
*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2017, SCHEDULE 5. (See end of Document for details)*

SCHEDULES

SCHEDULE 5

Section 11

DEDUCTION OF INCOME TAX AT SOURCE

PART 1

INTEREST DISTRIBUTIONS OF INVESTMENT TRUST OR AUTHORISED INVESTMENT FUND

- 1 In Chapter 3 of Part 15 of ITA 2007 (deduction of tax from certain payments of yearly interest), after section 888A insert—

“888B Designated dividends of investment trusts

The duty to deduct a sum representing income tax under section 874 does not apply to a dividend so far as it is treated as a payment of yearly interest by regulations under section 45 of FA 2009 (dividends designated by investment trust or prospective investment trust).

888C Interest distributions of certain open-ended investment companies

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of yearly interest under section 373 of ITTOIA 2005 (in the case of certain open-ended investment companies, payments of yearly interest treated as made where distributable amount shown in accounts as yearly interest).

888D Interest distribution of certain authorised unit trusts

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of yearly interest under section 376 of ITTOIA 2005 (in the case of certain authorised unit trusts, payments of yearly interest treated as made where distributable amount shown in accounts as yearly interest).”

- 2 In section 45(2) of FA 2009 (provision that regulations may make about dividends of investment trusts) omit paragraph (c) (power to disapply duty to deduct tax under section 874 of ITA 2007).

PART 2

INTEREST ON PEER-TO-PEER LENDING

- 3 In Chapter 3 of Part 15 of ITA 2007 (deduction of tax from certain payments of yearly interest), after section 888D (inserted by this Schedule) insert—

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“888E Interest on certain peer-to-peer lending

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on an amount of peer-to-peer lending.
- (2) In subsection (1) “peer-to-peer lending” means credit in relation to which the condition in subsection (4) is met.
- (3) In this section—
 - “original borrower”, in relation to any credit, means the person to whom the credit is originally provided,
 - “credit” includes a cash loan and any other form of financial accommodation, and
 - “original lender”, in relation to any credit, means the person who originally provides the credit.
- (4) The condition is that—
 - (a) the original borrower and the original lender enter the agreement under which the credit is provided at the invitation of a person (“the operator”),
 - (b) the operator makes the invitation in the course of, or in connection with, operating an electronic system,
 - (c) the operator's operation of the electronic system is an activity specified in article 36H(1) or (2D) of the Order (operating an electronic system in relation to lending), and
 - (d) the operator has permission under Part 4A of FISMA 2000 to carry on that activity.
- (5) For the purposes of subsection (4), it does not matter if the agreement mentioned in subsection (4)(a) is not an article 36H agreement (as defined in article 36H of the Order).
- (6) The Commissioners for Her Majesty's Revenue and Customs may by regulations make such amendments of the preceding provisions of this section as they consider appropriate in consequence of—
 - (a) the Order, or any part of it, being replaced (or further replaced) by provision in another instrument, or
 - (b) any amendment of the Order or any such other instrument.
- (7) In this section “the Order” means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544).”

PART 3

FURTHER AMENDMENT AND COMMENCEMENT

Further amendment

- 4 In section 874(3)(a) of ITA 2007 (which refers to provisions which disapply the duty under section 874 to deduct tax from yearly interest), for “888” substitute “888E”.

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Commencement

- 5 (1) The new sections 888B to 888D of ITA 2007, and the repeal of section 45(2)(c) of FA 2009, have effect in relation to amounts treated as payments of yearly interest made on or after 6 April 2017.
- (2) The new section 888E of ITA 2007 has effect in relation to payments of interest made on or after 6 April 2017.

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