HMRC - CTM22010 - Introduction

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The existing Schedule 13 machinery relating to franked payments also covers FID paid. (Note that FID were also abolished from 6 April 1999 onwards.) ACT is computed separately for franked payments and FID paid.

Schedule 13 provisions are based on:

ICTA88/S14 (ACT on qualifying distributions), see CTM20070,

ICTA88/S241 (franked payments), see CTM16120,

ICTA88/S246F (FID paid), see CTM21005.

Franked payments

The calculation of ACT, see CTM22060, is based on the amount of franked payments made in that accounting period less franked investment income received in that accounting period (as long as the tax credit comprised in the franked investment income has not been paid to the company following a claim under ICTA88/S231 (2)).

No ACT is payable when the franked investment income equals or exceeds the franked payments.

Any surplus of franked investment income over franked payments is described as a surplus of franked investment income for that accounting period.

The amount of this surplus is reduced by any such surplus used in a claim made under ICTA88/S242 and/or ICTA88/S243 (both were repealed by F2A97 with effect in relation to accounting periods beginning on or after 2 July 1997). Any such surplus on which the tax credit has been paid to the company under ICTA88/S231 (2) (CTM16130), (repealed by F2A97/S30(4), (5)(b) in relation to distributions made on or after 6 April 1999), and

any amount deductible under ICTA88/S430 (close companies apportionment - the section was repealed in relation to accounting periods beginning after 31 March 1989).

If any surplus franked investment income is left over it is carried forward and treated as franked investment income received in the next accounting period for the purpose of Schedule 13.

When franked investment income is used to cover franked payments for calculating the ACT payable it is described as being used to frank distributions.

Under Schedule 13, the company has to frank its distributions. It cannot opt to pay ACT and store up its franked investment income for future use.

FID paid (FID were abolished from 6 April 1999 onwards)

ACT is worked out separately on franked payments and FID.

The ACT due on FID paid is calculated on the excess of:

FID paid in an accounting period,

over

FID received during that accounting period (but see [

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The calculation of ACT, see CTM22060, is based on the amount of franked payments made in that accounting period less franked investment income received in that accounting period (as long as the tax credit comprised in the franked investment income has not been paid to the company following a claim under ICTA88/S231 (2)).

No ACT is payable when the franked investment income equals or exceeds the franked payments.

Any surplus of franked investment income over franked payments is described as a surplus of franked investment income for that accounting period.

The amount of this surplus is reduced by any such surplus used in a claim made under ICTA88/S242 and/or ICTA88/S243 (both were repealed by F2A97 with effect in relation to accounting periods beginning on or after 2 July 1997). Any such surplus on which the tax credit has been paid to the company under ICTA88/S231 (2) (CTM16130), (repealed by F2A97/S30(4), (5)(b) in relation to distributions made on or after 6 April 1999), and

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If any surplus franked investment income is left over it is carried forward and treated as franked investment income received in the next accounting period for the purpose of Schedule 13.

When franked investment income is used to cover franked payments for calculating the ACT payable it is described as being used to frank distributions.

Under Schedule 13, the company has to frank its distributions. It cannot opt to pay ACT and store up its franked investment income for future use.

FID paid (FID were abolished from 6 April 1999 onwards)

ACT is worked out separately on franked payments and FID.

The ACT due on FID paid is calculated on the excess of:

FID paid in an accounting period,

over

FID received during that accounting period (but see](https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm22350) concerning FID paid by an International Headquarters Company).

The method of calculation is dealt with at CTM22060.

Where there is no excess, no ACT is payable.

Where the FID received exceed the FID paid in that accounting period, that excess iscarried forward and treated as FID received in the next accounting period for the purposes of Schedule 13.

The company must set off FID received or treated as received in an accounting period against FID paid in that period. It cannot opt to pay ACT and to store up the FID received.

The following definitions apply for the purposes of this guidance

Franked payments

The amount or value of a qualifying distribution and such proportion of that amount or value as corresponds to the rate of advance CT in force for the financial year in which the distribution is made, but subject to ICTA88/S247 (2).

Franked investment income

Income of a company resident in the UK which consists of a distribution in respect of which the company is entitled to a tax credit (and which accordingly represents income equal to the aggregate of the amount or value of the distribution and the amount of that credit), but subject to ICTA88/S247 (2).

Next page