



Income Tax Act 2007

2007 CHAPTER 3

PART 8

OTHER RELIEFS

CHAPTER 2

GIFT AID

Measures to ensure donor's liability not less than tax treated as deducted

423 Restriction of certain reliefs

- (1) This section applies if—
 - (a) an individual makes one or more gifts to charities in a tax year which are qualifying donations, and
 - (b) amount A is greater than amount B.
- (2) In this section—
 - “amount A” means the total amount of the tax treated as deducted from the gifts under section 414, and
 - “amount B” means the total amount of income tax and capital gains tax to which the individual is charged for the tax year (before applying this section).
- (3) For the purposes of this section, the total amount of income tax to which the individual is charged for the tax year is the amount calculated in accordance with section 425.
- (4) The individual's entitlement to the reliefs mentioned in subsection (5) is extinguished, so far as is necessary to ensure that the total amount of income tax and capital gains tax to which the individual is charged for the tax year (after applying this section)—
 - (a) is equal to amount A, or
 - (b) if that is not possible, falls short of amount A by as little as possible.

Status: Point in time view as at 17/07/2012.

*Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Cross
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(5) The reliefs are—

- (a) an allowance under Chapter 2 of Part 3 of this Act ^{F1}... (personal allowance and blind person's allowance),
- (b) a tax reduction under Chapter 3 of Part 3 of this Act ^{F1}... (tax reductions for married couples and civil partners), [^{F2}and]
- (c) relief under section 457 or 458 of this Act ^{F1}... (payments to trade unions and police organisations), ^{F3}...
- ^{F3}(d)

Textual Amendments

- F1** Words in s. 423(5) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 1 para. 6\(o\)\(iii\)](#)
- F2** Word in s. 423(5)(b) inserted (17.7.2012) (with effect in accordance with Sch. 39 para. 32(6) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 32\(2\)\(b\)\(i\)](#)
- F3** S. 423(5)(d) and preceding word omitted (17.7.2012) (with effect in accordance with Sch. 39 para. 32(6) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 32\(2\)\(b\)\(ii\)](#)

424 Charge to tax

(1) Income tax is charged under this section if—

- (a) an individual makes one or more gifts to charity in a tax year which are qualifying donations, and
- (b) amount A is greater than amount C.

(2) In this section—

“amount A” means the total amount of the tax treated as deducted from the gifts under section 414, and

“amount C” means the sum of—

- (a) the amount of income tax to which the individual is charged for the tax year, and
- (b) [^{F4}the amount of capital gains tax to which the individual would be chargeable for the tax year if the following were ignored—
 - (i) any relief under [^{F5}sections 2 and 6 of TIOPA 2010]
 - (ii) any relief under [^{F6}section 18(1)(b) and (2) of TIOPA 2010] (relief for foreign tax where no double taxation arrangements).]

(3) For the purposes of this section, the total amount of income tax to which the individual is charged for the tax year is the amount calculated in accordance with section 425, after taking into account any restriction of relief under section 423.

(4) The amount of the tax charged under this section is equal to the difference between amount A and amount C.

(5) Tax charged under this section is charged for the tax year in which the gift or gifts are made.

(6) The person liable for any tax charged under this section is the individual.

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Textual Amendments

- F4** Words in s. 424(2) substituted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by [The Income Tax Act 2007 \(Amendment\) \(No. 2\) Order 2009 \(S.I. 2009/2859\)](#), **art. 4(3)**
- F5** Words in s. 424(2) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 79(1)(2) (with Sch. 9 paras. 1-9, 22)
- F6** Words in s. 424(2) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 79(1)(3) (with Sch. 9 paras. 1-9, 22)

425 Total amount of income tax to which individual charged for a tax year

- (1) For the purposes of sections 423 and 424, the total amount of income tax to which an individual is charged for a tax year is the amount calculated as follows.
- (2) Calculate the individual's liability to income tax for the tax year in accordance with section 23, as modified by subsection (3).
- (3) In applying section 23—
 - (a) at Step 6, ignore any tax reductions to which the individual is entitled for the tax year under a provision listed in subsection (4), and
 - (b) ignore Step 7.
- (4) The tax reductions to be ignored are tax reductions under—
 - (a) section 453 (qualifying maintenance payments),
 - (b) [^{F7}sections 2 and 6 of TIOPA 2010] (double taxation arrangements: relief by agreement), or
 - (c) [^{F8}section 18(1)(b) and (2) of TIOPA 2010] (relief for foreign tax where no double taxation arrangements).
- (5) From the amount calculated in accordance with subsections (2) to (4) deduct—
 - (a) any tax treated as having been paid under—
 - (i) section 399(2) or 400(2) of ITTOIA 2005 (distributions from UK resident companies etc on which there is no tax credit),
 - (ii) section 414(1) of that Act (stock dividend income),
 - (iii) section 421(1) of that Act (release of loan to participator in close company),
 - (iv) section 530(1) of that Act (gains from contracts for life insurance), or
 - (v) section 685A(3) of that Act (settlor-interested settlements), ^{F9} ...
 - (b) any tax treated as deducted from estate income under section 656(3) or 657(4) of ITTOIA 2005, so far as that income is treated under section 679 of that Act as paid from sums within section 680(3)(b) or (4) of that Act^{F10}, and
 - (c) the amount of any tax credit under section 397A of ITTOIA 2005 (tax credits for distributions of non-UK resident companies: UK residents and eligible non-UK residents).]
- (6) For the purposes of this section a person is treated as being entitled to a tax reduction under [^{F11}sections 2 and 6 of TIOPA 2010] if the person is entitled to credit against income tax under double taxation arrangements.

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Textual Amendments

- F7** Words in s. 425(4)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 80\(2\)\(a\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F8** Words in s. 425(4)(c) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 80\(2\)\(b\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F9** Word in s. 425(5)(a)(v) omitted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 12 para. 24\(a\)](#)
- F10** S. 425(5)(c) and word inserted (21.7.2008 with effect in accordance with s. 34(2) of the amending Act) by [Finance Act 2008 \(c. 9\), Sch. 12 para. 24\(b\)](#)
- F11** Words in s. 425(6) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 80\(3\)](#) (with [Sch. 9 paras. 1-9, 22](#))

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