



Income Tax Act 2007

2007 CHAPTER 3

PART 15

DEDUCTION OF INCOME TAX AT SOURCE

Modifications etc. (not altering text)

- C1** Pt. 15 modified (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), ss. **551(4)**, 1329(1) (with [Pts. 1, 2](#), [Sch. 2 para. 78](#))

CHAPTER 1

INTRODUCTION

847 Overview of Part

- (1) This Part deals with deduction of income tax at source.
- (2) The following Chapters contain duties to deduct sums representing income tax from certain payments—
 - ^{F1}(a)
 - (b) Chapter 3 (certain payments of yearly interest),
 - (c) Chapter 4 (payments in respect of building society securities),
 - (d) Chapter 5 (payments of UK public revenue dividends),
 - (e) Chapter 6 (annual payments and patent royalties),
 - (f) Chapter 7 (other payments connected with intellectual property),
 - (g) Chapter 9 (manufactured payments), and
 - (h) Chapter 10 (non-commercial payments by companies).
- (3) Chapters 6 and 7 are subject to Chapter 8 which makes special provision in relation to the deduction of sums representing income tax from royalty payments.

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- (4) Chapter 11 contains provision disapplying some of the duties to deduct where payments are made between companies etc.
- (5) The following Chapters contain further provision in connection with the deduction (or deemed deduction) of sums representing income tax from certain payments (or deemed payments)—
 - [^{F2}(za) Chapter 2 (interpretation of section 876 in Chapter 3: exception for deposit-takers),]
 - (a) Chapter 12 (funding bonds),
 - ^{F3}(b) and
 - (c) Chapter 14 (tax avoidance: directions for deductions from payments to non-UK residents).
- (6) Chapters 15 to 17 contain provision about the collection of income tax in respect of payments from which sums are required to be deducted (or from which sums are treated as deducted) under the preceding Chapters.
- (7) Chapter 18 deals with regimes involving the deduction of income tax at source which apply in the case of—
 - (a) visiting performers,
 - (b) non-resident landlords, and
 - (c) Real Estate Investment Trusts.
- (8) Chapter 19 makes general provision for this Part including—
 - (a) provision about the giving of statements about deduction of income tax,
 - (b) provision about payments where the recipient is a company or where the payer is a public department, and
 - (c) exceptions from duties to deduct for payments made by designated international organisations, some payments under derivative contracts and for some payments of interest on foreign currency securities.
- (9) The following provisions also deal with deduction of income tax at source—
 - (a) Part 11 of ITEPA 2003 (Pay As You Earn), and
 - (b) Chapter 3 of Part 3 of FA 2004 (construction industry scheme).

Textual Amendments

- F1** S. 847(2)(a) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of Finance Act 2016 (c. 24), **Sch. 6 para. 21(a)**
- F2** S. 847(5)(za) inserted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by Finance Act 2016 (c. 24), **Sch. 6 para. 21(b)**
- F3** S. 847(5)(b) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013](#) (S.I. 2013/2819), **regs. 1(3), 37(10)** (with **reg. 32**)

848 Income tax deducted at source treated as income tax paid by recipient

- (1) A sum representing income tax which is deducted (or treated as deducted) under this Part from a payment is treated as income tax paid by the recipient.

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- (2) The sum is accordingly taken into account under sections 59B and 59D of TMA 1970 (see also paragraph 8 of Schedule 18 to FA 1998) in determining the income tax or corporation tax payable by, or repayable to, the recipient.
- (3) But this section does not apply to income tax deducted at source under section 966 (visiting performers) or 971 (non-resident landlords).

^{F4}(4)

Textual Amendments

- F4** S. 848(4) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), regs. 1(3), **37(11)** (with reg. 32)

849 Interaction with other Income Tax Acts provisions

- (1) Regulations made under [^{F5}section 7 of TIOPA 2010 (double taxation arrangements: general regulations)] make provision disapplying or otherwise affecting duties to deduct under this Part in circumstances where relief is available under double taxation arrangements.
- (2) Sections 821 and 822 of ICTA make provision in relation to under-deductions and over-deductions from some payments which are made before the passing of the relevant annual Act imposing income tax and corporation tax.
- (3) In accordance with section 783 of ITTOIA 2005 (general disregard of exempt income for income tax purposes), any payment (or part of a payment) which is exempt from income tax as a result of Part 6 of ITTOIA 2005 is ignored for the purposes of the duties under this Part.

This is subject to any express or implied provision to the contrary.

- (4) [^{F6}Section 564Q (deduction of income tax at source under this Part) makes] provision for Chapters 2 to 5, 12 and 19 to have effect in relation to alternative finance arrangements.
- (5) For exceptions from the duties to deduct under Chapters 3, 6, 7, 10 and 14 in connection with the London Olympic Games and Paralympic Games see—
 - (a) Chapter 6 of Part 3 of FA 2006, and
 - (b) regulations made under that Chapter.

Textual Amendments

- F5** Words in s. 849(1) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 8 para. 84** (with Sch. 9 paras. 1-9, 22)
- F6** Words in s. 849(4) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 8 para. 222** (with Sch. 9 paras. 1-9, 22)

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CHAPTER 2

[^{F7}MEANING OF “RELEVANT INVESTMENT” FOR PURPOSES OF SECTION 876]

Textual Amendments

- F7** Pt. 15 Ch. 2 heading substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 4](#)

Introduction

850 Overview of Chapter

[^{F8}(1) This Chapter has effect for the purposes of section 876 (duty under section 874 to deduct tax from payments of yearly interest: exception for deposit-takers).]

[^{F9}(2)

(3) Sections 853 to 856 set out some basic concepts, so that—

- (a) section 853 defines “deposit-taker” (and section 854 allows the Treasury by order to prescribe persons as deposit-takers),
- (b) section 855 defines “investment” and “deposit”, and
- (c) section 856 explains which investments are relevant investments.

(4) Section 856 is subject to—

- (a) section 857 (which sets out when investments must be treated as relevant and when they may be treated as not relevant), and
- (b) sections [^{F10}863] to 870 (which describe various kinds of investment which are not relevant investments).

(5) Sections [^{F11}872 and] 873 contain supplementary provisions.

(6) For the purposes of this [^{F12}Chapter, crediting] interest counts as paying it.

Textual Amendments

- F8** S. 850(1) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 5\(2\)](#)
- F9** S. 850(2) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 5\(3\)](#)
- F10** Word in s. 850(4)(b) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 5\(4\)](#)
- F11** Words in s. 850(5) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 5\(5\)](#)
- F12** Words in s. 850(6) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 5\(6\)](#)

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F13 ...

Textual Amendments

- F13** S. 851 cross-heading omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 1\(b\)](#)

F14 851 Duty to deduct sums representing income tax

.....

Textual Amendments

- F14** S. 851 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 1\(a\)](#)

F15 852 Power to make regulations disapplying section 851

.....

Textual Amendments

- F15** S. 852 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 6](#)

Deposit-takers and relevant investments

853 Meaning of “deposit-taker”

- (1) In this Chapter [F16 and section 876] “deposit-taker” means—
- (a) the Bank of England, or
 - (b) a person to whom one of the following subsections or section 854 applies.
- (2) This subsection applies to a person—
- (a) who has permission under Part 4 of FISMA 2000 to accept deposits which are relevant investments, and
 - (b) who is not—
 - (i) a building society,
 - (ii) a society registered within the meaning of the Friendly Societies Act 1974 (c. 46) or incorporated under the Friendly Societies Act 1992 (c. 40),
 - (iii) a society registered as a credit union under [F17 the Co-operative and Community Benefit Societies Act 2014] or the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
 - (iv) an insurance company within the meaning of section 275 of FA 2004.
- (3) This subsection applies to a company [F18 as defined in section 1(1) of the Companies Act 2006 (c. 46)] —

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- (a) in respect of which a resolution has been passed by a local authority under—
 - (i) section 48(3) of the Banking Act 1979 (c. 37), or
 - (ii) section 103(3) of the Banking Act 1987 (c. 22), and
 - (b) which is exempt from the prohibition in section 19 of FISMA 2000 on accepting deposits which are relevant investments.
- (4) This subsection applies to a local authority.
- ^{F19}(5)
- (6) This subsection applies to a person—
- (a) who is authorised for the purposes of FISMA 2000, and
 - (b) whose business consists wholly or mainly of dealing in financial instruments as principal.

For the meaning of “financial instrument”, see section 984.

Textual Amendments

- F16** Words in s. 853(1) inserted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 7](#)
- F17** Words in s. 853(2)(b)(iii) substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014 \(c. 14\)](#), s. 154, [Sch. 4 para. 108](#) (with Sch. 5)
- F18** Words in s. 853(3) substituted (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2009 \(S.I. 2009/1890\)](#), arts. 1(1), [3\(2\)\(b\)](#)
- F19** S. 853(5) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, [15\(10\)](#) (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)

854 Power to prescribe persons as deposit-takers

- (1) This section applies to a person who receives deposits in the course of carrying on business or activities and—
- (a) is for the time being prescribed by order by the Treasury for the purposes of this section, or
 - (b) is a member of a class of persons which is for the time being so prescribed.
- (2) An order under this section may prescribe a person or class of person—
- (a) in relation to all deposits which are relevant investments, or
 - (b) in relation to deposits which are relevant investments of a kind specified in the order.
- (3) If a person is prescribed only in relation to deposits which are relevant investments of a kind specified in the order, the reference in section [^{F20}876(1)(b)] to “relevant investment” is to be read as a reference only to relevant investments of the kind so specified.

Textual Amendments

- F20** Word in s. 854(3) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 8](#)

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855 Meaning of “investment” and “deposit”

- [^{F21}(1) In this Chapter, and section 876, “investment” means a deposit with a deposit-taker.]
- (2) In this Chapter “deposit” means a sum of money paid on terms which mean that it will be repaid (with or without interest)—
- (a) on demand, or
 - (b) at a time or in circumstances agreed by or on behalf of the person who pays it and the person who receives it.

Textual Amendments

- F21** S. 855(1) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 9](#)

856 Investments which are relevant investments

- (1) An investment is a relevant investment for the purposes of [^{F22}section 876] if it meets—
- (a) the individual interest condition (see subsection (3)),
 - (b) the Scottish partnership condition (see subsection (4)),
 - (c) the personal representative condition (see subsection (5)), or
 - (d) the settlement condition (see subsection (6)).
- (2) But an investment is not a relevant investment if any of sections [^{F23}863] to 870 prevent it from being a relevant investment.
- (3) An investment meets the individual interest condition if the only persons beneficially entitled to interest on the investment are individuals.
- (4) An investment meets the Scottish partnership condition if—
- (a) a Scottish partnership is beneficially entitled to all interest on the investment, and
 - (b) that partnership consists only of individuals.
- (5) An investment meets the personal representative condition if personal representatives are entitled to any interest on the investment and they receive it in that capacity.
- (6) An investment meets the settlement condition if all interest on the investment is income arising to the trustees of a discretionary or accumulation settlement and they receive it in that capacity.

For the meaning of “discretionary or accumulation settlement”, see section 873(1).

Textual Amendments

- F22** Words in s. 856(1) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 10\(2\)](#)
- F23** Word in s. 856(2) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 10\(3\)](#)

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857 Investments to be treated as being or as not being relevant investments

- (1) A deposit-taker^{F24} ... must treat every investment with it as a relevant investment unless satisfied that the investment is not a relevant investment.
- (2) If a deposit-taker^{F24} ... is satisfied that an investment is not a relevant investment, it may continue to treat the investment as not being a relevant investment until subsection (3) applies.
- (3) This subsection applies when the deposit-taker^{F24} ... has information which can reasonably be taken to indicate that the investment is or may be a relevant investment.

Textual Amendments

- F24** Words in s. 857 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 11](#)

F25
...

Textual Amendments

- F25** S. 858 cross-heading omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 12\(b\)](#)

^{F26}858 Declarations of non-UK residence: individuals

.....

Textual Amendments

- F26** Ss. 858-861 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 12\(a\)](#)

^{F26}859 Declarations of non-UK residence: Scottish partnerships

.....

Textual Amendments

- F26** Ss. 858-861 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 12\(a\)](#)

^{F26}860 Declarations of non-UK residence: personal representatives

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Textual Amendments

- F26** Ss. 858-861 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 12\(a\)](#)

^{F26}**861 Declarations of non-UK residence: settlements**

.....

Textual Amendments

- F26** Ss. 858-861 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 12\(a\)](#)

^{F27}**862 Inspection of declarations**

.....

Textual Amendments

- F27** S. 862 omitted (13.8.2009) by virtue of [The Finance Act 2009, Schedule 47 \(Consequential Amendments\) Order 2009 \(S.I. 2009/2035\)](#), art. 1, [Sch. para. 51](#)

[^{F28}Investments] which are not relevant investments

Textual Amendments

- F28** Word in s. 863 cross-heading substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 13](#)

863 General client account deposits

- (1) An investment is not a relevant investment if it is a general client account deposit.
- (2) An investment is a general client account deposit for the purposes of this section if—
 - (a) it is a deposit held by a deposit-taker ^{F29}... in a client account, and
 - (b) provision made under any enactment requires the person whose account it is to make payments representing interest to some or all of the clients for whom, or on whose account, that person received the sums deposited in the account.
- (3) But an investment is not a general client account deposit if the account in which it is held is identified by the deposit-taker ^{F29}... as one in which sums are held only for one or more particular clients of the person whose account it is.

Textual Amendments

- F29** Words in s. 863 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 14](#)

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864 Qualifying uncertificated eligible debt security units

An investment is not a relevant investment if it is a deposit in respect of which a deposit-taker^{F30}... has issued a qualifying uncertificated eligible debt security unit (see section 986).

Textual Amendments

F30 Words in s. 864 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 14](#)

865 Qualifying certificates of deposit

An investment is not a relevant investment if it is a deposit in respect of which a deposit-taker^{F31}... has issued a qualifying certificate of deposit (see section 985).

Textual Amendments

F31 Words in s. 865 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 14](#)

866 Qualifying time deposits

- (1) An investment is not a relevant investment if it is a qualifying time deposit [^{F32}made before 6 April 2012].
- (2) An investment is a qualifying time deposit for the purposes of this section if—
 - (a) it is a deposit consisting of a loan of at least £50,000,
 - (b) the terms of the deposit require its repayment at a specified time within 5 years beginning with the date on which it is made,
 - (c) those terms do not make provision for the transfer of the right to repayment, and
 - (d) those terms prevent partial withdrawals of, or additions to, the deposit.
- (3) If a deposit is denominated in a foreign currency, subsection (2)(a) has effect as if it referred to an amount which is at least the equivalent in that currency of £50,000 at the time the deposit is made.

Textual Amendments

F32 Words in s. 866(1) inserted (6.4.2012) (retrospective and with effect in accordance with s. 18(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [s. 18\(1\)](#)

867 Lloyd's premium trust funds

- (1) An investment is not a relevant investment if it forms part of a premium trust fund of an underwriting or former underwriting member of Lloyd's.
- (2) In this section “premium trust fund” has the meaning given in section 184 of FA 1993.

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868 Investments held outside the United Kingdom

- (1) An investment with a deposit-taker is not a relevant investment if—
- (a) the deposit-taker is UK resident for income tax purposes or corporation tax purposes, and
 - (b) the investment is held at a branch of the deposit-taker situated outside the United Kingdom.
- (2) An investment with a deposit-taker is not a relevant investment if—
- (a) the deposit-taker is non-UK resident for income tax purposes or corporation tax purposes, and
 - (b) the investment is not held at a branch of the deposit-taker situated in the United Kingdom.

^{F33}(3)

- (4) For the purposes of this section an investment is held at a branch of a deposit-taker ^{F34}... if the investment is recorded in its books as a liability of that branch.

Textual Amendments

F33 S. 868(3) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 15](#)

F34 Words in s. 868(4) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 14](#)

^{F35}869 Sale and repurchase of securities

.....

Textual Amendments

F35 S. 869 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 15](#)

870 Other investments

- (1) An investment with a deposit-taker is not a relevant investment if—
- (a) it is a loan made by a deposit-taker in the ordinary course of its business or activities,
 - (b) it is a debt on a security which is listed on a recognised stock exchange, or
 - (c) it is a debt on a debenture issued by the deposit-taker (see section 1022).

^{F36}(2)

Textual Amendments

F36 S. 870(2) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 15](#)

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Supplementary

^{F37}871 Power to make regulations to give effect to Chapter

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Textual Amendments

F37 S. 871 omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of Finance Act 2016 (c. 24), **Sch. 6 para. 16**

872 Power to make orders amending Chapter

- (1) The Treasury may by order amend this Chapter for the purposes of providing that investments of a kind specified in the order are, or are not, relevant investments.
- (2) An order under this section [^{F38}may amend this Chapter]—
 - (a) in [^{F39}its application] to all deposit-takers, or
 - (b) in [^{F39}its application] to such deposit-takers or classes of deposit-taker as the order may specify.
- (3) An order under this section may contain incidental, supplemental, consequential and transitional provision and savings.

^{F40}(4)

^{F40}(5)

Textual Amendments

- F38** Words in s. 872(2) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by Finance Act 2016 (c. 24), **Sch. 6 para. 17(a)(i)**
- F39** Words in s. 872(2)(a)(b) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by Finance Act 2016 (c. 24), **Sch. 6 para. 17(a)(ii)**
- F40** S. 872(4)(5) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of Finance Act 2016 (c. 24), **Sch. 6 para. 17(b)**

873 Discretionary or accumulation settlements

- (1) A settlement is a discretionary or accumulation settlement for the purposes of this Chapter if any income arising to the trustees would (unless treated as income of the settlor) be to any extent income within subsection (2) for the tax year in which it arises.
- (2) Income is within this subsection so far as it is—
 - (a) accumulated or discretionary income as defined in section 480 (other than income arising under a [^{F41}charitable trust] or an unauthorised unit trust in relation to which [^{F42}regulation 12 of the Unauthorised Unit Trusts (Tax) Regulations 2013] applies), or
 - (b) an amount of a type set out in section 482 (unless the trust is a unit trust scheme or the amount is income arising under a [^{F43}charitable trust] or is excluded by section 481(5)).

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- F44(3)
 F44(4)
 F44(5)
 F44(6)

Textual Amendments

- F41** Words in s. 873(2)(a) substituted (8.3.2012) (with effect in accordance with art. 17 of the commencing S.I.) by [Finance Act 2010 \(c. 13\)](#), [Sch. 6 paras. 23\(5\)](#), 34(2); S.I. 2012/736, art. 17
- F42** Words in s. 873(2)(a) substituted (6.4.2014) by [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), regs. 1(3), [37\(12\)](#) (with reg. 32)
- F43** Words in s. 873(2)(b) substituted (8.3.2012) (with effect in accordance with art. 17 of the commencing S.I.) by [Finance Act 2010 \(c. 13\)](#), [Sch. 6 paras. 23\(5\)](#), 34(2); S.I. 2012/736, art. 17
- F44** S. 873(3)-(6) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 18](#)

CHAPTER 3

DEDUCTION FROM CERTAIN PAYMENTS OF YEARLY INTEREST

Duty to deduct sums representing income tax

874 Duty to deduct from certain payments of yearly interest

- (1) This section applies if a payment of yearly interest arising in the United Kingdom is made—
 - (a) by a company,
 - (b) by a local authority,
 - (c) by or on behalf of a partnership of which a company is a member, or
 - (d) by any person to another person whose usual place of abode is outside the United Kingdom.
- (2) The person by or through whom the payment is made must, on making the payment, deduct from it a sum representing income tax on it at the [^{F45}basic rate] in force for the tax year in which it is made.
- (3) But see—
 - (a) sections 875 to [^{F46}888E] as to circumstances in which the duty to deduct a sum under this section is disapplied, and
 - (b) Chapter 11 (payments between companies etc) for a further exception from the duty to deduct under this section.
- (4) See also regulations made under section 17(3) of F(No.2)A 2005 (authorised investment funds)—
 - (a) for provision treating certain amounts shown in the distribution accounts of authorised investment funds as payments of yearly interest, and

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- (b) for exceptions from the duty to deduct under this section which would otherwise apply to such payments.
- (5) For the purposes of subsection (1) the following are to be treated as payments of yearly interest—
 - (a) a payment of interest made by a [^{F47}registered society] in respect of any mortgage, loan, loan stock or deposit, and
 - (b) any interest, dividend, bonus or other sum payable to a shareholder of such a society by reference to the amount of the shareholder's holding in the share capital of the society.
- [^{F48}(5A) For the purposes of subsection (1) a payment of interest which is payable to an individual in respect of compensation is to be treated as a payment of yearly interest (irrespective of the period in respect of which the interest is paid).
- (5B) But the Commissioners for Her Majesty's Revenue and Customs may make regulations which provide that subsection (5A) does not apply in the circumstances prescribed in the regulations.]
- (6) For the purposes of subsection (1)—
 - (a) a payment made by a company in a fiduciary or representative capacity is not to be treated as a payment made by the company, and
 - (b) a payment made by a local authority in a fiduciary or representative capacity is not to be treated as a payment made by the local authority.
- [^{F49}(6A) In determining for the purposes of subsection (1) whether a payment of interest arises in the United Kingdom no account is to be taken of the location of any deed which records the obligation to pay the interest.]
- (7) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—
 - (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.

Textual Amendments

- F45** Words in s. 874(2) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 1 para. 26**
- F46** Word in s. 874(3) substituted (27.4.2017) by [Finance Act 2017 \(c. 10\)](#), **Sch. 5 para. 4**
- F47** Words in s. 874(5)(a) substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014 \(c. 14\)](#), s. 154, **Sch. 4 para. 109** (with Sch. 5)
- F48** S. 874(5A)(5B) inserted (with effect in accordance with Sch. 11 para. 12(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 11 para. 2**
- F49** S. 874(6A) inserted (with effect in accordance with Sch. 11 para. 12(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 11 para. 5**

Modifications etc. (not altering text)

- C2** S. 874 restricted by [The Income Tax \(Deposit-takers and Building Societies\) \(Interest Payments\) Regulations 2008 \(S.I. 2008/2682\)](#), reg. 4B (as inserted (with effect in accordance with reg. 1(3) of the amending S.I.) by [S.I. 2011/22](#), regs. 1(1), 7)
- C3** S. 874 applied by S.I. 2006/964, reg. 69Z23(2) (as inserted (6.4.2008) by [The Authorised Investment Funds \(Tax\) \(Amendment\) Regulations 2008 \(S.I. 2008/705\)](#), regs. 1, 5)

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- C4** S. 874 restricted (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Taxation of Regulatory Capital Securities Regulations 2013 \(S.I. 2013/3209\)](#), regs. 1(1), **6** (with reg. 8)
- C5** S. 874 excluded (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Risk Transformation \(Tax\) Regulations 2017 \(S.I. 2017/1271\)](#), regs. 1(1), **5**

Exceptions from duty to deduct

875 Interest paid by building societies

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest made by a building society [^{F50}unless it is treated as a payment of yearly interest by virtue of section 874(5A).]

Textual Amendments

- F50** Words in s. 875 inserted (with effect in accordance with Sch. 11 para. 12(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 11 para. 3**

[^{F51}876 Interest paid by deposit-takers

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on an investment if—
- (a) the payment is made by a deposit-taker, and
 - (b) when the payment is made, the investment is a relevant investment.
- (1A) In this section “deposit-taker”, “investment” and “relevant investment” have the meaning given by Chapter 2.]

Textual Amendments

- F51** S. 876(1)(1A) substituted for s. 876(1) (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 6 para. 2**

877 UK public revenue dividends

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest [^{F52}that is] a UK public revenue dividend [^{F53}(as defined by section 891)].

Textual Amendments

- F52** Words in s. 877 substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 6 para. 26(a)**
- F53** Words in s. 877 inserted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 6 para. 26(b)**

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878 Interest paid by banks

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest made by a bank if that payment is made in the ordinary course of its business.
- [^{F54}(1A) But that duty does apply to such a payment if it is treated as a payment of yearly interest by virtue of section 874(5A).]
- (2) Section 991 (meaning of “bank”) applies for the purposes of this section.

Textual Amendments

- F54** S. 878(1A) inserted (with effect in accordance with Sch. 11 para. 12(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 11 para. 4](#)

Modifications etc. (not altering text)

- C6** S. 878 modified (1.1.2010) by [The Northern Rock plc \(Tax Consequences\) Regulations 2009 \(S.I. 2009/3227\)](#), [regs. 1, 7\(1\)](#)
- C7** S. 878 excluded (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Taxation of Regulatory Capital Securities Regulations 2013 \(S.I. 2013/3209\)](#), [regs. 1\(1\), 9\(a\)](#)

879 Interest paid on advances from banks

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on an advance from a bank if, at the time when the payment is made, the person beneficially entitled to the interest is within the charge to corporation tax as respects the interest [^{F55}or is a bank that would be within the charge to corporation tax as respects the interest apart from section 18A of CTA 2009].
- (2) Section 991 (meaning of “bank”) applies for the purposes of this section.
- (3) Subsection (1) applies to the European Investment Bank as if the words from “if” to the end were omitted.
- (4) An order under subsection (2)(e) of section 991 designating an international organisation as a bank may provide that subsection (1) applies to the organisation with the modification mentioned in subsection (3).

Textual Amendments

- F55** Words in s. 879(1) inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 19, 31](#)

880 Interest paid on advances from building societies

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on an advance from a building society.

881 National Savings Bank interest

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on deposits with the National Savings Bank.

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882 Quoted Eurobond interest

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on a quoted Eurobond (see section 987).

883 Interest on loan to buy life annuity

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest to which section 369 of ICTA applies (interest on loan to buy life annuity payable under deduction of tax).

884 Relevant foreign income

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest which is chargeable to income tax as relevant foreign income.
- (2) For the meaning of “relevant foreign income”, see section 989.

885 Authorised persons dealing in financial instruments

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest made by a person authorised for the purposes of FISMA 2000 if—
 - (a) the person's business consists wholly or mainly of dealing in financial instruments as principal, and
 - (b) the payment is made by that person in the ordinary course of that business.
- (2) For the meaning of “financial instrument”, see section 984.

Modifications etc. (not altering text)

- C8** S. 885 excluded (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Taxation of Regulatory Capital Securities Regulations 2013 \(S.I. 2013/3209\)](#), regs. 1(1), **9(b)**

886 Interest paid by recognised clearing houses etc

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest made by a [^{F56}relevant entity] if—
 - (a) the [^{F57}relevant entity] is carrying on business as the provider of a central counterparty clearing service [^{F58}or as a central securities depository], and
 - (b) the interest is paid in the ordinary course of that business, on margin or other collateral deposited with it by users of the service [^{F59}or as a central securities depository].
- (2) The duty to deduct a sum representing income tax under section 874 does not apply to interest treated by virtue of section 607 (treatment of price differences under repos)[^{F60}, or paragraph 5 of Schedule 13 to FA 2007 (relief for borrower for finance charges in case of debtor repos and debtor quasi-repos).] as paid by [^{F61}a relevant entity] in respect of contracts made by it as the provider of a central counterparty clearing service [^{F62}or as a central securities depository] .
- (3) In this section—

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“central counterparty clearing service” means the service provided by ^{F63}[a relevant entity] to the parties to a transaction where there are contracts between each of the parties and ^{F63}[the relevant entity] (in place of, or as an alternative to, a contract directly between the parties), and

^{F64}“relevant entity”, means any of the following (as defined for the purposes of FISMA 2000 by section 285 of that Act)—

- (a) a recognised clearing house;
- (b) a recognised investment exchange;
- (c) ^{F65}...
- (d) a third country central counterparty.
- (e) ^{F66}[a recognised CSD;
- (f) ^{F65}...
- (g) a third country CSD.]]

^{F67}

Textual Amendments

- F56** Words in s. 886(1) substituted (1.4.2013) by [The Financial Services and Markets Act 2000 \(Over the Counter Derivatives, Central Counterparties and Trade Repositories\) Regulations 2013](#) (S.I. 2013/504), regs. 1(2), **24(2)(a)(i)** (with regs. 52-58)
- F57** Words in s. 886(1)(a) substituted (1.4.2013) by [The Financial Services and Markets Act 2000 \(Over the Counter Derivatives, Central Counterparties and Trade Repositories\) Regulations 2013](#) (S.I. 2013/504), regs. 1(2), **24(2)(a)(ii)** (with regs. 52-58)
- F58** Words in s. 886(1)(a) inserted (28.11.2017) by [The Central Securities Depositories Regulations 2017](#) (S.I. 2017/1064), reg. 1, **Sch. para. 12(a)(i)** (with regs. 7(4), 9(1))
- F59** Words in s. 886(1)(b) inserted (28.11.2017) by [The Central Securities Depositories Regulations 2017](#) (S.I. 2017/1064), reg. 1, **Sch. para. 12(a)(ii)** (with regs. 7(4), 9(1))
- F60** Words in s. 886(2) inserted (with effect in accordance with art. 3 of the commencing S.I.) by [Finance Act 2007](#) (c. 11), s. 47(4), **Sch. 14 para. 24**; S.I. 2007/2483, art. 3
- F61** Words in s. 886(2) substituted (1.4.2013) by [The Financial Services and Markets Act 2000 \(Over the Counter Derivatives, Central Counterparties and Trade Repositories\) Regulations 2013](#) (S.I. 2013/504), regs. 1(2), **24(2)(b)** (with regs. 52-58)
- F62** Words in s. 886(2) inserted (28.11.2017) by [The Central Securities Depositories Regulations 2017](#) (S.I. 2017/1064), reg. 1, **Sch. para. 12(b)** (with regs. 7(4), 9(1))
- F63** Words in s. 886(3) substituted (1.4.2013) by [The Financial Services and Markets Act 2000 \(Over the Counter Derivatives, Central Counterparties and Trade Repositories\) Regulations 2013](#) (S.I. 2013/504), regs. 1(2), **24(2)(c)(i)** (with regs. 52-58)
- F64** Words in s. 886(3) inserted (1.4.2013) by [The Financial Services and Markets Act 2000 \(Over the Counter Derivatives, Central Counterparties and Trade Repositories\) Regulations 2013](#) (S.I. 2013/504), regs. 1(2), **24(2)(c)(iii)** (with regs. 52-58)
- F65** Words in s. 886(3) omitted (31.12.2020) by virtue of [The Financial Services \(Miscellaneous\) \(Amendment\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/710), regs. 1(3), **4** (with reg. 39) (as amended by S.I. 2020/1301, regs. 1, 3, Sch. para. 43(1)); 2020 c. 1, Sch. 5 para. 1(1)
- F66** Words in s. 886(3) inserted (28.11.2017) by [The Central Securities Depositories Regulations 2017](#) (S.I. 2017/1064), reg. 1, **Sch. para. 12(c)** (with regs. 7(4), 9(1))
- F67** Words in s. 886(3) omitted (1.4.2013) by virtue of [The Financial Services and Markets Act 2000 \(Over the Counter Derivatives, Central Counterparties and Trade Repositories\) Regulations 2013](#) (S.I. 2013/504), regs. 1(2), **24(2)(c)(ii)** (with regs. 52-58)

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Modifications etc. (not altering text)

- C9** S. 886 modified (temp.) (31.12.2020) by [The Financial Services \(Miscellaneous\) \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/710\)](#), regs. 1(3), **39**; 2020 c. 1, Sch. 5 para. 1(1)

887 [^{F68}**Payments made by registered societies**]

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to either of the following payments if they are payable to a person whose usual place of abode is in the United Kingdom—
- (a) a payment of interest made by a [^{F69}registered society] in respect of any mortgage, loan, loan stock or deposit, or
 - (b) any interest, dividend, bonus or other sum payable to a shareholder of such a society by reference to the amount of the shareholder's holding in the share capital of the society.
- (2) A [^{F70}registered society] must, within 3 months after the end of each of its accounting periods, deliver to an officer of Revenue and Customs a return containing the information mentioned in subsection (3).
- (3) That information is—
- (a) the name and place of residence of every person to whom the society has, as a result of this section, made one or more payments in the period amounting in total to at least £15 without deducting a sum (or sums) representing income tax, and
 - (b) the amount so paid in the period to each of those persons.
- (4) See [^{F71}section 500(2) of CTA 2009] as to the consequences of not making a return as required by subsection (2).
- [^{F72}(5) In this Chapter “registered society” means—
- (a) a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014,
 - (b) a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969.
 - (c) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
 - (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.]
- (6) For the purposes of this section crediting interest (or amounts treated as interest) counts as paying it.

Textual Amendments

- F68** S. 887 heading substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014](#) (c. 14), s. 154, [Sch. 4 para. 110\(2\)](#) (with Sch. 5)
- F69** Words in s. 887(1)(a) substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014](#) (c. 14), s. 154, [Sch. 4 para. 110\(3\)](#) (with Sch. 5)
- F70** Words in s. 887(2) substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014](#) (c. 14), s. 154, [Sch. 4 para. 110\(4\)](#) (with Sch. 5)

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- F71** Words in s. 887(4) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 307](#) (with [Sch. 9 paras. 1-9, 22](#))
- F72** S. 887(5) substituted (1.8.2014) by [Co-operative and Community Benefit Societies Act 2014 \(c. 14\), s. 154, Sch. 4 para. 110\(5\)](#) (with [Sch. 5](#)) (as amended (1.8.2014) by Finance Act 2014 (c. 26), Sch. 39 paras. 11, 15)

888 Statutory interest

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest made by virtue of the contractual term implied by section 1(1) of the Late Payment of Commercial Debts (Interest) Act 1998 (c. 20) (statutory interest).

[^{F73} 888A Qualifying private placements

- (1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on a qualifying private placement.
- (2) “Qualifying private placement” means a security—
 - (a) which represents a loan relationship to which a company is a party as debtor,
 - (b) which is not listed on a recognised stock exchange, and
 - (c) in relation to which such other conditions as the Treasury may specify by regulations are met.
- (3) The conditions which may be specified under subsection (2)(c) include conditions relating to—
 - (a) the security itself,
 - (b) the loan relationship represented by the security,
 - (c) the terms on which, or circumstances under which, the security or loan relationship is entered into,
 - (d) the company which is party to the loan relationship as debtor,
 - (e) any person by or through whom a payment of interest on the security is made, or
 - (f) the holder of the security.
- (4) Regulations under this section may make provision about the consequences of failing to make a deduction under section 874, in respect of a payment of interest on a security, in cases where the person required to make the deduction had a reasonable, but mistaken, belief that the security was a qualifying private placement.
- (5) Regulations under this section may—
 - (a) make different provision for different cases;
 - (b) contain incidental, supplemental, consequential and transitional provision and savings.
- (6) In this section “loan relationship” has the same meaning as in Part 5 of CTA 2009.]

Textual Amendments

- F73** S. 888A inserted (26.3.2015 for specified purposes, 1.1.2016 in so far as not already in force) by [Finance Act 2015 \(c. 11\), s. 23\(1\)\(2\)\(3\); S.I. 2015/2035, reg. 2](#)

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[^{F74}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).

Textual Amendments

F74 [Ss. 888B-888D](#) inserted (with effect in accordance with Sch. 5 para. 5(1) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 5 para. 1](#)

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).

Textual Amendments

F74 [Ss. 888B-888D](#) inserted (with effect in accordance with Sch. 5 para. 5(1) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 5 para. 1](#)

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).]

Textual Amendments

F74 [Ss. 888B-888D](#) inserted (with effect in accordance with Sch. 5 para. 5(1) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 5 para. 1](#)

[^{F75}888D Payments of interest by a QAHC

The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest (however the interest arises) by a QAHC (within the meaning of Schedule 2 to FA 2022).]

Textual Amendments

F75 [S. 888DA](#) inserted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [Sch. 2 para. 55](#)

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[^{F76}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).]

Textual Amendments

F76 [S. 888E](#) inserted (with effect in accordance with Sch. 5 para. 5(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 5 para. 3](#)

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CHAPTER 4

DEDUCTION FROM PAYMENTS IN RESPECT OF BUILDING SOCIETY SECURITIES

889 Payments in respect of building society securities

- (1) This section applies to any payment made in a tax year if—
 - (a) it is a payment of a dividend or interest in respect of a security issued by a building society, and
 - (b) conditions A and B are met in relation to the security.
- (2) Condition A is that the security was listed or capable of being listed on a recognised stock exchange at the time the dividend or interest became payable.
- (3) Condition B is that the security is not—
 - (a) a qualifying certificate of deposit (see section 985),
 - (b) a qualifying uncertificated eligible debt security unit (see section 986), or
 - (c) a quoted Eurobond (see section 987).
- (4) The person by or through whom the payment is made must, on making it, deduct from it a sum representing income tax on it at the [^{F77}basic rate] in force for the tax year.
- (5) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—
 - (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.
- (6) See also Chapter 11 (payments between companies) for an exception from the duty to deduct sums representing income tax under this section.
- (7) In this section—

“dividend” includes any distribution (whether or not described as a dividend), and

“security” includes a share (and, in particular, a permanent interest bearing share as defined in section 117 of TCGA 1992).

Textual Amendments

- F77** Words in s. 889(4) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 27](#)

Modifications etc. (not altering text)

- C10** S. 889 excluded (1.3.2013) by [The Building Societies \(Core Capital Deferred Shares\) Regulations 2013 \(S.I. 2013/460\)](#), regs. 1(1), [3\(1\)\(c\)](#) (with reg. 1(2))
- C11** S. 889 restricted (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Taxation of Regulatory Capital Securities Regulations 2013 \(S.I. 2013/3209\)](#), regs. 1(1), [6](#) (with reg. 8)

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CHAPTER 5

DEDUCTION FROM PAYMENTS OF UK PUBLIC REVENUE DIVIDENDS

Introduction

890 Overview of Chapter

- (1) This Chapter contains provision about the deduction of sums representing income tax from payments of UK public revenue dividends.
- (2) Section 891 defines “UK public revenue dividend”.
- (3) Section 892 contains a duty to deduct sums representing income tax from payments of UK public revenue dividends unless they are payable gross.
- (4) Sections 893 and 894 explain when such payments are payable gross.
- (5) Sections 895 and 896 make provision for the making, and withdrawal, of applications for payments to be subject to the duty to deduct under this Chapter.
- (6) Section 897 contains a regulation-making power in connection with payments from which sums must be deducted under this Chapter.

891 Meaning of “UK public revenue dividend”

In this Chapter “UK public revenue dividend” means any income from securities which—

- (a) is paid out of the public revenue of the United Kingdom or Northern Ireland, but
- (b) is not interest on local authority stock.

Duty to deduct sums representing income tax

892 Duty to deduct from certain UK public revenue dividends

- (1) This section has effect if—
 - (a) a payment of a UK public revenue dividend is made, and
 - (b) it is not payable gross under section 893.
- (2) The person by or through whom the payment is made must, on making the payment, deduct from it a sum representing income tax on it at the [^{F78}basic rate] in force for the tax year in which it is made.
- (3) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—
 - (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.

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Textual Amendments

- F78** Words in s. 892(2) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 28](#)

Payments which are payable gross

893 Payments of UK public revenue dividends which are payable gross

- (1) A payment of a UK public revenue dividend is payable gross if—
 - (a) it is a payment of interest on gross-paying government securities, and
 - (b) no deduction at source application has effect in respect of the securities at the time the payment is made (see section 895).
- (2) In this Chapter “gross-paying government securities” means—
 - (a) gilt-edged securities (see section 1024),
[^{F79}(aa) securities, so far as they are not gilt-edged securities, issued or treated as issued under—
 - (i) the National Loans Act 1939, or
 - (ii) the National Loans Act 1968,] or
 - (b) securities which are the subject of a Treasury direction under section [^{F80}894(3)].

Textual Amendments

- F79** S. 893(2)(aa) inserted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 27\(2\)\(a\)](#)
- F80** Word in s. 893(2)(b) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 27\(2\)\(b\)](#)

894 Treasury directions

^{F81}(1)

^{F81}(2)

- (3) The Treasury may, at the request of the Department of Finance and Personnel for Northern Ireland, direct that any securities issued under section 11(1)(c) of the Exchequer and Financial Provisions Act (Northern Ireland) 1950 (c. 3 (N.I.)) are gross-paying government securities.
- (4) In relation to any securities which are gross-paying government securities by virtue of a direction under subsection (3)—
 - (a) references in sections 895 and 896 to “the Registrar” are to be read as references to the bank in the books of which the securities are registered or inscribed, and
 - (b) references in those sections to the Treasury are to be read as references to the Department of Finance and Personnel for Northern Ireland.

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- (5) A direction under subsection ^{F82}... (3) in respect of any securities may provide that the direction is to have effect in relation only to payments of interest on the securities made on or after a date specified in the direction.

Textual Amendments

- F81** S. 894(1)(2) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 27\(3\)\(a\)](#)
- F82** Word in s. 894(5) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 6 para. 27\(3\)\(b\)](#)

Deduction at source applications

895 Deduction at source application

- (1) The holder of registered gross-paying government securities may make a deduction at source application in respect of the securities.
- (2) A deduction at source application in respect of any securities is an application—
 - (a) for payments of interest on those securities to be subject to the duty to deduct sums representing income tax under section 892,
 - (b) made to the Registrar, and
 - (c) made in such form as the Registrar may, with the approval of the Treasury, prescribe.
- (3) A deduction at source application in respect of any securities has effect from the date which is one month after the date on which it is made until—
 - (a) the securities cease to be registered in the name of the person who made the application, or
 - (b) the application ceases to have effect under section 896 following its withdrawal in accordance with that section.
- (4) If any registered gross-paying government securities are held on trust, the holders of the securities may make a deduction at source application in respect of them without the consent of any other person.
- (5) Subsection (4) applies despite anything in the instrument creating the trust.
- (6) In this Chapter—

“registered” means—

 - (a) entered in the register of the Registrar, or
 - (b) entered in a register maintained in accordance with regulations under [^{F83}section 785 of the Companies Act 2006 (provision enabling procedures for evidencing and transferring title),] and

“the Registrar” means the person or persons appointed in accordance with regulations under section 47(1)(b) of FA 1942 (see regulation 3 of the Government Stock Regulations 2004 (S.I. 2004/1611)).

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Textual Amendments

F83 Words in s. 895(6) substituted (6.4.2008) by [Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2008 \(S.I. 2008/954\)](#), arts. 1(1), **40** (with art. 4)

896 Withdrawal of application

- (1) A deduction at source application may be withdrawn by notice given to the Registrar by the holder of the securities.
- (2) The notice must be given in such form as the Registrar may, with the approval of the Treasury, prescribe.
- (3) If withdrawn, a deduction at source application ceases to have effect on the date which is one month after the date on which the notice of withdrawal is received by the Registrar.

Regulations

897 Power to make regulations

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations—
 - (a) make provision as to the time and manner in which persons are to account for and pay income tax in respect of payments from which they are required to deduct sums representing income tax under section 892, and
 - (b) otherwise modify the provisions of section 892 and Chapters 15 and 16 in their application to such payments.
- (2) Regulations under this section may—
 - (a) make different provision for different descriptions of UK public revenue dividend and for different circumstances, and
 - (b) contain incidental, supplemental, consequential and transitional provision and savings.
- (3) The Commissioners for Her Majesty's Revenue and Customs must not make any regulations under this section unless a draft of them has been laid before and approved by a resolution of the House of Commons.

CHAPTER 6

DEDUCTION FROM ANNUAL PAYMENTS AND PATENT ROYALTIES

Introduction

898 Overview of Chapter

- (1) This Chapter deals with the deduction of sums representing income tax from—
 - (a) qualifying annual payments, and
 - (b) royalties or other sums paid in respect of the use of patents.

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- (2) See also—
- (a) Chapter 11 (payments between companies etc) for an exception from the duties to deduct sums representing income tax under this Chapter,
 - (b) Chapter 4 of Part 8, which gives relief for certain payments from which sums representing income tax must be deducted under this Chapter, and
 - (c) section 615(3) of ICTA (exemption from tax in respect of certain pensions) which contains a further exception from the duties to deduct sums representing income tax under this Chapter.
- (3) If a payment to which a provision of this Chapter applies is also one to which section 906 applies, it is treated as not being a payment to which a provision of this Chapter applies.

899 Meaning of “qualifying annual payment”

- (1) In this Chapter “qualifying annual payment” means an annual payment that meets the conditions in subsections (2) to (5).
- (2) The payment must arise in the United Kingdom.
- (3) If the recipient is a person other than a company, the payment must be—
- (a) a payment charged to income tax under—
 - (i) Chapter 7 of Part 4 of ITTOIA 2005 (purchased life annuity payments),
 - (ii) section 579 of that Act (royalties etc from intellectual property),
 - (iii) Chapter 4 of Part 5 of that Act (certain telecommunication rights: non-trading income), or
 - (iv) Chapter 7 of Part 5 of that Act (annual payments not otherwise charged), or
 - (b) a payment charged to income tax under Part 9 of ITEPA 2003 because section 609 or 611 of that Act applies to it (certain employment-related annuities).
- (4) If the recipient is a company, the payment must be—
- (a) a payment charged to income tax as mentioned in subsection (3)(a), or
 - (b) a payment ^[F84]which is—
 - (i) required to be brought into account under Part 5 of CTA 2009 (loan relationships) as a non-trading credit, or
 - (ii) from a source in the United Kingdom and chargeable to corporation tax under ^[F85]Chapter 7 of Part 10 of that Act (annual payments not otherwise charged) or regulation 15 of the Unauthorised Unit Trusts (Tax) Regulations 2013.]
- (5) The payment must not be—
- (a) interest,
 - ^[F86](b) a payment which is a qualifying payment for the purposes of Chapter 2 of Part 6 of CTA 2010 (certain payments to charity),]
 - (c) a payment which is a qualifying donation for the purposes of Chapter 2 of Part 8 (gift aid),

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- (d) a payment in relation to which income tax is treated as having been paid under section 494(3) (income tax treated as paid by beneficiary or settlor in relation to discretionary trust),
- (e) a payment which would fall within paragraph (d) but for the fact that the trustees making the payment are non-UK resident, or
- (f) an annual payment to which section 904 applies (annual payments for dividends or non-taxable consideration).

Textual Amendments

- F84** Words in s. 899(4)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 707](#) (with [Sch. 2 Pts. 1, 2](#))
- F85** Words in s. 899(4)(b)(ii) substituted (6.4.2014) by [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\), regs. 1\(3\), 37\(13\)](#) (with [reg. 32](#))
- F86** S. 899(5)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 554](#) (with [Sch. 2](#))

Duty to deduct from annual payments

900 Deduction from commercial payments made by individuals

- (1) This section applies to any payment made in a tax year if—
 - (a) it is a qualifying annual payment,
 - (b) the person who makes it is an individual, and
 - (c) it is made for genuine commercial reasons in connection with the individual's trade, profession or vocation.
- (2) The individual must, on making the payment, deduct from it a sum representing income tax on it at the basic rate in force for the tax year.
- (3) Income tax equal to the sum required to be deducted is to be collected through the individual's self-assessment return (see Chapter 17).

Modifications etc. (not altering text)

- C12** S. 900 excluded (1.1.2011) by [The London Olympic Games and Paralympic Games Tax Regulations 2010 \(S.I. 2010/2913\), regs. 1, 3\(3\)](#) (with [regs. 9, 11](#))
- C13** Ss. 900, 901 applied by S.I. 2009/3001, reg. 124B(2) (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Offshore Funds \(Tax\) \(Amendment No. 3\) Regulations 2013 \(S.I. 2013/1770\), regs. 1\(1\), 2\(3\)](#))
- C14** Ss. 900, 901 applied by S.I. 2006/964, reg. 46B(2) (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Authorised Investment Funds \(Tax\) \(Amendment\) Regulations 2013 \(S.I. 2013/1772\), regs. 1\(1\), 2\(2\)](#))

901 Deduction from annual payments made by other persons

- (1) This section applies to any payment made in a tax year if—
 - (a) it is a qualifying annual payment, and
 - (b) the person who makes it is not an individual.

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- (2) But this section does not apply if—
- (a) an individual's personal representatives make the payment,
 - (b) the individual would have been liable to make it if the individual had not died, and
 - (c) the payment would not have been made for genuine commercial reasons in connection with the individual's trade, profession or vocation, had it been made by the individual.
- (3) If the person who makes the payment has some modified net income for the tax year (see section 1025)—
- (a) the person must, on making it, deduct from it a sum representing income tax on it at the basic rate in force for the tax year, and
 - (b) income tax equal to the sum required to be deducted is to be collected through the person's self-assessment return (see Chapter 17).
- (4) If the person who makes the payment has no modified net income for the tax year the person by or through whom the payment is made must, on making it, deduct from it a sum representing income tax on it at [^{F87}the basic rate in force for the tax year in which the payment is made] .
- (5) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under subsection (4)—
- (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.

Textual Amendments

F87 Words in s. 901(4) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 1 para. 29**

Modifications etc. (not altering text)

- C13** Ss. 900, 901 applied by S.I. 2009/3001, reg. 124B(2) (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Offshore Funds \(Tax\) \(Amendment No. 3\) Regulations 2013 \(S.I. 2013/1770\)](#), regs. 1(1), **2(3)**)
- C14** Ss. 900, 901 applied by S.I. 2006/964, reg. 46B(2) (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Authorised Investment Funds \(Tax\) \(Amendment\) Regulations 2013 \(S.I. 2013/1772\)](#), regs. 1(1), **2(2)**)
- C15** S. 901 excluded (1.1.2011) by [The London Olympic Games and Paralympic Games Tax Regulations 2010 \(S.I. 2010/2913\)](#), regs. 1, **3(3)** (with regs. 9, 11)

^{F88}**902 Meaning of “applicable rate” in section 901**

.....

Textual Amendments

F88 S. 902 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 1 para. 30**

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Duty to deduct from patent royalties

903 Deduction from patent royalties

- (1) This section applies to any payment made in a tax year if—
 - (a) it is a payment of a royalty or other sum in respect of the use of a patent, and
 - (b) it meets the conditions in subsections (2) to (4).
- (2) The payment must not be—
 - (a) a qualifying annual payment, or
 - (b) an annual payment to which section 904 applies (annual payments for dividends or non-taxable consideration).
- (3) The payment must arise in the United Kingdom.
- (4) The payment must be one that is charged to income tax or corporation tax.
- (5) If the person who makes the payment is an individual—
 - (a) the person must, on making the payment, deduct from it a sum representing income tax on it at the basic rate in force for the tax year, and
 - (b) income tax equal to the sum required to be deducted is to be collected through the person's self-assessment return (see Chapter 17).
- (6) If the person who makes the payment is not an individual, and has some modified net income for the tax year (see section 1025)—
 - (a) the person must, on making the payment, deduct from it a sum representing income tax on it at the basic rate in force for the tax year, and
 - (b) income tax equal to the sum required to be deducted is to be collected through the person's self-assessment return (see Chapter 17).
- (7) If the person who makes the payment—
 - (a) is not an individual, and
 - (b) has no modified net income for the tax year,the person by or through whom the payment is made must, on making it, deduct from it a sum representing income tax on it at the basic rate in force for the tax year.
- (8) See Chapter 8 which makes special provision in relation to royalties (double taxation arrangements: deduction at treaty rate and EU companies: discretion to pay gross).
- (9) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under subsection (7)—
 - (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.

Supplementary

904 Annual payments for dividends or non-taxable consideration

- (1) For the purposes of section 899(5)(f) and 903(2)(b) this section applies to an annual payment which meets the conditions in subsections (2) to (7).

^[F89](2) The payment must be—

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- (a) a payment charged to income tax under Part 5 of ITTOIA 2005 (miscellaneous income), or
- (b) a payment which is—
 - (i) required to be brought into account under Part 5 of CTA 2009 (loan relationships) as a non-trading credit, or
 - (ii) from a source in the United Kingdom and chargeable to corporation tax under ^{F90}Chapter 7 of Part 10 of that Act (annual payments not otherwise charged) or regulation 15 of the Unauthorised Unit Trusts (Tax) Regulations 2013].]
- (3) The payment must be made under a liability incurred for consideration in money or money's worth all or any of which—
 - (a) consists of a dividend or the right to receive a dividend, or
 - (b) is not required to be brought into account in calculating for the purposes of income tax or corporation tax the income of the person making the payment.
- (4) The payment must not be a payment of income—
 - (a) which arises under a settlement made by one party to a marriage or civil partnership by way of provision for the other—
 - (i) after the dissolution or annulment of the marriage or civil partnership, or
 - (ii) while they are separated under an order of a court, or under a separation agreement, or if the separation is likely to be permanent, and
 - (b) which is payable to, or applicable for the benefit of, the other party.
- (5) The payment must not be made by an individual for genuine commercial reasons in connection with the individual's trade, profession or vocation.
- (6) The payment must not be made to an individual under a liability incurred at any time in consideration of the individual surrendering, assigning or releasing an interest in settled property to or in favour of a person with a subsequent interest.
- (7) The payment must not be a payment of an annuity granted in the ordinary course of a business of granting annuities.
- (8) In the application of this section to Scotland the reference in subsection (6) to settled property is to be read as a reference to property held in trust.

Textual Amendments

- F89** S. 904(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 708](#) (with [Sch. 2 Pts. 1, 2](#))
- F90** Words in s. 904(2)(b)(ii) substituted (6.4.2014) by [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\), regs. 1\(3\), 37\(14\)](#) (with [reg. 32](#))

905 Interpretation of Chapter

In this Chapter “individual” includes a Scottish partnership if at least one partner is an individual.

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CHAPTER 7

DEDUCTION FROM OTHER PAYMENTS CONNECTED WITH INTELLECTUAL PROPERTY

Certain royalties etc where usual place of abode of owner is abroad

906 Certain royalties etc where usual place of abode of owner is abroad

[^{F91}(1) This section applies to any payment made in a tax year where condition A or condition B is met.

(2) Condition A is that—

- (a) the payment is a royalty, or a payment of any other kind, for the use of, or the right to use, intellectual property (see section 907),
- (b) the usual place of abode of the owner of the intellectual property is outside the United Kingdom, and
- (c) the payment is charged to income tax or corporation tax.

(3) Condition B is that—

- (a) the payment is a payment of sums payable periodically in respect of intellectual property,
- (b) the person entitled to those sums (“the assignor”) assigned the intellectual property to another person,
- (c) the usual place of abode of the assignor is outside the United Kingdom, and
- (d) the payment is charged to income tax or corporation tax.]

(4) But this section does not apply if the payment is made in respect of copies of works, or articles, which have been exported from the United Kingdom for distribution outside the United Kingdom.

(5) The person by or through whom the payment is made must, on making it, deduct from it a sum representing income tax on it at the basic rate in force for the tax year.

(6) See—

- (a) Chapter 8 which makes special provision in relation to royalties (double taxation arrangements: deduction at treaty rate and EU companies: discretion to pay gross), and
- (b) Chapter 11 (payments between companies etc) for an exception from the duty to deduct sums representing income tax under this section.

(7) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—

- (a) see Chapter 15 if the person making the payment is a UK resident company, and
- (b) otherwise see Chapter 16.

(8) If a payment to which this section applies is also one to which a provision of Chapter 6 applies, it is treated as not being a payment to which a provision of Chapter 6 applies.

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Textual Amendments

F91 S. 906(1)-(3) substituted (with effect in accordance with s. 40(4) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 40\(2\)](#) (with s. 40(5)-(8))

[^{F92}907 Meaning of “intellectual property”

- (1) In section 906 “intellectual property” means—
 - (a) copyright of literary, artistic or scientific work,
 - (b) any patent, trade mark, design, model, plan, or secret formula or process,
 - (c) any information concerning industrial, commercial or scientific experience, or
 - (d) public lending right in respect of a book.
- (2) In this section “copyright of literary, artistic or scientific work” does not include copyright in—
 - (a) a cinematographic film or video recording, or
 - (b) the sound-track of a cinematographic film or video recording, except so far as it is separately exploited.]

Textual Amendments

F92 S. 907 substituted (with effect in accordance with s. 40(4) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 40\(3\)](#)

908 Royalty payments etc made through UK resident agents

- (1) If—
 - (a) a payment to which section 906 applies is made through an agent who is UK resident, and
 - (b) the agent is entitled as against the owner of the right to deduct a sum as commission for services provided,
 section 906(5) and Chapters 8 (deduction at special rates), 15 and 16 (collection) apply as if the amount of the payment were the amount net of the sum deductible as commission.
- (2) But if the person by or through whom the payment is made does not know the commission is payable, or does not know its amount—
 - (a) the sum representing income tax required to be deducted under section 906 must be calculated in the first instance on the total amount of the payment, and
 - (b) the return to be made under Chapter 15 or the account of the payment under Chapter 16, must be based on that total amount.

909 Royalty payments: further provision

- (1) A payment to which section 906 applies is treated for all income and corporation tax purposes as made when it is made by the first person who makes it, not when it is made by or through any other person.

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- (2) If, under section 906, a sum representing income tax must be deducted from a payment, any agreement to make the payment without deduction of that sum is void.
- (3) Section 906—
- (a) applies to payments on account of royalties as it applies to payments of royalties, and
 - (b) applies to payments on account of sums payable periodically as it applies to payments of sums payable periodically.

Proceeds of a sale of patent rights

910 Proceeds of a sale of patent rights: payments to non-UK residents

- (1) This section applies if a non-UK resident sells the whole or part of any patent rights and is chargeable in respect of the sale—
- (a) to income tax under section 587 of ITTOIA 2005, or
 - (b) to corporation tax under [^{F93}section 912 of CTA 2009].
- (2) The person by or through whom the proceeds of the sale are paid must, on making any payment of—
- (a) the proceeds, or
 - (b) an instalment of the proceeds,
- deduct from it a sum representing income tax on the chargeable amount at the basic rate in force for the tax year in which the payment is made.
- (3) In subsection (2) “the chargeable amount” means—
- (a) so much of the proceeds or instalment as consists of a capital sum, less
 - (b) any incidental expenses of the sale which are deducted before payment.
- (4) Sections 597 to 599 of ITTOIA 2005 (licences connected with patents etc) apply for the purposes of this section as they apply for the purposes of sections 587 to 596 of that Act.
- (5) Section 4 of CAA 2001 (meaning of “capital sums” etc) applies in relation to this section as it applies in relation to that Act.
- (6) For further provision about the sum required to be deducted, see—
- (a) section 595 of ITTOIA 2005 (certain rules affecting the seller's income tax position do not affect the amount to be deducted), and
 - (b) [^{F94}section 919 of CTA 2009] (certain rules affecting the seller's corporation tax position do not affect the amount to be deducted).
- (7) See Chapter 11 (payments between companies etc) for an exception from the duty to deduct sums representing income tax under this section.
- (8) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—
- (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.

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Textual Amendments

- F93** Words in s. 910(1)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 709\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F94** Words in s. 910(6)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 709\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))

CHAPTER 8

CHAPTERS 6 AND 7: SPECIAL PROVISION IN RELATION TO ROYALTIES

Deduction at special rates

911 Double taxation arrangements: deduction at treaty rate

- (1) This section applies if—
- (a) a company pays a royalty from which it is required to deduct a sum representing income tax under Chapter 6 or 7,
 - (b) the income tax in respect of the payment is collectible under Chapter 15 or 16, and
 - (c) the company reasonably believes that, at the time the payment is made, the payee is entitled to relief in respect of the payment under double taxation arrangements.
- (2) The company may calculate the sum to be deducted from the payment under Chapter 6 or 7 by reference to the treaty rate.
- (3) But, if the payee is not at the time entitled to such relief, this Part has effect as if subsection (2) had never applied in relation to the payment.
- (4) In this section “the treaty rate” means the rate of income tax appropriate to the payee under the arrangements.

912 Power to make directions disapplying section 911

- (1) This section applies if an officer of Revenue and Customs is not satisfied that the payee will be entitled to relief under double taxation arrangements in respect of one or more payments of royalties that a company is to make.
- (2) The officer may direct the company that section 911 is not to apply to the payment or payments.
- (3) A direction under subsection (2) may be varied or revoked by a later direction.

913 Interpretation of sections 911 and 912

- (1) In sections 911 and 912 “royalty” includes—
- (a) a payment received as consideration for the use of, or the right to use, a copyright, patent, trade mark, design, process or information, and
 - (b) the proceeds of the sale of the whole or part of any patent rights.

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- (2) In sections 911 and 912 “payee” means the person beneficially entitled to the income in respect of which the payment is made.

F95 ...

Textual Amendments

F95 Ss. 914-917 and cross-heading repealed (with effect in accordance with s. 34(8) of the amending Act) by [Finance Act 2021 \(c. 26\)](#), **s. 34(1)(b)**

***F95* 914 European Union**

.....

***F95* 915 Power to make directions disapplying section 914**

.....

***F95* 916 Duty of payee to notify if payment not exempt**

.....

***F95* 917 Supplementary**

.....

[^{F96}Tax avoidance

Textual Amendments

F96 S. 917A and cross-heading inserted (with effect in accordance with s. 41(2) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 41(1)** (with [s. 41\(3\)\(4\)](#))

917A Tax avoidance arrangements

- (1) This section applies if and to the extent that—
- (a) a person (“the payer”) makes an intellectual property royalty payment,
 - (b) the payment is received by a person (“the payee”) who is connected with the payer, and
 - (c) the payment is made under DTA tax avoidance arrangements.
- (2) Any duty under Chapter 6 or 7 to deduct a sum representing income tax at any rate applies without regard to any double taxation arrangements.
- (3) Any income tax deducted by virtue of subsection (2) may not be set off under section 967 or 968 of CTA 2010.
- (4) In this section—

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“arrangements” (except in the phrase “double taxation arrangements”) includes any agreement, understanding, scheme, transaction or series of transactions, whether or not legally enforceable;

“DTA tax avoidance arrangements” means arrangements where, having regard to all the circumstances, it is reasonable to conclude that—

- (a) the main purpose, or one of the main purposes, of the arrangements was to obtain a tax advantage by virtue of any provisions of a double taxation arrangement, and
- (b) obtaining that tax advantage is contrary to the object and purpose of those provisions;

“intellectual property royalty payment” means a payment referred to in section 906(2)(a) or (3)(a);

“receive” means receive—

- (a) directly or indirectly;
- (b) by one payment or by a series of payments;

“tax advantage” is to be construed in accordance with section 208 of FA 2013.

(5) For the purposes of this section the payer is connected with the payee if the participation condition is met as between them.

(6) Section 148 of TIOPA 2010 (when the participation condition is met) applies for the purposes of subsection (5) as for the purposes of section 147(1)(b) of that Act, but as if references to the actual provision were to the provision made or imposed between the payer and the payee in respect of the arrangements under which the payment is made.]

CHAPTER 9

MANUFACTURED PAYMENTS

Modifications etc. (not altering text)

C16 Pt. 15 Ch. 9 modified (with effect in accordance with art. 2 of the commencing S.I.) by [Finance Act 2007 \(c. 11\)](#), s. 47(4), [Sch. 13 para. 13](#); [S.I. 2007/2483](#), art. 2

Manufactured dividends

918 Manufactured dividends on UK shares: Real Estate Investment Trusts

(1) This section applies if—

- [^{F97}(a) a person pays a manufactured payment as mentioned in section 614ZC(1) and the amount payable is representative of a dividend (a “manufactured dividend”), and]
- (b) the manufactured dividend is representative of a dividend which is—
 - [^{F98}(i) paid by a company UK REIT in respect of profits or gains (or both) of the company's property rental business, or
 - (ii) paid by the principal company of a group UK REIT in respect of profits or gains (or both) of property rental business of members of the group.]

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- (2) This section applies only so far as the manufactured dividend is representative of such a dividend.
- (3) If the payer—
- (a) is UK resident, or
 - (b) pays the manufactured dividend in the course of a trade carried on through a branch or agency in the United Kingdom,
- regulations under section 973 apply to the payer as they apply to a [F99]company UK REIT], with any necessary modifications.
- [F100](3A) But subsection (3) does not apply if—
- (a) the manufactured dividend is paid by a UK resident company in the course of a trade carried on through a permanent establishment in a territory outside the United Kingdom, and
 - (b) section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is paid.]
- (4) The Treasury may by regulations provide, in a case where the payer—
- [F101](a) is non-UK resident and pays the manufactured dividend otherwise than in the course of a trade carried on through a branch or agency in the United Kingdom, or
- (b) is a UK resident company and pays the manufactured dividend in the course of a trade carried on through a permanent establishment in a territory outside the United Kingdom and section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is paid,]
- for a United Kingdom recipient of the manufactured dividend to be liable to account for and pay income tax in respect of it.
- (5) A United Kingdom recipient is a recipient who—
- (a) is UK resident, or
 - (b) is non-UK resident but receives the manufactured dividend for the purposes of a trade carried on by the recipient through a branch or agency in the United Kingdom.
- [F102](5A) But a UK resident is not a United Kingdom recipient if—
- (a) it is a UK resident company which receives the manufactured dividend for the purposes of a trade carried on by the recipient through a permanent establishment in a territory outside the United Kingdom, and
 - (b) section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is received.]
- (6) The amount of income tax which the recipient may be liable to account for and pay under regulations under subsection (4) is equal to the amount of the sum representing income tax which the payer would have been required to deduct in accordance with regulations under section 973.
- (7) For the purposes of—
- (a) regulations under section 973 as applied by subsection (3), and
 - (b) regulations under subsection (4),
- the “gross amount” of a manufactured dividend to which this section applies is equal to the gross amount of the dividend of which it is representative.

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[^{F103}(8) In subsection (1) “gains” includes chargeable gains.]

Textual Amendments

- F97** S. 918(1)(a) substituted (1.1.2014) by [Finance Act 2013 \(c. 29\)](#), [Sch. 1 para. 52](#), [Sch. 29 para. 21](#)
- F98** S. 918(1)(b)(i)(ii) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 1184\(1\)](#), [Sch. 1 para. 555\(a\)](#) (with [Sch. 2](#))
- F99** Words in s. 918(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 1184\(1\)](#), [Sch. 1 para. 555\(b\)](#) (with [Sch. 2](#))
- F100** S. 918(3A) inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 20\(2\)](#), 31
- F101** S. 918(4)(a)(b) substituted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 20\(3\)](#), 31
- F102** S. 918(5A) inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 20\(4\)](#), 31
- F103** S. 918(8) inserted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 1184\(1\)](#), [Sch. 1 para. 555\(c\)](#) (with [Sch. 2](#))

Manufactured interest

919 Manufactured interest on UK securities: payments by UK residents etc

[^{F104}(1) This section applies if—

- (a) a person pays a manufactured payment as mentioned in section 614ZC(1),
- (b) the amount payable is representative of interest on UK securities (“manufactured interest”), and
- (c) the person —
 - (i) is UK resident, or
 - (ii) pays the manufactured interest in the course of a trade carried on in the United Kingdom through a branch or agency.]

[^{F105}(1A) But this section does not apply if—

- (a) the manufactured interest is paid by a UK resident company in the course of a trade carried on through a permanent establishment in a territory outside the United Kingdom, and
 - (b) section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is paid.]
- (2) The payer of the manufactured interest must, on making the payment, deduct from the gross amount of the manufactured interest a sum representing income tax on it at the [^{F106}basic rate] in force for the tax year in which the payment is made.
- (3) The “gross amount” of manufactured interest is equal to the gross amount of the interest of which it is representative.
- (4) This section is subject (in particular) to—
- ^{F107} ...
 - ^{F107} ...
 - section 921 (cases where interest on underlying securities paid gross), and
 - Chapter 11 (payments between companies etc: exception from duties to deduct).
- (5) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—

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- (a) see Chapter 15 if the payer of the manufactured interest is a company, and
- (b) otherwise see Chapter 16.

[^{F108}(6) In subsection (1) “UK securities” means securities of—

- (a) the government of the United Kingdom,
- (b) a local authority in the United Kingdom,
- (c) another public authority in the United Kingdom, or
- (d) a UK resident company or other UK resident body.

(7) But “UK securities” does not include shares in a UK resident company.

(8) In this section “securities” includes loan stock or any similar security.]

Textual Amendments

F104 S. 919(1) substituted (1.1.2014) by [Finance Act 2013 \(c. 29\)](#), Sch. 1 para. 52, [Sch. 29 para. 22\(a\)](#)

F105 S. 919(1A) inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 21, 31](#)

F106 Words in s. 919(2) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 31](#)

F107 Words in s. 919(4) omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), Sch. 1 para. 52, [Sch. 29 para. 22\(b\)](#)

F108 S. 919(6)-(8) inserted (1.1.2014) by [Finance Act 2013 \(c. 29\)](#), Sch. 1 para. 52, [Sch. 29 para. 22\(c\)](#)

^{F109}920 Foreign payers of manufactured interest: the reverse charge

.....

Textual Amendments

F109 S. 920 omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), Sch. 1 para. 52, [Sch. 29 para. 23](#)

921 Cases where interest on underlying securities paid gross

- (1) This section applies to manufactured interest which is representative of interest on—
 - (a) gilt-edged securities, or
 - (b) securities which are not gilt-edged securities but on which the interest is payable without deduction of income tax.
- (2) Section 919(2) does not require any deduction of a sum representing income tax to be made on the payment of the manufactured interest.
- (3) In this section [^{F110} “manufactured interest” has the same meaning as in section 919.]

Textual Amendments

F110 Words in s. 921(3) substituted (1.1.2014) by [Finance Act 2013 \(c. 29\)](#), Sch. 1 para. 52, [Sch. 29 para. 24](#)

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Manufactured overseas dividends

^{F111}922 Manufactured overseas dividends: payments by UK residents etc

.....

Textual Amendments

F111 Ss. 922-925 omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 1 para. 52](#), [Sch. 29 para. 25](#)

^{F111}923 Foreign payers of manufactured overseas dividends: the reverse charge

.....

Textual Amendments

F111 Ss. 922-925 omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 1 para. 52](#), [Sch. 29 para. 25](#)

^{F111}924 Power to reduce section 923 liability

.....

Textual Amendments

F111 Ss. 922-925 omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 1 para. 52](#), [Sch. 29 para. 25](#)

^{F111}925 Power to provide set-off entitlement

.....

Textual Amendments

F111 Ss. 922-925 omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 1 para. 52](#), [Sch. 29 para. 25](#)

^{F112}Repos

Textual Amendments

F112 Ss. 925A-925F and cross-heading inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 7 para. 112](#) (with [Sch. 9 paras. 1-9, 22](#))

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925A Creditor repos

- (1) Subsection (2) applies if a company (“the lender”) has a creditor repo for the purposes of Chapter 10 of Part 6 of CTA 2009 (see section 543 of that Act).
- (2) Sections 918 ^{F113}, 919 and 921] have effect in relation to the lender while the arrangement is in force as if—
 - (a) the lender paid the borrower amounts which are representative of the income payable on the securities that are initially sold,
 - (b) the payments were made under requirements of the arrangement, and
 - (c) the payments were made on the dates on which the income is payable.
- (3) For the purposes of subsection (2), an arrangement is in force from the time when the securities are initially sold until the earlier of—
 - (a) the time when the subsequent sale of the securities, or similar securities, takes place, and
 - (b) the time when it becomes apparent that that sale will not take place.

Textual Amendments

F113 Words in s. 925A(2) substituted (1.1.2014) by [Finance Act 2013 \(c. 29\), Sch. 1 para. 52, Sch. 29 para. 26](#)

^{F114}925B Debtor repos

.....

Textual Amendments

F114 S. 925B omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\), Sch. 1 para. 52, Sch. 29 para. 27](#)

925C Actual payments ignored if section 925A ^{F115}... applies

If section 925A(2) ^{F116}... applies, any payment actually made under an arrangement which is representative of any income payable on any securities is to be treated for the purposes of sections 918 ^{F117}, 919 and 921] as if it had not been made.

Textual Amendments

F115 Words in s. 925C heading omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\), Sch. 1 para. 52, Sch. 29 para. 28\(a\)](#)

F116 Words in s. 925C omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\), Sch. 1 para. 52, Sch. 29 para. 28\(b\)](#)

F117 Words in s. 925C substituted (1.1.2014) by [Finance Act 2013 \(c. 29\), Sch. 1 para. 52, Sch. 29 para. 28\(c\)](#)

925D Power to modify repo sections

- (1) The Treasury may by regulations provide for all or any of the provisions of sections 925A to 925F to apply with modifications in relation to—

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- (a) cases to which section 925E (non-standard repo cases) applies, or
 - (b) cases involving redemption arrangements, or
 - (c) both of those cases.
- (2) A case involves redemption arrangements if—
 - (a) arrangements, corresponding to those made in cases where a company has a repo, are made in relation to securities that are to be redeemed in the period after their sale, and
 - (b) the arrangements are such that a person (instead of having the right or obligation to buy those securities, or similar or other securities, at any subsequent time) has a right or obligation in respect of the benefits which will result from the redemption.
- (3) The regulations may make incidental, supplemental, consequential and transitional provision and savings.
- (4) In this section “modifications” includes exceptions and omissions.
- (5) For the purposes of subsection (2)(a) and section 925E(1), a company has a repo if—
 - (a) for the purposes of Chapter 10 of Part 6 of CTA 2009—
 - (i) it has a creditor repo (see section 543 of that Act),
 - (ii) it has a creditor quasi-repo (see section 544 of that Act),
 - (iii) it has a debtor repo (see section 548 of that Act), or
 - (iv) it has a debtor quasi-repo (see section 549 of that Act), or
 - (b) as a result of section 547 of that Act, the company has a creditor repo for the purposes of section 546 of that Act.

925E Cases where section 925D applies: non-standard repos

- (1) This section applies to a case if—
 - (a) a company has a repo,
 - (b) there has been a sale of the securities under the arrangement or arrangements by reference to which the company has the repo, and
 - (c) any of conditions A to C is met.
- (2) Condition A is that those securities, or similar or other securities, are not subsequently bought under the arrangement or arrangements.
- (3) Condition B is that provision is made by or under an arrangement for different or additional securities to be treated as, or as included with, securities which, for the purposes of the subsequent purchase, are to represent those initially sold.
- (4) Condition C is that provision is made by or under an arrangement for securities to be treated as not so included.
- (5) Section 925D(5) interprets references in subsection (1) to a company having a repo.

925F Interpretation of the repo sections

- (1) This section applies for the purposes of sections 925A to 925E and this section.
- (2) “Arrangement” includes any agreement or understanding (whether or not legally enforceable).

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- (3) It does not matter whether or not provision of any arrangement conferring a right or imposing an obligation on any person to buy any securities is subject to any conditions.
- (4) “Securities” means shares, stock or other securities issued by—
 - (a) the government of the United Kingdom,
 - (b) any public or local authority in the United Kingdom,
 - (c) any UK resident company or other UK resident body,
 - (d) a government or public or local authority of a territory outside the United Kingdom, or
 - (e) any other body of persons not resident in the United Kingdom.
- (5) Securities are similar if they give their holders—
 - (a) the same rights against the same persons as to capital, interest and dividends, and
 - (b) the same remedies to enforce those rights.
- (6) Subsection (5) applies even if there is a difference in—
 - (a) the total nominal amounts of the securities,
 - (b) the form in which they are held, or
 - (c) the manner in which they can be transferred.
- (7) If—
 - (a) a person (“A”) buys securities (or has a right or obligation to buy securities), but
 - (b) the securities are (or are to be) held for the benefit of another person (“B”),B (not A) is treated as buying (or having the right or obligation to buy) the securities.
- (8) If—
 - (a) a person (“C”) sells securities, but
 - (b) the proceeds of the sale are held for the benefit of another person (“D”),D (not C) is treated as selling the securities.]

Supplementary

926 Interpretation of Chapter

F118(1)

F118(1A)

- (2) References in this Chapter to a trade carried on through a branch or agency are to be read, in relation to a company, as references to a trade carried on through a permanent establishment.

Textual Amendments

F118 S. 926(1)(1A) omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 1 para. 52](#), [Sch. 29 para. 29](#)

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927 Regulation-making powers: general

Regulations under this Chapter may make different provision for different cases.

CHAPTER 10

DEDUCTION FROM NON-COMMERCIAL PAYMENTS BY COMPANIES

928 Chargeable payments connected with exempt distributions

- (1) This section applies to any payment chargeable to tax under ^{F119}section 1086 of CTA 2010] (chargeable payments made within 5 years of an exempt distribution).
- (2) The person by or through whom the payment is made must, on making the payment, deduct from it a sum representing income tax on it at the basic rate in force for the tax year in which it is made.
- (3) See Chapter 11 (payments between companies etc) for an exception from the duty to deduct sums representing income tax under this section.
- (4) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under this section—
 - (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.
- (5) In this section “payment” does not include a transfer of money's worth that is treated as a payment for the purposes of ^{F120}sections 1086 to 1090 of CTA 2010 (see section 1086(6) of that Act)].

Textual Amendments

F119 Words in s. 928(1) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 556\(2\)](#) (with [Sch. 2](#))

F120 Words in s. 928(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 556\(3\)](#) (with [Sch. 2](#))

CHAPTER 11

PAYMENTS BETWEEN COMPANIES ETC: EXCEPTION FROM DUTIES TO DEDUCT

Introduction

929 Overview of Chapter

- (1) This Chapter makes provision allowing some payments made by companies, local authorities and qualifying partnerships to be paid gross where they would otherwise be subject to specified duties to deduct sums representing income tax under this Part.

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- (2) Section 930 disapplies specified duties to deduct where a payment is made by a company, local authority or qualifying partnership which reasonably believes that the payment is an excepted payment.
- (3) Section 931 confers power on an officer of Revenue and Customs to disapply section 930 by direction.
- (4) Section 932 defines “qualifying partnership”.
- (5) Sections 933 to 937 make provision as to when a payment is an excepted payment.
- (6) Section 938 deals with what happens when a company, local authority or qualifying partnership makes a payment without deducting a sum representing income tax under a reasonable but incorrect belief that the payment is an excepted payment.

Exception from duties to deduct for excepted payments

930 Exception from duties to deduct sums representing income tax

- (1) The duties to deduct sums representing income tax mentioned in subsection (2) do not apply to a payment if—
 - (a) it is made by a company, local authority or qualifying partnership, and
 - (b) at the time the payment is made, the company, authority or partnership reasonably believes that it is an excepted payment.
- (2) The duties to deduct are those under—
 - (a) section 874(2) (certain payments of yearly interest),
 - (b) section 889(4) (payments in respect of building society securities),
 - (c) section 901(4) (annual payments made by persons other than individuals),
 - (d) section 903(7) (patent royalties),
 - (e) section 906(5) (certain royalty payments etc where the owner lives abroad),
 - (f) section 910(2) (proceeds of a sale of patent rights paid to non-UK residents),
 - (g) section 919(2) (manufactured interest on UK securities: payments by UK residents etc), and
 - (h) section 928(2) (chargeable payments connected with exempt distributions).
- (3) Subsection (1) has effect subject to any directions under section 931.
- (4) Subsection (1) does not apply to a payment made by a company, or qualifying partnership, acting as trustee or agent for another person.

931 Power to make directions disapplying section 930

- (1) An officer of Revenue and Customs may give a direction to a company, local authority or qualifying partnership directing that section 930 is not to apply in relation to any payment that—
 - (a) is made by the company, authority or partnership after the giving of the direction, and
 - (b) is specified in the direction or is of a description so specified.

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- (2) A direction under this section may be given only if the officer has reasonable grounds for believing, as respects each payment to which the direction relates, that the payment will not be an excepted payment at the time it is made.
- (3) A direction under this section may be varied or revoked by a later direction.
- (4) A variation or revocation of a direction under this section has effect only in relation to payments made after the date of the variation or revocation.

932 Meaning of “qualifying partnership”

For the purposes of this Chapter a partnership is a “qualifying partnership” if any partner in the partnership is a company or a local authority.

Excepted payments

933 UK resident companies

A payment is an excepted payment if the person beneficially entitled to the income in respect of which the payment is made is a UK resident company.

Modifications etc. (not altering text)

C17 S. 933 applied (6.4.2013) by [Small Charitable Donations Act 2012 \(c. 23\)](#), s. 21, [Sch. para. 10](#)

934 Non-UK resident companies

- (1) A payment is an excepted payment if each of the following conditions is met in relation to the payment.
- (2) The person beneficially entitled to the income in respect of which the payment is made must be a non-UK resident company.
- (3) The non-UK resident company must carry on a trade in the United Kingdom through a permanent establishment.
- (4) The payment must be one that is required to be brought into account in calculating the chargeable profits (within the meaning given by ^{F121}section 19 of CTA 2009]) of the non-UK resident company.

Textual Amendments

F121 Words in s. 934(4) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 710](#) (with [Sch. 2 Pts. 1, 2](#))

935 PEP and ISA managers

- (1) A payment is an excepted payment if each of the following conditions is met in relation to the payment.

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- (2) The person to whom the payment is made must be, or must be the nominee of, the plan manager of a plan of a kind to which regulations under Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans) apply.
- (3) The plan manager must receive the payment in respect of investments under the plan.

Modifications etc. (not altering text)

C18 S. 935 applied (with modifications) by S.I. 2004/1450, reg. 24(c) (as amended (6.4.2010) by [The Child Trust Funds \(Amendment\) Regulations 2010](#) (S.I. 2010/582), regs. 1, **12(d)**)

936 Recipients who are to be paid gross

- (1) A payment is an excepted payment if it is made to, or to the nominee of, a recipient who is specified in subsection (2) as a recipient who is to be paid gross.
- (2) The following recipients are to be paid gross—
 - (a) a local authority,
 - (b) a health service body within the meaning of [^{F122}section 986 of CTA 2010],
 - (c) a public office or department of the Crown other than one mentioned in section 978(2),
 - (d) a charity,
 - (e) a body for the time being mentioned in [^{F123}section 468 of CTA 2010] (bodies that are allowed the same exemption from tax as charitable companies the whole income of which is applied to charitable purposes),
 - [^{F124}(f) a body which is an association for the purposes of section 469(1)(a) of CTA 2010 (scientific research associations) and complies with the conditions in subsections (2) and (3) of that section,]
 - (g) the scheme administrator of a registered pension scheme,
 - (h) the sub-scheme administrator of a sub-scheme which forms part of a split scheme pursuant to the Registered Pensions (Splitting of Schemes) Regulations 2006 (S.I. 2006/569),
 - (i) the trustees of a scheme entitled to exemption under section 613(4) of ICTA (Parliamentary pension funds), and
 - (j) the persons entitled to receive the income of a fund entitled to exemption under section 614(3) of ICTA (certain colonial, etc pension funds).
- (3) The Treasury may by order amend this section so as to add to, restrict or otherwise alter the persons or bodies who are to be paid gross.

Textual Amendments

F122 Words in s. 936(2)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010](#) (c. 4), s. 1184(1), [Sch. 1 para. 557\(a\)](#) (with [Sch. 2](#))

F123 Words in s. 936(2)(e) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010](#) (c. 4), s. 1184(1), [Sch. 1 para. 557\(b\)](#) (with [Sch. 2](#))

F124 S. 936(2)(f) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010](#) (c. 4), s. 1184(1), [Sch. 1 para. 557\(c\)](#) (with [Sch. 2](#))

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937 Partnerships

- (1) A payment is an excepted payment if each of the following conditions are met.
- (2) A partnership must be beneficially entitled to the income in respect of which the payment is made.
- (3) Each partner in the partnership must be—
 - (a) a person or body mentioned in section 936, or
 - (b) a person or body to whom one of subsections (4) to (6) applies.
- (4) This subsection applies to a UK resident company.
- (5) This subsection applies to a company that—
 - (a) is non-UK resident,
 - (b) carries on a trade in the United Kingdom through a permanent establishment, and
 - (c) is required to bring into account, in calculating its chargeable profits (within the meaning of ^{F125}section 19 of CTA 2009), the whole of any share of the payment that is attributable to it because of ^{F126}Part 17 of that Act].
- (6) This subsection applies to the European Investment Fund.
- (7) The Treasury may by order amend this section to add to, restrict or otherwise alter the persons or bodies falling within subsection (3)(b).

Textual Amendments

F125 Words in s. 937(5)(c) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 711\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))

F126 Words in s. 937(5)(c) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 711\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))

Incorrect belief that payment is an excepted payment

938 Consequences of reasonable but incorrect belief

- (1) This section applies if—
 - (a) a payment is made by a company, local authority or qualifying partnership without a sum representing income tax on the payment being deducted from it,
 - (b) at the time the payment is made, the company, authority or partnership reasonably believes that it is an excepted payment,
 - (c) one of the duties to deduct sums representing income tax mentioned in section 930(2) would apply to the payment if the company did not so believe, and
 - (d) the payment is not an excepted payment at the time it is made.
- (2) This Part has effect in relation to the payment as if section 930(1) had never disapplied the duties to deduct mentioned in section 930(2).

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CHAPTER 12

FUNDING BONDS

939 Duty to retain bonds where issue treated as payment of interest

- (1) This section applies if—
- (a) there is an issue of funding bonds to a creditor in respect of a liability to pay interest on a debt incurred by a government, public institution, other public authority or body corporate,
 - (b) by virtue of ^{F127}section 413 of CTA 2009] or section 380 of ITTOIA 2005, the issue is treated as if it were a payment of an amount of interest (“the deemed interest”), and
 - (c) the person by or through whom the bonds are issued is required, under this Part, to deduct a sum representing income tax from the deemed interest.
- (2) The person by or through whom the bonds are issued must retain bonds the value of which is, at the time of their issue, equal to income tax on the deemed interest at the ^{F128}basic rate] in force for the tax year in which the bonds are issued.
- (3) A person who retains bonds in accordance with subsection (2) is treated as complying with the duty to deduct a sum representing income tax from the deemed interest.
- (4) The person may tender the bonds retained in satisfaction of any income tax to be collected from the person in respect of the deemed interest under Chapter 15 or 16.
- ^{F129}(4A) If bonds are tendered in accordance with subsection (4), the Commissioners for Her Majesty's Revenue and Customs may tender the bonds in satisfaction of any amount that is payable by the Commissioners to the relevant creditor in connection with the relevant debt.
- (4B) For the purposes of subsection (4A)—
- (a) “relevant creditor” and “relevant debt” mean the creditor and the debt mentioned in subsection (1)(a), and
 - (b) a bond is to be taken to have the same value that it had at the time of its issue.
- (4C) If bonds that are to be tendered in accordance with subsection (4) or (4A) are subject to restrictions on their tender or transfer, the restrictions do not prevent the bonds from being—
- (a) tendered in accordance with that subsection, or
 - (b) transferred from the person tendering them to the person to whom they are tendered.]
- ^{F130}(5)
- (6) In this Chapter “funding bonds” includes any bonds, stocks, shares, securities or certificates of indebtedness ^{F131}(but does not include any instrument providing for payment in the form of goods or services or a voucher)].

Textual Amendments

F127 Words in s. 939(1)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 712 \(with Sch. 2 Pts. 1, 2\)](#)

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- F128** Words in s. 939(2) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 32](#)
- F129** S. 939(4A)-(4C) inserted (21.7.2008 with effect in accordance with s. 134(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 134\(2\)](#)
- F130** S. 939(5) omitted (21.7.2008 with effect in accordance with s. 134(5) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 134\(3\)](#)
- F131** Words in s. 939(6) inserted (with effect in accordance with Sch. 11 para. 12(2) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 11 para. 8](#)

940 Exception from duty to retain bonds

- (1) This section applies if an issue of funding bonds is treated as a payment of interest (“the deemed interest”) as mentioned in section 939(1) and—
 - (a) the person by or through whom the bonds are issued is required to retain bonds under section 939(2), but
 - (b) it is impracticable for the person to do so.
- (2) The duty to deduct a sum representing income tax from the deemed interest under this Part does not apply if the person tells the Commissioners for Her Majesty's Revenue and Customs—
 - (a) the names and addresses of the persons to whom the bonds have been issued, and
 - (b) the amount of the bonds issued to each person.
- (3) Accordingly—
 - (a) the duty to retain bonds under section 939(2) does not apply, and
 - (b) the provisions in Chapters 15 and 16 about the collection of income tax in respect of the deemed interest do not apply.

^{F132}940A No appropriate bond or combination of bonds

- (1) This section applies if—
 - (a) the Commissioners for Her Majesty's Revenue and Customs hold one or more bonds tendered in accordance with section 939(4),
 - (b) the Commissioners wish to tender bonds in accordance with section 939(4A) in satisfaction of an amount payable to the relevant creditor, and
 - (c) the Commissioners consider that they do not hold a bond, or combination of bonds, that is appropriate for satisfying the amount payable.
- (2) If requested to do so by the Commissioners, the bond issuer must secure that the Commissioners hold a bond, or combination of bonds, that the Commissioners consider to be appropriate for satisfying the amount payable.
- (3) If requested to do so by the bond issuer, a person must assist the bond issuer to comply with subsection (2).
- (4) The duty under subsection (2), or under subsection (3), does not apply if it would be impracticable for the bond issuer, or the other person, to comply with the duty.
- (5) The matters which the Commissioners may take into account when considering whether or not a bond or combination of bonds is appropriate for satisfying the amount payable include—

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- (a) the value of a bond at the time of its issue,
 - (b) the interest which the relevant creditor, or any other person, has in a bond (including the nature or size of the interest), and
 - (c) the terms on which a bond is issued.
- (6) For the purposes of this section—
- (a) “bond issuer” means the person by or through whom bonds were issued, and
 - (b) “relevant creditor” and “relevant debt” have the same meanings as in section 939(4A).]

Textual Amendments

F132 S. 940A inserted (21.7.2008 with effect in accordance with s. 134(5) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [s. 134\(4\)](#)

CHAPTER 13

UNAUTHORISED UNIT TRUSTS

^{F133}**941 Deemed payments to unit holders and deemed deductions of income tax**

.....

Textual Amendments

F133 Pt. 15 Ch. 13 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\)](#), [37\(15\)](#) (with [reg. 32](#))

^{F133}**942 Income tax to be collected from trustees**

.....

Textual Amendments

F133 Pt. 15 Ch. 13 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\)](#), [37\(15\)](#) (with [reg. 32](#))

^{F133}**943 Calculation of trustees' income pool**

.....

Textual Amendments

F133 Pt. 15 Ch. 13 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\)](#), [37\(15\)](#) (with [reg. 32](#))

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F133F133 ...Treatment of cases involving double tax relief

.....

Textual Amendments

F133 Pt. 15 Ch. 13 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013](#) (S.I. 2013/2819), regs. 1(3), **37(15)** (with reg. 32)

F133943BThe “foreign element” of a deemed deduction or deemed income

.....

Textual Amendments

F133 Pt. 15 Ch. 13 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013](#) (S.I. 2013/2819), regs. 1(3), **37(15)** (with reg. 32)

F133943CCalculation of trustees' double tax relief pool

.....

Textual Amendments

F133 Pt. 15 Ch. 13 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013](#) (S.I. 2013/2819), regs. 1(3), **37(15)** (with reg. 32)

F133943DAnnual statements

.....

Textual Amendments

F133 Pt. 15 Ch. 13 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013](#) (S.I. 2013/2819), regs. 1(3), **37(15)** (with reg. 32)

CHAPTER 14

TAX AVOIDANCE: DIRECTIONS FOR DUTY TO DEDUCT TO APPLY

944 Directions for deduction from payments to non-UK residents

- (1) This section applies if it appears to an officer of Revenue and Customs that any person entitled to an amount taxable under—

^{F134}(a)

(b) Chapter 4 of [^{F135}Part 13] (tax avoidance: sales of occupation income),
 is non-UK resident.

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- (2) The officer may, in relation to any payment forming the whole or part of that amount, direct that the person by or through whom the payment is made must, on making it, deduct from it a sum representing income tax on it at the basic rate in force for the tax year in which the payment is made.
- (3) Subsection (2) does not affect the final liability of the person entitled to the amount mentioned in subsection (1) including any liability under section 768(4) or 786(4) (recovery of tax where consideration receivable by person not assessed).
- (4) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under subsection (2)—
 - (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.

Textual Amendments

F134 S. 944(1)(a) omitted (with effect in accordance with s. 82 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 79\(6\)\(a\)](#) (and also with effect in accordance with [Finance \(No. 2\) Act 2017 \(c. 32\)](#), s. 39(1)(2))

F135 Words in s. 944(1)(b) substituted (with effect in accordance with s. 82 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 79\(6\)\(b\)](#) (and also with effect in accordance with [Finance \(No. 2\) Act 2017 \(c. 32\)](#), s. 39(1)(2))

CHAPTER 15

COLLECTION: DEPOSIT-TAKERS, BUILDING SOCIETIES AND CERTAIN COMPANIES

Introduction

945 Overview of Chapter

- (1) This Chapter provides—
 - (a) for persons who have made payments within section 946 (“section 946 payments”) to make returns of the payments, and
 - (b) for the collection of income tax in respect of those payments.
- (2) Sections 947 and 948 contain definitions and other provisions in relation to the following basic concepts used in the Chapter: “return period” and “accounting period”.
- (3) Section 949 requires persons who have made section 946 payments to deliver returns of those payments made in return periods falling within accounting periods, and section 950 requires such persons to deliver returns of those payments made otherwise than in accounting periods.
- (4) Section 951 explains—
 - (a) how much income tax is due from persons in respect of section 946 payments made by them, and
 - (b) when that income tax must be paid.

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- (5) Sections 952 to 955 allow persons who have made section 946 payments to make claims for income tax they have suffered to be set off against income tax payable by them in respect of the payments.
- (6) Sections 956 to 960 explain what happens in cases where income tax payable in respect of section 946 payments is not paid when it is due, or where returns are incomplete or incorrect.
- (7) Sections 961 and 962 contain supplementary provisions.
- (8) For further provisions applying to returns and set-off claims under this Chapter, see TMA 1970 (in particular section 113(1) (returns) and section 42 and Schedule 1A (claims)).

946 Payments within this section

The payments within this section are—

- ^{F136}(a)
- (b) a payment from which a UK resident company is required to deduct a sum representing income tax under—
 - (i) section 874(2) (payments of yearly interest),
 - (ii) section 889(4) (payments in respect of building society securities),
 - (iii) section 892(2) (certain payments of UK public revenue dividends),
 - (iv) section 901(4) (annual payments made by persons other than individuals),
 - (v) section 903(7) (patent royalties),
 - (vi) section 906(5) (royalty payments etc where the owner lives abroad),
 - (vii) section 910(2) (proceeds of a sale of patent rights paid to non-UK residents),
 - (viii) section 928(2) (chargeable payments connected with exempt distributions), or
 - (ix) section 944(2) (directions for deduction from payments to non-UK residents), and
- (c) a payment from which a company is required to deduct a sum representing income tax under section 919(2) (manufactured interest on UK securities: payments by UK residents etc).

Textual Amendments

F136 S. 946(a) omitted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by virtue of Finance Act 2016 (c. 24), [Sch. 6 para. 22](#)

947 Return periods

- (1) For the purposes of this Chapter, the return periods which fall within a person's accounting period are determined as follows.
- (2) If at least one quarter date falls within the accounting period, each of the following is a return period which falls within the accounting period—
 - (a) any complete quarter which falls within the accounting period, and

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- (b) any part of the accounting period which is not a complete quarter and which—
 - (i) ends with the first (or only) quarter date in that period, or
 - (ii) begins immediately after the last (or only) quarter date in that period.
- (3) If no quarter date falls within the accounting period, the accounting period itself is to be treated as a return period which falls within the accounting period.
- (4) In this section—
 - “quarter” means a period of three months ending—
 - (a) unless paragraph (b) applies, with the last day of March, June, September or December, or
 - (b) if the person mentioned in subsection (1) is a building society, with the last day of February, May, August or November, and
 - “quarter date” means—
 - (a) unless paragraph (b) applies, the last day of March, June, September or December, or
 - (b) if the person mentioned in subsection (1) is a building society, the last day of February, May, August or November.

948 Meaning of “accounting period”

- (1) In this Chapter “accounting period”, in relation to a deposit-taker who is not a company, means a period for which the deposit-taker's accounts are drawn up. “Deposit-taker” has the same meaning as in Chapter 2 (see section 853).
- (2) See [^{F137}Chapter 2 of Part 2 of CTA 2009 (accounting periods)] for provision about accounting periods of companies.

Textual Amendments

- F137** Words in s. 948(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 714](#) (with [Sch. 2 Pts. 1, 2](#))

Returns of income tax

949 Payments in an accounting period

- (1) This section applies if a person makes a section 946 payment on a date which falls within an accounting period of the person.
- (2) The person must deliver a return to an officer of Revenue and Customs for each return period—
 - (a) which falls within the accounting period, and
 - (b) in which the person makes a section 946 payment.
- (3) The person must deliver the return within 14 days after the end of the return period to which it relates.
- (4) The return must show the amount of—
 - (a) any section 946 payments made by the person in the return period, and

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- (b) the income tax payable by the person in respect of those payments (see section 951).

950 Payments otherwise than in an accounting period

- (1) This section applies if a person makes a section 946 payment on a date which does not fall within an accounting period of the person.
- (2) The person must deliver a return to an officer of Revenue and Customs within 14 days after the date on which the payment is made.
- (3) The return must show the amount of—
 - (a) the payment, and
 - (b) the income tax payable by the person in respect of that payment (see section 951).

Collection and payment of income tax

951 Collection and payment of income tax

- (1) Income tax in respect of a section 946 payment is due, from the person who makes the payment, on the date by which the return on which the payment must be included is required to be delivered.
- (2) The income tax due is equal to the sum which the person is required to deduct from the payment under the applicable provision mentioned in section 946.
- (3) The income tax is payable by the person without an officer of Revenue and Customs making any assessment.

Set-off

952 Conditions for a set-off claim

- (1) A person who makes a section 946 payment may make a set-off claim if conditions A and B are met at the end of a return period which falls within an accounting period of the person.
- (2) Condition A is that in the return period the person has—
 - (a) made a section 946 payment, or
 - (b) received a payment on which the person has suffered income tax by deduction.
- (3) Condition B is that at the end of the return period there is—
 - (a) a net amount of income tax suffered (see subsection (4)), and
 - (b) a net amount of income tax payable (see subsection (5)).
- (4) There is a net amount of income tax suffered at the end of a return period if—
 - (a) the person has received any payments on which income tax has been suffered by deduction in the return period or in any previous return period which falls within the accounting period, and

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- (b) the amount of income tax so suffered by the person on those payments exceeds the amount of such income tax treated as repaid for the accounting period to date as a result of any previous set-off claim.
- (5) There is a net amount of income tax payable at the end of a return period if—
 - (a) the person has made any section 946 payments in the return period or in any previous return period which falls within the accounting period, and
 - (b) the amount of income tax payable by the person in respect of those payments exceeds the amount of such income tax treated as paid for the accounting period to date as a result of any previous set-off claim.

Modifications etc. (not altering text)

C19 S. 952 excluded (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [ss. 610\(3\)\(iii\)](#), [1184\(1\)](#) (with [Sch. 2](#))

953 How a set-off claim works

- (1) A set-off claim is a claim for the net amount of income tax suffered at the end of the return period to be set off against the net amount of income tax payable at the end of the return period.
- (2) The effect of a claim is that, to the extent of the set-off—
 - (a) the income tax comprised in the net amount of income tax suffered is treated as repaid, and
 - (b) the income tax comprised in the net amount of income tax payable is treated as paid.
- (3) Accordingly—
 - (a) any liability of the person making the set-off claim to pay any of the income tax treated as paid under subsection (2)(b) is discharged, and
 - (b) any of that income tax which has been paid is to be repaid to the person.
- (4) A set-off claim must be made in a return under section 949 for the return period.
- (5) A return may be made under that section for the purposes of making a set-off claim despite the fact that the person making the claim may not have made any section 946 payments in the return period.
- (6) Income tax suffered which is taken into account in a set-off claim may not also be taken into account for the purposes of—
 - (a) ^[F138]section 967 of CTA 2010] (income tax deducted from payments to UK resident company to be set off against corporation tax), or
 - (b) ^[F139]section 968] of that Act (income tax deducted from payments to non-UK resident company to be set off against corporation tax).
- (7) Income tax suffered by a deposit-taker is to be taken into account in a set-off claim only if the payment on which the income tax is suffered is to be taken into account in calculating the deposit-taker's liability to corporation tax.

“Deposit-taker” has the same meaning as in Chapter 2 (see section 853).

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Textual Amendments

F138 Words in s. 953(6)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 558(a)** (with [Sch. 2](#))

F139 Words in s. 953(6)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 558(b)** (with [Sch. 2](#))

954 Proceedings begun after a set-off claim is made

- (1) If a set-off claim has been made no proceedings for collecting income tax which would have to be discharged if the claim were allowed may be brought until the claim is finally determined.
- (2) Subsection (1) does not affect the date when the income tax is due.
- (3) Any income tax underpaid as a result of this section must be paid when the claim is finally determined.
- (4) In this section “proceedings” includes proceedings by way of distraint or attachment.

955 Proceedings begun before a set-off claim is made

- (1) This section applies if—
 - (a) a person has made a set-off claim, and
 - (b) before the claim was made, proceedings were brought for collecting income tax assessed, or interest on income tax assessed, under section 956 or 957.
- (2) No effect is to be given to the set-off claim so as to affect or delay the collection or recovery of the income tax, or of interest on that income tax, until the claim is finally determined.
- (3) Any income tax overpaid as a result of this section must be repaid when the claim is finally determined.
- (4) In this section “proceedings” includes proceedings by way of distraint or attachment [^{F140}or under Schedule 12 to the Tribunals, Courts and Enforcement Act 2007 (taking control of goods)].

Textual Amendments

F140 Words in s. 955(4) inserted (6.4.2014) by [Tribunals, Courts and Enforcement Act 2007 \(c. 15\)](#), s. 148, **Sch. 13 para. 157** (with s. 89); S.I. 2014/768, art. 2(1)(b)

Assessments and errors

956 Assessments where section 946 payment included in return

- (1) This section applies if any income tax in respect of a section 946 payment which is included in a return under this Chapter has not been paid at or before the date mentioned in section 951.

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- (2) An officer of Revenue and Customs may make an assessment on the person who made the payment.
- (3) Income tax may be assessed under this section whether or not it has been paid when the assessment is made.

957 Assessments in other cases

- (1) This section applies if an officer of Revenue and Customs thinks—
 - (a) that there is a section 946 payment which should have been included in a return under this Chapter and which has not been so included, or
 - (b) that a return under this Chapter is otherwise incorrect.
- (2) An officer of Revenue and Customs may make an assessment, to the best of the officer's judgement, on the person who made the return, or who should have made one.

958 Payer's duty to deliver amended return

- (1) This section applies if a person who has made a section 946 payment becomes aware that—
 - (a) anything which should have been included in a return delivered by the person under this Chapter has not been so included,
 - (b) anything which should not have been included in a return delivered by the person under this Chapter has been so included, or
 - (c) any other error has occurred in a return delivered by the person under this Chapter.
- (2) The person must deliver an amended return correcting the error to an officer of Revenue and Customs without delay.
- (3) If the person delivers an amended return such assessments, adjustments, set-offs or payments or repayments of income tax as are necessary for achieving the objective mentioned in subsection (4) must be made.
- (4) The objective is that the resulting liabilities to income tax (including interest on unpaid or overpaid income tax) of the person or any other person are the same as they would have been if a correct return had been delivered.

959 Application of Income Tax Acts provisions about time limits for assessments

- (1) This section deals with the application of the provisions of the Income Tax Acts about time limits for making assessments.
- (2) So far as the provisions refer or relate to—
 - (a) the tax year for which an assessment is made, or
 - (b) the year to which an assessment relates,
 they apply to assessments under this Chapter despite the fact that an assessment under this Chapter may relate to a return period which is not a tax year.
- (3) Subsection (4) applies if an assessment under this Chapter relates to income tax due in respect of a payment required to be included in a return for a return period under section 949 (payments in an accounting period).

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- (4) In that case, for the purposes of the provisions mentioned in subsection (1), the assessment is treated as made for the tax year in which the return period ends.
- (5) Subsection (6) applies if an assessment under this Chapter relates to income tax due in respect of a payment required to be included in a return under section 950 (payments otherwise than in an accounting period).
- (6) In that case, for the purposes of the provisions mentioned in subsection (1), the assessment is treated as made for the tax year in which payment is made.

960 Further provisions about assessments

- (1) Income tax assessed on a person under this Chapter is due on the date mentioned in section 951 and an appeal against the assessment does not affect the date when the income tax is due under that section.
- (2) On the determination of an appeal against an assessment under this Chapter any income tax overpaid must be repaid.
- (3) Any income tax assessable under any one or more of the provisions of this Chapter may be included in a single assessment if all the income tax is due on the same date.

Supplementary

961 Relationship between Chapter and Income Tax Acts powers

Nothing in this Chapter affects any powers conferred by the Income Tax Acts for the recovery of income tax by means of an assessment or otherwise.

962 Power to make regulations modifying Chapter

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations modify, replace or supplement any of the provisions of this Chapter for the purpose of regulating the time and manner in which persons making section 946 payments—
 - (a) are to account for and pay income tax which is to be collected from them in respect of those payments, and
 - (b) are to be repaid income tax in respect of payments received by them.
- (2) In particular, regulations under this section may, in relation to income tax for which a person is liable to account,—
 - (a) modify any provision of Parts 2 to 6 of TMA 1970, or
 - (b) apply any such provision with or without modifications.
- (3) Regulations under this section may—
 - (a) make different provision for different kinds of payer,
 - (b) make different provision for different circumstances, and
 - (c) authorise the Commissioners for Her Majesty's Revenue and Customs, if they think there are special circumstances justifying it, to make special arrangements in relation to—
 - (i) income tax for which a person is liable to account, or
 - (ii) the repayment of income tax suffered by a person.

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- (4) Regulations under this section may contain incidental, supplemental, consequential and transitional provision and savings.
- (5) The Commissioners for Her Majesty's Revenue and Customs must not make any regulations under this section unless a draft of them has been laid before and approved by a resolution of the House of Commons.
- (6) References in this Act and in any other enactment to any of the provisions of this Chapter are to be read as references to those provisions as modified, replaced or supplemented by provision made by regulations under this section.

CHAPTER 16

COLLECTION: CERTAIN PAYMENTS BY OTHER PERSONS

963 Collection of income tax on certain payments by other persons

- (1) This section makes provision for the collection of income tax in respect of—
 - (a) a payment from which a person other than a UK resident company is required to deduct a sum representing income tax under—
 - (i) section 874(2) (certain payments of yearly interest),
 - (ii) section 889(4) (payments in respect of building society securities),
 - (iii) section 892(2) (certain payments of UK public revenue dividends),
 - (iv) section 901(4) (annual payments made by persons other than individuals),
 - (v) section 903(7) (patent royalties),
 - (vi) section 906(5) (royalty payments etc where the owner lives abroad),
 - (vii) section 910(2) (proceeds of a sale of patent rights paid to non-UK residents),
 - (viii) section 928(2) (chargeable payments connected with exempt distributions), or
 - (ix) section 944(2) (directions for deduction from payments to non-UK residents), and
 - (b) a payment from which a person other than a company is required to deduct a sum representing income tax under section 919(2) (manufactured interest for UK securities: payments by UK residents etc).
- (2) The person required to deduct the sum must deliver to an officer of Revenue and Customs an account of the payment without delay.
- (3) An officer of Revenue and Customs may make an assessment on that person for income tax equal to the sum required to be deducted.
- (4) The provisions of the Income Tax Acts relating to—
 - (a) persons chargeable to income tax,
 - (b) income tax assessments, and
 - (c) the collection and recovery of income tax,apply (unless excluded expressly or by implication) to the assessment, collection and recovery of income tax which is assessable on persons under this section.

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[^{F141}963A] Power to make regulations modifying section 963

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations modify, replace or supplement any provision of section 963(2) to (4).
- (2) Regulations under this section may only be made for the purpose of regulating the time at and manner in which persons making payments within section 963(1)(a) or (b) are to account for and pay income tax which is to be collected from them in respect of those payments.
- (3) In particular, regulations under this section may, in relation to income tax for which a person is liable to account—
 - (a) modify any provision of Parts 2 to 6 of TMA 1970, or
 - (b) apply any such provision with or without modifications.
- (4) Regulations under this section may—
 - (a) make different provision for different kinds of payer,
 - (b) make different provision for different circumstances, and
 - (c) authorise the Commissioners for Her Majesty's Revenue and Customs, if they think there are special circumstances justifying it, to make special arrangements in relation to income tax for which a person is liable to account.
- (5) Regulations under this section may contain incidental, supplemental, consequential and transitional provision and savings.
- (6) The Commissioners for Her Majesty's Revenue and Customs must not make any regulations under this section unless a draft of them has been laid before and approved by a resolution of the House of Commons.
- (7) References in this Act and in any other enactment to any of the provisions of section 963(2) to (4) are to be read as references to those provisions as modified, replaced or supplemented by provision made by regulations under this section.]

Textual Amendments

F141 S. 963A inserted (16.12.2010) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [s. 8](#)

CHAPTER 17

COLLECTION THROUGH SELF-ASSESSMENT RETURN

964 Collection through self-assessment return

- (1) This section applies if—
 - (a) a person makes a payment from which the person is required to deduct a sum representing income tax, and
 - (b) income tax equal to the sum required to be deducted is, under section 900(3), 901(3) or 903(5) or (6), to be collected through the person's self-assessment return.

^{F142}(2)

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- (3) The income tax is to be treated for the purposes of TMA 1970 as if it were income tax charged on the person or trustee.
- (4) Accordingly, the income tax must be taken into account for the purposes of—
- (a) the person's or trustee's return under section 8 or 8A of TMA 1970, and
 - (b) the person's or trustee's assessment to income tax under section 9 of that Act, (in addition to the person or trustee's income tax liability calculated in accordance with Chapter 3 of Part 2 (calculation of income tax liability)).

^{F143}(5)

Textual Amendments

F142 S. 964(2) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\), 37\(16\)](#) (with [reg. 32](#))

F143 S. 964(5) omitted (21.7.2008 with effect in accordance with s. 69(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 69\(1\)](#)

CHAPTER 18

OTHER REGIMES INVOLVING THE DEDUCTION OF INCOME TAX AT SOURCE

Visiting performers

965 Overview of sections 966 to 970

- (1) Sections 966 to 970 make provision for the payment of sums representing income tax to the Commissioners for Her Majesty's Revenue and Customs where certain payments or transfers are made in connection with activities performed in the United Kingdom by non-UK resident entertainers, sportsmen and sportswomen.
- (2) See also—
- [^{F144}section 1309 of CTA 2009] (entertainers and sportsmen) which makes provision in relation to such payments or transfers for the purposes of corporation tax,
 - Chapter 8 of Part 2 of ITEPA 2003 (application of provisions to workers under arrangements made by intermediaries), in particular section 48(2) (exclusions from the scope of the Chapter), and
 - sections 13 and 14 of ITTOIA 2005 (trades and trade profits: visiting performers).

Textual Amendments

F144 Words in s. 965(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 715](#) (with [Sch. 2 Pts. 1, 2](#))

966 Duty to deduct and account for sums representing income tax

- (1) This section applies if—

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- (a) an entertainer, sportsman or sportswoman of a prescribed description (“a performer”) who is non-UK resident for a tax year performs a relevant activity in the United Kingdom in the tax year, and
 - (b) a payment or transfer connected with the relevant activity is made.
- (2) It does not matter—
 - (a) whether the payment or transfer is made to the performer or anyone else, or
 - (b) when the payment or transfer is made.
- (3) If a payment within subsection (1)(b) is made the person who makes the payment must, on making it, deduct from it a sum representing income tax and account to the Commissioners for Her Majesty's Revenue and Customs for the sum.
- (4) If a transfer within subsection (1)(b) is made the person who makes the transfer must account to the Commissioners for Her Majesty's Revenue and Customs for a sum representing income tax.
- (5) See section 967 as to the calculation of the sums representing income tax mentioned in subsections (3) and (4).
- (6) This section does not apply to payments or transfers of such a kind as may be prescribed.
- (7) In this section—
 - (a) “relevant activity” means an activity of a prescribed description, and
 - (b) a payment or transfer is connected with a relevant activity if it has a connection of a prescribed kind with that activity.

Modifications etc. (not altering text)

- C20** S. 966 excluded (8.4.2010) by [Finance Act 2010 \(c. 13\)](#), [Sch. 20 para. 4](#)
- C21** S. 966 excluded (1.1.2011) by [The London Olympic Games and Paralympic Games Tax Regulations 2010 \(S.I. 2010/2913\)](#), regs. 1, [3\(3\)](#) (with regs. 9, 11)
- C22** S. 966 excluded (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [s. 13\(5\)](#)
- C23** S. 966 excluded (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 9\(4\)](#)
- C24** S. 966 excluded (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [s. 47\(4\)\(6\)](#)
- C25** S. 966 excluded (retrospective to 8.7.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 30\(4\)\(6\)](#)
- C26** S. 966 excluded (19.7.2016) by [The Major Sporting Events \(Income Tax Exemption\) Regulations 2016 \(S.I. 2016/771\)](#), regs. 1, [10](#)
- C27** S. 966 excluded (19.7.2016) by [The Major Sporting Events \(Income Tax Exemption\) Regulations 2016 \(S.I. 2016/771\)](#), regs. 1, [6](#)
- C28** S. 966 excluded (31.5.2017) by [The Major Sporting Events \(Income Tax Exemption\) Regulations 2017 \(S.I. 2017/614\)](#), regs. 1, [2\(3\)](#)
- C29** S. 966 excluded (31.5.2021) by [The Major Sporting Events \(Income Tax Exemption\) Regulations 2021 \(S.I. 2021/224\)](#), regs. 1, [3\(4\)](#)
- C30** S. 966 excluded (31.7.2021) by [The Major Sporting Events \(Income Tax Exemption\) \(2021 UEFA Super Cup\) Regulations 2021 \(S.I. 2021/882\)](#), regs. 1(1), [3\(4\)](#)
- C31** S. 966 excluded (27.5.2022) by [The Major Sporting Events \(Income Tax Exemption\) \(Finalissima Football Match\) Regulations 2022 \(S.I. 2022/487\)](#), regs. 1, [3\(4\)](#)
- C32** S. 966 excluded (30.6.2022) by [The Major Sporting Events \(Income Tax Exemption\) \(UEFA Women's EURO 2022 Finals\) Regulations 2022 \(S.I. 2022/489\)](#), regs. 1, [3\(4\)](#)
- C33** S. 966 excluded (30.6.2022) by [The Major Sporting Events \(Income Tax Exemption\) \(2022 Birmingham Commonwealth Games\) Regulations 2022 \(S.I. 2022/493\)](#), regs. 1, [3\(4\)](#)

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- C34** S. 966 excluded (1.4.2023) by [The Major Sporting Events \(Income Tax Exemption\) \(Women's Finalissima Football Match\) Regulations 2023 \(S.I. 2023/393\)](#), regs. 1, **3(4)**
- C35** S. 966 excluded (temp.) (22.2.2024) by [The Major Sporting Events \(Income Tax Exemption\) \(World Athletics Indoor Championships Glasgow 24\) Regulations 2023 \(S.I. 2023/1381\)](#), regs. 1(1), **2(4)**

967 Calculation of sums representing income tax

- (1) The sums representing income tax mentioned in section 966(3) and (4) are to be calculated in accordance with prescribed rules.
- (2) But the sums must not exceed the relevant proportion of the payment concerned or of the value of what is transferred.

“Relevant proportion” means a proportion equal to the basic rate of income tax for the tax year in which the payment or transfer is made.
- (3) Regulations made by the Treasury may provide, in relation to a transfer to which section 966 applies, that for the purposes of the Tax Acts the value of what is transferred is to be calculated in accordance with prescribed rules.
- (4) In particular, rules may include provision—
 - (a) for the calculation of an amount representing the actual value of what is transferred,
 - (b) for that amount to be treated as a net amount corresponding to a gross amount from which income tax at the basic rate has been deducted, and
 - (c) for the gross amount to be taken to be the value of what is transferred.

968 Treatment of sums representing income tax

- (1) This section applies if, in accordance with section 966(3) or (4), a person pays a sum to the Commissioners for Her Majesty's Revenue and Customs.
- (2) The sum is treated as paid on account of a liability of another person to income tax or corporation tax.
- (3) The liability and the other person are to be found in accordance with prescribed rules.
- (4) If the sum exceeds the liability concerned, the Commissioners must pay so much of the sum as is appropriate to the other person.
- (5) If no liability is found, the Commissioners must pay the sum to the recipient of the relevant payment or transfer.
- (6) The relevant payment or transfer is the payment or transfer—
 - (a) to which section 966 applies, and
 - (b) which gave rise to the payment of the sum.
- (7) A reference to a sum in this section does not include anything representing interest.

969 Regulations

- (1) The Treasury may by regulations—
 - (a) make provision enabling the Commissioners for Her Majesty's Revenue and Customs to serve notices requiring persons who make payments or transfers

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- to which section 966 applies to give them prescribed information in respect of such payments or transfers,
 - (b) make provision requiring persons who make payments or transfers to which section 966 applies to make, at prescribed times and for prescribed periods, returns to the Commissioners containing prescribed information about payments or transfers and the income tax for which those persons are accountable in respect of them,
 - (c) make provision for the collection and recovery of such income tax, for assessments and claims to be made in respect of it, and for the payment of interest on it, and
 - (d) adapt, or modify the effect of, any enactment relating to income tax for the purpose of making any provision mentioned in paragraphs (a) to (c).
- (2) The Treasury may also by regulations make provision generally for giving effect to this section and sections 966 to 968 (including different provision for different cases or descriptions of case).

970 Supplementary

- (1) For the purposes of the Tax Acts a payment to which section 966 applies is treated as if it were not reduced by the deduction of a sum representing income tax under that section.
- (2) An officer of Revenue and Customs may disclose, to any person who appears to the officer to have an interest in the matter, information relevant to determining whether section 966 applies to a payment or transfer.
- (3) An officer is not precluded from doing so by any obligation as to secrecy imposed by statute or otherwise.
- (4) In this section and sections 966 to 969—
 - (a) references to a payment include references to a payment by way of loan of money, and
 - (b) references to a transfer do not include references to a transfer of money but, subject to that, include references to—
 - (i) a temporary transfer (as by way of loan), and
 - (ii) a transfer of a right (whether or not a right to receive money).
- (5) In sections 966 to 969 “prescribed” means prescribed by regulations made by the Treasury.

Non-resident landlords

971 Income tax due in respect of income of non-resident landlords

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for—
 - (a) the collection, from non-resident landlord representatives of a prescribed description, of prescribed amounts of income tax in respect of non-resident landlord income, and
 - (b) the assessment and recovery of the income tax on or from such persons.

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- (2) “Non-resident landlord income” means income of a person whose usual place of abode is outside the United Kingdom (“the non-resident”) and which is or may become ^{F145}chargeable as the profits of a UK property business under Chapter 3 of Part 3 of ITTOIA 2005 or Chapter 3 of Part 4 of CTA 2009.]
- (3) “Non-resident landlord representative” means—
- (a) a person by whom any sums are payable to the non-resident which are to be treated as receipts of a ^{F146}UK property business (within the meaning of Chapter 2 of Part 3 of ITTOIA 2005 or Chapter 2 of Part 4 of CTA 2009)] carried on by the non-resident, or
 - (b) a person who acts on behalf of the non-resident in connection with the management or administration of any such business.
- (4) A non-resident landlord representative who must pay prescribed amounts of income tax to the Commissioners for Her Majesty's Revenue and Customs under regulations under this section is entitled—
- (a) to be indemnified by the non-resident for all such payments, and
 - (b) to retain out of any sums otherwise due from the representative to the non-resident, or received by the representative on behalf of the non-resident, sums representing income tax sufficient for meeting any liabilities under the regulations to make such payments.
- (5) Subsection (4)(b) applies whether the liability is one which the representative has discharged or to which the representative is subject.

Textual Amendments

F145 Words in s. 971(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 716\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))

F146 Words in s. 971(3)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 716\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))

972 Regulations under section 971

- (1) Regulations under section 971 may, in particular, include all or any of the following provisions—
- (a) provision for the amount of any income tax in respect of non-resident landlord income, which is to be paid to the Commissioners for Her Majesty's Revenue and Customs, to be calculated by reference to prescribed factors,
 - (b) provision for the determination in accordance with the regulations of the period for which, the circumstances in which and the times at which any payments are to be made to the Commissioners,
 - (c) provision for requiring the payment of interest on amounts which are not paid to the Commissioners at the times required under the regulations,
 - (d) provision as to the certificates to be given in prescribed circumstances to the non-resident by a non-resident landlord representative, and as to the particulars to be included in any such certificate,
 - (e) provision for the making of repayments of income tax to the non-resident and for such repayments to be made in prescribed cases to non-resident landlord representatives,

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- (f) provision for the payment of interest by the Commissioners on sums repaid under the regulations,
 - (g) provision for the rights and obligations arising under the regulations to depend on the giving of such notices and the making of such claims and determinations as may be prescribed,
 - (h) provision for the making and determination of applications for requirements of the regulations not to apply in certain cases, and for the variation or revocation, in prescribed cases, of the determinations made on such applications,
 - (i) provision for appeals with respect to questions arising under the regulations,
 - (j) provision requiring non-resident landlord representatives within section 971(3)(b) who are of a prescribed description to register with the Commissioners,
 - (k) provision requiring persons registered with the Commissioners and other non-resident landlord representatives of a prescribed description to make returns and supply prescribed information to the Commissioners and to make available prescribed books, documents and other records for inspection on behalf of the Commissioners,
 - (l) provision for the partnership, as such, to be treated as the non-resident landlord representative if a liability to make a payment under the regulations arises from amounts payable or things done in the course of a business carried on by persons in partnership, and
 - (m) provision which, in relation to payments of income tax to be made by virtue of section 971 or to sums retained in respect of such payments, applies (with or without modifications) any enactment or subordinate legislation having effect apart from section 971 with respect to cases in which tax is or is treated as deducted from any income.
- (2) Interest required to be paid by regulations under section 971 is to be paid without deduction of a sum representing income tax and is not to be taken into account in calculating any income, profits or losses for any tax purposes.
- (3) Regulations under section 971 may—
- (a) make different provision for different cases, and
 - (b) contain incidental, supplemental, consequential and transitional provision and savings.
- (4) Provision made by virtue of subsection (3)(b) may, in particular, in connection with any other provision made by regulations under section 971, modify the operation in any case of section 59A of TMA 1970 (payments on account of income tax).
- (5) In this section and section 971 “prescribed” means prescribed by, or determined by an officer of Revenue and Customs in accordance with, regulations made by the Commissioners for Her Majesty’s Revenue and Customs under section 971.
- (6) See [^{F147}section 548(7) of CTA 2010,] which prevents certain distributions of Real Estate Investment Trusts being non-resident landlord income for the purposes of regulations under section 971.

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Textual Amendments

F147 Words in s. 972(6) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 559](#) (with [Sch. 2](#))

Real Estate Investment Trusts

973 Income tax due in respect of distributions

- (1) The Treasury may make regulations providing for the assessment, collection and recovery of income tax where—
 - (a) a distribution to which subsection (2) or (3) applies is made, and
 - (b) tax is or may become chargeable in respect of the distribution (whether by virtue of ^{F148}section 548(5) or (6) of CTA 2010] (distributions: liability to tax) or otherwise).
- (2) This subsection applies to a distribution if—
 - (a) it is made by a ^{F149}company UK REIT], and
 - (b) it is a distribution of profits or gains (or of both) of ^{F150}the company's property rental business].
- (3) This subsection applies to a distribution if—
 - (a) it is made by the principal company of a ^{F151}group UK REIT], and
 - ^{F152}(b) it is a distribution of amounts shown in the financial statement under section 532(2)(a) of CTA 2010 (statement of group's property rental business) as—
 - (i) profits or gains (or both) of UK members of the group, or
 - (ii) profits or gains (or both) of UK property rental business of non-UK members of the group.]
- ^{F153}(3A) In this section, section 974 and any regulations under this section, “distribution” is to be read in accordance with section 554A of CTA 2010 (meaning of “distribution”).
- (3B) Section 599A of CTA 2010 (amount of distribution consisting of share capital issued in lieu of cash dividend) applies for the purposes of this section, section 974 and any regulations under this section as it applies for the purposes of Part 12 of that Act (Real Estate Investment Trusts).]
- ^{F154}(4) In this section—

“company UK REIT” and “group UK REIT” have the same meaning as in Part 12 of CTA 2010 (see sections 523(5) and 524(5) of that Act),

“group” and “principal company” have the same meaning as in Part 12 of CTA 2010 (see section 606 of that Act), and

“property rental business” and “UK property rental business” have the same meaning as in Part 12 of CTA 2010 (see sections 519 and 520 of that Act).]
- (5) References in this section to a ^{F155}UK or non-UK company are to be read in accordance with Part 12 of CTA 2010 (see section 521 of that Act)].
- (6) In this section “gains” includes chargeable gains.

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[^{F156}(7) In relation to references to profits of property rental business, see section 549A of CTA 2010.]

Textual Amendments

- F148** Words in s. 973(1)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 560\(2\)](#) (with [Sch. 2](#))
- F149** Words in s. 973(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 560\(3\)\(a\)](#) (with [Sch. 2](#))
- F150** Words in s. 973(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 560\(3\)\(b\)](#) (with [Sch. 2](#))
- F151** Words in s. 973(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 560\(4\)\(a\)](#) (with [Sch. 2](#))
- F152** S. 973(3)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 560\(4\)\(b\)](#) (with [Sch. 2](#))
- F153** S. 973(3A)(3B) inserted (16.12.2010 with effect in accordance with Sch. 4 para. 12 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\), Sch. 4 para. 2](#)
- F154** S. 973(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 560\(5\)](#) (with [Sch. 2](#))
- F155** Words in s. 973(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 560\(6\)](#) (with [Sch. 2](#))
- F156** S. 973(7) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\), Sch. 19 para. 12](#)

974 Regulations under section 973

- (1) Regulations under section 973 may, in particular—
- (a) require a company to deduct sums representing income tax at the basic rate before payment of distributions,
 - (b) specify classes of shareholder to whom distributions may be made without deduction of such sums,
 - (c) make provision about the calculation of the sums to be deducted by a company,
 - (d) require a company to account for income tax equal to the sums deducted,
 - (e) apply an enactment (with or without modification) in respect of cases where a sum representing income tax is deducted or treated as deducted from income,
 - (f) specify the time at which a distribution is to be treated as made by a company,
 - (g) specify periods in respect of which payments of income tax are to be made,
 - (h) specify times at which payments of income tax are to be made,
 - (i) make provision about the making of claims and determinations in respect of over-payment or under-payment (which may include provision for appeals),
 - (j) include provision requiring the payment of interest in respect of late payments of income tax (which may—
 - (i) provide for payment without deduction of sums representing income tax,
 - (ii) allow interest paid as a deduction from profits of the company's [^{F157}property rental business]),
 - (k) require a company to provide a shareholder with a statement in writing containing specified information,

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- (l) make provision about the repayment to a shareholder of sums deducted and paid to the Commissioners for Her Majesty's Revenue and Customs in respect of income tax,
 - (m) make provision for the payment of interest in respect of repayments under paragraph (l),
 - (n) require notices to be given by or to a company,
 - (o) require a company to make returns, and
 - (p) require a company to make records available to the Commissioners for Her Majesty's Revenue and Customs for inspection.
- (2) A reference in subsection (1) to a distribution in respect of profits of [^{F158}property rental business] includes a distribution made after [^{F159}the company or group (as the case may be) has ceased to be a UK REIT].
- (3) A distribution which is treated as having been made by virtue of [^{F160}section 530(6) of CTA 2010] is also to be treated as having been made for the purposes of regulations under section 973.
- (4) Regulations under section 973—
- (a) may make provision which applies generally or only in specified cases or circumstances,
 - (b) may make different provision for different cases or circumstances, and
 - (c) may contain incidental, supplemental, consequential and transitional provision and savings.
- (5) In subsections (1) and (2), so far as they apply to cases within section 973(1)(a), “profits” includes gains (including chargeable gains).
- [^{F161}(6) In this section—
- property rental business” has the same meaning as in Part 12 of CTA 2010 (see section 519 of that Act), and
- “UK REIT” has the same meaning as in Part 12 of CTA 2010 (see section 518(4) of that Act).]
- [^{F162}(7) In relation to references to profits of property rental business, see section 549A of CTA 2010.]

Textual Amendments

- F157** Words in s. 974(1)(j)(ii) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 561\(2\)](#) (with [Sch. 2](#))
- F158** Words in s. 974(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 561\(3\)\(a\)](#) (with [Sch. 2](#))
- F159** Words in s. 974(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 561\(3\)\(b\)](#) (with [Sch. 2](#))
- F160** Words in s. 974(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 561\(4\)](#) (with [Sch. 2](#))
- F161** S. 974(6) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 561\(5\)](#) (with [Sch. 2](#))
- F162** S. 974(7) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\), Sch. 19 para. 12](#)

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CHAPTER 19

GENERAL

Supplementary

975 Statements about deduction of income tax

- (1) Subsection (2) applies if^{F163}—
- (a) a person makes a payment from which a sum representing income tax must be deducted under any provision of Chapters 2 to 7 or under section 919 or 928^{F164}, and
 - (b) the person is not under a duty to provide a statement under section 975A].
- (2) If the recipient requests it in writing, the person must provide the recipient with a statement showing—
- (a) the gross amount of the payment,
 - (b) the amount of the sum deducted, and
 - (c) the actual amount paid.
- ^{F165}(3)
- ^{F166}(4)
- (5) A statement under this section must be in writing.
- (6) The duty to comply with a request under subsection (2)^{F167}... is enforceable by the recipient^{F167}....
- ^{F168}(7)

Textual Amendments

- F163** Words in s. 975(1) inserted (with effect in accordance with Sch. 11 para. 12(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 11 para. 9\(a\)](#)
- F164** Words in s. 975(1) inserted (with effect in accordance with Sch. 11 para. 12(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 11 para. 9\(b\)](#)
- F165** S. 975(3) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\)](#), [37\(17\)\(a\)](#) (with [reg. 32](#))
- F166** S. 975(4) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\)](#), [37\(17\)\(a\)](#) (with [reg. 32](#))
- F167** Words in s. 975(6) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\)](#), [37\(17\)\(b\)](#) (with [reg. 32](#))
- F168** S. 975(7) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), [regs. 1\(3\)](#), [37\(17\)\(c\)](#) (with [reg. 32](#))

[^{F169}975A] Statements about certain payments of interest

- (1) Subsection (2) applies if a person makes a payment of interest of which the whole or part is in the form of goods or services or a voucher.
- (2) The person must provide the recipient of the payment with a statement showing—

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- (a) the gross amount of the payment,
 - (b) the amount of the sum deducted under any provision of Chapters 2 to 7 or under section 919 or 928 (if any),
 - (c) the actual amount paid, and
 - (d) the date on which the payment was made.
- (3) The amounts mentioned in paragraphs (a) to (c) of subsection (2) are to be calculated in accordance with section 370A of ITTOIA 2005.
- (4) Subsection (5) applies where a person—
 - (a) is treated as making a payment of an amount of interest (“the deemed interest”) by virtue of section 413 of CTA 2009 or section 380 of ITTOIA 2005 (funding bonds), and
 - (b) is under a duty under section 939(2) to retain funding bonds equal in value to income tax on the deemed interest at the basic rate.
- (5) The person must provide the recipient of the funding bonds with a statement showing—
 - (a) the gross amount of the deemed interest,
 - (b) the sum representing income tax which the person is treated under section 939(3) as having deducted by retaining funding bonds,
 - (c) the amount of the deemed interest after the deduction of that sum, and
 - (d) the date on which the deemed interest is treated as being paid.
- (6) The amount of the deemed interest is to be calculated in accordance with section 413 of CTA 2009 or section 380 of ITTOIA 2005, as the case may require.
- (7) A statement under this section must be provided in writing to the recipient on the date that the payment is made or (as the case may be) the date that the deemed interest is treated as being paid.
- (8) The duty to comply with this section is enforceable by the recipient.
- (9) In this section—
 - (a) references to a voucher are to a voucher, stamp or similar document or token which is capable of being exchanged for money, goods or services, and
 - (b) “funding bonds” has the same meaning as in Chapter 12 (see section 939(6)).]

Textual Amendments

F169 S. 975A inserted (with effect in accordance with Sch. 11 para. 12(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 11 para. 10](#)

976 Arrangements for payments of interest less tax or at specified net rate

- (1) This section applies if—
 - (a) provision is made for the payment of interest, and
 - (b) the interest is payable without deduction of a sum representing income tax.
- (2) It applies—
 - (a) whenever the provision was made, and
 - (b) whether it was made orally or in writing.

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- (3) If the provision is for the payment of interest “less tax” (or uses words to similar effect) it is to be read as if the words “less tax” (or the equivalent words) were not included.
- (4) Subsection (5) applies if the provision is (however worded)—
 - (a) for the payment of interest to which subsection (6) applies, and
 - (b) for that interest to be paid at such a rate (“the gross rate”) that the amount of interest payable at that rate is, after deduction of a sum representing income tax, equal to the amount of interest payable at a specified rate (“the net rate”).
- (5) In that case the provision is to be read as if it were for the payment of interest at the gross rate.
- (6) This subsection applies to—
 - (a) interest on which the recipient is chargeable to income tax, which falls within Chapter 2 of Part 4 of ITTOIA 2005 but which is not relevant foreign income, or
 - [^{F170}(b) interest which is required to be brought into account under Part 5 of CTA 2009 (loan relationships) as a non-trading credit of the recipient.]

Textual Amendments

F170 S. 976(6)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 717](#) (with [Sch. 2 Pts. 1, 2](#))

977 Payments to companies

- (1) The provisions of this Part relating to the deduction from payments of sums representing income tax are not affected by the fact that the recipient is a company not chargeable to income tax on the payment.
- (2) References in subsection (1) to payments received by a company—
 - (a) include payments received by another person on behalf of or in trust for the company, but
 - (b) do not include payments received by the company on behalf of or in trust for another person.
- (3) For further provision about payments received by companies, see—
 - (a) sections 7(2) and 11(3) of ICTA (set-off of income tax deducted at source against liability to corporation tax), and
 - (b) section 952 (set-off of income tax suffered against income tax payable under Chapter 15).

978 Application to public departments

- (1) This Part applies in relation to payments made by public offices and departments of the Crown except as mentioned in subsection (2).
- (2) This Part does not apply to payments made by public offices and departments of—
 - (a) any country mentioned in Schedule 3 to the British Nationality Act 1981 (c. 61) (which contains a list of Commonwealth countries) or the Republic of Ireland, or

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- (b) any state or province of a country within paragraph (a).

979 Designated international organisations: exceptions from duties to deduct

- (1) The Treasury may by order designate for the purposes of this section any international organisation of which the United Kingdom is a member.
- (2) The duty to deduct under section 874 (duty to deduct from certain payments of yearly interest) does not apply to a payment of interest made by—
 - (a) an organisation designated under subsection (1), or
 - (b) a partnership of which an organisation so designated is a member.
- (3) None of the duties to deduct under Chapters 6, 7 (deduction from annual payments, patent royalties and other payments connected with intellectual property) and 14 (directions for duty to deduct to apply in tax avoidance cases) apply to a payment made by an organisation designated under subsection (1).
- (4) The duties to deduct under sections 919(2) and 922(2) do not apply in a case where the payer of the manufactured interest or (as the case may be) the manufactured overseas dividend is an organisation designated under subsection (1).

[^{F171}979AFSCS payments representing interest

- (1) This section applies where a payment is made under the FSCS representing interest net of an amount equal to a sum representing income tax that would have been deducted on the payment of interest but for the circumstances giving rise to the making of payments under the FSCS.
- (2) A payment of the relevant gross amount is treated as having been made under the FSCS after there has been deducted from it a sum representing income tax of that amount.
- (3) That sum is accordingly taken into account under section 59B of TMA 1970 in determining the income tax payable by, or repayable to, the recipient.
- (4) “The relevant gross amount” means the aggregate of the amount of the payment representing interest which is made and that sum.
- (5) If the recipient requests it in writing, the scheme manager of the FSCS must provide the recipient with a statement showing—
 - (a) the relevant gross amount,
 - (b) the amount of the sum treated as deducted, and
 - (c) the amount of the payment representing interest.
- (6) The duty to comply with a request under subsection (5) is enforceable by the recipient.
- (7) In this section—

“the FSCS” means the Financial Services Compensation Scheme (established under Part 15 of the Financial Services and Markets Act 2000);

“payment representing interest” has the same meaning as in section 380A of ITTOIA 2005.]

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Textual Amendments

F171 S. 979A inserted (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [s. 33\(4\)](#)

980 Derivative contracts: exception from duties to deduct

- (1) Despite the provisions of this Part, a company is not required to deduct a sum representing income tax from a payment made under a derivative contract to which this section applies.
- (2) This section applies to a derivative contract if profits and losses arising from it are calculated in accordance with [^{F172}Part 7 of CTA 2009] .

Textual Amendments

F172 Words in s. 980(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 718](#) (with [Sch. 2 Pts. 1, 2](#))

981 Foreign currency securities etc: exception from duties to deduct

Despite the provisions of this Part there is no duty to deduct a sum representing income tax from a payment of interest within section 755(1) of ITTOIA 2005 (interest on foreign currency securities etc owned by non-UK residents).

[^{F173}981A] Offshore receipts in respect of intangible property: exception from duties to deduct

Despite the provisions of this Part there is no duty to deduct a sum representing income tax from a payment charged to income tax under Chapter 2A of Part 5 of ITTOIA 2005 (offshore receipts in respect of intangible property).]

Textual Amendments

F173 [S. 981A](#) inserted (5.11.2019) by [The Income Tax \(Trading and Other Income\) Act 2005 \(Amendments to Chapter 2A of Part 5\) Regulations 2019 \(S.I. 2019/1452\)](#), [regs. 1\(1\)](#), [15](#)

982 Income tax is calculated by reference to gross amounts

If any provision of this Part requires the deduction from a payment of a sum representing income tax at a specified rate, the rate is to be applied to the gross payment, that is to the payment before deduction of a sum representing income tax under this Part.

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Interpretation

983 Meaning of “deposit”

In this Chapter “deposit” means a sum of money paid on terms which mean that it will be repaid (with or without interest)—

- (a) on demand, or
- (b) at a time or in circumstances agreed by or on behalf of the person who pays it and the person who receives it.

984 Meaning of “financial instrument”

(1) In this Part “financial instrument” includes—

- (a) any money,
- (b) any shares or securities,
- (c) an option, future or contract for differences if its underlying subject-matter is (or is primarily) one or more financial instruments, and
- (d) an instrument the underlying subject-matter of which is (or is primarily) creditworthiness.

(2) For the purposes of subsection (1) if the effect of an instrument depends on an index or factor, the “underlying” subject-matter of the instrument is the matter by reference to which the index or factor is determined.

985 Meaning of “qualifying certificate of deposit”

(1) In this Part “qualifying certificate of deposit” means a certificate of deposit under which—

- (a) the amount payable is at least £50,000, exclusive of interest, and
- (b) that amount is payable at a specified time within 5 years beginning with the date on which the deposit is made.

(2) If an amount is denominated in a foreign currency, subsection (1)(a) has effect as if it referred to an amount which is at least the equivalent in that currency of £50,000 at the time the deposit is made.

(3) For the meaning of “certificate of deposit”, see section 1019.

986 Meaning of “qualifying uncertificated eligible debt security unit”

(1) In this Part “qualifying uncertificated eligible debt security unit” means an uncertificated eligible debt security unit under which—

- (a) the amount payable is at least £50,000, exclusive of interest, and
- (b) that amount is payable at a specified time within 5 years beginning with the date on which the deposit is made.

(2) If an amount is denominated in a foreign currency, subsection (1)(a) has effect as if it referred to an amount which is at least the equivalent in that currency of £50,000 at the time the deposit is made.

(3) In this section “uncertificated eligible debt security unit” means an uncertificated unit of an eligible debt security where the issue of the unit corresponds, in accordance with

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the current terms of issue of the eligible debt security, to the issue of a certificate of deposit.

(4) In subsection (3)—

- (a) “eligible debt security”,
- (b) “uncertificated” (in relation to a unit), and
- (c) “unit”,

have the meanings given by regulation 3(1) of the Uncertificated Securities Regulations 2001 (S.I. 2001/3755).

(5) For the meaning of “certificate of deposit”, see section 1019.

987 Meaning of “quoted Eurobond”

[^{F174}(1)] In this Part “quoted Eurobond” means a security, including a share (in particular any permanent interest bearing share as defined in section 117 of TCGA 1992), that—

- (a) is issued by a company,
- (b) is listed on a recognised stock exchange [^{F175}or admitted to trading on a multilateral trading facility operated by [^{F176}a regulated] recognised stock exchange], and
- (c) carries a right to interest.

[^{F177}(2) For the purposes of this section—

- (a) “regulated recognised stock exchange” means a recognised stock exchange that is regulated in the United Kingdom, the European Economic Area or Gibraltar, and
- (b) “multilateral trading facility” means—
 - (i) a UK multilateral trading facility within the meaning given by Article 2.1(14A) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments,
 - (ii) an EU multilateral trading facility within the meaning given by Article 2.1(14B) of that Regulation, and
 - (iii) [^{F178}a Gibraltar multilateral trading facility within the meaning given by Article 26(11)(b)(ii) of that Regulation.]

^{F179} ...]

Textual Amendments

F174 S. 987 renumbered as s. 987(1) (with effect in accordance with s. 34(3) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 34\(1\)\(a\)](#)

F175 Words in s. 987(1)(b) inserted (with effect in accordance with s. 34(3) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 34\(1\)\(b\)](#)

F176 Words in s. 987(1)(b) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\), regs. 1, 15\(11\)\(a\)](#) (with regs. 39–41); 2020 c. 1, Sch. 5 para. 1(1)

F177 S. 987(2) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\), regs. 1, 15\(11\)\(b\)](#) (with regs. 39–41); 2020 c. 1, Sch. 5 para. 1(1)

F178 S. 987(2)(b)(iii) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) \(No. 2\) Regulations 2019 \(S.I. 2019/818\), regs. 1\(3\), 6\(4\)\(a\)](#); 2020 c. 1, Sch. 5 para. 1(1)

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F179 Words in s. 987(2)(b) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) \(No. 2\) Regulations 2019](#) (S.I. 2019/818), regs. 1(3), [6\(4\)\(b\)](#); 2020 c. 1, Sch. 5 para. 1(1)

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)