Income Tax Act 2007

2007 CHAPTER 3

PART 2 U.K.

BASIC PROVISIONS

CHAPTER 1 U.K.

CHARGES TO INCOME TAX

3 Overview of charges to income tax U.K.

(1) Income tax is charged under—

(a) Part 2 of ITEPA 2003 (employment income),

(b) Part 9 of ITEPA 2003 (pension income),

(c) Part 10 of ITEPA 2003 (social security income),

(d) Part 2 of ITTOIA 2005 (trading income),

(e) Part 3 of ITTOIA 2005 (property income),

(f) Part 4 of ITTOIA 2005 (savings and investment income), and

(g) Part 5 of ITTOIA 2005 (miscellaneous income).

(2) Income tax is also charged under other provisions, including—

(a) Chapter 5 of Part 4 of FA 2004 (registered pension schemes: tax charges),

(b) section 7 of F(No.2)A 2005 (social security pension lump sums),

(c) Part 10 of this Act (special rules about charitable trusts etc),

(d) Chapter 2 of Part 12 of this Act (accrued income profits), and

(e) Part 13 of this Act (tax avoidance).

4 Income tax an annual tax U.K.

(1) Income tax is charged for a year only if an Act so provides.

(2) A year for which income tax is charged is called a “tax year”.

(3) A tax year begins on 6 April and ends on the following 5 April.

(4) "The tax year 2007-08" means the tax year beginning on 6 April 2007 (and any corresponding expression in which two years are similarly mentioned is to be read in the same way).

(5) Every assessment to income tax must be made for a tax year.

(6) Subsection (5) is subject to Chapter 15 of Part 15 (by virtue of which an assessment may relate to a return period).

5 Income tax and companies U.K.

(1) Income tax is not charged on income of a company so far as the company is within the charge to corporation tax in respect of the income.

(2) See in particular sections 6(2) and 11(1) of ICTA for the circumstances in which a company is within the charge to corporation tax in respect of its income.

CHAPTER 2 U.K.

RATES AT WHICH INCOME TAX IS CHARGED

The rates

6 The starting rate, basic rate and higher rate U.K.

(1) The main rates at which income tax is charged are—

- (a) the starting rate,
- (b) the basic rate, and
- (c) the higher rate.

(2) The starting rate, basic rate and higher rate for a tax year are the rates determined as such by Parliament for the tax year.

(3) For other rates at which income tax is charged see—

- (a) section 7 (savings rate),
- (b) section 8 (dividend ordinary rate and dividend upper rate), and
- (c) section 9 (trust rate and dividend trust rate).

7 The savings rate U.K.

The savings rate is 20%.

8 The dividend ordinary rate and dividend upper rate U.K.

(1) The dividend ordinary rate is 10%.

(2) The dividend upper rate is 32.5%.

9 The trust rate and dividend trust rate U.K.

(1) The trust rate is 40%.

(2) The dividend trust rate is 32.5%.

Income charged at particular rates

10 Income charged at the starting, basic and higher rates: individuals U.K.

(1) Income tax is charged at the starting rate on an individual's income up to the starting rate limit.

(2) Income tax is charged at the basic rate on an individual's income above the starting rate limit and up to the basic rate limit.

(3) Income tax is charged at the higher rate on an individual's income above the basic rate limit.

(4) This section is subject to—

section 12 (income charged at the savings rate),

section 13 (income charged at the dividend ordinary and dividend upper rates: individuals), and

any other provisions of the Income Tax Acts which provide for income of an individual to be charged at different rates of income tax in some circumstances.

(5) See section 20 for the starting rate limit and the basic rate limit.

11 Income charged at the basic rate: other persons U.K.

(1) Income tax is charged at the basic rate on the income of persons other than individuals.

(2) This section is subject to—

section 12 (income charged at the savings rate),

section 14 (income charged at the dividend ordinary rate: other persons),

Chapters 3 to 6 of Part 9 (which provide for some income of trustees to be charged at the dividend trust rate or at the trust rate), and

any other provisions of the Income Tax Acts which provide for income of persons other than individuals to be charged at different rates of income tax in some circumstances.

12 Income charged at the savings rate U.K.

(1) Income tax is charged at the savings rate on a person's income which—

(a) is savings income, and

(b) would otherwise be charged at the basic rate.

(2) This is subject to—

Chapters 3 to 6 of Part 9 (which provide for some income of trustees to be charged at the dividend trust rate or at the trust rate),

section 504(3) (treatment of income of unauthorised unit trust), and any other provisions of the Income Tax Acts (apart from sections 10 and 11) which provide for income to be charged at different rates of income tax in some circumstances.

(3) Section 16 has effect for determining the extent to which a person's savings income would otherwise be charged at the basic rate.

13 Income charged at the dividend ordinary and dividend upper rates: individuals U.K.

(1) Income tax is charged at the dividend ordinary rate on an individual's income which—

(a) is dividend income,

(b) would otherwise be charged at the starting or basic rate, and

(c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).

(2) Income tax is charged at the dividend upper rate on an individual's income which—

(a) is dividend income, and

(b) would otherwise be charged at the higher rate.

(3) Subsections (1) and (2) are subject to any provisions of the Income Tax Acts (apart from section 10) which provide for income to be charged at different rates of income tax in some circumstances.

(4) Section 16 has effect for determining the extent to which an individual's dividend income would otherwise be charged at the starting, basic or higher rate.

14 Income charged at the dividend ordinary rate: other persons U.K.

(1) Income tax is charged at the dividend ordinary rate on the income of persons other than individuals which—

(a) is dividend income,

(b) would otherwise be charged at the basic rate, and

(c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).

(2) This is subject to—

Chapters 3 to 6 of Part 9 (which provide for some income of trustees to be charged at the dividend trust rate or at the trust rate),

section 504(3) (treatment of income of unauthorised unit trust), and

any other provisions of the Income Tax Acts (apart from section 11) which provide for income of persons other than individuals to be charged at different rates of income tax in some circumstances.

15 Income charged at the trust rate and the dividend trust rate U.K.

For the circumstances in which income tax is charged at the trust rate and the dividend trust rate, see Chapters 3 to 6 of Part 9.

16 Savings and dividend income to be treated as highest part of total income U.K.

(1) This section has effect for determining the rate at which income tax would be charged on a person's savings or dividend income apart from sections 12 and 13.

(2) It also has effect for all other income tax purposes except for the purposes of—
- (a) section 491 (special rates not to apply to first slice of trustees' trust rate income), and
- (b) sections 535 to 537 of ITTOIA 2005 (gains from contracts for life insurance etc: top slicing relief).

(3) If a person has savings income but no dividend income, the savings income is treated as the highest part of the person's total income.

(4) If a person has dividend income but no savings income, the dividend income is treated as the highest part of the person's total income.

(5) If a person has both savings income and dividend income—
- (a) the savings income and dividend income are together treated as the highest part of the person's total income, and
- (b) the dividend income is treated as the higher part of that part of the person's total income.

(6) See section 1012 for the relationship between—
- (a) the rules in this section, and
- (b) other rules requiring particular income to be treated as the highest part of a person's total income.

(7) References in this section to dividend income do not include dividend income which is relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).

17 Repayment: tax paid at basic rate instead of starting or savings rate U.K.

(1) This section applies if income tax at the basic rate has been paid on income on which income tax is chargeable at the starting or savings rate.

(2) If a claim is made, any necessary repayment of tax must be made.

18 Meaning of "savings income" U.K.

(1) This section applies for the purposes of the Income Tax Acts.

(2) "Savings income" is income—
- (a) which is within subsection (3) or (4), and
- (b) which is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).

(3) Income is within this subsection if it is—
- (a) income chargeable under Chapter 2 of Part 4 of ITTOIA 2005 (interest),
- (b) income chargeable under Chapter 7 of Part 4 of ITTOIA 2005 (purchased life annuity payments), other than income from annuities specified in section 718(2) of that Act (annuities purchased from certain life assurance premium payments or under wills etc),

(c) income chargeable under Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities), or

(d) income chargeable under Chapter 2 of Part 12 of this Act (accrued income profits).

(4) Income is within this subsection if—

(a) it is chargeable under Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc), and

(b) an individual is, or personal representatives are, liable for income tax on it (under section 465 or 466 of that Act).

19 Meaning of "dividend income" U.K.

(1) This section applies for the purposes of the Income Tax Acts.

(2) "Dividend income" is income which is—

(a) chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc from UK resident companies),

(b) chargeable under Chapter 4 of that Part (dividends from non-UK resident companies),

(c) chargeable under Chapter 5 of that Part (stock dividends from UK resident companies),

(d) chargeable under Chapter 6 of that Part (release of loan to participator in close company), or

(e) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged).

(3) In subsection (2) "relevant foreign distribution" means a distribution of a non-UK resident company which—

(a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but

(b) would be chargeable under Chapter 3 of that Part if the company were UK resident.

Starting rate limit and basic rate limit

20 The starting rate limit and the basic rate limit U.K.

(1) The starting rate limit is £2,150.

(2) The basic rate limit is £33,300.

(3) The basic rate limit is increased in some circumstances: see—

(a) section 414(2) (gift aid relief), and

(b) section 192(4) of FA 2004 (relief for pension contributions).

21 Indexation of the starting rate limit and the basic rate limit U.K.

(1) This section applies if the retail prices index for the September before the start of a tax year is higher than it was for the previous September.

(2) The starting rate limit for the tax year is the amount found as follows.

Step 1

Increase the starting rate limit for the previous tax year by the same percentage as the percentage increase in the retail prices index.

Step 2

If the result of Step 1 is a multiple of £10, it is the starting rate limit for the tax year.

If the result of Step 1 is not a multiple of £10, round it up to the nearest amount which is a multiple of £10.

That amount is the starting rate limit for the tax year.

(3) The basic rate limit for the tax year is the amount found as follows.

Step 1

Increase the basic rate limit for the previous tax year by the same percentage as the percentage increase in the retail prices index.

Step 2

If the result of Step 1 is a multiple of £100, it is the basic rate limit for the tax year.

If the result of Step 1 is not a multiple of £100, round it up to the nearest amount which is a multiple of £100.

That amount is the basic rate limit for the tax year.

(4) Subsections (2) and (3) do not require a change to be made in the amounts deductible or repayable under PAYE regulations during the period beginning on 6 April and ending on 17 May in the tax year.

(5) Before the start of the tax year the Treasury must make an order replacing the amounts specified in section 20 with the amounts which, as a result of subsections (2) and (3), are the starting rate limit and the basic rate limit for the tax year.

CHAPTER 3 U.K.

CALCULATION OF INCOME TAX LIABILITY

22 Overview of Chapter U.K.

(1) This Chapter deals with the calculation of a person's income tax liability for a tax year.

(2) But it does not deal with any income tax liability mentioned in section 32.

(3) This Chapter needs to be read with Chapter 1 of Part 14 (limits on liability to income tax of non-UK residents).

23 The calculation of income tax liability U.K.

To find the liability of a person ("the taxpayer") to income tax for a tax year, take the following steps. *Step 1*

Identify the amounts of income on which the taxpayer is charged to income tax for the tax year.

The sum of those amounts is "total income".

Each of those amounts is a "component" of total income.

Step 2

Deduct from the components the amount of any relief under a provision listed in relation to the taxpayer in section 24 to which the taxpayer is entitled for the tax year.

See section 25 for further provision about the deduction of those reliefs.

The sum of the amounts of the components left after this step is "net income".

Step 3

Deduct from the amounts of the components left after Step 2 any allowances to which the taxpayer is entitled for the tax year under Chapter 2 of Part 3 of this Act or section 257 or 265 of ICTA (individuals: personal allowance and blind person's allowance).

See section 25 for further provision about the deduction of those allowances.

Step 4

Calculate tax at each applicable rate on the amounts of the components left after Step 3.

See Chapter 2 of this Part for the rates at which income tax is charged and the income charged at particular rates.

If the taxpayer is a trustee, see also Chapters 3 to 6 and 10 of Part 9 (special rules about settlements and trustees) for further provision about the income charged at particular rates.

Step 5

Add together the amounts of tax calculated at Step 4.

Step 6

Deduct from the amount of tax calculated at Step 5 any tax reductions to which the taxpayer is entitled for the tax year under a provision listed in relation to the taxpayer in section 26.

See sections 27 to 29 for further provision about the deduction of those tax reductions.

Step 7

Add to the amount of tax left after Step 6 any amounts of tax for which the taxpayer is liable for the tax year under any provision listed in relation to the taxpayer in section 30.

The result is the taxpayer's liability to income tax for the tax year.

24 Reliefs deductible at Step 2 U.K.

(1) If the taxpayer is an individual, the provisions referred to at Step 2 of the calculation in section 23 are—

(a) the following—

section 72 (early trade losses relief),

Chapter 6 of Part 4 (share loss relief),

Chapter 3 of Part 8 (gifts of shares, securities and real property to charities etc),

sections 457 and 458 of this Act or section 266(7) of ICTA (payments to trade unions or police organisations),

section 193(4) of FA 2004 (pension schemes: relief under net pay arrangement: excess relief), and

section 194(1) of FA 2004 (pension schemes: relief on making of claim), and

(b) the following—

section 64 (trade loss relief against general income),

section 83 (carry-forward trade loss relief),

section 89 (terminal trade loss relief),

section 96 (post-cessation trade relief),

section 118 (carry-forward property loss relief),

section 120 (property loss relief against general income),

section 125 (post-cessation property relief),

section 128 (employment loss relief against general income),

section 152 (loss relief against miscellaneous income),

Chapter 1 of Part 8 (interest payments),

Chapter 4 of Part 8 (annual payments and patent royalties),

section 574 (manufactured dividends on UK shares: payments by non-companies),

section 579 (manufactured interest on UK securities: payments not otherwise deductible),

Part 2 of CAA 2001 (plant and machinery allowances), in a case where the allowance is to be given effect under section 258 of that Act (special leasing of plant and machinery),

Part 3 of CAA 2001 (industrial buildings allowances), in a case where the allowance is to be given effect under section 355 of that Act (buildings for miners etc: carry-back of balancing allowances),

Part 8 of CAA 2001 (patent allowances), in a case where the allowance is to be given effect under section 479 of that Act (persons having qualifying non-trade expenditure),

section 555 of ITEPA 2003 (deduction for liabilities related to former employment),

section 446 of ITTOIA 2005 (strips of government securities: relief for losses),

section 454(4) of ITTOIA 2005 (listed securities held since 26 March 2003: relief for losses: persons other than trustees), and

section 600 of ITTOIA 2005 (relief for patent expenses).

(2) In any other case, the provisions referred to at Step 2 of the calculation in section 23 are—

(a) the provisions listed in subsection (1)(b), and

(b) section 505 (relief for trustees of unauthorised unit trust).

25 Reliefs and allowances deductible at Steps 2 and 3: supplementary U.K.

(1) This section supplements the provisions about reliefs and allowances in Steps 2 and 3 of the calculation in section 23.

(2) At Steps 2 and 3, deduct the reliefs and allowances in the way which will result in the greatest reduction in the taxpayer's liability to income tax.

(3) Subsection (2) is subject to—

section 65(2) to (4) (priority rule in relation to trade loss relief against general income),

section 80(2) (ring fence income),

section 83(3) and (4) (carry-forward trade loss relief against trade profits),

section 89(3) (terminal trade loss relief against trade profits),

section 93(2) (terminal trade loss relief and mineral extraction trade),

section 95(2) (foreign trades etc reliefs only against qualifying foreign income),

section 115(2) (restrictions on reliefs for firms exploiting films),

section 118(3) and (4) (carry-forward property loss relief against property business profits),

section 121(2) and (3) (priority rule in relation to property loss relief against general income),

section 129(2) to (4) (priority rule in relation to employment loss relief against general income),

section 133(4) (share loss relief against general income),

section 152(4) and (7) (loss relief against miscellaneous income),

sections 574(3) to (8) and 575 (manufactured dividends on UK shares: restrictions on deductions),

section 579(2) to (5) and 580 (manufactured interest on UK securities: restrictions on deductions),

section 258 of CAA 2001 (special leasing of plant or machinery),

section 355 of that Act (buildings for miners etc: carry-back of balancing allowances),

section 479 of that Act (persons having qualifying non-trade expenditure),

section 601 of ITTOIA 2005 (how relief for patent expenses is given), and

any other provision of the Income Tax Acts under which reliefs or allowances deductible at Step 2 or 3 are not permitted to be deducted from particular components of income or are required to be deducted from particular components of income or in a different order.

(4) A relief or allowance may be deducted at Step 2 or 3 only so far as there is sufficient income from which to deduct it.

(5) In deciding whether there is sufficient income from which to deduct a relief or allowance, reliefs and allowances already deducted at Step 2 or 3 must be taken into account.

(6) Nothing in Step 2 or 3 is to be read as permitting a relief or allowance to be deducted more than once.

26 Tax reductions U.K.

(1) If the taxpayer is an individual, the provisions referred to at Step 6 of the calculation in section 23 are—

(a) the following—

Chapter 3 of Part 3 of this Act or section 257A, 257AB, 257BA or 257BB of ICTA (tax reductions for married couples and civil partners),

Chapter 1 of Part 5 (EIS relief),

Chapter 2 of Part 6 (VCT relief),

Chapter 1 of Part 7 (community investment tax relief),

section 453 (qualifying maintenance payments),

section 459 of this Act or section 273 of ICTA (payments for benefit of family members),

section 461 (spreading of patent royalty receipts),

section 353(1A) of ICTA (relief for interest on loan to buy life annuity),

section 535 of ITTOIA 2005 (top slicing relief), and

section 539 of ITTOIA 2005 (relief for deficiencies), and

(b) the following—

section 788 of ICTA (double taxation arrangements: relief by agreement),

section 790(1) of ICTA (relief for foreign tax where no double taxation arrangements),

section 401 of ITTOIA 2005 (relief: qualifying distribution after linked non-qualifying distribution), and

sections 677 and 678 of ITTOIA 2005 (relief where foreign estates have borne UK income tax).

(2) In any other case, the provisions referred to at Step 6 of the calculation in section 23 are—

(a) the provisions listed in subsection (1)(b), and

(b) section 26 of FA 2005 (trusts with vulnerable beneficiary: income tax relief).

27 Order of deducting tax reductions: individuals U.K.

(1) This section makes provision about the order in which tax reductions are to be deducted at Step 6 of the calculation in section 23, if the taxpayer is an individual.

(2) Deduct the tax reductions in the order which will result in the greatest reduction in the taxpayer's liability to income tax for the tax year.

(3) Subsection (2) is subject to subsections (4) to (6).

(4) If the taxpayer is entitled to tax reductions for the tax year under more than one of the provisions listed in subsection (5), a tax reduction under a provision mentioned earlier in the list must be deducted before a tax reduction under a provision mentioned later in the list.

(5) The provisions are—

Chapter 2 of Part 6 (VCT relief),

Chapter 1 of Part 5 (EIS relief),

Chapter 1 of Part 7 (community investment tax relief),

section 353(1A) of ICTA (relief for interest on loan to buy life annuity),

section 453 (qualifying maintenance payments),

section 459 of this Act or section 273 of ICTA (payments for benefit of family members), and

Chapter 3 of Part 3 of this Act or section 257A, 257AB, 257BA or 257BB of ICTA (tax reductions for married couples and civil partners).

(6) If the taxpayer is entitled to a tax reduction under—

(a) section 788 of ICTA (double taxation arrangements: relief by agreement), or

(b) section 790(1) of ICTA (relief for foreign tax where no double taxation arrangements),

that tax reduction must be deducted after any other tax reduction to which the taxpayer is entitled for the tax year.

28 Order of deducting tax reductions: other persons U.K.

(1) This section makes provision about the order in which tax reductions are to be deducted at Step 6 of the calculation in section 23, if the taxpayer is a person other than an individual.

(2) Deduct the tax reductions in the order which will result in the greatest reduction in the taxpayer's liability to income tax for the tax year.

(3) Subsection (2) is subject to subsections (4) and (5).

(4) If the taxpayer is entitled to a tax reduction under—

(a) section 788 of ICTA (double taxation arrangements: relief by agreement), or

(b) section 790(1) of ICTA (relief for foreign tax where no double taxation arrangements),

that tax reduction must be deducted after any other tax reduction to which the taxpayer is entitled for the tax year, subject to subsection (5).

(5) If the taxpayer is a trustee and is entitled to a tax reduction under section 26 of FA 2005 (trusts with vulnerable beneficiary: income tax relief) that tax reduction must be deducted after any other tax reduction to which the taxpayer is entitled for the tax year.

29 Tax reductions: supplementary U.K.

(1) This section supplements the provisions about tax reductions in Step 6 of the calculation in section 23.

(2) A tax reduction may be deducted at Step 6 only so far as there is sufficient tax calculated at Step 5 of the calculation from which to deduct it.

(3) In deciding whether there is sufficient tax calculated at Step 5 from which to deduct a tax reduction, tax reductions already deducted at Step 6 must be taken into account.

(4) Subsections (2) and (3) apply in addition to—

(a) [F1section 796(1), (2) and (3) of ICTA] (limits on credit for foreign tax), and

(b) any other provision of the Income Tax Acts that limits the amount of a tax reduction.

[F2(4A) If the taxpayer is an individual, the total of the tax reductions within subsection (4B) that are deducted at Step 6 must not be greater than—

$$\mathbf{A - B}$$

where—

A is the amount of tax calculated at Step 5, and

B is the total amount of the tax treated under section 414 (gift aid) as deducted from gifts made by the taxpayer in the tax year.

(4B) A tax reduction is within this subsection if it is under—

Chapter 1 of Part 5 (EIS relief),

Chapter 2 of Part 6 (VCT relief), or

Chapter 1 of Part 7 (community investment tax relief).

(4C) Subsection (4A) applies in addition to subsections (2) and (3).]

(5) For the purposes of this Chapter, a person is treated as being entitled to a tax reduction under section 788 of ICTA if the person is entitled to credit against income tax under double taxation arrangements.

Textual Amendments

F1 Words in s. 29(4)(a) substituted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by The Income Tax Act 2007 (Amendment) (No. 2) Order 2009 (S.I. 2009/2859), **art. 4(2)(a)**

F2 S. 29(4A)-(4C) inserted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by The Income Tax Act 2007 (Amendment) (No. 2) Order 2009 (S.I. 2009/2859), **art. 4(2)(b)**

30 Additional tax U.K.

(1) If the taxpayer is an individual, the provisions referred to at Step 7 of the calculation in section 23 are—

section 424 (gift aid: charge to tax),

section 205 of FA 2004 (pension schemes: the short service refund lump sum charge),

section 206 of FA 2004 (pension schemes: the special lump sum death benefits charge),

section 208(2)(a) of FA 2004 (pension schemes: the unauthorised payments charge),

section 209(3)(a) of FA 2004 (pension schemes: the unauthorised payments surcharge),

section 214 of FA 2004 (pension schemes: the lifetime allowance charge),

section 227 of FA 2004 (pension schemes: the annual allowance charge), and

section 7 of F(No.2)A 2005 (social security pension lump sum).

(2) If the taxpayer is a trustee, the provision referred to at Step 7 of the calculation in section 23 is section 496 (discretionary payments by trustees: tax pool adjustment).

31 Total income: supplementary U.K.

(1) This section applies for the purposes of calculating total income.

(2) Income from which a deduction in respect of income tax is to be made (or treated as made) at the basic or savings rate in force for a tax year is treated as income of that tax year.

(3) If—

(a) a dividend is paid, or another distribution is made, in a tax year,

(b) a person is entitled to a tax credit in respect of the dividend or other distribution, and

(c) the amount or value of the dividend or other distribution is treated under section 398 of ITTOIA 2005 as increased by the amount of the tax credit,

the amount or value as increased is treated as income of that tax year.

(4) Subsections (2) and (3) apply even if all or part of the income, or the dividend or other distribution, accrued or will accrue in a different tax year.

(5) An assessment that has become final and conclusive for income tax purposes for a tax year is also final and conclusive for the purposes of calculating total income.

32 Liability not dealt with in the calculation U.K.

The liabilities referred to in section 22(2) are income tax liability—

under section 79(1) (capital allowances restrictions: withdrawal of relief),

under section 81(6) (dealings in commodity futures: withdrawal of relief),

under **[**F3section 103B(5)**]** (non-active partners: withdrawal of relief),

under section 235 (withdrawal or reduction of EIS relief),

under sections 266 to 270 (withdrawal or reduction of VCT relief),

under section 372 (withdrawal or reduction of CITR),

under section 512 (heritage maintenance settlements: application of property for non-heritage purposes),

under Chapter 1 of Part 13 (transactions in securities),

under regulations made under section 918(4) (foreign payers of manufactured dividends: Real Estate Investment Trusts: the reverse charge),

under section 920 or 923 (foreign payers of manufactured interest or manufactured overseas dividends: the reverse charge),

under Chapter 15, 16 or 17 of Part 15 (deduction of tax at source: collection mechanisms),

under section 804(5B)(a) of ICTA (recovery of excess credit for overseas tax),

under paragraph 11(3) of Schedule 20 to FA 1994 (recovery of excess credit for overseas tax: changes for facilitating self-assessment),

of the person who is (or persons who are) the responsible person in relation to an employer-financed retirement benefits scheme under section 394(2) of ITEPA 2003,

under Chapter 5 of Part 4 of FA 2004 (registered pension schemes: tax charges), except any liability under a provision mentioned in section 30(1), and

under section 682(4) of ITTOIA 2005 (assessments, adjustments and claims after the administration period), so far as the liability represents a tax reduction given effect at Step 6 of the calculation in section 23.

Textual Amendments

F3 Words in s. 32 substituted (retrospective to 6.4.2007) by Finance Act 2007 (c. 11), **Sch. 4 paras. 5**, 21