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## SCHEDULES

### SCHEDULE 2

Section 15(3).

#### SCHEDULE 2 TO THE SOCIAL SECURITY CONTRIBUTIONS AND BENEFITS ACT 1992: LEVY OF CLASS 4 CONTRIBUTIONS WITH INCOME TAX

##### *Interpretation*

- 1 In this Schedule—
- (a) “the Act of 1988” means the <sup>M1</sup>Income and Corporation Taxes Act 1988;
  - [<sup>F1</sup>(ab) “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;]
  - [<sup>F2</sup>(ac) “ITA 2007” means the Income Tax Act 2007;]
  - <sup>F3</sup>(b) .....
  - (c) “year” means year of assessment within the meaning of the Act of 1988.

##### **Textual Amendments**

- F1** Sch. 2 para. 1(ab) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 425\(2\)](#) (with Sch. 2)
- F2** Sch. 2 para. 1(ac) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(2\)](#) (with Sch. 2)
- F3** Sch. 2 para. 1(b) repealed (with effect as mentioned in s. 579(1) of the repealing Act) by [2001 c. 2, ss. 578, 580, Sch. 2 para. 76\(1\), Sch. 4](#)

##### **Marginal Citations**

- M1** 1988 c. 1.

##### *Method of computing profits or gains*

- 2 Subject to the following paragraphs, Class 4 contributions shall be payable in respect of the full amount of all [<sup>F4</sup>profits—
- (a) which are the profits of any relevant trade, profession or vocation which is not carried on wholly outside the United Kingdom, and
  - (b) which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005].

##### **Textual Amendments**

- F4** Words in Sch. 2 para. 2 substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 425\(3\)](#) (with Sch. 2)

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### *Reliefs*

- 3 (1) For the purposes of computing the amount of profits <sup>F5</sup>... in respect of which Class 4 contributions are payable, relief shall be available under, and in the manner provided by, the following provisions of [<sup>F6</sup>ITA 2007]—
- (a) [<sup>F7</sup>sections 64 and 72] (set-off of trade losses against general income), but only where loss arises from activities the profits <sup>F5</sup>... of which would be brought into computation for the purposes of Class 4 contributions;
  - <sup>F8</sup>(b) .....
  - (c) [<sup>F9</sup>section 83] (carry-forward of loss against subsequent profits); and
  - (d) [<sup>F10</sup>section 89] (carry-back of terminal losses).
- (2) The following relief provisions <sup>F11</sup>... shall not apply, that is to say—
- (a) Chapter I of Part VII [<sup>F12</sup>of the Act of 1988 and Chapters 2 and 3 of Part 3 and sections 457, 458 and 459 of ITA 2007] (personal reliefs);
  - (b) [<sup>F13</sup>section 383 of ITA 2007] (relief for payment of interest);
  - <sup>F14</sup>(c) .....
  - (d) [<sup>F15</sup>sections 88 and 94 of ITA 2007] (treatment of interest as a loss for purposes of carry-forward or carry-back);
- <sup>F16</sup>... and
- (f) sections 619 and 620 (premiums or other consideration under annuity contracts and trust schemes).
- (3) Where in the year 1989-90 or any previous year of assessment for which a person claims and is allowed relief by virtue of sub-paragraph (1) above—
- (a) there falls to be made in computing his total income for income tax purposes, or that of his spouse, a deduction in respect of any loss, and
  - (b) the deduction or part of it falls to be so made from income other than profits or gains of a trade, profession or vocation,
- the amount of the deduction made from the other income shall be treated as reducing the person's profits or gains (that is to say the profits or gains of any relevant trade, profession or vocation as computed for the purpose of the charge to Class 4 contributions) for subsequent years (being deducted as far as may be from those of the immediately following year, whether or not he claims or is entitled to claim relief under this paragraph for that year, and, so far as it cannot be so deducted, then from those of the next year, and so on).
- (4) Where in the year 1990-1991 or any subsequent year of assessment for which a person claims and is allowed relief by virtue of sub-paragraph (1) above there falls to be made in computing his [<sup>F17</sup>net income] for income tax purposes a deduction in respect of any loss in any relevant trade, profession or vocation—
- (a) the amount of the deduction shall, as far as may be, be treated for the purpose of the charge to Class 4 contributions as reducing the person's profits <sup>F18</sup>... for that year of any relevant trade, profession or vocation, and
  - (b) any excess shall be treated for that purpose as reducing such profits <sup>F18</sup>... for subsequent years (being deducted as far as may be from those of the immediately following year, whether or not the person claims or is entitled to claim relief under this paragraph for that year, and, so far as it cannot be so deducted, then from those of the next year, and so on).

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(5) Relief shall be allowed, in respect of—

<sup>F19</sup>(a) .....

(b) payments under [<sup>F20</sup>section 383 of ITA 2007] (relief for payment of interest),  
being payments for which relief from income tax is or can be given,

so far as incurred wholly or exclusively for the purposes of any relevant trade,  
profession or vocation, by way of deduction from or set-off against profits <sup>F18</sup>...  
chargeable to Class 4 contributions for the year in which the payments are made;  
and, in the case of any insufficiency of the profits <sup>F18</sup>... of that year, the payments  
shall be carried forward and deducted from or set off against the profits <sup>F18</sup>... of any  
subsequent year (being deducted or set off as far as may be from or against the profits  
<sup>F18</sup>... of the immediately following year, whether or not relief can be claimed under  
this paragraph for that year, and so far as it cannot be so deducted, from or against  
those of the next year, and so on).

#### Textual Amendments

- F5** Words in Sch. 2 para. 3(1) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 425\(4\), Sch. 3](#) (with Sch. 2)
- F6** Words in Sch. 2 para. 3(1) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(a\)\(i\)](#) (with Sch. 2)
- F7** Words in Sch. 2 para. 3(1)(a) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(a\)\(ii\)](#) (with Sch. 2)
- F8** Sch. 2 para. 3(1)(b) repealed (8.9.1998) by 1998 c. 14, ss. 59(3), 86(2), [Sch. 8](#); S.I. 1998/2209, art. 2(a), [Sch. Pt. 1](#) (subject to saving in art. 3)
- F9** Words in Sch. 2 para. 3(1)(c) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(a\)\(iii\)](#) (with Sch. 2)
- F10** Words in Sch. 2 para. 3(1)(d) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(a\)\(iv\)](#) (with Sch. 2)
- F11** Words in Sch. 2 para. 3(2) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(b\)\(i\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F12** Words in Sch. 2 para. 3(2)(a) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(b\)\(ii\)](#) (with Sch. 2)
- F13** Words in Sch. 2 para. 3(2)(b) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(b\)\(iii\)](#) (with Sch. 2)
- F14** Sch. 2 para. 3(2)(c) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(b\)\(iv\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F15** Words in Sch. 2 para. 3(2)(d) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(b\)\(v\)](#) (with Sch. 2)
- F16** Words in Sch. 2 para. 3(2) repealed (29.4.1996 with effect in relation to the year 1996-97 and subsequent years of assessment) by 1996 c. 8, ss. 147(2)(b)(3), 205, [Sch. 41 Pt. V\(15\)](#) Note
- F17** Words in Sch. 2 para. 3(4) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(c\)](#) (with Sch. 2)
- F18** Words in Sch. 2 para. 3(4)(5) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 425\(4\), Sch. 3](#) (with Sch. 2)
- F19** Sch. 2 para. 3(5)(a) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(d\)\(i\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F20** Words in Sch. 2 para. 3(5)(b) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(3\)\(d\)\(ii\)](#) (with Sch. 2)

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**Modifications etc. (not altering text)**

**C1** Sch. 2 para. 3(1) modified (21.7.2009) by Finance Act 2009 (c. 10), Sch. 6 para. 2(6)

*Partnerships*

- 4 (1) Where a trade or profession is carried on by two or more persons jointly, the liability of any one of them in respect of Class 4 contributions shall arise in respect of his share of the profits <sup>F21</sup>... of that trade or profession (so far as immediately derived by him from carrying it on); and for this purpose his share shall be aggregated with his share of the profits <sup>F21</sup>... of any other trade, profession or vocation (so far as immediately derived by him from carrying it on or exercising it).
- (2) Where sub-paragraph (1) above applies, the Class 4 contributions for which a person is liable in respect of the profits <sup>F21</sup>... of the trade or profession carried on jointly (aggregated, where appropriate, as mentioned in that sub-paragraph) [<sup>F22</sup>shall be charged on him separately].

**Textual Amendments**

- F21** Words in Sch. 2 para. 4 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 425(4), Sch. 3 (with Sch. 2)
- F22** Words in Sch. 2 para. 4(2) substituted (8.9.1998) by 1998 c. 14, s. 59(4); S.I. 1998/2209, art. 2(a), Sch. Pt. I (subject to saving in art. 3)

*Trustees, etc.*

- 5 In any circumstances in which apart from this paragraph a person would—
- (a) under section 72 of the <sup>M2</sup>Taxes Management Act 1970 be assessable and chargeable to Class 4 contributions as trustee, guardian, tutor, curator, or committee of an incapacitated person in respect of the profits <sup>F23</sup>... of a trade, profession or vocation, or
- (b) by virtue of [<sup>F24</sup>section 8 of ITTOIA 2005] be assessed and charged to such contributions in respect of profits <sup>F25</sup>... received or receivable by him in the capacity of trustee,
- such contributions shall not be payable either by him or by any other person.

**Textual Amendments**

- F23** Words in Sch. 2 para. 5(a) repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 425(5)(a), Sch. 3 (with Sch. 2)
- F24** Words in Sch. 2 para. 5(b) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 425(5)(b)(i) (with Sch. 2)
- F25** Words in Sch. 2 para. 5(b) repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 425(5)(b)(ii), Sch. 3 (with Sch. 2)

**Marginal Citations**

**M2** 1970 c. 9.

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### Other provisions

- 6 (1) [<sup>F26</sup>Section 86 of the <sup>M3</sup>Taxes Management Act 1970 (interest on overdue tax)] shall apply in relation to any amount due in respect of Class 4 contributions [<sup>F27</sup>as it applies] in relation to income tax; and section 824 of the Act of 1988 (repayment supplements) shall, with the necessary modifications, apply in relation to Class 4 contributions as it applies in relation to income tax.

<sup>F28</sup>(2) .....

#### Textual Amendments

- F26** Words in [Sch. 2 para. 6\(1\)](#) substituted (8.9.1998) by [1998 c. 14, s. 59\(5\)\(a\)](#); [S.I. 1998/2209, art. 2\(a\), Sch. Pt. I](#) (subject to saving in [art. 3](#))
- F27** Words in [Sch. 2 para. 6\(1\)](#) substituted (8.9.1998) by [1998 c. 14, s. 59\(5\)\(b\)](#); [S.I. 1998/2209, art. 2\(a\), Sch. Pt. I](#) (subject to saving in [art. 3](#))
- F28** [Sch. 2 para. 6\(2\)](#) repealed and superseded (1.4.1999) by [1999 c. 2, ss. 3\(1\)\(6\), 26\(3\), Sch. 10 Pt. I](#); [S.I. 1999/527, art. 2\(b\), Sch. 2](#) (subject to [arts. 3-6](#))

#### Marginal Citations

**M3** [1970 c.9](#).

- 7 Where an assessment has become final and conclusive for the purposes of income tax for any year, that assessment shall also be final and conclusive for the purposes of computing liability for Class 4 contributions; and no allowance or adjustment of liability, on the ground of diminution of income or loss, shall be taken into account in computing profits <sup>F29</sup>... chargeable to Class 4 contributions unless that allowance or adjustment has previously been made on an application under the special provisions of the Income Tax Acts relating to it, or falls to be allowed under paragraph 3(5) of this Schedule.

#### Textual Amendments

- F29** Words in [Sch. 2 para. 7](#) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 425\(6\), Sch. 3](#) (with [Sch. 2](#))

- 8 The provisions of Part V of the Taxes Management Act 1970 (appeals, etc.) shall apply with the necessary modifications in relation to Class 4 contributions as they apply in relation to income tax; [<sup>F30</sup>but nothing in this Schedule affects the extent to which the Income Tax Acts apply with respect to any decision falling to be made—]
- (a) under subsection (1) of section 17 above or subsection (1) of section 17 of the Northern Ireland Contributions and Benefits Act as to whether by regulations under that subsection a person is excepted from liability for Class 4 contributions, or his liability is deferred; or
- (b) under regulations made by virtue of section 17(3) or (4) or 18 above or section 17(3) or (4) or 18 of the Northern Ireland Contributions and Benefits Act.

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#### Textual Amendments

**F30** Words in [Sch. 2 para. 8](#) substituted (4.3.1999 for specified purposes and 1.4.1999 otherwise) by [1999 c. 2, s. 18, Sch. 7 para. 17](#); S.I. 1999/527, art. 2(a)(b), [Schs. 1, 2](#) (subject to [arts. 3-6](#))

#### *Husband and wife - 1989-90 and previous years of assessment*

- 9 (1) For the year 1989-90 and previous years of assessment Chapter II of Part VII of the Act of 1988 shall apply for the purposes of Class 4 contributions as it applies for those of income tax; and an application by a husband or wife for separate assessment under section 283 of that Act, and an election by them under section 287 of that Act (separate taxation of wife's earnings) shall operate as respects liability for such contributions as it does for income tax, the wife being liable for Class 4 contributions in respect of her own profits or gains.
- (2) Such an application or election as is referred to in sub-paragraph (1) above shall not be made separately for the purposes of Class 4 contributions apart from those of income tax.
- (3) Where section 279 of the Act of 1988 applies and there is no separate assessment under section 283 of that Act and no election under section 287 of that Act, the wife's profits and gains are to be computed, for the purposes of Class 4 contributions as if section 279 did not apply, but the contributions shall be assessed on, and recoverable from, the husband.
- (4) In this paragraph "year of assessment" has the meaning assigned to it by [<sup>F31</sup>section 989 of ITA 2007].

#### Textual Amendments

**F31** Words in [Sch. 2 para. 9\(4\)](#) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 293\(4\)](#) (with [Sch. 2](#))

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