



Finance Act 2002

2002 CHAPTER 23

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

OTHER PROVISIONS

Deduction of tax

94 Deduction of tax: payments to exempt bodies etc

- (1) In section 349A of the Taxes Act 1988 (exceptions to requirement to deduct tax from certain payments made by a company)—
- (a) in subsection (1)—
 - (i) after “by a company” insert “or a local authority”, and
 - (ii) after “the company” insert “or authority”,
 - (b) in subsection (6)—
 - (i) after “section” insert “(a)”, and
 - (ii) at the end insert “, and
 - (b) a payment by a partnership is treated as made by a local authority if any member of the partnership is a local authority”.
- (2) In section 349B of that Act (section 349A(1): conditions to be met), after subsection (2) insert—
- “(3) The third of those conditions is that the payment is made to—
- (a) a local authority;
 - (b) a health service body within the meaning of section 519A(2);

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- (c) a public office or department of the Crown to which section 829(1) applies;
 - (d) a charity (within the meaning of section 506(1));
 - (e) a body for the time being mentioned in section 507(1) (bodies that are allowed the same exemption from tax as charities the whole income of which is applied to charitable purposes);
 - (f) an Association of a description specified in section 508 (scientific research organisations);
 - (g) the United Kingdom Atomic Energy Authority;
 - (h) the National Radiological Protection Board;
 - (i) the administrator (within the meaning of section 611AA) of a scheme entitled to exemption under section 592(2) or 608(2)(a) (exempt approved schemes and former approved superannuation funds);
 - (j) the trustees of a scheme entitled to exemption under section 613(4) (Parliamentary pension funds);
 - (k) the persons entitled to receive the income of a fund entitled to exemption under section 614(3) (certain colonial, etc pension funds);
 - (l) the trustees or other persons having the management of a fund entitled to exemption under section 620(6) (retirement annuity trust schemes);
or
 - (m) a person holding investments or deposits for the purposes of a scheme entitled to exemption under section 643(2) (approved personal pension schemes).
- (4) The fourth of those conditions is that—
- (a) the person to whom the payment is made is, or is the nominee of, the plan manager of a plan,
 - (b) an individual investing under the plan is entitled to exemption by virtue of regulations under section 333 (personal equity plans and individual savings accounts), and
 - (c) the plan manager receives the payment in respect of investments under the plan.
- (5) The fifth of those conditions is that—
- (a) the person to whom the payment is made is a society or institution with whom tax-exempt special savings accounts (within the meaning of section 326A) may be held, and
 - (b) the society or institution receives the payment in respect of investments held for the purposes of such accounts.
- (6) The sixth of those conditions is that the person beneficially entitled to the income in respect of which the payment is made is a partnership each member of which is—
- (a) a person or body mentioned in subsection (3) above, or
 - (b) a person or body mentioned in subsection (7) below.
- (7) The persons and bodies referred to in subsection (6)(b) above are—
- (a) a company resident in the United Kingdom;
 - (b) a company that—
 - (i) is not resident in the United Kingdom,

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- (ii) carries on a trade there through a branch or agency, and
 - (iii) is required to bring into account, in computing its chargeable profits (within the meaning of section 11(2)), the whole of any share of that payment that falls to it by reason of sections 114 and 115;
 - (c) the European Investment Fund.
- (8) The Treasury may by order amend—
 - (a) subsection (3) above;
 - (b) subsection (7) above;so as to add to, restrict or otherwise alter the persons and bodies falling within that subsection.”.
- (3) In section 349C (directions disapplying section 349A(1))—
 - (a) in subsection (1)—
 - (i) after “a company” insert “or local authority”, and
 - (ii) after “the company” insert “or authority”,
 - (b) in subsection (2) for “neither” substitute “none”, and
 - (c) for subsection (4) substitute—
 - “(4) In this section—
 - “company” includes a partnership of which any member is a company; and
 - “local authority” includes a partnership of which any member is a local authority.”.
- (4) In section 349D (section 349A(1): consequences of reasonable but incorrect belief)—
 - (a) in subsection (1)—
 - (i) in paragraph (a) after “company” insert “or local authority”,
 - (ii) in paragraphs (b) and (c) after “company” insert “or authority”, and
 - (iii) in paragraph (d) for “neither” substitute “none”, and
 - (b) for subsection (2) substitute—
 - “(2) In this section—
 - “company” includes a partnership of which any member is a company; and
 - “local authority” includes a partnership of which any member is a local authority.”.
- (5) In section 98 of the Taxes Management Act 1970 (c. 9) (special returns, etc), in subsection (4B)—
 - (a) in paragraph (a), after “a company” insert “or local authority”,
 - (b) in paragraph (b)—
 - (i) after “the company” insert “or authority”, and
 - (ii) for “either”, in each place, substitute “one”,
 - (c) in paragraph (c), after “the company” insert “or authority”, and
 - (d) in paragraph (d), for “neither” substitute “none”.
- (6) In that section, for subsection (4C) substitute—
 - “(4C) In subsection (4B) above—

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“company” includes a partnership of which any member is a company; and

“local authority” includes a partnership of which any member is a local authority.”.

- (7) The amendments made by this section apply for the purposes of payments made on or after 1st October 2002.