



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 23

#### COMPANY DISTRIBUTIONS

### CHAPTER 8

#### INTERPRETATION OF PART

#### **1112 Arrangements between companies**

- (1) This section applies if two or more companies enter into arrangements to make distributions to each other's members.
- (2) For the purposes mentioned in subsection (3) all parties concerned (however many) may be treated as if anything done by any one of those companies had been done by any one of the others.
- (3) The purposes are those of this Part except sections 1054 to 1058 and 1064 to 1071.

#### **Modifications etc. (not altering text)**

- C1** S. 1112 applied by 2004 c. 12, s. 196L(3) (as inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)))

#### **1113 “In respect of shares”**

- (1) In this Part “in respect of shares in the company”, in relation to a company which is a member of a 90% group, means in respect of shares in—
  - (a) that company, or
  - (b) any other company in the group.

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*Changes to legislation:* There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 8. (See end of Document for details)

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- (2) Nothing in subsection (1) requires a company to be treated as making a distribution to any company which is in the same group and is UK resident.
- (3) For the purposes of this Part a thing is regarded as done in respect of a share if it is done to a person—
  - (a) as the holder of the share, or
  - (b) as the person who held the share at a particular time.
- (4) For the purposes of this Part a thing is also regarded as done in respect of a share if it is done in pursuance of a right granted, or an offer made, in respect of a share.
- (5) Subsections (3) and (4) do not affect the meaning of “in respect of shares” in section 1054 (building society payments).
- (6) In this section “90% group” means a company and all its 90% subsidiaries.

**Modifications etc. (not altering text)**

- C2** S. 1113 applied by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 2 para. 78A(5) (as inserted (with effect in accordance with s. 1184(1) of the amending Act) by 2010 c. 4, s. 1184(1), **Sch. 1 para. 471(3)** (with Sch. 2))
- C3** S. 1113 applied by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 414A(7)(a) (as inserted (with effect in accordance with s. 1184(1) of the amending Act) by 2010 c. 4, s. 1184(1), **Sch. 1 para. 461** (with Sch. 2))

**1114 “In respect of securities”**

- (1) In this Part “in respect of securities of the company”, in relation to a company which is a member of a 90% group, means in respect of securities of—
  - (a) that company, or
  - (b) any other company in the group.
- (2) Nothing in subsection (1) requires a company to be treated as making a distribution to any company which is in the same group and is UK resident.
- (3) For the purposes of this Part, except where the context otherwise requires—
  - (a) interest paid by a company on money advanced without the issue of a security for the advance, or
  - (b) other consideration given by a company for the use of money so advanced, is treated as if paid, or given, in respect of a security issued for the advance by the company.
- (4) For the purposes of this Part a thing is regarded as done in respect of a security if it is done to a person—
  - (a) as the holder of the security, or
  - (b) as the person who held the security at a particular time.
- (5) For the purposes of this Part a thing is also regarded as done in respect of a security if it is done in pursuance of a right granted, or an offer made, in respect of a security.
- (6) In this section “90% group” means a company and all its 90% subsidiaries.

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## 1115 “New consideration”

- (1) In this Part, unless the context otherwise requires—
- (a) “new consideration” means consideration not provided (directly or indirectly) out of assets of the company, and
  - (b) in particular, “new consideration” does not include amounts retained by the company by way of capitalising a distribution.

But paragraph (a) is subject to the other subsections of this section.

- (2) Subsection (3) applies if—
- (a) share capital has been issued at a premium representing new consideration, and
  - (b) any part (“the applied part”) of that premium is afterwards applied in paying up share capital.

- (3) The applied part of the premium is also treated as new consideration for that share capital.

But the premium is not so treated so far as it has been taken into account under section 1025(2) so as to enable a distribution to be treated as a repayment of share capital.

- (4) The general rule is that no consideration derived from the value of any share capital or security of a company, or from voting or other rights in a company, is to be treated for the purposes of this Part as new consideration.

- (5) The general rule in subsection (4) applies unless the consideration consists of—
- (a) money or value received from the company as a [<sup>F1</sup>non-CD] distribution,
  - (b) money received from the company as a payment which for the purposes of this Part constitutes a repayment of the share capital in question, or of the principal secured by the security in question, or
  - (c) the giving up of the right to the share capital or security on its cancellation, extinguishment or acquisition by the company.

This is subject to subsection (6).

- (6) No amount is regarded as new consideration by virtue of subsection (5)(b) or (c) so far as it exceeds—
- (a) any new consideration received by the company for the issue of the share capital or security in question, or
  - (b) in the case of share capital which constituted a [<sup>F2</sup>non-CD] distribution on issue, the nominal value of that share capital.

- [<sup>F3</sup>(7) In this section “non-CD distribution” means any distribution other than one which is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph C or D in section 1000(1) (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company).]

### Textual Amendments

**F1** Words in s. 1115(5)(a) substituted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by Finance Act 2016 (c. 24), Sch. 1 para. 44(2)

**F2** Words in s. 1115(6)(b) substituted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by Finance Act 2016 (c. 24), Sch. 1 para. 44(2)

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**F3** S. 1115(7) inserted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by Finance Act 2016 (c. 24), **Sch. 1 para. 44(3)**

**Modifications etc. (not altering text)**

**C4** S. 1115 applied by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 414A(7)(b) (as inserted (with effect in accordance with s. 1184(1) of the amending Act) by 2010 c. 4, s. 1184(1), **Sch. 1 para. 461** (with Sch. 2))

## 1116 References to married persons, or civil partners, living together

Individuals who are married to, or are civil partners of, each other are treated for the purposes of this Part as living together unless—

- (a) they are separated under an order of a court of competent jurisdiction,
- (b) they are separated by a deed of separation, or
- (c) they are in fact separated in circumstances in which the separation is likely to be permanent.

## 1117 Other interpretation

- (1) In this Part, except where the context otherwise requires—
  - “security” includes securities not creating or evidencing a charge on assets, and
  - “share” includes stock, and any other interest of a member in a company.
- (2) Subsection (1) does not affect the meaning of “share” in section 1054 (building society payments).
- (3) For the purposes of this Part a distribution is treated as made out of assets of a company if the cost falls on the company.
- (4) For the purposes of this Part consideration is treated as provided out of assets of a company if the cost falls on the company.
- (5) References in this Part to issuing share capital as paid up also apply to the paying up of any issued share capital.
- (6) If securities—
  - (a) are issued at a price less than the amount repayable on them, and
  - (b) are not listed on a recognised stock exchange,
 then, for the purposes of this Part the principal secured is not taken to exceed the issue price, unless the securities are issued on terms reasonably comparable with the terms of issue of securities listed on a recognised stock exchange.
- (7) For the purposes of this Part, if something done in respect of shares is done by reference to share holdings at a particular time, it is regarded as done—
  - (a) to the then holders of the shares, or
  - (b) to the personal representatives of any holder then dead.
- (8) For the purposes of this Part, if something done in respect of securities is done by reference to holdings of securities at a particular time, it is regarded as done—
  - (a) to the then holders of the securities, or
  - (b) to the personal representatives of any holder then dead.

**Changes to legislation:**

There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 8.