

# INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

---

## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### **Part 6: Exempt income**

#### *Chapter 2: National savings income*

#### *Section 693: Income from Ulster Savings Certificates*

2665. This section provides an exemption for income from Ulster Savings Certificates, for holdings within specified limits. Income from any certificates purchased or held in excess of these limits is chargeable to tax. The section is based on section 46 of ICTA, which also deals with savings certificates generally (see section 692).
2666. The basic provisions for Ulster Savings Certificates are the same as those for other types of savings certificate, but there are some additional rules. Although Ulster Savings Certificates have not been issued since March 1997, there are still holdings which have not been redeemed. Consequently it is necessary to rewrite this provision to ensure that interest continuing to be paid in respect of these holdings is exempt from income tax.
2667. *Subsections (2) to (4)* set out the residence conditions, one of which has to be satisfied in order for the income to qualify for exemption. Subsection (4) enacts ESC A34, which extends the exemption to a repayment made after the death of a holder who had been resident and ordinarily resident at the time the certificates were purchased. See *Change 113* in Annex 1.
2668. *Subsection (5)* uses “acquisition” rather than purchase and refers to a person’s holding, in line with the way the regulations are written. In the case of Ulster Savings Certificates, the regulations which limit a person’s holding are made by the Department of Finance and Personnel in Northern Ireland, rather than by the Treasury.
2669. Although section 46 of ICTA was simply written in terms of certificates, it is possible to purchase multiple certificates. The regulations say that a multiple certificate is to be treated as a number of unit certificates for the purposes of determining whether the holding limit has been exceeded. On a strict reading of section 46 of ICTA none of the income from a multiple certificate which is partially outside the permitted limit would be exempt. The section introduces the words “so far as” in subsection (5) to clarify that the exemption is available for the income from the permitted part of a multiple certificate. In practice section 46 of ICTA was applied in this way. See *Change 112* in Annex 1.
2670. *Subsection (6)* does not specify that the claim for exemption is to be made to the Board. Section 46(5) of ICTA requires such a claim to be made to the Board but it is not considered necessary for a claim to be made at this level. Section 878(4) of this Act draws attention to the rules in TMA, which apply for the purposes of this Act. Those rules require claims to be made to “an officer of the Board”. See *Change 149* in Annex 1.

*These notes refer to the Income Tax (Trading and Other Income)  
Act 2005 (c.5) which received Royal Assent on 24 March 2005*

2671. *Subsection (7)* is based on section 832(1) of ICTA, which provides some general definitions. As these certificates are not mentioned elsewhere in this Act, it is more helpful to incorporate a definition in this section rather than have a general definition elsewhere which applies to the whole Act.