

SCHEDULES

SCHEDULE 4

Section 29

AMENDMENTS RELATING TO THE RATE APPLICABLE TO TRUSTS

Sums paid to settlor otherwise than as income

- 1 (1) Section 677 of the Taxes Act 1988 (sums paid to settlor otherwise than as income) is amended as follows.
- (2) In subsection (2) (the amount of income available up to the end of a year) in paragraph (h) (deduction of amount equal to tax at the rate applicable to trusts on the undistributed income less the income etc referred to in certain paragraphs) for “paragraphs (c), (d), (e), (f) and (g) above” substitute “each of paragraphs (c) to (g) above”.
- (3) In subsection (7) (tax to be charged under Case VI of Schedule D, but with a set-off for the amount described in paragraph (a) or (b), whichever is the less) for the words from “charged,” in paragraph (b) to the end of the subsection substitute “charged; or
- (c) the amount of tax paid by the trustees on the grossed-up amount of so much of the amount of income available up to the end of the year, in relation to the capital sum, as is taken into account under subsection (1) above in relation to that sum in that year (see subsections (7A) to (7C) below),
- whichever is the least.”.
- (4) After subsection (7) insert—
- “(7A) For the purposes of subsection (7)(c) above—
- (a) any reduction falling to be made under subsection (2)(h) above shall be treated as made against income arising under the settlement in an earlier year of assessment before income arising under the settlement in a later year of assessment; and
- (b) income arising under the settlement in an earlier year of assessment shall be regarded as being taken into account under subsection (1) above before income arising under the settlement in a later year of assessment.
- (7B) For the purposes of subsection (7)(c) above—
- (a) the grossed-up amount of any sum is such amount as, after the deduction of tax at the appropriate rate for each part of that sum, would be equal to that sum; and
- (b) the amount of tax paid by the trustees on that grossed-up amount is the amount of tax falling to be deducted under paragraph (a) above.
- (7C) For the purposes of subsection (7B) above—
- (a) the appropriate rate for any part of a sum is 0% if—

Status: This is the original version (as it was originally enacted).

- (i) the income that falls to be regarded in accordance with subsection (7A) above as representing that part of the sum is income from a source outside the United Kingdom, and
 - (ii) the trustees were not resident in the United Kingdom for the relevant year of assessment;
- (b) the appropriate rate for any part of a sum in relation to which paragraph (a) above does not apply is—
- (i) 34%, if the relevant year of assessment is the year 2003-04 or any earlier year of assessment,
 - (ii) 40%, if the relevant year of assessment is the year 2004-05 or any subsequent year of assessment.

For the purposes of this subsection the relevant year of assessment in relation to any part of a sum is the year of assessment in which the income to be regarded in accordance with subsection (7A) above as representing that part of the sum arose under the settlement.”.

Trustees chargeable to income tax at 30 per cent in certain cases

- 2 The side-note to section 694 of the Taxes Act 1988 becomes “Trustees chargeable to income tax in certain cases at higher rate reduced by rate applicable to trusts”.

Commencement

- 3 The amendments made by paragraph 1 have effect for the purpose of determining the amount to be set off under section 677(7) of the Taxes Act 1988 in the year 2004-05 or any subsequent year of assessment (whenever the undistributed income arose).