STATUTORY INSTRUMENTS

2009 No. 3314

CORPORATION TAX

The Distributions (Excluded Companies) Regulations 2009

Made - - - -	*15th December 2009*
Coming into force - -	*15th December 2009*

The Treasury make the following Regulations in exercise of the powers conferred by section 931C(2)(b) and (6) of the Corporation Tax Act 2009(**a**)(**b**).

In accordance with section 1310(4) of that Act, a draft of this instrument was laid before the House of Commons and approved by a resolution of that House.

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Distributions (Excluded Companies) Regulations 2009 and shall come into force on the day on which they are made.

(2) These Regulations shall have effect for accounting periods which are current on the day on which these Regulations are made and for accounting periods which begin after that day.

Excluded companies

2.—(1) A territory which satisfies section 931C(1)(a) and (b) is nevertheless not a qualifying territory for the purpose of section 931B(**c**) in respect of the payer of the distribution if the payer is an excluded company.

(2) For the purposes of this regulation, an excluded company is one which is excluded from one or more of the benefits of any double taxation relief arrangements for the time being in force in relation to that territory.

Dave Watts
Tony Cunningham
15th December 2009 — Two of the Lords Commissioners to Her Majesty's Treasury

(**a**) 2009 c. 4.
(**b**) Section 931C was inserted by section 34 of and Schedule 14 to the Finance Act 2009 (c.10).
(**c**) Section 931B was inserted by section 34 of and Schedule 14 to the Finance Act 2009.

EXPLANATORY NOTE

(This note is not part of the Regulations)

From 1st July 2009, a dividend or other distribution which a small company receives from another company is exempt from the charge to corporation tax if the conditions set out in section 931B of the Corporation Tax Act 2009 ("CTA 2009") (c.4) are satisfied. One such condition is that the payer is a resident of (and only of) the United Kingdom or a qualifying territory at the time that the distribution is received.

Section 931C(1) of CTA 2009 defines a qualifying territory for the purposes of section 931B. Section 931C(2) provides that the Treasury may make regulations which can designate a territory as qualifying, notwithstanding that it does not meet the conditions set out in section 931C(1), and can designate a territory as non-qualifying, even if it does meet those conditions. The power to make regulations extends to describing a territory by reference to any double taxation relief arrangements that are for the time being in force in relation to it, making provision for different descriptions of company, and making provision having effect in relation to accounting periods current on the day on which the regulations are made.

Regulation 2 provides that where a company paying a distribution is a resident of a territory outside the United Kingdom that would otherwise satisfy section 931C(1)(a) and (b), that territory is not a qualifying territory in respect of the company if the company is excluded from any or all of the benefits of any double taxation relief arrangements that are in force in relation to that territory.

Sections 931B and 931C and these regulations are included in a package of measures being introduced as part of the Government's review of taxation of the foreign profits of companies. A full and final impact assessment of the effect which the package as a whole will have on the costs of business and the voluntary sector was published on 22nd April 2009. A copy is available at http://www.hm-treasury.gov.uk/d/Budget2009/bud09_impactassessment_1395.pdf

The impact of these regulations on business and the voluntary sector is negligible.

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