

2016 No. 000

CORPORATION TAX

The Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) (Amendment) Regulations 2016

<i>Made</i>	- - - -	***
<i>Laid before the House of Commons</i>		***
<i>Coming into force</i>	- -	xxxx 2016

The Treasury, in exercise of the powers conferred by section 32 of the Finance Act 1998(a), make the following Regulations:

Citation, commencement and application

1.—(1) These Regulations may be cited as the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) (Amendment) Regulations 2016 and come into force on xxx 2016.

(2) These Regulations apply to any distribution of a company made in an accounting period which commences on or after 6th April 2016.

(3) For the purposes of paragraph (2), an accounting period beginning before and ending on or after 6th April 2016 is to be treated for the purposes of these Regulations as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

Amendment of the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999

2. These Regulations amend the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999(b)(“the principal regulations”).

Amendment of regulation 3

3. In regulation 3 (interpretation) of the principal regulations—

(a) after the definition of “distribution” insert—

““exempt ABGH distribution” means a distribution which—

(a) is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph A, B, G or H in section 1000(1) of CTA 2010; and

(b) is exempt for the purposes of Part 9A of CTA 2009 (company distributions);”

(b) omit the definition of “franked investment income”;

(a) 1998 c.36.

(b) S.I. 1999/358 as amended by S.I.2003/1861, 2010/669 and 2013/157.

- (c) after the definition of “parent company” insert—
 - ““qualifying investment income” means an exempt ABGH distribution of a company grossed up by 10/9ths;” and
- (d) in the definition of “surplus franked investment income”, for “franked” substitute “qualifying”.

Substitution of definitions: qualifying investment income and surplus qualifying investment income

- 4.—(1) In each place that “franked investment income” appears—
- (a) in regulations 7 to 10A of the principal regulations (and in the title to regulations 7 to 10A); and
 - (b) in paragraphs (10) and (12) of regulation 11 (computation of shadow ACT) and in paragraph (1) of regulation 22 (life assurance companies) of the principal regulations, substitute “qualifying investment income”.
- (2) For paragraph (13) of regulation 11 of the principal regulations substitute—
- “(13) A company has a surplus of qualifying investment income in an accounting period for the purposes of paragraph (12) if an amount equal to—
- (a) the aggregate of nine-eighths of the qualifying investment income consisting of distributions made to the company in that period; and
 - (b) the surplus of qualifying investment income carried forward from the previous accounting period in accordance with paragraph (12),
- exceeds the amount of the franked distributions made by it in that period; and the amount of that excess is to be regarded as the amount of the surplus of qualifying investment income for the purposes of paragraph (12).”.
- (3) In paragraph (14)(a) of regulation 11 of the principal regulations, for “surplus franked investment income” substitute “surplus qualifying investment income”.

Name
Name

Two of the Lords Commissioners of Her Majesty’s Treasury

Date

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Regulations amend the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999 (S.I. 1999/358) (“the principal regulations”). The amendments are made in consequence of the abolition of dividend tax credit and the repeal of the term “franked investment income” contained in section 1126 of the Corporation Tax Act 2010 (c. 4). The amendments apply to distributions of companies made in an accounting period which commences on or after 6th April 2016. Authority for the retrospective effect of the Regulations is provided by section 32(11) of the Finance Act 1998 (c. 36).

By regulation 3, in regulation 3 (interpretation) of the principal regulations “franked investment income” is omitted, “qualifying investment income” is inserted and for “surplus franked investment income” is substituted “surplus qualifying investment income”.

By regulation 4, “qualifying investment income” is substituted for “franked investment income” in the specified provisions of the principal regulations, a new regulation 11(3) (dealing with a surplus

of qualifying investment income in the computation of shadow ACT) is substituted and regulation 11(14)(a) (dealing with straddling accounting periods) is amended.

A Tax Information and Impact Note has not been prepared for this Instrument as it contains no substantive changes to tax policy.