STATUTORY INSTRUMENTS

1971 No. 1688

INCOME TAX

The Income Tax (Certification of Sub-Contractors in the Construction Industry) Regulations 1971

Made - - - - - - 19*th October* 1971

Laid before the House of Commons 26*th October* 1971

Coming into Operation - - - 27*th October* 1971

The Commissioners of Inland Revenue, in exercise of the powers conferred upon them by section 30 of the Finance Act 1971(**a**), hereby make the following Regulations:—

1. These Regulations may be cited as the Income Tax (Certification of Sub-Contractors in the Construction Industry) Regulations 1971 and shall come into operation on 27th October 1971.

2.—(1) In these Regulations, unless the context otherwise requires—
the following expressions have the same meaning as in section 29 of the Finance Act 1971—

"contractor"

"sub-contractor";

"certificate" means a certificate issued under section 30 of the Finance Act 1971;

"holder" means a person or firm to whom has been issued under the said section 30 a certificate which has not expired;

"nominee" means any person, other than the sub-contractor, to whom is made a payment due to a sub-contractor under a contract relating to construction operations;

other expressions have the same meaning as in the Income Tax Acts.

(2) The Interpretation Act 1889(**b**) shall apply to these Regulations as it applies for the interpretation of an Act of Parliament.

3. The power to issue, renew, or cancel a certificate may be exercised by any Inspector of Taxes.

4.—(1) An application for a certificate shall be made in a form to be prescribed by the Commissioners of Inland Revenue and where a certificate is issued it shall be in a form to be prescribed by the said Commissioners.

(2) A certificate issued under the terms of paragraph (*a*) of section 30(2) of the Finance Act 1971 shall be valid for the purpose of excepting the holder from section 29 of the Finance Act 1971, and for no other purpose, for such period

(**a**) 1971 c. 68. (**b**) 1889 c. 63.

from the date of its issue, being not less than two years and not more than four years, as the Inspector may determine, and a certificate issued under the terms of paragraph (*b*) of the said subsection shall be valid as aforesaid for one year from the date of its issue.

5.—(1) Not more than two months before the date of expiry of a certificate, the holder may apply for its renewal, and Regulation 4(1) shall apply as it applies to a first application for a certificate.

(2) If the certificate which is about to expire was valid as aforesaid for one year, but the Inspector has become satisfied as to the matters set out in paragraph (*a*) of section 30(2) of the Finance Act 1971, he may issue a new certificate valid as aforesaid for such period, being not less than two years and not more than four years, as he may determine: if he is not so satisfied, but he remains satisfied as to the matters set out in paragraph (*b*) of the said subsection, he may issue a new certificate valid as aforesaid for one year.

6.—(1) A holder, whenever called upon by any authorised officer of the Commissioners of Inland Revenue, shall produce his certificate for inspection.

(2) A holder, whenever he or his nominee receives from a contractor any such payment as is mentioned in section 29 of the Finance Act 1971, shall produce his certificate to the contractor or the contractor's authorised representative; if he fails to do so the said section 29 shall apply to that payment as though he were not the holder of a certificate:

Provided that if he has produced his certificate to the contractor on the occasion of a previous payment and the contractor has no reason to believe that the certificate has ceased to be valid for the purpose mentioned in paragraph (2) of Regulation 4, the contractor may proceed as though the certificate had again been produced to him.

(3) A holder shall give to the contractor a receipt, in a form to be prescribed by the Commissioners of Inland Revenue, for every payment to him or his nominee such as mentioned in section 29 of the Finance Act 1971 which, because he produces his certificate, is made without the deduction which would otherwise be required by the said section 29.

7. Where the holder is a partnership—

(*a*) Regulation 6(1) shall apply to every partner of the partnership as though he were the holder;

(*b*) Regulation 6(2) shall not apply to any partner of the partnership except when he receives a payment under a contract under which the partnership is a sub-contractor; and

(*c*) a receipt given under Regulation 6(3) shall be given in the partnership's name.

8. If a holder loses his certificate or it is accidentally destroyed, the Inspector may at his discretion issue a replacement after making such enquiries as he sees fit, and until the issue of a replacement the holder shall be treated as a person without a certificate, except where the proviso to Regulation 6(2) applies.

By Order of the Commissioners of Inland Revenue.

Alan Lord,
Secretary.

19th October 1971.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations delegate to Inspectors of Taxes the issue, renewal, and cancellation of certificates exempting sub-contractors in the construction industry from the 30 per cent deductions prescribed by section 29, Finance Act 1971. They specify how application for a certificate should be made, the maximum and minimum periods of validity of certificates, the procedure for the renewal of a certificate and the circumstances in which a certificate must be produced for inspection. They also specify the circumstances in which a holder of a certificate is to give a receipt for a payment which, because he holds a certificate, he receives without the 30 per cent deduction.