



Corporation Tax Act 2009

2009 CHAPTER 4

PART 10 U.K.

MISCELLANEOUS INCOME

CHAPTER 3 U.K.

BENEFICIARIES' INCOME FROM ESTATES IN ADMINISTRATION

Introduction

934 Charge to tax on estate income U.K.

- (1) The charge to corporation tax on income applies to estate income.
- (2) In this Chapter—
 - “estate” means the estate of a deceased person (whether a UK estate or a foreign estate), and
 - “estate income” means the income treated under this Chapter as arising from an absolute, limited or discretionary interest in the whole or part of the residue of an estate.
- (3) If different parts of an estate are subject to different residuary dispositions, those parts are treated for the purposes of this Chapter as if they were separate estates.

935 Absolute, limited and discretionary interests U.K.

- (1) A person has an absolute interest in the whole or part of the residue of an estate for the purposes of this Chapter if—
 - (a) the capital of the residue or that part is properly payable to the person, or
 - (b) it would be so payable if the residue had been ascertained.

Status: Point in time view as at 01/04/2009.

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- (2) A person has a limited interest in the whole or part of the residue of an estate during any period for the purposes of this Chapter if—
 - (a) the person does not have an absolute interest in it, and
 - (b) the income from it would be properly payable to the person if the residue had been ascertained at the beginning of that period.
- (3) A person has a discretionary interest in the whole or part of the residue of an estate for the purposes of this Chapter if—
 - (a) a discretion may be exercised in the person's favour, and
 - (b) on its exercise in the person's favour any of the income of the residue during the whole or part of the administration period (see section 938) would be properly payable to the person if the residue had been ascertained at the beginning of that period.
- (4) For the purposes of this section, an amount is only treated as properly payable to a person (“A”) if—
 - (a) it is properly payable to A, or to another person in A's right, for A's benefit, or
 - (b) A is a personal representative and subsection (5) applies.
- (5) The personal representatives of a deceased person (“B”) are to be treated as having an absolute or limited interest in the whole or part of the residue of the estate of another deceased person (“C”) if—
 - (a) they have a right in their capacity as B's personal representatives, and
 - (b) were the right vested in them for their own benefit, they would have that interest in C's estate.
- (6) For the purposes of subsection (4), it does not matter whether the amount is payable directly by the personal representatives or through a trustee or other person.

936 Meaning of “UK estate” and “foreign estate” **U.K.**

- (1) In this Chapter—

“UK estate”, in relation to a tax year, means an estate which meets conditions A and B, or condition C, for that year, and

“foreign estate”, in relation to a tax year, means an estate which is not a UK estate in relation to that year.
- (2) Condition A is that all the income of the estate either—
 - (a) has borne United Kingdom income tax by deduction, or
 - (b) is income in respect of which the personal representatives are directly assessable to United Kingdom income tax for the tax year.
- (3) Condition B is that none of the income of the estate is income for which the personal representatives are not liable to United Kingdom income tax for the tax year because they are not UK resident or not ordinarily UK resident.
- (4) For the purposes of conditions A and B, sums within section 963(3) or (4) (sums treated as bearing income tax) are ignored.
- (5) Condition C is that the aggregate income of the estate for the tax year consists only of sums within section 963(3) or (4).

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Types of estate income

937 Absolute interests in residue U.K.

- (1) Income is treated as arising in an accounting period from a company's absolute interest in the whole or part of the residue of an estate if—
 - (a) the company has an assumed income entitlement for the accounting period in respect of the interest (see sections 948 to 952), and
 - (b) condition A or B is met.
- (2) Condition A is that a payment is made in respect of the interest in the accounting period and before the end of the administration period (see section 938).
- (3) Condition B is that the accounting period is the final accounting period (see section 938).
- (4) Income treated as arising as a result of this section is estate income for the purposes of this Chapter.

938 Meaning of “the administration period”, “the final accounting period” and “the final tax year” U.K.

- (1) In this Chapter “the administration period”, in relation to the estate of a deceased person, means the period beginning with the deceased's death and ending with the completion of the administration of the estate.
- (2) In the application of subsection (1) to Scotland, the reference to the completion of the administration is to be taken as a reference to the date at which, after discharge of, or provision for, liabilities falling to be met out of the deceased's estate, the free balance held in trust for the residuary legatees or for the persons with the right to the intestate estate has been ascertained.
- (3) In this Chapter “the final accounting period” means the accounting period in which the administration period ends.
- (4) In this Chapter “the final tax year” means the tax year in which the administration period ends.

939 Limited interests in residue U.K.

- (1) Income is treated as arising in an accounting period from a company's limited interest in the whole or part of the residue of an estate in cases A, B and C.
- (2) Case A is where—
 - (a) the interest has not ceased before the beginning of the accounting period, and
 - (b) a sum is paid in respect of the interest in that period and before the end of the administration period.
- (3) Case B is where—
 - (a) the accounting period is the final accounting period,
 - (b) the interest has not ceased before the beginning of that period, and
 - (c) a sum remains payable in respect of the interest at the end of the administration period.

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- (4) Case C is where—
- (a) the accounting period is a period before the final accounting period,
 - (b) the interest ceases in the accounting period, and
 - (c) a sum is paid in respect of the interest in a later accounting period but before the end of the administration period, or remains payable in respect of it at the end of the administration period.
- (5) This section does not apply to limited interests to which section 957 (successive interests: holders of limited interests) applies.
- (6) Income treated as arising as a result of this section or section 957 is estate income for the purposes of this Chapter.

940 Discretionary interests in residue U.K.

- (1) Income is treated as arising in an accounting period from a company's discretionary interest in the whole or part of the residue of an estate if a payment is made in the accounting period in exercise of the discretion in the company's favour.
- (2) Income treated as arising as a result of this section is estate income for the purposes of this Chapter.

Income charged

941 UK estates U.K.

- (1) In the case of a UK estate, tax is charged under section 934 on the amount of estate income treated as arising in the accounting period.
- (2) That amount is the basic amount of that income for the accounting period (see subsection (4)), grossed up by reference to the applicable rate for the relevant tax year (see section 946).
- (3) The gross amount is treated as having borne income tax by deduction at that rate.
- (4) In this Chapter “the basic amount”, in relation to estate income, has the meaning given by—
 - (a) section 943 (basic amount of estate income: absolute interests),
 - (b) section 944 (basic amount of estate income: limited interests),
 - (c) section 945 (basic amount of estate income: discretionary interests), and
 - (d) section 958 (basic amount of estate income: successive limited interests).

942 Foreign estates U.K.

- (1) In the case of a foreign estate, tax is charged under section 934 on the amount of estate income treated as arising in the accounting period.
- (2) That amount depends on whether the estate income arising in the accounting period is paid from sums within section 963(3) or (4) (sums treated as bearing income tax).
- (3) So far as the estate income is paid from such sums, that amount is the basic amount of that income for the accounting period grossed up by reference to the applicable rate for the relevant tax year (see section 946).

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- (4) That gross amount is treated as having borne income tax by deduction at that rate.
- (5) So far as the estate income is not paid from sums within section 963(3) or (4), the amount of estate income treated as arising in the accounting period is the basic amount of that income for that period.

Basic amount of estate income: general calculations rules

943 Absolute interests **U.K.**

- (1) The basic amount of estate income relating to a company's absolute interest in the whole or part of the residue of an estate for an accounting period before the final accounting period is the lower of—
 - (a) the total of all sums paid in the accounting period in respect of that interest, and
 - (b) the amount of the company's assumed income entitlement for the accounting period in respect of it.
- (2) The basic amount for the final accounting period is equal to the amount of the company's assumed income entitlement for that accounting period in respect of that interest.
- (3) But if the residuary income of the estate for the final tax year is nil because the allowable estate deductions exceed the aggregate income of the estate, the basic amount for the final accounting period is reduced—
 - (a) where the company has an absolute interest in the whole of the residue of the estate, by an amount equal to the excess, and
 - (b) in any other case, by an amount equal to such part of the excess as is just and reasonable.
- (4) See sections 948 to 952 for the meaning of references to assumed income entitlement and residuary income of an estate.
- (5) See sections 947 and 949(2) for the meaning of aggregate income of an estate and allowable estate deductions respectively.
- (6) This section is subject to sections 953 to 956 (successive interests).

944 Limited interests **U.K.**

- (1) The basic amount of estate income relating to a company's limited interest in the whole or part of the residue of an estate for an accounting period is the total of the sums within section 939(2)(b), (3)(c) and (4)(c) for that period.
- (2) This does not apply, and section 958 applies instead, if the limited interest is one to which section 957 (successive interests: holders of limited interests) applies.

945 Discretionary interests **U.K.**

The basic amount of estate income relating to a company's discretionary interest in the whole or part of the residue of an estate for an accounting period is the total of the payments made in the accounting period in exercise of the discretion in favour of the company.

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946 Applicable rate for grossing up basic amounts of estate income U.K.

- (1) The applicable rate by reference to which a basic amount of estate income is grossed up for the purposes of sections 941 and 942 depends on the rate at which income tax is borne by the aggregate income of the estate for the relevant tax year (see subsection (5)).
- (2) If the aggregate income of the estate all bears income tax at the same rate, the applicable rate is that rate.
- (3) If—
 - (a) different parts of the aggregate income of the estate bear income tax at different rates, and
 - (b) the same rate applies to all the income from which section 962 treats the basic amount as having been paid,
 the applicable rate is that rate.
- (4) If—
 - (a) different parts of the aggregate income of the estate bear income tax at different rates, and
 - (b) different rates apply to different parts of the income from which section 962 treats the basic amount as having been paid,
 each of those rates is the applicable rate by reference to which the corresponding part of the basic amount is grossed up.
- (5) In this Chapter “the relevant tax year” in relation to an amount of estate income, means the tax year in which the amount of estate income would be treated as arising if—
 - (a) the references in this Chapter to accounting periods were references to tax years, and
 - (b) section 950(3) (apportionment between accounting periods) were ignored.

947 Aggregate income of the estate U.K.

- (1) For the purposes of this Chapter the aggregate income of the estate for a tax year is the total of the income and amounts specified in subsection (2), but excluding the income specified in subsection (5).
- (2) The income and amounts are—
 - (a) the income of the deceased's personal representatives in that capacity which is charged to United Kingdom income tax for the tax year,
 - (b) the income of the deceased's personal representatives in that capacity on which such tax would have been charged for the tax year if—
 - (i) it was income of a UK resident who was ordinarily UK resident, and
 - (ii) it was income from a source in the United Kingdom,
 - (c) any amount of income treated as arising to the personal representatives under section 410(4) (stock dividends) of ITTOIA that would be charged to income tax under Chapter 5 of Part 4 of that Act if income arising to personal representatives were so charged (see section 411 of that Act),
 - (d) in a case where section 419(2) of ITTOIA applies (release of loans to participator in close company: loans and advances to persons who die), the amount that would be charged to income tax under Chapter 6 of Part 4 of that Act apart from that section, and

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- (e) any amount that would have been treated as income of the personal representatives in that capacity under section 466 of ITTOIA if the condition in section 466(2) had been met (gains from contracts for life insurance).
- (3) In calculating the amount of the income within subsection (2)(a), any allowable deductions are to be taken into account.
- (4) In calculating the amount of the income within subsection (2)(b), any deductions which would be allowable if the income had been charged to United Kingdom income tax are to be deducted from the full amount of the income actually arising in the tax year.
- (5) The excluded income is—
 - (a) income to which any person is or may become entitled under a specific disposition, and
 - (b) income from property devolving on the personal representatives otherwise than as assets for payment of the deceased's debts.
- (6) In subsection (5)(a) “specific disposition” means a gift of specific property under a will, including—
 - (a) the disposition of personal chattels by section 46 of the Administration of Estates Act 1925 (c. 23) (succession on intestacy), and
 - (b) any disposition which under the law of another country has a similar effect to a gift of specific property by will under the law of England and Wales, but excluding real property included in a residuary gift made by will by a specific or general description of it or, in Scotland, heritable estate included in such a gift.

Further provisions for calculating estate income relating to absolute interests

948 Assumed income entitlement U.K.

- (1) Whether a company has an assumed income entitlement for an accounting period in respect of an absolute interest in the whole or part of the residue of an estate depends on the results of the following steps.

Step 1

Find the amount of the company's share of the residuary income of the estate that is attributable to that interest for that accounting period and each previous accounting period during which the company had that interest (see sections 949 to 951).

Step 2

If the estate is a UK estate in relation to any tax year by reference to which the amount of that share for any accounting period is determined under section 950, deduct from that amount income tax on that amount at the applicable rate for that year (see section 952).

Step 3

Add together the amounts found under step 1 after making any deductions necessary under step 2.

Step 4

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Add together the basic amounts relating to the company's absolute interest in respect of which the company was liable for corporation tax for all previous accounting periods (or would have been so liable if the company had been a company liable for corporation tax for those accounting periods).

- (2) For the purposes of this Chapter the company has an assumed income entitlement for the accounting period if the amount resulting from step 3 exceeds the amount resulting from step 4.
- (3) The assumed income entitlement is equal to the excess.
- (4) This section is subject to—
 - section 954 (successive absolute interests), and
 - section 955 (successive interests: assumed income entitlement of holder of absolute interest following limited interest).

949 Residuary income of the estate **U.K.**

- (1) For the purposes of this Chapter the residuary income of an estate for a tax year is the aggregate income of the estate for that year, less the allowable estate deductions for that year.
- (2) The allowable estate deductions for a tax year are—
 - (a) all interest paid in that year by the personal representatives in that capacity (but see section 233(3) of IHTA 1984: exclusion of interest on unpaid inheritance tax),
 - (b) all annual payments for that year which are properly payable out of residue,
 - (c) all payments made in that year in respect of expenses incurred by the personal representatives in that capacity in the management of the assets of the estate, and
 - (d) any excess deductions from the previous tax year.

This is subject to subsections (3) to (5).

- (3) No sum is to be treated as an allowable estate deduction if it is allowable in calculating the aggregate income of the estate.
- (4) No sum is to be counted twice as an allowable estate deduction.
- (5) Payments in respect of expenses are only allowable estate deductions if they are properly chargeable to income (ignoring any specific direction in a will).
- (6) In this section “excess deductions from the previous tax year” means so much of the allowable deductions for the previous tax year as exceeded the aggregate income of the estate for that year.

950 Shares of residuary income of estate **U.K.**

- (1) In the case of a company which has an absolute interest in the whole of the residue of an estate for a whole tax year, the company's share of the residuary income of the estate in respect of that interest for that year is equal to the whole of that income for that year.
- (2) In the case of a company which—

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- (a) has an absolute interest in the whole of the residue of an estate for part of the tax year, or
 - (b) an absolute interest in part of the residue of an estate for the whole or part of the tax year,
- the company's share of the residuary income of the estate for that year is a proportionate part of that income for that year.
- (3) The company's share of the residuary income of an estate in respect of an absolute interest for each of the accounting periods (if more than one) comprising a tax year is found by apportioning the company's share of the residuary income of the estate for that year between the accounting periods.
 - (4) Subsections (1) and (2) are subject to section 951 (reduction in share of residuary income of estate).

951 Reduction in share of residuary income of estate **U.K.**

- (1) This section applies if a company has an absolute interest in the whole or part of the residue of an estate at the end of the administration period and—
 - (a) the total of the company's shares of the residuary income of the estate in respect of that interest for all tax years (apart from this section), exceeds
 - (b) the total of all sums paid during or payable at the end of the administration period in respect of that interest to any person (grossed up where subsection (5) applies).
- (2) In the final accounting period the company's share of the residuary income of the estate is to be reduced by that excess.
- (3) If that excess is greater than the company's share of that income for the final accounting period, the company's share of that income for the previous accounting period is to be reduced, and so on.
- (4) If subsection (3) applies, all necessary adjustments and repayments of corporation tax are to be made.
- (5) For the purposes of calculating the total mentioned in subsection (1)(b)—
 - (a) if the estate is a UK estate in relation to a tax year in which a sum is paid, the sum is to be grossed up by reference to the basic rate for that year, and
 - (b) if the estate is a UK estate in relation to the final tax year, a sum payable at the end of the administration period is to be grossed up by reference to the basic rate for that year.
- (6) For the application of this section where two or more absolute interests in the whole or the same part of the residue are held successively by different persons, see section 954(5) and (6).

952 Applicable rate for determining assumed income entitlement (UK estates) **U.K.**

- (1) The applicable rate by reference to which income tax on a company's share of the residuary income of the estate is calculated for the purposes of step 2 of the calculation in section 948(1) depends on the rate at which income tax is borne by the aggregate income of the estate for the tax year in question.

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- (2) If the aggregate income of the estate all bears income tax at the same rate, the applicable rate is that rate.
- (3) If different parts of the aggregate income of the estate bear income tax at different rates, the applicable rate is the rate that applies to the income to which the company's share of the residuary income of the estate relates.
- (4) If different rates apply to different parts of that income, each of those rates is the applicable rate that applies to the corresponding part of the income to which the company's share of the residuary income of the estate relates.
- (5) For the purposes of this section, if there is more than one person with an absolute interest in the residue of the estate, such apportionments of parts of the aggregate income of the estate bearing income tax at different rates are to be made as are just and reasonable for their different interests.
- (6) Section 650(1) of ITTOIA 2005 (absolute interests) applies for the purposes of subsection (5) in the case of any person who is not a company chargeable to corporation tax.

Successive interests

953 Introduction **U.K.**

- (1) Sections 954 to 959 relate to cases where two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons.
- (2) For the purposes of this section and those sections, two interests are held successively even where one is not held immediately before or after the other.
- (3) It is assumed for the purposes of those sections—
 - (a) that each of the persons holding the interests in question is a company within the charge to corporation tax (but without prejudice to the references to interests ceasing otherwise than by death), and
 - (b) that in the case of a person who is not a company the person's accounting periods correspond with tax years.

954 Successive absolute interests **U.K.**

- (1) This section applies if two or more absolute interests in the whole or part of the residue of an estate are held successively during the administration period by different persons.
- (2) In determining whether a company with a later such interest (“the later holder”) has an assumed income entitlement in respect of that interest and, if so, its amount—
 - (a) the later holder's share of the residuary income of the estate in respect of that interest for any accounting period is to be treated as including the share of any person with a previous such interest (“a previous holder”), and
 - (b) the basic amounts relating to the later holder's interest are to be treated as including the basic amounts relating to any previous such interest.

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- (3) In applying subsection (2), all determinations under that subsection or section 955(2) that fall to be made in relation to a person with an earlier interest are to be made before determinations under those provisions relating to a person with a later interest.
- (4) A company which is a previous holder in the final accounting period is to be taxed for that period, in relation to the interest as to which that company is a previous holder, as if that period were not the final accounting period, and the later holder's assumed income entitlement is to be calculated accordingly (or, where the previous holder is not a company, having regard to the application of section 671(4) of ITTOIA 2005 to the previous holder).
- (5) The calculation under section 951(1)(a) and (b) (amount of reduction in the share of the residuary income of the company with an absolute interest at the end of the administration period) is to be made by reference to all the absolute interests taken together.
- (6) If the amount resulting from that calculation is greater than the total amount of the reductions which can be made under section 951(2) and (3), the share of the residuary income of the estate of the last previous holder of the interest for the last accounting period in which that last holder had that interest is to be reduced, and so on.
- (7) But if subsection (6) applies in a case where the last previous holder or any earlier previous holder is not a company, in applying that subsection regard must be had to the application of section 671(6) of ITTOIA 2005 to the previous holder.

955 Assumed income entitlement of holder of absolute interest following limited interest U.K.

- (1) This section applies if—
 - (a) two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons,
 - (b) each later interest arises or is created on the cessation of the previous interest otherwise than by death,
 - (c) at least one of the interests is an absolute interest, and
 - (d) at least one of the interests preceding that interest is a limited interest.
- (2) Rules A and B apply to determine in relation to such an absolute interest—
 - (a) whether the company with the interest has an assumed income entitlement in respect of the interest, and
 - (b) if so, its amount.
- (3) Rule A is that the company's share of the residuary income of the estate in respect of the absolute interest for any accounting period is treated as including any amount which would be included in it if—
 - (a) the interest had subsisted throughout the period when any such limited interest subsisted, and
 - (b) no such limited interest had ever subsisted.
- (4) Rule B is that the basic amounts relating to the absolute interest are treated as including the basic amounts relating to any such limited interest.

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956 Payments in respect of limited interests followed by absolute interests **U.K.**

- (1) This section applies if—
 - (a) two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons,
 - (b) each later interest arises or is created on the cessation of the previous interest otherwise than by death,
 - (c) at least one of the interests is an absolute interest, and
 - (d) at least one of the interests preceding that interest is a limited interest.
- (2) A sum to which a company (“C”) with such an absolute interest is entitled in respect of any such limited interest which is paid while C has the absolute interest is treated as paid in respect of the absolute interest (and not the limited interest).
- (3) Subsection (4) applies if—
 - (a) C's absolute interest ceases during the administration period, and
 - (b) a sum to which C is entitled in respect of any such limited interest—
 - (i) is paid after the absolute interest ceases but before the end of the administration period, or
 - (ii) remains payable at the end of it.
- (4) This Chapter applies as respects any such sum as if the limited interest had continued to subsist while that absolute interest subsisted and had been held by C.
- (5) Subsection (4) is subject to subsection (6).
- (6) For the purposes only of section 951 (reduction in share of residuary income of estate), any such sum is treated as paid or payable in respect of the absolute interest.

957 Holders of limited interests **U.K.**

- (1) This section applies if—
 - (a) two or more interests in the whole or part of the residue of an estate are held successively during the administration period by different persons,
 - (b) the earlier or, if there are more than two, the earliest of the interests is a limited interest, and
 - (c) each later interest arises or is created on the cessation of the previous interest otherwise than by death.
- (2) Income is treated as arising from a limited interest in the whole or part of the residue of the estate in an accounting period in cases A, B and C.
- (3) Case A is where—
 - (a) one of the successive interests subsists at the beginning of the accounting period of a company which has or has had one of the interests which is a limited interest (the “limited holder”),
 - (b) a sum is paid in respect of one of the interests in that period and before the end of the administration period, and
 - (c) the limited holder is entitled to receive the payment.
- (4) Case B is where—
 - (a) the accounting period of a limited holder is the final accounting period,
 - (b) one of the successive interests subsists at the beginning of that period,

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- (c) a sum remains payable in respect of one of the interests at the end of the administration period, and
 - (d) the limited holder is entitled to receive the payment.
- (5) Case C is where—
- (a) the accounting period of a limited holder is a period before the final accounting period,
 - (b) the last of the successive interests ceases in the accounting period,
 - (c) a sum is either—
 - (i) paid in respect of one of the interests in a later accounting period but before the end of the administration period, or
 - (ii) remains payable in respect of it at the end of the administration period, and
 - (d) the limited holder is entitled to receive the payment.

958 Basic amount of estate income: successive limited interests **U.K.**

The basic amount of estate income relating to a limited interest within section 957 for an accounting period is the total of the sums within section 957(3)(b), (4)(c) and (5)(c) for that period.

959 Apportionments **U.K.**

- (1) Such apportionments as are just and reasonable are to be made for the purposes of this Chapter if—
- (a) the part of a residuary estate in which an interest within any of the provisions specified in subsection (2) subsists does not wholly correspond with the part in which another such interest held successively subsists, or
 - (b) one of those interests is in the whole of the residuary estate and the other is only in part of it.
- (2) The provisions are—
- section 954 (successive absolute interests),
 - section 955 (successive interests: assumed income entitlement of holder of absolute interest following limited interest),
 - section 956 (successive interests: payments in respect of limited interests followed by absolute interests),
 - section 957 (successive interests: holders of limited interest) and,
 - section 958 (basic amount of estate income: successive limited interests).

Relief where foreign estates have borne UK income tax

960 Relief in respect of tax relating to absolute interests **U.K.**

- (1) This section applies if—
- (a) United Kingdom corporation tax has been charged on a company for an accounting period on estate income treated as arising from an estate under section 937 (estate income: absolute interests in residue),
 - (b) the estate is a foreign estate in relation to the relevant tax year, and

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- (c) United Kingdom income tax has already been borne by part of the aggregate income of the estate for the relevant tax year.
- (2) If the company makes a claim under this section, the corporation tax charged on the company on that estate income is to be reduced by an amount equal to—

$$T \times \frac{A}{B}$$

where—

T is the corporation tax charged on the company,

A is so much of the aggregate income of the estate as has already borne United Kingdom income tax for the relevant tax year, and

B is the aggregate income of the estate for the relevant tax year.

961 Relief in respect of tax relating to limited or discretionary interests U.K.

- (1) This section applies if—
- (a) United Kingdom corporation tax has been charged on a company for an accounting period on estate income from an estate treated as arising under—
 - (i) section 939 (estate income: limited interests in residue), or
 - (ii) section 940 (estate income: discretionary interests in residue),
 - (b) the estate is a foreign estate in relation to the relevant tax year, and
 - (c) United Kingdom income tax has already been borne by part of the aggregate income of the estate for the relevant tax year.
- (2) If the company makes a claim under this section, the corporation tax charged on the company on that estate income is to be reduced by an amount equal to—

$$T \times \frac{A - C}{B - C}$$

where—

T is the corporation tax charged on the company,

A is so much of the aggregate income of the estate as has already borne United Kingdom income tax for the relevant tax year,

B is the aggregate income of the estate for the relevant tax year, and

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C is the amount of United Kingdom income tax already borne by the aggregate income of the estate for the relevant tax year.

General

962 Income from which basic amounts are treated as paid **U.K.**

- (1) The part of the aggregate income of the estate from which a basic amount is treated as paid is determined by applying assumptions A and B in that order.
- (2) Assumption A is that if there are different persons with interests in the residue of the estate, payments in respect of their basic amounts are paid out of the different parts of the aggregate income of the estate in such proportions as are just and reasonable for their different interests.
- (3) Assumption B is that payments are made from those parts in the following order—
 - (a) income bearing income tax at the basic rate, and
 - (b) income bearing income tax at the dividend ordinary rate.
- (4) If some, but not all, of the aggregate income of the estate is income treated under section 963 as bearing income tax, assumption C is applied before assumptions A and B.
- (5) Assumption C is that the basic amount is paid from income that is not within section 963 before it is paid from income within that section.
- (6) Assumptions A and B then apply—
 - (a) first to determine the part of the income not within that section from which the basic amount is paid, and
 - (b) then to determine the part of the income within that section from which the basic amount is paid.

963 Income treated as bearing income tax **U.K.**

- (1) This section has effect for the purposes of—
 - section 946 (the applicable rate for grossing up basic amounts of estate income),
 - section 952 (applicable rate for determining assumed income entitlement (UK estates)), and
 - section 962 (income from which basic amounts are treated as paid).
- (2) If the aggregate income of the estate includes a sum within subsection (3) or (4), the sum is treated as bearing income tax at the rate specified for it in that subsection.
- (3) The following sums are treated as bearing income tax at the dividend ordinary rate—
 - (a) a sum charged under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.), or
 - (b) a sum that is part of the aggregate income of the estate because of falling within—
 - (i) section 947(2)(c) (stock dividends), or
 - (ii) section 947(2)(d) (release of loan to participator in close company where debt due from personal representatives).

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- (4) A sum that is part of the aggregate income of the estate because of falling within section 947(2)(e) (gains from life insurance contracts etc.) is treated as bearing income tax at the basic rate.
- (5) Income tax treated as borne under section 941(3) or 942(4) (gross amount of estate income treated as bearing tax at the applicable rate) is not repayable so far as the basic amount of the estate income in question is paid from sums within this section.

964 Transfers of assets etc treated as payments **U.K.**

- (1) For the purposes of this Chapter—
 - (a) a transfer of assets, or
 - (b) the appropriation of assets by personal representatives to themselves,
 is treated as the payment of an amount equal to the assets' value at the date of transfer or appropriation.
- (2) The set off or release of a debt is treated for the purposes of this Chapter as the payment of an amount equal to it.
- (3) If at the end of the administration period—
 - (a) there is an obligation to transfer assets to any person, or
 - (b) personal representatives are entitled to appropriate assets to themselves,
 an amount equal to the assets' value at that time is treated as payable then for the purposes of this Chapter.
- (4) If at the end of the administration period—
 - (a) there is an obligation to release or set off a debt owed by any person, or
 - (b) personal representatives are entitled to release or set off a debt in their own favour,
 a sum equal to the debt is treated as payable then for the purposes of this Chapter.

965 Assessments, adjustments and claims after the administration period **U.K.**

- (1) This subsection applies if after the administration period ends it is apparent that a company is liable for corporation tax on estate income for any accounting period for which it previously appeared not to be so liable or to be liable for tax on a lesser amount.
- (2) If subsection (1) applies—
 - (a) the company may be assessed and taxed for the accounting period, and
 - (b) any relief or additional relief to which the company may be entitled for the accounting period is to be allowed if a claim is made.
- (3) This subsection applies if after the administration period ends it is apparent that a company which previously appeared to be liable for corporation tax on estate income for any accounting period is not so liable or is liable for tax on a lesser amount.
- (4) If subsection (3) applies—
 - (a) all necessary adjustments and repayments of corporation tax for the accounting period are to be made, and
 - (b) if the company has been allowed relief which exceeds the relief that could have been given by reference to the amount actually charged for the

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accounting period, the excess is to be treated as chargeable for that accounting period under the charge to corporation tax on income.

- (5) An assessment or adjustment made for the purposes of this Chapter or a claim made as a result of this Chapter may be made after the end of the period otherwise allowed if it is made on or before the third anniversary of the 31 January following the accounting period in which the administration period ends.

966 Power to obtain information from personal representatives and beneficiaries **U.K.**

- (1) An officer of Revenue and Customs may by notice require a person within subsection (2) to provide the officer with such particulars as the officer thinks necessary for the purposes of this Chapter.
- (2) A person is within this subsection if—
 - (a) the person is or has been a personal representative, or
 - (b) the person has or has had an absolute or limited interest in the whole or part of the residue of the deceased person's estate.
- (3) The notice must specify the period within which the particulars must be provided.
- (4) That period must be at least 28 days.

967 Statements relating to estate income **U.K.**

- (1) If a company within subsection (2) requests it in writing, a personal representative of a deceased person must provide the company with a statement showing—
 - (a) the amount treated as estate income arising from the company's interest in the whole or part of the deceased person's estate for which the company is liable to corporation tax for an accounting period, and
 - (b) the amount of any tax at the applicable rate which any such amount is treated as having borne.
- (2) A company is within this subsection if—
 - (a) it has or has had an absolute or limited interest in the whole or part of the residue of the estate, or
 - (b) estate income has arisen to it from a discretionary interest it has or has had in the whole or part of the residue of the estate.
- (3) A statement under subsection (1) must be in writing.
- (4) The duty to comply with a request under this section is enforceable by the company which made it.

Supplementary

968 Meaning of “personal representatives” **U.K.**

In this Chapter “personal representatives”, in relation to a person who has died, means—

- (a) in the United Kingdom, persons responsible for administering the estate of the deceased, and

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- (b) in a territory outside the United Kingdom, those persons having functions under its law equivalent to those of administering the estate of the deceased.

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