HMRC - CTM81215 - Effect Of Surrender

This page demonstrates the effect where a company surrenders the benefit of any amount of ACT (referred to as ‘the surrendered amount’) to a subsidiary.

The ‘surrendering company’ can make no further claims under ICTA88/S239 in respect of the surrendered amount’.

The subsidiary to which the ACT is surrendered is treated for the purposes of Section 239as if it had paid an equivalent amount of ACT in respect of a distribution made on the date on which the surrendering company paid the dividend(s) that give rise to the ACT. If the surrendering company paid ACT in respect of dividends paid on different dates, the ACT treated as paid by the subsidiary is allocated between those dates in proportion to the amounts of the dividends paid by the surrendering company.

The provisions above determine the amount of ACT treated as paid by the subsidiary in its accounting period. That ACT will be set against the subsidiary’s CT liability under Section 239 (1). Any balance of the surrendered amount not used under Section 239 (1) is carried forward under Section 239 (4). There are limitations on the use of the surrendered ACT at CTM81225 and CTM81230.

Example

Company G makes up its accounts to 31 March. It has a subsidiary, Company H, which makes up its accounts to 30 November. Company H is Company G’s subsidiary for the whole of the year ended 31 March 1996.

The rate of ACT is 20/80. Company G makes:

a distribution of £10,000 on 15 October 1995, and

a distribution of £12,000 on 15 December 1995.

Company G pays ACT of £5,500 for the three-month return period to 31 December 1995 on14 January 1996. None of the total ACT of £5,500 is set off or repaid under either ICTA88/SCH13 or the FID provisions.

Company G surrenders this ACT to Company H. The subsidiary is treated as if it had paid an equivalent amount of ACT in respect of a distribution made on 15 October 1995 and a distribution made on 15 December 1995. These dates fall on either side of Company H’s accounting date of 30 November 1995. The ACT must be allocated between those dates. It is allocated in proportion to the amount of the dividends paid by Company G, as follows.

15 October 1995, 10,000 / 22,000 x £5,500 = £2,500.

15 December 1995, 12,000 / 22,000 x £5,500 = £3,000.

So Husker can set (subject to ICTA88/S239 (2)):

ACT of £2,500 against its CT liability for the year ended 30 November 1995, and

ACT of £3,000 against its CT liability for the year ended 30 November 1996.

Company G cannot make any further claims in respect of the ACT of £5,500.

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