HMRC - CTM02060 - Dividends And Other Distributions Received

Part 9A of CTA09: distributions received on or after 1 July 2009

Dividends or other distributions received on or after 1 July 2009 from UK or overseas companies are chargeable to CT under CTA09/Part 9A (added by FA09/S34) unless the distribution is exempt. Most distributions, including those from overseas companies, as well as those from UK companies which were exempt under the previous rule outlined below, are now exempt. See INTM65000 for more details.

CTA09/S1285 (formerly ICTA88/S208): distributions received before I July 2009

Dividends and other distributions received from a company resident in the UK before 1 July 2009 were exempt from the CT charge by virtue of ICTA88/S209 (and briefly by virtue of its successor under the Tax Law Rewrite provisions, CTA09/S1285).

The excess of franked investment income received in an accounting period over franked payments made in that period is called ‘surplus franked investment income’. For accounting periods beginning before 2 July 1997 surplus franked investment income could be treated for certain purposes as if it were profits chargeable to CT. See CTM16200+.

Franked investment income is the aggregate of:

the amount or value of a distribution (other than a foreign income dividend (FID)) on which a tax credit is due,

and

the amount of that credit received by a company:

which is resident in the UK, and

which does not receive the income on behalf of, or in trust for another person.

A franked payment is the sum of:

the amount or value of a qualifying distribution,

and

the proportion of its amount or value which corresponds to the rate of advance corporation tax (ACT) in force for the financial year when the distribution is made.

Distributions made after 5 April 1999 do not create franked payments, but still give rise to franked investment income which is, for instance, relevant to the calculation of small profits relief - see CTM03600.

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