



Finance Act 2004

2004 CHAPTER 12

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 3

CONSTRUCTION INDUSTRY SCHEME

Deductions on account of tax from contract payments to sub-contractors

60 Contract payments

- (1) In this Chapter “contract payment” means any payment which is made under a construction contract and is so made by the contractor (see section 57(3)) to—
 - (a) the sub-contractor,
 - (b) a person nominated by the sub-contractor or the contractor, or
 - (c) a person nominated by a person who is a sub-contractor under another such contract relating to all or any of the construction operations.
- (2) But a payment made under a construction contract is not a contract payment if any of the following exceptions applies in relation to it.
- (3) This exception applies if the payment is treated as earnings from an employment by virtue of Chapter 7 of Part 2 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (agency workers).

[^{F1}(3A) This exception applies in so far as—

- (a) the payment can reasonably be taken to be for the services of an individual, and
- (b) the provision of those services gives rise to an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies (workers' services provided through intermediaries to public authorities or medium or large clients).

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- (3B) But the exception in subsection (3A) does not apply if, in the case of the engagement mentioned in paragraph (b) of that subsection, the client for the purposes of section 61M(1) of ITEPA 2003—
- (a) is not a public authority, and
 - (b) either—
 - (i) does not qualify as medium or large for the tax year in which the payment concerned is made, or
 - (ii) does not have a UK connection for the tax year in which the payment concerned is made.
- (3C) Sections 60I (when a person has a UK connection for a tax year), 61K(3) (when a person qualifies as medium or large for a tax year) and 61L (meaning of public authority) of ITEPA 2003 apply for the purposes of subsection (3B).]
- (4) This exception applies if the person to whom the payment is made or, in the case of a payment made to a nominee, each of the following persons—
- (a) the nominee,
 - (b) the person who nominated him, and
 - (c) the person for whose labour (or, where that person is a company, for whose employees' or officers' labour) the payment is made,
- is registered for gross payment when the payment is made.
- But this is subject to subsections (5) and (6).
- (5) Where a person is registered for gross payment as a partner in a firm (see section 64), subsection (4) applies only in relation to payments made under contracts under which—
- (a) the firm is a sub-contractor, or
 - (b) where a person has nominated the firm to receive payments, the person who has nominated the firm is a sub-contractor.
- (6) Where a person is registered for gross payment otherwise than as a partner in a firm but he is or becomes a partner in a firm, subsection (4) does not apply in relation to payments made under contracts under which—
- (a) the firm is a sub-contractor, or
 - (b) where a person has nominated the firm to receive payments, the person who has nominated the firm is a sub-contractor.
- (7) This exception applies if such conditions as may be prescribed in regulations made by the Board of Inland Revenue for the purposes of this subsection are satisfied; and those conditions may relate to any one or more of the following—
- (a) the payment,
 - (b) the person making it, and
 - (c) the person receiving it.
- (8) For the purposes of this Chapter a payment (including a payment by way of loan) that has the effect of discharging an obligation under a contract relating to construction operations is to be taken to be made under the contract; and if—
- (a) the obligation is to make a payment to a person (“A”) within paragraph (a) to (c) of subsection (1), but
 - (b) the payment discharging that obligation is made to a person (“B”) not within those paragraphs,

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the payment is for those purposes to be taken to be made to A.

Textual Amendments

- F1** S. 60(3A)-(3C) inserted (with effect in accordance with Sch. 1 para. 27 of the amending Act) by Finance Act 2020 (c. 14), **Sch. 1 para. 20** (with Sch. 1 paras. 30-34)

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 236ZA inserted by [S.I. 2024/357 art. 2\(2\)](#)