



Corporation Tax Act 2010

2010 CHAPTER 4

PART 23

COMPANY DISTRIBUTIONS

CHAPTER 2

MATTERS WHICH ARE DISTRIBUTIONS

Interpretation of references to repayment of share capital

1024 Premiums paid on redemption of share capital

Premiums paid on redemption of share capital are not treated as repayments of share capital for the purposes of this Chapter.

1025 Share capital issued at a premium representing new consideration

- (1) This section applies if—
 - (a) share capital is issued at a premium representing new consideration, and
 - (b) a distribution is made in respect of shares representing the share capital.
- (2) The amount of the premium is treated as forming part of the share capital for the purpose of determining under this Chapter whether the distribution is a repayment of share capital.
- (3) Subsection (2) does not have effect in relation to any part of the premium after that part has been applied to paying up share capital.

1026 Distributions following a bonus issue

- (1) This section applies if—

Changes to legislation: *There are currently no known outstanding effects for the Corporation Tax Act 2010.*
Cross Heading: Interpretation of references to repayment of share capital. (See end of Document for details)

- (a) a company issues, or has issued, any share capital (“the bonus share capital”) as paid up otherwise than by the receipt of new consideration, and
 - (b) an amount paid up as mentioned in paragraph (a) does not fall to be treated as a ^{F1}... distribution.
- (2) Distributions made afterwards by the company in respect of shares representing the bonus share capital are not treated as repayments of share capital for the purposes of this Chapter.

But this is subject to section 1027 and any other contrary provision in the Corporation Tax Acts.

- (3) Except where the company is a relevant company for the purposes mentioned in section 739 (certain companies not included in the official UK list etc), subsection (2) does not prevent a distribution being treated as a repayment of share capital if it is made—
- (a) more than 10 years after the issue of the share capital mentioned in subsection (1)(a), and
 - (b) in respect of share capital other than redeemable share capital.
- (4) For the purposes of this section and section 1027—
- (a) all shares of the same class are treated as representing the same share capital, and
 - (b) if shares are issued in respect of other shares, or are (directly or indirectly) converted into or exchanged for other shares, all such shares are treated as representing the same share capital.
- (5) This section is to be read with section 1049(3)(b) (stock dividends).

Textual Amendments

F1 Word in [s. 1026\(1\)\(b\)](#) omitted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 1 para. 36](#)

1027 Cap on amount of distributions affected by section 1026

- (1) Section 1026(2) does not apply to the distributions in question so far as they, together with any affected distributions made previously but after the issue of the bonus share capital, exceed the cap.
- (2) In subsection (1) “the cap” means the total of the amounts—
- (a) paid up, otherwise than by the receipt of new consideration, on shares representing the bonus share capital, and
 - (b) not falling to be treated as ^{F2}... distributions.
- (3) In subsection (1) “affected distribution” means however much of a distribution made in respect of shares representing the bonus share capital—
- (a) would, but for section 1026, be treated as a repayment of share capital, but
 - (b) cannot be so treated because of that section.
- (4) In subsection (2)(a) the reference to amounts paid up is to amounts paid up at the time of the distributions in question or previously.

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Cross Heading: Interpretation of references to repayment of share capital. (See end of Document for details)

Textual Amendments

- F2** Word in s. 1027(2)(b) omitted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by virtue of Finance Act 2016 (c. 24), Sch. 1 para. 36

[^{F3}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

- F3** S. 1027A inserted (with effect in accordance with Sch. 3 paras. 5, 7 of the amending Act) by Finance (No. 3) Act 2010 (c. 33), Sch. 3 para. 1(3)

1028 Certain payments connected with exempt distributions

- (1) A chargeable payment made within 5 years after an exempt distribution is not to be (if it otherwise would be) treated as a repayment of share capital for the purposes of sections 1022 and 1023 (bonus issue following repayment of share capital).
- (2) The purpose of the provisions about demergers (which include this section) is set out in section 1074.
- (3) In this section—
 - (a) “chargeable payment” has the meaning given by section 1088, and
 - (b) “exempt distribution” has the meaning given by section 1075(2).

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross
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