



Finance Act 1972

1972 CHAPTER 41

PART V

TAXATION OF COMPANIES AND COMPANY DISTRIBUTIONS

Franked investment income

88 " Franked investment income "

- (1) Income of a company resident in the United Kingdom which consists of a distribution in respect of which the company is entitled to a tax credit (and which accordingly represents income equal to the aggregate of the amount or value of the distribution and the amount of that credit) is in this Part of this Act referred to as " franked investment income " of the company.
- (2) Subject to the transitional provisions hereinafter contained, the foregoing subsection shall apply also for the construction of references to franked investment income in other provisions of the Tax Acts in their application to any time after 5th April 1973 and shall so apply to the exclusion of the definition in section 240 of the Taxes Act.

89 Calculation of advance corporation tax where company receives franked investment income

- (1) Where in any accounting period a company receives franked investment income the company shall not be liable to pay advance corporation tax in respect of qualifying distributions made by it in that period unless the amount of the franked payments made by it in that period exceeds the amount of that income.
- (2) If in an accounting period there is such an excess, advance corporation tax shall be payable on an amount which, when the advance corporation tax payable thereon is added to it, is equal to the excess.
- (3) If the amount of franked investment income received by a company in an accounting period exceeds the amount of the franked payments made by it in that period the excess

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

shall be carried forward to the next accounting period and treated for the purposes of this section (including any further application of this subsection) as franked investment income received by the company in that period.

- (4) Schedule 14 to this Act shall apply for the purpose of regulating the manner in which effect is to be given to the foregoing provisions of this section.
- (5) No franked investment income shall be used to frank distributions of a company (that is to say, used in accordance with this section and the said Schedule so as to relieve the company from, or obtain repayment of, advance corporation tax for which the company would otherwise be liable) if the amount of the tax credit comprised in it has been paid under subsection (3) of section 86 above; and no payment shall be made under that subsection in respect of the tax credit comprised in franked investment income which has been used as aforesaid.
- (6) In this Part of this Act any such excess as is mentioned in subsection (3) above (calculated without regard to franked investment income which by virtue of subsection (5) above cannot be used to frank distributions) is referred to as a "surplus of franked investment income"; and, subject to the transitional provisions hereinafter contained, references to a surplus of franked investment income in other provisions of the Tax Acts in their application to any time after 5th April 1973 shall be construed as references to any such excess instead of as references to any such surplus as is mentioned in section 240(1) of the Taxes Act.

90 Set-off of losses etc. against surplus of franked investment income

- (1) For sections 254 and 255 of the Taxes Act (under which a company may recover income tax on any such surplus of franked investment income as is mentioned in section 240(1) of that Act by claiming a set-off for trading losses and certain other matters) there shall, as respects any time after 5th April 1973, be substituted the sections set out in Part I of Schedule 15 to this Act (under which a company may in corresponding circumstances receive payment of the amount of the tax credit comprised in a surplus of franked investment income as defined in section 89(6) above).
- (2) Without prejudice to subsection (8) of the said section 254 or subsection (7) of the said section 255 as set out in the said Schedule, the surplus of franked investment income for an accounting period for which a claim is made under either of those sections shall be calculated without regard to any part of that surplus which, when the claim is made, has been used to frank distributions made by the company in a later accounting period.
- (3) Where in consequence of a claim under either of the said sections 254 and 255 for any accounting period a company is entitled to payment of a sum in respect of tax credit, an amount equal to that sum shall be deducted from any advance corporation tax which apart from this subsection would fall, under section 85 above, to be set against the company's liability to corporation tax for the next accounting period and, if that amount exceeds that advance corporation tax or there is no such advance corporation tax, that excess or that amount (as the case may be) shall be carried forward and similarly deducted in relation to the following accounting period and so on.