:

Provided that in the case of preference dividends the tax chargeable and the amount of income represented by the dividends shall be determined by reference to the fixed gross rate of dividend.

(3) Where, in the year 1966-67 or any later year of assessment, a company resident in the United Kingdom makes any distribution, not being a payment of interest other than yearly interest nor a payment in respect of which deductions or repayments of income tax may fall to be made under section 157 (pay as you earn) of the Income Tax

*Status: This is the original version (as it was originally enacted). This
item of legislation is currently only available in its original format.*

Act 1952, the company shall under this subsection account for and pay income tax in respect of the distribution at the standard rate for that year.

- (4) Where a company is liable under subsection (3) above to account for income tax in respect of any payment made by it, and the company is not otherwise entitled to deduct income tax from the payment, the company on making the payment shall be entitled under this subsection to deduct out of it an amount equal to the income tax for which it is liable to account in respect of the payment; and as against any person entitled to the payment the company shall be acquitted and discharged of so much money as is represented by the deduction, as if that sum had been actually paid.

Section 50 of the Finance Act 1963 (certificates of deduction) shall apply in relation to this subsection as it applies in relation to section 169 or 170 of the Income Tax Act 1952.

- (5) Schedule 11 to this Act shall have effect with respect to the meaning in this Part of this Act of " distribution ", and for determining the persons to whom certain distributions are to be treated as made; but references in this Part of this Act to distributions of a company, except references in any provision specially relating to a winding-up, shall not apply to distributions made in respect of share capital in a winding-up, nor shall any dividend or bonus deductible in computing income as mentioned in section 444(2) of the Income Tax Act 1952 (which relates to industrial and provident societies and bodies engaged in mutual trading) be regarded as a distribution.