HMRC - CTM34230 - Residence: Non-Resident Companies: Differences In Treatment Compared With Resident Companies

The other main areas in which the taxation of non-resident companies differs from that of resident companies are listed below. Most of these are no longer in force, but they are listed for completeness.

A non-resident company cannot:

join in an election under ICTA88/S247 (1) for distributions made before to 6 April 1999, CTM80085.

join in an election under ICTA88/S247 (4) for payments made before 11 May 2001, CTM80085.

receive a surrender of ACT, CTM81200 onwards.

be a close company (but may be treated as close for the purpose of establishing the close company status of a resident company).

receive small profits relief under CTA10/S18 (CTM03500 onwards) for any accounting period in which it is non-resident (see DT1954 for foreign companies with a permanent establishment in the UK).

This means a non-resident company:

is not liable to account for ACT on distributions made before to 6 April 1999,

cannot have ‘franked investment income’,

cannot have surplus franked investment income for the purposes of ICTA88/S242,

cannot set trading losses against dividend income to augment its trading income for the purposes of absorbing losses brought forward.

Distributions received by a non-resident company from UK companies remain outside the charge to CT. See CTM34270 regarding income tax liability.

Distributions made by a non-resident company do not carry tax credit and are not franked investment income when received by a resident company. This applies even if the non-resident company trades in the UK.

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