



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART I

#### THE CHARGE TO TAX

##### *Income tax*

#### **1 The charge to income tax.**

- [<sup>F1</sup>(1) Income tax is charged in accordance with the Income Tax Acts on—
- (a) all amounts which, under those Acts, are charged to tax under any of Schedules A, D and F (set out in sections 15, 18 and 20),
  - (b) all amounts which are charged to tax under any of the following provisions of ITEPA 2003—
    - (i) Part 2 (employment income),
    - (ii) Part 9 (pension income), and
    - (iii) Part 10 (social security income), and
  - (c) any other amounts which, under the Income Tax Acts, are charged to income tax.]
- (2) <sup>M1</sup> Where any Act enacts that income tax shall be charged for any year, income tax shall be charged for that year—
- [<sup>F2</sup>(aa) in respect of so much of an individual's total income as does not exceed £1,500, at such rate as Parliament may determine to be the starting rate for that year;]
  - (a) in respect of any income which does not fall within [<sup>F3</sup>paragraph (aa) above or] paragraph (b) below, at such rate as Parliament may determine to be the basic rate for that year;
  - [<sup>F4</sup>(b) in respect of so much of an individual's total income as exceeds [<sup>F5</sup>£20,700] at such higher rate as Parliament may determine]

but this subsection has effect subject to any provision of the Income Tax Acts providing for income tax to be charged at a different rate in certain cases.

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[<sup>F6</sup>(2A) The amount up to which an individual's income is by virtue of subsection (2) above chargeable for any year at the starting rate shall be known as the starting rate limit.]

(3) <sup>M2</sup> The amount up to which an individual's income is by virtue of subsection (2) above chargeable for any year at the [<sup>F7</sup>[<sup>F8</sup>starting rate] or the] basic rate shall be known as the basic rate limit, *and the parts of income in excess of the basic rate limit which are specified in paragraph (b) of that subsection shall be known respectively as the first, second, third, fourth and fifth higher rate bands*<sup>F9</sup>.

(4) <sup>M3</sup> If the retail prices index for the month of [<sup>F10</sup>September] preceding a year of assessment is higher than it was for the previous [<sup>F10</sup>September], then, unless Parliament otherwise determines, subsection (2) above shall apply for that year as if for [<sup>F11</sup>each of the amounts specified] in that subsection as it applied for the previous year (whether by virtue of this subsection or otherwise) there were substituted an amount arrived at by increasing the amount for the previous year by the same percentage as the percentage increase in the retail prices index [<sup>F12</sup> and—

(a) if the result in the case of the amount specified in subsection (2)(aa) above is not a multiple of £10, rounding it up to the nearest amount which is such a multiple, and

(b) if the result in the case of the amount specified in subsection (2)(b) above is not a multiple of £100, rounding it up to the nearest amount which is such a multiple.]

[<sup>F13</sup>(5A) Subsection (4) above shall not require any change to be made in the amounts deductible or repayable under [<sup>F14</sup>PAYE regulations] during the period beginning with 6th April and ending with 17th May in the year of assessment.]

<sup>F15</sup>(5) .....

(6) The Treasury shall before each year of assessment make an order specifying the [<sup>F16</sup>amounts] which by virtue of subsection (4) above will be treated as specified for that year in subsection (2) above.

[<sup>F17</sup>(6A) Where income tax at the basic rate has been borne on income chargeable at the [<sup>F18</sup>starting rate] any necessary repayment of tax shall be made on the making of a claim.]

(7) Part VII contains general provisions relating to the taxation of income of individuals.

#### Textual Amendments

**F1** S. 1(1) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 6 para. 2\(2\)](#) (with [Sch. 7](#))

**F2** S. 1(2)(aa) substituted (27.7.1999 with application for the year 1999-00 and subsequent years of assessment) by [Finance Act 1999 \(c. 16\)](#), s. 22(1)

**F3** Words in s. 1(2)(a) inserted (16.3.1992 with application for the year 1992-93 and subsequent years of assessment) by [Finance Act 1992 \(c. 20\)](#), s. 9(3)(10)(11).

**F4** 1988(F) s.24(2)(a) for 1988-89. *Previously*

“(b) in respect of so much of an individual's total income as exceeds £17,900, at such higher rates respectively as Parliament may determine in relation to the first £2,500, the next £5,000, the next £7,900, the next £7,900 and the remainder;”.

**F5** 1990 s.17(1)(b) for 1990-91. (Art. 2(2) of S.I. 1990 No.677 (in Part III Vol.5) was not operated.)

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- F6** S. 1(2A) substituted (27.7.1999 with application for the year 1999-00 and subsequent years of assessment) by Finance Act 1999 (c. 16), s. 22(2)
- F7** Words in s. 1(3) inserted (16.3.1992 with application for the year 1992-93 and subsequent years of assessment) by Finance Act 1992 (c. 20), s. 9(5)(10)(11).
- F8** Words in s. 1(3) substituted (27.7.1999 with application for the year 1999-00 and subsequent years of assessment) by Finance Act 1999 (c. 16), s. 22(3)
- F9** Repealed by 1988(F) s. 148 and Sch. 14 Part IV for 1988-89 and subsequent years
- F10** Words in s. 1(4) substituted (27.7.1993 with effect for year 1994-95 and subsequent years of assessment) by 1993 c. 34, s. 107(2)(a)(8)
- F11** Words in s. 1(4) substituted (16.3.1992 with application for the year 1992-93 and subsequent years of assessment) by virtue of Finance Act 1992 (c. 20), s. 9(6)(10)(11).
- F12** Words in s. 1(4) substituted (27.7.1999 with application for the year 1999-00 and subsequent years of assessment) by Finance Act 1999 (c. 16), s. 22(4)
- F13** S. 1(5A) inserted (27.7.1999 with effect for the year 1999-00 and subsequent years of assessment) by Finance Act 1999 (c. 16), s. 25(2)
- F14** Words in s. 1(5A) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, Sch. 6 para. 2(3) (with Sch. 7)
- F15** S. 1(5) repealed (27.7.1993 with effect for the year 1994-95 and subsequent years of assessment) by 1993 c. 34, ss. 107(2)(b)(8), 213, Sch. 23, Pt.III
- F16** Word in s. 1(6) substituted (16.3.1992 with application for the year 1992-93 and subsequent years of assessment) by virtue of Finance Act 1992 (c. 20), s. 9(7)(10)(11).
- F17** S. 1(6A) inserted (16.3.1992 with application for the year 1992-93 and subsequent years of assessment) by Finance Act 1992 (c. 20), s. 9(8)(10)(11).
- F18** Words in s. 1(6A) substituted (27.7.1999 with application for the year 1999-00 and subsequent years of assessment) by Finance Act 1999 (c. 16), s. 22(6)

#### Modifications etc. (not altering text)

- C1** See s.686—*income of trustees chargeable at higher rate.*
- C2** S. 1(2) amended (1991-92) by S.I. 1991/732, art. 2(2)  
S. 1(2) amended (1992-93) by 1992 c. 20, s. 10(2)(b) (in place of S.I. 1992/622, art. 2(2))  
S. 1(2) amended (1993-94) by 1993 c. 34, s. 51(2) (in place of S.I. 1993/755, art. 2(2))  
S. 1(2) amended (1994-95) by 1994 c. 9, s. 75(2) (in place of S.I. 1993/2948, art. 2(2))  
S. 1(2)(b) amended (1995-96) by S.I. 1994/3012, art. 2(2)(b)  
S. 1(2)(aa) amended (1995-96) by 1995 c. 4, s. 35(2) (in place of S.I. 1994/3012, art. 2(2)(a))  
S. 1(2) amended (1996-97) by 1996 c. 8, s. 72(2) (in place of S.I. 1995/3031, art. 2(2))  
S. 1(2)(b) amended (1997-98) by S.I. 1996/2952, art. 2(2)(b)  
S. 1(2)(aa) amended (1997-98) by 1997 c. 16, s. 54(2) (in place of S.I. 1996/2952, art. 2(2)(a))  
S. 1(2) amended (1998-99) by S.I. 1998/755, art. 2(2)  
S. 1(2)(b) amended (1999-00) by S.I. 1999/597, art. 2(2)(b) (the effect of art. 2(2)(a) being superseded by 1999 c. 16, s. 22(1) which substitutes s. 1(2)(aa))  
S. 1(2) amended (2000-01) by S.I. 2000/806, art. 2(2)  
S. 1(2)(b) amended (2001-02) by S.I. 2001/638, art. 2(2)(b)  
S. 1(2)(aa) amended (2001-02) by 2001 c. 9, s. 51(1) (in place of S.I. 2001/638, art. 2(2)(a))  
S. 1(2) amended (2002-03) by S.I. 2002/707, art. 2(2)  
S. 1(2) amended (2003-04) by S.I. 2003/840, art. 2  
S. 1(2) amended (2004-05) by S.I. 2004/772, art. 2  
S. 1(2) amended (2005-06) by S.I. 2005/716, art. 2  
S. 1(2) amended (2006-07) by S.I. 2006/872, art. 2  
S. 1(2) amended (2007-08) by S.I. 2007/943, art. 2
- C3** See 1990 s.17(1)—*basic rate 25%and higher rate 40%for 1990-91.*
- C4** For earlier years see Table C Vol.1.
- C5** See—1988(F) s.24(2)—*indexation not to apply for 1988-89.1990 s.17(1)—indexation not to apply for 1990-91.*

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- C6** S. 1(4) excluded for the year 1991-92 by Finance Act 1991 (c. 31, SIF 63:1), s. 21(2)  
S. 1(4) excluded for the year 1992-93 by Finance Act 1992 (c. 20), s. 10(2)(a)(5).  
S. 1(4) excluded for the year 1993-94 by Finance Act 1993 (c. 34), s. 51(2)  
S. 1(4) excluded for the year 1994-95 by Finance Act 1994 (c. 9), s. 75(2)  
S. 1(4) excluded for the year 1995-96 by Finance Act 1995 (c. 4), s. 35(2)  
S. 1(4) excluded for the year 1996-97 by Finance Act 1996 (c. 8), s. 72(2)  
S. 1(4) excluded for the year 1999-00 by Finance Act 1999 (c. 16), s. 22(5)  
S. 1(4) excluded for the year 2001-02 by Finance Act 2001 (c. 9), s. 51(2)
- C7** S. 1(5A) modified for the year 2002-03 by Finance Act 2002 (c. 23), s. 27(a)  
S. 1(5A) modified for the year 2003-04 by Finance Act 2003 (c. 14), s. 132
- C8** See S.I. 1989 No. 467 in Part III Vol.5.

#### Marginal Citations

- M1** Source—1970 s.1; 1971 s.32(1); 1980 s.24(2); 1987 s.20(1)  
**M2** Source#1980 s.24(3); 1984 Sch.7 3(5)  
**M3** Source—1980 s.24(4), (7), (9)

### [<sup>F19</sup>1A Application of lower rate to income from savings and distributions.

- (1) Subject to sections 469(2) [<sup>F20</sup>, 686 and 720(5),] so much of any person's total income for any year of assessment as—
- (a) comprises income to which this section applies, and
  - (b) in the case of an individual, is not
    - [ savings income falling within section 1(2)(aa), or  
<sup>F21</sup>(i)
    - (ii)] income falling within section 1(2)(b),
- shall, by virtue of this section, be charged for that year at the [<sup>F22</sup>rate applicable in accordance with subsection (1A) below], instead of at the rate otherwise applicable to it in accordance with section 1(2)(aa) and (a).

[ In subsection (1)(b)(i) above “savings income” means income to which this section  
<sup>F23</sup>(1AA) applies other than—

- (a) income chargeable under Schedule F, or
- (b) equivalent foreign income falling within subsection (3)(b) below and chargeable under Case V of Schedule D.]

[ The rate applicable in accordance with this subsection is—  
<sup>F24</sup>(1A) (a) in the case of income chargeable under Schedule F, the Schedule F ordinary rate;  
(b) in the case of equivalent foreign income falling within subsection (3)(b) below and chargeable under Case V of Schedule D, the Schedule F ordinary rate; and  
(c) in the case of any other income, the lower rate.]

[ In relation to any year of assessment for which income tax is charged the lower rate  
<sup>F25</sup>(1B) is 20 per cent. or such other rate as Parliament may determine.]

- (2) Subject to subsection (4) below, this section applies to the following income—
- (a) any income chargeable under Case III of Schedule D other than—
    - (i) relevant annuities and other annual payments that are not interest; and
    - (ii) amounts so chargeable by virtue of section 119 <sup>F26</sup>. . . ;

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- [ any amount chargeable to tax under Case VI of Schedule D by virtue of <sup>F27</sup>(aa) section 714, 716 or 723;]
- (b) any income chargeable under Schedule F; and
- (c) subject to subsection (4) below, any equivalent foreign income.
- (3) The income which is equivalent foreign income for the purposes of this section is any income chargeable under Case IV or V of Schedule D which—
- (a) is equivalent to a description of income falling within subsection (2)(a) above but arises from securities or other possessions out of the United Kingdom; or
- (b) consists in any such dividend or other distribution of a company not resident in the United Kingdom as would be chargeable under Schedule F if the company were resident in the United Kingdom.
- (4) This section does not apply to—
- (a) any income chargeable to tax under Case IV or V of Schedule D which is such that section 65(5)(a) or (b) provides for the tax to be computed on the full amount of sums received in the United Kingdom; or
- (b) any amounts deemed by virtue of section 695(4)(b) or 696(6) to be income chargeable under Case IV of Schedule D.
- [<sup>F28</sup>(5) For the purposes of subsection (1)(b) above and any other provisions of the Income Tax Acts—
- (a) so much of any person’s income as comprises income to which this section applies shall be treated as the highest part of his income; and
- (b) so much of that part as consists of—
- (i) income chargeable under Schedule F (if any), and
- (ii) equivalent foreign income falling within subsection (3)(b) above and chargeable under Case V of Schedule D (if any),
- shall be treated as the highest part of that part.]
- (6) Subsection (5) above shall have effect subject to section 833(3) but shall otherwise have effect notwithstanding any provision requiring income of any description to be treated for the purposes of the Income Tax Acts (other than section 550) as the highest part of a person’s income.
- [ Where income tax at the basic rate has been borne on income chargeable at the lower <sup>F29</sup>(6A) rate any necessary repayment of tax shall be made on the making of a claim.]
- (7) In this section “relevant annuity” means any annuity other than a purchased life annuity to which section 656 applies or to which that section would apply but for section 657(2)(a).]

#### Textual Amendments

- F19** S. 1A inserted (with effect in accordance with s. 73(3) of the amending Act) by [Finance Act 1996 \(c. 8\), s. 73\(1\)](#)
- F20** Words in s. 1A(1) substituted (with effect in accordance with s. 100(3) of the amending Act) by [Finance Act 1998 \(c. 36\), s. 100\(1\)](#)
- F21** Words in s. 1A(1)(b) inserted (with effect in accordance with s. 32(4) of the amending Act) by [Finance Act 2000 \(c. 17\), s. 32\(2\)](#)
- F22** Words in s. 1A(1) substituted (with effect in accordance with s. 31(6) of the amending Act) by [Finance \(No. 2\) Act 1997 \(c. 58\), s. 31\(2\)](#)

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- F23** S. 1A(1AA) inserted (with effect in accordance with s. 32(4) of the amending Act) by Finance Act 2000 (c. 17), s. 32(3)
- F24** S. 1A(1A) inserted (with effect in accordance with s. 31(6) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 31(3)
- F25** S. 1A(1B) inserted (with application in accordance with s. 22(12) of the amending Act) by Finance Act 1999 (c. 16), s. 22(7)(a)
- F26** Words in s. 1A(2)(a)(ii) repealed (with effect in accordance with Sch. 18(2) Note in the amending Act) by Finance Act 1997 (c. 16), s. 113, Sch. 18(2)
- F27** S. 1A(2)(aa) inserted (with effect in accordance with s. 100(3) of the amending Act) by Finance Act 1998 (c. 36), s. 100(2)
- F28** S. 1A(5) substituted (with effect in accordance with s. 31(6) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 31(4)
- F29** S. 1A(6A) inserted (with application in accordance with s. 22(12) of the amending Act) by Finance Act 1999 (c. 16), s. 22(7)(b)

**Modifications etc. (not altering text)**

- C9** S. 1A extended (27.7.1999) Commonwealth Development Corporation Act 1999 (c. 20), s. 20, Sch. 3 para. 6(4) (with Sch. 3 para. 1)

**[<sup>F30</sup>1B Rates of tax applicable to Schedule F income etc.**

- (1) In the case of so much of an individual's income which consists of—
- income chargeable under Schedule F (if any), and
  - equivalent foreign income falling within section 1A(3)(b) and chargeable under Case V of Schedule D (if any),
- as is income falling within section 1(2)(b), income tax shall, by virtue of this subsection, be charged at the Schedule F upper rate, instead of at the rate otherwise applicable to it in accordance with section 1(2)(b).
- (2) In relation to any year of assessment for which income tax is charged—
- the Schedule F ordinary rate is 10 per cent., and
  - the Schedule F upper rate is 32.5 per cent.,
- or, in either case, such other rate as Parliament may determine.]

**Textual Amendments**

- F30** S. 1B inserted (with effect in accordance with s. 31(6) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 31(5)

**2 Fractions of a pound, and yearly assessments.**

- (1) <sup>M4</sup> The due proportion of income tax shall be charged for every fractional part of one pound.
- (2) Every assessment and charge to income tax shall be made for a year commencing on the 6th April and ending on the following 5th April.

**Marginal Citations**

- M4** Source—1970 s.2



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### 3 Certain income charged at basic rate.

<sup>M5</sup> Where a person is required to be assessed and charged with income tax in respect of any property, profits or gains out of which he makes any payment in respect of—

- (a) any annuity or other annual payment (not being interest); or
- (b) any royalty or other sum in respect of the user of a patent; <sup>F31</sup> . . .
- (c) <sup>F31</sup> . . . . .

he shall, in respect of so much of the property, profits or gains as is equal to the payment and may be deducted in computing his total income, be charged at the basic rate.

#### Textual Amendments

**F31** S. 3(c) and preceding word repealed (with effect in accordance with Sch. 18 Pt. 6(2) Note of the amending Act) by Finance Act 1997 (c. 16), s. 113 {Sch. 18}

#### Marginal Citations

**M5** Source—1970 s.3; 1971 Sch.6 2

### 4 Construction of references in Income Tax Acts to deduction of tax.

(1) <sup>M6</sup> Any provision of the Income Tax Acts requiring, permitting or assuming the deduction of income tax from any amount (otherwise than [<sup>F32</sup>under PAYE regulations]) or treating income tax as having been deducted from or paid on any amount, shall, subject to any provision to the contrary, be construed as referring to deduction or payment of income tax at the basic rate in force for the relevant year of assessment.

[<sup>F33</sup>(1A) As respects deductions from, and tax treated as paid on, any such amounts as constitute or (but for the person whose income they are) would constitute income to which section 1A applies, subsection (1) above shall have effect with a reference to the lower rate in force for the relevant year of assessment substituted for the reference to the basic rate in force for that year.]

[<sup>F34</sup>(1B) To the extent that section 118E (paying and collecting agents: deduction of tax) applies in relation to foreign dividend income—

- (a) subsections (1) and (1A) above shall not apply, and
- (b) any provision of that section of the kind mentioned in subsection (1) above shall be construed as referring to deduction or payment of income tax at the Schedule F ordinary rate in force for the relevant year of assessment.

For this purpose “foreign dividend income” means any such dividend or other distribution of a company not resident in the United Kingdom as would be chargeable under Schedule F if the company were resident in the United Kingdom.]

(2) For the purposes of [<sup>F35</sup>this section], the relevant year of assessment shall be taken to be (except where otherwise provided)—

- (a) if the amount is an amount payable wholly out of profits or gains brought into charge to tax, the year in which the amount becomes due;
- (b) in any other case, the year in which the amount is paid.

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#### Textual Amendments

- F32** Words in s. 4(1) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), s. 723, Sch. 6 para. 3](#) (with Sch. 7)
- F33** S. 4(1A) inserted (with effect in accordance with s. 73(3) of the amending Act) by [Finance Act 1996 \(c. 8\), s. 73\(2\)](#)
- F34** S. 4(1B) inserted (retrospective, and with effect in accordance with s. 33(2) of the amending Act) by [Finance Act 2000 \(c. 17\), s. 33\(1\)](#)
- F35** Words in s. 4(2) substituted (with effect in accordance with [Sch. 6 para. 28](#) of the amending Act) by [Finance Act 1996 \(c. 8\), s. 73, Sch. 6 para. 2](#)

#### Marginal Citations

- M6** Source—1971 s.36; 1975(No. 2) s.44(6)

## 5 Date for payment.

F36 .....

#### Textual Amendments

- F36** S. 5 repealed (with effect in accordance with s. 199(2) and Sch. 26 Pt. 5(23) Note 2 of the amending Act) by [Finance Act 1994 \(c. 9\), s. 258, Sch. 26 Pt. 5\(23\)](#); S.I. 1998/3173, [art. 2](#)

### Corporation tax

## 6 The charge to corporation tax and exclusion of income tax and capital gains tax.

- (1)<sup>M7</sup> Corporation tax shall be charged on profits of companies, and the Corporation Tax Acts shall apply, for any financial year for which Parliament so determines, and where an Act charges corporation tax for any financial year the Corporation Tax Acts apply, without any express provision, for that year accordingly.
- (2) The provisions of the Income Tax Acts relating to the charge of income tax shall not apply to income of a company (not arising to it in a fiduciary or representative capacity) if—
- the company is resident in the United Kingdom, or
  - the income is, in the case of a company not so resident, within the chargeable profits of the company as defined for the purposes of corporation tax by section 11(2).
- (3) A company shall not be chargeable to capital gains tax in respect of gains accruing to it so that it is chargeable in respect of them to corporation tax or would be so chargeable but for an exemption from corporation tax.
- (4) In this section, sections 7 to 12, 114, 115 (but subject to subsection (7)),<sup>F37</sup> . . .<sup>F38</sup> . . . and 248, Part VIII, Chapter IV of Part X and Part XI, except in so far as the context otherwise requires—
- “profits” means income and chargeable gains; and



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(b) “trade” includes “vocation”, and also includes an office or employment or the occupation of woodlands in any context in which the expression is applied to that in the Income Tax Acts.

(5) Part VIII contains general provisions relating to the taxation of profits of companies.

#### Textual Amendments

**F37** Words in s. 6(4) repealed (with effect in accordance with Sch. 8 Pt. 2(4) Note of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 52, **Sch. 8**

**F38** Words in s. 6(4) repealed (with application in accordance with Sch. 33 Pt. 2(10) Note of the amending Act) by Finance Act 2001 (c. 9), s. 110, **Sch. 33**

#### Modifications etc. (not altering text)

**C10** S. 6 applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 1(2), 289 (with ss. 60, 101(1), 171, 201(3)).

**C11** Table K Vol.1. See—Trustee Savings Bank Act 1985 (c.58) s.5 and Sch.2 para.6(2). 1990(C) s.92—balancing charge on a person liable to corporation tax in respect of dwelling houses let on assured tenancies to be made under Sch.A.

**C12** See 1988(F) s.148 and Sch.14 Part V for repeals which will take place from 6 April 1993.

#### Marginal Citations

**M7** Source—1970 s.238

## 7 Treatment of certain payments and repayment of income tax.

(1) <sup>M8</sup> No payment made by a company resident in the United Kingdom shall be treated for any purpose of the Income Tax Acts as paid out of profits or gains brought into charge to income tax; nor shall any right or obligation under the Income Tax Acts to deduct income tax from any payment be affected by the fact that the recipient is a company not chargeable to income tax in respect of the payment.

(2) Subject to the provisions of the Corporation Tax Acts, where a company resident in the United Kingdom receives any payment on which it bears income tax by deduction, the income tax thereon shall be set off against any corporation tax assessable on the company <sup>F39</sup> . . . for the accounting period in which that payment falls to be taken into account for corporation tax (or would fall to be taken into account but for any exemption from corporation tax); and accordingly in respect of that payment the company, unless wholly exempt from corporation tax, shall not be entitled to a repayment of income tax before the assessment for that accounting period is finally determined and it appears that a repayment is due.

(3) <sup>M9</sup> Subsection (2) above does not apply to a payment of relevant loan interest to which section 369 applies.

(4) <sup>M10</sup> References in this section to payments received by a company apply to any received by another person on behalf of or in trust for the company, but not to any received by the company on behalf of or in trust for another person.

(5) <sup>F40</sup> .....

(6) <sup>F40</sup> .....

(7) <sup>F40</sup> .....

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**Textual Amendments**

**F39** Words in s. 7(2) repealed (with effect as mentioned in Sch. 27 Pt. 3(28) Note of the amending Act) by Finance Act 1998 (c. 36), s. 165, **Sch. 27 Pt. 3(28)**

**F40** S. 7(5)-(7) repealed (with effect as mentioned in Sch. 27 Pt. 3(28) Note of the amending Act) by Finance Act 1998 (c. 36), s. 165, **Sch. 27 Pt. 3(28)**

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**Modifications etc. (not altering text)**

**C13** See—1970(M) s.94—*set off to be disregarded in computing penalty for failure to deliver a return.* 1990 ss.98 and 132 and Sch. 19 Part V for changes in relation to income tax falling to be set off against corporation tax for accounting periods ending after the appointed day (see 1988 s.10).

**C14** S. 7(2) applied (with modifications) (with effect in accordance with s. 105(1) of the applying Act) by Finance Act 1996 (c. 8), **s. 91(2)** (with Schs. 10, 11, 15)

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**Marginal Citations**

**M8** Source—1970 s.240(4), (5)

**M9** Source—1982 s.26(7)

**M10** Source—1970 s.240(7)

**8 General scheme of corporation tax.**

- (1) Subject to any exceptions provided for by the Corporation Tax Acts, a company shall be chargeable to corporation tax on all its profits wherever arising.
- (2) <sup>M11</sup> A company shall be chargeable to corporation tax on profits accruing for its benefit under any trust, or arising under any partnership, in any case in which it would be so chargeable if the profits accrued to it directly; and a company shall be chargeable to corporation tax on profits arising in the winding up of the company, but shall not otherwise be chargeable to corporation tax on profits accruing to it in a fiduciary or representative capacity except as respects its own beneficial interest (if any) in those profits.
- (3) Corporation tax for any financial year shall be charged on profits arising in that year; but assessments to corporation tax shall be made on a company by reference to accounting periods, and the amount chargeable (after making all proper deductions) of the profits arising in an accounting period shall, where necessary, be apportioned between the financial years in which the accounting period falls.

In relation to accounting periods ending after such day, not being earlier than 31st March 1992, as the Treasury may by order appoint for the purposes of this subsection, this subsection shall have effect with the substitution for “assessments to corporation tax shall be made on a company” of “corporation tax shall be computed and chargeable (and any assessments shall accordingly be made)”.

- F41(4) .....
- F41(5) .....
- F41(6) .....

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#### Textual Amendments

**F41** S. 8(4)-(6) repealed (27.7.1993 with application in relation to resolutions passed after the day on which 1993 c. 34 is passed) by 1993 c. 34, ss. 205(7), 206(1), 213, **Sch. 23 Pt. VI**

#### Modifications etc. (not altering text)

**C15** S. 8(3): the day appointed for the purposes of s. 8(3) is 30.9.1993 by S.I. 1992/3066, **art. 2(2)(b)**.

#### Marginal Citations

**M11** Source—1970 s.243 (1)-(3), (5)-(7); 1974 s.36; 1987(No. 2) s.90(1)(a)

### [<sup>F42</sup>8A Resolutions to reduce corporation tax.

<sup>F43</sup> .....

#### Textual Amendments

**F42** S. 8A inserted (27.7.1993) by 1993 c. 34, s. 206(2)

**F43** S. 8A repealed (29.4.1996) by Finance Act 1996 (c. 8), ss. 138, 205, Sch. 24 para. 10, **Sch. 41**

## 9 Computation of income: application of income tax principles.

- (1) <sup>M12</sup> Except as otherwise provided by the Tax Acts, the amount of any income shall for purposes of corporation tax be computed in accordance with income tax principles, all questions as to the amounts which are or are not to be taken into account as income, or in computing income, or charged to tax as a person's income, or as to the time when any such amount is to be treated as arising, being determined in accordance with income tax law and practice as if accounting periods were years of assessment.
- (2) For the purposes of this section "income tax law" means, in relation to any accounting period, the law applying, for the year of assessment in which the period ends, to the charge on individuals of income tax, except that it does not include such of the enactments of the Income Tax Acts as make special provision for individuals in relation to matters referred to in subsection (1) above.
- (3) Accordingly, for purposes of corporation tax, income shall be computed, and the assessment shall be made, under—
  - [<sup>F44</sup>(a) Schedules A, D and F, and the Cases of those Schedules, as they apply for purposes of income tax, and
  - (b) the following provisions of ITEPA 2003 (which impose charges to income tax)—
    - (i) Part 2 (employment income),
    - (ii) Part 9 (pension income), and
    - (iii) Part 10 (social security income),]

and in accordance with the provisions applicable to those Schedules and Cases [<sup>F45</sup>and those Parts], but (subject to the provisions of the Corporation Tax Acts) the amounts so computed for the several sources of income, if more than one, together with any amount to be included in respect of chargeable gains, shall be aggregated to arrive at the total profits.

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- (4) Without prejudice to the generality of subsection (1) above, any provision of the Income Tax Acts which confers an exemption from income tax, or which provides for a person to be charged to income tax on any amount (whether expressed to be income or not, and whether an actual amount or not), shall, except as otherwise provided, have the like effect for purposes of corporation tax.
- (5) Where, by virtue of this section or otherwise, any enactment applies both to income tax and to corporation tax—
- (a) it shall not be affected in its operation by the fact that they are distinct taxes but, so far as is consistent with the Corporation Tax Acts, shall apply in relation to income tax and corporation tax as if they were one tax, so that, in particular, a matter which in a case involving two individuals is relevant for both of them in relation to income tax shall in a like case involving an individual and a company be relevant for him in relation to that tax and for it in relation to corporation tax; and
  - (b) for that purpose references in any such enactment to a relief from or charge to income tax, or to a specified provision of the Income Tax Acts shall, in the absence of or subject to any express adaptation, be construed as being or including a reference to any corresponding relief from or charge to corporation tax, or to any corresponding provision of the Corporation Tax Acts.
- (6) The provisions of the Income Tax Acts applied by this section do not include sections 1 to 5, 60 to 69, Part VII or sections 348 to 350 of this Act; and nothing in this section shall be taken to mean that income arising in any period is to be computed by reference to any other period (except in so far as this results from apportioning to different parts of a period income of the whole period).

#### Textual Amendments

- F44** S. 9(3)(a)(b) substituted for words in s. 9(3) (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), s. 723, Sch. 6 para. 4\(a\)](#) (with [Sch. 7](#))
- F45** Words in s. 9(3) inserted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), s. 723, Sch. 6 para. 4\(b\)](#) (with [Sch. 7](#))

#### Modifications etc. (not altering text)

- C16** S. 9 restricted (24.3.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), ss. 881, 883\(3\)\(b\)](#) (with [Sch. 2](#))

#### Marginal Citations

- M12** Source—1970 s.250

## 10 Time for payment of tax.

**F46** .....

#### Textual Amendments

- F46** S. 10 repealed (with effect in accordance with s. 199(2) of the amending Act) by [Finance Act 1994 \(c. 9\), s. 258, Sch. 26 Part 5\(23\)](#), Note 4; [S.I. 1998/3173, art. 2](#)

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## 11 Companies not resident in United Kingdom.

- (1) <sup>M13</sup>A company not resident in the United Kingdom shall not be within the charge to corporation tax unless it carries on a trade in the United Kingdom through a branch or agency but, if it does so, it shall, subject to any exceptions provided for by the Corporation Tax Acts, be chargeable to corporation tax on all its chargeable profits wherever arising.
- (2) For purposes of corporation tax the chargeable profits of a company not resident in the United Kingdom but carrying on a trade there through a branch or agency shall be—
  - (a) any trading income arising directly or indirectly through or from the branch or agency, and any income from property or rights used by, or held by or for, the branch or agency (but so that this paragraph shall not include distributions received from companies resident in the United Kingdom); and
  - [<sup>F47</sup>(b) such chargeable gains as are, by virtue of section 10(3) of the 1992 Act, to be, or be included in, the company's chargeable profits,]
- (3) <sup>F48</sup>. . . Where a company not resident in the United Kingdom receives any payment on which it bears income tax by deduction, and the payment forms part of, or is to be taken into account in computing, the company's income chargeable to corporation tax, the income tax thereon shall be set off against any corporation tax assessable on that income <sup>F49</sup>. . . for the accounting period in which the payment falls to be taken into account for corporation tax; and accordingly in respect of that payment the company shall not be entitled to a repayment of income tax before the assessment for that accounting period is finally determined and it appears that a repayment is due.
- (4) <sup>M14</sup>Subsection (3) above does not apply to a payment of relevant loan interest to which section 369 applies.

### Textual Amendments

- F47** S. 11(2)(b) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290, **Sch. 10 para. 14(2)** (with ss. 60, 101(1), 171, 201(3)).
- F48** Words in s. 11(3) repealed (27.7.1993 with effect in accordance with s. 103 of the amending Act) by 1993 c. 34, ss. 103, 213, **Sch. 23 Pt. III**
- F49** Words in s. 11(3) repealed (with effect as mentioned in Sch. 27 Pt. 3(28) Note of the amending Act) by Finance Act 1998 (c. 36), s. 165, **Sch. 27 Pt. 3(28)**

### Modifications etc. (not altering text)

- C17** S. 11(2)(a) excluded (3.5.1994) by Finance Act 1994 (c. 9), **s. 219(4)** (with s. 220)  
S. 11(2)(a) excluded (with effect in accordance with s. 22(7) of the 1997 amending Act) by 1994 c. 9, s. 219(4A) (as inserted by Finance (No. 2) Act 1997 (c. 58), **s. 22(4)**)
- C18** See—1970(M) s.94(2)—*set off to be disregarded in computing penalty for failure to make a return.* 1990 ss.98 and 132 and Sch.19 Part V for changes in relation to income tax falling to be set off against corporation tax for accounting periods ending after the appointed day (see 1988 s.10).
- C19** S. 11(3) applied (with modifications) (with effect in accordance with s. 105(1) of the applying Act) by Finance Act 1996 (c. 8), **s. 91(2)** (with Schs. 10, 11, 15)

### Marginal Citations

- M13** SOURCE-1970 s.246; 1979(C) Sch. 7  
**M14** SOURCE-1982 s. 26(7)

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VALID FROM 10/07/2003

## **[<sup>F50</sup>11AA Determination of profits attributable to permanent establishment**

- (1) This section provides for determining for the purposes of corporation tax the amount of the profits attributable to a permanent establishment in the United Kingdom of a company that is not resident in the United Kingdom (“the non-resident company”).
- (2) There shall be attributed to the permanent establishment the profits it would have made if it were a distinct and separate enterprise, engaged in the same or similar activities under the same or similar conditions, dealing wholly independently with the non-resident company.
- (3) In applying subsection (2)—
  - (a) it shall be assumed that the permanent establishment has the same credit rating as the non-resident company, and
  - (b) it shall also be assumed that the permanent establishment has such equity and loan capital as it could reasonably be expected to have in the circumstances specified in that subsection.

No deduction may be made in respect of costs in excess of those that would have been incurred on those assumptions.

- (4) There shall be allowed as deductions any allowable expenses incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the United Kingdom or elsewhere.

“Allowable expenses” means expenses of a kind in respect of which a deduction would be allowed for corporation tax purposes if incurred by a company resident in the United Kingdom.

- (5) The Board may by regulations make provision as to the application of subsection (2) in relation to insurance companies.

The regulations may, in particular, make provision in place of subsection (3)(b) as to the basis on which, in the case of insurance companies, capital is to be attributed to a permanent establishment in the United Kingdom. In this subsection “insurance company” has the meaning given by section 431(2).

- (6) Schedule A1 to this Act contains provisions supplementing the provisions of this section.]

### **Textual Amendments**

**F50** [S. 11AA](#) inserted (with effect in accordance with [s. 149\(6\)](#) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 149\(2\)](#)

## **12 Basis of, and periods for, assessment.**

- (1) <sup>M15</sup> Except as otherwise provided by the Corporation Tax Acts, corporation tax shall be assessed and charged for any accounting period of a company on the full amount of the profits arising in the period (whether or not received in or transmitted to the United Kingdom) without any other deduction than is authorised by those Acts.

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- (2) An accounting period of a company shall begin for purposes of corporation tax whenever—
- (a) the company, not then being within the charge to corporation tax, comes within it, whether by the company becoming resident in the United Kingdom or acquiring a source of income, or otherwise; or
  - (b) an accounting period of the company ends without the company then ceasing to be within the charge to corporation tax.
- (3) An accounting period of a company shall end for purposes of corporation tax on the first occurrence of any of the following—
- (a) the expiration of 12 months from the beginning of the accounting period;
  - (b) an accounting date of the company or, if there is a period for which the company does not make up accounts, the end of that period;
  - (c) the company beginning or ceasing to trade or to be, in respect of the trade or (if more than one) of all the trades carried on by it, within the charge to corporation tax;
  - (d) the company beginning or ceasing to be resident in the United Kingdom;
  - (e) the company ceasing to be within the charge to corporation tax.
- (4) For the purposes of this section a company resident in the United Kingdom, if not otherwise within the charge to corporation tax, shall be treated as coming within the charge to corporation tax at the time when it commences to carry on business.
- (5) [<sup>F51</sup>Subject to subsection (5A) below] if a company carrying on more than one trade makes up accounts of any of them to different dates, and does not make up general accounts for the whole of the company's activities, subsection (3)(b) above shall apply with reference to the accounting date of such one of the trades [<sup>F52</sup>as the company may determine].
- [<sup>F53</sup>(5A) If the Board is of the opinion, on reasonable grounds, that a date determined by a company for the purposes of subsection (5) above is inappropriate, they may by notice direct that the accounting date of such other of the trades referred to in that subsection as appears to them to be appropriate shall be used instead.]
- (6) If a chargeable gain or allowable loss accrues to a company at a time not otherwise within an accounting period of the company, an accounting period of the company shall then begin for the purposes of corporation tax, and the gain or loss shall accrue in that accounting period.
- (7) Notwithstanding anything in subsections (1) to (6) above, where a company is wound up, an accounting period shall end and a new one begin with the commencement of the winding up, and thereafter, subject to section 342(6), an accounting period shall not end otherwise than by the expiration of 12 months from its beginning or by the completion of the winding up.
- For this purpose a winding up is to be taken to commence on the passing by the company of a resolution for the winding up of the company, or on the presentation of a winding up petition if no such resolution has previously been passed and a winding up order is made on the petition, or on the doing of any other act for a like purpose in the case of a winding up otherwise than under the <sup>M16</sup>Insolvency Act 1986.
- [<sup>F54</sup>(7A) Notwithstanding anything in subsections (1) to (7) above, where [<sup>F55</sup>an insurance business transfer scheme has effect to transfer from a company to another person business which consists of the effecting or carrying out of contracts of long-



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term insurance], an accounting period of the company from which the business is transferred shall end with the day of the transfer.]

[<sup>F56</sup>(7B) In subsection (7A) above—

“contracts of long-term insurance” means contracts which fall within Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; and

“insurance business transfer scheme” means a scheme falling within section 105 of the Financial Services and Markets Act 2000 and—

- (a) includes an excluded scheme falling within Case 2, 3 or 4 of subsection (3) of that section, but
- (b) does not include a scheme for the transfer of business carried on by one or members or former underwriting members of Lloyd’s.]

(8) Where it appears to the inspector that the beginning or end of any accounting period of a company is uncertain, he may make an assessment on the company for such period, not exceeding 12 months, as appears to him appropriate, and that period shall be treated for all purposes as an accounting period of the company unless either—

- (a) the inspector on further facts coming to his knowledge sees fit to revise it; or
- (b) on an appeal against the assessment in respect of some other matter the company shows the true accounting periods;

and if on an appeal against an assessment made by virtue of this subsection the company shows the true accounting periods, the assessment appealed against shall, as regards the period to which it relates, have effect as an assessment or assessments for the true accounting periods, and there may be made such other assessments for any such periods or any of them as might have been made at the time when the assessment appealed against was made.

#### Textual Amendments

- F51** Words in s. 12(5) inserted (with effect as mentioned in Sch. 24 para. 11(4) of the amending Act) by Finance Act 1996 (c. 8), s. 79, **Sch. 24 para. 11(2)(a)**
- F52** Words in s. 12(5) substituted (with effect as mentioned in Sch. 4 para. 11(4) of the amending Act) by Finance Act 1996 (c. 8), s. 79, **Sch. 24 para. 11(2)(b)**
- F53** S. 12(5A) inserted (with effect as mentioned in Sch. 4 para. 11(4) of the amending Act) by Finance Act 1996 (c. 8), s. 79, **Sch. 24 para. 11(3)**
- F54** S. 12(7A) inserted by Finance Act 1990 (c. 29), s.48, **Sch.9 para.3** (in relation to transfers of business on or after 1.11.1990)
- F55** Words in s. 12(7A) substituted (with effect in accordance with art. 14(4) of the amending S.I.) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629), **art. 14(2)**
- F56** S. 12(7B) inserted (with effect in accordance with art. 14(4) of the amending S.I.) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629), **art. 14(3)**

#### Modifications etc. (not altering text)

- C20** S. 12(1)-(7) excluded (28.4.1997) by The Open-ended Investment Companies (Tax) Regulations 1997 (SI 1997/1154), {reg. 25(2)}
- C21** S. 12(7A) modified (with effect in accordance with reg. 1 of the amending S.I.) by The Friendly Societies (Taxation of Transfers of Business) Regulations 1995 (S.I. 1995/171), **reg. 4(2)(b)**
- C22** S. 12(7A) modified (19.3.1997) by S.I. 1995/171, reg. 4A (as inserted by The Friendly Societies (Taxation of Transfers of Business) (Amendment) Regulations 1997 (S.I. 1997/472), **reg. 4**)

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**C23** S. 12(7A) modified (with effect in accordance with reg. 1(2) of the modifying S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 1997 \(S.I. 1997/473\)](#), [reg. 4](#) (as amended by [S.I. 2001/3629](#), [art. 154](#)); and that modifying reg. 4 is omitted (8.4.2004 with effect in accordance with reg. 1 of the revoking S.I.) by virtue of [S.I. 2004/822](#), [reg. 5](#)

#### Marginal Citations

**M15** SOURCE-1970 s. 247; 1972 s. 107(1)

**M16** 1986 c. 45.

### *Small companies' rate*

## 13 Small companies' relief.

- (1)<sup>M17</sup> Where in any accounting period the profits of [<sup>F57</sup>a company which—
- (a) is resident in the United Kingdom, and
  - (b) is not a close investment-holding company (as defined in section 13A) at the end of that period.]

do not exceed the lower relevant maximum amount, the company may claim that the corporation tax charged on its basic profits for that period shall be calculated as if the rate of corporation tax (instead of being the rate fixed for companies generally) were such lower rate (to be known as the “small companies' rate”) as Parliament may from time to time determine.

- (2) Where in any accounting period the profits of any such company exceed the lower relevant maximum amount but do not exceed the upper relevant maximum amount, the company may claim that the corporation tax charged on its basic profits for that period shall be reduced by a sum equal to such fraction as Parliament may from time to time determine of the following amount—

$$\left( M - P \right) \times \frac{I}{P}$$

where—

M is the upper relevant maximum amount;

P is the amount of the profits; and

I is the amount of the basic profits.

- (3) The lower and upper relevant maximum amounts mentioned above shall be determined as follows—
- (a) where the company has no associated company in the accounting period, those amounts are [<sup>F58</sup>£300,000] and [<sup>F59</sup>£1,500,000] respectively;
  - (b) where the company has one or more associated companies in the accounting period, the lower relevant maximum amount is [<sup>F58</sup>£300,000] divided by one plus the number of those associated companies, and the upper relevant maximum amount is [<sup>F59</sup>£1,500,000] divided by one plus the number of those associated companies.

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(4) In applying subsection (3) above to any accounting period of a company, an associated company which has not carried on any trade or business at any time in that accounting period (or, if an associated company during part only of that accounting period, at any time in that part of that accounting period) shall be disregarded and for the purposes of this section a company is to be treated as an “associated company” of another at a given time if at that time one of the two has control of the other or both are under the control of the same person or persons.

In this subsection “control” shall be construed in accordance with section 416.

(5) In determining how many associated companies a company has got in an accounting period or whether a company has an associated company in an accounting period, an associated company shall be counted even if it was an associated company for part only of the accounting period, and two or more associated companies shall be counted even if they were associated companies for different parts of the accounting period.

(6) For an accounting period of less than 12 months the relevant maximum amounts determined in accordance with subsection (3) above shall be proportionately reduced.

(7) For the purposes of this section the profits (but not the basic profits) of a company for an accounting period shall be taken to be the amount of its profits for that period on which corporation tax falls finally to be borne, with the addition of franked investment income [<sup>F60</sup> other than franked investment income (if any) which the company (“the receiving company”) receives from a company resident in the United Kingdom which is—

- (a) a 51 per cent. subsidiary of the receiving company or of a company <sup>F61</sup> . . . of which the receiving company is a 51 per cent. subsidiary; or
- (b) a trading or holding company which does not fall within [<sup>F62</sup>subsection (7A) below] and which is owned by a consortium the members of which include the receiving company.]

which the company (if a member of a group) receives from companies within the group [<sup>F63</sup><sup>F64</sup> . . . ] ; and for this purpose distributions received by the company from another are to be treated as coming from within the company’s group if, but only if, dividends so received are group income or would be group income if the companies so elected.

[<sup>F65</sup>(7A) A company falls within this subsection if—

- (a) it is a 75 per cent subsidiary of any other company, or
- (b) arrangements of any kind (whether in writing or not) are in existence by virtue of which it could become such a subsidiary.]

(8) For the purposes of this section the basic profits of a company for an accounting period shall be taken to be the amount of its profits for that period on which corporation tax falls finally to be borne.

[<sup>F66</sup>[<sup>F67</sup>(8AA) Section 13ZA applies for the interpretation of subsection (7) above.]

(8AB) The reference in subsection (7) above to franked investment income received by a company applies to any such income received by another person on behalf of or in trust for the company, but not to any such income received by the company on behalf of or in trust for another person.]

[<sup>F68</sup>(8A) <sup>F69</sup> . . . . . ]

(9) <sup>F70</sup> . . . . .

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### Textual Amendments

- F57** 1989 s.105(1) in relation to accounting periods beginning after 31 March 1989. Previously “a company resident in the United Kingdom”.
- F58** Words in s. 13(3) substituted (with effect in accordance with s. 86(3) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), [s. 86\(2\)\(a\)](#)
- F59** Words in s. 13(3) substituted (with effect in accordance with s. 86(3) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), [s. 86\(2\)\(b\)](#)
- F60** Words in s. 13(7) substituted (with effect in accordance with [Sch. 3 para. 7\(4\)](#) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), s. 31, [Sch. 3 para. 7\(2\)](#)
- F61** Words in s. 13(7)(a) repealed (with application in accordance with s. 86(6) and [Sch. 33 Pt. 2\(11\)](#) Note of the amending Act) by [Finance Act 2001 \(c. 9\)](#), s. 86(2)(a), [Sch. 33 Pt. 2\(11\)](#)
- F62** Words in s. 13(7)(b) substituted (with application in accordance with s. 86(6) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [s. 86\(2\)\(b\)](#)
- F63** Words in s. 13(7) inserted (3.5.1994) by [Finance Act 1994 \(c. 9\)](#), s. 138, [Sch. 16 para. 11\(2\)](#)
- F64** Words in s. 13 (7) repealed (with effect in accordance with [Sch. 6 para. 1\(4\)](#) of the amending Act) by [Finance \(No. 2\) Act 1997 \(c. 58\)](#), ss. 36, 52, [Sch. 6](#) para. 1(2), [Sch. 8 Pt. 2\(11\)](#) Note
- F65** [S. 13\(7A\)](#) inserted (with application in accordance with s. 86(6) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [s. 86\(3\)](#)
- F66** [S. 13\(8AA\)\(8AB\)](#) inserted (with effect in accordance with [Sch. 3 para. 7\(4\)](#) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), s. 31, [Sch. 3 para. 7\(3\)](#)
- F67** [S. 13\(8AA\)](#) substituted (with application in accordance with s. 86(6) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [s. 86\(4\)](#)
- F68** [S. 13\(8A\)](#) inserted (3.5.1994) by [Finance Act 1994 \(c. 9\)](#), s. 138, [Sch. 16 para. 11\(3\)](#)
- F69** [S. 13\(8A\)](#) repealed (with effect in accordance with [Sch. 6 para. 1\(4\)](#) of the amending Act) by [Finance \(No. 2\) Act 1997 \(c. 58\)](#), ss. 36, 52, [Sch. 6](#) para. 1(3), [Sch. 8 Pt. 2\(11\)](#) Note
- F70** [S. 13\(9\)](#) repealed (with effect in accordance with [Sch. 20 Pt. 3\(2\)](#) Note of the repealing Act) by [Finance Act 1999 \(c. 16\)](#), s. 139, [Sch. 20 Pt. 3\(2\)](#)

### Modifications etc. (not altering text)

- C24** [S. 13](#) modified (for the financial year 1991 and subsequent financial years) by [Finance Act 1991 \(c. 31\)](#), [SIF 63:1](#), [s. 25\(3\)](#)  
[S. 13](#) modified (for the financial year 1994 and subsequent financial years) by [Finance Act 1994 \(c. 9\)](#), [s. 86\(3\)](#)
- C25** [S. 13](#) applied (27.7.1999) by [Finance Act 1999 \(c. 16\)](#), [s. 28\(7\)\(b\)](#)
- C26** [S. 13](#) applied (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), [s. 26\(10\)](#)
- C27** For rates and fractions see [Table K Vol.1](#).
- C28** [S. 13\(2\)](#) amended (for the financial year 1990) by [Finance Act 1991 \(c. 31\)](#), [SIF 63:1](#), [s. 23\(2\)](#)
- C29** [S. 13\(2\)](#) amended (for the financial year 1991) by [Finance Act 1991 \(c. 31\)](#), [SIF 63:1](#), [s. 25\(1\)\(b\)](#)  
[S. 13\(2\)](#) amended (for the financial year 1992) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), [s. 22\(b\)](#).  
[S. 13\(2\)](#) modified (for the financial year 1993) by [Finance Act 1993 \(c. 34\)](#), [s. 54\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 1994) by [Finance Act 1994 \(c. 9\)](#), [s. 86\(1\)\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 1995) by [Finance Act 1995 \(c. 4\)](#), {s. 38(b)}  
[S. 13\(2\)](#) modified (for the financial year 1996) by [Finance Act 1996 \(c. 8\)](#), [s. 78\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 1997) by [Finance Act 1997 \(c. 16\)](#), [s. 59\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 1998) by [Finance Act 1998 \(c. 36\)](#), [s. 28\(2\)\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 1999) by [Finance Act 1998 \(c. 36\)](#), [s. 29\(2\)\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 2000) by [Finance Act 2000 \(c. 17\)](#), [s. 36\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 2001) by [Finance Act 2001 \(c. 9\)](#), [s. 55\(b\)](#)  
[S. 13\(2\)](#) modified (for the financial year 2002) by [Finance Act 2002 \(c. 23\)](#), [s. 31\(b\)](#)
- C30** [S. 13\(4\)\(5\)](#) applied (with effect in accordance with s. 579 of the affecting Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [s. 99\(5\)](#) (with [Sch. 3 paras. 54, 55](#))

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S. 13(4)(5) applied (with effect in accordance with Sch. 14 para. 10 of the 1997 affecting Act) by Capital Allowances Act 1990 (c. 1), s. 38D(6) (as inserted by Finance Act 1997 (c. 16), s. 84, Sch. 14 para. 2)

**C31** S. 13(7) amended (27.7.1993 with application as mentioned in s. 78(11) of the Amending Act) by 1993 c. 34, s. 78(6)(11)

#### Marginal Citations

**M17** SOURCE-1972 s. 95; 1973 Sch. 14 2, 4; 1983 (No. 2) s. 2(2); 1987 (No. 2) s. 74(4)

### [<sup>F71</sup>13ZA] Interpretation of section 13(7)

- (1) In determining for the purposes of section 13(7) whether one body corporate is a 51 per cent subsidiary of another, that other shall be treated as not being the owner of any share capital—
  - (a) which it owns indirectly, and
  - (b) which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt.
- (2) Notwithstanding that at any time a company (“the subsidiary company”) is a 51 per cent subsidiary of another company (“the parent company”) it shall not be treated at that time as such a subsidiary for the purposes of section 13(7) unless, additionally, at that time—
  - (a) the parent company would be beneficially entitled to more than 50 per cent of any profits available for distribution to equity holders of the subsidiary company, and
  - (b) the parent company would be beneficially entitled to more than 50 per cent of any assets of the subsidiary company available for distribution to its equity holders on a winding-up.
- (3) For the purposes of section 13(7) and this section—
  - (a) “trading or holding company” means a trading company or a company the business of which consists wholly or mainly in the holding of shares or securities of trading companies that are its 90 per cent subsidiaries;
  - (b) “trading company” means a company whose business consists wholly or mainly of the carrying on of a trade or trades;
  - (c) a company is owned by a consortium if 75 per cent or more of the ordinary share capital of the company is beneficially owned between them by companies of which none—
    - (i) beneficially owns less than 5 per cent of that capital,
    - (ii) would be beneficially entitled to less than 5 per cent of any profits available for distribution to equity holders of the company, or
    - (iii) would be beneficially entitled to less than 5 per cent of any assets of the company available for distribution to its equity holders on a winding up,
 and those companies are called the members of the consortium.
- (4) Schedule 18 (equity holders and assets etc. available for distribution) applies for the purposes of subsections (2) and (3)(c) above as it applies for the purposes of section 413(7).]

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### Textual Amendments

**F71** S. 13ZA inserted (with application in accordance with s. 86(6) of the amending Act) by Finance Act 2001 (c. 9), s. 86(5)

### [<sup>F72</sup>13AA Corporation tax starting rate.

- (1) Where in any accounting period the profits of a qualifying company do not exceed the first relevant amount, the company may, instead of making a claim under section 13(1), claim that the corporation tax charged on its basic profits for that period shall be calculated as if the rate of corporation tax were such rate (to be known as the “corporation tax starting rate”), lower than the small companies’ rate, as Parliament may from time to time determine.
- (2) Where in any accounting period the profits of a qualifying company exceed the first relevant amount but do not exceed the second relevant amount, the company may, instead of making a claim under section 13(1), claim that the corporation tax charged on its basic profits for that period shall be—
  - (a) calculated as if the rate of corporation tax were the small companies’ rate; and
  - (b) then reduced by the sum specified in subsection (3) below.
- (3) That sum is the sum equal to such fraction as Parliament may from time to time determine of the following amount—

$$\left( R2 - P \right) \times \frac{I}{P}$$

where—

R2 is the second relevant amount;

P is the amount of the profits; and

I is the amount of the basic profits.

- (4) The first and second relevant amounts mentioned above shall be determined as follows—
  - (a) where the company has no associated company in the accounting period, those amounts are £10,000 and £50,000 respectively;
  - (b) where the company has one or more associated companies in the accounting period—
    - (i) the first relevant amount is £10,000 divided by one plus the number of those associated companies, and
    - (ii) the second relevant amount is £50,000 divided by one plus the number of those associated companies.
- (5) Subsections (4) and (5) of section 13 shall apply for the purposes of subsection (4) above as they apply for the purposes of subsection (3) of that section.
- (6) For an accounting period of less than 12 months the relevant amounts determined in accordance with subsection (4) above shall be proportionately reduced.

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- (7) The profits and the basic profits of a company for an accounting period shall be determined for the purposes of this section as they are for the purposes of section 13.
- (8) In this section “qualifying company”, in relation to an accounting period, means a company which—
- (a) is resident in the United Kingdom;
  - (b) is not a close investment-holding company (as defined in section 13A) at the end of that period; and
  - (c) is not an investment trust which for that period has any eligible rental income (within the meaning of section 508A).]

#### Textual Amendments

**F72** S. 13AA inserted (with effect in accordance with s. 28(6)(7) of the amending Act) by Finance Act 1999 (c. 16), s. 28(1)

#### Modifications etc. (not altering text)

**C32** S. 13AA modified (27.7.1999) by Finance Act 1999 (c. 16), s. 28(7)(a)

**C33** S. 13AA(3) modified (27.7.1999) by Finance Act 1999 (c. 16), s. 29(b)

S. 13AA(3) modified (11.5.2001) by Finance Act 2001 (c. 9), s. 56(b)

S. 13AA(3) modified (24.7.2002) by Finance Act 2002 (c. 23), s. 32(b)

VALID FROM 22/07/2004

#### [<sup>F73</sup>13A] The non-corporate distribution rate

- (1) This section applies where in any accounting period—
- (a) a company makes (or is treated as making) one or more non-corporate distributions, and
  - (b) the company’s underlying rate of corporation tax is less than the non-corporate distribution rate.
- (2) The rate of tax to be applied in calculating the corporation tax chargeable on the company’s basic profits for the accounting period is—
- (a) in relation to so much of the company’s basic profits as is matched with a non-corporate distribution, the non-corporate distribution rate, and
  - (b) in relation to the remainder of the company’s basic profits, the company’s underlying rate of corporation tax.
- (3) The “non-corporate distribution rate” is such rate as Parliament may from time to time determine.
- (4) Schedule A2 to this Act makes provision supplementing this section, in particular—
- (a) defining “non-corporate distribution” and a company’s “underlying rate of corporation tax”,
  - (b) as to the matching of a company’s profits and non-corporate distributions, and
  - (c) providing for non-corporate distributions to be allocated to other companies in certain circumstances.]



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#### Textual Amendments

**F73** S. 13AB inserted (with effect in accordance with s. 28(4)(5) of the amending Act) by Finance Act 2004 (c. 12), s. 28(1)(6)

#### Modifications etc. (not altering text)

**C34** S. 13AB applied (with modifications) (22.7.2004) by Finance Act 2004 (c. 12), s. 28(4)(5)

### [<sup>F74</sup>13A Close investment-holding companies.

- (1) A close company is for the purposes of section 13(1) [<sup>F75</sup>or 13AA(8)] a “close investment-holding company” unless it complies with subsection (2) below.
- (2) A company (“the relevant company”) complies with this subsection in any accounting period if throughout that period it exists wholly or mainly for any one or more of the following purposes—
  - (a) the purpose of carrying on a trade or trades on a commercial basis,
  - (b) the purpose of making investments in land or estates or interests in land in cases where the land is, or is intended to be, let to persons other than—
    - (i) any person connected with the relevant company, or
    - (ii) any person who is the wife or husband of an individual connected with the relevant company, or is a relative, or the wife or husband of a relative, of such an individual or of the husband or wife of such an individual,
  - (c) the purpose of holding shares in and securities of, or making loans to, one or more companies each of which is a qualifying company or a company which—
    - (i) is under the control of the relevant company or of a company which has control of the relevant company, and
    - (ii) itself exists wholly or mainly for the purpose of holding shares in or securities of, or making loans to, one or more qualifying companies,
  - (d) the purpose of co-ordinating the administration of two or more qualifying companies,
  - (e) the purpose of a trade or trades carried on on a commercial basis by one or more qualifying companies or by a company which has control of the relevant company, and
  - (f) the purpose of the making, by one or more qualifying companies or by a company which has control of the relevant company, of investments as mentioned in paragraph (b) above.
- (3) For the purposes of subsection (2) above, a company is a “qualifying company”, in relation to the relevant company, if it—
  - (a) is under the control of the relevant company or of a company which has control of the relevant company, and
  - (b) exists wholly or mainly for either or both of the purposes mentioned in subsection (2)(a) or (b) above.
- (4) Where a company is wound up, it shall not be treated as failing to comply with subsection (2) above in the accounting period that (by virtue of subsection (7) of section 12) begins with the time which is for the purposes of that subsection the

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commencement of the winding up, if it complied with subsection (2) above in the accounting period that ends with that time.

(5) In this section—

“control” shall be construed in accordance with section 416, and

“relative” has the meaning given by section 839(8).

(6) Section 839 shall apply for the purposes of this section.]

#### Textual Amendments

**F74** S. 13A inserted (in relation to accounting periods beginning after 31 March 1989) by [Finance Act 1989 \(c. 26\), s. 105\(2\)\(3\)](#)

**F75** Words in s. 13A(1) inserted (with effect in accordance with s. 28(6) of the amending Act) by [Finance Act 1999 \(c. 16\), s. 28\(2\)](#)

### *Advance corporation tax*

#### 14 Advance corporation tax and qualifying distributions.

(1) <sup>F76</sup> .....

(2) <sup>M18</sup> In this Act “qualifying distribution” means any distribution other than—

(a) a distribution which, in relation to the company making it, is a distribution by virtue only of section 209(2)(c); or

(b) a distribution consisting of any share capital or security which the company making the distribution has directly or indirectly received from the company by which the share capital or security was issued and which, in relation to the latter company, is a distribution by virtue only of section 209(2)(c).

(3) <sup>F76</sup> .....

(4) <sup>F76</sup> .....

(5) <sup>F76</sup> .....

#### Textual Amendments

**F76** S. 14(1)(3)-(5) repealed (with effect as mentioned in Sch. 3 para. 8(3) of the repealing Act) by [Finance Act 1998 \(c. 36\), ss. 31, 165, Sch. 3 para. 8\(2\), Sch. 27 Pt. 3\(2\)](#) Note

#### Modifications etc. (not altering text)

**C35** For rates see Table J Vol.1.

**C36** See 1980 s.117 and Sch.18—demergers.

#### Marginal Citations

**M18** SOURCE-1972 s. 84(4)

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## The six Schedules

### <sup>M19</sup>15 Schedule A.

(1) The Schedule referred to as Schedule A is as follows:—

#### [<sup>F77</sup>SCHEDULE A

- (1) (1) Tax is charged under this Schedule on the annual profits arising from a business carried on for the exploitation, as a source of rents or other receipts, of any estate, interest or rights in or over land in the United Kingdom.
- (2) To the extent that any transaction is entered into for the exploitation, as a source of rents or other receipts, of any estate, interest or rights in or over land in the United Kingdom, it is taken to be entered into in the course of such a business.
- (3) All businesses and transactions carried on or entered into by a particular person or partnership, so far as they are businesses or transactions the profits of which are chargeable to tax under this Schedule, are treated for the purposes of this Schedule as, or as entered into in the course of carrying on, a single business.

There are qualifications to this rule in the case of—

- (a) companies not resident in the United Kingdom (see subsection (1A) below); and
  - (b) insurance companies (see sections 432AA and 441B(2A)).
- (4) The receipts referred to in the expression “as a source of rents or other receipts” include—
- (a) payments in respect of a licence to occupy or otherwise to use land or the exercise of any other right over land, and
  - (b) rentcharges, ground annuals and feu duties and other annual payments reserved in respect of, or charged on or issuing out of, the land.
- (2) (1) This Schedule does not apply to profits arising from the occupation of land.
- (2) This Schedule does not apply to—
- (a) profits charged to tax under Case I of Schedule D under—
  - (b) receipts or expenses taken into account as trading receipts or expenses under section 98 (tied premises);
  - (c) rent charged to tax under Schedule D under—
- (3) The profits of a Schedule A business carried on by a company shall be computed without regard to items giving rise to—
- credits or debits within Chapter II of Part IV of the Finance Act 1996 (loan relationships), or
- <sup>F78</sup> . . . . .
- [<sup>F79</sup>credits or debits within Schedule 26 to the Finance Act 2002 (derivative contracts).]
- This Schedule does not affect the operation of those provisions.
- (3) (1) For the purposes of this Schedule a right to use a caravan or houseboat, where the use to which the caravan or houseboat may be put in pursuance of the right is confined to use at a single location in

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the United Kingdom, is treated as a right deriving from an estate or interest in land in the United Kingdom.

(2) In sub-paragraph (1)—

“caravan” has the meaning given by section 29(1) of the Caravan Sites and Control of Development Act 1960; and

“houseboat” means a boat or similar structure designed or adapted for use as a place of human habitation.

(4) (1) In the case of a furnished letting, any sum payable for the use of furniture shall be taken into account in computing the profits chargeable to tax under this Schedule in the same way as rent.

Expenses in connection with the provision of furniture shall similarly be taken into account in the same way as expenses in connection with the premises.

(2) A furnished letting means where—

(a) a sum is payable in respect of the use of premises, and

(b) the tenant or other person entitled to the use of the premises is also entitled, in connection with that use, to the use of furniture.

(3) This paragraph does not apply if the receipts and expenses are taken into account in computing the profits of a trade consisting in, or involving, making furniture available for use in premises.

(4) In this paragraph—

(a) any reference to a sum includes the value of consideration other than money, and references to a sum being payable shall be construed accordingly; and

(b) “premises” includes a caravan or houseboat within the meaning of paragraph 3.]

[<sup>F80</sup>(1A) In the case of a company which is not resident in the United Kingdom—

(a) businesses carried on and transactions entered into by it the profits of which are within the charge to corporation tax under Schedule A, and

(b) businesses carried on and transactions entered into by it the profits of which are within the charge to income tax under Schedule A,

are treated as separate Schedule A businesses.]

(2) <sup>F81</sup> .....

(3) <sup>F82</sup> .....

(4) Part II contains further provisions relating to the charge to tax under Schedule A.

#### Textual Amendments

**F77** S. 15(1): Sch. A substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by Finance Act 1998 (c. 36), s. 38(1), **Sch. 5 para. 1** (with Sch. 5 para. 73)

**F78** S. 15(1): words in Sch. A para. 2(3) repealed (with effect in accordance with s. 79(3) of, and Sch. 23 to, the amending Act) by Finance Act 2002 (c. 23), s. 141, **Sch. 40 Pt. 3(10)**

**F79** S. 15(1): words in Sch. A para. 2(3) substituted (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2002 (c. 23), s. 83(1)(b), **Sch. 27 para. 2** (with Sch. 28)

**F80** S. 15(1A) inserted (with effect in accordance with s. 38(2)(3) of the amending Act) by Finance Act 1998 (c. 36), s. 38(1), **Sch. 5 para. 2** (with Sch. 5 para. 73)

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**F81** S. 15(2) repealed (with effect in accordance with s. 38(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), s. 165, [Sch. 27 Pt. 3\(4\)](#)

**F82** S. 51(3) repealed (with effect from 6.4.1988) by [Finance Act 1988 \(c. 39\)](#), s.148, [Sch. 14 Part V](#), Note 1

**Modifications etc. (not altering text)**

**C37** See—1970(M) s.19—*information for purposes of Sch.A and associated Sch.D charges.* 1990(C) s.9(5)—*manner of making allowances and charges.* 1990(C) s.67(3)—*allowances in respect of leased assets employed for thermal insulation.* 1990(C) s.92—*allowances in respect of dwelling houses let on assured tenancies.*

**C38** [Ss. 15-17: Schs. A-C](#) excluded (with effect in accordance with s. 230(3) of the excluding Act) by [Finance Act 1994 \(c. 9\)](#), [s. 219\(2\)\(b\)\(4\)](#) (with s. 220)

**Marginal Citations**

**M19** SOURCE-1970(1)–(3)

**F83** **16 Schedule B.**

.....

**Textual Amendments**

**F83** S. 16 repealed (with effect from 6.4.1988) by [Finance Act 1988 \(c. 39\)](#) s.148, [Sch.14 Pt. V](#)

**F84** **17 Schedule C.**

.....

**Textual Amendments**

**F84** S. 17 repealed (with effect in accordance with Sch. 7 para. 32 and Sch. 41 Pt. 5(2) Note of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), [ss. 79, 205](#), [Sch. 7 para. 3](#), [Sch. 41 Pt. V\(2\)](#), Note (with Sch. 7 paras. 33-35)

**18 Schedule D.**

(1) <sup>M20</sup>The Schedule referred to as Schedule D is as follows:—

SCHEDULE D

Tax under this Schedule shall be charged in respect of—

(a) the annual profits or gains arising or accruing—

(i) to any person residing in the United Kingdom from any kind of property whatever, whether situated in the United Kingdom or elsewhere, and

(ii) to any person residing in the United Kingdom from any trade, profession or vocation, whether carried on in the United Kingdom or elsewhere, and

(iii) to any person, whether a Commonwealth citizen or not, although not resident in the United Kingdom from any property whatever

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in the United Kingdom or from any trade, profession or vocation exercised within the United Kingdom, and

(b) all interest of money, annuities and other annual profits or gains [<sup>F85</sup>not charged under Schedule A [<sup>F86</sup>or under ITEPA 2003 as employment income, pension income or social security income]], and not specially exempted from tax.

(2) <sup>M21</sup>Tax under Schedule D shall be charged under the Cases set out in subsection (3) below, and subject to and in accordance with the provisions of the Tax Acts applicable to those Cases respectively.

(3) The Cases are—

Case I:	tax in respect of any trade carried on in the United Kingdom or elsewhere [ <sup>F87</sup> but not contained in Schedule A];
Case II:	tax in respect of any profession or vocation not contained in any other Schedule;
Case III:	tax in respect of— (a) any interest of money, whether yearly or otherwise, or any annuity or other annual payment, whether such payment is payable within or out of the United Kingdom, either as a charge on any property of the person paying the same by virtue of any deed or will or otherwise, or as a reservation out of it, or as a personal debt or obligation by virtue of any contract, or whether the same is received and payable half-yearly or at any shorter or more distant periods, but not including any payment chargeable under Schedule A, and (b) all discounts, and (c) income [ <sup>F88</sup> from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland];
Case IV:	tax in respect of income arising from securities out of the United Kingdom <sup>F89</sup> . . . ;
Case V:	tax in respect of income arising from possessions out of the United Kingdom not being [ <sup>F90</sup> employment income, pension income or social security income on which tax is charged under ITEPA 2003];

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Case VI: tax in respect of any annual profits or gains not falling under any other Case of Schedule D and not charged by virtue of [F91]Schedule A [F92]or by virtue of ITEPA 2003 as employment income, pension income or social security income]].

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[F93](3A) For the purposes of corporation tax subsection (3) above shall have effect as if the following Case were substituted for Cases III and IV, that is to say—

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Case III: tax in respect of—

- (a) profits and gains which, as profits and gains arising from loan relationships, are to be treated as chargeable under this Case by virtue of Chapter II of Part IV of the Finance Act 1996;
- (b) any annuity or other annual payment which—
  - (i) is payable (whether inside or outside the United Kingdom and whether annually or at shorter or longer intervals) in respect of anything other than a loan relationship; and
  - (ii) is not a payment chargeable under Schedule A;
- (c) any discount arising otherwise than in respect of a loan relationship;

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and as if Case V did not include tax in respect of any income falling within paragraph (a) of the substituted Case III.]

[F94](3B) The references in Case IV of Schedule D to income arising from securities out of the United Kingdom, and in Case V of Schedule D to income arising from possessions out of the United Kingdom, shall be taken, in the case of relevant foreign holdings, to include references to the following—

- (a) any proceeds of such a sale or other realisation of coupons for foreign dividends as is effected by a bank in the United Kingdom which pays the proceeds over or carries them into an account;
- (b) any proceeds of a sale of such coupons to a dealer in coupons in the United Kingdom by a person who is not a bank or another dealer in coupons.

(3C) In this section “relevant foreign holdings” means—

- (a) any securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom; or
- (b) any shares or securities issued by or on behalf of a body of persons not resident in the United Kingdom;

and “securities” here includes loan stock and similar securities.

(3D) In this section “foreign dividends” means—



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- (a) in relation to relevant foreign holdings falling within subsection (3C)(a) above, interest or annual payments payable out of the revenue of the government or authority in question; and
  - (b) in relation to relevant foreign holdings falling within subsection (3C)(b) above, any dividends, interest or annual payments payable in respect of the holdings in question.
- (3E) In this section—
- (a) “bank” has the meaning given by section 840A; and
  - (b) references to coupons include, in relation to any foreign dividends, warrants for and bills of exchange purporting to be drawn or made in payment of those dividends.]
- (4) <sup>M22</sup>The provisions of Schedule D and of subsection (2) above are without prejudice to any other provision of the Tax Acts directing tax to be charged under Schedule D or under one or other of the Cases set out in subsection (3) above, and tax directed to be so charged shall be charged accordingly.
- (5) [<sup>F95</sup>Parts III and IV contain] further provisions relating to the charge to tax under Schedule D.

#### Textual Amendments

- F85** S. 18(1): words in Sch. D para. (b) substituted (with effect as mentioned in Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), s. 79, Sch. 7 para. 4(1) (with Sch. 7 paras. 33-35)
- F86** S. 18(1): words in Sch. D para. (b) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, Sch. 6 para. 5(2) (with Sch. 7)
- F87** S. 18(3): words in Sch. D Case I inserted (with effect in accordance with s. 39(4)(5) of the amending Act) by Finance Act 1995 (c. 4), s. 39(3), Sch. 6 para. 2
- F88** S. 18(3): words in Sch. D Case III para. (c) substituted (with effect as mentioned in Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), s. 79, Sch. 7 para. 4(2)(a) (with Sch. 7 paras. 33-35)
- F89** S. 18(3): words in Sch. D Case IV repealed (with effect as mentioned in Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), ss. 79, 205, Sch. 7 para. 4(2)(b), Sch. 41 Pt. V(2), Note (with Sch. 7 paras. 33-35)
- F90** S. 18(3): words in Sch. D Case V substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, Sch. 6 para. 5(3)(a) (with Sch. 7)
- F91** S. 18(3): words in Sch. D Case VI substituted (with effect as mentioned in Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), s. 79, Sch. 7 para. 4(2)(c) (with Sch. 7 paras. 33-35)
- F92** S. 18(3): words in Sch. D Case VI substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, Sch. 6 para. 5(3)(b) (with Sch. 7)
- F93** S. 18(3A) inserted (with effect as mentioned in s. 105 of the amending Act) by Finance Act 1996 (c. 8), s. 104, Sch. 14 para. 5 (with Sch. 15)
- F94** S. 18(3B)-(3E) inserted (with effect as mentioned in Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), s. 79, Sch. 7 para. 4(3) (with Sch. 7 paras. 33-35)
- F95** Words in s. 18(5) substituted (with effect as mentioned in Sch. 7 para. 32 of the amending Act) by Finance Act 1996 (c. 8), s. 79, Sch. 7 para. 4(4) (with Sch. 7 paras. 33-35)

#### Modifications etc. (not altering text)

- C39** See, as regards exemption, the following provisions of this Act:—s.320—Commonwealth Agents—General and official agents etc.s.322—certain consular officers and employees.s.323—visiting

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forces and staffs of allied headquarters.s.325—certain savings bank interest.s.326—sums payable under certified contractual saving schemes.s.327—interest on damages for personal injuries.s.328—funds in court.s.330—German annuities in compensation for National Socialist persecution.s.438—annuity funds of insurance companies doing pension business.s.459 to 461—certain friendly societies.s.467—certain trade unions.s.476—certain dividends and interest payable by building societies (Repealed by 1990 s.30 and Sch.5 para.2 for 1991-92 and subsequent years.)s.484—savings banks.s.505 and 506—charities.s.507—British Museum.s.508—scientific research associations.s.510—agricultural societies.s.514—funds for reducing National Debt.s.517—issue departments of Reserve Bank of India and State Bank of Pakistan.s.519—local authorities.s.578—housing grants.s.581—interest on certain local authority borrowing in foreign currency.s.613(4)—Parliamentary pension funds.s.614—national insurance supplementary schemes etc; and certain Indian family pension funds.s.614(3)—certain pension funds for Crown service abroad.s.614 and 615—certain pension funds for overseas employees.s.620(5) and (6)—approved retirement annuity trust schemes.s.656 and 657—certain purchased life annuities.s.688—certain interest received by trustees of schemes for directors and employees to acquire shares. See also—1989 s.43 for periods of account ending after 5 April 1989 involving emoluments. Income Tax (Repayment of Post-War Credits) Act 1959 s.2(4) (see Part II Vol.5)—interest on post-war credits. Diplomatic Privileges Act 1964 (c.81). Commonwealth Secretariat Act 1966 (c.10), s.1(2) and Sch. Part I para.3—the Commonwealth Secretariat. International Organisations Act 1968 (c.48)—certain international organisations and persons connected therewith. Double taxation agreements (listed in Part III Vol.5) in force under ss.788-799 of this Act as to certain persons resident abroad.

- C40** S. 18: Sch. D excluded (with effect in accordance with s. 39(4)(5) of the excluding Act) by [Income and Corporation Taxes Act 1988 \(c. 1\)](#), s. 588(4A) (as inserted by [Finance Act 1995 \(c. 4\)](#), s. 39(3), [Sch. 6 para. 24](#))
- C41** See 1970(M) Part VIII as to charges on non-residents.
- C42** See—1988 s.79A(4)—charge on contributor to training and enterprise councils and local enterprise companies who receives benefits in return. [S.I. 1987 No.530](#) (in Part III Vol.5) regn.8—computation of profits and gains in respect of payments attributable to non-resident entertainers and sportsmen.
- C43** See—1989 s.94 and Sch.11 para.5—deep gain securities transferred on or after 14 March 1989. [S.I. 1986 No. 1948](#) (in Part III Vol.5) regn.8(2)(d)—interest on cash deposits which are plan investments under personal equity plans. 1990 s.56 and Sch.10 para.12(4)—treatment of chargeable events in relation to convertible securities. [Housing Act 1957 \(c.56\)](#) Sch.8 para.4 and [Housing \(Scotland\) Act 1966 \(c.49\)](#) Sch.7 para.4—interest on certain small holdings of housing bonds. [Housing Subsidies Act 1967 \(c.29\)](#) s.24(2)(c) (reproduced in Part II Vol.5)—payment received by lender from Minister in respect of subsidised loan.
- C44** See—1989 s.94 and Sch.11 para.5—deep gain securities transferred on or after 14 March 1989. 1990 s.56 and Sch.10 paras.12(4) and 20—treatment of chargeable events in relation to income received in the U.K. from convertible securities.
- C45** See also—1990 ss.9(5) and 15—certain balancing charges on lessors and others in respect of industrial buildings, machinery, etc. 1970(M) s.30—recovery of overpayment of tax, etc. 1988 s.79A(4)—charge on contributor to training and enterprise councils and local enterprise companies who receives benefit in return. 1989 ss.68, 71—charge on certain profits or gains of employee share ownership trusts. 1990(C) s.92(2)—balancing charge in respect of dwelling houses let on assured tenancies. [S.I. 1956 No.1230](#) (in Part III Vol. 5) regns. 4 and 15—additional liabilities in respect of purchased life annuities in certain contingencies. [S.I. 1989 No.469](#) (in Part III Vol. 5) regn.22(3)—assessments to recover tax in respect of income under personal equity plans.
- C46** S. 18: Sch. D Case I extended (with effect for the year 1992-93 and subsequent years of assessment) by [Finance Act 1993 \(c. 34\)](#), s. 171(2)(a)(4), 184(3)  
S. 18: Sch. D Case I restricted (with effect for the year 1992-93 and subsequent years of assessment) by [Finance Act 1993 \(c. 34\)](#), ss. 171(2)(b)(4), 184(3)  
S. 18: Sch. D Case I extended (with application in accordance with s. 219(4) of the extending Act) by [Finance Act 1994 \(c. 9\)](#), s. 219(2)(a) (with s. 220)

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- S. 18: Sch. D Case I modified (29.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), ss. 135, 149(1)(f), [Sch. 7 para. 19](#) (with s. 43(6))
- S. 18: Sch. D Cases I, II, VI extended (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), [s. 47\(4\)](#)
- S. 18: Sch. D Cases I, II restricted (with application in accordance with s. 42(3) of the restricting Act) by [Finance Act 1998 \(c. 36\)](#), [s. 42\(1\)\(2\)](#) (with s. 42(4)(5))
- S. 18: Sch. D Cases I, III, V modified (with effect in accordance with s. 117(4)(5) of the modifying Act) by [Finance Act 1998 \(c. 36\)](#), s. 117(1), [Sch. 18 para. 84](#) (with [Sch. 18 para. 59\(2\)](#))
- S. 18: Sch. D Cases I, VI restricted (with application in accordance with s. 46(7) of the restricting Act) by [Finance Act 2000 \(c. 17\)](#), [s. 46\(1\)–\(6\)](#)
- C47** S. 18: Sch. D Cases II–VI excluded (with effect in accordance with s. 230(3) of the excluding Act) by [Finance Act 1994 \(c. 9\)](#), [s. 219\(2\)\(b\)\(4\)](#) (with s. 220)
- C48** S. 18: Sch. D Case III extended (1.5.1995) by [Finance Act 1995 \(c. 4\)](#), [s. 157\(7\)](#)
- S. 18: Sch. D Case III applied (with effect as mentioned in s. 105(1) of the affecting Act) by [Finance Act 1996 \(c. 8\)](#), s. 83(9), [Sch. 8 para. 3\(4\)](#), [Sch. 15](#)
- S. 18: Sch. D Case III modified (with effect as mentioned in s. 105(1) of the modifying Act) by [Finance Act 1996 \(c. 8\)](#), s. 83(9), [Sch. 8 para. 3\(5\)](#), [Sch. 15](#)
- S. 18: Sch. D Cases III, IV extended (with effect in accordance with s. 105(1) of the extending Act) by [Finance Act 1996 \(c. 8\)](#), s. 102, [Sch. 13 para. 1\(1\)](#) (with [Sch. 13 para. 16](#), [Sch. 15](#))
- C49** S. 18: Sch. D Case V extended (27.7.1999) by [Commonwealth Development Corporation Act 1999 \(c. 20\)](#), s. 20, [Sch. 3 para. 6\(3\)](#) (with [Sch. 3 para. 1](#))
- C50** S. 18: Sch. D Case VI extended (16.7.1992 with effect in relation to chargeable periods ending after 10.3.1992) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), s. 66, [Sch. 12 paras. 1, 3\(1\), 7](#).
- S. 18: Sch. D Case VI extended (27.7.1993 with effect as mentioned in s. 165 of the amending Act) by [Finance Act 1993 \(c. 34\)](#), [ss. 130\(2\)\(4\)](#), 165
- S. 18: Sch. D Case VI restricted (27.7.1993) by [Agriculture Act 1993 \(c. 37\)](#), s. 12, [Sch. 2 paras. 19\(2\), 20\(2\)](#)
- S. 18: Sch. D Case VI extended (with application in accordance with [Sch. 20 para. 11\(1\)\(2\)](#) of the extending Act) by [Finance Act 1994 \(c. 9\)](#), s. 218, [Sch. 20 para. 11\(3\)](#) (with [Sch. 20 para. 12\(2\)](#))
- S. 18: Sch. D Case VI extended (with effect in accordance with s. 117(4)(5) of the extending Act) by [Finance Act 1998 \(c. 36\)](#), s. 117(1), [Sch. 18 para. 52\(4\)](#) (with [Sch. 18 para. 59\(2\)](#))
- S. 18: Sch. D Case VI extended (with effect in accordance with s. 579 of the extending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [ss. 256\(2\)\(b\)\(4\)](#) (with [Sch. 3 paras. 54, 55](#))

#### Marginal Citations

- M20** SOURCE-1970 s. 108(1)
- M21** SOURCE-1970 s. 109(1), (2)
- M22** SOURCE-1970 ss. 108(3), 109(3)

## 19 Schedule E.

**F96** .....

#### Textual Amendments

- F96** S. 19 repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 6 para. 6](#), [Sch 8 Pt. 1](#) (with [Sch. 7](#))

## 20 Schedule F.

- (1) <sup>M23</sup>The Schedule referred to as Schedule F is as follows:—

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## SCHEDULE F

- (1) Subject to <sup>F97</sup>95(1A)(a)], income tax under this Schedule shall be chargeable for any year of assessment in respect of all dividends and other distributions in that year of a company resident in the United Kingdom which are not specially excluded from income tax, and for the 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) For the purposes of this Schedule and all other purposes of the Tax Acts <sup>F98</sup>(other than section 95(1) <sup>F99</sup>of this Act and section 219(4A) of the Finance Act 1994)] any such distribution in respect of which a person is entitled to a tax credit shall be treated as representing income equal to the aggregate of the amount or value of that distribution and the amount of that credit, and income tax under this Schedule shall accordingly be charged on that aggregate.
- <sup>F100</sup>(2) <sup>M24</sup>Except as provided for by <sup>F101</sup>section 171 of the Finance Act 1993]]<sup>F102</sup>or section 219 of the Finance Act 1994] no distribution which is chargeable under Schedule F shall be chargeable under any other provision of the Income Tax Acts.
- (3) Part VI contains further provisions relating to company distributions and tax credits.

### Textual Amendments

- F97** S. 20(1): words in Sch. F para. 1 substituted (with effect in accordance with Sch. 7 para. 8(3) of the amending Act) by Finance Act 1997 (c. 16), s. 69, Sch. 7 para. 8(2)(a)
- F98** S. 20(1): words in Sch. F para. 2 inserted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(10)
- F99** S. 20(1): words in Sch. F para. 2 inserted (with effect in accordance with s. 22(7) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 22(5)
- F100** 1988(F) s.61(1)(a) for 1988-89 and subsequent years; and see s.61(3) for amendment of 1972 s.87(3) for 1986-87 and 1987-88.
- F101** Words in s. 20(2) substituted (with effect for the year 1992-93 and subsequent years of assessment) by Finance Act 1993 (c. 34), ss. 183(1), 184(3)
- F102** Words in s. 20(2) inserted (with effect in accordance with s. 230(3) of the amending Act) by Finance Act 1994 (c. 9), s. 219(5) (with s. 220)

### Modifications etc. (not altering text)

- C51** S. 20(1) Sch. F para. 2 modified (with effect in accordance with s. 24(15)) by Finance (No. 2) Act 1997 (c. 58), s. 24(10)  
S. 20(1) Sch. F para. 2 modified (with effect in accordance with s. 22(7)) by Finance (No. 2) Act 1997 (c. 58), s. 22(5)
- C52** S. 20: Sch. F excluded (3.5.1994 with application in accordance with s. 219(4)) by Finance Act 1994 (c. 9), s. 219(2)(b) (with ss. 220, 230)

### Marginal Citations

- M23** SOURCE-1970 s. 232(1); 1972 s. 87(2)  
**M24** SOURCE-1972 s. 87(3)

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