



Income Tax Act 2007

2007 CHAPTER 3

PART 9

SPECIAL RULES ABOUT SETTLEMENTS AND TRUSTEES

CHAPTER 7

DISCRETIONARY PAYMENTS

[^{F1}Payments constituting income of beneficiary (other than employment income)]

Textual Amendments

- F1** S. 493 cross-heading inserted (with effect in accordance with art. 3(9) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2010 \(S.I. 2010/157\)](#), arts. 1, **3(2)** (with art. 3(10))

493 Discretionary payments by trustees

- (1) Sections 494 and 495 apply for income tax purposes if—
 - (a) in a tax year the trustees of a settlement make an annual payment to a person (“the beneficiary”) in the exercise of a discretion (whether exercisable by the trustees or any other person),
 - (b) the trustees are UK resident for the tax year, and
 - (c) condition A or condition B is met.
- (2) Condition A is that what is paid to the beneficiary is, only because of the payment, income of the beneficiary for income tax or corporation tax purposes.

“Income” does not include employment income.
- (3) Condition B is that the payment is treated for income tax purposes as the income of a settlor under section 629 of ITTOIA 2005 (income paid to relevant children of settlor).

Changes to legislation: There are outstanding changes not yet made by the [legislation.gov.uk](https://www.legislation.gov.uk) editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

“Settlor” is to be read in accordance with section 620 of ITTOIA 2005.

- (4) The payment is referred to in sections 494 and 495 as “the discretionary payment”.
- (5) In this Chapter “payment” includes payment in money's worth.

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- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)