These notes refer to the Corporation Tax Act 2009 (c.4) which received Royal Assent on 26 March 2009

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 10: Miscellaneous income

Chapter 3: Beneficiaries' income from estates in administration

Overview

2352. This Chapter charges to corporation tax income paid or payable by personal representatives to residuary beneficiaries from estates in administration. The Chapter rewrites sections 695 to 702 of ICTA. The corresponding rules for income tax are in Chapter 6 of Part 5 of ITTOIA.

2353. Personal representatives are taxable at the basic rate or the dividend ordinary rate on any income they receive during the administration period. When the income which arises to the personal representatives is paid to the residuary beneficiaries, it is treated as having borne income tax at those rates.

Section 934: Charge to tax on estate income

2354. This section applies the charge to corporation tax on income to estate income. It is based on sections 695(2) to (4), 696(3) and (6), 698(3) and 701(11) of ICTA. The corresponding rule for income tax is in section 649 of ITTOIA.

2355. The approach of Part 16 of ICTA is to deem sums to have been paid as income for all tax purposes. In the case of both UK and foreign estates, the income is not charged under a particular Schedule or Case and it is implicit that tax is charged on those sums. This section applies to both UK and foreign estates. And it has now been made explicit that the charge to tax applies to all estate income which is treated as arising under the Chapter from a deceased person's estate.

Section 935: Absolute, limited and discretionary interests

2356. This section defines the three types of interest in the whole or part of the residue of an estate. It is based on sections 698(1) and (3) and 701(2) and (3) of ICTA. The corresponding rule for income tax is in section 650 of ITTOIA.

2357. *Subsections (1)(b)* and *2(b)* reflect the fact that the amount of any residue, and the income from it, can only be an estimate until the residue has been ascertained.

2358. *Subsection (4)* covers the following four situations:

- where income/capital is properly payable directly to the person with the interest;
- where income/capital is properly payable to the person with the interest indirectly through a trustee or other person;

- where income/capital is properly payable for the benefit of the person with the interest, to another person, and that income/capital is paid directly to that other person; and
- where income/capital is properly payable to a person where that person is a personal representative and *subsection (5)* applies.

2359. Subsection (5) deals with the situation where personal representatives would have an absolute or limited interest in the residue of another deceased person's estate if a right they have as personal representatives were vested in them for their own benefit. In these circumstances they are treated as having that interest. The term "personal representatives" is defined in section 968. The definition corresponds with that in section 989 of ITA.

Section 936: Meaning of "UK estate" and "foreign estate"

2360. This section defines "UK estate" and "foreign estate" for the purposes of this Chapter. It is based on sections 699A(1B) and 701(9), (10) and (10A) of ICTA. The definitions in this section underpin the whole of this Chapter. The corresponding rule for income tax is in section 651 of ITTOIA.

Section 937: Absolute interests in residue

2361. This section sets out the basis on which estate income is treated as arising in an accounting period in the case of absolute interests in residue. It is based on section 696(3) and (5) of ICTA. The corresponding rule for income tax is in section 652 of ITTOIA.

2362. *Subsections (2)* and *(3)* set out the relevant conditions. A payment need not be made in the "final accounting period" because the net amount of estate income in that period is always equal to the assumed income entitlement for that period. Under section 696(5) of ICTA, taxing a company with an absolute interest in a residuary estate depends on whether the company receives payments and, in the final year of administration, on a fictional payment under that section. The same effect is achieved in this section by determining the liability by considering the assumed income entitlement in all accounting periods. Assumed income entitlement is dealt with in section 948.

Section 938: Meaning of "the administration period", "the final accounting period" and "the final tax year"

2363. This section defines "the administration period", "the final accounting period" and "the final tax year". It is based on sections 695(1), 701(13) and 702 of ICTA. The corresponding rule for income tax is in section 653 of ITTOIA.

2364. *Subsection (2)* defines when the administration of the estate is completed for Scotland. A full definition for Scotland is required because the completion of the administration of an estate would otherwise have no meaning under Scottish law (although the definition has been updated by replacing the archaic expression "for behoof of"). In contrast, there are cases under English law which have established that the administration is complete when the residue of the estate is ascertained and is ready for distribution. Case law explains what this means in particular circumstances (see, for example, R v Special Commissioners ex parte Dr Barnardo's Homes (1921), 7 TC 646 HL, Daw v CIR (1928), 14 TC 58 HC and CIR v Sir Aubrey Smith (1930), 15 TC 661 CA).

Section 939: Limited interests in residue

2365. This section deals with estate income relating to limited interests. It is based on section 695(2) and (3) of ICTA. The corresponding rule for income tax is in section 654 of ITTOIA.

2366. The section sets out the basis on which estate income is treated as arising in an accounting period for limited interests in residue. The section reflects the need to deal with accounting periods before the final accounting period. Also, a limited interest might cease in an accounting period before the final accounting period and sums might be paid in respect of that interest in a later accounting period; so that situation has to be provided for.

Section 940: Discretionary interests in residue

2367. This section deals with estate income relating to discretionary interests in residue. It is based on section 698(3) of ICTA. The corresponding rule for income tax is in section 655 of ITTOIA.

Section 941: UK estates

2368. This section sets out the amount charged to tax under section 934 for income from UK estates. It is based on sections 695(2) to (4), 696(3) and (4) and 698(3) of ICTA. The corresponding rule for income tax is in section 656 of ITTOIA.

2369. As there are fundamental differences between the basis of charge for income from UK and foreign estates, the rules for foreign estates have been dealt with in a separate section (section 942).

2370. *Subsection (2)* provides that income from a UK estate is charged on the gross amount of the estate income arising for the accounting period. This is the basic amount of the income grossed up at the applicable rate. "Basic amount" is a new term. This avoids confusion with the term "net amount" since it is the "net amount" which is actually charged to tax in the case of a foreign estate (except where section 963 (income treated as bearing income tax) applies).

Section 942: Foreign estates

2371. This section sets out the amount charged to tax under section 934 for income from foreign estates. It is based on sections 695(4), 696(6) and 698(3) of ICTA. The corresponding rule for income tax is in section 657 of ITTOIA.

2372. *Subsection (5)* provides that, so far as the income is not within section 963, the charge is on the basic amount of that income. Where the income is within section 963, the charge is on the gross amount of the income calculated in accordance with section 946.

Section 943: Absolute interests

2373. This section explains how to calculate the basic amount of estate income for absolute interests. It is based on section 696(3) to (5) of ICTA. The corresponding rule for income tax is in section 660 of ITTOIA.

2374. This section removes all the deeming of amounts to have been paid in Part 16 of ICTA. Instead, it looks at either amounts actually paid or the assumed income entitlement. It then catches all previously untaxed income due to the absolute interest holder by taxing the assumed income entitlement in the final accounting period. This avoids the two stage process inherent in section 696(5) of ICTA.

2375. *Subsection (3)* introduces a new rule allowing excess estate deductions in the final year to be set off against the basic amount of estate income for the final accounting period. See *Change 69* in Annex 1.

Section 944: Limited interests

2376. This section explains how to calculate the basic amount of estate income for limited interests. It is based on section 695(2) to (4) of ICTA. The corresponding rule for income tax is in section 661 of ITTOIA.

Section 945: Discretionary interests

2377. This section identifies the basic amount of estate income relating to discretionary interests. It is based on sections 695(4) and 698(3) of ICTA. The corresponding rule for income tax is in section 662 of ITTOIA.

Section 946: Applicable rate for grossing up basic amounts of estate income

2378. This section provides for basic amounts of estate income to be grossed up, as appropriate, for the purposes of the sections charging income (section 941 for UK estates and section 942 for foreign estates) by reference to the rate at which tax is borne by the aggregate income of the estate. It is based on sections 699A and 701(3A) of ICTA. The aggregate income of the estate is defined in section 947. The corresponding rule for income tax is in section 663 of ITTOIA.

2379. *Subsection (5)* explains the interaction between "the relevant tax year" and "accounting period" for the purposes of this Chapter.

Section 947: Aggregate income of the estate

2380. This section explains what is meant by the "aggregate income of the estate" for a tax year. It is an important definition of general application. It is based on sections 701(5) and (8) and 702 of ICTA. The corresponding rule for income tax is in section 664 of ITTOIA.

2381. *Subsection (2)* defines the income and amounts within the aggregate income of the estate. Subsection (2)(b) brings in foreign source income and *subsection (4)* provides that such income takes account of any deductions which would have been available if it had been subject to United Kingdom income tax. So subsection (4) brings foreign source income into line with United Kingdom source income.

2382. *Subsection (5)* provides that two types of income are excluded from the aggregate income of the estate. The exclusion detailed in subsection (5)(a) concerning income to which any person may become entitled under a specific disposition is new to the definition of the aggregate income of the estate although it is similar to section 697(1)(b) of ICTA which deals with amounts which are deductible from the aggregate income in calculating the residuary income of the estate.

2383. It is not considered appropriate for income from specific dispositions or income from contingent interests to be treated as part of the aggregate income of the estate. See *Change 70* in Annex 1.

2384. Section 698(1) of ICTA in part deals with the position where the deceased person ("A"), whose estate is being administered by personal representatives, had an absolute or limited interest in the residue of the estate of another deceased person ("B"). Section 698(1) of ICTA deems the personal representatives to have the same interest as "A" "notwithstanding that that right is not vested in them for their own benefit". The substance of this is rewritten in section 935(5). Section 698(1) of ICTA also deems any income in respect of such an interest to be part of the aggregate income of A's estate. This part of the source legislation is not rewritten because such income will fall within the definition of the aggregate income of the estate anyway, once the personal representatives are deemed to have the interest, because it will be the income of the deceased's personal representatives as such. It is immaterial for this purpose that that right in relation to the estate of another deceased person "is not vested in them for their own benefit".

2385. It is not necessary to expand on the two types of excluded income mentioned in subsection (5) of this section (with the exception of *subsection (6)* of this section) since it will be clear when such income arises. Consequently, section 701(6) and (7) of ICTA (which provide the meaning for "charges on residue") are not rewritten.

Section 948: Assumed income entitlement

2386. This section explains the new concept of the "assumed income entitlement". It is based on section 696(3A), (3B) and (5) of ICTA. The corresponding rule for income tax is in section 665 of ITTOIA.

2387. The concept of "assumed income entitlement" has been introduced as a tool for calculating the basic amount of estate income for absolute interests. It is similar to the "aggregated income entitlement" in section 696(3B) of ICTA but applies in a more straightforward way.

2388. Step 4 in *subsection (1)* deals also with situations where a beneficiary liable to corporation tax was, at some earlier point during the administration period, chargeable to income tax. It also deals with other situations where a non-UK resident beneficiary becomes UK resident, when the estate is a foreign estate.

Section 949: Residuary income of the estate

2389. This section explains how the residuary income of the estate is calculated. It is based on section 697(1) and (1A) of ICTA. The corresponding rule for income tax is in section 666 of ITTOIA.

2390. Beneficiaries with absolute interests need to know the residuary income of the estate for a tax year in order to work out their assumed income entitlement.

2391. *Subsection (2)* lists the "allowable estate deductions". This is a new label for the items which may be deducted from the aggregate income of the estate. Subsection (2)(a) refers to "all interest paid in that year by the personal representatives …". Section 697(1)(a) of ICTA refers to "the amount of any annual interest, annuity or other annual payment for that year which is a charge on residue …". The requirements that interest must be annual and also a charge on residue have not been reproduced. See *Change 71* in Annex 1.

2392. In practice, HMRC allow income from specific dispositions to be deducted from the aggregate income of the estate in calculating the residuary income of the estate in the year of assent and later years. But it is considered simpler for it merely to be excluded from what counts as the aggregate income and not be deducted from it. See *Change 70* in Annex 1.

2393. Subsection (2)(b) deals with annual payments. Because of the restricted meaning given to annual payments, much of the wide definition in sections 701(6) and 702(d) of ICTA is otiose. Any liabilities which are annual payments will now have to meet only the requirement that they are properly payable out of residue and this is also a requirement of section 701(6) of ICTA. Omitting the remainder of the definition removes unnecessary material. As a consequence of the change, section 701(7) of ICTA, which limits the meaning of "charges on residue" in relation to specific dispositions, does not need to be rewritten either.

2394. The section does not contain an ordering rule for allocating allowable estate deductions against different categories of income. It is implicit in this section that the taxpayer may choose whichever allocation is most advantageous.

Section 950: Shares of residuary income of estate

2395. This section explains the rules for determining the share of residuary income treated as arising from a company's absolute interest in the whole or part of the residue of an estate. It is based on section 696(2) and (8) of ICTA. The corresponding rule for income tax is in section 667 of ITTOIA.

Section 951: Reduction in share of residuary income of estate

2396. This section provides that the share of the residuary income of the estate of a company with an absolute interest is reduced at the end of the administration period in certain circumstances. It is based on section 697(2) and (3) of ICTA. The corresponding rule for income tax is in section 668 of ITTOIA.

2397. Until it was repealed by ITA 2007, section 4(1) of ICTA provided that sums paid during (or on completion of) the administration period were to be grossed up by reference to the basic rate for the tax year in which it was paid in the case of UK estates. *Subsection (5)* provides that, for the purposes of subsection (1)(b) the basic rate is used when grossing up these sums. See *Change 72* in Annex 1.

Section 952: Applicable rate for determining assumed income entitlement (UK estates)

2398. This section sets out the calculation of the applicable rate for the purposes of calculating income tax to be deducted from the residuary income at step 2 of section 948(1). The section is based on section 701(3A) of ICTA. The corresponding rule for income tax is in section 670 of ITTOIA.

Section 953: Introduction

2399. This section introduces the sections dealing with successive interests where two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons. It is based on section 698(4) to (6) of ICTA. The income tax rules corresponding to *subsections (2)* and *(3)* are rewritten in section 671(7) and (8) of ITTOIA.

2400. Subsection (3) ensures that where a previous holder is not a company within the charge to corporation tax, that person's accounting periods (for the purposes of this section) correspond with tax years.

Section 954: Successive absolute interests

2401. This section explains the position where two or more absolute interests in the residue of an estate are held successively by different persons. It is based on sections 697(4) and (5), and 698(2) of ICTA. The corresponding rule for income tax is in section 671 of ITTOIA.

2402. *Subsection (3)* contains an ordering rule to ensure that all determinations under subsection (2) or section 955(2) are made in relation to the person with the earlier interest before the person with the later interest. This subsection has been inserted to make explicit what is already implicit in the source legislation.

2403. *Subsection (4)* provides a special rule where there are two or more absolute interests in the final accounting period. It is intended to ensure that it is the last absolute interest which is charged to tax on the assumed income entitlement, which will comprise all the residuary income, in the final accounting period. This is because the last absolute interest holder will receive the capital of the residue (and also all outstanding income in respect of it).

2404. *Subsections (5)* and *(6)* contain special rules where section 951 (reduction in share of residuary income of estate) applies and there are successive absolute interests. These subsections provide that the calculation under section 951(1)(a) and (b) is to be made by reference to all the absolute interests taken together. Then, after applying the reduction to the last absolute interest under section 951(2) and (3), any remaining excess is applied to the previous absolute interest holders working backwards from the beginning of the last interest. See *Change 73* in Annex 1.

Section 955: Assumed income entitlement of holder of absolute interest following limited interest

2405. This section and section 956 explain the position of the absolute interest holder where successive limited and absolute interests in the residue of an estate are held by different persons. It is based on section 698(1A) and (1B) of ICTA. The corresponding rule for income tax is in section 672 of ITTOIA.

2406. The section applies only where the later interests arise or are created on the cessation of the previous interest otherwise than by death. The position of limited interests which cease on the death of the holder before the final tax year are dealt with in section 654 of ITTOIA and section 939 of this Act. All sums paid or remaining payable in respect of that interest after the tax year of death are treated as estate income arising in the tax year of death.

2407. Examples of situations, in relation to limited interests, that are covered by the section include:

- the disclaiming of a life interest which accelerates an existing interest under the will; and
- an interest which is only held until marriage or attaining a certain age.

2408. *Subsections (3)* and *(4)* contain the two rules introduced by *subsection (2).* They deal with the limited interest which ceases otherwise than on death. They also explain how such an interest is brought into the calculation of whether the person with the absolute interest has an assumed income entitlement and, if so, its amount. The assumed income entitlement works on a cumulative basis, so the share of the residuary income of the absolute interest holder and the basic amounts of previous accounting periods are taken into account.

Section 956: Payments in respect of limited interests followed by absolute interests

2409. This section covers the position where the absolute interest holder is entitled to receive payments in respect of a preceding limited interest which has ceased otherwise than on death. It is based on section 698(1A) and (1B) of ICTA. The corresponding rule for income tax is in section 673 of ITTOIA.

2410. *Subsection (2)* deals with such payments while the absolute interest holder still has the absolute interest. It provides that a payment made to the absolute interest holder in respect of the limited interest is treated as paid in respect of the absolute interest (and not the limited interest). Thus, such payments may form part of the basic amount of estate income in accounting periods before the final accounting period.

2411. *Subsection (3)* deals with the position where the holder's absolute interest has itself ceased (but the administration period continues). The approach here is to treat any such sum paid in these circumstances as a payment in respect of the earlier limited interest. The result is that such payments are treated as estate income under the limited interests provisions. But *subsection (6)* provides that the payments are treated as paid or payable in respect of the absolute interest for the purposes of section 951 (reduction in share of residuary income of estate).

2412. The taxation of successive interests in the residue of an estate is dealt with in section 698(1A) to (2) of ICTA. Section 698(1B) of ICTA deals with the case where there were successive interests in an estate which ceased otherwise than on death and the earliest or one of the earlier interests was a limited interest (see section 698(1A) of ICTA).

2413. Section 698(1B)(a) of ICTA provides that Part 16 of ICTA applies as if all the interests were the same interest ("the deemed single interest"), so that none of them is to be treated as having ceased on being succeeded by any of the others. Section 698(1B)(b) of ICTA then determines who had the deemed single interest. It is either the person in respect of whose interest or previous interest the payment was made (section 698(1B)(b)(i) of ICTA) or a person who has or had an interest and is entitled to receive the payment (section 698(1B)(b)(ii) of ICTA). So a beneficiary who does not give up his or her entitlement to income which is unpaid at the time the interest ceases is taxable on the payment, rather than the person holding the successive interest at the time when the payment is made. However, section 698(1B)(b) of ICTA is made subject to section 698(1B)(c) of ICTA. Section 698(1B)(c)(i) of ICTA provides that, so far as a later interest is an absolute interest, it is to be treated as having always existed and the earlier interest or interests as having never existed for the purposes of the provisions dealing with absolute interests in section 696(3A) to (5) of ICTA.

2414. In rare circumstances the later absolute interest may itself have ceased at the time the payment is made. For example, A has a limited interest which is succeeded by absolute interests held first by B and then by C, and a payment is received by B in respect of A's earlier limited interest after B's own interest has ceased but before the end of the administration period. As a result of section 698(1B)(b)(ii) of ICTA, Part 16 of ICTA applies to the payment as if B had the deemed single interest. So section 696(3) of ICTA deems the sum to be paid to B as income in the accounting period in which it is actually paid. That is an accounting period in which C had the absolute interest. Under section 698(1B)(c)(i) of ICTA for the purposes of section 696(3A) to (5) of ICTA, Part 16 of ICTA is to apply as if the later interest of C had always existed and the earlier interests had never existed. Section 698(1B)(c)(ii) and (iii) of ICTA then provides that sums paid as income in respect of the earlier interests are deemed to be sums paid in respect of the later interest of C.

2415. The relationship between these particular provisions, where the later interest has itself ceased at the time the payment is made but the administration period continues, is difficult to work out. It would seem that the payment in the above example should be taxed on B because of section 696(3) of ICTA. The payment is then brought into account when the payments made in respect of C's interest are compared to its aggregated income entitlement (in making the final year calculation under section 696(5) of ICTA in respect of C's interest to determine whether any amount should be treated as having been paid to C immediately before the end of the administration period). So although section 698(1A) and (1B) of ICTA operate in a very convoluted way in the above circumstances, the end result appears to be that B, the person with the absolute interest who receives the payment, is taxed on it, but it does not affect B's aggregated income entitlement.

2416. In order to spell out how a payment made in these circumstances should be treated, subsections (3) and (4) of this section provide that where such a payment is made, this Chapter applies as if the earlier limited interest had continued to subsist while the later absolute interest subsisted and had been held by the holder of the later absolute interest. The result is that payments to that holder are treated as estate income under the provisions about limited interests.

2417. Sums to which that holder is entitled that remain payable at the end of the administration period are treated in the same way. They will be basic amounts arising from the limited interest in the accounting period in which the absolute interest ceases and are dealt with by sections 939 and 944. The effect of this on later absolute interests is then determined by the successive absolute interests provisions in section 954. Under subsection (6) of this section, however, these sums are to be treated as paid or payable in respect of the absolute interest for the purposes of the provisions about the reduction in shares of residuary income under section 951.

Section 957: Holders of limited interests

2418. This section explains the position of a limited interest holder where successive interests in the residue of an estate are held by different persons and the earlier, or if there are more than two, the earliest of the interests is a limited interest. It is based on sections 695(2) and (3) and 698(1A) and (1B) of ICTA. The corresponding rule for income tax is in section 674 of ITTOIA.

2419. The section only applies where the later interests arise or are created on the cessation of the previous interest otherwise than by death.

2420. *Subsections (3)* to *(5)* cover three sets of circumstances described as "cases" where the estate income in respect of successive limited interests is treated as arising. The cases are the equivalent for successive limited interests of the three cases for single limited interests in section 939. But the section recognises that there may be more than one limited interest in the chain of succession, so references are made to "one of the interests" and subsection (5) refers to "the last of the successive interests".

2421. There is also an additional sub-paragraph in each case providing that a limited holder (as defined) is entitled to receive the payment. This reflects the fact that the person who receives the payment in these circumstances is not always the person in respect of whose interest the payment is made. For example, on disclaiming a life interest, a beneficiary may also disclaim any entitlement to income accrued in respect of that interest but not yet paid.

2422. The section does not make it explicit that a new chain of succession begins with the first limited interest (and a previous absolute interest is ignored) for the purposes of this provision. Nor does the section make it explicit that two limited interests which are preceded by a limited interest which ceased on the death of the beneficiary are covered by the section. These conclusions are implicit in this section.

Section 958: Basic amount of estate income: successive limited interests

2423. This section explains how to calculate the net amount of estate income for successive limited interests. It is based on sections 695(2) to (4) and 698(1A) and (1B) of ICTA. The corresponding rule for income tax is in section 675 of ITTOIA.

2424. The section is the equivalent provision to section 944 for limited interests that are not successive.

Section 959: Apportionments

2425. This section applies where successive interests apply to only part of the residue. In other words, the residuary estate is divided up and one or more of the successive interests provisions apply to a part or parts of that estate. It also applies where one of the interests covers the whole estate and the other interest covers part of it. It is new. The corresponding rule for income tax is in section 676 of ITTOIA. See *Change 74* in Annex 1.

2426. In such circumstances, it is possible that a subsequent interest may not cover exactly the same part of the residuary estate as the interest which preceded it. For example, limited interest holders may give up half their interest, thus accelerating the interest of the absolute interest holder. Only half the share of the residuary income and half the net amounts of the limited interest holder would be needed for the calculation of whether the absolute interest holder has an assumed income entitlement in accordance with section 955(2). The section provides for just and reasonable apportionments to be made in these circumstances.

Section 960: Relief in respect of tax relating to absolute interests

2427. This section provides for relief if income, which has borne United Kingdom tax, arises to a company with an absolute interest in the residue of a foreign estate. It is based on section 696(7) of ICTA. The corresponding rule for income tax is in section 677 of ITTOIA.

2428. *Subsection (2)* contains the formula for calculating the relief where a claim is made. The labels in section 696(7)(a) and (b) of ICTA – "the deemed income" and "the aggregate income" respectively – were added as explanatory aids in the course of the ICTA consolidation. These labels are not retained.

Section 961: Relief in respect of tax relating to limited or discretionary interests

2429. This section provides for relief if income, which has borne United Kingdom tax, arises to a company with a limited or discretionary interest in the residue of a foreign estate. The section is based on sections 695(5) and 698(3) of ICTA. The corresponding rule for income tax is in section 678 of ITTOIA.

2430. *Subsection (2)* provides for a reduction to be made from the tax charged on the company following a claim for relief. The tax is to be reduced by an amount equal to the appropriate fraction of that tax. The fraction here (based on section 695(5) of ICTA) is slightly different from the fraction used for absolute interests (based on section 696(7) of ICTA). The labels in section 695(5)(a) and (b) of ICTA – "the deemed income" and "the aggregate income" respectively – were added as explanatory aids in the course of the 1988 consolidation. These labels are not retained.

2431. Section 695(6) of ICTA is not rewritten. The meaning of this provision, which was introduced when surtax was still charged, is now obscure and it is difficult to see how it could operate in the context of Self Assessment for companies. See *Change 100* in Annex 1.

Section 962: Income from which basic amounts are treated as paid

2432. This section sets out the rules for determining from which part of the aggregate income of the estate a basic amount is treated as paid. It is based on sections 699A(2) and 701(3A) of ICTA. The corresponding rule for income tax is in section 679 of ITTOIA.

2433. Personal representatives may receive such income from a number of sources, and different rates of tax apply to different types of income. Some of the income is taxed in the hands of the personal representatives at "the applicable rate" (the basic rate or the dividend ordinary rate. See section 963).

2434. The basic amounts of estate income do not always correlate precisely to the income received by the personal representatives. It is therefore necessary to attribute payments out of the residuary estate in the form of basic amounts to particular types of income received by the personal representatives.

Section 963: Income treated as bearing income tax

2435. This section deals with income which is treated as bearing income tax. It is based on section 699A of ICTA. The corresponding rule for income tax is in section 680 of ITTOIA.

2436. Where such income forms part of the aggregate income of the estate (as a result of section 947(2)), this section treats the income as having borne tax at either the dividend ordinary rate or the basic rate (as appropriate) for certain provisions within the Chapter.

2437. Section 699A(1)(b) of ICTA is not rewritten in this Act. This provision provides that the sums to which section 699A(1)(a) of ICTA applies must be sums in respect of which the personal representatives are not directly assessable to United Kingdom income tax. Of the income referred to in section 699A(1)(a) of ICTA to which section 699A(1)(b) of ICTA applies, none appears to be directly assessable. So section 699A(1)(b) of ICTA serves no useful purpose.

Section 964: Transfers of assets etc treated as payments

2438. This section is concerned with the appropriation of assets by personal representatives to themselves, any other transfer of assets and the set off or release of a debt. The section is based on section 701(12) of ICTA. The corresponding rule for income tax is in section 681 of ITTOIA.

Section 965: Assessments, adjustments and claims after the administration period

2439. This section deals with adjustments after the end of the administration period. It is based on section 700(1) to (3) of ICTA. The corresponding rule for income tax is in section 682 of ITTOIA.

Section 966: Power to obtain information from personal representatives and beneficiaries

2440. This section enables HMRC to obtain information for the purpose of this Chapter. It is based on section 700(4) of ICTA.

Section 967: Statements relating to estate income

2441. This section enables a company to request statements relating to a deceased person's estate. It is based on section 700(5) and (6) of ICTA.

2442. The last part of section 700(5) of ICTA that requires the statement to set out the matters in section 700(5)(a) to (b) separately for each part of estate income, in cases where different applicable rates apply, has not been rewritten. This requirement is considered unnecessary because the requirement to show amounts separately must occur in order for *subsection (1)(b)* of this section to be satisfied.

Section 968: Meaning of "personal representatives"

2443. This section provides the meaning of "personal representatives". It is based on section 701(4) of ICTA.