



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART VI

COMPANY DISTRIBUTIONS, TAX CREDITS ETC

CHAPTER IV

TAX CREDITS

236 Provisions supplementary to section 235

- (1) Section 235 shall be construed in accordance with the following provisions of this section.
- (2) Two or more holdings are associated if they were acquired by persons acting in concert or under arrangements made by any person.
- (3) There shall be attributed—
 - (a) to the distributions made by a company at any time (whether before or after the passing of this Act) in respect of any class of shares, securities or rights such of its relevant profits arising after the date of acquisition and before that time as remain after allowing for earlier distributions made in respect of that or any other class of shares, securities or rights, and for distributions made at or to be made after that time in respect of other classes of shares, securities or rights; and
 - (b) to any part of a distribution made at any time to which a person is entitled by virtue of any part of his holding of any class of shares, securities or rights, such proportion of the profits attributable under paragraph (a) above to the distributions made at that time in respect of that class as corresponds to that part of his holding.
- (4) For the purposes of subsection (3) above profits arising in part of an accounting period shall be taken to be a proportionate part of the profits arising in the whole of the

Status: This is the original version (as it was originally enacted).

accounting period except where a different method of arriving at the profits arising in that part can be shown to be fair and reasonable.

- (5) For the purposes of this section the relevant profits of a company are, subject to subsection (6) below, its profits computed on a commercial basis after allowing for any provision properly made for corporation tax; and the computation shall be made without regard to any capital gains or losses or to any such amount as is mentioned in section 235(5), and—
- (a) shall include franked investment income received from any company not related to the first-mentioned company; and
 - (b) shall exclude group income and franked investment income received from a company related to the first-mentioned company.
- (6) There shall be treated as included in the relevant profits of a company the appropriate portion of the relevant profits of any company related to it.
- (7) For the purposes of this section a company (“the owned company”) is related to another company (“the owning company”) if—
- (a) the owning company owns not less than 10 per cent. of any one class of shares in the owned company; or
 - (b) any company related to the owning company owns not less than 10 per cent. of any one class of shares in the owned company;

and the appropriate proportion of the relevant profits of a related company is that proportion of those profits which the owning company would receive by virtue of the shares, securities or rights owned by it, if all the relevant profits of the owned company were distributed and, so far as received directly or indirectly by a company related to the owning company, were distributed by that related company, no account being taken of any profits arising at a time when the owned company was not related to the owning company.