

Part 1: Corporation tax liability: miscellaneous rules

Chapter 1: Surrender of tax refund within group

Overview

1. Section 102 of FA 1989 enables a group of companies to mitigate the differential between the rates of interest on unpaid and overpaid tax. In the absence of section 102, a group which, overall, had paid the correct amount of tax on the correct dates could still suffer a net interest charge if it split those payments incorrectly between members of the group at the time of payment. Section 102 allows the group to mitigate this by applying hindsight to reallocate the tax payments to the right companies with effect from the date of payment.

Clause 1: Power to surrender tax refund and effects of doing so

2. This clause lays down the principal requirements for surrendering a tax refund within a group of companies, and sets out the effects of such a surrender for the surrendering company and the recipient company. It is based on section 102(1) to (4) of FA 1989.

Clause 2: Interest on tax overpaid or unpaid

3. This clause deals with the consequences of a surrender of a tax refund for interest on unpaid and overpaid tax. It is based on section 102(4A) of FA 1989.

4. *Subsection (1)(b)* omits as spent the reference in section 102(4A) of FA 1989 to section 826(7) of ICTA, which has been repealed.

Clause 3: Definitions etc.

5. This clause is supplementary. It is based on section 102(2), (5), (6) and (8) of FA 1989.

Clause 4: Payments for surrendered tax refunds

6. This clause concerns the consequences of making payments for the transfer of tax refunds. It is based on section 102(7) of FA 1989.

Schedule 2: Repeals

Section 102(3)(c) of FA 1989

7. Section 102(3)(c) of FA 1989 refers to the payment of the tax credit comprised in franked investment income. This reference is obsolete, and section 102(3)(c) of FA 1989 will be repealed without replacement.