

SCHEDULES

SCHEDULE 24

Section 111.

TAXATION OF COMPANIES AND COMPANY DISTRIBUTIONS : CONSEQUENTIAL AMENDMENTS

Finance Act 1965

- 1 In section 34(6) of the Finance Act 1965, in the definition of " trading company " for the words " section 292(1) of the Income and Corporation Taxes Act 1970" there shall be substituted the words " paragraph 11 of Schedule 16 to the Finance Act 1972 ".
- 2 In paragraph 18(1) of Schedule 6 to the said Act of 1965 for the words from " section 297 " to " 1970 " there shall be substituted the words " paragraph 5 of Schedule 16 to the Finance Act 1972 (consequences for income tax of apportionment of income etc. of close company) "; in paragraph 18(2) of that Schedule for the words " subsection (8) of the said section 297 " and " subsection (2) (b) of that section" there shall be substituted respectively the words " sub-paragraph (6) of the said paragraph 5 " and " sub-paragraph (2)(b) of that paragraph " ; and in paragraph 18(5) of that Schedule for the words " the said section 297 " there shall be substituted the words " the said paragraph 5 ".

Provisional Collection of Taxes Act 1968

- 3 In section 5 of the Provisional Collection of Taxes Act 1968, in subsection (1)(c) after the words " section 243(6) of the Income and Corporation Taxes Act 1970" there shall be inserted the words " or advance corporation tax could be payable or assessed by virtue of section 103(2) of the Finance Act 1972 ", and in subsection (2) of that section after the word " Act)" there shall be inserted the words " and the said section 103(2) of the Finance Act 1972 ".

Taxes Management Act 1970

- 4 In section 8 of the Management Act, after subsection (8) there shall be added—
 - “(9) Where a person's income of which particulars are required to be included in a return under this section comprises a distribution chargeable under Schedule F there shall be separately stated in the return the amount or value of the distribution and the amount of any tax credit under section 86 of the Finance Act 1972 to which that person is entitled in respect of that distribution.”
- 5 In section 11 of the Management Act, after subsection (5) there shall be added—
 - “(6) A notice under this section may require the inclusion in the return of particulars of advance corporation tax paid by the company (and not repaid) and of any surplus advance corporation tax carried forward under section 85(4) of the Finance Act 1972.”

- 6 In section 29 of the Management Act for subsection (2) (as substituted by the Finance Act 1971) there shall be substituted—
- “(2) Assessments under Schedule 16 to the Finance Act 1972 shall be made by the inspector or the Board.”
- 7 In section 31(3)(b) of the Management Act the figure " 297 " (inserted by the Finance Act 1971) shall be omitted and at the end there shall be inserted " or under paragraph 5 of Schedule 16 to the Finance Act 1972 ".
- 8 In section 55(1)(e) of the Management Act for the words " Schedule 9 to the principal Act (income tax on company distributions etc.)" there shall be substituted the words " Schedule 20 to the Finance Act 1972 (income tax on company payments other than distributions) ".
- 9 In section 86(1)(d) of the Management Act after the words " corporation tax " there shall be inserted the words " other than advance corporation tax ".
- 10 For section 87 of the Management Act there shall be substituted—

“87 Interest on overdue advance corporation tax and income tax on company payments.

- (1) Any tax assessable in accordance with Schedule 14 or 20 to the Finance Act 1972 shall carry interest at the prescribed rate from the date when the tax becomes due and payable until payment.
- (2) Where—
- (a) advance corporation tax paid in respect of distributions made in any return period is repaid under paragraph 4 of the said Schedule 14 in consequence of the receipt of franked investment income in a later return period ; or
 - (b) income tax paid in respect of payments made in any return period is repaid or discharged under paragraph 5 of the said Schedule 20 in consequence of the receipt in a later return period of a payment on which income tax is borne by deduction,
- the repayment or discharge shall not affect interest under this section on the tax so repaid or discharged for such time as is specified in subsection (3) below but, subject to that, this section shall apply as if any such tax which is repaid or discharged had never become payable.
- (3) The time for which interest is not affected is—
- (a) any time before the expiration of fourteen days from the end of the later return period, unless the return for that period is made earlier in those fourteen days ; and
 - (b) if that return is made earlier in those fourteen days, any time ending before the date on which the return is made.
- (4) Interest shall not be payable under this section on the tax charged by any assessment unless the total amount of the interest exceeds £5.
- (5) Subsection (4) above shall have effect as if all advance corporation tax due from a company in accordance with paragraph 3(1) of the said Schedule 14 for any return period, whether or not it is actually assessed, were included in a single assessment, and similarly in the case of all income tax due from

a company in accordance with paragraph 4(1) of the said Schedule 20 for any return period.

(6) In this section " return period " means a period for which a return is required to be made under the said Schedule 14 or 20.

(7) It is hereby declared that this section applies to advance corporation tax and income tax which, in accordance with either of those Schedules, is paid without the making of any assessment (but is paid after it is due), and that where the tax is charged by an assessment (whether or not any part of it has been paid when the assessment is made) this section applies as respects interest running before as well as after the making of the assessment."

11 In section 88(2) of the Management Act, for the words " Schedule 9 to the principal Act" there shall be substituted the words " Schedule 14 or 20 to the Finance Act 1972. "

12 In section 98 of the Management Act the following shall be added in the first column—

“Paragraph 19 of Schedule 16 and paragraphs 2(b), 3 and 4 of Schedule 21 to the Finance Act 1972”;

and the following shall be added in the second column—

“Schedules 14 and 20, and paragraphs 1 and 2(a) of Schedule 21, to the Finance Act 1972”.

13 For section 109 of the Management Act there shall be substituted—

“109 Corporation tax on close company in connection with loans to participators etc.

(1) The provisions of section 286 of the principal Act (charge of tax in connection with loans by close companies to participators etc.) directing that tax be assessed and recoverable as if it were an amount of corporation tax shall be taken as applying, subject to the provisions of the Taxes Act, and to any necessary modifications, all enactments applying generally to corporation tax, including those relating to the assessing, collecting and receiving of corporation tax, those conferring or regulating a right of appeal and those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.

(2) Section 86 of this Act shall apply in relation to tax under the said section 286 as if subsections (2) and (3)(a) of the said section 86 were omitted.

(3) For the purposes of section 88 of this Act as applied by subsection (1) above, the date when tax charged under the said section 286 ought to have been paid shall be taken to be the first day of the year of assessment following that in which the loan or advance was made.

(4) Section 91 of this Act shall not apply in consequence of any discharge or repayment of tax under section 286(5) of the principal Act.

Status: This is the original version (as it was originally enacted).

(5) For the purposes of the said section 91, a relief from tax under the said section 286 shall not be treated as affecting tax charged by any assessment unless the assessment is to tax under that section.”

- 14 In Schedule 3 to the Management Act, in column 1 of rule 8 the words " 288 or 289 " shall be omitted and at the end there shall be inserted the words " or relating to a notice under paragraph 15 of Schedule 16 to the Finance Act 1972 ".

Income and Corporation Taxes Act 1970

- 15 In section 4(3) of the Taxes Act (as substituted by the Finance Act 1971) after the words " or is treated as having been deducted " there shall be inserted the words " or income chargeable under Schedule F ".

- 16 In section 53(4) of the Taxes Act for the words " Schedule 9 to this Act" there shall be substituted the words " Schedule 20 to the Finance Act 1972 ".

- 17 In section 226(9) of the Taxes Act for the words " section 292(1) of this Act" there shall be substituted the words " paragraph 11 of Schedule 16 to the Finance Act 1972 ".

- 18 For section 232(4) of the Taxes Act there shall be substituted—

“(4) A company which makes a qualifying distribution shall, if the recipient so requests in writing, furnish to him a statement in writing showing the amount or value of the distribution and (whether or not the recipient is a person entitled to a tax credit in respect of the distribution) the amount of the tax credit to which a recipient who is such a person is entitled in respect thereof.

The duty imposed by this subsection shall be enforceable at the suit or instance of the person requesting the statement.”

- 19 In section 242(1) of the Taxes Act for paragraphs (a) to (c) there shall be substituted—

“(a) in the case of interest which is not a qualifying distribution—

(i) the gross amount which, after deduction of the income tax appropriate thereto, corresponds to the net amount actually paid,

(ii) the rate and the amount of income tax appropriate to such gross amount, and

(iii) the net amount actually paid ;

(b) in the case of a dividend or of interest which is a qualifying distribution, each of the following amounts—

(i) the amount of the dividend or interest paid, and

(ii) (whether or not the recipient is a person entitled to a tax credit in respect thereof) the amount of the tax credit to which a recipient who is such a person is entitled in respect thereof.”

- 20 In section 248 of the Taxes Act, in subsection (4)(a) for the words " Schedule 9 to this Act" there shall be substituted the words " Schedule 20 to the Finance Act 1972 ", and in subsection (8) for the words " by reason of section 284(1)(a) or any other provision " there shall be substituted the words " by reason of any provision ".

- 21 In section 302(1) of the Taxes Act the words " other than section 290 above " shall be omitted and at the end there shall be inserted—
- “Provided that this subsection shall not by virtue of section 94(3) of the Finance Act 1972 apply to paragraph 9 of Schedule 16 to that Act”.
- 22 In section 343 of the Taxes Act, in subsection (2)(b), for the words " Schedule 9 to this Act" there shall be substituted the words " Schedule 20 to the Finance Act 1972 " and in subsection (7) for the word " distribution " there shall be substituted the words " qualifying distribution ".
- 23 In section 393(1) of the Taxes Act for the words " tax under section 289 of this Act (shortfall in distributions of close company)" there shall be substituted the words " tax under Schedule 16 to the Finance Act 1972 (apportionment of income of close companies) ".
- 24 In section 399(1)(b) of the Taxes Act for the words from " then " onwards there shall be substituted the words “then, for the purposes of Schedule 16 to the Finance Act 1972—
- (i) the amount of the gain shall be deemed to form part of the company's income for the accounting period in which the event happened, and
 - (ii) the company's distributable income (but not its estate or trading income) for that period shall be treated as increased by the amount of the gain ”.
- 25 In section 432(7) of the Taxes Act the words " section 297(3) (close companies: apportionments)" shall be omitted and there shall be added at the end the words " and paragraph 5(3) of Schedule 16 to the Finance Act 1972 (close companies: apportionments) ".
- 26 In section 454(1) of the Taxes Act, in paragraph (b) after the words " has been apportioned" there shall be inserted the words " under Schedule 16 to the Finance Act 1972 or (as respects income of accounting periods ending before 6th April 1973) " and at the end there shall be inserted—
- “Where the income of a body corporate has been, or could have been, apportioned under Schedule 16 to the Finance Act 1972 any amount of that income which by virtue of paragraph (b) above is to be included in the income arising under a settlement shall be increased by such proportion thereof as corresponds to the rate of advance corporation tax applicable to a distribution made at the end of the accounting period to which the apportionment relates.”
- 27 In section 478(8)(d) of the Taxes Act for the words " section 296 of this Act" there shall be substituted the words " paragraph 1 of Schedule 16 to the Finance Act 1972 " and at the end there shall be inserted the words " and that amount shall be treated as increased by such proportion thereof as corresponds to the rate of advance corporation tax applicable to a distribution made at the end of the accounting period to which the apportionment relates ".
- 28 In section 481(3) of the Taxes Act for the words " section 292(1) of this Act" there shall be substituted the words " paragraph 11 of Schedule 16 to the Finance Act 1972 ".
- 29 In section 521 of the Taxes Act subsection (3)(a) shall be omitted, and at the end there shall be added—

Status: This is the original version (as it was originally enacted).

“(4) In this section " interest" and " dividends" do not include any interest or dividend which is a distribution.”

30 In section 522 of the Taxes Act for the words " interest on any of its securities, or under section 232(3) of this Act from payments of preference dividends on any of its shares " there shall be substituted the words " interest (not being a distribution) on any of its securities " and the words " or share " (three times) and the words " In this section ' share' includes stock " shall be omitted.

31 In section 526(5) of the Taxes Act for the definition of " franked investment income " there shall be substituted—

“ franked investment income ' shall be construed in accordance with section 88 of the Finance Act 1972 but subject to section 256(1) of this Act;

' franked payment ' shall be construed in accordance with section 84 of the Finance Act 1972 but subject to section 256(1) of this Act

and after the definition of " preference dividend " there shall be inserted—”;

“ qualifying distribution ' has the meaning given in section 84 of the Finance Act 1972 ;

' surplus of franked investment income ' has the meaning given in section 89 of the Finance Act 1972 ;

' tax credit ' means a credit under section 86 of the Finance Act 1972”.

32 In section 528(3)(a) of the Taxes Act after the words " for any year " there shall be inserted the words " or which for the purposes of Schedule F comprises an amount equal to a tax credit calculated by reference to the rate of advance corporation tax in force for any year ".

33 In Schedule 14 to the Taxes Act, in paragraph 15, for the words " Board may exercise under section 301 of this Act for the purposes of sections 296 to 300 " there shall be substituted the words " inspector may exercise under paragraph 19 of Schedule 16 to the Finance Act 1972 for the purposes of that Schedule ".