



Income Tax Act 2007

2007 CHAPTER 3

PART 15 U.K.

DEDUCTION OF INCOME TAX AT SOURCE

CHAPTER 6 U.K.

DEDUCTION FROM ANNUAL PAYMENTS AND PATENT ROYALTIES

Introduction

898 Overview of Chapter U.K.

- (1) This Chapter deals with the deduction of sums representing income tax from—
 - (a) qualifying annual payments, and
 - (b) royalties or other sums paid in respect of the use of patents.
- (2) See also—
 - (a) Chapter 11 (payments between companies etc) for an exception from the duties to deduct sums representing income tax under this Chapter,
 - (b) Chapter 4 of Part 8, which gives relief for certain payments from which sums representing income tax must be deducted under this Chapter, and
 - (c) section 615(3) of ICTA (exemption from tax in respect of certain pensions) which contains a further exception from the duties to deduct sums representing income tax under this Chapter.
- (3) If a payment to which a provision of this Chapter applies is also one to which section 906 applies, it is treated as not being a payment to which a provision of this Chapter applies.

Status: Point in time view as at 06/04/2014.

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

899 Meaning of “qualifying annual payment” **U.K.**

- (1) In this Chapter “qualifying annual payment” means an annual payment that meets the conditions in subsections (2) to (5).
- (2) The payment must arise in the United Kingdom.
- (3) If the recipient is a person other than a company, the payment must be—
 - (a) a payment charged to income tax under—
 - (i) Chapter 7 of Part 4 of ITTOIA 2005 (purchased life annuity payments),
 - (ii) section 579 of that Act (royalties etc from intellectual property),
 - (iii) Chapter 4 of Part 5 of that Act (certain telecommunication rights: non-trading income), or
 - (iv) Chapter 7 of Part 5 of that Act (annual payments not otherwise charged), or
 - (b) a payment charged to income tax under Part 9 of ITEPA 2003 because section 609 or 611 of that Act applies to it (certain employment-related annuities).
- (4) If the recipient is a company, the payment must be—
 - (a) a payment charged to income tax as mentioned in subsection (3)(a), or
 - (b) a payment [^{F1}which is—
 - (i) required to be brought into account under Part 5 of CTA 2009 (loan relationships) as a non-trading credit, or
 - (ii) from a source in the United Kingdom and chargeable to corporation tax under [^{F2}Chapter 7 of Part 10 of that Act (annual payments not otherwise charged) or regulation 15 of the Unauthorised Unit Trusts (Tax) Regulations 2013].]
- (5) The payment must not be—
 - (a) interest,
 - [^{F3}(b) a payment which is a qualifying payment for the purposes of Chapter 2 of Part 6 of CTA 2010 (certain payments to charity),]
 - (c) a payment which is a qualifying donation for the purposes of Chapter 2 of Part 8 (gift aid),
 - (d) a payment in relation to which income tax is treated as having been paid under section 494(3) (income tax treated as paid by beneficiary or settlor in relation to discretionary trust),
 - (e) a payment which would fall within paragraph (d) but for the fact that the trustees making the payment are non-UK resident, or
 - (f) an annual payment to which section 904 applies (annual payments for dividends or non-taxable consideration).

Textual Amendments

- F1** Words in s. 899(4)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 707](#) (with [Sch. 2 Pts. 1, 2](#))
- F2** Words in s. 899(4)(b)(ii) substituted (6.4.2014) by [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\), regs. 1\(3\), 37\(13\)](#) (with [reg. 32](#))

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F3 S. 899(5)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 554** (with Sch. 2)

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