HMRC - CTM20105 - ACT: Set-Off Against CT On Profits: Introduction

ICTA88/S239 (3), (4), (5) & ICTA88/S240

ICTA88/S239 was repealed in relation to accounting periods beginning on or after 6April 1999.

Prior to this, the rules for setting off ACT against CT were broadly as follows.

Set-off against CT

Subject to certain limitations, where a company:

paid ACT in respect of any distribution made in an accounting period,

and

that ACT was not repaid in accordance with ICTA88/SCH13/PARA4 (CTM22080) or ICTA88/SCH13/PARA4A (CTM22085),

and

the ACT was not surrendered under ICTA88/S240,

the ACT was to be set-off against its liability to CT on its profits for that accounting period.

The company could claim to have any surplus ACT set-off against CT on the company’s profits for earlier accounting periods ([## ICTA88/S239 (3), (4), (5) & ICTA88/S240

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The company could claim to have any surplus ACT set-off against CT on the company’s profits for earlier accounting periods (](https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm20170) to CTM20240). It could also be set-off or repaid under the FID provisions (CTM21000 onwards).

If there was still some surplus ACT left it was automatically carried forward (CTM20250).

However, before any use was made of ACT it was necessary to check that the relevant ACT had been paid. If the tax had not been paid, no set-off was made. Excessive set-offs are dealt with at CTM20260.

Surrender of ACT

A company could surrender ACT to a subsidiary even though it might have had CT liability of its own against which the ACT could be set. As regards ACT surrendered to subsidiaries, see [## ICTA88/S239 (3), (4), (5) & ICTA88/S240

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Non-repayment of ACT

ACT, which could not be set-off under the provisions referred to above, was not repayable, unless it related to an FID paid (CTM21010).

ACT recorded on the return

The ACT paid by the company in respect of any franked payment made or FID paid in an accounting period had to be shown on the company’s CT return for that period as had any ACT brought forward under ICTA88/S239 (4) from an earlier accounting period.

Claims

No claim was required to give relief for ACT against CT for the accounting period:

in which the franked payments were made, or

in which the FID were paid, or

to which the ACT was brought forward from an earlier accounting period.

However relief against CT for earlier accounting periods was given only following a specific claim by the company under ICTA88/S239 (3).

Oil Taxation Act

ACT paid in respect of a distribution made to an associated company resident in the UK by a company which was within the scope of Part II of the Oil Taxation Act 1975 was not to be set against any liability to CT on ‘ring fence’ income.

ACT on distributions to a non-resident shareholder

ACT deemed to have been paid by set-off of an additional amount paid to a non-resident shareholder could be set-off against CT.

Tax avoidance

There were provisions at ICTA88/S245 onwards aimed at preventing tax avoidance involving ACT (see CTM20300, [## ICTA88/S239 (3), (4), (5) & ICTA88/S240

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If there was still some surplus ACT left it was automatically carried forward (CTM20250).

However, before any use was made of ACT it was necessary to check that the relevant ACT had been paid. If the tax had not been paid, no set-off was made. Excessive set-offs are dealt with at CTM20260.

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Non-repayment of ACT

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ACT recorded on the return

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Tax avoidance

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