

*These notes refer to the Income Tax Act 2007 (c.3)
which received Royal Assent on 20 March 2007*

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 12: Accrued Income Profits

Overview

Chapter 2: Accrued income profits and losses

Section 667: Trustees' accrued income profits treated as settlement income

1975. This section provides for certain accrued income profits to be taken into account for the purposes of Chapter 5 of Part 5 of ITTOIA (where settlement income is taxed on the settlor). It is based on section 720(6) of ICTA.
1976. *Subsection (4)* defines the accrued income profits in question. They do not include profits in respect of a transfer with unrealised interest or profits chargeable under section 670 on the withdrawal of unremittable income relief. But they include profits in respect of transfers of variable rate securities. (See *Change 101* in Annex 1 which treats other transfers of variable rate securities where the settlement day is outside an interest period as redemption of such securities is treated.)
1977. *Subsection (1)* ensures that qualifying accrued income profits treated as received by trustees of a settlement are treated as arising under the settlement for the purposes of Chapter 5 of Part 5 of ITTOIA. The income is then chargeable on the settlor. The settlor may be eligible under section 680 for exemption in respect of interest on the securities, if the interest is also chargeable under that Chapter, by reference to accrued income losses arising to the trustees under section 628.
1978. *Subsections (2)* and *(3)* ensure that trustees who are non-UK resident or domiciled outside the United Kingdom are treated as receiving, for the purposes of the same Chapter, the amount of accrued income profits they would have been treated as receiving if they had been UK resident or domiciled in the United Kingdom. That is, by virtue of their actual residence status, the trustees are likely to be excluded transferors or transferees under section 643 in which case accrued income profits to which subsection (1) applies will not arise to them. By virtue of subsection (3), the same results follow as under subsection (1).