



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART XII

#### SPECIAL CLASSES OF COMPANIES AND BUSINESSES

#### CHAPTER IV

##### BUILDING SOCIETIES, BANKS, SAVINGS BANKS, INDUSTRIAL AND PROVIDENT SOCIETIES AND OTHERS

#### **490 Companies carrying on a mutual business or not carrying on a business.**

- (1) <sup>M1</sup>Subject to subsection (2) below, where a company carries on any business of mutual trading or mutual insurance or other mutual business the provisions of the Tax Acts relating to distributions shall apply to distributions made by the company notwithstanding that they are made to persons participating in the mutual activities of that business and derive from those activities, but shall so apply only to the extent to which the distributions are made out of profits of the company which are brought into charge to corporation tax or out of franked investment income (including group income) [<sup>F1</sup> or out of foreign income dividends].
- (2) In the case of a company carrying on any mutual life assurance business, the provisions of the Tax Acts relating to distributions shall not apply to distributions made to persons participating in the mutual activities of that business and derived from those activities  
<sup>F2</sup>  
.....
- (3) Subject to subsections (1) and (2) above, the fact that a distribution made by a company carrying on any such business is derived from the mutual activities of that business and the recipient is a person participating in those activities shall not affect the character which the payment or other receipt has for purposes of corporation tax or income tax in the hands of the recipient.
- (4) Where a company does not carry on, and never has carried on, a trade or a business of holding investments, and is not established for purposes which include the carrying on

*Status: Point in time view as at 19/03/1997. This version of this provision has been superseded.*

**Changes to legislation:** *Income and Corporation Taxes Act 1988, Section 490 is up to date with all changes known to be in force on or before 03 July 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)*

of a trade or of such a business, the provisions of the Tax Acts relating to distributions shall apply to distributions made by the company only to the extent to which the distributions are made out of profits of the company which are brought into charge to corporation tax or out of franked investment income [<sup>F3</sup>or foreign income dividends].

[<sup>F4</sup>(5) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.]

#### **Textual Amendments**

- F1** Words in s. 490(1) inserted (3.5.1994) by Finance Act 1994 (c. 9), **Sch. 16 para. 14(2)**
- F2** Words in s. 490(2) repealed (with effect in accordance with Sch. 18 Pt. 6(6) Note of the repealing Act) by Finance Act 1997 (c. 16), **Sch. 18 Pt. 6(6)**
- F3** Words in s. 490(4) inserted (3.5.1994) by Finance Act 1994 (c. 9), **Sch. 16 para. 14(3)**
- F4** S. 490(5) inserted (3.5.1994) by Finance Act 1994 (c. 9), **Sch. 16 para. 14(4)**

#### **Modifications etc. (not altering text)**

- C1** S. 490 amended (27.7.1993) by 1993 c. 34, s. 78(6)(11)

#### **Marginal Citations**

- M1** Source—1970 s.346

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