



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 5

MISCELLANEOUS INCOME

[^{F1}CHAPTER 2A

OFFSHORE RECEIPTS IN RESPECT OF INTANGIBLE PROPERTY

Textual Amendments

- F1** Pt. 5 Ch. 2A inserted (with effect in accordance with Sch. 3 para. 7 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 3 para. 4](#) (with [Sch. 3 para. 8](#))

Modifications etc. (not altering text)

- C1** Pt. 5 Ch. 2A: power to amend conferred (with effect in accordance with Sch. 3 para. 7 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 3 para. 10](#)

Charge to tax on offshore receipts in respect of intangible property

608A Charge to tax on UK-derived amounts

- (1) This section applies if—
 - (a) at any time in a tax year, a person is not UK resident and is not resident in a full treaty territory, and
 - (b) UK-derived amounts arise to the person in the tax year.
- (2) Income tax is charged on the UK-derived amounts.

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(3) See—

sections 608D to 608H for the meaning of expressions used in this section;
 sections 608J to 608N for exemptions from the charge under this section.

(4) References in the Tax Acts to income from a source in the United Kingdom include UK-derived amounts.

608B Income charged under section 608A

Tax is charged under section 608A on the full amount of the UK-derived amounts arising in the tax year.

608C Person liable for tax under section 608A

The person liable for any tax charged under section 608A is the person receiving or entitled to the UK-derived amounts.

608D Meaning of residence

(1) This section applies for the purposes of this Chapter.

(2) A person is “resident” in a territory if, under the laws of the territory, the person is liable to tax there—

- (a) by reason of the person's domicile, residence or place of management, but
- (b) not in respect only of
 - [income from sources in that territory or capital situated there [^{F3}, or]
 - ^{F2}(i) [such income and capital, and amounts remitted to or otherwise
 - ^{F4}(ii) received in the territory.]

(3) Where—

- (a) a person is resident in a territory outside the United Kingdom generally for the purposes of the laws of the territory or for particular purposes under those laws, and
- (b) the laws of the territory have no provision for a person to be resident there for tax purposes,

the person is “resident” in the territory.

^{F5}(4) [Despite subsections (2) and (3), a person is treated as not resident in a full treaty territory if—

- (a) the double taxation arrangements made in relation to the territory contain provision expressly excluding persons of a particular description from relief under the arrangements, and
- (b) the person is of that description.

(5) In subsection (4) the reference to provision of the kind mentioned there does not include provision corresponding to the provision made by paragraphs 1 to 7 of article 29 of the OECD Model Tax Convention on Income and on Capital (entitlement to benefits), published on 21 November 2017.]

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Textual Amendments

- F2** S. 608D(2)(b)(i): words in s. 608D(2)(b) renumbered as s. 608D(2)(b)(i) (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **3(2)(a)**
- F3** Word in s. 608D(2)(b)(i) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **3(2)(b)**
- F4** S. 608D(2)(b)(ii) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **3(2)(c)**
- F5** S. 608D(4)(5) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **3(3)**

608E Meaning of “full treaty territory”

- (1) For the purposes of this Chapter a territory is a “full treaty territory” if—
- (a) double taxation arrangements have been made in relation to the territory, and
 - (b) the arrangements contain a non-discrimination provision.
- (2) In subsection (1) “non-discrimination provision”, in relation to double taxation arrangements, means a provision to the effect that nationals of a state which is a party to those arrangements (a “contracting state”) are not to be subject in the other contracting state to—
- (a) any taxation, or
 - (b) any requirement connected with taxation,
- which is other or more burdensome than the taxation and connected requirements to which nationals of that other contracting state in the same circumstances (in particular with respect to residence) are or may be subjected.
- (3) In subsection (2) “national”, in relation to a contracting state, includes—
- (a) an individual possessing the nationality or citizenship of the contracting state, and
 - (b) a legal person, partnership or association deriving its status as such from the laws in force in that contracting state.

608F Meaning of “UK-derived amount” and “UK sales”

- (1) For the purposes of this Chapter an amount is a “UK-derived amount” if—
- (a) it is an amount (whether of a revenue or capital nature) in respect of the enjoyment or exercise of rights that constitute any intangible property, and
 - (b) the enjoyment or exercise of those rights (or of any rights derived, directly or indirectly, from those rights) enables, facilitates or promotes UK sales (directly or indirectly).
- (2) It does not matter whether the amount relates to UK sales in the tax year mentioned in section 608A or any other tax year.
- (3) In this Chapter “UK sales” means any services, goods or other property—
- (a) provided in the United Kingdom, or

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(b) provided to persons in the United Kingdom.

[In subsection (3) the reference to anything being provided does not include it being
^{F6}(4) provided for resale.

(5) For the purposes of subsection (4) a thing is provided “for resale” where it is provided to a person who obtains it for the purpose of providing it to another person in the following circumstances—

- (a) there is no change in the thing itself, and
- (b) if what is provided differs in any way from what was obtained, the difference is merely incidental to the provision of the thing.

(6) For the purposes of this Chapter a service consisting of the provision of online advertising constitutes a UK sale so far as the advertising is targeted at persons in the United Kingdom.]

Textual Amendments

F6 Ss. 608F(4)-(6) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), 4

608G Section 608F: apportionment of amounts

(1) This section applies where—

- (a) a person receives or is entitled to an amount in respect of the enjoyment or exercise of rights that constitute any intangible property, and that enjoyment or exercise enables, facilitates or promotes UK sales and other sales, or
- (b) a person receives or is entitled to an amount in respect of—
 - (i) the enjoyment or exercise of rights that constitute any intangible property, where that enjoyment or exercise enables, facilitates or promotes UK sales, and
 - (ii) anything else.

(2) The amount is to be regarded for the purposes of this Chapter as constituting a UK-derived amount to such extent as is just and reasonable.

(3) In a case within subsection (1)(a) it is to be presumed, unless the contrary is shown, that the proportion of the amount that is just and reasonable is—

$$\frac{X}{X + Y}$$

where X is the value of UK sales and Y is the value of other sales.

^{F7}608G **Section 608F: disregard for third party sales where intangible property makes insignificant contribution**

(1) This section applies where—

- (a) a person (A) receives or is entitled to a UK-derived amount,

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- (b) the services, goods or other property in question are not provided in the United Kingdom, or to persons there, by A or a person connected with A, and
 - (c) the UK sales in question are enabled, facilitated or promoted to an insignificant extent by the enjoyment or exercise of the rights in question.
- (2) For the purposes of this Chapter no account is to be taken of A's receipt of, or entitlement to, the UK-derived amount.
- (3) For the purposes of subsection (1)(b), anything provided by a reseller (including anything treated as so provided by virtue of this subsection) is to be treated as provided by the person who provided it to the reseller.
- (4) For this purpose “reseller” means a person to whom a thing is provided for resale (within the meaning of section 608F(5)).]

Textual Amendments

- F7** S. 608GA inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), 5

608H Meaning of “intangible property”

- (1) In this Chapter “intangible property” means any property except—
- (a) tangible property,
 - (b) an estate, interest or right in or over land,
 - (c) a right in respect of anything within paragraph (a) or (b),
 - (d) a financial asset,
 - (e) a share or other right in relation to the profits, governance or winding up of a company, or
 - (f) any property of a prescribed description.
- (2) In this section—
- “financial asset” has the meaning given by section 806 of CTA 2009;
 - “prescribed” means prescribed by regulations made by the Treasury.

^{F8}608I Application of Chapter to certain partnerships

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Textual Amendments

- F8** S. 608I omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [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), 6

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Exemptions

608J Exemption where limited UK sales

- (1) Section 608A does not apply in relation to a person for a tax year if the total value of the person's UK sales in that tax year does not exceed £10,000,000.
- (2) Where—
 - (a) a person (A), or a person connected with A, receives or is entitled to an amount (whether of a revenue or capital nature), and
 - (b) the amount relates (wholly or in part, and directly or indirectly) to the provision of services, goods or other property constituting UK sales,the UK sales are regarded for the purposes of subsection (1) as A's UK sales.

608JA Exemption where company resident in specified territory

- (1) Section 608A does not apply in relation to a company for a tax year if—
 - (a) the company is resident in a specified territory throughout the tax year,
 - (b) UK-derived amounts arising to the company in the tax year are chargeable to tax under the laws of the territory,
 - (c) where those amounts are chargeable only if remitted or otherwise received in the territory, the amounts are remitted or otherwise received there in the tax year,
 - (d) the amount of tax which is paid in the territory in respect of the UK-derived amounts is not determined under designer tax provisions, and
 - (e) the company is not, at any time in the tax year, involved in an arrangement the main purpose, or one of the main purposes, of which is to obtain a tax advantage for itself or any other person.
- (2) For the purposes of this section—
 - (a) section 608D (meaning of residence) applies as if subsections (2)(b), (4) and (5) were omitted;
 - (b) “specified territory” means a territory specified in regulations made by the Commissioners.
- (3) Regulations under this section may have effect from a date before the day on which they are made, except insofar as they result in a territory ceasing to be specified.]

Textual Amendments

- F9** S. 608JA inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), 7

608K Exemption where business undertaken within territory of residence

- (1) Section 608A does not apply in relation to a person (“the relevant person”) for a tax year if—
 - (a) the relevant person is resident in a territory throughout the tax year,

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- (b) all (or substantially all) relevant activity in relation to relevant intangible property is, and has at all times been, undertaken in that territory,
- (c) there is no relevant connection between relevant intangible property and a related person, and
- (d) the person makes a claim under this section.

[For the purposes of this section, section 608D (meaning of residence) applies as if ^{F10}(1A) subsections (2)(b), (4) and (5) were omitted.]

- (2) For the purposes of this section intangible property is “relevant” if any UK-derived amount arising to the person in the tax year relates to it.
- (3) In subsection (1)(b) “relevant activity”, in relation to relevant intangible property, means anything done (by any person)—
 - (a) for the purpose of creating, developing or maintaining any of the relevant intangible property; or
 - (b) for the purpose of generating, for the relevant person, amounts (whether of a revenue or capital nature) that relate, wholly or in part and directly or indirectly, to the enjoyment or exercise of rights that constitute any of the relevant intangible property.
- (4) For the purposes of subsection (1)(c) there is a “relevant connection” between relevant intangible property and a related person if any relevant intangible property—
 - (a) has been transferred (directly or indirectly) from a person related to the relevant person,
 - (b) derives (directly or indirectly) from anything so transferred, or
 - (c) derives (directly or indirectly) from intangible property held by a person related to the relevant person.
- (5) See section 608T for the meaning of two persons being “related”.

Textual Amendments

- F10** S. 608K(1A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), 8

608L Exemption where foreign tax at least half of UK tax

- (1) Section 608A does not apply in relation to a person for a tax year if—
 - (a) the person is resident in a territory outside the United Kingdom in that year,
 - (b) the amount of tax (“the local tax amount”) which is paid in the territory in respect of UK-derived amounts arising in the tax year is at least half of the corresponding UK tax, and
 - (c) the local tax amount is not determined under designer tax provisions.
- (2) See section 608M for provisions about the local tax amount.
- (3) “The corresponding UK tax” means the amount of income tax that would be charged under this Chapter in respect of UK-derived amounts arising in the tax year, calculated on the following basis—
 - (a) section 608A applies in relation to the UK-derived amounts, and

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(b) the person is not entitled to any relief or allowance for the tax year.

^{F11}(4)

[For the purposes of this section, section 608D (meaning of residence) applies as if ^{F12}(5) subsections (2)(b), (4) and (5) were omitted.]

Textual Amendments

- F11** S. 608L(4) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [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), **9(2)**
- F12** S. 608L(5) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **9(3)**

608M Section 608L: the local tax amount

- (1) This section applies for the purposes of section 608L.
- (2) Where an amount of tax is paid in the territory in respect of—
 - (a) UK-derived amounts arising in the tax year, and
 - (b) other amounts,
 the amount of tax is to be apportioned between the amounts mentioned in paragraph (a) and paragraph (b) on a just and reasonable basis.
- (3) Where—
 - (a) in the territory any tax falls to be paid in respect of UK-derived amounts arising in the tax year,
 - (b) under the laws of the territory, a repayment of tax, or a payment in respect of credit for tax, is made to any person, and
 - (c) that repayment or payment is directly or indirectly in respect of the whole or part of the tax mentioned in paragraph (a),
 the local tax amount is to be reduced by the amount of that repayment or payment (but this is subject to subsections (4) and (5)).
- (4) Subsection (5) applies if the repayment or payment mentioned in subsection (3)(b) is in respect of—
 - (a) the tax mentioned in subsection (3)(a), and
 - (b) other tax.
- (5) The amount of the repayment or payment is to be apportioned between the tax mentioned in subsection (3)(a) and the other tax on a just and reasonable basis, and the reduction under subsection (3) is limited to the amount apportioned to the tax mentioned in subsection (3)(a).
- (6) Any reduction under subsection (3) is to be undertaken after any apportionment under subsection (2).

^{F13}**608MA Exemption where income of opaque partnership taxable in full treaty territory**

- (1) This section applies where—

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- (a) under the laws of a full treaty territory, a partnership is regarded for tax purposes as an entity separate and distinct from the partners,
 - (b) the partnership is resident in the territory throughout a tax year,
 - (c) UK-derived amounts arise to the partnership in the tax year, and
 - (d) the UK-derived amounts are chargeable to tax under the laws of the territory.
- (2) In the application of section 608A to a partner for the tax year, no account is to be taken of the UK-derived amounts.
- (3) For the purposes of subsection (1)(b), the partnership is “resident” in a territory if (and only if) it is resident there by virtue of section 608D(2) (references there to be a person being read as references to the partnership).]

Textual Amendments

F13 S. 608MA inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **10**

Exemption for certain bodies corporate that are transparent in full treaty territory

F14

- 608MA**
- (1) This section applies where—
- (a) a body corporate formed under the laws of a full treaty territory (“the relevant territory”) is not regarded under those laws, for tax purposes, as an entity separate and distinct from its members,
 - (b) the body is not resident, at any time in a tax year, in a territory that is not a full treaty territory,
 - (c) UK-derived amounts arise to the body in the tax year, and
 - (d) each relevant member is resident in the relevant territory throughout the tax year.
- (2) In the application of section 608A to the body for the tax year, no account is to be taken of the UK-derived amounts.
- (3) The relevant members are to be determined as follows—
- (a) each member of the body is a relevant member (subject to paragraph (b));
 - (b) if a body corporate that meets the conditions in subsection (4) would otherwise be a relevant member, that body’s members are relevant members (and that body is not a relevant member);
 - (c) paragraph (b) applies in relation to a body that would otherwise be a relevant member by virtue of that paragraph (as well as in relation to a body that would otherwise be a relevant member by virtue of paragraph (a)).
- (4) The conditions referred to in subsection (3)(b) are—
- (a) that the body is formed under the laws of the relevant territory;
 - (b) that under those laws, the body is not regarded for tax purposes as an entity separate and distinct from its members;
 - (c) that the body is not resident, at any time in the tax year, in a territory that is not a full treaty territory.]

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Textual Amendments

F14 S. 608MB inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), 11

Exemption for double taxation on amounts within same control group

F15 608MC

(1) This section applies where—

- (a) two persons (A and B) are in the same control group throughout a tax year,
- (b) neither A nor B is, at any time in the tax year, involved in an arrangement the main purpose, or one of the main purposes, of which is to obtain a tax advantage for A, B or any other person,
- (c) income tax is charged under section 608A on a UK-derived amount arising to A in the tax year, and A is not entitled to any relief in respect of the UK-derived amount,
- (d) the UK-derived amount is a direct or indirect payment from B to A in respect of rights (“relevant rights”) that—
 - (i) constitute any of B’s intangible property, and
 - (ii) derive, directly or indirectly, from rights that constitute any of A’s intangible property.

(2) In the application of section 608A to B for the tax year, the amount of any UK-derived amount arising to B in the tax year in respect of B’s relevant rights is to be reduced (but not below nil) by the amount of the UK-derived amount mentioned in subsection (1) (c).

(3) For the purposes of this section where a UK-derived amount is in respect of relevant rights and anything else, the amount is to be regarded as being in respect of relevant rights to such extent as is just and reasonable.

(4) For the meaning of “control group” see section 608S.]

Textual Amendments

F15 S. 608MC inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), 12

608N Exemptions: further provision

(1) The Treasury may by regulations—

- (a) amend this Chapter for the purpose of creating additional exemptions;
- (b) amend any exemption for the time being in force.

(2) “Exemption” means a total or partial exemption from the charge under this Chapter.

(3) The regulations may confer a power to make subordinate legislation or confer a discretion on any person.

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- (4) The regulations may make retrospective provision, except insofar as they impose or increase taxation.
- (5) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

Recovery of tax from person in same control group

608O Notice requiring payment from person in same control group as taxpayer

- (1) This section applies where—
 - (a) an amount of income tax has been assessed on a person (“the taxpayer”) for a tax year by virtue of this Chapter, and
 - (b) the whole or any part of that amount, or of any interest on that amount, is unpaid at the end of the period of 6 months after the relevant date.
- (2) A designated officer may give a notice to a relevant person requiring that person, within 30 days of the giving of the notice, to pay any unpaid tax and interest.
- (3) The notice must state—
 - (a) the amount of income tax and interest that remains unpaid,
 - (b) the date when the income tax first became payable, and
 - (c) the relevant person's right of appeal.
- (4) A notice under this section may not be given more than 3 years and 6 months after the relevant date.
- (5) In this section “relevant person” means any person who was in the same control group as the taxpayer at any time in the tax year (see section 608S for the meaning of being in the same “control group”).
- (6) In this section “the relevant date” means—
 - (a) in relation to an amount of income tax determined under section 28C of TMA 1970, the date on which the determination was issued;
 - (b) in relation to an amount of income tax under a self-assessment in a case where the taxpayer's return under section 8 or 8A of TMA 1970 was delivered after the last day for delivering it in accordance with that section, the date on which the return was delivered;
 - (c) in any other case, the date the amount mentioned in subsection (1)(a) became due and payable.
- (7) A notice may be given anywhere in the world, to any relevant person (whether or not UK resident).
- (8) In this section—
 - “assessment”: any reference to an amount of income tax that has been assessed on a person includes an amount of income tax that has been determined under section 28C of TMA 1970 in relation to the person;
 - “designated officer” means an officer of Revenue and Customs who has been designated by the Commissioners for the purposes of this Chapter.

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608P Payment notice: effect

- (1) This section applies where a notice under section 608O is given to a person.
- (2) For the purposes of the recovery from the person of any unpaid tax and interest (including interest accruing after the date of the notice), the person is treated as if—
 - (a) the amount of income tax assessed as mentioned in section 608O(1)(a) had been assessed on the person,
 - (b) that amount became due and payable when the tax mentioned in section 608O(1)(a) became due and payable, and
 - (c) any payments made in respect of the amount mentioned in section 608O(1)(a) (or in respect of interest on that amount) had been made in respect of the amount treated as assessed by virtue of paragraph (a) of this subsection (or in respect of interest on that amount).
- (3) Nothing in subsection (2) gives the person a right to appeal against the assessment mentioned in section 608O(1)(a) (or against any assessment treated as made by virtue of subsection (2) of this section).
- (4) Any appeal by the taxpayer against the assessment mentioned in section 608O(1)(a) does not affect the liabilities arising by virtue of the giving of the notice.

608Q Payment notice: appeals

- (1) This section applies where a notice under section 608O is given to a person.
- (2) The person may appeal against the notice, within the period of 30 days beginning with the date on which it is given, on the ground that the person is not a relevant person (as defined by section 608O).
- (3) Where an appeal is made, anything required by the notice to be paid is due and payable as if there had been no appeal.
- (4) Section 56 of TMA 1970 (payment of tax where further appeal) applies in relation to any further appeal against the notice, but the relevant court or tribunal may, on the application of Her Majesty's Revenue and Customs, direct that section 56(2) does not apply to anything required by the notice to be paid.
- (5) A direction may be given if the relevant court or tribunal considers it necessary for the protection of the revenue.
- (6) In this section “relevant court or tribunal” has the same meaning as in section 56 of TMA 1970.

608R Payment notice: effect of making payment etc

- (1) This section applies where a notice under section 608O is given to a person.
- (2) A person who pays an amount in pursuance of the notice may recover that amount from the taxpayer.
- (3) In calculating the person's income, profits or losses for any tax purposes—
 - (a) a payment in pursuance of the notice is not allowed as a deduction, and
 - (b) the reimbursement of any such payment is not regarded as a receipt.

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- (4) Any amount paid by the person in pursuance of the notice is to be taken into account in calculating—
- (a) the amount unpaid, and
 - (b) the amount due by virtue of any other notice under section 608O relating to the amount unpaid.
- (5) Similarly, any payment by the taxpayer of any of the amount unpaid is to be taken into account in calculating the amount due by virtue of the notice (or by virtue of any other notice under section 608O relating to the amount unpaid).

Meaning of “control group” and “related person”

608S Control groups

- (1) Two persons are in the same control group at any time if—
- (a) they are consolidated for accounting purposes for a period which includes that time,
 - (b) one of them has a 51% investment in the other at that time, or
 - (c) a third person has a 51% investment in each of them at that time.
- (2) Two persons are consolidated for accounting purposes for a period if—
- (a) their financial results for the period are required to be comprised in group accounts,
 - (b) their financial results for the period would be required to be comprised in group accounts but for the application of an exemption, or
 - (c) their financial results for the period are in fact comprised in group accounts.
- (3) In this section “group accounts” means accounts prepared under—
- (a) section 399 of the Companies Act 2006, or
 - (b) any corresponding provision of the law of a territory outside the United Kingdom.
- (4) For the meaning of having a 51% investment, see section 608U.

608T Related persons

- (1) Two persons are “related” at any time if—
- (a) at that time—
 - (i) they are in the same control group,
 - (ii) one of them has a 25% investment in the other, or
 - (iii) a third person has a 25% investment in both of them, or
 - (b) at any time in the period of 6 months beginning or ending at that time—
 - (i) one of them directly or indirectly participates in the management, control or capital of the other, or
 - (ii) a third person directly or indirectly participates in the management, control or capital of both of them.
- (2) See—
- section 608S for the meaning of being in the same “control group”;
 - section 608U for the meaning of having a 25% investment;

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section 608V for the meaning of direct or indirect participation in the management, control or capital of a person.

608U Meaning of “51% investment” and “25% investment”

- (1) A person (P) has a 51% investment in another person (C) if any of the following apply—
 - (a) P possesses or is entitled to acquire more than half of the voting power in C;
 - (b) in the event of a disposal of the whole of the equity in C, P would receive more than half of the proceeds;
 - (c) in the event that the income in respect of the equity in C were distributed among the equity holders in C, P would receive more than half of the amount so distributed;
 - (d) in the event of a winding-up of C or in any other circumstances, P would receive more than half of C's assets which would then be available for distribution among the equity holders in C in respect of the equity in C.
- (2) A person (P) has a 25% investment in another person (C) where any paragraph of subsection (1) would apply if in that paragraph for “more than half” there were substituted “at least a quarter”.
- (3) Section 464(2) to (11) and section 465 of TIOPA 2010 apply for the purposes of subsections (1) and (2) of this section.
- (4) In the application of section 464(10) of TIOPA for the purposes of subsection (1), the reference to a “25% investment” is to be read as a “51% investment”.

608V Meaning of direct or indirect participation in management, control or capital

- (1) This section applies for the purposes of section 608T.
- (2) A person is directly participating in the management, control or capital of another person at a particular time only if section 157 of TIOPA 2010 so provides.
- (3) A person is indirectly participating in the management, control or capital of another person at a particular time only if section 159 or 160 of TIOPA 2010 so provides.

General

608W Anti-avoidance

- (1) This section applies if a person has entered into any arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for the person as a result (wholly or partly) of—
 - (a) anything not being subject to the charge under section 608A, or
 - (b) any provisions of double taxation arrangements having effect in a case where the advantage is contrary to the object and purpose of the provisions.
- (2) The tax advantage is to be counteracted by the making of such adjustments as are just and reasonable.

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- (3) The adjustments may be made (whether by an officer of Revenue and Customs or the person) by way of an assessment, the modification of an assessment, amendment or disallowance of a claim, or otherwise.
- (4) Where this section applies by virtue of subsection (1)(b), the counteraction has effect despite section 6(1) of TIOPA 2010.
- (5) In this [^{F16}Chapter] “tax advantage” includes—
 - (a) relief or increased relief from tax,
 - (b) repayment or increased repayment of tax,
 - (c) avoidance or reduction of a charge to tax or an assessment to tax,
 - (d) avoidance of a possible assessment to tax,
 - (e) deferral of a payment of tax or advancement of a repayment of tax, and
 - (f) avoidance of an obligation to deduct or account for tax.

Textual Amendments

- F16** Word in s. 608W(5) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **13**

608X Interaction with other general provisions

- (1) This section applies where section 608A applies in relation to a person for a tax year (or would apply, if the following provisions of this section applied).
- (2) Part 6 (exempt income) does not apply in relation to UK-derived amounts arising to the person in the tax year.
- (3) For the purposes of calculating the person's liability to income tax for the tax year—
 - (a) Chapter 1 of Part 14 of ITA 2007 (limits on liability to income tax of non-residents) does not apply in relation to UK-derived amounts arising to the person in the tax year;
 - (b) accordingly, the person's liability is the sum of—
 - (i) the person's liability as regards UK-derived amounts (with that Chapter not applying), and
 - (ii) the person's liability as regards anything else (with that Chapter applying, to the extent it would otherwise apply).

608Y Appeals against assessments

- (1) This section applies where a person (“the taxpayer”) makes an appeal in relation to an amount of income tax charged on the taxpayer under section 608A.
- (2) Section 55(3) to (8A) of TMA 1970 (application for postponement of payment of tax pending appeal) do not apply in relation to the tax charged (and no agreement as to the postponement of payment of any of that tax, or of interest on it, may be made).
- (3) In the case of a further appeal, the relevant court or tribunal (as defined by section 56 of TMA 1970) may, on the application of Her Majesty's Revenue and Customs, direct that section 56(2) of TMA 1970 does not apply to the tax charged.

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- (4) A direction may be given if the relevant court or tribunal considers it necessary for the protection of the revenue.
- (5) Nothing in this section applies in relation to a liability arising as a result of the giving of a notice under section 608O.

Interpretation: general

608Z Interpretation of Chapter: general

In this Chapter—

“arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

“the Commissioners” means the Commissioners for Her Majesty's Revenue and Customs;

“control group” has the meaning given by section 608S;

“double taxation arrangements” means arrangements that have effect under section 2(1) of TIOPA 2010;

[^{F17}“designer tax provisions” means provisions which appear to the Commissioners to be designed to enable persons to exercise significant control over the amount of tax which they pay in respect of UK-derived amounts;]

“full treaty territory” has the meaning given by section 608E;

“intangible property” has the meaning given by section 608H;

“related”: references to two persons being related are to be read in accordance with section 608T;

“resident”: references to being resident in a territory are to be read in accordance with section 608D;

[^{F18}“tax”: any reference (however expressed) to tax payable or paid under the laws of a territory outside the United Kingdom is a reference to a tax which—

(a) is charged on income, and

(b) corresponds to income tax or corporation tax;

and for this purpose tax may correspond to income tax or corporation tax even though it is payable under the laws of a province, state or other part of a country or is levied by or on behalf of a municipality or other local body;]

[^{F17}“tax advantage” has the meaning given by section 608W(5);]

“UK-derived amount” has the meaning given by section 608F;

“UK sales” has the meaning given by section 608F.]

Textual Amendments

F17 Words in s. 608Z inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **14(2)**

F18 Words in s. 608Z inserted (with effect in accordance with reg. 1(2) of the amending S.I.) 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), **14(3)**

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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. 7A-7D inserted by [2022 c. 3 Sch. 1 para. 3](#)
- s. 31E(4) inserted by [2022 c. 3 Sch. 1 para. 7\(3\)](#)
- s. 649(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 11\(2\)](#)
- s. 679(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(5\)\(b\)](#)
- s. 679A(3A) inserted by [2023 c. 30 Sch. 2 para. 11\(6\)\(b\)](#)
- s. 680(1A) inserted by [2023 c. 30 Sch. 2 para. 11\(7\)\(a\)](#)