



Finance Act 2005

2005 CHAPTER 7

PART 2

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 4

TRUSTS WITH VULNERABLE BENEFICIARY

Income tax

28 Vulnerable person's liability: VQTI

- (1) For the purposes of section 26, VQTI is an amount equal to—

TLV1 – TLV2

where—

TLV2 is an amount determined in accordance with subsection (2) (and subsection (4) where it applies) (total [^{F1} income] tax liability of vulnerable person), and

TLV1 is an amount determined in accordance with subsection (3) (and subsection (4) where it applies) (what total [^{F1} income] tax liability of vulnerable person would be if his income included qualifying trusts income).

- (2) TLV2 is the total amount of income tax ^{F2}... to which the vulnerable person would be liable for the tax year if his income tax liability were computed in accordance with subsections (5) and (6).
- (3) TLV1 is what TLV2 would be if the qualifying trusts income arising (or treated as arising) to the trustees in the tax year in respect of which the trustees are liable to income tax were income of the vulnerable person for the tax year.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005, Section 28. (See end of Document for details)

- [^{F3}(4) Where the vulnerable person is non-UK resident for the tax year, his or her income tax liability for the purposes of determining TLV1 and TLV2 is to be computed in accordance with the Income Tax Acts on the assumption that—
- (a) he or she is UK resident for the tax year,
 - (b) that year is not, as respects him or her, a split year within the meaning of Part 3 of Schedule 45 to FA 2013, and
 - (c) he or she is domiciled in the United Kingdom throughout that year.]
- (5) For the purposes of this section, in a case where income which has arisen to the trustees (whenever it arose) is distributed to the vulnerable person in the tax year, that income is to be disregarded in computing income tax to which he would be liable for the tax year for the purposes of determining TLV1 and TLV2.
- (6) For the purposes of this section, in computing income tax to which the vulnerable person would be liable for the tax year for the purposes of determining TLV1 and TLV2, there is to be disregarded any relief which is given by way of a reduction in the amount of income tax to which the vulnerable person would be liable apart from that relief.
- (7) For the purposes of this section—
- (a) whether or not a vulnerable person is non-UK resident is to be determined in accordance with section 41(2), and
 - ^{F4}(b)
- (8) This section is subject to section 29 (vulnerable person election having effect for only part of tax year).

Textual Amendments

- F1** Word in s. 28(1) inserted (with effect in accordance with Sch. 2 para. 22 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 2 para. 14(2)**
- F2** Words in s. 28(2) omitted (with effect in accordance with Sch. 2 para. 22 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 2 para. 14(3)**
- F3** S. 28(4) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **Sch. 45 para. 151(2)**
- F4** S. 28(7)(b) omitted (with effect in accordance with Sch. 2 para. 22 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 2 para. 14(5)**

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2005, Section 28.