

## SCHEDULES

### SCHEDULE 6

Section 36.

#### FOREIGN INCOME DIVIDENDS

##### *Section 13 of the Taxes Act 1988*

- 1 (1) Section 13 of the Taxes Act 1988 (small companies' relief) shall be amended as follows.
- (2) In subsection (7) (profits of a company for an accounting period to include foreign income dividends) the words “and with the addition of foreign income dividends arising to the company” shall cease to have effect.
- (3) Subsection (8A) (definition of “foreign income dividends”) shall cease to have effect.
- (4) This paragraph has effect for accounting periods beginning on or after 6th April 1999.

##### *Section 75 of the Taxes Act 1988*

- 2 (1) Section 75 of the Taxes Act 1988 (expenses of management: investment companies) shall be amended as follows.
- (2) In subsection (2) (deductions from amount treated as expenses of management) the words “foreign income dividends” shall cease to have effect.
- (3) Subsection (6) (definition of “foreign income dividends”) shall cease to have effect.
- (4) This paragraph has effect in relation to distributions made on or after 6th April 1999.

##### *Chapter VA of Part VI of the Taxes Act 1988*

- 3 (1) Sections 246A to 246Y of the Taxes Act 1988 (foreign income dividends) shall cease to have effect.
- (2) The repeal of sections 246A to 246E and 246G of the Taxes Act 1988 has effect in relation to distributions made on or after 6th April 1999.
- (3) The repeal of sections 246F, 246H to 246J and 246N to 246Y of the Taxes Act 1988 has effect for accounting periods beginning on or after 6th April 1999.
- (4) The repeal of sections 246K to 246M of the Taxes Act 1988 has effect for accounting periods of the parent (within the meaning of those sections) beginning on or after 6th April 1999.

##### *Section 247 of the Taxes Act 1988*

- 4 (1) In section 247 of the Taxes Act 1988 (dividends etc paid by one member of a group to another) subsections (5A) to (5D) (which relate to foreign income dividends) shall cease to have effect.

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- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 431 of the Taxes Act 1988*

- 5 (1) In section 431(2) of the Taxes Act 1988 (interpretation of Chapter I of Part XII) the definition of “foreign income dividends” shall cease to have effect.
- (2) This paragraph has effect for accounting periods beginning on or after 6th April 1999.

*Section 434 of the Taxes Act 1988*

- 6 (1) Section 434 of the Taxes Act 1988 (franked investment income etc) shall be amended as follows.
- (2) Subsections (3B) to (3D) (which relate to foreign income dividends) shall cease to have effect.
- (3) In subsection (6A), paragraphs (aa) to (ac) (which define expressions used in subsections (3B) to (3D)) shall cease to have effect.
- (4) This paragraph has effect for accounting periods beginning on or after 6th April 1999.

*Section 458 of the Taxes Act 1988*

- 7 (1) In section 458 of the Taxes Act 1988 (capital redemption business) in subsection (2) (certain foreign income dividends treated as part of profits in ascertaining loss) the words “and foreign income dividends arising to” shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Chapter III of Part XII of the Taxes Act 1988*

- 8 (1) In section 468H of the Taxes Act 1988 (interpretation of sections 468I to 468R)—
- (a) subsection (5) (construction of references to foreign income dividends) shall cease to have effect; and
  - (b) in subsection (6), for “to 468R” there shall be substituted “to 468Q”.
- (2) In section 468I of the Taxes Act 1988 (distribution accounts)—
- (a) in subsection (2), the words “which are not foreign income dividends” shall cease to have effect; and
  - (b) subsections (3), (5), (5A) and (7) shall cease to have effect.
- (3) In section 468J of the Taxes Act 1988 (dividend distributions)—
- (a) in subsection (1), the words “or a part of the total amount” and “which are not foreign income dividends” shall cease to have effect;
  - (b) in subsection (2), the words “or, as the case may be, the part” shall cease to have effect; and
  - (c) subsection (3) shall cease to have effect.
- (4) Section 468K of the Taxes Act 1988 (foreign income distributions) shall cease to have effect.

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- (5) In section 468M of the Taxes Act 1988 (deduction of tax: simple case) in subsection (5) (definition of “eligible income”) paragraph (c) shall cease to have effect.
- (6) In section 468Q of the Taxes Act 1988 (dividend distribution to corporate unit holder)
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- (a) in subsection (2)(a), the words “a foreign income distribution” shall cease to have effect;
- (b) in subsection (3)—
- (i) for the formula there shall be substituted the following formula—
- $$U = \frac{A \times C}{D}$$
- (ii) the definition of “B” shall cease to have effect; and
- (c) subsection (4) shall cease to have effect.
- (7) Section 468R of the Taxes Act 1988 (foreign income distribution to corporate holder) shall cease to have effect.
- (8) Sub-paragraphs (1)(a), (5) and (6) above have effect for distribution periods beginning on or after 6th April 1999.
- (9) Sub-paragraphs (1)(b), (2) to (4) and (7) above have effect for distribution periods the distribution date for which falls on or after 6th April 1999.

*Section 490 of the Taxes Act 1988*

- 9 (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) (which contains a reference to foreign income dividends) the words “or out of foreign income dividends” shall cease to have effect.
- (3) In subsection (4) (which contains a reference to foreign income dividends) the words “or foreign income dividends” shall cease to have effect.
- (4) Subsection (5) (definition of “foreign income dividends”) shall cease to have effect.
- (5) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 687 of the Taxes Act 1988*

- 10 (1) In section 687 of the Taxes Act 1988 (payments under discretionary trusts) in subsection (3), paragraph (aaa) (which concerns any sums treated under section 246D(4) as income of trustees) shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 689B of the Taxes Act 1988*

- 11 (1) In section 689B of the Taxes Act 1988 (order in which expenses to be set against income) in subsection (2)(b) the words “246D(4) or” shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

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*Section 699A of the Taxes Act 1988*

- 12 (1) In section 699A of the Taxes Act 1988 (untaxed sums comprised in the income of the estate)—
- (a) in subsection (1)(a), and
  - (b) in subsection (4)(a),
- the word “246D(3)” shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 701 of the Taxes Act 1988*

- 13 (1) In section 701 of the Taxes Act 1988 (interpretation) in subsection (8) (subsection for section 246D(3) etc) the word “246D(3)” shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 731 of the Taxes Act 1988*

- 14 (1) Section 731 of the Taxes Act 1988 (application and interpretation of sections 732 to 734) shall be amended as follows.
- (2) In subsection (9A) (application of references to interest in relation to a qualifying distribution other than a foreign income dividend) the words “other than a foreign income dividend” shall cease to have effect.
- (3) Subsections (9B) to (9D) (which make provision in relation to foreign income dividends) shall cease to have effect.
- (4) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 802 of the Taxes Act 1988*

- 15 (1) Section 802 of the Taxes Act 1988 (UK insurance companies trading overseas) shall be amended as follows.
- (2) In subsection (2) (which contains a reference to foreign income dividends) the words “foreign income dividends” shall cease to have effect.
- (3) Subsection (4) (definition of “foreign income dividends”) shall cease to have effect.
- (4) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Schedule 13 to the Taxes Act 1988*

- 16 (1) Schedule 13 to the Taxes Act 1988 shall be amended as follows.
- (2) In paragraph 1 (duty to make returns), in sub-paragraph (1)—
- (a) paragraph (b) (duty to make returns of foreign income dividends paid and received) shall cease to have effect;
  - (b) in paragraph (c), the words “and foreign income dividends paid” shall cease to have effect; and
  - (c) the words following paragraph (c) (construction of references to foreign income dividends) shall cease to have effect.
- (3) In sub-paragraph (4) of that paragraph—

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- (a) the word “4A(2),” and
  - (b) paragraph (b) and the word “and” immediately preceding it,
- shall cease to have effect.
- (4) In paragraph 2 (content of returns)—
    - (a) in sub-paragraph (1)—
      - (i) for “paragraphs 7(2), 3A(2) and 9A(2)” there shall be substituted “paragraph 7(2)”; and
      - (ii) paragraphs (d) to (f) (which require the return to include information in relation to foreign income dividends) shall cease to have effect; and
    - (b) sub-paragraphs (5) and (6) (which supplement paragraphs (e) and (f) of sub-paragraph (1)) shall cease to have effect.
  - (5) In paragraph 3 (payment of tax)—
    - (a) in sub-paragraph (1), the words “and foreign income dividends”, and
    - (b) in sub-paragraph (3), the words “or foreign income dividend”,shall cease to have effect.
  - (6) Paragraphs 3A and 3B (which make provision in relation to international headquarters companies paying foreign income dividends) shall cease to have effect.
  - (7) In paragraph 4 (receipt of franked investment income after payment of advance corporation tax) in sub-paragraph (2) the words “or paid any foreign income dividends” shall cease to have effect.
  - (8) Paragraph 4A (receipt of foreign income dividends after payment of advance corporation tax) shall cease to have effect.
  - (9) Paragraph 6A (claims for set-off in respect of foreign income dividends received by a company) shall cease to have effect.
  - (10) In paragraph 7 (qualifying distributions which are not payments and payments of uncertain nature) in sub-paragraph (3) the words “and no foreign income dividend is paid” shall cease to have effect.
  - (11) Paragraph 9A (manufactured foreign income dividends) shall cease to have effect.
  - (12) Sub-paragraph (2) above has effect for accounting periods beginning on or after 6th April 1999.
  - (13) Sub-paragraphs (3) to (10) above have effect for return periods beginning on or after 6th April 1999.
  - (14) Sub-paragraph (11) above has effect in relation to manufactured dividends which are representative of dividends paid on or after 6th April 1999.

*Schedule 23A to the Taxes Act 1988*

- 17 (1) Schedule 23A to the Taxes Act 1988 (manufactured dividends and interest) shall be amended as follows.
- (2) In paragraph 1(1) (interpretation) the definition of “foreign income dividend” shall cease to have effect.

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- (3) In paragraph 2 (manufactured dividends on UK equities: general) in sub-paragraph (6) the words “Subject to paragraph 2B(2)(b) below” shall cease to have effect.
- (4) Paragraph 2B (manufactured dividends representative of foreign income dividends) shall cease to have effect.
- (5) This paragraph has effect in relation to manufactured dividends which are representative of dividends paid on or after 6th April 1999.

*Section 88A of the Finance Act 1989*

- 18 (1) In section 88A of the Finance Act 1989 (lower corporation tax rate on certain insurance company profits) in subsection (3)—
  - (a) paragraph (d)(ii) (which relates to foreign income distributions) shall cease to have effect; and
  - (b) the words “(or by that subsection as applied by section 468R(2) of that Act)” shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 89 of the Finance Act 1989*

- 19 (1) Section 89 of the Finance Act 1989 (policy holders' share of profits) shall be amended as follows.
  - (2) In subsection (2), paragraph (c) (which provides for Case I profits to be reduced by the shareholders' share of any foreign income dividends from investments held in connection with life assurance business) shall cease to have effect.
  - (3) Subsection (2A) (which explains certain expressions used in subsection (2)(c)) shall cease to have effect.
  - (4) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 171 of the Finance Act 1993*

- 20 (1) Section 171 of the Finance Act 1993 (taxation of profits and allowance of losses of Lloyd's underwriters) shall be amended as follows.
  - (2) Subsection (2A) (which makes provision in relation to foreign income dividends) shall cease to have effect.
  - (3) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Schedule 7 to the Finance Act 1997*

- 21 (1) Schedule 7 to the Finance Act 1997 shall be amended as follows.
  - (2) Paragraph 2 (distributions treated as FIDs) shall cease to have effect.
  - (3) Paragraphs 4 to 6 (exceptions for stock options, dividends on fixed rate preference shares and pre-sale distributions) shall cease to have effect.

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- (4) Sub-paragraphs (2) and (3) above have effect in relation to distributions made on or after 6th April 1999.

*Transitional provisions*

- 22 (1) Where, in the case of an accounting period of a company beginning before 6th April 1999 and ending on or after 5th April 1999 (“a transitional period”), there would (apart from this sub-paragraph) be such an excess as is mentioned in section 246F(3) of the Taxes Act 1988, no such excess shall be deemed to have arisen.
- (2) In their application in relation to foreign income dividends paid in an accounting period of a company beginning before 6th April 1999, sections 246J(5) and 246K(10) of the Taxes Act 1988 shall have effect as if the reference to any subsequent accounting period—
- (a) included an accounting period which immediately follows a transitional period, but
  - (b) did not include any later accounting period.
- 23 Where a foreign income dividend paid by a company before 6th April 1999—
- (a) is received by a person on or after that date, and
  - (b) is not one in relation to which section 246D of the Taxes Act 1988 applies, the recipient shall be treated, for all purposes of the Tax Acts, as receiving instead a qualifying distribution made by a company resident in the United Kingdom of an amount equal to nine tenths of the amount of the foreign income dividend.