

2001 No. 405

INCOME TAX

**The Income Tax (Interest Payments) (Information Powers)
(Amendment) Regulations 2001**

Made - - - - - 15th February 2001

Laid before the House of Commons 16th February 2001

Coming into force 9th March 2001

The Commissioners of Inland Revenue, in exercise of the powers conferred upon them by sections 17(5) and (6) and 18(3B) and (3C) of the Taxes Management Act 1970(a), hereby make the following Regulations:

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Income Tax (Interest Payments) (Information Powers) (Amendment) Regulations 2001 and shall come into force on 9th March 2001.

(2) These Regulations shall have effect in relation to payments of interest made, credited or received on or after 6th April 2001 including, so far as concerns regulation 7, dividends or other amounts treated as interest by section 18(3E) to (3G) of the Taxes Management Act 1970.

Amendments to the Income Tax (Interest Payments) (Information Powers) Regulations 1992

2. Amend the Income Tax (Interest Payments) (Information Powers) Regulations 1992(b) in accordance with the following provisions of these Regulations.

3. In regulation 2—

(a) after the definition of “the Board” insert the following definition—

““Building Societies Regulations” means the Income Tax (Building Societies) (Dividends and Interest) Regulations 1990(c);”;

(a) 1970 c. 9. Section 17 was amended by section 123(2) of the Finance Act 1988 (c. 39), section 92(1) to (3) of, and Part V of Schedule 19 to, the Finance Act 1990 (c. 29), section 29 of, and Part VII(3) of Schedule 18 to, the Finance (No. 2) Act 1992 (c. 48), paragraph 11(1), (2)(a) and (3) of Schedule 37 to the Finance Act 1996 (c. 8) and section 145(1) to (3) of, and Part V of Schedule 40 to, the Finance Act 2000 (c. 17). Section 18 was amended by paragraph 7(2) of Schedule 29 to the Income and Corporation Taxes Act 1988 (c. 1), section 123(3) of, and Part IV of Schedule 14 to, the Finance Act 1988, section 92(4) to (6) of the Finance Act 1990, paragraph 5 of Schedule 11 to the Finance Act 1991 (c. 31), paragraph 11(1), (2)(b) and (4) of Schedule 37 to the Finance Act 1996 and section 145(4) to (9) of, and Part V of Schedule 40 to, the Finance Act 2000.

(b) S.I. 1992/15.

(c) S.I. 1990/2231, amended by S.I. 1992/11 and 2915, 1994/296, 1995/1184, 1996/223 and 2001/404.

- (b) in the definition of “payment” after the word “interest” insert “(including, in relation to a building society, a payment of a dividend in respect of a share in the building society)”.

4. For regulation 3 substitute the following regulation—

“Disapplication of section 17(1) and section 18(1)

3.—(1) In the cases prescribed by paragraph (2), a notice under section 17(1) shall not require information.

(2) The cases prescribed are—

- (a) a payment in respect of a certificate of deposit within the meaning given by section 56(5) of the Taxes Act;
- (b) a payment in respect of an investment held by a branch of a person to whom a notice under section 17(1) is issued, where the branch is situated in a territory other than the United Kingdom;
- (c) a payment falling within regulation 6(2)(ba) in respect of which the information that the notice under section 17(1) shall not require is the name and address of the person to whom the interest was paid or credited, if other than the person beneficially entitled to the interest;
- (d) a payment in respect of an account which is a tax exempt special savings account for the purposes of section 326A of the Taxes Act(a);
- (e) a payment in respect of an investment under a plan provided for by regulations made under section 333 of the Taxes Act(b);
- (f) any other payment not falling within any of sub-paragraphs (a) to (e) which is specified in the notice under section 17(1) as being a payment in respect of which information is not required.

(3) In the cases prescribed by paragraph (4), a notice under section 18(1) shall not require information.

(4) The cases prescribed are—

- (a) any amount to which a person holding a relevant discounted security is entitled on the redemption of that security, where the amount is paid or received on or before 5th April 2002;
- (b) a foreign dividend paid or received on or before 5th April 2002;
- (c) a payment to or a receipt for a person other than an individual (in whatever capacity the individual is acting), except where the case also falls within regulation 5 or regulation 6(2)(ba) or (3)(d);
- (d) a payment information on which is required by a notice under section 17(1) or which is excluded from a notice under section 17(1) by virtue of paragraph (2) above;
- (e) a payment made in respect of a deposit held at a branch of a person to whom a notice under section 18(1) is issued, where the branch is situated in a territory other than the United Kingdom;
- (f) a payment falling within regulation 6(2)(ba) or (3)(d) in respect of which the information that the notice under section 18(1) shall not require is the name and address of the person to whom the interest was paid or credited, if other than the person beneficially entitled to the interest;
- (g) a payment in respect of an account which is a tax exempt special savings account for the purposes of section 326A of the Taxes Act;
- (h) a payment in respect of an investment under a plan provided for by regulations made under section 333 of the Taxes Act;

(a) Section 326A was inserted in the Income and Corporation Taxes Act 1988 by section 28(1) of the Finance Act 1990 and amended by section 63(1) to (3) of the Finance Act 1995 (c. 4) and section 78 of the Finance Act 1998 (c. 36).

(b) The relevant Regulations referred to in regulation 3(2)(e) and (4)(h) are S.I. 1989/469, 1998/1870 and 1871.

- (i) any other payment not falling within any of sub-paragraphs (a) to (h) which is specified in the notice under section 18(1) as being a payment in respect of which information is not required.
- (5) In paragraph (4)—
- (a) “relevant discounted security” has the meaning given by paragraph 3 of Schedule 13 to the Finance Act 1996**(a)**;
 - (b) “foreign dividend” means a “foreign dividend” within the meaning given by section 18(3G) of the Management Act**(b)** other than interest.”.
5. In regulation 4—
- (a) in paragraph (1) after “6(2)”, in the second place where it occurs, add “and (3)”;
 - (b) omit paragraphs (3) and (4).
6. In regulation 5(1) for the words “regulation 4” substitute “regulations 3 and 4”.
- 7.—(1) Amend regulation 6 as follows.
- (2) In paragraph (1) for the words “which, subject to regulation 4,” substitute “relating to payments in respect of deposits which, subject to regulations 3 and 4,”.
- (3) After paragraph (1) insert the following paragraph—
- “(1A) Paragraph (3) prescribes the further information relating to payments and receipts of interest other than payments in respect of deposits which, subject to regulations 3 and 4, is to be furnished with section 18 information.”.
- (4) In paragraph (2)—
- (a) in sub-paragraph (b) omit “each of whom was beneficially entitled to the payment”;
 - (b) after sub-paragraph (b) insert the following sub-paragraphs—
- “(ba) where the payment was made without deduction of tax by virtue of a declaration made after 5th April 2001 under section 481(5)(k)(i)**(c)** of the Taxes Act—
- (i) the name and principal residential address of the individual beneficially entitled to the payment or, if more than one, of each individual beneficially entitled to the payment; or
 - (ii) where the person beneficially entitled to the payment is a Scottish partnership, all the partners in which are individuals, the name and principal residential address of each of the partners;
- (bb) in a case falling within sub-paragraph (ba), notification of the fact that the account in respect of which the payment was made was one in respect of which a declaration had been made as mentioned in that sub-paragraph;”.
- (5) After paragraph (2) add the following paragraphs—
- “(3) The further information prescribed by this paragraph is—
- (a) identification of the security or investment in respect of which the payment was made or received;
 - (b) where the payment or receipt was in a currency other than sterling and the amount of the payment or receipt is recorded in that currency as part of section 18 information, notification of the fact that the amount is so recorded and specification of the currency concerned;
 - (c) where the payment was made to, or the receipt was for, two or more persons, notification of that fact and, if known, the number of such persons;
 - (d) where the payment was made without deduction of tax by virtue of a declaration made under—

(a) Paragraph 3 of Schedule 13 was amended by section 65(1) to (4) of, and Part III(16) of Schedule 20 to, the Finance Act 1999 (c. 16).

(b) Section 18(3D) to (3G) was substituted for section 18(3D) by section 145(9) of the Finance Act 2000.

(c) Section 481(5)(k) was amended by section 86(3) of, and Part VIII(11) of Schedule 29 to, the Finance Act 1995.

- (i) section 468O(1)(a) of the Taxes Act^(a) (interest distribution by authorised unit trust—residence condition of unit holder), or
- (ii) regulation 3 of the Open-ended Investment Companies (Tax) Regulations 1997^(b) taken together with section 468O(1)(a) of the Taxes Act (interest distribution by open-ended investment company—residence condition of owner of share in open-ended investment company),

the name and principal residential address of the person beneficially entitled to the payment or, if more than one, of each person beneficially entitled to the payment;

- (e) in a case falling within sub-paragraph (d), notification of the fact that the unit holder or, as the case may be, the owner of a share was a person in respect of whom a declaration had been made as mentioned in that sub-paragraph.

(4) In paragraph (1A) the reference to “interest” includes a reference to a dividend or other amount treated as interest by virtue of subsection (3E), read with subsections (3F) and (3G), of section 18 of the Management Act^(c).”

8. After regulation 6 insert the following regulation—

“Further information—section 17 return—form of information

6A. Where a notice under section 17(1)—

- (a) requires a section 17 return to be made, or
- (b) specifies the further information prescribed by regulations 5(3) and 6(2) and requires it to be contained in the return, and
- (c) the notice specifies the form in which the return is to be made and delivered,

the return shall be made and delivered in that form.”

9. In regulation 7—

- (a) For the heading substitute—

“Further information—section 18 information—form of information”;

- (b) after “6(2)” insert “and (3)”.

10. After regulation 7 add the following regulations—

“Information to be provided to the Board—section 17 notice

8. The Board may by notice require a person to furnish them within such time, not being less than 14 days, as may be provided by the notice, such information (including copies of any relevant books, documents or other records) as they may reasonably require for the purposes of determining whether information contained in a section 17 return by that person by virtue of a notice under section 17(1) was correct and complete.

Information to be provided to the Board—section 18 notice

9. The Board may by notice require a person to furnish them within such time, not being less than 14 days, as may be provided by the notice, such information (including copies of any relevant books, documents or other records) as they may reasonably require for the purposes of determining whether information furnished to the inspector by virtue of a notice under section 18(1) was correct and complete.

Inspection of records

10. A person required to make and deliver a section 17 return or to furnish information by virtue of a notice under section 18(1) shall, whenever required to do so within the period

(a) Section 468O was inserted by paragraph 2 of Schedule 14 to the Finance Act 1994 (c. 9).

(b) S.I. 1997/1154.

(c) Subsections (3D) to (3G) of section 18 were substituted for subsection (3D) of that section by section 145(9) of the Finance Act 2000.

specified in regulation 11(2), make available for inspection by an officer of the Board authorised for that purpose, at such time as that officer may reasonably require, all such copies of books, documents or other records in his possession or under his control as may be required by the Board under regulation 8 or, as the case may be, regulation 9.

Retention of records

11.—(1) A person required to make and deliver a section 17 return or to furnish information by virtue of a notice under section 18(1) shall retain, for the period specified in paragraph (2), all such books, documents and other records copies of which he may be required to make available for inspection under regulation 10.

(2) The period specified is the period of two years beginning immediately after the end of the year to which the notice under section 17(1) or 18(1) relates.

(3) Paragraphs (1) and (2) are without prejudice to the following provisions—

- (a) regulations 11(7) and 15(2) of the Building Societies Regulations;
- (b) regulation 12(2) of the Deposit-takers Regulations^(a);
- (c) regulation 8 of the Income Tax (Deposit-takers) (Non-residents) Regulations 1992^(b);
- (d) regulation 8 of the Income Tax (Authorised Unit Trusts) (Interest Distributions) Regulations 1994^(c).

Use of information

12.—(1) Subject to paragraph (2), information obtained by the Board under regulations 8 to 10—

- (a) shall not be used for the purpose of ascertaining the tax liability (if any) of any person other than—
 - (i) a person beneficially entitled to a payment to whom the information obtained relates, and
 - (ii) the person by whom the payment was made or received; and
- (b) shall otherwise be used only for the purposes of—
 - (i) section 17 or 18 of the Management Act and these Regulations,
 - (ii) the provisions of Chapter IV of Part XII of the Taxes Act relating to the deduction of tax from payments by building societies and deposit-takers,
 - (iii) the Building Societies Regulations,
 - (iv) the Deposit-takers Regulations, and
 - (v) the Income Tax (Authorised Unit Trusts) (Interest Distributions) Regulations 1994.

(2) Paragraph (1) shall not be construed as preventing any disclosure of information within section 182(5) of the Finance Act 1989^(d).”.

Tim Flesher
Dave Hartnett

15th February 2001

Two of the Commissioners of Inland Revenue

(a) S.I. 1990/2232, amended by S.I. 1992/13, 1994/295 and 2001/406.

(b) S.I. 1992/14.

(c) S.I. 1994/2318.

(d) 1989 c. 26. Section 182(5) was amended by paragraph 9(5) of Schedule 6 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2).

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Income Tax (Interest Payments) (Information Powers) Regulations 1992 (S.I. 1992/15) (“the principal Regulations”) in relation to payments of interest by banks and other persons that are made, credited or received on or after 6th April 2001.

Regulation 1 provides for citation, commencement and effect.

Regulation 2 introduces regulations 3 to 10.

Regulation 3 inserts a definition of “Building Societies Regulations”, and amends the definition of “payment”, in regulation 2 of the principal Regulations.

Regulation 4 substitutes for regulation 3 of the principal Regulations a regulation that lists payments information on which is not required to be contained in a return under section 17 of the Taxes Management Act 1970 (c. 9) (“section 17”) or furnished to an inspector of taxes under section 18 of that Act (“section 18”).

Regulations 5 and 6 make consequential amendments to regulations 4 and 5 of the principal Regulations in the light of the substituted regulation 3 of the principal Regulations. Regulation 5 also makes a consequential amendment to regulation 4 of the principal Regulations in the light of the amendments made by regulation 7 to regulation 6 of the principal regulations.

Regulation 7 amends regulation 6 of the principal Regulations by adding to the list of further information that is required to be contained in a return under section 17 or furnished to the inspector under section 18.

Regulation 8 inserts a new section 6A in the principal Regulations providing for the form in which a return under section 17 is to be delivered.

Regulation 9 makes consequential amendments to regulation 7 of the principal Regulations in the light of the amendments made by regulations 7 and 8.

Regulation 10 adds regulations 8 to 12 to the principal Regulations dealing with information that the Board of Inland Revenue may require, and inspection and retention of documents, in order to ensure that a return under section 17, or information furnished to the inspector under section 18, is correct and complete.

The costs to savings institutions arising from the amendments made by these Regulations are the subject of a Regulatory Impact Assessment entitled “Abolition of Withholding Tax on Bond Interest and Extension of Routine Information Powers on Savings Income”. A copy of this Regulatory Impact Assessment has been placed in the library of the House of Commons or may be obtained from Inland Revenue, International Division, Room 509B, Melbourne House, Aldwych, London WC2B 4LL, or from the Inland Revenue website at <http://www.inlandrevenue.gov.uk>.

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(Amendment) Regulations 2001**

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