



Corporation Tax Act 2009

2009 CHAPTER 4

PART 10

MISCELLANEOUS INCOME

CHAPTER 3

BENEFICIARIES' INCOME FROM ESTATES IN ADMINISTRATION

Successive interests

953 Introduction

- (1) Sections 954 to 959 relate to cases where two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons.
- (2) For the purposes of this section and those sections, two interests are held successively even where one is not held immediately before or after the other.
- (3) It is assumed for the purposes of those sections—
 - (a) that each of the persons holding the interests in question is a company within the charge to corporation tax (but without prejudice to the references to interests ceasing otherwise than by death), and
 - (b) that in the case of a person who is not a company the person's accounting periods correspond with tax years.

954 Successive absolute interests

- (1) This section applies if two or more absolute interests in the whole or part of the residue of an estate are held successively during the administration period by different persons.

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- (2) In determining whether a company with a later such interest (“the later holder”) has an assumed income entitlement in respect of that interest and, if so, its amount—
 - (a) the later holder’s share of the residuary income of the estate in respect of that interest for any accounting period is to be treated as including the share of any person with a previous such interest (“a previous holder”), and
 - (b) the basic amounts relating to the later holder’s interest are to be treated as including the basic amounts relating to any previous such interest.
- (3) In applying subsection (2), all determinations under that subsection or section 955(2) that fall to be made in relation to a person with an earlier interest are to be made before determinations under those provisions relating to a person with a later interest.
- (4) A company which is a previous holder in the final accounting period is to be taxed for that period, in relation to the interest as to which that company is a previous holder, as if that period were not the final accounting period, and the later holder’s assumed income entitlement is to be calculated accordingly (or, where the previous holder is not a company, having regard to the application of section 671(4) of ITTOIA 2005 to the previous holder).
- (5) The calculation under section 951(1)(a) and (b) (amount of reduction in the share of the residuary income of the company with an absolute interest at the end of the administration period) is to be made by reference to all the absolute interests taken together.
- (6) If the amount resulting from that calculation is greater than the total amount of the reductions which can be made under section 951(2) and (3), the share of the residuary income of the estate of the last previous holder of the interest for the last accounting period in which that last holder had that interest is to be reduced, and so on.
- (7) But if subsection (6) applies in a case where the last previous holder or any earlier previous holder is not a company, in applying that subsection regard must be had to the application of section 671(6) of ITTOIA 2005 to the previous holder.

955 Assumed income entitlement of holder of absolute interest following limited interest

- (1) This section applies if—
 - (a) two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons,
 - (b) each later interest arises or is created on the cessation of the previous interest otherwise than by death,
 - (c) at least one of the interests is an absolute interest, and
 - (d) at least one of the interests preceding that interest is a limited interest.
- (2) Rules A and B apply to determine in relation to such an absolute interest—
 - (a) whether the company with the interest has an assumed income entitlement in respect of the interest, and
 - (b) if so, its amount.
- (3) Rule A is that the company’s share of the residuary income of the estate in respect of the absolute interest for any accounting period is treated as including any amount which would be included in it if—

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- (a) the interest had subsisted throughout the period when any such limited interest subsisted, and
 - (b) no such limited interest had ever subsisted.
- (4) Rule B is that the basic amounts relating to the absolute interest are treated as including the basic amounts relating to any such limited interest.

956 Payments in respect of limited interests followed by absolute interests

- (1) This section applies if—
 - (a) two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons,
 - (b) each later interest arises or is created on the cessation of the previous interest otherwise than by death,
 - (c) at least one of the interests is an absolute interest, and
 - (d) at least one of the interests preceding that interest is a limited interest.
- (2) A sum to which a company (“C”) with such an absolute interest is entitled in respect of any such limited interest which is paid while C has the absolute interest is treated as paid in respect of the absolute interest (and not the limited interest).
- (3) Subsection (4) applies if—
 - (a) C’s absolute interest ceases during the administration period, and
 - (b) a sum to which C is entitled in respect of any such limited interest—
 - (i) is paid after the absolute interest ceases but before the end of the administration period, or
 - (ii) remains payable at the end of it.
- (4) This Chapter applies as respects any such sum as if the limited interest had continued to subsist while that absolute interest subsisted and had been held by C.
- (5) Subsection (4) is subject to subsection (6).
- (6) For the purposes only of section 951 (reduction in share of residuary income of estate), any such sum is treated as paid or payable in respect of the absolute interest.

957 Holders of limited interests

- (1) This section applies if—
 - (a) two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons,
 - (b) the earlier or, if there are more than two, the earliest of the interests is a limited interest, and
 - (c) each later interest arises or is created on the cessation of the previous interest otherwise than by death.
- (2) Income is treated as arising from a limited interest in the whole or part of the residue of the estate in an accounting period in cases A, B and C.
- (3) Case A is where—
 - (a) one of the successive interests subsists at the beginning of the accounting period of a company which has or has had one of the interests which is a limited interest (the “limited holder”),

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- (b) a sum is paid in respect of one of the interests in that period and before the end of the administration period, and
 - (c) the limited holder is entitled to receive the payment.
- (4) Case B is where—
 - (a) the accounting period of a limited holder is the final accounting period,
 - (b) one of the successive interests subsists at the beginning of that period,
 - (c) a sum remains payable in respect of one of the interests at the end of the administration period, and
 - (d) the limited holder is entitled to receive the payment.
- (5) Case C is where—
 - (a) the accounting period of a limited holder is a period before the final accounting period,
 - (b) the last of the successive interests ceases in the accounting period,
 - (c) a sum is either—
 - (i) paid in respect of one of the interests in a later accounting period but before the end of the administration period, or
 - (ii) remains payable in respect of it at the end of the administration period, and
 - (d) the limited holder is entitled to receive the payment.

958 Basic amount of estate income: successive limited interests

The basic amount of estate income relating to a limited interest within section 957 for an accounting period is the total of the sums within section 957(3)(b), (4)(c) and (5)(c) for that period.

959 Apportionments

- (1) Such apportionments as are just and reasonable are to be made for the purposes of this Chapter if—
 - (a) the part of a residuary estate in which an interest within any of the provisions specified in subsection (2) subsists does not wholly correspond with the part in which another such interest held successively subsists, or
 - (b) one of those interests is in the whole of the residuary estate and the other is only in part of it.
- (2) The provisions are—
 - section 954 (successive absolute interests),
 - section 955 (successive interests: assumed income entitlement of holder of absolute interest following limited interest),
 - section 956 (successive interests: payments in respect of limited interests followed by absolute interests),
 - section 957 (successive interests: holders of limited interest) and,
 - section 958 (basic amount of estate income: successive limited interests).