



Finance Act 2004

2004 CHAPTER 12

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 1

INCOME TAX AND CORPORATION TAX CHARGE AND RATE BANDS

Corporation tax

25 Charge and main rate for financial year 2005

Corporation tax shall be charged for the financial year 2005 at the rate of 30%.

26 Small companies' rate and fraction for financial year 2004

For the financial year 2004—

- (a) the small companies' rate shall be 19%, and
- (b) the fraction mentioned in section 13(2) of the Taxes Act 1988 (marginal relief for small companies) shall be 11/400ths.

27 Corporation tax starting rate and fraction for financial year 2004

For the financial year 2004—

- (a) the corporation tax starting rate shall be 0%, and
- (b) the fraction mentioned in section 13AA of the Taxes Act 1988 (marginal relief for small companies) shall be 19/400ths.

Status: This is the original version (as it was originally enacted).

28 The non-corporate distribution rate

- (1) In Part 1 of the Taxes Act 1988 (the charge to tax), after section 13AA (the starting rate of corporation tax) insert—

“13AB The non-corporate distribution rate

- (1) This section applies where in any accounting period—
- (a) a company makes (or is treated as making) one or more non-corporate distributions, and
 - (b) the company’s underlying rate of corporation tax is less than the non-corporate distribution rate.
- (2) The rate of tax to be applied in calculating the corporation tax chargeable on the company’s basic profits for the accounting period is—
- (a) in relation to so much of the company’s basic profits as is matched with a non-corporate distribution, the non-corporate distribution rate, and
 - (b) in relation to the remainder of the company’s basic profits, the company’s underlying rate of corporation tax.
- (3) The “non-corporate distribution rate” is such rate as Parliament may from time to time determine.
- (4) Schedule A2 to this Act makes provision supplementing this section, in particular—
- (a) defining “non-corporate distribution” and a company’s “underlying rate of corporation tax”,
 - (b) as to the matching of a company’s profits and non-corporate distributions, and
 - (c) providing for non-corporate distributions to be allocated to other companies in certain circumstances.”.
- (2) After Schedule A1 to the Taxes Act 1988 insert as Schedule A2 the Schedule set out in Schedule 3 to this Act.
- (3) In section 468(1A) of the Taxes Act 1988 (authorised unit trusts), for “and 13AA” substitute “, 13AA and 13AB”.
- (4) Section 13AB of and Schedule A2 to the Taxes Act 1988 have effect in relation to distributions made on or after 1st April 2004.
- (5) For the purposes of applying the provisions of that section and Schedule to a distribution made in an accounting period beginning before 1st April 2004 and ending on or after that date—
- (a) the parts of the accounting period falling in different financial years shall be treated as separate accounting periods, and
 - (b) the profits of the period shall be apportioned between the parts on a time basis according to their respective lengths unless it appears that that method would work unreasonably or unjustly in which case such other method shall be used as appears just and reasonable.
- (6) The non-corporate distribution rate for the financial year 2004 is 19%.