HMRC - CTM22060 - Of Returns

The contents of returns are specified in ICTA88/SCH13/PARA2.

The returns have to show:

The amount of any franked payments (CTM20060) made in the return period.

Franked payments made to a parent company, despite an election under ICTA88/S247 (CTM80070). (These franked payments must be shown separately on the return.)

Franked investment income received (CTM16120) in the return period.

The franked investment income received includes the excess, if any, of

any surplus franked investment income brought forward to the accounting period containing that return period (CTM22010),

plus

any franked investment income received in that accounting period but before the beginning of that return period, over

any franked payments made in that accounting period but before the beginning of that return period.

So the franked investment income received is surplus franked investment income brought forward plus franked investment income up to the return end date less franked payments upto the return start date.

Returns have to show FID paid and FID received in the return period. FID received includethe excess, if any, of:

any FID received brought forward to the accounting period containing that return period (CTM22010),

plus

any FID received in that accounting period but before the beginning of that return period,

over

any FID paid in that accounting period but before the beginning of that return period.

If a company treats itself as an international headquarters company at the time of paying the FID, the FID paid is ignored. This increases the relief for net FID received. For further information refer to ICTA88/SCH13/PARA3A (3), CTM21220,CTM21550, [The contents of returns are specified in ICTA88/SCH13/PARA2.

The returns have to show:

The amount of any franked payments (CTM20060) made in the return period.

Franked payments made to a parent company, despite an election under ICTA88/S247 (CTM80070). (These franked payments must be shown separately on the return.)

Franked investment income received (CTM16120) in the return period.

The franked investment income received includes the excess, if any, of

any surplus franked investment income brought forward to the accounting period containing that return period (CTM22010),

plus

any franked investment income received in that accounting period but before the beginning of that return period, over

any franked payments made in that accounting period but before the beginning of that return period.

So the franked investment income received is surplus franked investment income brought forward plus franked investment income up to the return end date less franked payments upto the return start date.

Returns have to show FID paid and FID received in the return period. FID received includethe excess, if any, of:

any FID received brought forward to the accounting period containing that return period (CTM22010),

plus

any FID received in that accounting period but before the beginning of that return period,

over

any FID paid in that accounting period but before the beginning of that return period.

If a company treats itself as an international headquarters company at the time of paying the FID, the FID paid is ignored. This increases the relief for net FID received. For further information refer to ICTA88/SCH13/PARA3A (3), CTM21220,CTM21550,](https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm22085) and CTM22350.

The return must also show the ACT payable in respect of the franked payments or FID paid.

Calculation of ACT payable on franked payments

A company’s ACT liability is based on the excess of its:

franked payments made in the return period

over

franked investment income received (or treated as received) in that period.

ACT is calculated at the rate in force at the end of the return period. The ACT rates are at CTM20065.

For the effect of changes in the rate of ACT, see CTM22250.

Example

In a return period a company has made franked payments of £10,000 (that is, £8,000 dividend paid plus ACT £2,000), and received £4,000 franked investment income.

The ACT is calculated by applying the lower rate of IT to the difference between the franked payments and franked investment income, which is £10,000 - £4,000 = £6,000. ACT is 20% of £6,000 = £1,200.

Strictly, the ACT is calculated on an amount which when the ACT is added to it, is equal to the excess of franked payments over franked investment income. In this example the amount of ACT is a quarter of £4,800 i.e. £1,200 - which together with £4,800 gives the excess of £6,000.

Franked investment income cannot be included in this calculation if the associated tax credit has been paid to the company following a claim under ICTA88/S231 (2) (repealed with effect from 6 April 1999 onwards).

Calculation of ACT payable on FID

A company’s ACT liability on FID is based on the excess of its:

FID paid in the return period,

over

FID received (or treated as received) in that return period.

The ACT is found by applying the ACT rate to the excess.

FID paid as an international headquarters company (CTM22350) and manufactured FID paid are excluded from the figure of FID paid for this purpose and are shown separately on the return.

Previous page

Next page