
Changes to legislation: Finance Act 2016, Cross Heading: Further amendments in ITTOIA 2005 is up to date with all changes known to be in force on or before 31 May 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

SCHEDULES

SCHEDULE 1

ABOLITION OF DIVIDEND TAX CREDITS ETC

Further amendments in ITTOIA 2005

- 2 ITTOIA 2005 is further amended as follows.
- 3 In the heading of Chapter 3 of Part 4, for “credits etc” substitute “treated as paid”.
- 4 In section 382(2) (other contents of Chapter 3 of Part 4)—
- (a) omit “tax credits,”, and
 - (b) for “397” substitute “399”.
- 5 Omit section 384(3) (which refers to section 398).
- 6 Omit section 393(5) (determining entitlement to tax credit).
- 7 In section 394 (which deems a distribution to be made)—
- (a) omit subsection (5) (determining entitlement to tax credit), and
 - (b) in subsection (6), for “But for” substitute “For”.
- 8 In section 395(3) (interpretation of section 395(2)) omit the words from “after” to the end.
- 9 For section 396A(2)(b) (alternative receipt treated as qualifying distribution for the purposes of sections 397 and 399 and for the purposes of section 1100 of CTA 2010) substitute—
- “(b) for the purposes of sections 1100 to 1103 of CTA 2010 (statements and returns of details of distributions) it is treated as a distribution that—
 - (i) is so made, and
 - (ii) is one to which section 1100 of CTA 2010 applies.”
- 10 In the italic heading before section 397, omit “Tax credits and”.
- 11 (1) Section 399 (qualifying distribution received by person not entitled to tax credits) is amended as follows.
- (2) For subsection (1) substitute—
- “(1) This section applies if—
- (a) a person's income for a tax year includes a distribution of a company, and
 - (b) the person is non-UK resident.”
- (3) In subsection (2) omit “(but see subsection (7))”.
- (4) Omit subsections (3) to (5) (amount of dividend received by non-UK resident to be treated as its grossed-up amount).

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- (5) Omit subsection (5A) (amounts treated as qualifying distributions for purposes of the section).
 - (6) Omit subsection (7) (which provides for subsection (2) to be subject to repealed provisions).
 - (7) For the heading substitute “ Tax treated as paid on distributions received by non-UK resident persons ”.
- 12 (1) Section 401 (relief: qualifying distribution after linked non-qualifying distribution) is amended as follows.
- (2) For subsections (1) to (6) substitute—
- “(1) Where a person is liable to income tax on a CD distribution, the person's liability to income tax on a subsequent non-CD distribution is reduced in accordance with this section if the non-CD distribution consists of a repayment of—
- (a) the share capital, or
 - (b) the principal of the security,
- which constituted the CD distribution.
- (1A) The reduction is—
- (a) the amount of income tax to which the person is liable on the CD distribution, or
 - (b) if lower, the amount of income tax to which the person is liable on the non-CD distribution.
- (1B) For the purposes of calculating the amounts mentioned in subsection (1A) (a) and (b) assume—
- (a) that the CD distribution is the lowest part of the person's dividend income in the tax year (“year 1”) in which it is made,
 - (b) that the non-CD distribution, if it is made in year 1, is the part of the person's dividend income in year 1 that is next lowest after the CD distribution, and
 - (c) that the non-CD distribution, if it is made after year 1, is the lowest part of the person's dividend income in the tax year in which it is made.”
- (3) In subsection (7) (interpretation), for “ “security”” substitute “—
- “CD distribution” means a distribution 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) of CTA 2010 (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company),
- “non-CD distribution” means a distribution which is not a CD distribution, and
- “security””.
- (4) In the heading, for “qualifying distribution after linked non-qualifying distribution” substitute “ distribution repaying shares or security issued in earlier distribution ”.
- 13 Omit section 401A (recovery of overpaid tax credit etc).

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- 14 In section 401B (power to obtain information for the purposes of section 397), for “section 397”, in each place it occurs, substitute “ this Chapter ”.
- 15 Omit sections 406(4A) and 407(4A) (determining entitlement to tax credit).
- 16 In section 408(2A) (interpretation of section 408(2)) omit the words from “after” to the end.
- 17 In section 411(2) (stock dividends: amount on which tax charged) omit “, grossed up by reference to the dividend ordinary rate for the tax year”.
- 18 In section 416 (released debts: amount on which tax charged)—
 - (a) in subsection (1) (tax charged on gross amount) omit “gross”, and
 - (b) omit subsection (2) (meaning of “gross amount”).
- 19 In section 418(3) (release of loan: tax only on grossed-up amount of excess where part previously charged) omit “, grossed up by reference to the dividend ordinary rate”.
- 20 In section 651 (meaning of “UK estate” and “foreign estate”)—
 - (a) in subsection (4), for “680(3) or (4) (sums” substitute “ 664(2)(c) or (d) or 680(4) (sums not liable to tax and sums ”, and
 - (b) in subsection (5), for “680(3) or (4)” substitute “ 664(2)(c) or (d) or 680(4) ”.
- 21 In section 657 (tax charged on estate income from foreign estates), for “680(3) or (4)”, in both places, substitute “ 680(4) ”.
- 22 In section 663 (applicable rate for purposes of grossing-up under sections 656 and 657), after subsection (4) insert—

“(5) The aggregate income of the estate, so far as it consists of income within section 664(2)(c) or (d), is treated for the purposes of this section as bearing income tax at 0%.”
- 23 In section 670 (applicable rate for purposes of Step 2 in section 665(1)), after subsection (4) insert—

“(4A) The aggregate income of the estate, so far as it consists of income within section 664(2)(c) or (d), is treated for the purposes of this section as bearing income tax at 0%.”
- 24 In section 680 (income of an estate that is treated as bearing income tax)—
 - (a) in subsection (2) omit “(3) or”, and
 - (b) omit subsection (3) (sums treated as bearing tax at the dividend ordinary rate).
- 25 In section 680A (estate income treated as dividend income), in each of subsections (1)(a) and (4)(a), after “at the dividend ordinary rate” insert “ or as bearing tax at 0% because of section 663(5) ”.
- 26 In section 854(6) (carrying on by partner of notional business: meaning of “untaxed income”)—
 - (a) omit the “or” at the end of paragraph (b), and
 - (b) after paragraph (c) insert—

“(d) income chargeable under Chapter 5 of Part 4 (stock dividends from UK resident companies), or

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- (e) income chargeable under Chapter 6 of Part 4 (release of
loan to participator in closed company).”

27 Omit section 858(3) (partnerships with foreign element: entitlement to tax credit).

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)