

Amendments to Clause 40: Deduction of income tax at source: tax avoidance

Summary

Amendment numbers 20 and 21 to Clause 40 of the Finance Bill 2016 make a change to new section 917A of the Income Tax Act 2007 (ITA) consequential to the introduction of New Clause 8 to the Finance Bill 2016. Amendment numbers 20 and 21 ensure that new section 917A ITA will apply to all payments of royalties or other sums from which income tax will have to be deducted at source following the amendment of sections 906 and 907 ITA.

Details of the amendment

1. Amendment 20 changes the definition of "intellectual property royalty payment" in subsection (4) of new section 917A ITA to make reference to the new subsections 906(2)(a) and (3)(a) ITA introduced by New Clause 8.
2. Amendment 21 supplements the commencement provisions in Clause 40 by adding new subsections (3) and (4).
3. New subsection (3) of the clause provides that in relation to payments made on or after 17 March 2017 new section 917A ITA has effect as if the definition of "intellectual property royalty payment" had not been changed by the first amendment above.
4. Subsection (4) of the clause provides that new section 917A ITA has effect in relation to payments made between 28 June 2016 and the date on which the Act is passed as if the definition of "intellectual property royalty payment" also included any amounts referred to in section 906(2)(a) or (3)(a) as submitted by New Clause 8.

Background note

5. New Clause 8 broadens the scope of the UK's domestic withholding rights over royalties in order to ensure that payments abroad are taxed in the UK unless the UK has explicitly given up those taxing rights under an international agreement.
6. These amendments ensure that section 917A ITA as submitted by Clause 40 will apply to all payments of royalties in respect of which there is an obligation to deduct income tax at source under Part 15 of ITA from the date from which the New Clause 8 has effect.