



Income Tax Act 2007

2007 CHAPTER 3

PART 14

INCOME TAX LIABILITY: MISCELLANEOUS RULES

CHAPTER 4

OTHER MISCELLANEOUS RULES

838 Local authorities and local authority associations

- (1) A local authority in the United Kingdom is not liable to income tax in respect of its income.
- (2) A local authority association in the United Kingdom is not liable to income tax in respect of its income.
- (3) Tax is repayable as a result of subsection (1) or (2) only if a claim for repayment is made.

839 Issue departments of the Reserve Bank of India and the State Bank of Pakistan

No liability to income tax arises in respect of the income of the issue department of—

- (a) the Reserve Bank of India constituted under an Act of the Indian legislature called the Reserve Bank of India Act 1934, or
- (b) the State Bank of Pakistan constituted under orders made under section 9 of the Indian Independence Act 1947 (c. 30).

840 Government securities held by non-UK resident central banks

- (1) No liability to income tax arises in respect of income from securities which is—
 - (a) income payable out of the public revenue of the United Kingdom, and

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- (b) income of a bank, or the issue department of a bank, to which this section applies for the time being.
- (2) But subsection (1) does not prevent the income from being taken into account in calculating profits, gains or losses of a business carried on in the United Kingdom.
- (3) Her Majesty may by Order in Council direct that this section applies to a bank or its issue department if it appears to Her Majesty that the bank—
 - (a) is non-UK resident, and
 - (b) is entrusted by the government of a territory outside the United Kingdom with the custody of the territory’s principal foreign exchange reserves.
- (4) No recommendation may be made to Her Majesty in Council to make an order under this section unless a draft of the order has been laid before and approved by a resolution of the House of Commons.

841 Official agents of Commonwealth countries etc

- (1) This section applies if an individual is employed in the United Kingdom as an official agent for—
 - (a) a country mentioned in Schedule 3 to the British Nationality Act 1981 (c. 61) (which contains a list of Commonwealth countries) or the Republic of Ireland, or
 - (b) a state or province of a country within paragraph (a).
- (2) If conditions A and B are met, the individual is entitled to the same immunity from income tax as that to which a member of the staff of a mission is entitled under the Diplomatic Privileges Act 1964 (c. 81).
- (3) Condition A is that the individual has been certified—
 - (a) to be ordinarily resident outside the United Kingdom, and
 - (b) to be UK resident solely for the purposes of the individual’s functions as an official agent.
- (4) The certification must have been done by (as the case may be)—
 - (a) the High Commissioner of the country for which the individual is an official agent, or
 - (b) the Agent-General of the state or province for which the individual is an official agent.
- (5) In subsection (4)(a) “High Commissioner” includes the head of the mission of the country in question by whatever name called.
- (6) Condition B is that the individual’s functions as an official agent are not performed in connection with a trade, business or other undertaking carried on for the purposes of profit.
- (7) In this section “head of the mission” and “a member of the staff of a mission” are to be read in accordance with the Diplomatic Privileges Act 1964.

842 European Economic Interest Groupings

- (1) The following rules about European Economic Interest Groupings apply for the purposes of charging income tax—

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Rule 1

A grouping is treated as acting as the agent of its members.

Rule 2

The activities of a grouping are treated as those of its members acting jointly.

Rule 3

Each member of a grouping is treated as having a share of the grouping's property, rights and liabilities.

Rule 4

Any trade or profession carried on by the grouping is treated as carried on in partnership by the members of the grouping.

- (2) For the purposes of Rule 3, a member's share of any property, rights or liabilities of a grouping is determined according to the contract under which the grouping is established.
- (3) If the contract does not provide for this, the member's share is determined by reference to the share of the profits of the grouping to which the member is entitled under the contract.
- (4) If the contract does not provide for this either, the members are treated as having equal shares of the property, rights and liabilities of the grouping.
- (5) "European Economic Interest Grouping" means a European Economic Interest Grouping formed under Council Regulation (EEC) No 2137/85 of 25 July 1985, whether registered in Great Britain, Northern Ireland or elsewhere.

843 Restriction of deductions for annual payments

In calculating a person's income from any source, no deduction is allowed for an annual payment to which section 904 applies (annual payments for dividends or non-taxable consideration).

844 Letters patent etc: exempting provisions

- (1) No provision in letters patent granted by the Crown is to be construed as conferring exemption from income tax.
- (2) Subsection (1) applies whether the letters patent are granted before or after the date on which this Act is passed.
- (3) Any provision of the letters patent purporting to override the effect of subsection (1) is void.

845 Extra return to be treated as interest etc

- (1) This section applies if—
 - (a) securities ("old securities") of a particular kind are issued by way of an original issue of securities of that kind,
 - (b) on a later occasion securities ("new securities") of the same kind are issued,
 - (c) a sum ("the extra return") is payable in respect of the new securities by the issuer of them to reflect the fact that interest is accruing on the old securities,

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- (d) the issue price of the new securities includes an element (whether or not separately identified) representing payment for the extra return, and
 - (e) the extra return is equal to the amount of interest mentioned in subsection (2).
- (2) The amount of interest referred to in subsection (1)(e) is—
- (a) the amount of interest payable for the relevant period on so many old securities as there are new, or
 - (b) if there are more new securities than old, the amount of interest which would be so payable if there were as many old securities as new.
- (3) A sum paid or payable by way of the extra return is treated for income tax purposes as if it were paid or payable as interest (so far as it would not be treated in that way apart from this subsection).
- (4) No relief for the extra return is to be given to the issuer of the new securities.

846 Interpretation of section 845

- (1) This section applies for the purposes of section 845.
- (2) Securities are of the same kind if they—
- (a) are treated as being of the same kind by the practice of a recognised stock exchange, or
 - (b) would be so treated if dealt in on a recognised stock exchange.
- (3) “The relevant period” is the period—
- (a) beginning with the day mentioned in subsection (4), and
 - (b) ending with the day (“the new issue day”) on which the new securities are issued.
- (4) The day referred to in subsection (3)(a) is the day after—
- (a) the last (or only) interest payment day before the new issue day, or
 - (b) if there is no interest payment day before the new issue day, the day on which the old securities are issued.
- (5) In subsection (4) “interest payment day” means a day on which interest is payable under the old securities.
- (6) “Relief” means relief by way of deduction in calculating amounts of income charged to income tax or in calculating net income.