



Income Tax Act 2007

2007 CHAPTER 3

PART 9

SPECIAL RULES ABOUT SETTLEMENTS AND TRUSTEES

CHAPTER 8

TRUSTEES' EXPENSES AND BENEFICIARY'S INCOME

503 How beneficiary's income is reduced

- (1) This section applies if the beneficiary's income is to be reduced for income tax purposes by expenses of the trustees.
- (2) The beneficiary's income is to be reduced in the following order—
 - first, reduce dividend income within subsection (3) (if any),
 - second, reduce dividend income not within that subsection (if any),
 - third, reduce savings income (if any), and
 - fourth, reduce other income (if any).
- (3) Income is within this subsection so far as it is—
 - (a) chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc from UK resident companies),
 - (b) chargeable under Chapter 5 of that Part (stock dividends from UK resident companies), or
 - (c) chargeable under Chapter 6 of that Part (release of loan to participator in close company).
- (4) If the trustees are liable for income tax charged on a component of the beneficiary's income at a particular rate, then any reduction of that component is to be made in accordance with the steps set out in subsection (5).
- (5) Here are the steps.

Changes to legislation: *There are currently no known outstanding effects for the Income Tax Act 2007, Section 503. (See end of Document for details)*

Step 1

Deduct from the component the amount of income tax charged on it at the particular rate for which the trustees are liable.

Step 2

Take the result from Step 1 and reduce it (but not below nil) by the amount of the trustees' expenses so far as they have not already been used to reduce other components of the beneficiary's income.

Step 3

Take the result from Step 2 and gross it up by reference to the particular rate.

The result is the reduced amount of the component of the beneficiary's income.

Modifications etc. (not altering text)

- C1** S. 503 applied (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **ss. 611(2)**, 1184(1) (with [Sch. 2](#))

Changes to legislation:

There are currently no known outstanding effects for the Income Tax Act 2007, Section 503.