



Income Tax Act 2007

2007 CHAPTER 3

PART 15

DEDUCTION OF INCOME TAX AT SOURCE

CHAPTER 1

INTRODUCTION

847 Overview of Part

- (1) This Part deals with deduction of income tax at source.
- (2) The following Chapters contain duties to deduct sums representing income tax from certain payments—
 - (a) Chapter 2 (deposit-takers and building societies),
 - (b) Chapter 3 (certain payments of yearly interest),
 - (c) Chapter 4 (payments in respect of building society securities),
 - (d) Chapter 5 (payments of UK public revenue dividends),
 - (e) Chapter 6 (annual payments and patent royalties),
 - (f) Chapter 7 (other payments connected with intellectual property),
 - (g) Chapter 9 (manufactured payments), and
 - (h) Chapter 10 (non-commercial payments by companies).
- (3) Chapters 6 and 7 are subject to Chapter 8 which makes special provision in relation to the deduction of sums representing income tax from royalty payments.
- (4) Chapter 11 contains provision disapplying some of the duties to deduct where payments are made between companies etc.
- (5) The following Chapters contain further provision in connection with the deduction (or deemed deduction) of sums representing income tax from certain payments (or deemed payments)—

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- (a) Chapter 12 (funding bonds),
 - (b) Chapter 13 (unauthorised unit trusts), and
 - (c) Chapter 14 (tax avoidance: directions for deductions from payments to non-UK residents).
- (6) Chapters 15 to 17 contain provision about the collection of income tax in respect of payments from which sums are required to be deducted (or from which sums are treated as deducted) under the preceding Chapters.
- (7) Chapter 18 deals with regimes involving the deduction of income tax at source which apply in the case of—
- (a) visiting performers,
 - (b) non-resident landlords, and
 - (c) Real Estate Investment Trusts.
- (8) Chapter 19 makes general provision for this Part including—
- (a) provision about the giving of statements about deduction of income tax,
 - (b) provision about payments where the recipient is a company or where the payer is a public department, and
 - (c) exceptions from duties to deduct for payments made by designated international organisations, some payments under derivative contracts and for some payments of interest on foreign currency securities.
- (9) The following provisions also deal with deduction of income tax at source—
- (a) Part 11 of ITEPA 2003 (Pay As You Earn), and
 - (b) Chapter 3 of Part 3 of FA 2004 (construction industry scheme).

848 Income tax deducted at source treated as income tax paid by recipient

- (1) A sum representing income tax which is deducted (or treated as deducted) under this Part from a payment is treated as income tax paid by the recipient.
- (2) The sum is accordingly taken into account under sections 59B and 59D of TMA 1970 (see also paragraph 8 of Schedule 18 to FA 1998) in determining the income tax or corporation tax payable by, or repayable to, the recipient.
- (3) But this section does not apply to income tax deducted at source under section 966 (visiting performers) or 971 (non-resident landlords).

849 Interaction with other Income Tax Acts provisions

- (1) Regulations made under section 791 of ICTA (double taxation relief: power to make regulations for carrying out section 788) make provision disapplying or otherwise affecting duties to deduct under this Part in circumstances where relief is available under double taxation arrangements.
- (2) Sections 821 and 822 of ICTA make provision in relation to under-deductions and over-deductions from some payments which are made before the passing of the relevant annual Act imposing income tax and corporation tax.
- (3) In accordance with section 783 of ITTOIA 2005 (general disregard of exempt income for income tax purposes), any payment (or part of a payment) which is exempt from

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income tax as a result of Part 6 of ITTOIA 2005 is ignored for the purposes of the duties under this Part.

This is subject to any express or implied provision to the contrary.

- (4) Paragraphs 11 to 13 of Schedule 2 to FA 2005 (alternative finance arrangements: further provisions) make provision for Chapters 2 to 5, 12 and 19 to have effect in relation to alternative finance arrangements.
- (5) For exceptions from the duties to deduct under Chapters 3, 6, 7, 10 and 14 in connection with the London Olympic Games and Paralympic Games see—
 - (a) Chapter 6 of Part 3 of FA 2006, and
 - (b) regulations made under that Chapter.

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