

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 8: Other reliefs

Overview

Chapter 6: Miscellaneous other reliefs

Overview

1312. The first three sections of this Chapter concern relief for certain payments of an insurance-related nature, either by deduction in calculating net income or as a tax reduction. They are based on sections 266(7), 273, 274 and 278 of ICTA.
1313. Relief is given for parts of certain payments made to trade unions or police service organisations that go to provide life insurance, superannuation or funeral benefits. This relief is given by deduction in calculating net income.
1314. Relief is given for certain payments an individual is required to make to secure an annuity for a spouse or to provide for children after the individual's death. This relief is given as a tax reduction.
1315. The fourth section is the residence condition relating to those reliefs.
1316. The final section in this Chapter is a relief that may be claimed by the recipient of patent royalties. It is based on section 527 of ICTA.
1317. Section 266(6) and (6A) of ICTA provided relief for premiums paid under certain policies issued by friendly societies. These provisions are obsolete. Accordingly they are repealed by this Act.
1318. The remaining provisions of sections 266 to 274 of, and Schedule 14 to, ICTA are obsolescent. They have not been rewritten, and remain in ICTA.

Section 457: Payments to trade unions

1319. This section provides a deduction in calculating net income if an individual makes a payment to a trade union of which part is attributable to the provision of superannuation, life insurance or funeral benefits. It is based on section 266(7) of ICTA.
1320. *Subsection (1)(c)* requires a claim to be made. The general rule in section 266(1), in the context of the relief given at source, is that claims are not required. This section brings the position in relation to section 266(7) of ICTA, which is administered through the self-assessment return, into line with practice. See *Change 83* in Annex 1.
1321. *Subsections (2) and (3)* provide that the amount of relief is one half of the qualifying part of the payment, subject to a maximum of £100. This simplifies many of the complexities

of the existing limits provided by section 274(1) and (2) of ICTA. See *Change 84* in Annex 1.

1322. *Subsection (5)* defines a trade union. The 1974 Act referred to in section 266(7) of ICTA was repealed in 1992.

Section 458: Payments to police organisations

1323. This section is based on section 266(7) of ICTA.
1324. The section is similar to section 457. But there is an additional requirement that the qualifying part of all the payments made in a particular tax year must be at least £20.
1325. *Changes 83* and *84* also apply to this section. See the commentary on section 457.

Section 459: Payments for benefit of family members

1326. This section provides relief as a tax reduction for certain payments an individual is required to make to provide benefits for a surviving spouse, civil partner or children after the individual's death. It is based on section 273 of ICTA.
1327. *Subsection (1)* explains that a tax reduction may be claimed if an individual is required under an Act or the conditions of employment to pay a sum or suffer a deduction from earnings to secure an annuity for a surviving spouse or civil partner or make provision for the individual's surviving children.
1328. The residence requirement from section 278 of ICTA is contained in subsection (1) (c) without any special provision for claims by non-residents to be made to the Commissioners for Her Majesty's Revenue and Customs. Claims may be made to any officer and appeals are not reserved to the Special Commissioners. This is achieved here by not specifying to whom claims are to be made. See *Change 5* in Annex 1.
1329. *Subsections (2) to (4)* specify that the relief operates as a tax reduction of an amount equal to income tax at the basic rate on the amount of all of the payments (or sums deducted) in the tax year, subject to a maximum of £100. The limit provided by section 274(1) and (2) of ICTA requires account to be taken of other qualifying insurance related payments in the year. That requirement has been removed. See *Change 84* in Annex 1 and the commentary on section 457.
1330. *Subsection (7)* defines the term "earnings" in subsection (1). The term "stipend" in the source legislation is interpreted in the context of the terms "salary" and "employment" and is therefore covered by the term "earnings". "Stipend" does not embrace income in the nature of a pension.

Section 460: Residence etc of claimants

1331. This section sets out the residence-related requirement referred to in each of the previous three sections. It is based on section 278 of ICTA. *Subsections (2) and (3)* are the same as in section 56.
1332. Individuals who, under the source legislation, were able to claim the reliefs only by virtue of meeting the condition in section 278(2)(a) of ICTA are catered for by provisions remaining in ICTA, as amended by this Act. See the overview commentary on Part 3.

Section 461: Spreading of patent royalty receipts

1333. This section allows the recipient of a lump sum patent royalty to claim a tax reduction if the royalty was for the use of the patent over a period of two years or more. It is based on section 527 of ICTA.

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

1334. The amount of the royalty is notionally spread equally over the number of complete years for which the use of the patent extended (up to a maximum of six). The total additional tax that would have been due on that basis is compared to the tax attributable to the whole royalty in the year of receipt. If it is less, a tax reduction equal to the difference is given.