

SCHEDULES

SCHEDULE 3

CORPORATION TAX: THE NON-CORPORATE DISTRIBUTION RATE: SUPPLEMENTARY PROVISIONS

PART 1

GENERAL PROVISIONS

Introduction

- 1 The provisions of this Schedule supplement section 13AB (corporation tax: the non-corporate distribution rate).

Meaning of “non-corporate distribution”

- 2 (1) A “non-corporate distribution” means a distribution made by a company to a recipient who is not a company.
 “Recipient” here means the person beneficially entitled to the distribution.
- (2) A distribution made to a partnership is treated as made to the partners notwithstanding that the partnership is regarded as a legal person, or as a body corporate, under the law of the country or territory under which it is formed.

Calculation of company’s “underlying rate of corporation tax”

- 3 (1) A company’s underlying rate of corporation tax for an accounting period is determined as follows:

Step One

Take the company’s basic profits for the accounting period (“BP”).

Step Two

Find the amount of corporation tax chargeable on those profits apart from section 13AB (“CT”).

Step Three

The company’s underlying rate of corporation tax is the percentage determined as follows—

$$\left(\frac{\text{CT}}{\text{BP}}\right) \times 100$$

- (2) In determining CT—
- apply the rate of corporation tax fixed for companies generally, and
 - if the company is entitled to and claims relief under section 13 (small companies’ relief) or section 13AA (corporation tax starting rate), apply the provisions of those sections.

But take no account of any other relief that is given by reducing the amount or rate of tax payable (as opposed to the amount of the profits chargeable to tax).

Matching: distributions not exceeding basic profits

- 4 Where in an accounting period the total amount of the distributions made (or treated as made) by a company does not exceed the amount of its basic profits, the amount of the company's basic profits matched with non-corporate distributions is equal to the total amount of the non-corporate distributions made (or treated as made) by the company in that period.

Matching: distributions exceeding basic profits

- 5 Where in an accounting period the total amount of the distributions made (or treated as made) by a company exceeds its basic profits, the amount of the company's basic profits for that period matched with non-corporate distributions is—

$$\left(\frac{\text{NCD}}{\text{D}} \right) \times \text{BP}$$

where—

NCD is the total amount of the non-corporate distributions made (or treated as made) by the company in that period;

D is the total amount of all the distributions made (or treated as made) by the company in that period; and

BP is the amount of the company's basic profits for that period.