

Status: Point in time view as at 03/02/2009.

Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Cross Heading: Income Tax (Trading and Other Income) Act 2005 (c. 5). (See end of Document for details)

SCHEDULES

SCHEDULE 1

MINOR AND CONSEQUENTIAL AMENDMENTS

PART 2

OTHER ENACTMENTS

Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 492 The Income Tax (Trading and Other Income) Act 2005 is amended as follows.
- 493 In section 1 (overview of Act) omit subsection (2).
- 494 In section 12(3) (profits of mines etc) for “Chapter 1 of Part 10 of ICTA” substitute “Part 4 of ITA 2007”.
- 495 (1) Amend section 13 (visiting performers) as follows.
- (2) In subsection (8) omit the definitions of “payment” and “transfer”.
- (3) After that subsection insert—
- “ (9) In this section and section 14—
- (a) references to a payment include references to a payment by way of loan of money, and
- (b) references to a transfer do not include references to a transfer of money but, subject to that, include references to—
- (i) a temporary transfer (as by way of loan), and
- (ii) a transfer of a right (whether or not a right to receive money).
- (10) This section does not apply to payments or transfers of a kind prescribed in regulations under section 966(6) of ITA 2007.”
- 496 In section 17(3) (effect of becoming or ceasing to be a UK resident) for “set off under section 385 of ICTA against” substitute “deducted under section 83 of ITA 2007 from”.
- 497 Omit section 51 (patent royalties).
- 498 (1) Amend section 52 (exclusion of double relief for interest) as follows.
- (2) In subsections (1), (5) and (6) for “section 353 of ICTA” substitute “section 383 of ITA 2007”.
- (3) In subsection (6) for “section 368(3) of ICTA” substitute “section 387(2) and (3) of that Act”.

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- 499 In section 87(5) (expenses of research and development) for “section 837A of ICTA” substitute “ section 1006 of ITA 2007 ”.
- 500 In section 108(4) (gifts of trading stock etc to charities) omit paragraphs (c) and (d).
- 501 In section 179(a) (connected persons) for “section 839 of ICTA” substitute “ section 993 of ITA 2007 ”.
- 502 (1) Amend section 232 (treatment of trading adjustment income) as follows.
- (2) In subsection (3) for “Chapter 1 of Part 10 of ICTA” substitute “ Part 4 of ITA 2007 ”.
- (3) In subsection (4) for the words from “the trade” to the end substitute “ the trade is relevant UK earnings within section 189(2)(b) of FA 2004, adjustment income is similarly relevant UK earnings. ”
- 503 In section 248(3) (debts paid after cessation)—
- (a) for “section 109A(4) or (4A) of ICTA” substitute “ section 96 of ITA 2007 ”, and
- (b) after “expenditure” insert “ as a result of subsection (1)(b) of that section ”.
- 504 (1) Amend section 250 (receipts relating to post-cessation expenditure) as follows.
- (2) In subsection (1) for “section 109A of ICTA” substitute “ section 96 of ITA 2007 ”.
- (3) In subsection (2)—
- (a) in paragraph (a) for “section 109A(2)(a) or (b) of ICTA” substitute “ section 97(2) or (3) of ITA 2007 ”,
- (b) in paragraph (b) for “section 109A(2)(c) of ICTA” substitute “ section 97(4) of ITA 2007 ”, and
- (c) in paragraph (c) for “section 109A(2)(d) of ICTA” substitute “ section 97(5) of ITA 2007 ”.
- 505 In section 254(3)(b) (allowable deductions) for “section 90(4) of FA 1995” substitute “ section 261D of TCGA 1992 ”.
- 506 (1) Amend section 256 (treatment of post-cessation receipts) as follows.
- (2) In subsection (1)(b) omit “earned income within section 833(4)(c) of ICTA or”.
- (3) In subsection (2) omit “earned income or”.
- 507 In section 272(2) (profits of a property business: application of trading income rules), omit the entry in the table relating to section 51.
- 508 In section 322(2) (commercial letting of furnished holiday accommodation)—
- (a) omit paragraphs (b) and (c), and
- (b) for paragraph (f) and the “and” immediately before that paragraph substitute—
- “(f) section 189(2)(ba) of FA 2004 (meaning of “relevant UK earnings” for pension purposes),
- (g) Part 4 of ITA 2007 (loss relief: see section 127 of that Act), and
- (h) section 836(3) of ITA 2007 (jointly held property: see exception D).”
- 509 In section 327(2)(b) (capital allowances and loss relief) for “Chapter 1 of Part 10 of ICTA” substitute “ Part 4 of ITA 2007 ”.

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- 510 (1) Amend section 328 (earned income and relevant UK earnings for pension purposes) as follows.
- (2) In subsection (2) for “treated as” to the end substitute “ relevant UK earnings within section 189(2)(ba) of FA 2004. ”
- (3) In the sidenote omit “Earned income and”.
- 511 In section 333(3) (treatment of property business adjustment income) for “Chapter 1 of Part 10 of ICTA” substitute “ Part 4 of ITA 2007 ”.
- 512 In section 354(2) (other rules about what counts as a “post-cessation receipt”)—
- (a) after “section 248 (debts paid after cessation)” insert “ (reading the reference in subsection (3) to section 96 of ITA 2007 as a reference to section 125 of that Act) ”, and
- (b) after “section 250 (receipts relating to post-cessation expenditure)” insert “ (reading the reference in subsection (1) to section 96 of ITA 2007 as a reference to section 125 of that Act) ”.
- 513 In section 369(4) (charge to tax on interest) for the words from “sections 714(5)” to the end substitute “ Chapter 3 of Part 12 of ITA 2007 (exemption for interest on securities to which Chapter 2 of that Part applies) ”.
- 514 In section 372(2) (building society dividends) for the words from “has” to the end substitute “ includes any distribution (whether or not described as a dividend) ”.
- 515 (1) Amend section 397 (tax credits for qualifying distributions: UK residents and eligible non-UK residents) as follows.
- (2) In subsection (2) omit paragraph (b) and the “or” immediately before it.
- (3) In subsection (4) after “ICTA” insert “ or section 56(3) of ITA 2007 ”.
- (4) In subsection (6) for the words from “section 231AA” to “umbrella scheme),” substitute—
- “section 504(4) of ITA 2007 (disapplication of certain provisions for income of unauthorised unit trusts),
- section 592 of ITA 2007 (no tax credits for borrower under stock lending arrangement),
- section 593 of ITA 2007 (no tax credits for interim holder under repo),
- section 594 of ITA 2007 (no tax credits for original owner under repo),”.
- 516 (1) Amend section 399 (qualifying distributions received by persons not entitled to tax credits) as follows.
- (2) In subsection (4) for the words from “and the distribution” to “treated” substitute “ , the amount or value of the distribution is treated for the purposes of Chapters 3, 4 and 6 of Part 9 of ITA 2007 (special rates for trustees' income) ”.
- (3) In subsection (7) for the words from “section 231AA(1A)” to the end substitute—
- “section 504(4) of ITA 2007 (disapplication of certain provisions for income of unauthorised unit trusts),
- section 592 of ITA 2007 (no tax credits for borrower under stock lending arrangement),

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- section 593 of ITA 2007 (no tax credits for interim holder under repo), and
 section 594 of ITA 2007 (no tax credits for original owner under repo).”
- 517 (1) Amend section 400 (non-qualifying distributions) as follows.
- (2) In subsection (4) for the words from “income to which” to the end substitute “
 assessed (in whole or in part) at the dividend trust rate by virtue of Chapter 3 of Part
 9 of ITA 2007 (trustees' accumulated or discretionary income to be charged at special
 rates), the trustees' liability for income tax at that rate is reduced ”.
- (3) After subsection (6) insert—
- “(7) Subsection (2) is subject to section 504(4) of ITA 2007 (disapplication of
 certain provisions for income of unauthorised unit trusts).”
- 518 In section 401 (relief: qualifying distribution after linked non-qualifying
 distribution) after subsection (6) insert—
- “(6A) The reduction under this section is given effect at Step 6 of the calculation
 in section 23 of ITA 2007.”
- 519 In section 410(3)(b) (stock dividend income arising to trustees) for the words from
 “income” to the end substitute “ accumulated or discretionary income (as defined
 in section 480 of ITA 2007 but excluding income arising under a trust established
 for charitable purposes only or an unauthorised unit trust in relation to which
 section 504 of that Act applies) ”.
- 520 (1) Amend section 414 (stock dividends from UK resident companies: income tax to be
 treated as paid) as follows.
- (2) In subsection (1) for “income to which section 686 of ICTA applies” substitute “
 accumulated or discretionary income (as defined in section 480 of ITA 2007) ”.
- (3) In subsection (4) after “fall to be made” insert “ at Step 2 or 3 of the calculation in
 section 23 of ITA 2007 (calculation of income tax liability) ”.
- 521 In section 418(5) (loans to participator in close company: relief where borrowers
 liable as settlors) for “rate applicable to trusts” substitute “ trust rate ”.
- 522 In section 421(4) (loans to participator in close company: income tax treated as
 paid) after “fall to be made” insert “ at Step 2 or 3 of the calculation in section 23
 of ITA 2007 (calculation of income tax liability) ”.
- 523 (1) Amend section 426 (annuity payments received after deduction of tax) as follows.
- (2) For “Income tax deducted under either of the following sections” substitute “ In
 accordance with section 848 of ITA 2007 a sum representing income tax deducted
 under section 901 of that Act ”.
- (3) Omit the words after “recipient”.
- 524 In section 446 (strips of government securities: relief for losses) for subsection (2)
 substitute—
- “(2) If a person makes a claim under this section, the relief is given by deducting
 the loss in calculating the person's net income for the tax year in which the
 disposal occurs (see Step 2 of the calculation in section 23 of ITA 2007).”

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525 In section 454 (listed securities held since 26th March 2003: relief for losses) for subsection (4) substitute—

“(4) If a claim under this section is made by a person other than a trustee, the relief is given by deducting the loss in calculating the person's net income for the tax year in which the disposal occurs (see Step 2 of the calculation in section 23 of ITA 2007).”

526 (1) Amend section 457 (disposal of deeply discounted securities by trustees) as follows.

(2) Omit subsection (3).

(3) For subsection (5) substitute—

“(5) If the trustees are trustees of a scheme in relation to which section 504 of ITA 2007 applies, subsection (2) does not apply to profits which are shown in the scheme's accounts as income available for payment to unit holders or for investment.”

527 In section 459(2) (profits from deeply discounted securities: transfer of assets abroad) for “sections 739 and 740 of ICTA (transfer of assets abroad) have” substitute “ Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) has ”.

528 In section 460(2) (profits from deeply discounted securities: minor definitions) for “section 709(1)” substitute “ section 840ZA ”.

529 After section 465 insert—

“465A Amounts for which individuals liable to be treated as highest part of total income

(1) This section applies if—

- (a) an individual is liable for tax under this Chapter in respect of an amount, and
- (b) the individual is treated by section 530 as having paid income tax at the savings rate on the amount.

(2) The amount is treated as the highest part of the individual's total income.

(3) Subsection (2) has effect for all income tax purposes except the purposes of sections 535 to 537 (gains from contracts for life insurance etc: top slicing relief).

(4) See section 1012 of ITA 2007 (relationship between highest part rules) for the relationship between—

- (a) the rule in subsection (2), and
- (b) other rules requiring particular income to be treated as the highest part of a person's total income.”

^{F1}530

Textual Amendments

F1 Sch. 1 para. 530 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

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- 531 (1) Amend section 467 (liability of trustees for tax on gains from contracts for life insurance etc) as follows.
- (2) After subsection (1) insert—
- “(1A) If trustees are liable for tax under this Chapter, the gain is treated for income tax purposes as income of the trustees.”
- (3) For subsection (7) substitute—
- “(7) If trustees are liable for tax under this Chapter, it is charged at the savings rate if—
- (a) condition A is met, or
- (b) condition D is met and the trustees are trustees of a charitable trust.”
- 532 In section 468 (gains from contracts for life insurance etc: non-UK resident trustees and foreign institutions)—
- (a) in subsection (2) for “Sections 739 and 740”, “prevent” and “apply” substitute “ Chapter 2 of Part 13 of ITA 2007 ”, “prevents” and “applies” respectively, and
- (b) in subsections (3) and (4) for “sections 739 and 740 apply” substitute “ Chapter 2 of Part 13 of ITA 2007 applies ”.
- 533 In section 482 (excepted group life policies: conditions about persons intended to benefit)—
- (a) in subsection (6) omit the definition of “tax advantage”, and
- (b) after that subsection insert—
- “(7) In this section “tax advantage” has the meaning given by section 840ZA of ICTA.”
- 534 In section 520(4) (the property categories) after the definition of “internal linked fund” insert—
- ““investment trust” has the meaning given by section 842 of ICTA,”.
- 535 (1) Amend section 530 (income tax treated as paid) as follows.
- ^{F2}(2)
- (3) In subsection (4) after “fall to be made” insert “ at Step 2 or 3 of the calculation in section 23 of ITA 2007 (calculation of income tax liability) ”.

Textual Amendments

F2 Sch. 1 para. 535(2) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

- 536 (1) Amend section 535 (top slicing relief) as follows.
- (2) After subsection (2) insert—
- “(2A) If the relief is given by a reduction in income tax, it is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- ^{F3}(3)

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(4) After subsection (6) insert—

“(7) For the purposes of the calculations mentioned in subsection (1) any relief under Chapter 2 or 3 of Part 8 of ITA 2007 (which relate to gift aid and other gifts to charities) is ignored.”

Textual Amendments

F3 Sch. 1 para. 536(3) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

^{F4}537

Textual Amendments

F4 Sch. 1 para. 537 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

^{F5}538

Textual Amendments

F5 Sch. 1 para. 538 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

539 For section 539 (relief for deficiencies) substitute—

“539 Relief for deficiencies

- (1) An individual is entitled to a tax reduction for a tax year in which a deficiency arises from a policy or contract on a chargeable event if—
 - (a) the condition in subsection (2) is met,
 - (b) the individual would (apart from this section) be liable to income tax at the higher rate or the dividend upper rate (or both) for the tax year, and
 - (c) the individual makes a claim.
- (2) The condition is that, if a gain had arisen instead on the chargeable event—
 - (a) the individual would have been liable to income tax on the gain for the year, or
 - (b) the individual would have been so liable apart from the requirement in section 465(1) that the individual must be UK resident in the tax year in which the gain arises.
- (3) The tax reduction is given effect at Step 6 of the calculation in section 23 of ITA 2007.
- (4) See section 540 for the cases in which a deficiency is treated as arising from a policy or contract on a chargeable event, section 541 for how the deficiency is calculated and section 469(5) for the apportionment of deficiencies in cases where two or more persons are interested in a policy or contract.

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(5) The amount of the tax reduction is calculated as follows.

Step 1

Attribute to the amount of the deficiency an amount of the individual's income for the tax year which is liable at the dividend upper rate, so far as is possible.

Step 2

If there is an amount of the deficiency remaining after Step 1, attribute to the remaining amount of the deficiency an amount of the individual's savings income for the tax year which is liable at the higher rate, so far as is possible.

Step 3

If there is an amount of the deficiency remaining after Step 2, attribute to the remaining amount of the deficiency an amount of the individual's other income for the tax year which is liable at the higher rate, so far as is possible.

Step 4

Calculate the amount of the individual's preliminary income tax liability for the tax year (see subsection (6)).

Step 5

Calculate the amount of the individual's preliminary income tax liability for the tax year again, on these assumptions—

Assume that any income attributed to the deficiency at Step 1 is liable at the dividend ordinary rate.

Assume that any income attributed to the deficiency at Step 2 is liable at the savings rate.

Assume that any income attributed to the deficiency at Step 3 is liable at the basic rate.

Step 6

Deduct the amount found at Step 5 from the amount found at Step 4.

The result is the amount of the tax reduction.

(6) The individual's preliminary income tax liability is the amount found by calculating the individual's income tax liability in accordance with section 23 of ITA 2007, ignoring Steps 6 and 7 of that calculation.”

540 In section 546(4) (table of provisions subject to special rules for older policies and contracts), in the first column of the table, for “Section 539(3)” substitute “ Section 539 ”.

541 (1) Amend section 547 (income tax chargeable on income treated as received from unauthorised unit trust) as follows.

(2) In subsection (1) for the words from “scheme” to the end substitute “ unit trust scheme to which this section applies ”.

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(3) After subsection (2) insert—

- “(3) This section applies to a unit trust scheme if—
- (a) the scheme is an unauthorised unit trust, and
 - (b) the trustees of the scheme are UK resident.”

542 For section 550 substitute—

“550 Income tax treated as paid

In accordance with section 848 of ITA 2007, a sum representing income tax treated as deducted from income within this Chapter as a result of section 941 of that Act (deemed deduction from unit holder's income) is treated as income tax paid by the unit holder.”

543 In section 567(2) (disposals of futures and options involving guaranteed returns: losses) for “section 392 of ICTA” substitute “ section 152 of ITA 2007 ”.

544 In section 569(2) (disposal of futures and options involving guaranteed returns: anti-avoidance: transfer of assets abroad) for “sections 739 and 740 of ICTA (transfer of assets abroad) have” substitute “ Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) has ”.

545 In section 570(5) (charge to tax under Chapter 13: sales of foreign dividend coupons) for “section 840A of ICTA” substitute “ section 991 of ITA 2007 ”.

546 (1) Amend section 595 (deduction of tax from payments to non-UK residents) as follows.

- (2) In subsection (2) for the words after “which” substitute “ is to be deducted under section 910 of ITA 2007 ”.
- (3) In subsection (3) for the words after “which” substitute “is to be deducted under section 910 of ITA 2007”.

547 In section 601 (how relief for patent expenses is given) after subsection (2) insert—

“(2A) The deduction or set-off is given effect at Step 2 of the calculation in section 23 of ITA 2007.”

548 (1) Amend section 602 (payments received after deduction of tax) as follows.

- (2) For “Income tax deducted under either of the following sections” substitute “ In accordance with section 848 of ITA 2007, a sum representing income tax deducted under either of the following Chapters ”.
- (3) For the words after “recipient” substitute “—

Chapter 6 of Part 15 of ITA 2007 (deduction from annual payments and patent royalties), and

Chapter 7 of that Part (deduction from other payments connected with intellectual property).”

549 (1) Amend section 618 (payments received after deduction of tax) as follows.

- (2) For “Income tax deducted under either of the following sections” substitute “ In accordance with section 848 of ITA 2007, a sum representing income tax deducted under Chapter 6 of Part 15 of that Act ”.

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- (3) Omit the words after “recipient”.
- 550 In section 619(2) (charge to tax on settlor)—
- (a) for “sections 1 to 1B of ICTA” substitute “ Chapter 2 of Part 2 of ITA 2007 (rates at which income tax is charged) ”, and
- (b) for “Tax Acts” substitute “ Income Tax Acts ”.
- 551 After section 619 insert—

“619A Income treated as highest part of settlor's total income

- (1) This section applies to income which is treated as income of a settlor as a result of section 624 (income where settlor retains an interest) or 629 (income paid to unmarried minor children of settlor).
- (2) The income is treated as the highest part of the settlor's total income for the purposes of section 619 (so far as it relates to the income).
- (3) See section 1012 of ITA 2007 (relationship between highest part rules) for the relationship between—
- (a) the rule in subsection (2), and
- (b) other rules requiring particular income to be treated as the highest part of a person's total income.”

- 552 In section 620(5) (which contains various definitions) in the definition of “charity” for the words from “each” to the end substitute—
- “(a) the Trustees of the National Heritage Memorial Fund,
- (b) the Historic Buildings and Monuments Commission for England, and
- (c) the National Endowment for Science, Technology and the Arts”.

- 553 In section 624 (income where settlor retains an interest in the settlement) after subsection (1) insert—
- “(1A) If the settlement is a trust, expenses of the trustees are not to be used to reduce the income of the settlor.”

- 554 In section 627(2) (income where settlor retains an interest: exceptions), in paragraph (b), for “section 25 of FA 1990 (donations to charity by individuals)” substitute “ Chapter 2 of Part 8 of ITA 2007 (gift aid) ”.

- 555 (1) Amend section 628 (exception for gifts to charities) as follows.
- (2) In subsection (2)—
- (a) in paragraph (a) for “is to” substitute “ must ”, and
- (b) in paragraph (b) omit the words after “person”.
- (3) After that subsection insert—
- “(2A) The cases covered by subsection (2)(b) include cases where the trustees have, or any other person has, any discretion over one or more of the following matters—
- (a) whether, or the extent to which, the income is to be accumulated,
- (b) the persons to whom the income is to be paid, and

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- (c) how much of the income is to be paid to any person.”
- (4) In subsection (6)—
- (a) in the definition of “charity” for the words from “each” to the end substitute—
- “(a) the Trustees of the National Heritage Memorial Fund,
(b) the Historic Buildings and Monuments Commission for England, and
(c) the National Endowment for Science, Technology and the Arts, and”, and
- (b) omit the definition of “resident” and the “and” immediately after it.
- 556 In section 631(7) (retained and accumulated income) for “the total income” substitute “ the child's total income or net income at Step 2 or 3 of the calculation in section 23 of ITA 2007 ”.
- 557 In section 635(3)(d) (settlements: amounts treated as income of settlor: amount of available income) for “rate applicable to trusts” substitute “ trust rate ”.
- 558 (1) Amend section 636 (calculation of undistributed income) as follows.
- (2) In subsection (6) for “section 505 of ICTA (charities: general)” substitute “ any provision to which subsection (7) applies ”.
- (3) After that subsection insert—
- “(7) This subsection applies to the following provisions of ITA 2007—
section 521(4) (gifts entitling donor to gift-aid relief),
section 522(5) (gifts of money from companies),
section 523(5) (payments from other charities),
section 524 (profits etc of charitable trades),
section 529 (profits from fund-raising events),
section 530 (profits from lotteries),
section 531 (property income etc),
section 532 (savings and investment income),
section 533 (public revenue dividends),
section 536 (miscellaneous income), and
section 537 (income from estates in administration).”
- 559 In section 640(1) and (3)(a) (settlements: amounts treated as income of settlor: grossing-up of deemed income) for “rate applicable to trusts” substitute “ trust rate ”.
- 560 After section 646 insert—

“646A Trustees' expenses to be rateably apportioned

- (1) This section applies if—
- (a) in a tax year qualifying income arises under a UK settlement, and
- (b) the qualifying income consists of charitable income and non-charitable income.

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- (2) If expenses of the trustees are to be set against the charitable income by virtue of section 484 of ITA 2007, the amount of those expenses which can used for that purpose is limited to the amount allocated to the charitable income.
- (3) If—
 - (a) Chapter 8 of Part 9 of ITA 2007 applies in relation to the charitable income, and
 - (b) expenses of the trustees are to be used to reduce the charitable income for income tax purposes,
 the amount of those expenses which can used for that purpose is limited to the amount allocated to the charitable income.
- (4) For the purposes of subsections and (3) the amount of the expenses allocated to the charitable income is determined by apportioning them rateably between the charitable income and the non-charitable income.
- (5) In this section—
 - “charitable income” means income within section 628(1) or 630(1),
 - “non-charitable income” means income which is not charitable income, and
 - “qualifying income” and “UK settlement” have the same meaning as in section 628.”

561 In section 669(3)(a) (reduction in residuary income: inheritance tax on accrued income) for sub-paragraph (i) substitute—
 “(i) in the case of savings income, at the savings rate, and”.

562 In section 677 (relief where UK income tax borne by foreign estate: absolute interests) after subsection (2) insert—
 “(3) The tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”

563 In section 678 (relief where UK income tax borne by foreign estate: limited and discretionary interests) after subsection (2) insert—
 “(3) The tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”

F⁶564

Textual Amendments
 F6 Sch. 1 para. 564 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

F⁷565

Textual Amendments
 F7 Sch. 1 para. 565 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

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566 After section 680 insert—

“680A Income treated as savings income or dividend income

- (1) Subsections (2) and (3) apply to income if it—
 - (a) is treated under section 656(3) or 657(4) (gross amount of estate income treated as bearing tax at the applicable rate) as bearing tax at the savings rate or the dividend ordinary rate, and
 - (b) is not paid through a trustee.
- (2) So far as the income is treated as bearing tax at the savings rate, it is treated as savings income.
- (3) So far as the income is treated as bearing tax at the dividend ordinary rate, it is treated as dividend income.
- (4) Subsections (5) and (6) apply to income if it—
 - (a) is treated by section 662, read with section 656(3) or 657(4), as bearing tax at the savings rate or the dividend ordinary rate, and
 - (b) is paid through a trustee.
- (5) So far as the income is treated as bearing tax at the savings rate, it is treated as savings income of the trustee.
- (6) So far as the income is treated as bearing tax at the dividend ordinary rate, it is treated as dividend income of the trustee.”

567 In section 682 (assessments, adjustments and claims after the administration period) after subsection (4) insert—

“(4A) The excess charged under subsection (4)(b) is treated as an amount of income for income tax purposes, except so far as it represents a tax reduction given effect at Step 6 of the calculation in section 23 of ITA 2007.”

568 In section 684(3) (Chapter 7 of Part 5 subject to section 687 of ICTA) for “section 687 of ICTA” substitute “ section 494 of ITA 2007 ”.

569 (1) Amend section 685A (discretionary payments under settlor-interested settlements) as follows.

- (2) In subsection (4) omit paragraph (c) and the “and” immediately before it.
- (3) In subsection (6) for “Section 687 of ICTA” substitute “ Sections 494 and 495 of ITA 2007 ”.

570 (1) Amend section 686 (payments received after deduction of tax) as follows.

- (2) In subsection (1)—
 - (a) for “Income tax deducted under either of the following sections” substitute “ In accordance with section 848 of ITA 2007, a sum representing income tax deducted under Chapter 6 of Part 15 of that Act ”, and
 - (b) omit the words after “recipient”.
- (3) In subsection (2) for “section 687(2) of that Act” substitute “ section 494(3) of ITA 2007 ”.

571 In section 704(4)(a) (types of arrangements and providers) for “section 840A(1)(b) of ICTA” substitute “ section 991(2)(b) of ITA 2007 ”.

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- 572 In section 714(6) (exemption of profits from FOTRA securities) for “Chapter 3 of Part 17 of ICTA” substitute “ Chapter 2 of Part 13 of ITA 2007 ”.
- 573 In section 724 (regulations) omit subsection (3).
- 574 In section 755(3) (exemption of interest on foreign currency securities etc owned by non-UK residents) for “Chapter 3 of Part 17 of ICTA” substitute “ Chapter 2 of Part 13 of ITA 2007 ”.
- 575 In section 756A(5) (interest on certain deposits of victims of National-Socialist persecution) for “meaning given by section 481(3) of ICTA” substitute “ same meaning as in Chapter 19 of Part 15 of ITA 2007 (see section 983 of that Act) ”.
- 576 In section 757 (interest and royalty payments: introduction) at the end insert—
 “(4) See section 914 of ITA 2007 for provision enabling a company to make a royalty payment gross if it reasonably believes that the payment is exempt from income tax as a result of section 758 of this Act.”
- 577 In section 767(2) (power to amend references to the Directive by order)—
 (a) for “section 101 of FA 2004” substitute “ sections 914 to 916 of ITA 2007 ”, and
 (b) for “subsection (9) of that section” substitute “ section 917(2) of that Act ”.
- 578 In section 841 (unremittable income: introduction) for subsection (5) substitute—
 “(5) This Chapter does not apply to accrued income profits which a person is treated as making under Chapter 2 of Part 12 of ITA 2007, but see sections 668 and 669 of that Act (which make similar provision).”
- 579 In section 852(7) (carrying on by partner of notional trade) for “carried forward under section 385 of ICTA and set against” substitute “ deducted under section 83 of ITA 2007 from ”.
- 580 In section 863(2) (limited liability partnerships)—
 (a) in paragraph (a) after “firm” insert “ or partnership ”, and
 (b) in paragraph (b)—
 (i) after “members”, in the first place where it occurs, insert “ or partners ”, and
 (ii) after “firm” insert “ or partnership ”.
- 581 In section 871 (apportionment etc of miscellaneous profits to tax year)—
 (a) in subsection (1)(a) for “section 836B of ICTA” substitute “ section 1016 of ITA 2007 ”, and
 (b) in subsection (2)—
 (i) for “section 836B of ICTA” substitute “ section 1016 of ITA 2007 ”, and
 (ii) for “subsection (4)(a)” substitute “ subsection (3)(a) ”.
- 582 In section 872(3)(a) (losses calculated on same basis as miscellaneous income) for “section 836B of ICTA” substitute “ section 1016 of ITA 2007 ”.
- 583 Omit section 876 (meaning of “farming” and related expressions).
- 584 Omit section 877 (meaning of “grossing up”).
- 585 (1) Amend section 878 (other definitions) as follows.
 (2) In subsection (1)—

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- (a) omit the definition of “charity”,
 - (b) after the definition of “houseboat” insert “ and ”, and
 - (c) omit the words after the definition of “income”.
- (3) In subsection (5) for “Section 839 of ICTA” substitute “ Section 993 of ITA 2007 ”.
- (4) In subsection (6) for “Section 840 of ICTA (meaning of control in relation to a body corporate)” substitute “ Section 995 of ITA 2007 (meaning of “control”) ”.
- 586 In section 879 (interpretation: Scotland)—
- (a) in subsection (1) omit the definitions of “assignment” and “surrender” and the “and” immediately before the definition of “surrender”, and
 - (b) omit subsection (2).
- 587 In section 885(3)(c) (general index in Schedule 4) for “ICTA or ITEPA 2003” substitute “ another Act ”.
- 588 In Schedule 2 (transitionals and savings etc) omit paragraph 50(3).
- 589 (1) Amend paragraph 82 of Schedule 2 (transitionals and savings etc) as follows.
- (2) In paragraph (a) for “section 505(1) of ICTA (exemption from income tax for certain income forming part of the income of a charity)” substitute “ any of sections 521(4), 522(5), 523(5), 524, 529 to 533, 536 and 537 of ITA 2007 (certain exemptions: special rules about charitable trusts) ”.
 - (3) In paragraph (b) for the words from “505(3)” to the end substitute “ 541 of that Act (restrictions on exemptions: attributing items of income to the non-exempt amount) ”.
- 590 In paragraph 109(4) of Schedule 2 (transitional provision: contracts in accounting periods beginning before 1st January 1992) for the words from “Section 539(3)” to the end substitute “Section 539 (relief for deficiencies) has effect as if for subsections (1) to (6) there were substituted—
- “(1) A deficiency from a policy or contract arising on a chargeable event is allowable as a deduction in calculating an individual's net income for a tax year if, had a gain arisen instead on the chargeable event—
 - (a) the individual would have been liable to income tax on the gain for that year, or
 - (b) the individual would have been so liable apart from the requirement in section 465(1) that the individual must be UK resident in the tax year in which the gain arises.
 - (2) See section 540 for the cases in which a deficiency is treated as arising from a policy or contract on a chargeable event, section 541 for how the deficiency is calculated and section 469(5) for the apportionment of deficiencies in cases where two or more persons are interested in a policy or contract.””
- 591 In Part 1 of Schedule 4 (abbreviations) in the appropriate place insert—
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- | | |
|-----------|--------------------------|
| “ITA 2007 | The Income Tax Act 2007” |
|-----------|--------------------------|
-
- 592 (1) Amend Part 2 of Schedule 4 (index of defined expressions) as follows.

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- (2) In the entry for “assignment (in the application of the Act to Scotland)”, in the second column, for “section 879(1)” substitute “ section 1008(1) of ITA 2007 ”.
- (3) In the entry for “authorised unit trust”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (4) In the entry for “basic rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 6(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- (5) In the entry for “body of persons”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (6) In the entry for “building society”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (7) In the entry for “capital allowance”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (8) Omit the entry for “chargeable period”.
- (9) In the entry for “charity”, in the second column, for “section 878(1)” substitute “ section 989 of ITA 2007 ”.
- (10) Omit the entry for “child”.
- (11) In the entry for “company”, in the second column, for “section 832(1) of ICTA” substitute “ section 992 of ITA 2007 ”.
- (12) In the entry for “connected”, in the second column, for “section 839 of ICTA” substitute “ section 993 of ITA 2007 ”.
- (13) In the entry for “control”—
 - (a) in the first column, omit “(in relation to a body corporate)”, and
 - (b) in the second column, for “section 840 of ICTA” substitute “ section 995 of ITA 2007 ”.
- (14) In the entry for “distribution”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (15) In the entry for “the dividend ordinary rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 8(1) of ITA 2007 (as applied by section 989 of that Act) ”.
- (16) In the entry for “the dividend trust rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 9(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- (17) In the entry for “the dividend upper rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 8(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- (18) In the entry for “estate in land (in relation to any land in Scotland)”, in the second column, for “section 832(1) of ICTA” substitute “ section 1008(1) of ITA 2007 ”.
- (19) In the entry for “farming”, in the second column, for “section 876” substitute “ section 996 of ITA 2007 ”.
- (20) In the entry for “for accounting purposes”, in the second column, for “section 832(1) of ICTA” substitute “ section 997 of ITA 2007 ”.

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- (21) In the entry for “forestry”, in the second column, for “section 876(3)” substitute “section 996(3) of ITA 2007”.
- (22) In the entry for “generally accepted accounting practice”, in the second column, for “section 832(1) of ICTA and section 50 of FA 2004” substitute “section 997 of ITA 2007”.
- (23) In the entry for “grossing up”, in the second column, for “section 877” substitute “section 998 of ITA 2007”.
- (24) In the entry for “higher rate”, in the second column, for “section 832(1) of ICTA” substitute “section 6(2) of ITA 2007 (as applied by section 989 of that Act)”.
- (25) Omit the entry for “interest”.
- (26) In the entry for “international accounting standards”, in the second column, for “section 832(1) of ICTA and section 50(2) of FA 2004” substitute “section 997 of ITA 2007”.
- (27) Omit the entry for “investment trust”.
- (28) In the entry for “local authority”, in the second column, for “section 842A of ICTA” substitute “section 999 of ITA 2007”.
- (29) Omit the entry for “lower rate”.
- (30) In the entry for “market gardening”, in the second column, for “section 876(5)” substitute “section 996(5) of ITA 2007”.
- (31) In the entry for “non-UK resident”, in the second column, for “section 878(1)” substitute “section 989 of ITA 2007”.
- (32) In the entry for “normal self-assessment filing date”, in the second column, for “section 878(1)” substitute “section 989 of ITA 2007”.
- (33) In the entry for “notice”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (34) In the entry for “oil and gas exploration and appraisal”, in the second column, for “section 837B of ICTA” substitute “section 1003 of ITA 2007”.
- (35) In the entry for “ordinary share capital”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (36) In the entry for “period of account”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (37) In the entry for “permanent establishment”, in the second column, for “section 832(1) of ICTA and section 148 of FA 2003” substitute “section 148 of FA 2003 (as applied by section 989 of ITA 2007)”.
- (38) In the entry for “personal representatives”, in the second column, for “section 878(1)” substitute “section 989 of ITA 2007”.
- (39) In the entry for “profits or gains”, in the second column, for “section 833(1) of ICTA” substitute “section 989 of ITA 2007”.

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- (40) In the entry for “property or rights held on trust or on trusts (in the application of the Act to Scotland)”, in the second column, for “section 879(2)” substitute “section 1008(2) of ITA 2007”.
- (41) In the entry for “qualifying distribution”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (42) In the entry for “qualifying policy”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (43) Omit the entry for “the rate applicable to trusts”.
- (44) In the entry for “recognised stock exchange”, in the second column, for “section 841(1) of ICTA” substitute “section 1005 of ITA 2007”.
- (45) In the entry for “registered pension scheme”, in the second column, for “section 832(1) of ICTA and section 150(2) of FA 2004” substitute “section 150(2) of FA 2004 (as applied by section 989 of ITA 2007)”.
- (46) In the entry for “retail prices index”, in the second column, for “section 833(2) of ICTA” substitute “section 989 of ITA 2007”.
- ^{F8}(47)
- (48) In the entry for “Schedule A business”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- ^{F9}(49)
- (50) In the entry for “stepchild”, in the second column, for “section 832(1) of ICTA” substitute “section 246 of the Civil Partnership Act 2004 (as applied by section 989 of ITA 2007)”.
- (51) In the entry for “surrender (in the application of the Act to Scotland)”, in the second column, for “section 879(1)” substitute “section 1008(1) of ITA 2007”.
- (52) In the entry for “tax year”, in the second column, for “section 878(1)” substitute “section 4(2) of ITA 2007 (as applied by section 989 of that Act)”.
- (53) In the entry for “the tax year 2005-06 etc”, in the second column, for “section 878(1)” substitute “section 4(4) of ITA 2007 (as applied by section 989 of that Act)”.
- (54) In the entry for “total income” for “section 835(1) of ICTA” substitute “section 23 of ITA 2007 (as applied by section 989 of that Act)”.
- (55) In the entry for “trade”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (56) After the entry for “transfer of work in progress” insert—
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- | | |
|-------------|---|
| “trust rate | section 9(1) of ITA 2007 (as applied by section 989 of that Act)” |
|-------------|---|
-
- (57) In the entry for “UK resident”, in the second column, for “section 878(1)” substitute “section 989 of ITA 2007”.

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- (58) In the entry for “unit holder”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (59) In the entry for “unit trust scheme”, in the second column, for “section 832(1) of ICTA” substitute “ section 1007 of ITA 2007 ”.
- (60) In the entry for “United Kingdom”, in the second column, for “section 830(1) of ICTA” substitute “ section 1013 of ITA 2007 ”.
- (61) In the entry for “venture capital trust”, in the second column, for “section 842AA(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (62) In the entry for “within the charge to tax”, in the second column, for “section 832(1) of ICTA” substitute “ section 1009 of ITA 2007 ”.
- (63) In the entry for “woodlands”, in the second column, for “section 876(4)” substitute “ section 996(4) of ITA 2007 ”.

Textual Amendments

- F8** Sch. 1 para. 592(47) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)
- F9** Sch. 1 para. 592(49) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 35](#)

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