HMRC - CTM21270 - How Legislation Operated In Practice: Summary

The steps involved in applying the FID legislation are summarised as follows.

1) The company made an election for a dividend to be an FID. This was made no later than the time of payment. The election was effective as long as the dividend was paid in cash (CTM21110) and the anti-streaming rules were not offended (CTM21110 and CTM21260).

2) The company elected to match an FID paid with a distributable foreign profit (DFP) of itself or a subsidiary company ([

The steps involved in applying the FID legislation are summarised as follows.

1) The company made an election for a dividend to be an FID. This was made no later than the time of payment. The election was effective as long as the dividend was paid in cash (CTM21110) and the anti-streaming rules were not offended (CTM21110 and CTM21260).

2) The company elected to match an FID paid with a distributable foreign profit (DFP) of itself or a subsidiary company (](https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm21300) onwards).

The DFP was any foreign source profit (FSP), less the tax thereon (the greater of the foreign tax and UK CT before double taxation relief). An FSP was a profit included in chargeable profits for which a credit for double taxation relief was given.

The FSP was net of any deductions such as group relief. Where deductions such as group relief had been made the foreign tax for accounting periods ending on or before 28 November 1995 deducted in computing the DFP could be different from the double taxation relief deducted in the CT computation.

3) If the company had matched an FID paid with a DFP, the amount of ACT available for setoff or repayment was the smaller of:

the ACT which had not already been dealt with (CTM21410),

the ACT that would be surplus if certain assumptions were made (CTM21420).

The above only applied if the company had not treated itself as an international headquarters company (IHC) at any time in the accounting period concerned.

4) The ACT thus available was set off against mainstream CT after any ACT set off underICTA88/S239 (1) for the accounting period, with any balance being repaid.

5) If the ACT set off or repaid had already been carried forward and used under ICTA88/S239 (1) for a later period, a ICTA88/S252 assessment was required for that later period.

6) The company could subsequently claim to match DFPs of later accounting periods with another part of that FID or another FID paid in that accounting period. The calculation was then done again (CTM21460).

7) If the profits or overseas tax were revised the FID computations were revised (CTM21480).

8) When paying an FID a company could treat itself as an IHC and not account for ACT at that time ([

The steps involved in applying the FID legislation are summarised as follows.

1) The company made an election for a dividend to be an FID. This was made no later than the time of payment. The election was effective as long as the dividend was paid in cash (CTM21110) and the anti-streaming rules were not offended (CTM21110 and CTM21260).

2) The company elected to match an FID paid with a distributable foreign profit (DFP) of itself or a subsidiary company ([

The steps involved in applying the FID legislation are summarised as follows.

1) The company made an election for a dividend to be an FID. This was made no later than the time of payment. The election was effective as long as the dividend was paid in cash (CTM21110) and the anti-streaming rules were not offended (CTM21110 and CTM21260).

2) The company elected to match an FID paid with a distributable foreign profit (DFP) of itself or a subsidiary company (](https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm21300) onwards).

The DFP was any foreign source profit (FSP), less the tax thereon (the greater of the foreign tax and UK CT before double taxation relief). An FSP was a profit included in chargeable profits for which a credit for double taxation relief was given.

The FSP was net of any deductions such as group relief. Where deductions such as group relief had been made the foreign tax for accounting periods ending on or before 28 November 1995 deducted in computing the DFP could be different from the double taxation relief deducted in the CT computation.

3) If the company had matched an FID paid with a DFP, the amount of ACT available for setoff or repayment was the smaller of:

the ACT which had not already been dealt with (CTM21410),

the ACT that would be surplus if certain assumptions were made (CTM21420).

The above only applied if the company had not treated itself as an international headquarters company (IHC) at any time in the accounting period concerned.

4) The ACT thus available was set off against mainstream CT after any ACT set off underICTA88/S239 (1) for the accounting period, with any balance being repaid.

5) If the ACT set off or repaid had already been carried forward and used under ICTA88/S239 (1) for a later period, a ICTA88/S252 assessment was required for that later period.

6) The company could subsequently claim to match DFPs of later accounting periods with another part of that FID or another FID paid in that accounting period. The calculation was then done again (CTM21460).

7) If the profits or overseas tax were revised the FID computations were revised (CTM21480).

8) When paying an FID a company could treat itself as an IHC and not account for ACT at that time (](https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm21500) onwards).

9) If a company was found not to be an IHC for an accounting period, it was liable to account for ACT on any FID paid (net of FID received). Where it had not accounted for ACT, an assessment was made. This could be done during the accounting period if it was concluded that the company would not be an IHC for that accounting period (CTM22360). The rules outlined above then applied.

10) If a company was an IHC in the accounting period, a reckoning was carried out with payment being made to or by the company as appropriate (CTM21550).

An IHC required to pay ACT in such circumstances could match DFP of later accounting periods with an FID paid in that accounting period. A further reckoning was then needed (CTM21560).

Previous page

Next page