

# **INCOME TAX (TRADING AND OTHER INCOME) ACT 2005**

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## **EXPLANATORY NOTES**

### **COMMENTARY ON SECTIONS**

#### **Part 5: Miscellaneous income**

#### ***Chapter 5: Settlements: amounts treated as income of settlor***

#### ***Section 629: Income paid to unmarried minor children of settlor***

2414. This section provides the second charge under this Chapter. Income paid to or for the benefit of an unmarried minor child of the settlor or income which is treated as that child's income is charged as income of the settlor if it does not already fall within section 624. The section is based on section 660B of ICTA.
2415. *Subsection (1)* sets out the basic rule. *Subsection (1)(b)* ensures that avoidance cannot arise by using a bare trust arrangement where a child is a beneficiary of the trust, although no income is paid to or for the child's benefit.
2416. *Subsection (2)* provides that a charge under section 624 will always take precedence over a charge under this section.
2417. See paragraph 133 of Schedule 2 to this Act for the application of this section in relation to income arising under a settlement made before 9 March 1999 or from funds provided before that date.
2418. Section 660B(1) of ICTA provides that income charged on the settlor is not treated as the income of any other person. Since that person could be a company, and outside the scope of this Act, new section 660C(4) of ICTA (see paragraph 272(4) of Schedule 1 to this Act) ensures that a charge cannot be made on a company in respect of that income.