STATUTORY INSTRUMENTS

2018 No. 459

INCOME TAX

The Scottish Rates of Income Tax (Consequential Amendments) Order 2018

Made - - - - 29th March 2018

Coming into force in accordance with article 1

A draft of this Order was laid before and approved by the House of Commons in accordance with paragraphs 1 and 2 of Schedule 7 to the Scotland Act 1998(**1**).

The Treasury, in exercise of the powers conferred by section 80G(1A) and (2) of the Scotland Act 1998(**2**), makes the following Order:

Citation, commencement and effect

1.—(1) This Order may be cited as the Scottish Rates of Income Tax (Consequential Amendments) Order 2018 and comes into force on the day after the day on which it is made.

(2) The amendments made by this Order have effect in relation to the tax year commencing on 6th April 2018 and subsequent tax years.

Amendments to the Taxes Management Act 1970

2.—(1) The Taxes Management Act 1970(**3**) is amended as follows.

(2) In section 7(6)(**4**) (notice of liability to income tax and capital gains tax), after "the Scottish basic rate," insert "a Scottish rate below the Scottish basic rate, the Scottish intermediate rate,".

(3) In section 91(3)(c)(**5**) (effect on interest of reliefs), after "the basic rate," insert "the Scottish basic rate, a Scottish rate below the Scottish basic rate, the Scottish intermediate rate,".

(**1**) 1998 c. 46. Paragraph 1 of Schedule 7 was relevantly amended by paragraph 16(10)(b) of Schedule 38 to the Finance Act 2014 (c. 26) ("FA 2014").

(**2**) Section 80G was inserted by section 25(3) of the Scotland Act 2012 (c. 11) and relevantly amended by paragraph 16 of Schedule 38 to FA 2014 and section 13(11) of the Scotland Act 2016 (c. 11) ("SA 2016").

(**3**) 1970 c. 9.

(**4**) Section 7(6) was amended by paragraph 358 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5), paragraphs 37 and 38 of Schedule 1 to the Finance Act 2008 (c. 9) ("FA 2008"), paragraph 14 of Schedule 38 to FA 2014 and section 5(9) of the Finance Act 2016 (c. 24) ("FA 2016").

(**5**) Section 91(3)(c) was inserted by paragraph 88 of Schedule 6 to the Finance Act 1971 (c. 68) and amended by paragraph 136 of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003 c. 1, paragraph 39 of Schedule 39 to FA 2008 and section 4(16) of FA 2016.

Amendment to the Finance Act 2004

3.—(1) Section 192 (relief at source) of the Finance Act 2004(**6**) is amended as follows.

(2) In subsection (4A), after "in the individual's case" insert "that is above the Scottish basic rate limit".

Amendment to the Income Tax (Trading and Other Income) Act 2005

4.—(1) Section 669 (reduction in residuary income: inheritance tax on accrued income) of the Income Tax (Trading and Other Income) Act 2005(**7**) is amended as follows.

(2) In subsection (3A)(c)(**8**) for "any Scottish rate above the Scottish basic rate" substitute—

"any Scottish rate that—

(i) is above the Scottish basic rate, but

(ii) is not the Scottish intermediate rate".

Amendments to the Finance (No. 2) Act 2005

5.—(1) Section 7 of the Finance (No. 2) Act 2005(**9**) is amended as follows.

(2) In subsection (5A)(**10**) (charge to income tax on lump sum)—

(a) omit paragraph (b), and

(b) in paragraph (c)—

(i) for "exceeds the Scottish basic rate limit for that year" substitute "is greater than nil", and

(ii) for "applicable to P" substitute "applicable to P's Step 3 income for that year".

Amendments to the Income Tax Act 2007

6.—(1) The Income Tax Act 2007(**11**) is amended as follows.

(2) In sections 55B(2)(b)(**12**) and 55C(1)(c)(**13**) (entitlement to transferable tax allowance for married couples and civil partners), after "the Scottish basic rate," insert "a Scottish rate below the Scottish basic rate, the Scottish intermediate rate,".

(3) In section 58(2)(**14**) (meaning of "adjusted net income"), omit the words after "by reference to the basic rate for the tax year".

(4) In section 414(2)(**15**) (gift aid: relief for gifts to charity) —

(a) in paragraph (a), for the words after "deduction of" substitute "income tax at the basic rate, and", and

(**6**) 2004 c. 12. Section 192(4A) was inserted by regulation 3(3) of S.I. 2017/468.
(**7**) 2005 c. 5.
(**8**) Subsection (3A) was inserted by regulation 8(3) of S.I. 2017/468.
(**9**) 2005 c. 22.
(**10**) Subsection (5A) was inserted by regulation 9(3) of S.I. 2017/468.
(**11**) 2007 c. 3.
(**12**) Section 55B was inserted by section 11(2) of FA 2014. Subsection (2)(b) was amended by article 14(3)(a) of S.I. 2015/1810 and sections 4(8) and 5(6)(a) of FA 2016.
(**13**) Section 55C was inserted by section 11(2) of FA 2014. Subsection (1)(c) was amended by article 14(4) of S.I. 2015/1810 and sections 4(8) and 5(7)(a) of FA 2016.
(**14**) Section 58 was amended by article 14(5) of S.I. 2015/1810.
(**15**) Section 414 was amended by paragraph 20 of Schedule 1 to FA 2008, paragraph 6 of Schedule 2 to the Finance Act 2009 (c. 10) ("FA 2009"), article 14(6) of S.I. 2015/1810 and article 10(2) of S.I. 2017/468.

(b) in paragraph (b) for "the Scottish basic rate limit and any other Scottish rate limit," substitute "the upper limit for the Scottish basic rate and the limits for any Scottish rates above the Scottish basic rate,".

(5) In section 415(**16**) (gift aid: meaning of "grossed up amount") omit the words after "by reference to the basic rate for the tax year in which the gift is made".

(6) In section 745(**17**) (rates of tax applicable to income charged under sections 720 and 727 etc)—

(a) after subsection (1) insert—

"(1A) Income tax at a Scottish rate above 0% and below, or equal to, the basic rate is not charged under section 720 or 727 in respect of any income if (and to the corresponding extent that) the income mentioned in section 721(2) or 728(1)(a) has borne tax at the basic rate.",

(b) in subsection (2) for "Subsection (1) does" substitute "Subsections (1) and (1A) do", and

(c) in subsection (3) for "subsection (1) does not apply" substitute "neither of subsections (1) and (1A) applies".

(7) In section 828B(5)(**18**) (conditions to be met)—

(a) before "the Scottish basic rate" insert "a Scottish rate below the Scottish basic rate,", and

(b) after "the Scottish basic rate" insert ", the Scottish intermediate rate".

(8) In section 989(**19**) (definitions for the purposes of the Income Tax Acts), before the definition of "Scottish rate" insert—

""Scottish intermediate rate", in relation to a tax year, means any Scottish rate for that year which is named "intermediate" by the Scottish rate resolution setting it,".

(9) In Schedule 4(**20**) (index of defined expressions), before the definition of "Scottish rate" insert—

"Scottish intermediate rate section 989".

Amendment to the Finance Act 2016

7.—(1) The Finance Act 2016(**21**) is amended as follows.

(2) Omit section 6(17) to (19) (structure of income tax rates).

Amendment to the Scottish Rate of Income Tax (Consequential Amendments) Order 2015

8.—(1) The Scottish Rate of Income Tax (Consequential Amendments) Order 2015(**22**) is amended as follows.

(2) Omit article 14(5) to (7) (amendments to the Income Tax Act 2007).

(**16**) Section 415 was amended by article 14(7) of S.I. 2015/1810.
(**17**) Section 745 was amended by paragraph 24 of Schedule 1 to FA 2008, paragraph 18(2) and (3) of Schedule 10 to the Finance Act 2013 (c. 29), and section 4(9) of, and paragraph 63(12)(a) and (b) of Schedule 1 to, FA 2016.
(**18**) Section 828B was inserted by section 52 of the Finance Act 2009 (c. 10) and was amended by paragraph 9 of Schedule 8 to FA 2014 and section 6 of FA 2016.
(**19**) The definition of "Scottish rate" was inserted by section 14(13)(c) of SA 2016. There are other amendments to section 989 but none are relevant.
(**20**) The definition of "Scottish rate" was inserted by section 14(14)(c) of SA 2016. There are other amendments to Schedule 4 but none are relevant.
(**21**) 2016 c. 24.
(**22**) S.I. 2015/1810.