
STATUTORY INSTRUMENTS

2002 No. 2006

The Tax Credits (Definition and
Calculation of Income) Regulations 2002

PART 2

Income for the purposes of tax credits

CHAPTER 7

Investment Income

Investment income

- 10.**—(1) In these Regulations “investment income” means the gross amount of—
- (a) any interest of money, whether yearly or otherwise, or any annuity or other annual payment, whether such payment is payable within or out of the United Kingdom, either as a charge on any property of the person paying it by virtue of any deed or will or otherwise, or as a reservation out of it, or as a personal debt or obligation by virtue of any contract, or whether the payment is received and payable half-yearly or at any shorter or longer periods, but not including property income;
 - (b) any discounts on securities;
 - (c) any income from securities payable out of the public revenues of the United Kingdom or Northern Ireland;
 - (d) dividends and other distributions of a company resident in the United Kingdom and any tax credit associated with that payment; and
 - (e) any amount treated as forming part of the individual’s income for the year for income tax purposes by virtue of section 547(1)(a) of the Taxes Act⁽¹⁾.

This is subject to the following qualification.

- (2) In calculating investment income, there shall be disregarded—
- (a) any amount listed in column 1 of Table 4 to the extent shown in the corresponding entry in column 2;
 - (b) any amount listed in column 1 of Table 5 during the period shown in the corresponding entry in column 2;

(1) Relevant amendments to section 547(1) have been made by paragraph 9 of Schedule 7 to the Finance Act 1991, section 56(1) and (4) and 76(2) and (6) of the Finance Act 1995, sections 121(8)(a), 122(7)(a) and 205 of, and Part V(6) of Schedule 41 to the Finance Act 1996, paragraphs 1 and 7 of Schedule 14, Part III(19) of Schedule 27, to the Finance Act 1998, section 22(8) (a) and (12) of the Finance Act 1999 and paragraphs 1 and 11 of Part 1 of Schedule 28 to the Finance Act 2001. Relevant modifications are made by S.I.1999/1029. That instrument was amended by S.I. 2001/2724, Articles 184 and 185 of S.I. 2001/3629 and S.I. 2002/455.

- (c) any income arising from savings certificates, and interest on tax reserve certificates, exempted from tax by section 46 of the Taxes Act (savings certificates and tax reserve certificates);
- (d) the first £70 in any tax year of interest on deposits with National Savings and Investments, exempted from income tax by section 325 of the Taxes Act (interest on deposits with National Savings and Investments).
- (e) any payment to a claimant which does not form part of his income for the purposes of income tax by virtue of section 347A(1)(b) of the Taxes Act (general rule about annual payments otherwise subject to tax under Case III of Schedule D)(2).

Table 4**Payments disregarded in the calculation of investment income**

<i>1. Description of income to be disregarded</i>	<i>2. Extent of disregard</i>
<p>1. Any interest, dividends, distributions, profits or gains in respect of investments under—</p> <ul style="list-style-type: none"> (a) a Personal Equity Plan, or (b) an Individual Savings Account, <p>in respect of which the claimant is entitled to relief from income tax under section 333 of the Taxes Act, or which is taxed only in accordance with regulation 23 of the Individual Savings Account Regulations 1998(3).</p>	<p>The whole amount, unless it is interest under a personal equity plan to which regulation 17A(2) of the Personal Equity Plan Regulations 1989(4) applies. Interest to which that paragraph applies is disregarded only to the extent that it does not exceed the annual limit of £180 mentioned in that regulation.</p>
<p>2. Any interest or bonus payable on an account which is a tax-exempt special savings account for the purposes of section 326A of the Taxes Act(5).</p>	<p>The whole amount.</p>
<p>3. Any terminal bonus, or interest or other sum, payable under a share option linked scheme which is a certified contractual savings scheme for the purposes of section 326 of the Taxes Act(6).</p>	<p>The whole amount.</p>
<p>4. Any winnings from betting, including pool betting, or lotteries or games with prizes.</p>	<p>The whole amount.</p>
<p>5. Any interest on a payment of £10,000 made by the Secretary of State to a person who was held prisoner by the Japanese during the Second World War or to the spouse of such a person, if the payment is held in a distinct</p>	<p>The whole amount of the interest.</p>

(2) Section 347A was inserted by section 36(1) of the Finance Act 1988 (c. 39).

(4) S.I. 1989/469: regulation 17A was inserted by S.I. 1991/733 and amended by S.I. 1991/2774, 1995/3287 and 1996/846.

(3) S.I. 1998/1870: there are amendments which are not relevant for the purposes of this instrument.

(5) Section 326A was inserted by section 28(1) of the Finance Act 1990 (c. 29) and amended by section 63(2) of the Finance Act 1995 (c. 4).

(6) Section 326 was amended by section 29 of, and Schedule 14 to the Finance Act 1990 and paragraphs 3 to 6 of Schedule 12 to the Finance Act 1995.

<i>1. Description of income to be disregarded</i>	<i>2. Extent of disregard</i>
account and no payment (other than interest) has been added to the account.	
<p>6. Any interest on a payment made to the claimant by, or on behalf of a government of a country outside the United Kingdom, either from its own resources or with contributions from any other organisation, by way of compensation for a victim of National Socialism if the payment is held in a distinct account and no payment (other than interest) has been added to the account.</p> <p>Here a reference to a victim of National Socialism is a reference to a person who was required to work as a slave or a forced labourer for National Socialists or their sympathisers during the Second World War, or suffered property loss, or suffered injury or is the parent of a child who died, at the hands of National Socialists or their sympathisers during the Second World War.</p>	<p>The whole amount of the interest.</p>
<p>7. Any monies paid to the claimant by a bank or building society as compensation in respect of an unclaimed account held by a Holocaust victim and which vested in the Custodian of Enemy Property under section 7 of the Trading with the Enemy Act 1939⁽⁷⁾ and treated as exempt from income tax by Extra Statutory Concession A100.</p>	<p>The amount treated as exempt by the Extra Statutory Concession.</p>
<p>8. Any interest, or payment in respect of interest, which is disregarded for income tax purposes by virtue of—</p> <ul style="list-style-type: none">(a) section 329 of the Taxes Act (interest or damages for personal injuries), or(b) section 329AA of the Taxes Act (personal injury damages in the form of periodical payments)⁽⁸⁾.	<p>The amount so disregarded.</p>
<p>10. Annuity payments under an award of compensation made under the Criminal Injuries Compensation Scheme (within the meaning of section 329AB(2) of the Taxes Act⁽⁹⁾).</p>	<p>The amount of any payment which is treated as not being income of the claimant or his partner by virtue of section 329AA of the Taxes Act.</p>
<p>11. A payment under a life annuity.</p>	<p>The amount of interest eligible for relief under section 353 of the Taxes Act by virtue of section 365 of that Act.</p>

⁽⁷⁾ 1939 c. 89. There is an amendment to section 7 which is not relevant for present purposes.

⁽⁸⁾ Section 329AA was inserted by section 150 of and Schedule 26 to the Finance Act 1996.

⁽⁹⁾ Section 329AB was inserted by section 150 of and Schedule 26 to the Finance Act 1996.

<i>1. Description of income to be disregarded</i>	<i>2. Extent of disregard</i>
12. Any interest, or payment in respect of interest, which is compensation to a person who is under the age of 18 years for the death of one or both of his parents.	The whole of the interest or payment.

Table 5

**Payments in connection with very severe disablement,
Creutzfeldt-Jakob disease and haemophilia**

<i>1. Description of income to be disregarded</i>	<i>2. Applicable period</i>
1. A trust payment made to— (a) a diagnosed person; (b) the diagnosed person’s partner; or (c) the person who was his partner at the date of his death.	The period beginning on the date on which the trust payment is made and ending with the death of the person to whom the payment is made.
2. A trust payment made to a parent of a deceased diagnosed person, or a person acting in the place of his parent.	The period beginning on the date on which the trust payment is made and ending two years after that date.
3. The amount of any payment out of the estate of a person to whom a trust payment has been made, which is made to the person who was the diagnosed person’s partner at the date of his death.	The period beginning on the date on which the payment is made and ending on the date on which that person dies.
4. The amount of any payment out of the estate of a person to whom a trust payment has been made, which is made to a parent of a deceased diagnosed person, or a person acting in the place of his parent.	The period beginning on the date on which the payment is made and ending two years after that date.

(3) The amounts disregarded under items 3 and 4 in Table 5 shall not exceed the total amount of any trust payments made to the person to whom the trust payment had been made.

(4) In this regulation “diagnosed person” means—

- (a) a person who has been diagnosed as suffering from, or who after his death has been diagnosed as having suffered from, variant Creutzfeldt-Jakob disease;
- (b) a person who is suffering or has suffered from haemophilia; or
- (c) a person in respect of whom a payment has been made from the 1992 Fund, the Eileen Trust or the Independent Living Funds; and

a reference to a person being a member of the diagnosed person’s household at the date of the diagnosed person’s death includes a person who would have been a member of his household but for the diagnosed person being in residential accommodation, a residential care home or a nursing home on that date.

(5) In this regulation—

“relevant trust” means—

- (a) a trust established out of funds provided by the Secretary of State in respect of persons who suffered, or who are suffering, from variant Creutzfeldt-Jakob disease for the benefit of persons eligible for payments in accordance with its provisions;
- (b) the Macfarlane Trusts, or
- (c) the 1992 Fund, the Eileen Trust or the Independent Living Funds.

“residential accommodation”, “residential care home” and “nursing home” have the meanings given by regulation 2(1) of the Income Support (General) Regulations 1987; and

“trust payment” means a payment under a relevant trust.