

*These notes refer to the Income Tax Act 2007 (c.3)
which received Royal Assent on 20 March 2007*

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 15: Deduction of income tax at source

Overview

Chapter 11: Payments between companies etc: exception from duties to deduct

Overview

2841. This Chapter allows “excepted payments” made by companies, local authorities and “qualifying partnerships” to be made without deducting a sum representing income tax. It is based on sections 349A to 349D of ICTA.

2842. Power is given to officers of Revenue and Customs to reimpose a duty to deduct if they have reasonable grounds for believing that the conditions for payment to be made without deduction are not met. The Chapter also provides that, if a paying company reasonably believes that a payment is excepted but that proves not to be true, the duty to deduct is treated as always having existed.

Section 929: Overview of Chapter

2843. This section provides an overview of the Chapter. It is new.

Section 930: Exception from duties to deduct sums representing income tax

2844. This section disapplies various duties on companies, local authorities and qualifying partnerships to deduct sums representing income tax if they reasonably believe that the payments concerned are “excepted payments”. It is based on section 349A of ICTA.

Section 931: Power to make directions disapplying section 930

2845. This section gives power to an officer of Revenue and Customs to direct that section 930 is not to apply if the officer has reasonable grounds for believing that the payment will be an excepted payment. It is based on section 349C of ICTA.

2846. The reference in the source legislation to “the Board” is replaced by a reference to “an officer of Revenue and Customs”. See *Change 5* in Annex 1.

Section 932: Meaning of “qualifying partnership”

2847. This section defines “qualifying partnership” for the purposes of the Chapter. It is based on sections 349A(6), 349C(4) and 349D(2) of ICTA.

Section 933: UK resident companies

2848. This section is the first of a number of sections setting out those payments which are excepted payments and provides that a payment is an excepted payment if the beneficiary is a UK resident company. It is based on section 349B(1) of ICTA.

Section 934: Non-UK resident companies

2849. This section states the conditions under which a payment to a non-UK resident company is an excepted payment. It is based on section 349B(2) of ICTA.

Section 935: PEP and ISA managers

2850. This section provides that a payment to a plan manager of a personal equity plan or an individual savings account, or to the manager's nominee, is an excepted payment if it is received in respect of investments under the plan. It is based on section 349B(4) of ICTA.

Section 936: Recipients who are to be paid gross

2851. This section provides that payments to various specific types of recipient are excepted payments. It is based on section 349B(3) and (8) of ICTA.

2852. The Treasury may by order amend the list of such recipients.

Section 937: Partnerships

2853. This section sets out the conditions under which payments made to certain partnerships are excepted payments. It is based on section 349B(6), (7) and (8) of ICTA.

2854. The Treasury may by order vary the types of recipient covered by this section, other than those mentioned in section 936 (which is covered by the power provided in that section).

Section 938: Consequences of reasonable but incorrect belief

2855. This section provides that if, despite the reasonableness of the payer's belief, the payment is not an excepted payment at the time it is made, the right to pay without deduction is treated as never having existed. It is based on section 349D of ICTA.