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SCHEDULES

SCHEDULE 1

Section 5

ABOLITION OF DIVIDEND TAX CREDITS ETC

Main repeals

- 1 (1) In ITTOIA 2005 omit sections 397 to 398, 400, 414 and 421 (distributions: tax credits, and tax treated as paid).
- (2) In CTA 2010 omit section 1109 (tax credits for certain distributions).

Further amendments in ITTOIA 2005

- 2 ITTOIA 2005 is further amended as follows.
- 3 In the heading of Chapter 3 of Part 4, for “credits etc” substitute “treated as paid”.
- 4 In section 382(2) (other contents of Chapter 3 of Part 4)—
- (a) omit “tax credits,” and
 - (b) for “397” substitute “399”.
- 5 Omit section 384(3) (which refers to section 398).
- 6 Omit section 393(5) (determining entitlement to tax credit).
- 7 In section 394 (which deems a distribution to be made)—
- (a) omit subsection (5) (determining entitlement to tax credit), and
 - (b) in subsection (6), for “But for” substitute “For”.
- 8 In section 395(3) (interpretation of section 395(2)) omit the words from “after” to the end.
- 9 For section 396A(2)(b) (alternative receipt treated as qualifying distribution for the purposes of sections 397 and 399 and for the purposes of section 1100 of CTA 2010) substitute—
- “(b) for the purposes of sections 1100 to 1103 of CTA 2010 (statements and returns of details of distributions) it is treated as a distribution that—
 - (i) is so made, and
 - (ii) is one to which section 1100 of CTA 2010 applies.”
- 10 In the italic heading before section 397, omit “Tax credits and”.
- 11 (1) Section 399 (qualifying distribution received by person not entitled to tax credits) is amended as follows.
- (2) For subsection (1) substitute—
- “(1) This section applies if—

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- (a) a person's income for a tax year includes a distribution of a company, and
 - (b) the person is non-UK resident.”
- (3) In subsection (2) omit “(but see subsection (7))”.
- (4) Omit subsections (3) to (5) (amount of dividend received by non-UK resident to be treated as its grossed-up amount).
- (5) Omit subsection (5A) (amounts treated as qualifying distributions for purposes of the section).
- (6) Omit subsection (7) (which provides for subsection (2) to be subject to repealed provisions).
- (7) For the heading substitute “ Tax treated as paid on distributions received by non-UK resident persons ”.
- 12 (1) Section 401 (relief: qualifying distribution after linked non-qualifying distribution) is amended as follows.
- (2) For subsections (1) to (6) substitute—
- “(1) Where a person is liable to income tax on a CD distribution, the person's liability to income tax on a subsequent non-CD distribution is reduced in accordance with this section if the non-CD distribution consists of a repayment of—
- (a) the share capital, or
 - (b) the principal of the security,
- which constituted the CD distribution.
- (1A) The reduction is—
- (a) the amount of income tax to which the person is liable on the CD distribution, or
 - (b) if lower, the amount of income tax to which the person is liable on the non-CD distribution.
- (1B) For the purposes of calculating the amounts mentioned in subsection (1A) (a) and (b) assume—
- (a) that the CD distribution is the lowest part of the person's dividend income in the tax year (“year 1”) in which it is made,
 - (b) that the non-CD distribution, if it is made in year 1, is the part of the person's dividend income in year 1 that is next lowest after the CD distribution, and
 - (c) that the non-CD distribution, if it is made after year 1, is the lowest part of the person's dividend income in the tax year in which it is made.”
- (3) In subsection (7) (interpretation), for “ “security”” substitute “—
- “CD distribution” means a distribution which is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph C or D in section 1000(1) of CTA 2010 (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company),

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“non-CD distribution” means a distribution which is not a CD distribution,
and

“security”.

(4) In the heading, for “qualifying distribution after linked non-qualifying distribution” substitute “ distribution repaying shares or security issued in earlier distribution ”.

- 13 Omit section 401A (recovery of overpaid tax credit etc).
- 14 In section 401B (power to obtain information for the purposes of section 397), for “section 397”, in each place it occurs, substitute “ this Chapter ”.
- 15 Omit sections 406(4A) and 407(4A) (determining entitlement to tax credit).
- 16 In section 408(2A) (interpretation of section 408(2)) omit the words from “after” to the end.
- 17 In section 411(2) (stock dividends: amount on which tax charged) omit “, grossed up by reference to the dividend ordinary rate for the tax year”.
- 18 In section 416 (released debts: amount on which tax charged)—
(a) in subsection (1) (tax charged on gross amount) omit “gross”, and
(b) omit subsection (2) (meaning of “gross amount”).
- 19 In section 418(3) (release of loan: tax only on grossed-up amount of excess where part previously charged) omit “, grossed up by reference to the dividend ordinary rate”.
- 20 In section 651 (meaning of “UK estate” and “foreign estate”)—
(a) in subsection (4), for “680(3) or (4) (sums” substitute “ 664(2)(c) or (d) or 680(4) (sums not liable to tax and sums ”, and
(b) in subsection (5), for “680(3) or (4)” substitute “ 664(2)(c) or (d) or 680(4) ”.
- 21 In section 657 (tax charged on estate income from foreign estates), for “680(3) or (4)”, in both places, substitute “ 680(4) ”.
- 22 In section 663 (applicable rate for purposes of grossing-up under sections 656 and 657), after subsection (4) insert—
“(5) The aggregate income of the estate, so far as it consists of income within section 664(2)(c) or (d), is treated for the purposes of this section as bearing income tax at 0%.”
- 23 In section 670 (applicable rate for purposes of Step 2 in section 665(1)), after subsection (4) insert—
“(4A) The aggregate income of the estate, so far as it consists of income within section 664(2)(c) or (d), is treated for the purposes of this section as bearing income tax at 0%.”
- 24 In section 680 (income of an estate that is treated as bearing income tax)—
(a) in subsection (2) omit “(3) or”, and
(b) omit subsection (3) (sums treated as bearing tax at the dividend ordinary rate).

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- 25 In section 680A (estate income treated as dividend income), in each of subsections (1)(a) and (4)(a), after “at the dividend ordinary rate” insert “ or as bearing tax at 0% because of section 663(5) ”.
- 26 In section 854(6) (carrying on by partner of notional business: meaning of “untaxed income”)—
- (a) omit the “or” at the end of paragraph (b), and
 - (b) after paragraph (c) insert—
 - “(d) income chargeable under Chapter 5 of Part 4 (stock dividends from UK resident companies), or
 - (e) income chargeable under Chapter 6 of Part 4 (release of loan to participator in closed company).”
- 27 Omit section 858(3) (partnerships with foreign element: entitlement to tax credit).

Further amendments in CTA 2010

- 28 CTA 2010 is further amended as follows.
- 29 (1) Section 279F (ring fence profits: related 51% group company) is amended as follows.
- (2) In subsection (7)(c) (conditions to be met by a company's dividend income in order for company to be a passive company), in sub-paragraph (ii) (dividends must be franked investment income) for “franked investment income” substitute “ exempt ABGH distributions ”.
- (3) After subsection (9) insert—
- “(10) In subsection (7)(c) “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), and
 - (b) is exempt for the purposes of Part 9A of CTA 2009 (company distributions).”
- 30 (1) Section 279G (ring fence profits: meaning of “augmented profits”) is amended as follows.
- (2) In subsection (1)(b) (franked investment income is part of augmented profits unless excluded)—
- (a) for “franked investment income” substitute “ exempt ABGH distributions ”, and
 - (b) for “is” substitute “ are ”.
- (3) In subsection (3) (exclusion of franked investment income received from certain subsidiaries etc), for “franked investment income” substitute “ exempt ABGH distribution ”.
- (4) After subsection (4) insert—
- “(5) In this section “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), and
 - (b) is exempt for the purposes of Part 9A of CTA 2009 (company distributions).”

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- 31 For section 463(7) (loan to trustees of settlement which has ended: amount on which debtor taxed when all or part of loan released or written off) substitute—
- “(7) The amount which Y is treated as receiving is equal to the amount released or written off.”
- 32 (1) Section 549 (distributions: supplementary) is amended as follows.
- (2) Omit subsection (2) (which excludes entitlement to tax credits).
- (3) In subsection (2A) (which disapplies sections 409 to 414 of ITTOIA 2005), for “414” substitute “413A”.
- 33 (1) Section 751 (interpretation of Part 15 (transactions in securities)) is amended as follows.
- (2) The existing text becomes subsection (1).
- (3) In that subsection, in the definition of “dividends”, omit “qualifying”.
- (4) After that subsection insert—
- “(2) In the definition of “dividends” given by subsection (1), “other distributions” does not include a distribution which is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph C or D in section 1000(1) (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company).”
- 34 Omit section 814D(8) (which excludes entitlement to tax credits).
- 35 Omit section 997(5) (which introduces sections 1109 to 1111).
- 36 In sections 1026(1)(b) and 1027(2)(b) (cases where amount paid up in respect of bonus shares does not fall to be treated as a qualifying distribution) omit “qualifying”.
- 37 (1) Section 1070 (distributions by company carrying on mutual business) is amended as follows.
- (2) In subsection (2) (provisions about distributions apply to company's distributions only where made out of taxed profits or franked investment income), for paragraph (b) (franked investment income) substitute—
- “(b) income of the company consisting of exempt ABGH distributions.”
- (3) After subsection (5) insert—
- “(5A) In subsection (2) “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), and
- (b) is exempt for the purposes of Part 9A of CTA 2009 (company distributions).”
- 38 (1) Section 1071 (company not carrying on business) is amended as follows.
- (2) In subsection (5) (provisions about distributions apply to company's distributions only where made out of taxed profits or franked investment income), for paragraph (b) (franked investment income) substitute—
- “(b) income of the company consisting of exempt ABGH distributions.”
- (3) After subsection (5) insert—

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- “(5A) In subsection (5) “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), and
 - (b) is exempt for the purposes of Part 9A of CTA 2009 (company distributions).”
- 39 (1) Section 1100 (qualifying distribution: right to request a statement) is amended as follows.
- (2) In subsection (1) (requests for statement)—
 - (a) for “qualifying distribution” substitute “ distribution to which this section applies ”, and
 - (b) omit paragraph (b) (amount of any tax credit), and the “and” preceding it.
 - (3) After subsection (4) insert—

“(4A) This section applies to any distribution other than one which is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph C or D in section 1000(1) (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company).”
 - (4) Omit subsections (2) and (5) (interpretation of subsection (1)(b)).
 - (5) In subsection (7) (section to be read with section 396A(2) of ITTOIA 2005)—
 - (a) for “needs” substitute “ , and sections 1101 to 1103, need ”, and
 - (b) for “as “qualifying distributions” for the purposes of this section” substitute “ as distributions to which this section applies ”.
 - (6) In the heading, for “Qualifying” substitute “ Certain ”.
- 40 (1) Section 1101 (non-qualifying distributions etc: returns and information) is amended as follows.
- (2) In subsection (1) (duty to make return), for “which is not a qualifying distribution” substitute “ to which section 1100 does not apply ”.
 - (3) In subsection (4) (duty to make return where not clear whether distribution is non-qualifying), for “which is not a qualifying distribution” substitute “ to which section 1100 does not apply ”.
 - (4) In the heading, and in the heading of section 1102, for “Non-qualifying” substitute “ Other ”.
- 41 In section 1103 (regulations about information about non-qualifying distributions)
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- (a) in subsection (2) (purpose for which sections 1101 and 1102 may be rewritten), for “which are not qualifying distributions” substitute “ to which section 1100 does not apply ”,
 - (b) in subsection (4) (special arrangements about matters specified in subsection (5)), for “matters” substitute “ matter ”, and
 - (c) in subsection (5)—
 - (i) for “Those matters are” substitute “ That matter is ”, and
 - (ii) omit paragraph (b) (tax credits), and the “and” preceding it.
- 42 (1) Section 1106 (interpretation of sections 1104 and 1105) is amended as follows.

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- (2) In subsection (4) (meaning of “tax certificate”)—
- (a) after paragraph (a) insert “ and ”, and
 - (b) omit paragraph (c) (tax credits), and the “and” preceding it.
- (3) Omit subsections (5) and (6) (interpretation of subsection (4)(c)).
- 43 Omit sections 1110 and 1111 (recovery of overpaid tax credits etc).
- 44 (1) Section 1115 (meaning of “new consideration” in Part 23) is amended as follows.
- (2) In subsections (5)(a) and (6)(b) for “qualifying” substitute “ non-CD ”.
- (3) After subsection (6) insert—
- “(7) In this section “non-CD distribution” means any distribution other than one which is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph C or D in section 1000(1) (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company).”
- 45 In section 1119 (definitions for the purposes of the Corporation Tax Acts) omit the entries for “franked investment income”, “qualifying distribution” and “tax credit”.
- 46 Omit section 1126 (meaning of “franked investment income”).
- 47 Omit section 1136 (meaning of “qualifying distribution”).
- 48 Omit section 1139(4) (“relief” includes tax credit).
- 49 In Schedule 2 (transitionals and savings etc) omit paragraph 106(1) (operation of sections 1026 and 1027 in relation to share capital issued before 7 April 1973).
- 50 In Schedule 4 (index of defined expressions) omit the entries for “franked investment income”, “qualifying distribution” and “tax credit”.

Other amendments

- 51 (1) TMA 1970 is amended as follows.
- (2) In section 8(1AA)(b) (payable income tax is chargeable amount less tax deducted at source and tax credits) omit the words after “source”.
- (3) In section 8A(1AA)(b) (payable income tax is chargeable amount less tax deducted at source and tax credits) omit the words after “source”.
- (4) In section 9(1) (self-assessment)—
- (a) in paragraph (b) (payable income tax is assessed amount less tax deducted at source and tax credits) omit the words after “source”, and
 - (b) in the words after paragraph (b) omit “, 400(2), 414(1), 421(1)”.
- (5) In section 12AA(1A)(b) (partner's payable income tax is chargeable amount less tax deducted at source and tax credits) omit the words after “source”.
- (6) In section 12AB (partnership statement in partnership return)—
- (a) in subsection (1)(a)—
 - (i) after sub-paragraph (ia) insert “ and ”, and
 - (ii) omit sub-paragraph (iii) (tax credits), and the “and” preceding it,
 - (b) in subsection (1)(b) for “, tax or credit” substitute “ or tax ”, and

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- (c) in subsection (5) omit the definition of “tax credit”.
 - (7) In section 12B(4A)(a)(i) (statements themselves must be preserved if of amount of qualifying distribution and tax credit), after “amount” insert “ of distribution, formerly amount ”.
 - (8) In section 59A(8)(b) (amounts included in annual total of deductions at source) omit “or are tax credits to which section 397(1) or 397A(1) of ITTOIA 2005 applies,”.
 - (9) In section 59B (payment of income tax and capital gains tax)—
 - (a) in subsection (1) omit “, 400(2), 414(1), 421(1)”, and
 - (b) in subsection (2)(b) omit “or is a tax credit to which section 397(1) or 397A(1) of ITTOIA 2005 applies,”.
 - (10) Omit section 87A(5) (interest on assessments under section 1110 of CTA 2010 on overpaid tax credits etc).
 - (11) In section 98 (special returns), in the first column of the table omit the entry for section 1109 of CTA 2010.
- 52 (1) ICTA is amended as follows.
- (2) Omit section 231B (arrangements to pass on value of tax credit).
 - (3) Omit section 824(2) (repayment supplements: tax credits).
 - (4) In section 824(4A) omit paragraph (b) (repayment supplements: tax credit treated as income tax deducted at source), and the “and” preceding it.
 - (5) In section 825(1) (repayment supplements: companies) omit paragraph (c) (tax credits comprised in franked investment income), and the “or” preceding it.
 - (6) In section 826 (interest on tax overpaid by companies)—
 - (a) in subsection (1) omit paragraph (c) (tax credits), including the “or” at the end, and
 - (b) in subsection (3)—
 - (i) omit “or a payment of the whole or part of a tax credit falling within subsection (1)(c) above”, and
 - (ii) omit “or, as the case may be, the franked investment income referred to in subsection (1)(c) above”.
- 53 In FA 1988, in Schedule 13 omit paragraph 7(c) (post-consolidation amendment of section 824(2) of ICTA).
- 54 In FA 1989—
- (a) omit section 115 (double taxation: tax credits), and
 - (b) in section 179(1)(b)(i) (amendments of provisions of TMA 1970 including section 87A(1) and (5)) omit “and (5)”.
- 55 In FA 1993 omit section 171(2B) (which excludes entitlement to tax credits).
- 56 In FA 1994 omit section 219(4B) (which excludes entitlement to tax credits).
- 57 (1) F(No.2)A 1997 is amended as follows.
- (2) Omit section 22(1) (which inserted section 171(2B) of FA 1993).
 - (3) Omit section 28 (which inserted section 231B of ICTA).

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- (4) Omit section 30(9) and (10) (effect of double taxation arrangements in relation to tax credits).
- (5) In Schedule 6 (repeal of provisions relating to foreign income dividends), in paragraph 23 (transitional provision for certain foreign income dividends paid before 6 April 1999 but received on or after that date) omit—
- (a) “qualifying”, and
 - (b) “nine tenths of”.
- 58 (1) FA 1998 is amended as follows.
- (2) Omit section 76(3) (regulations about tax credits where non-UK residents have invested in individual savings accounts).
- (3) In Schedule 18 (company tax returns etc)—
- (a) omit paragraph 9(3) (certain claims by companies for payment of tax credits),
 - (b) in paragraphs 22(3)(a)(i) and 23(3)(a)(i) (which relate to a statement as to amount of qualifying distribution and tax credit), after “amount” insert “ of distribution, but formerly amount ”, and
 - (c) in paragraph 52(2)(a) omit “or payment of a tax credit”.
- 59 In the Commonwealth Development Corporation Act 1999, in Schedule 3 omit paragraph 6(2)(b) (provisions about tax credits do not apply in relation to distributions by the Corporation).
- 60 In the Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629)—
- (a) omit article 82(a), and
 - (b) in article 87(a) omit “and (4B)”.
- 61 (1) ITEPA 2003 is amended as follows.
- (2) Omit sections 58(6) and 61H(6) (tax credits to be reduced in line with reductions in distributions).
- (3) In Part 2 of Schedule 1 (index of defined expressions) omit the entry for “tax credit”.
- 62 In ITTOIA 2005, in Schedule 1 (minor and consequential amendments) omit paragraphs 116, 331(2), 359, 360, 361(a), 363, 364, 376, 377(3), 464(3), 496, 503 and 510(2).
- 63 (1) ITA 2007 is amended as follows.
- (2) In section 26(1)(b) (list of provisions giving tax reductions), in the entry for section 401 of ITTOIA 2005, for “qualifying distribution after linked non-qualifying distribution” substitute “ distribution repaying shares or security issued in earlier distribution ”.
- (3) In section 31 (calculation of total income)—
- (a) omit subsection (3) (dividend etc treated as increased by amount of tax credit), and
 - (b) in subsection (4), for “Subsections (2) and (3) apply” substitute “ Subsection (2) applies ”.

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- (4) In section 425(5) (deductions in calculating total amount of income tax for gift aid purposes)—
- (a) in paragraph (a)—
 - (i) in sub-paragraph (i) omit “or 400(2)”, and
 - (ii) omit sub-paragraphs (ii) and (iii),
 - (b) after paragraph (a) insert “ and ”,
 - (c) in paragraph (b), for “680(3)(b) or (4)” substitute “ 680(4) ”, and
 - (d) omit paragraph (c), and the “and” before it.
- (5) In section 482 (types of amount charged at special rates for trustees), in the entry for Type 1 amounts, omit “qualifying”.
- (6) In section 487(6) (non-UK resident trustees: disregarded income which is not included in untaxed income)—
- (a) after paragraph (a) insert “ or ”, and
 - (b) omit paragraph (c) (income in respect of which there is a tax credit), and the “or” preceding it.
- (7) In section 498 (discretionary payments by trustees: types of tax to be included in trustees' tax pool)—
- (a) in subsection (1)—
 - (i) in Type 1 (tax at special rates for trustees on income not attracting tax credits), omit “2, 3 or”,
 - (ii) omit Types 2 and 3 (tax at dividend trust rate on income attracting dividend tax credits), and
 - (iii) in Type 4 (tax charged at basic rate as a result of section 491), omit “at the basic rate”, and
 - (b) omit subsection (2) (interpretation of Types 2 and 3).
- (8) In section 502(3) (non-UK resident beneficiaries: disregarded income which is not included in untaxed income)—
- (a) after paragraph (a) insert “ or ”, and
 - (b) omit paragraph (c) (income in respect of which there is a tax credit), and the “or” preceding it.
- (9) In section 614ZD (treatment of recipient of manufactured payment)—
- (a) in subsection (3), for “to (6)” substitute “ and (5) ”, and
 - (b) omit subsection (6) (which excludes entitlement to tax credits).
- (10) In section 687 (transactions in securities: meaning of “income tax advantage”)—
- (a) omit “qualifying” in each place, and
 - (b) in subsection (4), after “In this section” insert “—
 - (a) distribution” does not include a distribution which is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph C or D in section 1000(1) of CTA 2010 (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company), and
 (b)”.
- (11) In section 713 (interpretation of Chapter 1 (transactions in securities))—

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- (a) the existing text becomes subsection (1),
 - (b) in that subsection, in the definition of “dividends”, omit “qualifying”, and
 - (c) after that subsection insert—
 - “(2) In the definition of “dividends” given by subsection (1), “other distributions” does not include a distribution which is a distribution for the purposes of the Corporation Tax Acts only because it falls within paragraph C or D in section 1000(1) (redeemable share capital or security issued as bonus in respect of shares in, or securities of, the company).”
- (12) In section 745(1) (transfer of assets abroad: same rate of tax not to be charged twice) —
- (a) after “at the basic rate,” insert “ or ”, and
 - (b) omit “or the dividend ordinary rate”.
- (13) In section 809S(4) (meaning of “income tax advantage”) omit the words after paragraph (d).
- (14) In section 811(4) (limit on liability to income tax of non-UK residents)—
- (a) after paragraph (a) insert “ and ”, and
 - (b) omit paragraph (c) (tax credits), and the “and” preceding it.
- (15) In section 815(3) (limit on liability to income tax of non-UK resident companies)—
- (a) after paragraph (a) insert “ and ”, and
 - (b) omit paragraph (c) (tax credits), and the “and” preceding it.
- (16) In section 989 (definitions for the purposes of the Income Tax Acts) omit the entries for “qualifying distribution” and “tax credit”.
- (17) In section 1026 (“non-qualifying income” includes income on which tax treated as paid)—
- (a) in paragraph (a) (deemed payment under sections 399 and 400 of ITTOIA 2005)—
 - (i) omit “or 400(2)”, and
 - (ii) for “from UK resident companies on which there is no tax credit” substitute “ to non-UK resident persons ”, and
 - (b) omit paragraphs (b) and (c) (deemed payment under sections 414 and 421 of ITTOIA 2005).
- (18) In Schedule 1 (minor and consequential amendments) omit paragraphs 26, 245(2)(a) and (3), 446(27), 515(3), 516, 517(2), 520 and 522.
- (19) In Schedule 4 (index of defined expressions) omit the entries for “qualifying distribution” and “tax credit”.
- 64 In FA 2008, in Schedule 12 (amendments relating to tax credits) omit paragraphs 3, 5, 6, 8 to 16, 19, 20, 24(b) and 31.
- 65 (1) CTA 2009 is amended as follows.
- (2) In section 1222 (company with investment business: amount deductible for management expenses to be reduced by income from sources not charged to tax)—
- (a) in subsection (1) (UK resident company), for paragraph (c) (franked investment income does not reduce deductibles) substitute—

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- “(c) the income does not consist of exempt ABGH distributions.”,
 - (b) in subsection (2) (non-UK resident company), for paragraph (d) (franked investment income does not reduce deductibles) substitute—
 - “(d) the income does not consist of exempt ABGH distributions.”, and
 - (c) after subsection (3) insert—
 - “(4) In this section “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 (company distributions).”
 - (3) Omit section 1266(3) (partnerships with foreign element: entitlement to tax credit).
 - (4) In Schedule 4 (index of defined expressions) omit the entry for “qualifying distribution”.
- 66 (1) FA 2009 is amended as follows.
- (2) In Schedule 19 (amendments relating to tax credits) omit paragraphs 2(2) and (3), 3, 5, 6(2)(a), (3) and (4), 7, 9, 10(a), 11, 12 and 13(c).
 - (3) In paragraph 14 of Schedule 19 (amendments made by the Schedule have effect in relation to distributions etc arising or paid on or after 22 April 2009), after sub-paragraph (2) insert—
 - “(3) Section 873(4) of ITTOIA 2005 (inserted by paragraph 8), so far as relating to any order or regulations made after the passing of FA 2016 under any provision of ITTOIA 2005 other than section 397BA of that Act, has effect as if sub-paragraph (1) did not apply in relation to it.”
 - (4) In Schedule 53 (late payment interest) omit—
 - (a) paragraph 6 (late payment interest start date in relation to assessments of overpaid tax credits etc under section 1110 of CTA 2010), and
 - (b) the italic heading preceding it.
 - (5) In paragraph 9B of Schedule 54 (repayment interest start date: companies: income tax and certain tax credits)—
 - (a) in sub-paragraph (1) omit paragraph (b) (tax credit comprised in franked investment income), and the “and” preceding it, and
 - (b) in sub-paragraph (2)—
 - (i) omit “or payment”, and
 - (ii) omit “or the franked investment income mentioned in sub-paragraph (1)(b)”.
 - (6) In paragraph 14 of Schedule 54 (interpretation) omit paragraph (b) (tax deducted at source treated as including tax credits), and the “and” preceding it.
- 67 In Schedule 1 to CTA 2010 (minor and consequential amendments) omit paragraphs 19, 153, 156(3), 282, 303(2), 456, 562(7), 704(27) and 722.

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- 68 (1) TIOPA 2010 is amended as follows.
- (2) In section 6(2) (effect of double taxation arrangements)—
- (a) after paragraph (e) insert “ or ”, and
 - (b) omit paragraph (g) (tax credits), and the “or” preceding it.
- (3) In section 187A (excess interest treated as a qualifying distribution), in subsection (2), and the heading, omit “qualifying”.
- (4) Omit section 234(2) (“relief” includes tax credit).
- (5) In Schedule 8 (minor and consequential amendments) omit paragraphs 38, 51, 52, 66 and 67.
- 69 In FA 2011—
- (a) in Part 6 of Schedule 23 (consequential provisions) omit paragraph 64(3), and
 - (b) in Schedule 26 omit paragraph 1(2)(a)(i) (which amended section 231B of ICTA), including the “and” at the end.
- 70 In FA 2012, in section 169(2) (payments by certain friendly societies treated as qualifying distributions) omit “qualifying”.
- 71 In FA 2013—
- (a) in paragraph 6(2) of Schedule 19 (which amends section 549 of CTA 2010), for “subsections (2) and” substitute “ subsection ”, and
 - (b) in Part 3 of Schedule 29 (manufactured dividends: consequential etc amendments) omit paragraphs 13, 14(a) and 44(3).
- 72 In FA 2015, in section 19—
- (a) in subsection (1), for “credits etc” substitute “ treated as paid ”, and
 - (b) omit subsections (5) and (6) (which insert sections 397(5A) and 399(5A) of ITTOIA 2005).

Commencement

- 73 (1) Subject to the following sub-paragraphs of this paragraph, the amendments made by this Schedule have effect in relation to dividends paid or arising (or treated as paid), and other distributions made (or treated as made), in the tax year 2016-17 or at any later time.
- (2) The following have effect for the tax year 2016-17 and subsequent tax years—
- (a) the amendments in sections 8 to 9, 12AA and 59B of TMA 1970,
 - (b) the amendments in section 854(6) of ITTOIA 2005,
 - (c) the amendments in section 425 except the amendment in section 425(5)(b), and the amendments in sections 498, 745 and 1026, of ITA 2007,
 - (d) the repeals of paragraphs 359, 360, 361(a), 363 and 377(3) of Schedule 1 to ITTOIA 2005,
 - (e) the repeals of paragraphs 8 to 11 and 14 of Schedule 12 to FA 2008, and
 - (f) the repeals of the following provisions of Schedule 19 to FA 2009—
 - (i) paragraph 9(a) and (b),
 - (ii) paragraph 9(c) so far as relating to section 12AA of TMA 1970, and
 - (iii) paragraph 9(d) so far as relating to section 59B of TMA 1970.

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- (3) The amendment in paragraph 23 of Schedule 6 to F(No.2)A 1997 has effect in relation to foreign income dividends received on or after 6 April 2016.
- (4) The amendments in sections 393 and 406 of ITTOIA 2005, and the repeal of paragraph 19 of Schedule 12 to FA 2008, have effect in relation to cash dividends paid over in the tax year 2016-17 or at any later time.
- (5) The amendment in section 396A of ITTOIA 2005 has effect in relation to things received on or after 6 April 2016 (even if the choice to receive them was made before that date).
- (6) The amendments in section 401 of ITTOIA 2005 have effect where the subsequent distribution is made in the tax year 2016-17 or at any later time, even if the prior distribution is made before 6 April 2016.
- (7) The amendments in sections 411 and 414 of ITTOIA 2005, and the repeal of paragraph 520 of Schedule 1 to ITA 2007, have effect in relation to stock dividend income treated as arising in the tax year 2016-17 or at any later time.
- (8) The amendments in sections 651 to 680A of ITTOIA 2005 (but not the repeal of section 680(3)(a) of that Act) and the amendment in section 425(5)(b) of ITA 2007—
 - (a) so far as they relate to income within section 664(2)(c) of ITTOIA 2005 (stock dividends), have effect in relation to stock dividend income treated as arising in the tax year 2016-17 or at any later time, and
 - (b) so far as they relate to income within section 664(2)(d) of ITTOIA 2005 (release of loans), have effect in relation to amounts released or written off in the tax year 2016-17 or at any later time.
- (9) The amendments in Chapter 6 of Part 4 of ITTOIA 2005 and in section 463 of CTA 2010, and the repeal of paragraph 522 of Schedule 1 to ITA 2007, have effect in relation to amounts released or written off in the tax year 2016-17 or at any later time.
- (10) The amendments in section 614ZD of ITA 2007 have effect in relation to manufactured payments made on or after 6 April 2016.
- (11) The amendments in section 687 of ITA 2007 have effect where the relevant consideration is received in the tax year 2016-17 or at any later time.
- (12) The amendments in section 1222 of CTA 2009 have effect in relation to income arising in the tax year 2016-17 or at any later time.
- (13) The amendment in section 1026(1) of CTA 2010 has effect where the bonus share capital is issued on or after 6 April 2016.
- (14) Sub-paragraph (1) does not apply in relation to—
 - (a) the amendments in section 401B of ITTOIA 2005;
 - (b) the amendment in paragraph 14 of Schedule 19 to FA 2009.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)