



Finance Act 2002

2002 CHAPTER 23

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

OTHER PROVISIONS

Employment income and related matters

40 Treatment of deductions from payments to sub-contractors

- (1) In Chapter 4 of Part 13 of the Taxes Act 1988 (sub-contractors in the construction industry), after section 559 (deductions on account of tax etc from payments to certain sub-contractors) insert—

“559A Treatment of sums deducted under s.559

- (1) A sum deducted under section 559 from a payment made by a contractor—
- (a) shall be paid to the Board, and
 - (b) shall be treated for the purposes of income tax or, as the case may be, corporation tax as not diminishing the amount of the payment.
- (2) If the sub-contractor is not a company a sum deducted under section 559 and paid to the Board shall be treated as being income tax paid in respect of the sub-contractor’s relevant profits.

If the sum is more than sufficient to discharge his liability to income tax in respect of those profits, so much of the excess as is required to discharge any liability of his for Class 4 contributions shall be treated as being Class 4 contributions paid in respect of those profits.

Status: Point in time view as at 24/07/2002. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Section 40. (See end of Document for details)

- (3) If the sub-contractor is a company—
- (a) a sum deducted under section 559 and paid to the Board shall be treated, in accordance with regulations, as paid on account of any relevant liabilities of the sub-contractor;
 - (b) regulations shall provide for the sum to be applied in discharging relevant liabilities of the year of assessment in which the deduction is made;
 - (c) if the amount is more than sufficient to discharge the sub-contractor's relevant liabilities, the excess may be treated, in accordance with the regulations, as being corporation tax paid in respect of the sub-contractor's relevant profits; and
 - (d) regulations shall provide for the repayment to the sub-contractor of any amount not required for the purposes mentioned in paragraphs (b) and (c).
- (4) For the purposes of subsection (3) the “relevant liabilities” of a sub-contractor are any liabilities of the sub-contractor, whether arising before or after the deduction is made, to make a payment to a collector of inland revenue in pursuance of an obligation as an employer or contractor.
- (5) In this section—
- (a) “the sub-contractor” means the person for whose labour (or for whose employees' or officers' labour) the payment is made;
 - (b) references to the sub-contractor's “relevant profits” are to the profits from the trade, profession or vocation carried on by him in the course of which the payment was received;
 - (c) “Class 4 contributions” means Class 4 contributions within the meaning of the Social Security Contributions and Benefits Act 1992 or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- (6) References in this section to regulations are to regulations made by the Board.
- (7) Regulations under this section—
- (a) may contain such supplementary, incidental or consequential provision as appears to the Board to be appropriate, and
 - (b) may make different provision for different cases.”.
- (2) In section 829 of the Taxes Act 1988 (application of Income Tax Acts to public departments), after subsection (2) insert—
- “(2A) Subsections (1) and (2) above have effect in relation to Chapter 4 of Part 13 of this Act (sub-contractors in the construction industry) as if the whole of any deduction required to be made under section 559 were in all cases a deduction of income tax.”.
- (3) In section 59D of the Taxes Management Act 1970 (c. 9) (payment of corporation tax), in subsection (4)(d) (amounts treated as corporation tax previously paid), for “under section 559” substitute “ by virtue of regulations under section 559A ”.
- (4) This section has effect in relation to deductions made under section 559 of the Taxes Act 1988 on or after 6th April 2002.

Status: Point in time view as at 24/07/2002. This version of this provision has been superseded.

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Regulations under section 559A of that Act, inserted by this section, may be made so as to have effect in relation to any such deductions made on or after that date.

Status:

Point in time view as at 24/07/2002. This version of this provision has been superseded.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2002, Section 40.