HMRC - CTM81210 - Computation Of ACT Available

Where during an accounting period beginning before 6 April 1999 a company has paid dividends but has made no other qualifying distributions (prior to 6 April 1999), the whole of the ACT paid and not:

set off,

or

repaid,

under the following provisions is available for surrender. (ACT can be repaid under the provisions of ICTA88/SCH13/PARA4 or PARA4A, or set off or repaid under the FID provisions.)

The sidenote to ICTA88/S240 refers to the set-off against a subsidiary’s liability of acompany’s surplus ACT. Surplus ACT is defined at ICTA88/S239 (3). But you should note that it is not only the surplus ACT as defined at Section 239 (3) that is available for surrender.

However, ACT carried forward within a company under Section 239 (4) is not available for surrender under Section 240 for the later accounting period. This is because such ACT is treated ‘for the purposes of this section’ - that is Section 239 - as if it were ACT paid in respect of distributions made by the company in the next accounting period.

Where in a return period a company:

has paid non-FID dividends,

and

made other non dividend qualifying distributions,

and

has franked investment income set off,

and

pays ACT,

the statute does not say whether the ACT is paid in respect of the dividends or the other distributions. In practice the Revenue is prepared to give the company the benefit of the view that the franked investment income covers first the non-dividend distributions. This has the effect of maximising the ACT, which the company can surrender.

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