



# Finance (No. 2) Act 1997

## 1997 CHAPTER 58

### PART III

#### INCOME TAX AND CORPORATION TAX

##### *Distributions, tax credits etc in and after 1999-00*

### 30 Tax credits.

- (1) Section 231 of the Taxes Act 1988 (tax credits for certain recipients of qualifying distributions) shall be amended in accordance with subsections (2) to (7) below.
- (2) In subsection (1) (recipient of certain distributions to be entitled to tax credit equal to proportion of distribution corresponding to rate of ACT in force)—
  - <sup>F1</sup>(a) .....
  - (b) for “the rate of advance corporation tax in force for the financial year in which” there shall be substituted “ the tax credit fraction in force when ”.
- (3) After subsection (1) there shall be inserted—

“(1A) The tax credit fraction is one-ninth.”
- (4) Subsection (2) (payment of tax credit to company resident in UK) shall cease to have effect.
- (5) In subsection (3) (which includes provision for payment of excess of tax credit over income tax liability to person not being a company resident in the UK)—
  - <sup>F2</sup>(a) .....
  - (b) the words “and subject to subsections (3A) and (3D) below where the credit exceeds that income tax, to have the excess paid to him” shall cease to have effect.

<sup>F3</sup>(6) .....

*Status: Point in time view as at 06/04/2007.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Cross Heading: Distributions, tax credits etc in and after 1999-00. (See end of Document for details)*

- (7) In consequence of subsection (5) above, subsections (3A) to (3D) shall cease to have effect.
- (8) Section 231A of the Taxes Act 1988 (which is superseded by the foregoing provisions of this section) shall cease to have effect.
- (9) The amendments made by subsections (5) and (6) above [<sup>F4</sup> and rewritten in section 397(3) of the Income Tax (Trading and Other Income) Act 2005] do not affect the entitlement of a person who is not resident in the United Kingdom to payment in respect of a tax credit by virtue of arrangements having effect under section 788 of the Taxes Act 1988 (relief by agreement with other countries).
- (10) Where—
- (a) arrangements having effect by virtue of section 788 of the Taxes Act 1988 confer on a person not resident in the United Kingdom the right to a tax credit under [<sup>F5</sup>section 397 of the Income Tax (Trading and Other Income) Act 2005] in respect of a dividend of a company resident in the United Kingdom, and
  - (b) the arrangements contain provision for permitting—
    - (i) tax to be charged or deducted, or
    - (ii) a reduction in the amount of the tax credit that is paid to be made, by reference to the aggregate of the dividend and the tax credit, and
  - (c) the amount of that tax or that reduction exceeds the amount of the tax credit, that provision shall only have the effect of reducing to nil the amount of the payment to which the person is entitled in respect of the tax credit.
- (11) This section has effect in relation to distributions made on or after 6th April 1999.

#### Textual Amendments

- F1** S. 30(2)(a) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))
- F2** S. 30(5)(a) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))
- F3** S. 30(6) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))
- F4** Words in s. 30(9) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 496\(a\)](#) (with [Sch. 2](#))
- F5** Words in s. 30(10)(a) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 496\(b\)](#) (with [Sch. 2](#))

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

- C1** S. 30 modified (31.7.1998 with effect as mentioned in [s. 76\(1\)](#) of the amending Act) by [1998 c. 36, s. 76\(1\)\(2\)](#)
- C2** S. 30(4) excluded (*temp.* from 6.4.1999 to 6.4.2004) by [S.I. 1998/1871, reg. 4\(1\)](#)
- C3** S. 30(4) restricted (31.7.1998) by [1998 c. 36, s. 90\(1\)](#)
- C4** S. 30(4): Power to modify conferred (31.7.1998) by [1988 c. 1, s. 33B](#) (as inserted (31.7.1998) by [1998 c. 36, s. 77\(1\)](#))

#### <sup>F6</sup>31 Rates of tax applicable to Schedule F income etc.

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**Textual Amendments**

**F6** S. 31 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F7 32** **Trusts.**

**Textual Amendments**

**F7** S. 32 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**33** **Estates of deceased persons in administration.**

<sup>F8</sup>(1) .....

- (2) Section 699A of the Taxes Act 1988 (untaxed sums comprised in the income of the estate) shall be amended in accordance with subsections (3) to (6) below.
- (3) In subsection (1A) (which is inserted by section 21 of this Act and describes sums to which subsection (1)(a) and (b) of s.699A is deemed to apply) after “if it is a sum in respect of” there shall be inserted—
  - “(a) a distribution chargeable under Schedule F; or
  - (b)”.
- (4) In subsection (2) (determination whether any amount is a relevant amount) in paragraph (b) (application of the assumption in section 701(3A)(b)) for “assumption” there shall be substituted “ assumptions ”.
- (5) In subsection (4) (rate at which sums are assumed to bear tax) in paragraphs (a) and (c) for “lower rate” there shall be substituted “ Schedule F ordinary rate ”.
- (6) In subsection (6) (income represented by a relevant amount to be treated as not brought into charge to tax for the purposes of ss.348 and 349(1)) at the end there shall be added “ except to the extent that the relevant amount is or would be paid out of sums in respect of a distribution chargeable under Schedule F ”.
- (7) In section 701 of the Taxes Act 1988 (interpretation of Part XVI) subsection (3A) (which defines the “applicable rate” as basic rate or lower rate, according to the rate at which the income of the residue out of which the payment to the beneficiary is made bears tax) shall be amended in accordance with subsections (8) and (9) below.
- (8) For the words “or the lower rate”, in both places where they occur, there shall be substituted “ , the lower rate or the Schedule F ordinary rate ”.
- (9) In paragraph (b) (assumption that payments are made out of income bearing tax at the basic rate before income bearing tax at the lower rate)—
  - (a) after “it shall be assumed” there shall be inserted “ (i) ”;
  - (b) after “lower rate” there shall be inserted “ or the Schedule F ordinary rate ”;
  - and
  - (c) at the end of the paragraph there shall be added “; and

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(ii) that payments are to be made out of income bearing tax at the lower rate before they are made out of income bearing tax at the Schedule F ordinary rate.”

(10) The amendment made by subsection (3) above has effect in relation to distributions made on or after 6th April 1999.

(11) The amendments made by subsections (1) and (4) to (9) above have effect for the year 1999-00 and subsequent years of assessment.

#### Textual Amendments

**F8** S. 33(1) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

### 34 Tax credits and taxation of distributions: miscellaneous provisions.

Schedule 4 to this Act (which contains provisions relating to tax credits and the taxation of distributions) shall have effect.

### 35 Transitional relief for charities etc.

(1) In any case where—

- (a) a qualifying distribution is made on or after 6th April 1999 and before 6th April 2004 by a company resident in the United Kingdom, and
- (b) the recipient of the distribution is a section 505 body, and
- (c) if the section 505 body falls within neither paragraph (b) nor paragraph (c) of subsection (3) below, entitlement to exemption from tax by virtue of subsection (1)(c)(iii) of section 505 of the Taxes Act 1988 (charities) in respect of the distribution is not prevented by anything in that section,

the section 505 body, on a claim made under this section to the Board, shall be entitled to be paid by the Board out of money provided by Parliament an amount determined in accordance with subsection (2) below.

(2) The amount referred to in subsection (1) above is an amount equal to—

- (a) 21 per cent of the amount or value of the distribution if the distribution is made on or after 6th April 1999 and before 6th April 2000;
- (b) 17 per cent of that amount or value if the distribution is made on or after 6th April 2000 and before 6th April 2001;
- (c) 13 per cent of that amount or value if the distribution is made on or after 6th April 2001 and before 6th April 2002;
- (d) 8 per cent of that amount or value if the distribution is made on or after 6th April 2002 and before 6th April 2003;
- (e) 4 per cent of that amount or value if the distribution is made on or after 6th April 2003 and before 6th April 2004.

(3) For the purposes of this section each of the following is a section 505 body—

- (a) any [<sup>F9</sup>charitable company] (as defined in section 506(1) of the Taxes Act 1988);
- (b) each of the bodies mentioned in section 507 of that Act (heritage bodies);
- (c) any Association of a description specified in section 508 of that Act (scientific research organisations).

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- (4) Schedule 5 to this Act shall have effect to remove or restrict entitlement to payment under this section in certain circumstances.
- (5) For the purposes of Chapter I of Part XVII of the Taxes Act 1988 (cancellation of tax advantages) payment of an amount under this section shall be treated as repayment of tax.
- (6) Any entitlement of a section 505 body to a payment under subsection (1) above shall be subject to a power of the Board to determine (whether before or after any payment is made) that, having regard to the operation in relation to the distribution in question of section 703 of the Taxes Act 1988 (cancellation of tax advantages), that body is to be treated as if it had had no entitlement to that payment or to so much of it as they may determine.
- (7) No claim may be made under this section later than two years after the end of the chargeable period of the section 505 body in which the distribution is made.
- (8) An appeal may be brought against any decision of the Board under this section or under Schedule 5 to this Act by giving written notice to the Board within thirty days of receipt of written notice of the decision.
- (9) An appeal under this section shall lie to the Special Commissioners, and the provisions of the <sup>M1</sup>Taxes Management Act 1970 relating to appeals under the Tax Acts shall apply to an appeal under this section as they apply to those appeals.
- (10) Any payment of an amount under this section shall be treated for the purposes of section 252 of the Taxes Act 1988 (rectification of excessive set-off etc of ACT or tax credit) as a payment of tax credit.

#### Textual Amendments

- F9** Words in s. 35(3)(a) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 379](#) (with [Sch. 2](#))

#### Marginal Citations

- M1** [1970 c. 9](#).

### 36 Foreign income dividends.

- (1) No election shall be made under section 246A of the Taxes Act 1988 (election for dividend to be treated as foreign income dividend) in respect of any distributions made on or after 6th April 1999.
- (2) No amount shall be shown as available for distribution as foreign income dividends in the distribution accounts of an authorised unit trust for a distribution period the distribution date for which falls on or after 6th April 1999.
- (3) No distribution made on or after 6th April 1999 shall be treated as a foreign income dividend by virtue of paragraph 2(1) of Schedule 7 to the <sup>M2</sup>Finance Act 1997 (Tax Acts to have effect as if qualifying distributions to which Schedule 7 applies were foreign income dividends).
- (4) Schedule 6 to this Act (which makes provision for and in connection with the repeal of provisions relating to foreign income dividends) shall have effect.

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- (5) In subsection (2) above, “distribution accounts”, “distribution date” and “distribution period” shall be construed in accordance with section 468H of the Taxes Act 1988 (interpretation of sections 468I to 468R of that Act).

**Marginal Citations**

**M2** 1997 c .16.

**Status:**

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**Changes to legislation:**

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