
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 3) Act 2010, SCHEDULE 3. (See end of Document for details)

SCHEDULES

SCHEDULE 3

Section 9

COMPANY DISTRIBUTIONS

Meaning of “distribution” in the Corporation Tax Acts

1 (1) Part 23 of CTA 2010 (company distributions) is amended as follows.

^{F1}(2)

(3) After section 1027 insert—

“1027A Distributions following reduction of share capital

- (1) This section applies for the purpose of determining whether a distribution is treated as a repayment of share capital for the purposes of this Chapter.
- (2) A distribution made out of a reserve arising from a reduction of share capital is to be treated as if it were made out of profits available for distribution otherwise than by virtue of the reduction.
- (3) The reference in subsection (2) to share capital includes, in the case of share capital issued at a premium representing new consideration, the amount of the premium.
- (4) The reference in subsection (2) to a reduction of share capital is—
 - (a) in the case of a limited company incorporated in a territory outside the United Kingdom, to a reduction under any provision of the law of that territory corresponding to Chapter 10 of Part 17 of the Companies Act 2006, and
 - (b) in the case of an unlimited company incorporated in a territory outside the United Kingdom, to a reduction under any provision of the law of that territory corresponding to any rule of law of any part of the United Kingdom under which an unlimited company may reduce its share capital.
- (5) This section does not apply for the purposes of any provision to the extent that the provision relates to income tax.”

Textual Amendments

F1 Sch. 3 para. 1(2) omitted (with effect in accordance with s. 33(6) of the commencing Act) by virtue of Finance Act 2012 (c. 14), s. 33(5)(d)

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Meaning of “distribution” in Income Tax Acts

- 2 In section 989 of ITA 2007 (definitions for the purposes of the Income Tax Acts), in the definition of “distribution”, after “Chapters 2 to 5 of Part 23 of CTA 2010” insert “, disregarding section 1027A of that Act”.

Distributions subject to the charge to corporation tax on income

- 3 (1) Part 9A of CTA 2009 (company distributions) is amended as follows.
- (2) In section 931A (charge to tax), omit subsection (2) and for subsection (3) substitute—
- “ (3) A distribution is exempt for the purposes of this Part if it is exempt under—
- (a) Chapter 2 (distributions received by small companies), or
- (b) Chapter 3 (distributions received by companies that are not small).”
- (3) In section 931H (dividends derived from transactions not designed to reduce tax)—
- (a) in the heading, for “**Dividends**” substitute “**Distributions**”,
- (b) in subsection (1)—
- (i) after “dividend” insert “ or other distribution ”, and
- (ii) for “paid” substitute “ made ”,
- (c) in subsection (2), for “dividend is paid” substitute “ distribution is made ”,
- (d) in subsections (3) and (4)—
- (i) for “dividend” substitute “ distribution ”, and
- (ii) for “paid” substitute “ made ”, and
- (e) in subsection (5)—
- (i) for “dividend” substitute “ distribution ”,
- (ii) for “paid” (in both places) substitute “ made ”, and
- (iii) for “dividends” substitute “ distributions ”.
- (4) After section 931R insert—

“Chargeable gains

931RA Chargeable gains

The fact that a dividend or other distribution is exempt does not prevent it from being taken into account in the calculation of chargeable gains.”

Distributions giving rise to deemed disposals

- 4 (1) TCGA 1992 is amended as follows.
- (2) In section 22 (disposal where capital sums derived from assets), after subsection (3), insert—
- “ (4) Subsection (1) does not apply where a company receives, or becomes entitled to receive—
- (a) a capital distribution within the meaning of section 122 (see instead subsection (1) of that section), or

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- (b) a distribution to which the charge to corporation tax on income under Part 9A of CTA 2009 (company distributions) applies or would apply were the distribution not exempt for the purposes of that Part.”
- (3) In section 122 (deemed disposal on receipt of certain distributions), after subsection (5) insert—
- “(6) The reference in subsection (5)(b) to a distribution which in the hands of the recipient constitutes income for the purposes of income tax includes, where the recipient is a company, a distribution to which the charge to corporation tax on income under Part 9A of CTA 2009 (company distributions) would apply were the distribution not exempt for the purposes of that Part.”

Commencement

- 5 (1) The amendments made by this Schedule have effect in relation to distributions made on or after 1 July 2009.
- (2) An amendment corresponding to that made by paragraph 1, having effect in relation to distributions made on or after 1 July 2009, is to be treated as having been made in section 211 of ICTA.

Treatment of distributions of UK resident companies made before 1 July 2009

- 6 (1) Section 1285 of CTA 2009 (UK company distributions exempt from corporation tax) and section 208 of ICTA (which was the predecessor of section 1285 of CTA 2009) are to be treated as always having had effect (before their repeal) as if references in them to a distribution included a distribution to which sub-paragraph (2) applies.
- (2) This sub-paragraph applies to a distribution that—
- (a) falls within the meaning of Chapters 2 to 5 of Part 23 of CTA 2010, as amended by paragraph 1, but
- (b) does not fall within that meaning disregarding that amendment.
- (3) Section 22 of TCGA 1992 (disposal where capital sums derived from assets) is to be treated as always having had effect as if subsection (1) of that section did not apply where a company receives, or becomes entitled to receive—
- (a) a capital distribution within the meaning of section 122 of that Act made before 1 July 2009, or
- (b) a distribution that is exempt from corporation tax under section 1285 of CTA 2009 or section 208 of ICTA, as modified by sub-paragraph (1).
- (4) Section 122 of that Act (deemed disposal on receipt of certain distributions) is to be treated as always having had effect as if references in it to a capital distribution did not include a distribution that is exempt from corporation tax under section 1285 of CTA 2009 or section 208 of ICTA, as modified by sub-paragraph (1).

Election to opt out of effect of Schedule in relation to a distribution made before 22 June 2010

- 7 (1) If a company so elects, this Schedule has effect in relation to a relevant distribution received by the company as if—
- (a) the amendments made by paragraphs 1 to 4 were of no effect, and
- (b) paragraphs 5(2) and 6 were of no effect.

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- (2) An election under this paragraph has effect only in relation to such distributions as are specified in the election.
- (3) In this paragraph “relevant distribution” means a distribution made before 22 June 2010.

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