



Income Tax Act 2007

2007 CHAPTER 3

PART 15

DEDUCTION OF INCOME TAX AT SOURCE

CHAPTER 8

CHAPTERS 6 AND 7: SPECIAL PROVISION IN RELATION TO ROYALTIES

Deduction at special rates

911 Double taxation arrangements: deduction at treaty rate

- (1) This section applies if—
 - (a) a company pays a royalty from which it is required to deduct a sum representing income tax under Chapter 6 or 7,
 - (b) the income tax in respect of the payment is collectible under Chapter 15 or 16, and
 - (c) the company reasonably believes that, at the time the payment is made, the payee is entitled to relief in respect of the payment under double taxation arrangements.
- (2) The company may calculate the sum to be deducted from the payment under Chapter 6 or 7 by reference to the treaty rate.
- (3) But, if the payee is not at the time entitled to such relief, this Part has effect as if subsection (2) had never applied in relation to the payment.
- (4) In this section “the treaty rate” means the rate of income tax appropriate to the payee under the arrangements.

Status: Point in time view as at 01/01/2012.

*Changes to legislation: There are currently no known outstanding effects
for the Income Tax Act 2007, Chapter 8. (See end of Document for details)*

912 Power to make directions disapplying section 911

- (1) This section applies if an officer of Revenue and Customs is not satisfied that the payee will be entitled to relief under double taxation arrangements in respect of one or more payments of royalties that a company is to make.
- (2) The officer may direct the company that section 911 is not to apply to the payment or payments.
- (3) A direction under subsection (2) may be varied or revoked by a later direction.

913 Interpretation of sections 911 and 912

- (1) In sections 911 and 912 “royalty” includes—
 - (a) a payment received as consideration for the use of, or the right to use, a copyright, patent, trade mark, design, process or information, and
 - (b) the proceeds of the sale of the whole or part of any patent rights.
- (2) In sections 911 and 912 “payee” means the person beneficially entitled to the income in respect of which the payment is made.

Discretion to make payments gross

914 EU companies: discretion to make payment gross

- (1) This section applies if—
 - (a) a company makes a royalty payment and, at the time the payment is made, the company reasonably believes that the payment is exempt from income tax as a result of section 758 of ITTOIA 2005 (exemption for certain interest and royalty payments), but
 - (b) there is a duty to deduct a sum representing income tax from the payment under section 903(7) or 906 if the payment is not in fact exempt.
- (2) The company may make the payment without deducting a sum representing income tax under section 903(7) or 906 (as the case may be).
- (3) But if the payment is not in fact exempt from income tax as a result of section 758 of ITTOIA 2005, this Part has effect as if subsection (2) had never applied in relation to the payment.

915 Power to make directions disapplying section 914

- (1) This section applies if an officer of Revenue and Customs is not satisfied that one or more payments to be made by a company will be exempt from income tax as a result of section 758 of ITTOIA 2005 (exemption for certain interest and royalty payments).
- (2) The officer may direct the company that section 914 is not to apply to the payment or payments.
- (3) A direction under subsection (2) may be varied or revoked by a later direction.

Status: Point in time view as at 01/01/2012.

Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Chapter 8. (See end of Document for details)

916 Duty of payee to notify if payment not exempt

- (1) This section applies if before a payment of a royalty is made, the company beneficially entitled to the income in respect of which the payment is to be made—
 - (a) believed that the payment was exempt from income tax as a result of section 758 of ITTOIA 2005 (exemption for certain interest and royalty payments), but
 - (b) has subsequently become aware that any of conditions A to C in that section have ceased to be met.
- (2) The company must without delay notify—
 - (a) an officer of Revenue and Customs, and
 - (b) the company which is to make the payment.

917 Supplementary

- (1) If section 763 of ITTOIA 2005 (special relationships) applies, sections 914 to 916 have effect in relation to only so much of the payment as does not exceed the arm's length amount (within the meaning of that section).
- (2) Expressions used in sections 914 to 916 and in sections 757 to 767 of ITTOIA 2005 have the same meaning in sections 914 to 916 as in those sections.

Status:

Point in time view as at 01/01/2012.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax Act 2007, Chapter 8.