

Status: Point in time view as at 19/03/1997.

Changes to legislation: Finance Act 1994, Part IV is up to date with all changes known to be in force on or before 03 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 16

FOREIGN INCOME DIVIDENDS

PART IV

OTHER PROVISIONS

Penalties

- 10 In the first column of the Table in section 98 of the ^{M1}Taxes Management Act 1970 (penalties for failure to furnish particulars etc.) the following entry shall be inserted after the entry relating to section 234 of the principal Act— “ section 246H; ”.

Marginal Citations

M1 1970 c. 9.

Small companies' relief

- 11 (1) Section 13 of the Taxes Act 1988 (small companies' relief) shall be amended as follows.
- (2) In subsection (7) (definition of profits for purposes of small companies' relief) after “companies within the group” there shall be inserted “ and with the addition of foreign income dividends arising to the company ”.
- (3) The following subsection shall be inserted after subsection (8)—
- “(8A) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

Expenses of management

- 12 (1) Section 75 of the Taxes Act 1988 (expenses of management: investment companies) shall be amended as follows.
- (2) In subsection (2) after “franked investment income,” there shall be inserted “ foreign income dividends, ”.
- (3) The following subsection shall be inserted after subsection (5)—

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“(6) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

Group income

- 13 In section 247 of the Taxes Act 1988 (dividends etc. paid by one member of a group to another) the following subsection shall be inserted after subsection (5)—

“(5A) Subsections (1) to (3) above shall not apply to foreign income dividends; and “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

Mutual business etc.

- 14 (1) Section 490 of the Taxes Act 1988 (companies carrying on a mutual business or not carrying on a business) shall be amended as follows.

(2) In subsection (1) after “(including group income)” there shall be inserted “ or out of foreign income dividends ”.

(3) In subsection (4) after “franked investment income” there shall be inserted “ or foreign income dividends ”.

- (4) The following subsection shall be inserted after subsection (4)—

“(5) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

Discretionary trusts

- 15 In section 687 of the Taxes Act 1988 (payments under discretionary trusts) in subsection (3) the following paragraph shall be inserted after paragraph (aa)—

“(aaa) the amount of tax at a rate equal to the difference between the lower rate and the rate applicable to trusts on any sum treated, under section 246D(4), as income of the trustees;”; and in paragraph (a) of that subsection after “(aa)” there shall be inserted “ , (aaa) ”.

Personal representatives

- 16 In section 701 of the Taxes Act 1988 (interpretation of Part XVI) in subsection (8) (meaning of aggregate income) before “249(5),” there shall be inserted “ 246D(3), ”.

Purchase and sale of securities

- 17 (1) Section 731 of the Taxes Act 1988 (application and interpretation of provisions relating to purchase and sale of securities) shall be amended as follows.

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- (2) In subsection (9), in the definition of “interest” the words from “and in applying” to the end of paragraph (b) shall be omitted.
- (3) The following subsections shall be inserted after subsection (9)—
- “(9A) In applying references in the relevant provisions to interest in relation to a qualifying distribution other than a foreign income dividend—
- (a) “gross interest” means the qualifying distribution together with the tax credit to which the recipient of the distribution is entitled in respect of it, and
 - (b) “net interest” means the qualifying distribution exclusive of any such tax credit.
- (9B) In applying references in the relevant provisions to interest in relation to a foreign income dividend paid in circumstances where section 246D(1), (3) or (4) applies—
- (a) “gross interest” means the amount of the income arrived at under section 246D(1) by reference to the dividend, and
 - (b) “net interest” means the dividend.
- (9C) Where a foreign income dividend is paid in circumstances other than those where section 246D(1), (3) or (4) applies—
- (a) in applying section 735(2) in relation to the dividend the words “the gross amount corresponding with” shall be disregarded, and
 - (b) in applying references in the relevant provisions (including section 735(2)) to interest in relation to the dividend “net interest” means the dividend.
- (9D) In this section “foreign income dividend” shall be construed in accordance with Chapter VA of Part VI.”

Manufactured dividends

^{F1}18

Textual Amendments

F1 Sch. 16 para. 18 repealed (19.3.1997 with effect as mentioned in Sch. 10 para. 7(1), Sch. 18 Pt. VI(10), Note 1 of the repealing Act) by 1997 c. 16, s. 113, Sch. 18 Pt. VI(10); S.I. 1997/991, art. 2

^{F2}19

Textual Amendments

F2 Sch. 16 para. 19 repealed (19.3.1997 with effect as mentioned in Sch. 10 para. 7(1), Sch. 18 Pt. VI(10), Note 1 of the repealing Act) by 1997 c. 16, s. 113, Sch. 18 Pt. VI(10); S.I. 1997/991, art. 2

Interest on tax overpaid

20 (1) Section 826 of the Taxes Act 1988 shall be amended as follows.

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- (2) In subsection (1) the following paragraph shall be inserted after paragraph (a)—
- “(aa) a repayment falls to be made under sections 246N and 246Q of advance corporation tax paid by a company in respect of distributions made by it in such an accounting period; or”.
- (3) The following subsection shall be inserted after subsection (2)—
- “(2A) In relation to advance corporation tax paid by a company in respect of distributions made by it in an accounting period, the material date for the purposes of this section is the date on which corporation tax for that accounting period became (or, as the case may be, would have become) due and payable in accordance with section 10.”

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