



Finance Act 1956

1956 CHAPTER 54

PART IV

THE PROFITS TAX

31 Extent to which sums applied in reducing share capital etc are to be treated as distributions

- (1) Subject to the following provisions of this section, the proviso to subsection (1) of section thirty-six of the Finance Act, 1947 (which directs that sums applied in repaying loans or in reducing share capital shall not be treated as distributions for the purposes of the profits tax), shall not have effect in relation to any sum applied on or after the relevant date in reducing a body corporate's share capital, in so far as that sum exceeds the amount of the reduction made in the total nominal amount of the body's paid-up share capital.
- (2) Subject as aforesaid, the said proviso, in the case of a body corporate the directors whereof have a controlling interest therein, shall not have effect in relation to any sum applied on or after the relevant date in or towards repayment of a loan, in so far as that sum exceeds the amount of the loan (that is to say, the net amount or value received by the borrower) or so much of that amount as remains after deducting any sums previously applied in or towards repayment of the loan.
- (3) Sums which by virtue of subsection (1) or subsection (2) of this section are to be treated as part of the gross relevant distributions to proprietors of a body corporate shall not be treated as applied in reducing capital for the purposes of section thirty-one of the Finance Act, 1951 (under which a capitalisation of distributable sums and a reduction of capital are in certain cases to be treated as together amounting to a distribution).
- (4) Where a body corporate having a share premium account applies the whole or part of that account in providing for premiums payable on redemption of any redeemable preference shares, then—
 - (a) the part so provided of the sum applied in redeeming those shares shall be left out of account in determining under subsection (1) of this section to what

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

extent (if any) the said sum exceeds the amount of the reduction made in the total nominal amount of the body's paid-up share capital; but

- (b) if in consequence of the foregoing paragraph there is a reduction in the amount of the body's gross relevant distributions to proprietors for the chargeable accounting period in question, then a reduction of the same amount shall be made in the amount of the premiums which fall to be taken into account under subsection (1) of section thirty-five of the Finance Act, 1947, for the purpose of arriving at the limitation imposed by that subsection on the distributions which are to be treated for the purposes of paragraph (c) thereof as distributions of capital.

In this subsection, "share premium account" means, in relation to a body corporate which is not a company within the meaning of the Companies Act, 1948, any separate reserve or account or part thereof which represents premiums received on the issue of shares and which under the law governing the management of the body's affairs has a purpose corresponding to that of a share premium account under section fifty-six of the last-mentioned Act.

- (5) Where immediately before the sixteenth day of April, nineteen hundred and forty-seven, the terms on which any redeemable preference shares had been issued by a body corporate, or on which any loan had been made to a body corporate, (or if those terms had been varied before that day, the terms as so varied) conferred on the body corporate a right or imposed on the body corporate an obligation to redeem the shares or repay the loan at a premium, and the body corporate in pursuance of that right or obligation applies any sum on or after the relevant date in redeeming the shares or in or towards repayment of the loan, the foregoing provisions of this section shall apply as if the nominal amount of the shares or the amount of the loan, as the case may be, had been equal to the total amount required in pursuance of that right or obligation to be paid on redemption or repayment:

Provided that, where the said right or obligation is or has been varied on or after the said sixteenth day of April, this subsection shall not apply unless the variation is or was limited to increasing or reducing the said total amount, and shall apply in that case as if the said total amount had at no time exceeded the least amount required in pursuance of the said right or obligation as in force immediately before the said sixteenth day of April or at any time subsequently.

- (6) Where immediately before the sixteenth day of April, nineteen hundred and forty-seven, the rights attached to any issued shares of a body corporate included any right of priority as respects capital for a sum in excess of the nominal amount of the shares (not being, in the case of redeemable preference shares, a right only to a premium on redemption), and by virtue of that right a sum in excess of the said nominal amount is paid in respect of the shares, then for the purposes of subsection (1) of this section or of subsection (1) of section thirty-five of the Finance Act, 1947, those shares shall be taken as being of a nominal amount equal to the sum so paid, but for the purposes of subsection (1) of the said section thirty-five the excess of that sum over the nominal amount of the shares shall, if those or any other shares were or are issued by the body corporate at a premium for cash, be deducted from the amounts of the premiums:

Provided that, where the rights as respects capital attached to the shares are or have been varied on or after the said sixteenth day of April, this subsection shall not apply so as to treat them as being of a nominal amount greater than the least amount for which a right of priority shall have attached thereto on that day or at any time subsequently.

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

(7) In this section, " the relevant date " means the eighteenth day of April, nineteen hundred and fifty-six.