



# Finance Act 1997

## 1997 CHAPTER 16

### PART V

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

##### *Distributions etc.*

#### **69 Special treatment for certain distributions**

Schedule 7 to this Act (which makes provision for the treatment of distributions arising on the purchase etc. by a company of its own shares and for cases where a distribution has a connection with a transaction in securities) shall have effect.

#### **70 Distributions of exempt funds**

(1) In subsection (5) of section 236 of the Taxes Act 1988 (meaning of “relevant profits”) —

- (a) in paragraph (a), after “franked investment income” there shall be inserted “and foreign income dividends”; and
- (b) in paragraph (b), for “and franked investment income” there shall be substituted “, franked investment income and foreign income dividends”.

(2) After subsection (7) of that section there shall be inserted the following subsection—

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

(3) This section has effect (subject to subsection (4) below) for the purposes of computing the relevant profits (within the meaning of section 236 of the Taxes Act 1988) arising to a company in any period falling wholly or partly after 7th October 1996.

(4) No foreign income dividend paid before 8th October 1996 shall be included or, as the case may be, excluded by virtue of this section from any such profits as are mentioned in subsection (3) above.

## **71 Set-off against franked investment income**

Section 242 of the Taxes Act 1988 (set-off of losses against surplus franked investment income) shall have effect, and be deemed always to have had effect, as if at the end of paragraph (c) of subsection (6) (power to carry set-off forward) there were inserted “and

- (d) in relation to relief given in respect of amounts available to be set against profits under section 83 of the Finance Act 1996 or paragraph 4 of Schedule 11 to that Act or under section 131(4) of the Finance Act 1993 (which are provisions relating to deficits on loan relationships, foreign exchange losses and losses on certain financial instruments);”.

## **72 FIDs paid to unauthorised unit trusts**

- (1) In section 246D(5) of the Taxes Act 1988 (section 233(1) and (1A) of that Act not to apply to FIDs paid to individuals, personal representatives or certain trustees), after “representatives” there shall be inserted “, a foreign income dividend paid to the trustees of a unit trust scheme to which section 469 applies”.
- (2) This section has effect in relation to distributions made on or after 26th November 1996.

## **73 Tax advantages to include tax credits**

- (1) In section 709 of the Taxes Act 1988 (meaning of “tax advantage” etc. in Chapter I of Part XVII of that Act), after subsection (2) there shall be inserted the following subsection—
  - “(2A) In this Chapter references to a relief and to a repayment of tax include, respectively, references to a tax credit and to a payment of any amount in respect of a tax credit.”
- (2) This section—
  - (a) has effect for the purposes of the application of provisions of Chapter I of Part XVII of the Taxes Act 1988 in relation to chargeable periods ending at any time, including times before the passing of this Act, but
  - (b) without prejudice to the construction of that Chapter apart from this section, does not apply in the case of a tax credit in respect of a distribution made before 8th October 1996.