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SCHEDULES

SCHEDULE 4

TAX CREDITS, TAXATION OF DISTRIBUTIONS ETC

PART I

GENERAL

THE TAXES ACT 1988

Schedule 13

- 23 (1) Schedule 13 to the Taxes Act 1988 (collection of ACT) shall be amended as follows.
- (2) In paragraph 2, in sub-paragraph (4) (calculation of amount to be paid where the franked payments for the return period exceed the franked investment income or where there is no franked investment income) for the words following “shall be calculated” there shall be substituted “in accordance with sub-paragraph (4A) below”.
- (3) After that sub-paragraph there shall be inserted—
- “(4A) The tax mentioned in sub-paragraph (4) above shall be calculated at a rate equal to nine-tenths of the rate of advance corporation tax in force for the financial year in which the return period ends—
- (a) in a case falling within paragraph (a) of that sub-paragraph, on the excess mentioned in that paragraph; or
- (b) in a case falling within paragraph (b) of that sub-paragraph, on the amount shown under sub-paragraph (1)(a) above.”
- (4) In paragraph 4 (receipt of franked investment income after payment of ACT) for sub-paragraph (3) (which imposes a limit on repayment) there shall be substituted—
- “(3) The amount of the repayment—
- (a) if no franked payments were made by the company in the return period for which a return is made by virtue of sub-paragraph (2) above, shall not exceed an amount equal to the advance corporation tax that would be payable in respect of a distribution equal to the difference between—
- (i) the franked investment income received, and
- (ii) the tax credit comprised in that franked investment income; and
- (b) in any other case, shall not exceed an amount equal to the advance corporation tax that would be payable in respect of a distribution equal to the amount by which—

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(i) the franked investment income received, exceeds
(ii) the franked payments made in the return period,
at the rate provided in paragraph 2(4A) above.”

(5) The preceding provisions of this paragraph have effect in relation to return periods, within the meaning of Schedule 13 to the Taxes Act 1988, ending on or after 6th April 1999.

(6) If, in the period beginning with 1st April 1999 and ending with 5th April 1999—

(a) any franked investment income is received by a company, or

(b) any franked payments are made by a company,

that period shall, in the case of the company, be treated for the purposes of Schedule 13 to the Taxes Act 1988 as if it were a separate return period.