

CORPORATION TAX ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Part 13: Other special types of company etc

Chapter 6: Banks etc in compulsory liquidation

Overview

1981. This Chapter deals with the taxation of banks in compulsory liquidation. It is based on Schedule 12 to F(No 2)A 1992.

Section 634: Overview of Chapter

1982. This section gives an overview of the Chapter. It is new.

Section 635: Application of Chapter

1983. This section sets out the conditions that a company must meet in order for the Chapter to apply. It is based on paragraph 1 of Schedule 12 to F(No 2)A 1992.

1984. *Subsection (6)* refers to an EEA firm with permission under paragraph 15 of Schedule 3 to FISMA. The source qualified this by adding “(as a result of qualifying for authorisation by virtue of paragraph 12 of that Schedule)”. This qualification is considered unnecessary as the only way in which permission under paragraph 15 may be given is by virtue of paragraph 12. These words are therefore repealed without replacement.

Section 636: Charge to corporation tax on winding up receipts

1985. This section charges amounts received during the winding up period. It is based on paragraph 3(1), (1A), (2) and (3) of Schedule 12 to F(No 2)A 1992.

Section 637: Transfer of rights to payment

1986. This section charges sums received in respect of transfers of rights as if those sums were winding up receipts. It is based on paragraph 5 of Schedule 12 to F(No 2)A 1992.

1987. In the case of a non-arm’s length transaction the source provided that market value was to be substituted for the consideration received. However, the tax charge was based on amounts received. In relation to the deemed amounts arising from non-arm’s length transactions the source, therefore, stated that “references ... to sums received shall be construed accordingly.”

1988. Although the meaning was not in doubt the source was not as clear as it might have been. In the rewritten section a slightly different approach is adopted by explicitly treating the value of transferred rights as winding up receipts.

*These notes refer to the Corporation Tax Act 2010
(c.4) which received Royal Assent on 3 March 2010*

Section 638: Allowable deductions

1989. This section provides rules for setting allowable deductions against winding up receipts. It is based on paragraph 4 of Schedule 12 to F(No 2)A 1992.

Section 639: Election to carry back

1990. This section gives a company the right to elect to carry back a winding up receipt to the date that the business ceased. It is based on paragraph 6 of Schedule 12 to F(No 2)A 1992.

Section 640: Relationship of Chapter with other corporation tax provisions

1991. This section gives priority to a charge under this Chapter over potential charges arising under other provisions. It is based on paragraph 3(4) and (5) of Schedule 12 to F(No 2)A 1992.

Section 641: Interpretation of Chapter

1992. This section sets out a number of definitions and interpretations relevant to the Chapter. It is based on paragraph 2 of Schedule 12 to F(No 2)A 1992.