



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART VI

COMPANY DISTRIBUTIONS, TAX CREDITS ETC

CHAPTER IV

TAX CREDITS

231 Tax credits for certain recipients of qualifying distributions.

^{F1}

Textual Amendments

F1 S. 231 repealed (1.4.2010 with effect in accordance with s. 1184(1) of the repealing Act) by Corporation Tax Act 2010 (c. 4), Sch. 1 para. 16, Sch. 3 Pt. 1 (with Sch. 2)

[^{F2}231A Restrictions on the use of tax credits by pension funds.

^{F3}

Textual Amendments

F2 S. 231A inserted (with effect in accordance with s. 19(3) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 19(2)

F3 S. 231A repealed (with effect in accordance with s. 30(11), Sch. 8 Pt. 2(9) Note 3 of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), s. 30(8), Sch. 8 Pt. 2(9)

Status: Point in time view as at 01/04/2010.

Changes to legislation: Income and Corporation Taxes Act 1988, CHAPTER IV is up to date with all changes known to be in force on or before 02 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)

[^{F4}231AA No tax credit for borrower under stock lending arrangement or interim holder under repurchase agreement.

^{F5}

Textual Amendments

- F4** S. 231AA inserted (with effect in accordance with s. 102(9) of the amending Act) by [Finance Act 1998 \(c. 36\), s. 102\(1\)](#)
- F5** S. 231AA repealed (1.4.2010 with effect in accordance with s. 1184(1) of the repealing Act) by [Corporation Tax Act 2010 \(c. 4\), Sch. 1 para. 17, Sch. 3 Pt. 1 \(with Sch. 2\)](#)

[^{F6}231AB No tax credit for original owner under repurchase agreement in respect of certain manufactured dividends.

^{F7}

Textual Amendments

- F6** S. 231AB inserted (with effect in accordance with s. 102(10) of the amending Act) by [Finance Act 1998 \(c. 36\), s. 102\(2\)](#)
- F7** S. 231AB repealed (1.4.2010 with effect in accordance with s. 1184(1) of the repealing Act) by [Corporation Tax Act 2010 \(c. 4\), Sch. 1 para. 18, Sch. 3 Pt. 1 \(with Sch. 2\)](#)

[^{F8}231B Consequences of certain arrangements to pass on the value of a tax credit.

- (1) This section applies in any case where—
- (a) a person (“A”) is entitled to a tax credit in respect of a qualifying distribution;
 - (b) arrangements subsist such that another person (“B”) obtains, whether directly or indirectly, a payment representing any of the value of the tax credit;
 - (c) the arrangements (whether or not made directly between A and B) were entered into for an unallowable purpose; and
 - (d) the condition in subsection (2) below is satisfied.
- (2) The condition is that if B had been the person entitled to the tax credit and the qualifying distribution to which it relates, and had received the distribution when it was made, then—
- (a) B would not have been entitled to obtain any payment under section 231(2) or (3) in respect of the tax credit; and
 - (b) if B is a company, B could not have used the income consisting of the distribution to frank a distribution actually made in the accounting period in which it would have received the distribution to which the tax credit relates.
- (3) This section does not apply if and to the extent that any other provision of the Tax Acts has the effect of cancelling or reducing the tax advantage which would otherwise be obtained by virtue of the arrangements.
- (4) Where this section applies—
- (a) no claim shall be made under section 231(2) for payment of the amount of the tax credit;

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- (b) no claim shall be made under [F⁹section 397(2) of ITTOIA 2005]F¹⁰. . . in respect of the tax credit;
 - (c) the income consisting of the distribution in respect of which A is entitled to the tax credit shall not be regarded for the purposes of section 241 as franked investment income; and
 - (d) no claim shall be made under section 35 of the Finance (No. 2) Act 1997 (transitional relief) for payment of an amount determined by reference to that distribution.
- (5) For the purposes of this section, the question whether any arrangements were entered into for an “unallowable purpose” shall be determined in accordance with subsections (6) and (7) below.
- (6) Arrangements are entered into for an unallowable purpose if the purposes for which at least one person is a party to the arrangements include a purpose which is not amongst the business or other commercial purposes of that person.
- (7) Where one of the purposes for which a person enters into any arrangements is the purpose of securing that that person or another obtains a tax advantage, that purpose shall be regarded as a business or other commercial purpose of the person only if it is neither the main purpose, nor one of the main purposes, for which the person enters into the arrangements.
- (8) Any reference in this section to a person obtaining a tax advantage includes a reference to a person obtaining a payment representing any of the value of a tax credit in circumstances where, had the person obtaining the payment been entitled to the tax credit and the qualifying distribution to which it relates, that person—
- (a) would not have been entitled to obtain any payment under section 231(2) or (3) in respect of the tax credit; and
 - (b) if that person is a company, could not have used the income consisting of the distribution to frank a distribution actually made in the accounting period in which it would have received the distribution to which the tax credit relates.
- (9) If an amount representing any of the value of a tax credit to which a person is entitled is applied at the direction of, or otherwise in favour of, some other person (whether by way of set off or otherwise), the case shall be treated for the purposes of this section as one where that other person obtains a payment representing any of the value of the tax credit.
- (10) In determining for the purposes of subsections (2)(b) and (8)(b) b above whether a company could have used the income consisting of the distribution in question to frank a distribution of the company, the company shall be taken to use its actual franked investment income to frank distributions before using the income consisting of the distribution in question.
- (11) References in this section to using franked investment income to frank a distribution of a company have the same meaning as in Chapter V of Part VI.
- (12) In this section—
- “arrangements” means arrangements of any kind, whether in writing or not (and includes a series of arrangements, whether or not between the same parties);
 - “business or other commercial purposes” includes the efficient management of investments;

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“franked investment income” has the same meaning as in Chapter V of Part VI and references to income consisting of a distribution shall be construed accordingly;

[^{F11}“tax advantage” has the meaning given by [^{F12}section 1139 of CTA 2010]]]

Textual Amendments

- F8** S. 231B inserted (with effect in accordance with s. 28(2) of the amending Act) by [Finance \(No. 2\) Act 1997 \(c. 58\)](#), **s. 28(1)**
- F9** Words in s. 231B(4)(b) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 116** (with Sch. 2)
- F10** Words in s. 231B(4)(b) repealed (with effect in accordance with Sch. 4 para. 26(2), Sch. 8 Pt. 2(10) Note of the repealing Act) by [Finance \(No. 2\) Act 1997 \(c. 58\)](#), **Sch. 4 para 26(1)**, **Sch. 8 Pt. 2(10)**
- F11** S. 231B(12): definition of "tax advantage" substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), **Sch. 1 para. 26**
- F12** S. 231B(12): words in definition of "tax advantage" substituted (1.4.2010 with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **Sch. 1 para. 19** (with Sch. 2)

232 Tax credits for non-U.K. residents.

^{F13}

Textual Amendments

- F13** S. 232 repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 117**, **Sch. 3** (with Sch. 2)

233 Taxation of certain recipients of distributions and in respect of non-qualifying distributions.

^{F14}

Textual Amendments

- F14** S. 233 repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 118**, **Sch. 3** (with Sch. 2)

234 Information relating to distributions.

^{F15}

Textual Amendments

- F15** S. 234 repealed (1.4.2010 with effect in accordance with s. 1184(1) of the repealing Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **Sch. 1 para. 20**, **Sch. 3 Pt. 1** (with Sch. 2)

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[^{F16}**234A Information relating to distributions: further provisions.**

^{F17}

Textual Amendments

- F16** S. 234A inserted (with application in relation to distributions begun after 16.7.1992) by Finance (No. 2) Act 1992 (c. 48), s. 32(1)(4).
- F17** S. 234A repealed (1.4.2010 with effect in accordance with s. 1184(1) of the repealing Act) by Corporation Tax Act 2010 (c. 4), Sch. 1 para. 21, Sch. 3 Pt. 1 (with Sch. 2)

^{F18}**235 Distributions of exempt funds etc.**

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Textual Amendments

- F18** Ss. 235-237 repealed (with effect in accordance with Sch. 4 para. 7(2), Sch. 8 Pt. 2(9) Note 3 of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 4 para. 7(1), Sch. 8 Pt. 2(9)

^{F19}**236 Provisions supplementary to section 235.**

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Textual Amendments

- F19** Ss. 235-237 repealed (with effect in accordance with Sch. 4 para. 7(2), Sch. 8 Pt. 2(9) Note 3 of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 4 para. 7(1), Sch. 8 Pt. 2(9)

^{F20}**237 Disallowance of reliefs in respect of bonus issues.**

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Textual Amendments

- F20** Ss. 235-237 repealed (with effect in accordance with Sch. 4 para. 7(2), Sch. 8 Pt. 2(9) Note 3 of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 4 para. 7(1), Sch. 8 Pt. 2(9)

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