

Restriction on relief for losses by repayment of tax in case of dividends paid out of accumulated profits.  
ITA67 s372; CTA76 s140(1) and Sch2 Pt1 par21(1) 753.—Where a person or a body of persons carries on a trade, other than such a trade mentioned in section 752 (3), and the person's or the body of persons' income for any year of assessment or, as the case may be, accounting period includes a dividend the net amount of which would, if the trade were such a trade mentioned in section 752 (3), be required to any extent to be taken into account as a trading receipt which has not borne tax, then, in ascertaining—

(a) for the purposes of income tax, whether any or what repayment of tax is to be made to that person or body of persons under section 381 by reference to any loss sustained in the trade for that year of assessment, there shall be disregarded—

(i) the gross amount corresponding to so much of that net amount as would have been required to be taken into account as a trading receipt which has not borne tax, and

(ii) any tax credit in respect of the amount required to be disregarded under subparagraph (i);

(b) for the purposes of corporation tax, the income or profits against which the loss may be set off under section 157 or 396, there shall be disregarded the gross amount corresponding to so much of that net amount as would have been required to be taken into account as a trading receipt which has not borne tax.