



# Finance Act 1981

## 1981 CHAPTER 35

### PART IV

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER I

#### GENERAL

#### **43 Sums paid to settlor otherwise than as income: connected companies**

- (1) In section 451 of the Taxes Act (sums paid to settlor otherwise than as income) subsection (4) (capital sums paid to settlor by body corporate connected with the settlement) shall be omitted.
- (2) After that section there shall be inserted—

#### **“451A Capital sums paid by body connected with settlement.**

- (1) Where—
  - (a) a capital sum is paid to the settlor in a year of assessment by any body corporate connected with the settlement in that year; and
  - (b) an associated payment has been or is made directly or indirectly to that body by the trustees of the settlement,the capital sum shall, in accordance with subsection (2) below, be treated for the purposes of section 451 above as having been paid to the settlor by the trustees of the settlement.
- (2) A capital sum to which subsection (1) above applies shall—
  - (a) to the extent to which the amount of that sum falls within the total of the associated payment or payments made up to the end of the year of assessment in which it is paid, be treated as having been paid to the settlor in that year;

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*Status: This is the original version (as it was originally enacted).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

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- (b) to the extent to which the amount of that sum is not treated as paid to the settlor in that year and falls within the total of the associated payment or payments made up to the end of the next following year (less what was taken into account under this subsection in relation to that sum in the previous year), be treated as having been paid to the settlor in the next following year,
- and so on for each subsequent year, taking the references in paragraph (b) to the year mentioned in paragraph (a) as references to that and any other year before the subsequent year in question.
- (3) In this section " associated payment", in relation to any capital sum paid to the settlor by a body corporate, means—
- (a) any capital sum paid to that body by the trustees of the settlement; and
  - (b) any other sum paid or asset transferred to that body by those trustees which is not paid or transferred for full consideration in money or money's worth,
- being a sum paid or asset transferred in the five years ending or beginning with the date on which the capital sum is paid to the settlor.
- (4) For the purposes of this section any capital sum paid by a body corporate, and any associated payment made to a body corporate, at a time when it is within the meaning of section 302 above associated with another body corporate may be treated as paid by or made to that other body corporate.
- (5) In this section " capital sum " has the same meaning as in section 451 above; and any question whether a capital sum has been paid to the settlor by a body corporate or to a body corporate by the trustees shall be determined in the same way as any question under that section whether a capital sum has been paid to the settlor by the trustees.
- (6) Subsection (1) above does not apply to any sum paid to the settlor by way of loan or repayment of a loan if—
- (a) the whole of the loan is repaid within twelve months of the date on which it was made; and
  - (b) the period for which amounts are outstanding in respect of loans made to the settlor by that or any other body corporate connected with the settlement, or by him to that or any other such body, in any period of five years does not exceed twelve months.
- (7) Where a capital sum is paid to the settlor in a year of assessment by a body corporate connected with the settlement in that year it shall be assumed until the contrary is shown that an associated payment of an amount not less than that of the capital sum has been made to that body by the trustees of the settlement.”
- (3) This section has effect in relation to any capital sum paid to the settlor on or after 6th April 1981.