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Amendment 191

Schedule 13, page 68 [Vol II], leave out lines 6 to 8.

Amendment 192

Schedule 13, page 72, line 9 [Vol II], at end insert—

‘(1A) For section 623 of ITTOIA 2005 (calculation of income) substitute—

“623 Calculation of income

For the purpose of calculating liability to tax under this Chapter (but for no other purpose), a settlor shall be allowed the same deductions and reliefs as if any amount treated under this Chapter as income of the settlor had actually been received by the settlor.”.

EXPLANATORY NOTE

SUMMARY

1. These amendments are to the part of Schedule 13 dealing with losses arising to settlor-interested trusts. Schedule 13 introduces a relieving change for the settlors of settlor-interested trusts, so that they will be taxed as though the income had arisen directly to them. However, in seeking to maintain the existing provisions, which prevent the losses of trustees of settlor-interested trusts passing to the settlor, Schedule 13 inadvertently prevents settlors receiving relief for all losses incurred by the trustees, including those losses that are currently allowable. These amendments restore the previous position by providing for the settlor to receive the amount of relief he would have had if the income had arisen directly to him.

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DETAILS

2. The first amendment provides for the new section 619(3) Income Tax (Trading and Other Income) Act 2005 (ITTOIA) to be deleted.
3. The second amendment inserts a new section 623 ITTOIA in place of the existing one. The new section 623 ITTOIA provides that a settlor will be allowed the same deductions and reliefs as if the income arising to the trustees had actually been received by the settlor.

BACKGROUND NOTE

4. The provisions introduced by Schedule 13 form part of the Trusts Modernisation programme, and have been the subject of discussions between HM Revenue and Customs, bodies representing tax practitioners, and other parties who have an interest in the tax regime for trusts.