



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART I

THE CHARGE TO TAX

Income tax

1 The charge to income tax.

- (1) ^{M1} Income tax shall be charged in accordance with the provisions of the Income Tax Acts in respect of all property, profits or gains respectively described or comprised in the Schedules, A, ^{F1}B, C, D, E and F, set out in sections 15 to 20 or which in accordance with the Income Tax Acts are to be brought into charge to tax under any of those Schedules or otherwise.
- (2) ^{M2} Where any Act enacts that income tax shall be charged for any year, income tax shall be charged for that year—
 - (a) in respect of any income which does not fall within paragraph (b) below, at such rate as Parliament may determine to be the basic rate for that year;
 - ^{F2}(b) in respect of so much of an individual's total income as exceeds ^{F3}£20,700 at such higher rate as Parliament may determine]but this subsection has effect subject to any provision of the Income Tax Acts providing for income tax to be charged at a different rate in certain cases.
- (3) ^{M3} The amount up to which an individual's income is by virtue of subsection (2) above chargeable for any year at the basic rate shall be known as the basic rate limit, *and the parts of income in excess of the basic rate limit which are specified in paragraph (b) of that subsection shall be known respectively as the first, second, third, fourth and fifth higher rate bands* ^{F4}.
- (4) ^{M4} If the retail prices index for the month of December preceding a year of assessment is higher than it was for the previous December, then, unless Parliament otherwise determines, subsection (2) above shall apply for that year as if for ^{F5}the amount] specified in that subsection as it applied for the previous year (whether by virtue of

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this subsection or otherwise) there were substituted an amount arrived at by increasing the amount for the previous year by the same percentage as the percentage increase in the retail prices index and, if the result is not a multiple of £100, rounding it up to the nearest amount which is such a multiple.

- (5) Subsection (4) above shall not require any change to be made in the amounts deductible or repayable under section 203 [^{F6}during the period beginning with 6th April and ending with 17th May in the year of assessment.]
- (6) The Treasury shall before each year of assessment make an order specifying the [^{F7}amount] which by virtue of subsection (4) above will be treated as specified for that year in subsection (2) above.
- (7) Part VII contains general provisions relating to the taxation of income of individuals.

Textual Amendments

- F1** Repealed by 1988(F) s. 148 and Sch. 14 Part V from 6 April 1988
- F2** 1988(F) s.24(2)(a) *for* 1988-89. *Previously*
“(b) in respect of so much of an individual's total income as exceeds £17,900, at such higher rates respectively as Parliament may determine in relation to the first £2,500, the next £5,000, the next £7,900, the next £7,900 and the remainder;”.
- F3** 1990 s.17(1)(b) *for* 1990-91. (Art. 2(2) of S.I. 1990 No.677 (in Part III Vol.5) *was not operated.*)
- F4** Repealed by 1988(F) s. 148 and Sch. 14 Part IV for 1988-89 and subsequent years
- F5** 1988(F) s.24(2)(c). *Previously*
“each of the amounts”.
- F6** 1990 s.17(2) *for* 1990-91 *and subsequent years. Previously*
“between the beginning of a year of assessment and 5th May (“18th May” *for* 1989-90—*see* 1989 s.32.) in that year.”.
- F7** 1988(F) s.24(2)(d). *Previously*
“amounts”.

Modifications etc. (not altering text)

- C1** *See* s.686—*income of trustees chargeable at higher rate.*
- C2** S. 1(2) amended (subject to Parliament's determination otherwise) by S.I. 1991/732, art. 2(1)(2).
S. 1(2) amended (subject to Parliament's determination otherwise) by S.I. 1992/622, art. 2(1)(2).
- C3** *See* 1990 s.17(1)—*basic rate 25% and higher rate 40% for* 1990-91.
- C4** *For earlier years see* Table C Vol.1.
- C5** *See*—1988(F) s.24(2)—*indexation not to apply for* 1988-89. 1990 s.17(1)—*indexation not to apply for* 1990-91.
- C6** S. 1(4) excluded for the year 1991-92 by Finance Act 1991 (c. 31, SIF 63:1), s. 21(2)
- C7** *See* S.I. 1989 No. 467 in Part III Vol.5.

Marginal Citations

- M1** Source—1970 s.1
- M2** Source—1970 s.1; 1971 s.32(1); 1980 s.24(2); 1987 s.20(1)
- M3** Source#1980 s.24(3); 1984 Sch.7 3(5)
- M4** Source—1980 s.24(4), (7), (9)

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VALID FROM 29/04/1996

[^{F8}1A Application of lower rate to income from savings and distributions.

- (1) Subject to sections 469(2) and 686, so much of any person's total income for any year of assessment as—
 - (a) comprises income to which this section applies, and
 - (b) in the case of an individual, is not income falling within section 1(2)(b), shall, by virtue of this section, be charged for that year at the lower rate, instead of at the rate otherwise applicable to it in accordance with section 1(2)(aa) and (a).
- (2) Subject to subsection (4) below, this section applies to the following income—
 - (a) any income chargeable under Case III of Schedule D other than—
 - (i) relevant annuities and other annual payments that are not interest; and
 - (ii) amounts so chargeable by virtue of section 119 or 120;
 - (b) any income chargeable under Schedule F; and
 - (c) subject to subsection (4) below, any equivalent foreign income.
- (3) The income which is equivalent foreign income for the purposes of this section is any income chargeable under Case IV or V of Schedule D which—
 - (a) is equivalent to a description of income falling within subsection (2)(a) above but arises from securities or other possessions out of the United Kingdom; or
 - (b) consists in any such dividend or other distribution of a company not resident in the United Kingdom as would be chargeable under Schedule F if the company were resident in the United Kingdom.
- (4) This section does not apply to—
 - (a) any income chargeable to tax under Case IV or V of Schedule D which is such that section 65(5)(a) or (b) provides for the tax to be computed on the full amount of sums received in the United Kingdom; or
 - (b) any amounts deemed by virtue of section 695(4)(b) or 696(6) to be income chargeable under Case IV of Schedule D.
- (5) So much of any person's income as comprises income to which this section applies shall be treated for the purposes of subsection (1)(b) above and any other provisions of the Income Tax Acts as the highest part of his income.
- (6) Subsection (5) above shall have effect subject to section 833(3) but shall otherwise have effect notwithstanding any provision requiring income of any description to be treated for the purposes of the Income Tax Acts (other than section 550) as the highest part of a person's income.
- (7) In this section "relevant annuity" means any annuity other than a purchased life annuity to which section 656 applies or to which that section would apply but for section 657(2)(a).]

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Textual Amendments

- F8** S. 1A inserted (with effect in accordance with s. 73(3) of the amending Act) by Finance Act 1996 (c. 8), s. 73(1)

VALID FROM 31/07/1997

[^{F9}1B Rates of tax applicable to Schedule F income etc.

- (1) In the case of so much of an individual's income which consists of—
- (a) income chargeable under Schedule F (if any), and
 - (b) equivalent foreign income falling within section 1A(3)(b) and chargeable under Case V of Schedule D (if any),
- as is income falling within section 1(2)(b), income tax shall, by virtue of this subsection, be charged at the Schedule F upper rate, instead of at the rate otherwise applicable to it in accordance with section 1(2)(b).
- (2) In relation to any year of assessment for which income tax is charged—
- (a) the Schedule F ordinary rate is 10 per cent., and
 - (b) the Schedule F upper rate is 32.5 per cent.,
- or, in either case, such other rate as Parliament may determine.]

Textual Amendments

- F9** S. 1B inserted (with effect in accordance with s. 31(6) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 31(5)

2 Fractions of a pound, and yearly assessments.

- (1) ^{M5} The due proportion of income tax shall be charged for every fractional part of one pound.
- (2) Every assessment and charge to income tax shall be made for a year commencing on the 6th April and ending on the following 5th April.

Marginal Citations

- M5** Source—1970 s.2

3 Certain income charged at basic rate.

- ^{M6} Where a person is required to be assessed and charged with income tax in respect of any property, profits or gains out of which he makes any payment in respect of—
- (a) any annuity or other annual payment (not being interest); or
 - (b) any royalty or other sum in respect of the user of a patent; or

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- (c) any rent, royalty or other payment which is declared by section 119 or 120 to be subject to deduction of tax under section 348 or 349 as if it were a royalty or other sum paid in respect of a patent;

he shall, in respect of so much of the property, profits or gains as is equal to the payment and may be deducted in computing his total income, be charged at the basic rate.

Marginal Citations

M6 Source—1970 s.3; 1971 Sch.6 2

4 Construction of references in Income Tax Acts to deduction of tax.

- (1)^{M7} Any provision of the Income Tax Acts requiring, permitting or assuming the deduction of income tax from any amount (otherwise than in pursuance of section 203) or treating income tax as having been deducted from or paid on any amount, shall, subject to any provision to the contrary, be construed as referring to deduction or payment of income tax at the basic rate in force for the relevant year of assessment.
- (2) For the purposes of subsection (1) above, the relevant year of assessment shall be taken to be (except where otherwise provided)—
- if the amount is an amount payable wholly out of profits or gains brought into charge to tax, the year in which the amount becomes due;
 - in any other case, the year in which the amount is paid.

Marginal Citations

M7 Source—1971 s.36; 1975(No. 2) s.44(6)

5 Date for payment.

- (1)^{M8} Subject to the provisions of the Income Tax Acts and in particular to subsection (2) below and section 203, income tax contained in an assessment for any year shall be payable on or before the 1st January in that year, or at the expiration of a period of 30 days beginning with the date of the issue of the notice of assessment, whichever is the later.
- (2) Subject to subsection (3) below, income tax under Schedule D charged for any year on any individual or firm in respect of the profits or gains of any trade, profession or vocation and contained in an assessment for that year shall, instead of being payable in accordance with subsection (1) above, be payable in two equal instalments, the first on or before the 1st January in that year or at the expiration of the period referred to in subsection (1) above, and the second on or before the following 1st July; and the provisions of the Income Tax Acts as to the recovery of income tax shall apply to each instalment of the tax in the same manner as they apply to the whole amount of the tax.
- (3) Where the date of the issue of the notice of assessment is later than the 1st June following the end of the year of assessment, subsection (2) above shall not have effect, and the tax shall be due and payable as provided in subsection (1) above.
- (4) Except as otherwise provided by the Income Tax Acts, any income tax charged at a rate other than the basic rate on—

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- (a) income from which income tax has been deducted (otherwise than under section 203); or
- (b) income from or on which income tax is treated as having been deducted or paid; or
- (c) income chargeable under Schedule F;

shall be due and payable on or before 1st December following the end of the year for which it is assessed, or at the expiration of a period of 30 days beginning with the date of the issue of the notice of assessment, whichever is the later.

Modifications etc. (not altering text)

C8 See 1970(M) Part IX—*interest on overdue tax*.

Marginal Citations

M8 Source—1970 s.4; 1971 Sch.6 3; 1972 Sch.24 15; 1975(No. 2) s.44(1); 1980 s.61(1)

Corporation tax

6 The charge to corporation tax and exclusion of income tax and capital gains tax.

- (1) ^{M9} Corporation tax shall be charged on profits of companies, and the Corporation Tax Acts shall apply, for any financial year for which Parliament so determines, and where an Act charges corporation tax for any financial year the Corporation Tax Acts apply, without any express provision, for that year accordingly.
- (2) The provisions of the Income Tax Acts relating to the charge of income tax shall not apply to income of a company (not arising to it in a fiduciary or representative capacity) if—
 - (a) the company is resident in the United Kingdom, or
 - (b) the income is, in the case of a company not so resident, within the chargeable profits of the company as defined for the purposes of corporation tax by section 11(2).
- (3) A company shall not be chargeable to capital gains tax in respect of gains accruing to it so that it is chargeable in respect of them to corporation tax or would be so chargeable but for an exemption from corporation tax.
- (4) In this section, sections 7 to 12, 114, 115 (but subject to subsection (7)), 242, 243, 247 and 248, Part VIII, Chapter IV of Part X and Part XI, except in so far as the context otherwise requires—
 - (a) “profits” means income and chargeable gains; and
 - (b) “trade” includes “vocation”, and also includes an office or employment or the occupation of woodlands in any context in which the expression is applied to that in the Income Tax Acts.
- (5) Part VIII contains general provisions relating to the taxation of profits of companies.

Modifications etc. (not altering text)

C9 S. 6 applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), **ss. 1(2)**, 289 (with **ss. 60, 101(1), 171, 201(3)**).

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C10 Table K Vol.1. See—Trustee Savings Bank Act 1985 (c.58) s.5 and Sch.2 para.6(2). 1990(C) s.92—balancing charge on a person liable to corporation tax in respect of dwelling houses let on assured tenancies to be made under Sch.A.

C11 See 1988(F) s.148 and Sch.14 Part V for repeals which will take place from 6 April 1993.

Marginal Citations

M9 Source—1970 s.238

7 Treatment of certain payments and repayment of income tax.

- (1) ^{M10} No payment made by a company resident in the United Kingdom shall be treated for any purpose of the Income Tax Acts as paid out of profits or gains brought into charge to income tax; nor shall any right or obligation under the Income Tax Acts to deduct income tax from any payment be affected by the fact that the recipient is a company not chargeable to income tax in respect of the payment.
- (2) Subject to the provisions of the Corporation Tax Acts, where a company resident in the United Kingdom receives any payment on which it bears income tax by deduction, the income tax thereon shall be set off against any corporation tax assessable on the company by an assessment made for the accounting period in which that payment falls to be taken into account for corporation tax (or would fall to be taken into account but for any exemption from corporation tax); and accordingly in respect of that payment the company, unless wholly exempt from corporation tax, shall not be entitled to a repayment of income tax before the assessment for that accounting period is finally determined and it appears that a repayment is due.
- (3) ^{M11} Subsection (2) above does not apply to a payment of relevant loan interest to which section 369 applies.
- (4) ^{M12} References in this section to payments received by a company apply to any received by another person on behalf of or in trust for the company, but not to any received by the company on behalf of or in trust for another person.
- (5) ^{M13} Effect shall be given to section 6(2), to that section as modified by subsection (2) above and by section 11(3) and, so far as exemptions from income tax conferred by the Corporation Tax Acts call for repayment of tax, to those exemptions by means of a claim.

[^{F10}(6)]

Textual Amendments

F10 See 1990 s.98 for changes in relation to income tax falling to be set off against corporation tax for accounting periods ending after the appointed day (see 1988 s.10).

Modifications etc. (not altering text)

C12 See—1970(M) s.94—set off to be disregarded in computing penalty for failure to deliver a return. 1990 ss.98 and 132 and Sch.19 Part V for changes in relation to income tax falling to be set off against corporation tax for accounting periods ending after the appointed day (see 1988 s.10).

C13 S. 7(2) applied (with modifications) (with effect in accordance with s. 105(1) of the applying Act) by Finance Act 1996 (c. 8), s. 91(2) (with Schs. 10, 11, 15)

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Marginal Citations

M10 Source—1970 s.240(4), (5)

M11 Source—1982 s.26(7)

M12 Source—1970 s.240(7)

M13 Source—1970 s.241

8 General scheme of corporation tax.

- (1) Subject to any exceptions provided for by the Corporation Tax Acts, a company shall be chargeable to corporation tax on all its profits wherever arising.
- (2) ^{M14} A company shall be chargeable to corporation tax on profits accruing for its benefit under any trust, or arising under any partnership, in any case in which it would be so chargeable if the profits accrued to it directly; and a company shall be chargeable to corporation tax on profits arising in the winding up of the company, but shall not otherwise be chargeable to corporation tax on profits accruing to it in a fiduciary or representative capacity except as respects its own beneficial interest (if any) in those profits.
- (3) Corporation tax for any financial year shall be charged on profits arising in that year; but assessments to corporation tax shall be made on a company by reference to accounting periods, and the amount chargeable (after making all proper deductions) of the profits arising in an accounting period shall, where necessary, be apportioned between the financial years in which the accounting period falls.

In relation to accounting periods ending after such day, not being earlier than 31st March 1992, as the Treasury may by order appoint for the purposes of this subsection, this subsection shall have effect with the substitution for “assessments to corporation tax shall be made on a company” of “corporation tax shall be computed and chargeable (and any assessments shall accordingly be made)”.

- (4) In any financial year assessments for accounting periods falling wholly or partly in that year or (subject to subsection (5) below) in the preceding year may, notwithstanding that corporation tax has not at the time been charged for the year in question, charge tax for so much of the period as falls within that year according to the rate of tax and the other rates and the fractions last fixed, but any such charge shall be subject to later adjustment, if need be, by discharge or repayment of tax or by a further assessment if for that year corporation tax is not charged by an Act of Parliament passed not later than 5th August next after the end of the year or is charged otherwise than as it has been assessed.
- (5) Where the House of Commons passes a resolution for fixing the rate of corporation tax for any financial year or for altering the tax for any financial year, then any assessment to tax afterwards made by virtue of subsection (4) above may be made in accordance with the resolution; but no assessment made by virtue of that subsection later than 5th May next after the end of any financial year shall charge tax for that year, unless a resolution for charging corporation tax for that year has been so passed, nor shall any assessment be made by virtue of any such resolution later than the prescribed period from the date on which the resolution is passed.
- (6) In subsection (5) above “the prescribed period” means—

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- (a) as respects a resolution passed in March or April in any year, a period beginning with the passing of the resolution and ending with 5th August in the same calendar year,
- (b) as respects any other resolution, four months after the date on which the resolution is passed.

Modifications etc. (not altering text)

C14 S. 8(3): the day appointed for the purposes of s. 8(3) is 30.9.1993 by S.I. 1992/3066, art. 2(2)(b).

C15 See Provisional Collection of Taxes Act 1968 s.5 (in Part II Vol.5—application of s.8(5) following the passing of budget resolutions).

Marginal Citations

M14 Source—1970 s.243 (1)-(3), (5)-(7); 1974 s.36; 1987(No. 2) s.90(1)(a)

VALID FROM 27/07/1993

[^{F11}8A Resolutions to reduce corporation tax.

- (1) In a case where—
 - (a) an Act of Parliament charges corporation tax for the financial year 1993 or a subsequent financial year,
 - (b) the House of Commons passes a resolution that the rate at which corporation tax for the financial year concerned is charged shall be a rate which is set out in the resolution and is lower than that fixed by the Act of Parliament, and
 - (c) the resolution is passed in the financial year concerned,
 any assessment to corporation tax made in the prescribed period may be made in accordance with the resolution.
- (2) Unless an Act of Parliament—
 - (a) is passed within the prescribed period, and
 - (b) contains a provision that the rate at which corporation tax for the financial year concerned is charged shall be the rate set out in the resolution passed under subsection (1) above,
 any assessment made under that subsection in accordance with the resolution shall be subject to adjustment, whether by the making of a further assessment or otherwise.
- (3) Subsection (4) below applies where an Act of Parliament fixes the small companies' rate, and the fraction mentioned in section 13(2), for the financial year 1993 or a subsequent financial year.
- (4) If the House of Commons passes a resolution in the financial year concerned that—
 - (a) the rate shall be a rate which is set out in the resolution and is lower than that fixed by the Act of Parliament,
 - (b) the fraction shall be a fraction which is set out in the resolution and is different from that fixed by the Act of Parliament, or
 - (c) the rate shall be as mentioned in paragraph (a) above and the fraction shall be as mentioned in paragraph (b) above,

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any assessment to corporation tax made in the prescribed period may be made in accordance with the resolution.

(5) Unless an Act of Parliament—

- (a) is passed within the prescribed period, and
- (b) contains a provision to the same effect as the resolution passed under subsection (4) above,

any assessment made under that subsection in accordance with the resolution shall be subject to adjustment, whether by the making of a further assessment or otherwise.

(6) For the purposes of this section the prescribed period is the period of six months beginning with the day after that on which the resolution concerned is passed.]

Textual Amendments

F11 S. 8A inserted (27.7.1993) by 1993 c. 34, s. 206(2)

9 Computation of income: application of income tax principles.

- (1) ^{M15} Except as otherwise provided by the Tax Acts, the amount of any income shall for purposes of corporation tax be computed in accordance with income tax principles, all questions as to the amounts which are or are not to be taken into account as income, or in computing income, or charged to tax as a person's income, or as to the time when any such amount is to be treated as arising, being determined in accordance with income tax law and practice as if accounting periods were years of assessment.
- (2) For the purposes of this section "income tax law" means, in relation to any accounting period, the law applying, for the year of assessment in which the period ends, to the charge on individuals of income tax, except that it does not include such of the enactments of the Income Tax Acts as make special provision for individuals in relation to matters referred to in subsection (1) above.
- (3) Accordingly, for purposes of corporation tax, income shall be computed, and the assessment shall be made, under the like Schedules and Cases as apply for purposes of income tax, and in accordance with the provisions applicable to those Schedules and Cases, but (subject to the provisions of the Corporation Tax Acts) the amounts so computed for the several sources of income, if more than one, together with any amount to be included in respect of chargeable gains, shall be aggregated to arrive at the total profits.
- (4) Without prejudice to the generality of subsection (1) above, any provision of the Income Tax Acts which confers an exemption from income tax, or which provides for a person to be charged to income tax on any amount (whether expressed to be income or not, and whether an actual amount or not), shall, except as otherwise provided, have the like effect for purposes of corporation tax.
- (5) Where, by virtue of this section or otherwise, any enactment applies both to income tax and to corporation tax—
 - (a) it shall not be affected in its operation by the fact that they are distinct taxes but, so far as is consistent with the Corporation Tax Acts, shall apply in relation to income tax and corporation tax as if they were one tax, so that, in particular, a matter which in a case involving two individuals is relevant

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- for both of them in relation to income tax shall in a like case involving an individual and a company be relevant for him in relation to that tax and for it in relation to corporation tax; and
- (b) for that purpose references in any such enactment to a relief from or charge to income tax, or to a specified provision of the Income Tax Acts shall, in the absence of or subject to any express adaptation, be construed as being or including a reference to any corresponding relief from or charge to corporation tax, or to any corresponding provision of the Corporation Tax Acts.
- (6) The provisions of the Income Tax Acts applied by this section do not include sections 1 to 5, 60 to 69, Part VII or sections 348 to 350 of this Act; and nothing in this section shall be taken to mean that income arising in any period is to be computed by reference to any other period (except in so far as this results from apportioning to different parts of a period income of the whole period).

Marginal Citations

M15 Source—1970 s.250

10 Time for payment of tax.

- (1) ^{M16}Except as provided by section 478—
- (a) corporation tax for an accounting period ending after such day or days (not being earlier than 31st March 1992) as the Treasury may by order appoint for the purposes of this section shall be due and payable on the day following the expiry of nine months from the end of that period; and
- (b) corporation tax assessed for any other accounting period shall be paid within nine months from the end of that period or, if it is later, within 30 days from the date of the issue of the notice of assessment.

[^{F12}(2) Where by virtue of subsection (1)(a) above corporation tax for an accounting period of a company is due without the making of an assessment, the amount for the time being shown in a return by the company under section 11 of the Management Act (corporation tax return) as the corporation tax for the period shall be treated for the purposes of Part VI of the Management Act (collection and recovery) as tax charged and due and payable under an assessment on the company.]

- (3) If, with respect to any accounting period—
- (a) a company has paid an amount of corporation tax without the making of an assessment; and
- (b) at any time before an assessment to corporation tax for the period becomes final, the company has grounds for believing that, by reason of a change in the circumstances of the case since the tax was paid, the amount paid exceeds the company's probable liability for corporation tax,

the company may, by notice given to the inspector on or after the date which, under section 826, is the material date in relation to that tax, make a claim for the repayment to the company of the amount of that excess; and a notice under this subsection shall state the amount which the company considers should be repaid and the grounds referred to in paragraph (b) above.

- (4) If, apart from this subsection, a claim would fall to be made under subsection (3) above at a time when the company concerned has appealed against such an assessment

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as is referred to in paragraph (b) of that subsection but that appeal has not been finally determined, that subsection shall have effect as if, for the words from “make a claim” to “excess”, there were substituted “apply to the Commissioners to whom the appeal stands referred for a determination of the amount which should be repaid to the company pending a determination of the company’s liability for the accounting period in question”; and such an application shall be determined in the same way as the appeal.

- (5) Where on an appeal against an assessment to corporation tax a company makes an application under section 55(3) or (4) of the Management Act (postponement of tax charged but not paid etc.), that application may be combined with an application under subsections (3) and (4) above (relating to tax which was paid prior to the assessment).

Textual Amendments

F12 1990 s.106. *Previously*

“(2) Notwithstanding that, by virtue of subsection (1)(a) above or section 419(1), any corporation tax (or any amount payable as if it were corporation tax) is due without the making of an assessment, no proceedings for collecting that tax (or other amount) shall be instituted—(a) unless it has been assessed; and (b) until the expiry of the period of 30 days beginning on the date on which the notice of assessment is issued; and the reference in this subsection to proceedings for collecting tax or any other amount includes a reference to proceedings by way of distraint or pouncing for that tax or other amount.”.

Modifications etc. (not altering text)

C16 **S. 10:** the day appointed for the purposes of s. 10 is 30.9.1993 by **S.I. 1992/3066, art. 2(2)(b)**.

C17 *Provisions coming into force in respect of accounting periods ending after the day to be appointed in accordance with subs. (1):—Insertion of ss.41A, B, C into 1970(M) by 1990 s.95—corporation tax determinations.*

Amendment of 1970(M) s.42 by 1990 s.97—payment of tax credits.

Amendment of 1988 ss.7 and 11 by 1990 s.98—repayment of income tax deducted at source.

Amendment of 1988 ss.393 and 396 by 1990 s.99—loss relief.

Insertion of s.411A into 1988 by 1990 s.101—group relief by way of substitution for loss relief.

Amendment of 1988 s.412 and addition of Sch.17A by 1990 s.100—group relief.

Insertion of s.145A and Schedule A1 into 1990(C) by 1990 s.102—corporation tax allowances: claims.

Implementation of amendments made in 1990(C) by 1990 s.103 and Sch.17—capital allowances: assimilation to claims by individuals.

Repeals in 1971 Sch.6 para.82, 1972 Sch.24 para.4, 1988 Sch.29 paras.4 and 32, and in 1990(C) by 1990 s.132 and Sch.19 Part V.

Marginal Citations

M16 Source—1970 s.243(4); 1975(No. 2) s.44(2); 1987(No. 2) s.90(1)(b), (4)-(7)

11 Companies not resident in United Kingdom.

- (1) ^{M17}A company not resident in the United Kingdom shall not be within the charge to corporation tax unless it carries on a trade in the United Kingdom through a branch or agency but, if it does so, it shall, subject to any exceptions provided for by the Corporation Tax Acts, be chargeable to corporation tax on all its chargeable profits wherever arising.

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- (2) For purposes of corporation tax the chargeable profits of a company not resident in the United Kingdom but carrying on a trade there through a branch or agency shall be—
 - (a) any trading income arising directly or indirectly through or from the branch or agency, and any income from property or rights used by, or held by or for, the branch or agency (but so that this paragraph shall not include distributions received from companies resident in the United Kingdom); and
 - (b) such chargeable gains accruing on the disposal of assets situated in the United Kingdom as are by section 12 of the 1979 Act made chargeable to capital gains tax in the case of an individual not resident or ordinarily resident in the United Kingdom.
- (3) Subject to section 447, where a company not resident in the United Kingdom receives any payment on which it bears income tax by deduction, and the payment forms part of, or is to be taken into account in computing, the company's income chargeable to corporation tax, the income tax thereon shall be set off against any corporation tax assessable on that income by an assessment made for the accounting period in which the payment falls to be taken into account for corporation tax; and accordingly in respect of that payment the company shall not be entitled to a repayment of income tax before the assessment for that accounting period is finally determined and it appears that a repayment is due.
- (4) ^{M18}Subsection (3) above does not apply to a payment of relevant loan interest to which section 369 applies.

Modifications etc. (not altering text)

C18 See—1970 s.273—*transfer of U.K. branch or agency*; 1989 s.127(6)—*non-residents: deemed disposals*; s.129(6)—*non-residents roll-over relief*; s.131(6)—*exploration or exploitation assets: deemed disposals*; and s.134(1)(b)—*non-payment of tax by non-resident companies*. 1990 s.32—*employee share ownership trusts: roll over relief*.

C19 See—1970(M) s.94(2)—*set off to be disregarded in computing penalty for failure to make a return*. 1990 ss.98 and 132 and Sch.19 Part V for changes in relation to income tax falling to be set off against corporation tax for accounting periods ending after the appointed day (see 1988 s.10).

Marginal Citations

M17 SOURCE-1970 s.246; 1979(C) Sch. 7

M18 SOURCE-1982 s. 26(7)

VALID FROM 10/07/2003

^{F13}11AADetermination of profits attributable to permanent establishment

- (1) This section provides for determining for the purposes of corporation tax the amount of the profits attributable to a permanent establishment in the United Kingdom of a company that is not resident in the United Kingdom (“the non-resident company”).
- (2) There shall be attributed to the permanent establishment the profits it would have made if it were a distinct and separate enterprise, engaged in the same or similar activities under the same or similar conditions, dealing wholly independently with the non-resident company.

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(3) In applying subsection (2)—

- (a) it shall be assumed that the permanent establishment has the same credit rating as the non-resident company, and
- (b) it shall also be assumed that the permanent establishment has such equity and loan capital as it could reasonably be expected to have in the circumstances specified in that subsection.

No deduction may be made in respect of costs in excess of those that would have been incurred on those assumptions.

(4) There shall be allowed as deductions any allowable expenses incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the United Kingdom or elsewhere.

“Allowable expenses” means expenses of a kind in respect of which a deduction would be allowed for corporation tax purposes if incurred by a company resident in the United Kingdom.

(5) The Board may by regulations make provision as to the application of subsection (2) in relation to insurance companies.

The regulations may, in particular, make provision in place of subsection (3)(b) as to the basis on which, in the case of insurance companies, capital is to be attributed to a permanent establishment in the United Kingdom. In this subsection “insurance company” has the meaning given by section 431(2).

(6) Schedule A1 to this Act contains provisions supplementing the provisions of this section.]

Textual Amendments

F13 S. 11AA inserted (with effect in accordance with s. 149(6) of the amending Act) by Finance Act 2003 (c. 14), s. 149(2)

12 Basis of, and periods for, assessment.

- (1) ^{M19} Except as otherwise provided by the Corporation Tax Acts, corporation tax shall be assessed and charged for any accounting period of a company on the full amount of the profits arising in the period (whether or not received in or transmitted to the United Kingdom) without any other deduction than is authorised by those Acts.
- (2) An accounting period of a company shall begin for purposes of corporation tax whenever—
 - (a) the company, not then being within the charge to corporation tax, comes within it, whether by the company becoming resident in the United Kingdom or acquiring a source of income, or otherwise; or
 - (b) an accounting period of the company ends without the company then ceasing to be within the charge to corporation tax.
- (3) An accounting period of a company shall end for purposes of corporation tax on the first occurrence of any of the following—
 - (a) the expiration of 12 months from the beginning of the accounting period;

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- (b) an accounting date of the company or, if there is a period for which the company does not make up accounts, the end of that period;
 - (c) the company beginning or ceasing to trade or to be, in respect of the trade or (if more than one) of all the trades carried on by it, within the charge to corporation tax;
 - (d) the company beginning or ceasing to be resident in the United Kingdom;
 - (e) the company ceasing to be within the charge to corporation tax.
- (4) For the purposes of this section a company resident in the United Kingdom, if not otherwise within the charge to corporation tax, shall be treated as coming within the charge to corporation tax at the time when it commences to carry on business.
- (5) If a company carrying on more than one trade makes up accounts of any of them to different dates, and does not make up general accounts for the whole of the company's activities, subsection (3)(b) above shall apply with reference to the accounting date of such one of the trades as the Board may determine.
- (6) If a chargeable gain or allowable loss accrues to a company at a time not otherwise within an accounting period of the company, an accounting period of the company shall then begin for the purposes of corporation tax, and the gain or loss shall accrue in that accounting period.
- (7) Notwithstanding anything in subsections (1) to (6) above, where a company is wound up, an accounting period shall end and a new one begin with the commencement of the winding up, and thereafter, subject to section 342(6), an accounting period shall not end otherwise than by the expiration of 12 months from its beginning or by the completion of the winding up.

For this purpose a winding up is to be taken to commence on the passing by the company of a resolution for the winding up of the company, or on the presentation of a winding up petition if no such resolution has previously been passed and a winding up order is made on the petition, or on the doing of any other act for a like purpose in the case of a winding up otherwise than under the ^{M20}Insolvency Act 1986.

[^{F14}(7A) Notwithstanding anything in subsections (1) to (7) above, where there is a transfer of the whole or part of the long term business of an insurance company to another company in accordance with a scheme sanctioned by a court under section 49 of the ^{M21}Insurance Companies Act 1982, an accounting period of the company from which the business is transferred shall end with the day of the transfer.]

- (8) Where it appears to the inspector that the beginning or end of any accounting period of a company is uncertain, he may make an assessment on the company for such period, not exceeding 12 months, as appears to him appropriate, and that period shall be treated for all purposes as an accounting period of the company unless either—
- (a) the inspector on further facts coming to his knowledge sees fit to revise it; or
 - (b) on an appeal against the assessment in respect of some other matter the company shows the true accounting periods;

and if on an appeal against an assessment made by virtue of this subsection the company shows the true accounting periods, the assessment appealed against shall, as regards the period to which it relates, have effect as an assessment or assessments for the true accounting periods, and there may be made such other assessments for any such periods or any of them as might have been made at the time when the assessment appealed against was made.

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Textual Amendments

F14 S. 12(7A) inserted by Finance Act 1990 (c. 29), s.48, **Sch.9 para.3** (in relation to transfers of business on or after 1.11.1990)

Modifications etc. (not altering text)

C20 S. 12(7A) modified (with effect in accordance with reg. 1 of the amending S.I.) by **The Friendly Societies (Taxation of Transfers of Business) Regulations 1995 (S.I. 1995/171)**, **reg. 4(2)(b)**

Marginal Citations

M19 SOURCE-1970 s. 247; 1972 s. 107(1)

M20 1986 c. 45.

M21 1982 c. 50.

Small companies' rate

13 Small companies' relief.

- (1) ^{M22}Where in any accounting period the profits of [^{F15}a company which—
- is resident in the United Kingdom, and
 - is not a close investment-holding company (as defined in section 13A) at the end of that period.]

do not exceed the lower relevant maximum amount, the company may claim that the corporation tax charged on its basic profits for that period shall be calculated as if the rate of corporation tax (instead of being the rate fixed for companies generally) were such lower rate (to be known as the “small companies’ rate”) as Parliament may from time to time determine.

- (2) Where in any accounting period the profits of any such company exceed the lower relevant maximum amount but do not exceed the upper relevant maximum amount, the company may claim that the corporation tax charged on its basic profits for that period shall be reduced by a sum equal to such fraction as Parliament may from time to time determine of the following amount—

$$\left(M - P \right) \times \frac{I}{P}$$

where—

M is the upper relevant maximum amount;

P is the amount of the profits; and

I is the amount of the basic profits.

- (3) The lower and upper relevant maximum amounts mentioned above shall be determined as follows—
- where the company has no associated company in the accounting period, those amounts are [^{F16}£250,000] and [^{F16}£1,250,000] respectively;

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- (b) where the company has one or more associated companies in the accounting period, the lower relevant maximum amount is [^{F16}£250,000] divided by one plus the number of those associated companies, and the upper relevant maximum amount is [^{F16}£1,250,000] divided by one plus the number of those associated companies.
- (4) In applying subsection (3) above to any accounting period of a company, an associated company which has not carried on any trade or business at any time in that accounting period (or, if an associated company during part only of that accounting period, at any time in that part of that accounting period) shall be disregarded and for the purposes of this section a company is to be treated as an “associated company” of another at a given time if at that time one of the two has control of the other or both are under the control of the same person or persons.
- In this subsection “control” shall be construed in accordance with section 416.
- (5) In determining how many associated companies a company has got in an accounting period or whether a company has an associated company in an accounting period, an associated company shall be counted even if it was an associated company for part only of the accounting period, and two or more associated companies shall be counted even if they were associated companies for different parts of the accounting period.
- (6) For an accounting period of less than 12 months the relevant maximum amounts determined in accordance with subsection (3) above shall be proportionately reduced.
- (7) For the purposes of this section the profits (but not the basic profits) of a company for an accounting period shall be taken to be the amount of its profits for that period on which corporation tax falls finally to be borne, with the addition of franked investment income other than franked investment income which the company (if a member of a group) receives from companies within the group; and for this purpose distributions received by the company from another are to be treated as coming from within the company’s group if, but only if, dividends so received are group income or would be group income if the companies so elected.
- (8) For the purposes of this section the basic profits of a company for an accounting period shall be taken to be the amount of its profits for that period on which corporation tax falls finally to be borne.
- (9) Any power which the inspector may exercise under [^{F17}paragraphs 2 to 4 of Schedule 12 to the Finance Act 1989] may be exercised by him for the purposes of this section.

Textual Amendments

- F15** 1989 s.105(1) *in relation to accounting periods beginning after 31 March 1989. Previously* “a company resident in the United Kingdom”.
- F16** Words in s. 13(3) substituted by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), s. 25(2)(a)(b)(3) *for financial year 1991 and subsequent years with appropriate apportionment of profits between accounting periods.*
- F17** 1989 s.107 and Sch.12 para.7. *Previously* “paragraph 17 of Schedule 19”.

Modifications etc. (not altering text)

- C21** S. 13 modified (for the financial year 1991 and subsequent financial years) by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), s. 25(3)

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S. 13 modified (for the financial year 1994 and subsequent financial years) by Finance Act 1994 (c. 9), s. 86(3)

C22 For rates and fractions see Table K Vol.1.

C23 S. 13(2) amended (for the financial year 1990) by Finance Act 1991 (c. 31, SIF 63:1), s. 23(2)

C24 S. 13(2) amended (for the financial year 1991) by Finance Act 1991 (c. 31, SIF 63:1), s. 25(1)(b)

S. 13(2) amended (for the financial year 1992) by Finance (No. 2) Act 1992 (c. 48), s. 22(b).

S. 13(2) modified (for the financial year 1993) by Finance Act 1993 (c. 34), s. 54(b)

S. 13(2) modified (for the financial year 1994) by Finance Act 1994 (c. 9), s. 86(1)(b)

S. 13(2) modified (for the financial year 1995) by Finance Act 1995 (c. 4), {s. 38(b)}

S. 13(2) modified (for the financial year 1996) by Finance Act 1996 (c. 8), s. 78(b)

S. 13(2) modified (for the financial year 1997) by Finance Act 1997 (c. 16), s. 59(b)

S. 13(2) modified (for the financial year 1998) by Finance Act 1998 (c. 36), s. 28(2)(b)

S. 13(2) modified (for the financial year 1999) by Finance Act 1998 (c. 36), s. 29(2)(b)

S. 13(2) modified (for the financial year 2000) by Finance Act 2000 (c. 17), s. 36(b)

S. 13(2) modified (for the financial year 2001) by Finance Act 2001 (c. 9), s. 55(b)

S. 13(2) modified (for the financial year 2002) by Finance Act 2002 (c. 23), s. 31(b)

C25 S. 13(7) amended (27.7.1993 with application as mentioned in s. 78(11) of the Amending Act) by 1993 c. 34, s. 78(6)(11)

C26 See 1989 s.88—calculation of profits of life assurance company.

Marginal Citations

M22 SOURCE-1972 s. 95; 1973 Sch. 14 2, 4; 1983 (No. 2) s. 2(2); 1987 (No. 2) s. 74(4)

VALID FROM 11/05/2001

^{F18}13ZA Interpretation of section 13(7)

- (1) In determining for the purposes of section 13(7) whether one body corporate is a 51 per cent subsidiary of another, that other shall be treated as not being the owner of any share capital—
 - (a) which it owns indirectly, and
 - (b) which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt.
- (2) Notwithstanding that at any time a company (“the subsidiary company”) is a 51 per cent subsidiary of another company (“the parent company”) it shall not be treated at that time as such a subsidiary for the purposes of section 13(7) unless, additionally, at that time—
 - (a) the parent company would be beneficially entitled to more than 50 per cent of any profits available for distribution to equity holders of the subsidiary company, and
 - (b) the parent company would be beneficially entitled to more than 50 per cent of any assets of the subsidiary company available for distribution to its equity holders on a winding-up.
- (3) For the purposes of section 13(7) and this section—
 - (a) “trading or holding company” means a trading company or a company the business of which consists wholly or mainly in the holding of shares or securities of trading companies that are its 90 per cent subsidiaries;
 - (b) “trading company” means a company whose business consists wholly or mainly of the carrying on of a trade or trades;

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- (c) a company is owned by a consortium if 75 per cent or more of the ordinary share capital of the company is beneficially owned between them by companies of which none—
- (i) beneficially owns less than 5 per cent of that capital,
 - (ii) would be beneficially entitled to less than 5 per cent of any profits available for distribution to equity holders of the company, or
 - (iii) would be beneficially entitled to less than 5 per cent of any assets of the company available for distribution to its equity holders on a winding up,
- and those companies are called the members of the consortium.
- (4) Schedule 18 (equity holders and assets etc. available for distribution) applies for the purposes of subsections (2) and (3)(c) above as it applies for the purposes of section 413(7).]

Textual Amendments

F18 S. 13ZA inserted (with application in accordance with s. 86(6) of the amending Act) by Finance Act 2001 (c. 9), s. 86(5)

VALID FROM 27/07/1999

[^{F19}13AA] Corporation tax starting rate.

- (1) Where in any accounting period the profits of a qualifying company do not exceed the first relevant amount, the company may, instead of making a claim under section 13(1), claim that the corporation tax charged on its basic profits for that period shall be calculated as if the rate of corporation tax were such rate (to be known as the “corporation tax starting rate”), lower than the small companies’ rate, as Parliament may from time to time determine.
- (2) Where in any accounting period the profits of a qualifying company exceed the first relevant amount but do not exceed the second relevant amount, the company may, instead of making a claim under section 13(1), claim that the corporation tax charged on its basic profits for that period shall be—
- (a) calculated as if the rate of corporation tax were the small companies’ rate; and
 - (b) then reduced by the sum specified in subsection (3) below.
- (3) That sum is the sum equal to such fraction as Parliament may from time to time determine of the following amount—

$$\left(R2 - P \right) \times \frac{I}{P}$$

where—

R2 is the second relevant amount;
P is the amount of the profits; and

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I is the amount of the basic profits.

- (4) The first and second relevant amounts mentioned above shall be determined as follows—
- (a) where the company has no associated company in the accounting period, those amounts are £10,000 and £50,000 respectively;
 - (b) where the company has one or more associated companies in the accounting period—
 - (i) the first relevant amount is £10,000 divided by one plus the number of those associated companies, and
 - (ii) the second relevant amount is £50,000 divided by one plus the number of those associated companies.
- (5) Subsections (4) and (5) of section 13 shall apply for the purposes of subsection (4) above as they apply for the purposes of subsection (3) of that section.
- (6) For an accounting period of less than 12 months the relevant amounts determined in accordance with subsection (4) above shall be proportionately reduced.
- (7) The profits and the basic profits of a company for an accounting period shall be determined for the purposes of this section as they are for the purposes of section 13.
- (8) In this section “qualifying company”, in relation to an accounting period, means a company which—
- (a) is resident in the United Kingdom;
 - (b) is not a close investment-holding company (as defined in section 13A) at the end of that period; and
 - (c) is not an investment trust which for that period has any eligible rental income (within the meaning of section 508A).]

Textual Amendments

F19 S. 13AA inserted (with effect in accordance with s. 28(6)(7) of the amending Act) by Finance Act 1999 (c. 16), s. 28(1)

Modifications etc. (not altering text)

C27 S. 13AA modified (27.7.1999) by Finance Act 1999 (c. 16), s. 28(7)(a)

C28 S. 13AA(3) modified (27.7.1999) by Finance Act 1999 (c. 16), s. 29(b)

S. 13AA(3) modified (11.5.2001) by Finance Act 2001 (c. 9), s. 56(b)

S. 13AA(3) modified (24.7.2002) by Finance Act 2002 (c. 23), s. 32(b)

VALID FROM 22/07/2004

^{F20}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.

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- (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.]

Textual Amendments

F20 S. 13AB inserted (with effect in accordance with s. 28(4)(5) of the amending Act) by Finance Act 2004 (c. 12), s. 28(1)(6)

Modifications etc. (not altering text)

C29 S. 13AB applied (with modifications) (22.7.2004) by Finance Act 2004 (c. 12), s. 28(4)(5)

[^{F21}13A Close investment-holding companies.

- (1) A close company is for the purposes of section 13(1) a “close investment-holding company” unless it complies with subsection (2) below.
- (2) A company (“the relevant company”) complies with this subsection in any accounting period if throughout that period it exists wholly or mainly for any one or more of the following purposes—
 - (a) the purpose of carrying on a trade or trades on a commercial basis,
 - (b) the purpose of making investments in land or estates or interests in land in cases where the land is, or is intended to be, let to persons other than—
 - (i) any person connected with the relevant company, or
 - (ii) any person who is the wife or husband of an individual connected with the relevant company, or is a relative, or the wife or husband of a relative, of such an individual or of the husband or wife of such an individual,
 - (c) the purpose of holding shares in and securities of, or making loans to, one or more companies each of which is a qualifying company or a company which—
 - (i) is under the control of the relevant company or of a company which has control of the relevant company, and
 - (ii) itself exists wholly or mainly for the purpose of holding shares in or securities of, or making loans to, one or more qualifying companies,

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- (d) the purpose of co-ordinating the administration of two or more qualifying companies,
 - (e) the purpose of a trade or trades carried on on a commercial basis by one or more qualifying companies or by a company which has control of the relevant company, and
 - (f) the purpose of the making, by one or more qualifying companies or by a company which has control of the relevant company, of investments as mentioned in paragraph (b) above.
- (3) For the purposes of subsection (2) above, a company is a “qualifying company”, in relation to the relevant company, if it—
- (a) is under the control of the relevant company or of a company which has control of the relevant company, and
 - (b) exists wholly or mainly for either or both of the purposes mentioned in subsection (2)(a) or (b) above.
- (4) Where a company is wound up, it shall not be treated as failing to comply with subsection (2) above in the accounting period that (by virtue of subsection (7) of section 12) begins with the time which is for the purposes of that subsection the commencement of the winding up, if it complied with subsection (2) above in the accounting period that ends with that time.
- (5) In this section—
- “control” shall be construed in accordance with section 416, and
 - “relative” has the meaning given by section 839(8).
- (6) Section 839 shall apply for the purposes of this section.]

Textual Amendments

F21 S. 13A inserted (in relation to accounting periods beginning after 31 March 1989) by [Finance Act 1989 \(c. 26\), s. 105\(2\)\(3\)](#)

Advance corporation tax

14 Advance corporation tax and qualifying distributions.

- (1) ^{M23}Subject to section 247, where a company resident in the United Kingdom makes a qualifying distribution it shall be liable to pay an amount of corporation tax (“advance corporation tax”) in accordance with subsection (3) below.
- (2) ^{M24}In this Act “qualifying distribution” means any distribution other than—
- (a) a distribution which, in relation to the company making it, is a distribution by virtue only of section 209(2)(c); or
 - (b) a distribution consisting of any share capital or security which the company making the distribution has directly or indirectly received from the company by which the share capital or security was issued and which, in relation to the latter company, is a distribution by virtue only of section 209(2)(c).
- (3) ^{M25}Subject to section 241, for the financial year 1988 and any subsequent financial year advance corporation tax shall be payable on an amount equal to the amount or

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value of the distribution, and shall be so payable at a rate which shall be fixed by the fraction—

$$\frac{I}{100 - I}$$

where I is the percentage at which income tax at the basic rate is charged for the year of assessment which begins on 6th April in that financial year.

- (4) ^{M26}The provisions of this Act as to the charge, calculation and payment of corporation tax (including provisions conferring any exemption) shall not be construed as affecting the charge, calculation or payment of advance corporation tax, and the Corporation Tax Acts shall apply for the purposes of advance corporation tax whether or not they are for the time being applicable for the purposes of corporation tax other than advance corporation tax.
- (5) Part VI contains further provisions relating to advance corporation tax and company distributions.

Modifications etc. (not altering text)

C30 For rates see Table J Vol.1.

C31 See 1980 s.117 and Sch.18—demergers.

Marginal Citations

M23 SOURCE-1972 s. 84(1)

M24 SOURCE-1972 s. 84(4)

M25 SOURCE-1972 s. 84(2); 1986 s. 17(1), (5)

M26 SOURCE-1972 s. 111(2)

The six Schedules

15 Schedule A.

- (1) ^{M27}The Schedule referred to as Schedule A is as follows:—

SCHEDULE A

- (1) Tax under this Schedule shall be charged on the annual profits or gains arising in respect of any such rents or receipts as follows, that is to say—
- (a) rents under leases of land in the United Kingdom;
 - (b) rentcharges, ground annuals and feu duties, and any other annual payments reserved in respect of, or charged on or issuing out of, such land;
 - (c) other receipts arising to a person from or by virtue of his ownership of an estate or interest in or right over such land or any incorporeal hereditament or incorporeal heritable subject in the United Kingdom.
- (2) Tax under this Schedule shall be charged by reference to the rents or receipts to which a person becomes entitled in the chargeable period.

Exceptions

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- (3) Paragraph 1 above does not apply—
- (a) to any yearly interest, or
 - [^{F22}(aa) to any profits or gains arising from a person's occupation of any woodlands which are managed on a commercial basis and with a view to the realisation of profits, or]
 - (b) to any profits or gains charged to tax under Schedule D by virtue of section 55, or
 - (c) to any payment so charged by virtue of section 119 or 120;
- and has effect subject also to the provisions of section 98 with respect to tied premises.
- (4) Where rent is payable under a lease under which the tenant is entitled to the use of furniture and tax in respect of the payment for its use is chargeable under Case VI of Schedule D, tax in respect of the rent shall be charged under that Case instead of under this Schedule unless the landlord elects that this paragraph shall not apply.
- (2) An election that paragraph 4 of Schedule A shall not apply shall be made by notice to the inspector given within two years after the end of the chargeable period; and where such notice is given, any adjustment of the liability to tax of the person giving it which is required in consequence thereof may be made by an assessment or by repayment or otherwise as the case may require.
- (3) *Profits or gains arising in any chargeable period from payments for any easement over or right to use any land made to the person who occupies the land shall not be excluded from the charge to tax under Schedule A by reason only that he is chargeable with respect to the land under Schedule B, but shall be treated for the purposes of Schedule A as limited to the amount (if any) by which they exceed the assessable value for the purposes of Schedule B of his occupation of the land in that period^{F23}.*
- (4) Part II contains further provisions relating to the charge to tax under Schedule A.

Textual Amendments

F22 1988(F) Sch.6 para.6(6)—into force on 6 April 1988.

F23 Repealed by 1988(F) s.148 and Sch.14 Part V from 6 April 1988.

Modifications etc. (not altering text)

C32 See—1970(M) s.19—information for purposes of Sch.A and associated Sch.D charges. 1990(C) s.9(5)—manner of making allowances and charges. 1990(C) s.67(3)—allowances in respect of leased assets employed for thermal insulation. 1990(C) s.92—allowances in respect of dwelling houses let on assured tenancies.

Marginal Citations

M27 SOURCE-1970(1)–(3)

^{F24}16 Schedule B.

.....

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Textual Amendments

F24 S. 16 repealed (with effect from 6.4.1988) by [Finance Act 1988 \(c. 39\)](#) s.148, Sch.14 Pt. V

17 Schedule C.

(1)^{M28}The Schedule referred to as Schedule C is as follows:—

SCHEDULE C

(1) Tax under this Schedule shall be charged in respect of all profits arising from public revenue dividends payable in the United Kingdom in any chargeable period.

(2) Tax under this Schedule shall also be charged in respect of profits arising from public revenue dividends payable in the Republic of Ireland in any chargeable period, being dividends on securities of the United Kingdom government entered in the register of the Bank of Ireland in Dublin.

[^{F25}(3) Where a banker or any other person in the United Kingdom obtains payment of any overseas public revenue dividends by means of coupons received from any other person or otherwise on his behalf and either—

(a) the payment of those dividends was not entrusted to any person in the United Kingdom, or

(b) the securities in respect of which those dividends are paid are held in a recognised clearing system,

tax under this Schedule shall be charged in respect of those dividends.]

(4) Where—

(a) any banker in the United Kingdom sells or otherwise realises coupons for any overseas public revenue dividends and pays over the proceeds to any person or carries them to his account, or

(b) any dealer in coupons in the United Kingdom purchases any such coupons otherwise than from a banker or another dealer in coupons,

tax under this Schedule shall be charged in respect of the proceeds of the sale or other realisation.

(5) Notwithstanding anything in paragraphs 1 to 4 above but subject to paragraph 6 below, where any half-yearly payment in respect of any dividend entrusted to the Bank of England or the Bank of Ireland for payment and distribution or which is payable by the National Debt Commissioners or of which they have the distribution does not exceed £2.50, it shall not be charged under this Schedule, but shall be assessed and charged under Case III of Schedule D.

(6) Paragraph 5 above does not apply to any payment obtained by means of a coupon in respect of a bond to bearer or stock certificate.

(2) Part III contains further provisions relating to the charge to tax under Schedule C and to government securities; and section 45 shall apply for the interpretation of Schedule C.

Textual Amendments

F25 1988(F) s.76(1) *in respect of payments obtained on or after 29 July 1988. Previously*

“3. Where a banker or any other person in the United Kingdom obtains payment of any overseas public revenue dividends by means of coupons received from any other person or otherwise on his behalf, tax under this Schedule shall be charged in respect of the dividends”.

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Modifications etc. (not altering text)

- C33** Ss. 15-17: Schs. A-C excluded (with effect in accordance with s. 230(3) of the excluding Act) by Finance Act 1994 (c. 9), s. 219(2)(b)(4) (with s. 220)
- C34** S. 17(1) applied (1.10.1993) by S.I. 1993/2004, regs. 12(2)(a), 13(2)(a)
- C35** See also Part XVIII—double taxation relief.

Marginal Citations

- M28** SOURCE-1970 s. 93

18 Schedule D.

- (1) ^{M29}The Schedule referred to as Schedule D is as follows:—

SCHEDULE D

Tax under this Schedule shall be charged in respect of—

- (a) the annual profits or gains arising or accruing—
- (i) to any person residing in the United Kingdom from any kind of property whatever, whether situated in the United Kingdom or elsewhere, and
 - (ii) to any person residing in the United Kingdom from any trade, profession or vocation, whether carried on in the United Kingdom or elsewhere, and
 - (iii) to any person, whether a Commonwealth citizen or not, although not resident in the United Kingdom from any property whatever in the United Kingdom or from any trade, profession or vocation exercised within the United Kingdom, and
- (b) all interest of money, annuities and other annual profits or gains not charged under Schedule A,^{B F26} C or E, and not specially exempted from tax.
- (2) ^{M30}Tax under Schedule D shall be charged under the Cases set out in subsection (3) below, and subject to and in accordance with the provisions of the Tax Acts applicable to those Cases respectively.
- (3) The Cases are—

Case I:	tax in respect of any trade carried on in the United Kingdom or elsewhere;
Case II:	tax in respect of any profession or vocation not contained in any other Schedule;
Case III:	tax in respect of— (a) any interest of money, whether yearly or otherwise, or any annuity or other annual payment, whether such payment is payable within or out of the United Kingdom, either as a charge on any property of the person paying the same by virtue of any deed or will or otherwise, or as a reservation out of

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- it, or as a personal debt or obligation by virtue of any contract, or whether the same is received and payable half-yearly or at any shorter or more distant periods, but not including any payment chargeable under Schedule A, and
- (b) all discounts, and
- (c) income, except income charged under Schedule C, from securities bearing interest payable out of the public revenue;
- Case IV: tax in respect of income arising from securities out of the United Kingdom except such income as is charged under Schedule C;
- Case V: tax in respect of income arising from possessions out of the United Kingdom not being income consisting of emoluments of any office or employment;
- Case VI: tax in respect of any annual profits or gains not falling under any other Case of Schedule D and not charged by virtue of Schedule A,^B
^{F27}
, C or E.

(4) ^{M31}The provisions of Schedule D and of subsection (2) above are without prejudice to any other provision of the Tax Acts directing tax to be charged under Schedule D or under one or other of the Cases set out in subsection (3) above, and tax directed to be so charged shall be charged accordingly.

(5) Part IV contains further provisions relating to the charge to tax under Schedule D.

Textual Amendments

F26 Repealed by 1988(F) s. 148 and Sch. 14 Part V from 6 April 1988.

F27 Repealed by 1988(F) s.148 and Sch.14 Part V from 6 April 1988.

Modifications etc. (not altering text)

C36 See, as regards exemption, the following provisions of this Act:—s.320—Commonwealth Agents—General and official agents etc.s.322—certain consular officers and employees.s.323—visiting forces and staffs of allied headquarters.s.325—certain savings bank interest.s.326—sums payable under certified contractual saving schemes.s.327—interest on damages for personal injuries.s.328—funds in court.s.330—German annuities in compensation for National Socialist persecution.s.438—annuity funds of insurance companies doing pension business.s.459 to 461—certain friendly societies.s.467—certain trade unions.s.476—certain dividends and interest payable by building societies (Repealed by 1990 s.30 and Sch.5 para.2 for 1991-92 and subsequent years.)s.484—savings banks.s.505 and 506—charities.s.507—British Museum.s.508—scientific research associations.s.510—agricultural societies.s.514—funds for reducing National

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*Debt.s.517—issue departments of Reserve Bank of India and State Bank of Pakistan.s.519—local authorities.s.578—housing grants.s.581—interest on certain local authority borrowing in foreign currency.s.613(4)—Parliamentary pension funds.s.614—national insurance supplementary schemes etc; and certain Indian family pension funds.s.614(3)—certain pension funds for Crown service abroad.s.614and 615—certain pension funds for overseas employees.s.620(5)and (6)—approved retirement annuity trust schemes.s.656and 657—certain purchased life annuities.s.688—certain interest received by trustees of schemes for directors and employees to acquire shares.
See also—1989 s.43for periods of account ending after 5April 1989involving emoluments.Income Tax (Repayment of Post-War Credits) Act 1959 s.2(4) (see Part II Vol.5)—interest on post-war credits.Diplomatic Privileges Act 1964 (c.81).Commonwealth Secretariat Act 1966 (c.10), s.1(2)and Sch. Part I para.3—the Commonwealth Secretariat.International Organisations Act 1968 (c.48)—certain international organisations and persons connected therewith.Double taxation agreements (listed in Part III Vol.5)in force under ss.788-799of this Act as to certain persons resident abroad.*

- C37** See 1970(M) Part VIII as to charges on non-residents.
- C38** See—1988 s.79A(4)—charge on contributor to training and enterprise councils and local enterprise companies who receives benefits in return.S.I. 1987 No.530 (in Part III Vol.5) regn.8—computation of profits and gains in respect of payments attributable to non-resident entertainers and sportsmen.
- C39** See—1989 s.94and Sch.11 para.5—deep gain securities transferred on or after 14March 1989.S.I. 1986 No. 1948 (in Part III Vol.5) regn.8(2)(d)—interest on cash deposits which are plan investments under personal equity plans.1990 s.56and Sch.10 para.12(4)—treatment of chargeable events in relation to convertible securities.Housing Act 1957 (c.56) Sch.8 para.4andHousing (Scotland) Act 1966 (c.49) Sch.7 para.4—interest on certain small holdings of housing bonds.Housing Subsidies Act 1967 (c.29) s.24(2)(c) (reproduced in Part II Vol.5)—payment received by lender from Minister in respect of subsidised loan.
- C40** See—1989 s.94and Sch.11 para.5—deep gain securities transferred on or after 14March 1989.1990 s.56and Sch.10 paras.12(4)and 20—treatment of chargeable events in relation to income received in the U.K. from convertible securities.
- C41** See also—1990 ss.9(5)and 15—certain balancing charges on lessors and others in respect of industrial buildings, machinery, etc.1970(M) s.30—recovery of overpayment of tax, etc.1988 s.79A(4)—charge on contributor to training and enterprise councils and local enterprise companies who receives benefit in return.1989 ss.68, 71—charge on certain profits or gains of employee share ownership trusts.1990(C) s.92(2)—balancing charge in respect of dwelling houses let on assured tenancies.S.I. 1956 No.1230 (in Part III Vol. 5) regns. 4and 15—additional liabilities in respect of purchased life annuities in certain contingencies.S.I. 1989 No.469 (in Part III Vol. 5) regn.22(3)—assessments to recover tax in respect of income under personal equity plans.
- C42** S. 18: Sch. D Case I extended (with effect for the year 1992-93 and subsequent years of assessment) by Finance Act 1993 (c. 34), s. 171(2)(a)(4), 184(3)
S. 18: Sch. D Case I restricted (with effect for the year 1992-93 and subsequent years of assessment) by Finance Act 1993 (c. 34), ss. 171(2)(b)(4), 184(3)
S. 18: Sch. D Case I extended (with application in accordance with s. 219(4) of the extending Act) by Finance Act 1994 (c. 9), s. 219(2)(a) (with s. 220)
S. 18: Sch. D Case I modified (29.7.1996) by Broadcasting Act 1996 (c. 55), ss. 135, 149(1)(f), Sch. 7 para. 19 (with s. 43(6))
S. 18: Sch. D Cases I, II, VI extended (31.7.1998) by Finance Act 1998 (c. 36), s. 47(4)
S. 18: Sch. D Cases I, II restricted (with application in accordance with s. 42(3) of the restricting Act) by Finance Act 1998 (c. 36), s. 42(1)(2) (with s. 42(4)(5))
S. 18: Sch. D Cases I, III, V modified (with effect in accordance with s. 117(4)(5) of the modifying Act) by Finance Act 1998 (c. 36), s. 117(1), Sch. 18 para. 84 (with Sch. 18 para. 59(2))
S. 18: Sch. D Cases I, VI restricted (with application in accordance with s. 46(7) of the restricting Act) by Finance Act 2000 (c. 17), s. 46(1)-(6)
- C43** S. 18: Sch. D Cases II-VI excluded (with effect in accordance with s. 230(3) of the excluding Act) by Finance Act 1994 (c. 9), s. 219(2)(b)(4) (with s. 220)

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- C44** S. 18: Sch. D Case VI extended (16.7.1992 with effect in relation to chargeable periods ending after 10.3.1992) by Finance (No. 2) Act 1992 (c. 48), s. 66, Sch. 12 paras. 1, 3(1), 7.
- S. 18: Sch. D Case VI extended (27.7.1993 with effect as mentioned in s. 165 of the amending Act) by Finance Act 1993 (c. 34), ss. 130(2)(4), 165
- S. 18: Sch. D Case VI restricted (27.7.1993) by Agriculture Act 1993 (c. 37), s. 12, Sch. 2 paras. 19(2), 20(2)
- S. 18: Sch. D Case VI extended (with application in accordance with Sch. 20 para. 11(1)(2) of the extending Act) by Finance Act 1994 (c. 9), s. 218, Sch. 20 para. 11(3) (with Sch. 20 para. 12(2))
- S. 18: Sch. D Case VI extended (with effect in accordance with s. 117(4)(5) of the extending Act) by Finance Act 1998 (c. 36), s. 117(1), Sch. 18 para. 52(4) (with Sch. 18 para. 59(2))
- S. 18: Sch. D Case VI extended (with effect in accordance with s. 579 of the extending Act) by Capital Allowances Act 2001 (c. 2), ss. 256(2)(b)(4) (with Sch. 3 paras. 54, 55)

Marginal Citations

- M29** SOURCE-1970 s. 108(1)
- M30** SOURCE-1970 s. 109(1), (2)
- M31** SOURCE-1970 ss. 108(3), 109(3)

19 Schedule E.

- (1)^{M32}The Schedule referred to as Schedule E is as follows:—

SCHEDULE E

- (1) Tax under this Schedule shall be charged in respect of any office or employment on emoluments therefrom which fall under one or more than one of the following Cases—

^{F28} Case I:	any emoluments for any year of assessment in which the person holding the office or employment is resident and ordinarily resident in the United Kingdom, subject however to section 192 if the emoluments are foreign emoluments (within the meaning of that section) and to section 193(1) if in the year of assessment concerned he performs the duties of the office or employment wholly or partly outside the United Kingdom;
Case II:	any emoluments, in respect of duties performed in the United Kingdom, for any year of assessment in which the person holding the office or employment is not resident (or, if resident, not ordinarily resident) in the United Kingdom, subject however to section 192 if the emoluments are foreign emoluments (within the meaning of that section);
Case III:	any emoluments for any year of assessment in which the person holding the office or employment is resident in the United Kingdom (whether or not

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ordinarily resident there) so far as the emoluments are received in the United Kingdom;]

and tax shall not be chargeable in respect of emoluments of an office or employment under any other paragraph of this Schedule.

- (2) Tax under this Schedule shall be charged in respect of every annuity, pension or stipend payable by the Crown or out of the public revenue of the United Kingdom or of Northern Ireland, other than annuities charged under Schedule C.
- (3) Tax under this Schedule shall also be charged in respect of any pension which is paid otherwise than by or on behalf of a person outside the United Kingdom.
- (4) Where—
 - (a) any pension or annuity is payable in the United Kingdom by or through any public department, officer or agent of a government of a territory to which this paragraph applies (but otherwise than out of the public revenue of the United Kingdom or of Northern Ireland) to a person who has been employed in relevant service outside the United Kingdom in respect of that service, or
 - (b) any pension or annuity is so payable to the widow, child, relative or dependant of any such person as is mentioned above,
 and the person in receipt of the pension or annuity is chargeable to tax as a person resident in the United Kingdom, the pension or annuity shall be chargeable to tax under this Schedule.

The territories to which this paragraph applies are—

- (i) any country forming part of Her Majesty's dominions,
- (ii) any other country for the time being mentioned in Schedule 3 to the ^{M33}British Nationality Act 1981, and
- (iii) any territory under Her Majesty's protection;

and in this paragraph "relevant service" means the service of the Crown or service under the government of a territory to which this paragraph applies.

^{F29}(4A) Where (apart from this paragraph) emoluments from an office or employment would be for a year of assessment in which a person does not hold the office or employment, the following rules shall apply for the purposes of the Cases set out in paragraph 1 above—

- (a) if in the year concerned the office or employment has never been held, the emoluments shall be treated as emoluments for the first year of assessment in which the office or employment is held;
- (b) if in the year concerned the office or employment is no longer held, the emoluments shall be treated as emoluments for the last year of assessment in which the office or employment was held.]

(5) The preceding provisions of this Schedule are without prejudice to any other provision of the Tax Acts directing tax to be charged under this Schedule and tax so directed to be charged shall be charged accordingly.

- (2) References in the Tax Acts to Cases I, II and III of Schedule E shall be taken as referring to the Cases under which tax is chargeable under paragraph 1 of that Schedule.
- (3) Part V contains further provisions relating to the charge to tax under Schedule E.

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Textual Amendments

- F28** 1989 s.36(2) for 1989-90 or subsequent years of assessment. Previously
“Case I: where the person holding the office or employment is resident and ordinarily resident in the United Kingdom, any emoluments for the chargeable period, subject however to section 192 if the emoluments are foreign emoluments (within the meaning of that section) and to section 193(1) if in the chargeable period he performs the duties of the office or employment wholly or partly outside the United Kingdom and subject also to section 170; Case II: where that person is not resident or, if resident, then not ordinarily resident in the United Kingdom, any emoluments for the chargeable period in respect of duties performed in the United Kingdom, subject however to section 192 if the emoluments are foreign emoluments (within the meaning of that section) and subject also to section 170; Case III: where that person is resident in the United Kingdom (whether or not ordinarily resident there), any emoluments received in the United Kingdom in the chargeable period being emoluments either for that period or for an earlier period in which he has been resident there and any emoluments for that period received in the United Kingdom in an earlier period;”
- F29** 1989 s.36(3) where each of the years mentioned in (a) or (b) as the case may be is 1989-90 or a subsequent year of assessment.

Modifications etc. (not altering text)

- C45** S. 19: Sch. E extended (for the year 1995-96 and subsequent years of assessment) by [Finance Act 1994 \(c. 9\), s. 139\(1\)](#) (with [s. 139\(2\)](#))
S. 19: Sch. E excluded (with effect in accordance with s. 230(3) of the excluding Act) by [Finance Act 1994 \(c. 9\), s. 219\(2\)\(b\)\(4\)](#) (with [s. 220](#))
S. 19: Sch. E extended (with effect in accordance with Sch. 12 para. 22 of the extending Act) by [Finance Act 2000 \(c. 17\), s. 60, Sch. 12 para. 2](#) (with [Sch. 12 para. 24](#))
- C46** For exemptions see Index Vol.5.

Marginal Citations

- M32** SOURCE-1970 s. 181; 1974 s. 21(1); 1977 s. 31(3)(a)
M33 1981 c. 61.

20 Schedule F.

- (1) ^{M34}The Schedule referred to as Schedule F is as follows:—

SCHEDULE F

- (1) Subject to section 95(1)(a), income tax under this Schedule shall be chargeable for any year of assessment in respect of all dividends and other distributions in that year of a company resident in the United Kingdom which are not specially excluded from income tax, and for the purposes of income tax all such distributions shall be regarded as income however they fall to be dealt with in the hands of the recipient.
- (2) For the purposes of this Schedule and all other purposes of the Tax Acts any such distribution in respect of which a person is entitled to a tax credit shall be treated as representing income equal to the aggregate of the amount or value of that distribution and the amount of that credit, and income tax under this Schedule shall accordingly be charged on that aggregate.
- [^{F30}(2) ^{M35}Except as provided for by section 450 (underwriters)] no distribution which is chargeable under Schedule F shall be chargeable under any other provision of the Income Tax Acts.

Status: Point in time view as at 25/09/1991. This version of this part contains provisions that are not valid for this point in time.

Changes to legislation: Income and Corporation Taxes Act 1988, PART I is up to date with all changes known to be in force on or before 10 June 2024. 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)

(3) Part VI contains further provisions relating to company distributions and tax credits.

Textual Amendments

F30 1988(F) s.61(1)(a) for 1988-89 and subsequent years; and see s.61(3) for amendment of 1972 s.87(3) for 1986-87 and 1987-88.

Marginal Citations

M34 SOURCE-1970 s. 232(1); 1972 s. 87(2)

M35 SOURCE-1972 s. 87(3)

Status:

Point in time view as at 25/09/1991. This version of this part contains provisions that are not valid for this point in time.

Changes to legislation:

Income and Corporation Taxes Act 1988, PART I is up to date with all changes known to be in force on or before 10 June 2024. 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.