



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

PART 2

DOUBLE TAXATION RELIEF

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DOUBLE TAXATION RELIEF BY WAY OF CREDIT

Limit on, and reduction of, credit against income tax

36 Amount of limit

- (1) This section is about the amount of credit allowed under section 18(2) against a person's income tax for any tax year.
- (2) The amount of credit in respect of income from any particular source must not exceed the difference between—
 - (a) the amount of income tax to which the person would be liable for the tax year if the person were charged to income tax on—

$TI - X$

and

- (b) the amount of income tax to which the person would be liable for the tax year if the person were charged to income tax on—

$TI - (X + C)$

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Section 36. (See end of Document for details)

- (3) If credit is allowed (whether or not under the same tax-relief arrangements) in respect of income from more than one source, apply subsection (2) successively to the income from each source, taking the sources in the order which will result in the greatest reduction in the person's income tax liability for the tax year.
- (4) In subsection (2)—
- TI is the person's total income for the tax year,
 - X is the income (if any) to which subsection (2) has already been applied, and
 - C is the income in respect of which the credit is to be allowed.
- (5) The rules for calculating an amount of income tax under subsection (2) are—
- (a) the calculation is to be made in accordance with sections 31 and 32, and
 - (b) no credit is to be allowed for foreign tax, and
 - (c) no reduction is to be made under section 26 of FA 2005 (trusts for the benefit of a vulnerable beneficiary), but
 - (d) any other income tax reduction under the Income Tax Acts is to be made.
- (6) See section 29(2) and (3) of ITA 2007 (tax reductions limited by reference to tax liability) for further limits on the total amount of credit for foreign tax to be allowed to a person against income tax.
- (7) For the purposes of subsection (3) the following are “tax-relief arrangements”—
- (a) double taxation arrangements, and
 - (b) unilateral relief arrangements for a territory outside the United Kingdom.

Changes to legislation:

There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Section 36.