
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Part 1. (See end of Document for details)

SCHEDULES

SCHEDULE 2

ESTATES IN ADMINISTRATION AND TRUSTS

PART 1

ESTATES IN ADMINISTRATION

CHAPTER 1

INCOME TAX

The applicable rate for grossing up basic amounts of estate income

- 1 (1) Chapter 6 of Part 5 of ITTOIA 2005 (beneficiaries' income from estates in administration) is amended as follows.
- (2) In section 656 (income charged: UK estates), in subsection (2) omit "for that year".
- (3) In section 657 (income charged: foreign estates), in subsection (3) omit "for that year".
- (4) For section 663 (the applicable rate for grossing up basic amounts of estate income) substitute—

“663 The applicable rate for grossing up basic amounts of estate income

- (1) The applicable rate by reference to which a basic amount of estate income is grossed up for the purposes of sections 656 and 657 depends on the rate at which income tax was borne by the parts of the aggregate income of the estate from which section 679 treats the basic amount as having been paid.
- (2) If the same rate was borne by all of the income from which section 679 treats the basic amount as having been paid, the applicable rate is that rate.
- (3) If different rates were borne by different parts of the income from which section 679 treats the basic amount as having been paid, each of those rates is the applicable rate by reference to which the corresponding part of the basic amount is grossed up.”

The applicable rate for grossing up for determining shares in an estate in the final tax year

- 2 (1) Chapter 6 of Part 5 of ITTOIA 2005 (beneficiaries' income from estates in administration) is amended as follows.
- (2) In section 668 (reduction in share of residuary income of estate)—

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- (a) in subsection (1), in paragraph (b), for “(grossed up where subsection (5) applies)” substitute “grossed up, where the estate is a UK estate, by the applicable rate (see [subsections \(5A\) to \(5C\)](#))”;
- (b) for subsection (5) substitute—

“(5A) The applicable rate by reference to which a sum within subsection (1)(b) is grossed up depends on the rate at which income tax was borne by the parts of the aggregate income of the estate from which [section 679A](#) treats the sum as having been paid.

(5B) If the same rate was borne by all the income from which [section 679A](#) treats the sum as having been paid, the applicable rate is that rate.

(5C) If different rates were borne by different parts of the income from which [section 679A](#) treats the sum as having been paid, each of those rates is the applicable rate by reference to which the corresponding part of the sum is grossed up.”

- (3) After section 679 insert—

“679A Income from which sums within section 668(1)(b) are treated as paid

- (1) The part of the aggregate income of the estate from which a sum within section 668(1)(b) is treated as paid is determined by applying assumptions A and B in that order.
- (2) Assumption A is that if there are different persons with an absolute interest in the residue of the estate, such apportionments of the aggregate income of the estate in respect of those interests are to be made as are just and reasonable for the different interests.
- (3) Assumption B is that sums are paid from the income to which a person’s share of the residuary estate relates in descending order, starting with the income bearing income tax at the highest rate and ending with the income bearing income tax at the lowest rate.
- (4) If some, but not all, of the aggregate income of the estate is income within section 680, assumption C is applied before assumptions A and B.
- (5) Assumption C is that the basic amount is paid from income that is not within section 680 before it is paid from income within that section.
- (6) Assumptions A and B then apply—
 - (a) first to determine the part of the income not within that section from which the basic amount is paid, and
 - (b) then to determine the part of the income within that section from which the basic amount is paid.”

- (4) In section 680 (income treated as bearing income tax), in subsection (1)—

- (a) omit the “and” at the end of the entry for section 670;
- (b) at the end insert “, and
[section 679A](#) (income from which sums within section 668(1)(b) are treated as paid).”

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Income from stock dividends etc treated as bearing income tax at 0%

- 3 (1) Chapter 6 of Part 5 of ITTOIA 2005 (beneficiaries' income from estates in administration) is amended as follows.
- (2) In section 670 (applicable rate for determining assumed income entitlement (UK estates)) omit subsection (4A).
- (3) In section 680 (income treated as bearing income tax)—
- (a) in subsection (2), after “within subsection” insert “(2A) or”;
- (b) after subsection (2) insert—
- “(2A) A sum that is part of the aggregate income of the estate because of falling within section 664(2)(c) (stock dividends) or (d) (release of loans to participator in close company: loans and advances to persons who die) is treated as bearing income tax at 0%.”

Income treated as dividend income and savings income

- 4 (1) Chapter 6 of Part 5 of ITTOIA 2005 (beneficiaries' income from estates in administration) is amended as follows.
- (2) For section 680A (income treated as dividend income) substitute—
- “680A Income treated as dividend income**
- (1) This section applies to estate income that—
- (a) by virtue of section 663 (applicable rate for grossing up basic amounts of estate income) is treated as bearing income tax at the ordinary dividend rate, or
- (b) by virtue of that section and section 680(2A) (income treated as bearing income tax: dividends and loans to a participator in close company) is treated as bearing income tax at 0%.
- (2) The income is treated as being dividend income.”
- (3) After that section insert—

“680B Income treated as savings income

- (1) This section applies to estate income relating to a person's interest in the residue of an estate so far as that interest relates to income that—
- (a) falls within section 664(2)(a) (income of personal representatives charged to UK income tax), and
- (b) is savings income (see section 18 of ITA 2007).
- (2) The income is treated as being savings income.”

Order in which basic amounts are treated as paid from aggregate income

- 5 In section 679 of ITTOIA 2005 (income from which basic amounts are treated as paid)—
- (a) in subsection (3), for the words “in the following order” to the end of paragraph (c) substitute “in descending order, starting with the income

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- bearing income tax at the highest rate and ending with the income bearing income tax at the lowest rate”;
- (b) in subsection (4), for “treated under section 680 as bearing income tax” substitute “within section 680”.

CHAPTER 2

CORPORATION TAX

The applicable rate for grossing up basic amounts of estate income

- 6 (1) Chapter 3 of Part 10 of CTA 2009 (beneficiaries’ income from estates in administration) is amended as follows.
- (2) In section 941 (income charged: UK estates), in subsection (2) omit “for the relevant tax year”.
- (3) In section 942 (income charged: foreign estates), in subsection (3) omit “for the relevant tax year”.
- (4) For section 946 (applicable rate for grossing up basic amounts of estate income) substitute—

“946 Applicable rate for grossing up basic amounts of estate income

- (1) The applicable rate by reference to which a basic amount of estate income is grossed up for the purposes of sections 941 and 942 depends on the rate at which income tax was borne by the parts of the aggregate income of the estate from which section 962 treats the basic amount as having been paid.
- (2) If the same rate was borne by all of the income from which section 962 treats the basic amount as having been paid, the applicable rate is that rate.
- (3) If different rates were borne by different parts of the income from which section 962 treats the basic amount as having been paid, each of those rates is the applicable rate by reference to which the corresponding part of the basic amount is grossed up.”
- (5) After section 961 insert—

“961A Meaning of “the relevant tax year”

In sections 960 and 961, “the relevant tax year” in relation to an amount of estate income, means the tax year in which the amount of estate income would be treated as arising if—

- (a) the references in this Chapter to accounting periods were references to tax years, and
- (b) section 950(3) (apportionment between accounting periods) were ignored.”

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The applicable rate for grossing up for determining shares in an estate in the final tax year

7 (1) Chapter 3 of Part 10 of CTA 2009 (beneficiaries' income from estates in administration) is amended as follows.

(2) In section 951 (reduction in share of residuary income of estate)—

- (a) in subsection (1), in paragraph (b), for “(grossed up where subsection (5) applies)” substitute “grossed up, where the estate is a UK estate, by the applicable rate (see subsections (5A) to (5C));
- (b) for subsection (5) substitute—

“(5A) The applicable rate by reference to which a sum within subsection (1)(b) is grossed up depends on the rate at which income tax was borne by the parts of the aggregate income of the estate from which [section 962A](#) treats the sum as having been paid.

(5B) If the same rate was borne by all the income from which [section 962A](#) treats the sum as having been paid, the applicable rate is that rate.

(5C) If different rates were borne by different parts of the income from which [section 962A](#) treats the sum as having been paid, each of those rates is the applicable rate by reference to which the corresponding part of the sum is grossed up.”

(3) After section 962 insert—

“962A Income from which sums within section 951(1)(b) are treated as paid

- (1) The part of the aggregate income of the estate from which a sum within section 951(1)(b) is treated as paid is determined by applying assumptions A and B in that order.
- (2) Assumption A is that if there are different persons with an absolute interest in the residue of the estate, such apportionments of the aggregate income of the estate in respect of those interests are to be made as are just and reasonable for the different interests.
- (3) Assumption B is that sums are paid from the income to which a person's share of the residuary estate relates in descending order, starting with the income bearing income tax at the highest rate and ending with the income bearing income tax at the lowest rate.
- (4) If some, but not all, of the aggregate income of the estate is income within section 963, assumption C is applied before assumptions A and B.
- (5) Assumption C is that the basic amount is paid from income that is not within section 963 before it is paid from income within that section.
- (6) Assumptions A and B then apply—
 - (a) first to determine the part of the income not within that section from which the basic amount is paid, and
 - (b) then to determine the part of the income within that section from which the basic amount is paid.”

(4) In section 963 (income treated as bearing income tax)—

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- (a) omit the “and” at the end of the entry for section 952;
- (b) at the end insert “, and
section 962A (income from which sums within section 951(1)(b) are treated as paid).”

Income from stock dividends etc treated as bearing income tax at 0%

- 8 (1) Chapter 3 of Part 10 of CTA 2009 (beneficiaries’ income from estates in administration) is amended as follows.
- (2) In section 936 (meaning of “UK estate” and “foreign estate”), in subsections (4) and (5), after “section 963(3)” insert “, (3A)”.
- (3) In section 963 of CTA 2009 (income treated as bearing income tax)—
- (a) in subsection (2), after “within subsection (3)” insert “, (3A)”;
 - (b) in subsection (3), omit paragraph (b) (and the “or” immediately before it);
 - (c) after subsection (3) insert—
- “(3A) A sum that is part of the aggregate income of the estate because of falling within section 947(2)(c) (stock dividends) or (d) (release of loans to participator in close company: loans and advances to persons who die) is treated as bearing income tax at 0%.”

Order in which basic amounts are treated as paid from aggregate income

- 9 In section 962 of CTA 2009 (income from which basic amounts are treated as paid)
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- (a) in subsection (3), for the words “in the following order” to the end of paragraph (b) substitute “in descending order, starting with the income bearing income tax at the highest rate and ending with the income bearing income tax at the lowest rate”;
 - (b) in subsection (4), for “treated under section 963 as bearing income tax” substitute “within section 963”.

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