HMRC - CTM21420 - Notional Foreign Source

ICTA88/S246P (1) & (2)

When working out the amount of ACT to be repaid or set off, it was necessary to quantify the ACT that would be surplus if certain assumptions were made (CTM21405).

This surplus ACT was the ACT:

which the company would have paid in respect of distributions made in the relevant period,

and

which would not have been set off against the CT liability for that period under ICTA88/S239 (1),

on the basis of the following assumptions for the relevant period:

the qualifying FID (see CTM21430) were the only distributions made,

no distributions were received or treated as received,

no ACT was brought forward or carried back or surrendered to the company,

no ACT was surrendered by the company,

the profits chargeable to CT consisted only of the matched foreign source profits (FSP) (CTM21440),

the amount of CT charged in respect of a matched FSP arising in an accounting period other than the relevant period (the accounting period in which the FID was paid) was based on the foreign tax rate actually chargeable in respect of the profit, and the CT rate that would have applied had the profit arisen in the relevant period.

For accounting periods ending on or before 28 November 1995, the notional double taxation relief (DTR) given in calculating the notional CT liability under the assumptions was found by applying the foreign tax rate to the FSP. If any deduction had been made incomputing the FSP, the notional DTR would differ from the real DTR included in the CT computation.

For accounting periods ending after 28 November 1995, if any deduction had been made incomputing the FSP, the notional DTR given in calculating the notional CT liability under the assumptions was the DTR that would be available if the deductions had not been made. It was therefore the same as the real DTR included in the CT computation.

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