



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 8

#### OTHER RELIEFS

#### CHAPTER 4

##### ANNUAL PAYMENTS AND PATENT ROYALTIES

#### **447 Overview of Chapter**

- (1) This Chapter gives relief for some of the payments from which sums representing income tax must be deducted under Chapter 6 of Part 15 (deduction from annual payments and patent royalties).
- (2) For the payments which attract relief, see sections 448 and 449.

#### **448 Relief for individuals**

- (1) This section applies to a payment made in a tax year if—
  - (a) the person who makes it is an individual,
  - (b) a sum representing income tax is required by section 900(2) or 903(5) (deduction from annual payments and patent royalties) to be deducted from it, and
  - (c) the payment is not deductible in calculating the individual's income from any source.
- (2) The individual is entitled to relief for the tax year equal to the gross amount of the payment.
- (3) But this is subject to the restrictions in subsection (4) <sup>F1</sup>....

*Status: Point in time view as at 21/07/2009.*

*Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Chapter 4. (See end of Document for details)*

- (4) The total amount of relief given under this section to an individual for a tax year cannot be greater than the amount of the individual's modified net income for the tax year (see section 1025).
- (5) The relief is given by deducting the amount of the relief in calculating the individual's net income for the tax year (see Step 2 of the calculation in section 23).

#### Textual Amendments

**F1** Words in s. 448(3) omitted (21.7.2008 with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 66\(4\)\(l\)\(iii\)](#)

### 449 Relief for other persons

- (1) This section applies to a payment made in a tax year if—
  - (a) the person who makes it is not an individual,
  - (b) a sum representing income tax is required by section 901(3) or 903(6) (deduction from annual payments and patent royalties) to be deducted from it, and
  - (c) the payment is not deductible in calculating the person's income from any source.
- (2) The person who makes the payment is entitled to relief for the tax year equal to the gross amount of the payment.
- (3) But this is subject to the restrictions in subsections (4) and (5)<sup>F2</sup>....
- (4) Relief is not given for the payment so far as it is ineligible for relief (see section 450).
- (5) The total amount of relief given under this section to a person for a tax year cannot be greater than the amount of the person's modified net income for the tax year (see section 1025).
- (6) The relief is given by deducting the amount of the relief in calculating the person's net income for the tax year (see Step 2 of the calculation in section 23).

#### Textual Amendments

**F2** Words in s. 449(3) omitted (21.7.2008 with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 66\(4\)\(l\)\(iv\)](#)

### 450 Other persons: payments ineligible for relief

- (1) This section sets out the circumstances in which a payment to which section 449 applies, or part of it, is ineligible for relief.
- (2) The payment is ineligible for relief if, or so far as, it can lawfully be made only out of—
  - (a) capital, or
  - (b) income that is exempt from income tax.
- (3) If the payment or any part of it is charged to capital, the payment or that part is ineligible for relief.

*Status: Point in time view as at 21/07/2009.*

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- (4) If—
- (a) the person who makes the payment treats it or any part of it as made out of income that is exempt from income tax, and
  - (b) the rights or obligations of any person are or may in the future be different from what they would have been if the payment or part had not been so treated, the payment, or the part concerned, is ineligible for relief.
- (5) If the payment or a part of it is not ultimately borne by the person who makes it, the payment or the part concerned is ineligible for relief.
- (6) But subsection (5) does not apply to a payment or part of a payment if—
- (a) the person who makes the payment is liable to income tax on an amount, and
  - (b) it is because the person receives that amount or benefits from it in some other way that the payment or the part concerned is not ultimately borne by that person.

<sup>F3</sup>**451 Special rule for persons affected by section 733 of ICTA**

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**Textual Amendments**

- F3** S. 451 omitted (21.7.2008 with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 66\(4\)\(I\)\(v\)](#)

**452 The gross amount of a payment**

References in this Chapter to the gross amount of a payment are to the amount of the payment before deduction of the sum representing income tax deductible from it under Chapter 6 of Part 15 (deduction from annual payments and patent royalties).

**Status:**

Point in time view as at 21/07/2009.

**Changes to legislation:**

There are currently no known outstanding effects for the Income Tax Act 2007, Chapter 4.