



Income Tax Act 2007

2007 CHAPTER 3

PART 15

DEDUCTION OF INCOME TAX AT SOURCE

CHAPTER 6

DEDUCTION FROM ANNUAL PAYMENTS AND PATENT ROYALTIES

Duty to deduct from patent royalties

903 Deduction from patent royalties

- (1) This section applies to any payment made in a tax year if—
 - (a) it is a payment of a royalty or other sum in respect of the use of a patent, and
 - (b) it meets the conditions in subsections (2) to (4).
- (2) The payment must not be—
 - (a) a qualifying annual payment, or
 - (b) an annual payment to which section 904 applies (annual payments for dividends or non-taxable consideration).
- (3) The payment must arise in the United Kingdom.
- (4) The payment must be one that is charged to income tax or corporation tax.
- (5) If the person who makes the payment is an individual—
 - (a) the person must, on making the payment, deduct from it a sum representing income tax on it at the basic rate in force for the tax year, and
 - (b) income tax equal to the sum required to be deducted is to be collected through the person's self-assessment return (see Chapter 17).

Changes to legislation: *There are currently no known outstanding effects for the Income Tax Act 2007, Cross Heading: Duty to deduct from patent royalties. (See end of Document for details)*

- (6) If the person who makes the payment is not an individual, and has some modified net income for the tax year (see section 1025)—
- (a) the person must, on making the payment, deduct from it a sum representing income tax on it at the basic rate in force for the tax year, and
 - (b) income tax equal to the sum required to be deducted is to be collected through the person's self-assessment return (see Chapter 17).
- (7) If the person who makes the payment—
- (a) is not an individual, and
 - (b) has no modified net income for the tax year,
- the person by or through whom the payment is made must, on making it, deduct from it a sum representing income tax on it at the basic rate in force for the tax year.
- (8) See Chapter 8 which makes special provision in relation to royalties (double taxation arrangements: deduction at treaty rate and EU companies: discretion to pay gross).
- (9) For provision about the collection of income tax in respect of a payment from which a sum must be deducted under subsection (7)—
- (a) see Chapter 15 if the person making the payment is a UK resident company, and
 - (b) otherwise see Chapter 16.

Changes to legislation:

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Duty to deduct from patent royalties.