

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, Part 1. (See end of Document for details)

SCHEDULES

SCHEDULE 13

SETTLEMENTS: AMENDMENTS TO ICTA AND ITTOIA 2005 ETC

PART 1

PRINCIPAL AMENDMENTS

1 F1

Textual Amendments

F1 Sch. 13 para. 1 repealed (6.4.2007 with effect as mentioned in [s. 1034\(1\)](#) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [s. 1031](#), [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

2 F2

Textual Amendments

F2 Sch. 13 para. 2 repealed (6.4.2007 with effect as mentioned in [s. 1034\(1\)](#) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [s. 1031](#), [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

3 F3

Textual Amendments

F3 Sch. 13 para. 3 repealed (6.4.2007 with effect as mentioned in [s. 1034\(1\)](#) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [s. 1031](#), [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

4 F4

Textual Amendments

F4 Sch. 13 para. 4 repealed (6.4.2007 with effect as mentioned in [s. 1034\(1\)](#) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [s. 1031](#), [Sch. 3 Pt. 1](#) (with transitional provisions and savings in [Sch. 2](#))

5 (1) For section 619(2) to (4) of ITTOIA 2005 (charge to tax on settlor) substitute—

“(2) For the purposes of sections 1 to 1B of ICTA, where income of another person is treated as income of the settlor and is charged to tax under subsection (1)(a) or (b) above, it shall be charged in accordance with whichever provisions of the Tax Acts would have been applied in charging it if it had arisen directly to the settlor.”

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- (2) This paragraph shall have effect—
- (a) in relation to income which arises or is treated as arising on or after 6th April 2006, and
 - (b) in relation to income which is paid to a minor child of the settlor, where the child is unmarried and is not in a civil partnership, on or after 6th April 2006 and in relation to which section 631 of ITTOIA 2005 applies (irrespective of when the income arose).

- 6 (1) After section 685 of ITTOIA 2005 insert—

“685A Settlor-interested settlements

- (1) This section applies if—
- (a) a person receives an annual payment in respect of income from the trustees of a settlement,
 - (b) the payment is made in the exercise of a discretion (whether of the trustees of the settlement or any other person), and
 - (c) a settlor is charged to tax under section 619(1) on the income arising to the trustees of the settlement (whether in the current year of assessment or in a previous year of assessment) out of which the annual payment is made.
- (2) This section applies only in respect of that proportion of the annual payment which corresponds to the proportion of the total income arising to the trustees of the settlement in respect of which a settlor is chargeable to tax under section 619(1).
- (3) If and in so far as this section applies, the recipient of the annual payment shall be treated for the purposes of this Chapter as having paid income tax at the higher rate in respect of the annual payment.
- (4) But—
- (a) tax which the recipient is treated by virtue of this section as having paid is not repayable,
 - (b) tax which the recipient is treated by virtue of this section as having paid may not be taken into account in relation to a tax liability of the recipient in respect of any other income of his, and
 - (c) the annual payment shall be treated for the purposes of sections 348 and 349(1) of ICTA as payable wholly out of profits or gains not brought into charge to income tax.
- (5) If the recipient of the annual payment is a settlor in relation to the settlement, if and in so far as this section applies the annual payment shall not be treated as his income for the purposes of the Income Tax Acts (and subsection (3) does not apply).
- (6) Section 687 of ICTA shall not apply in relation to an annual payment if and in so far as this section applies.”
- (2) This paragraph shall have effect for payments in respect of income made on or after 6th April 2006.

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