



Finance Act 1974

1974 CHAPTER 30

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX (GENERAL)

7 Charge of income tax for 1974-75

- (1) Income tax for the year 1974-75 shall be charged at the basic rate of 33 per cent.; and
- (a) in respect of so much of an individual's total income as exceeds £4,500 at such higher rates as are specified in the Table below ; and
 - (b) in respect of so much of the investment income included in an individual's total income as exceeds £2,000 at the additional rate of 15 per cent.

TABLE

<i>Part of excess over £4,500</i>	<i>Higher rate</i>
The first £500	38 per cent.
The next £1,000	43 per cent.
The next £1,000	48 per cent.
The next £1,000	53 per cent.
The next £2,000	58 per cent.
The next £2,000	63 per cent.
The next £3,000	68 per cent.
The next £5,000	73 per cent.
The remainder	83 per cent.

- (2) In section 59(2) of the Finance Act 1973, in the definition of " the additional rate ", after the words " Finance Act 1971 " there shall be inserted the words " or, if more than one, the higher or highest of them ".

8 Increase of surtax rates for 1972-73

- (1) Subject to the following provisions of this section, section 10 of the Finance Act 1973 (surtax rates for 1972-73) shall have effect as if—
 - (a) each of the higher rates applied by subsection (1) of that section were increased by 10 per cent, of the difference between that rate and the standard rate for the year 1972-73 (the differences being equal to the percentages specified in the Table in section 12(1) of the Finance Act 1970); and
 - (b) the 40 per cent, mentioned in subsection (2) of that section (reduced marginal rate) were increased to 44 per cent.;and so much of the surtax charged for that year as is attributable to this section is in the following provisions of this section referred to as " the surcharge ".
- (2) The surtax charged by any assessment made before 1st July 1974 in accordance with section 10 of the Finance Act 1973 as originally enacted shall, unless by that date a further assessment has been made in respect of the surcharge, be treated as from that date as varied in accordance with subsection (1) above by virtue of this Act and without more.
- (3) The provisions of the Income Tax Acts prescribing dates for the payment and recovery of surtax (which, in relation to surtax, have effect as originally enacted) shall be modified as follows—
 - (a) section 4(3) of the Taxes Act (payment by individuals) shall have effect as if the 1st January mentioned in it were, in relation to one half of the surcharge, 1st July 1974. and, in relation to the other half, 1st January 1975. ; and section 24 of the Finance Act 1971 (claims for deferment) shall not apply in relation to the surcharge and shall not by reason of the surcharge apply to any amount to which it does not apply apart from the surcharge; and
 - (b) section 297(6) of the Taxes Act (recovery from close company or participator) shall have effect as if the 1st and 2nd January mentioned in paragraphs (a) and (b) respectively of the proviso were, in relation to one half of the surcharge, 1st and 2nd July 1974 and, in relation to the other half, 1st and 2nd January 1975 ; and 1st July 1974 and 1st January 1975 shall also be taken for the purposes of section 88 of the Taxes Management Act 1970 (interest on tax recovered to make good loss due to taxpayer's fault) as the dates when one half of the surcharge and the other half ought to have been paid respectively.
- (4) Where the surcharge is charged by an assessment treated under subsection (2) above as varied it shall be deemed for the purposes of section 86 of the Taxes Management Act 1970 (interest on overdue tax) to be charged by an assessment separately made.
- (5) Sections 40 and 41 of the Taxes Act (recovery of tax attributable to wife's income) shall have effect in relation to the surcharge as if it had been charged by an assessment separately made, as if that assessment had been made before the service of any notice for the year 1972-73 under section 41(1) of that Act, and with any other necessary modifications.
- (6) Section 29 of the Taxes Act (relief in case of death) shall, in relation to surtax for the year 1972-73, apply to a person who died after the end of that year but before 27th March 1974 as it applies to a person who died in that year.
- (7) Where surtax for the year 1972-73 has been assessed on any person in the name of a company which is dissolved before the end of January 1975 (and whether before or after the passing of this Act) and, the assessment having been made in accordance

with section 10 of the Finance Act 1973 as originally enacted, a notice of charge under section 297(6) of the Taxes Act is served on that person in respect of the surcharge, the surcharge shall become payable by him, without any election under that section, on whichever of the following is the latest, that is to say, 1st January 1975, the day after the service of the notice, and the day after the dissolution of the company.

- (8) Section 21 of the Finance Act 1965 (under which the rate of capital gains tax may depend on the rates of income tax, including surtax) shall have effect as if the preceding provisions of this section had not been enacted.

9 Charge of corporation tax for financial year 1973

Corporation tax shall be charged for the financial year 1973 at the rate of 52 per cent.

10 Corporation tax—other rates and fractions

- (1) The fractions by which, under section 93(2) of the Finance Act 1972, chargeable gains are to be reduced before they are included in a company's profits for the purposes of corporation tax shall be—
- (a) for companies other than authorised unit trusts or investment trusts, eleven twenty-sixths ; and
 - (b) for authorised unit trusts and investment trusts, thirty seven fifty-seconds;
- and the fraction specified in paragraph (b) above shall, as from 1st April 1973, replace that specified in section 93(2).
- (2) The small companies rate for the financial year 1973 shall be 42 per cent, and for that year the fraction mentioned in section 95(2) of the Finance Act 1972 (marginal relief for small companies) shall be one-sixth.
- (3) The special rate for the purposes of section 96 of the Finance Act 1972 (relief for industrial and provident societies, housing associations and building societies) shall for the financial year 1973 and subsequent years be 40 per cent.

11 Mitigation of corporation tax liability of small companies

For any financial year after 1972 for references to the amounts of £15,000 and £25,000 in section 95(3)(a) of the Finance Act 1972 there shall be substituted the amounts of £25,000 and £40,000 and for references to the amounts of £15,000 and £25,000 in section 95(3)(b) of the same Act there shall be substituted the amounts of £25,000 and of £40,000.

12 Rate of advance corporation tax for financial year 1974

The rate of advance corporation tax for the financial year 1974 shall be thirty-three sixty-sevenths.

13 Payments in addition to advance corporation tax due in financial year 1974

- (1) Where a company is liable to pay an amount of advance corporation tax and that amount (whenever paid) is due at any time during the financial year 1974 the company shall be liable to make, in addition, a payment of one-half of that amount; but nothing in this section shall require such a payment to be made by the trustees of an authorised

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unit trust or by an investment trust (within the meaning of Chapter VI of Part XII of the Taxes Act).

- (2) Where a company makes a payment under this section the payment shall, subject to subsection (3) below, be deemed to be made on account of its liability to corporation tax for the relevant accounting period; and accordingly, if the amount of the payments made under this section exceeds the amount of that liability, the excess shall be repaid to the company.
- (3) Where throughout the relevant accounting period of a company which makes a payment under this section (in this subsection referred to as "the parent company") another company is a subsidiary of the parent company for the purposes of section 92 of the Finance Act 1972, the parent company may by notice in writing to the inspector elect that, to the extent only of the subsidiary's liability to corporation tax for the subsidiary's relevant accounting period, or to such less extent as may be specified in the notice, the payment shall be deemed to be made on account of that liability.
- (4) A payment under this section shall, if the amount of advance corporation tax by reference to which it is to be made is due before 1st September 1974, be due on that day and shall in any other case be due at the same time as that amount; and any such payment shall be made without the making of an assessment.
- (5) Where an amount of advance corporation tax due and paid before 1st September 1974 is repaid before that date under paragraph 4 of Schedule 14 to the Finance Act 1972, that amount shall be left out of account for the purposes of this section; and where, after a company has made a payment under this section, the whole or part of the advance corporation tax by reference to which it was made is repaid under that paragraph, there shall be repaid to the company, together with the advance corporation tax, so much of the payment as does not exceed one-half of the amount of advance corporation tax so repaid.
- (6) For the purposes of subsection (5) above any repayment of advance corporation tax made after the end of the financial year 1974 shall, if it might be attributed either to advance corporation tax due during that year or to advance corporation tax due after that year, be attributed to advance corporation tax due after that year.
- (7) Except as provided by subsection (5) above or subsection (8) below, the repayment of any amount under this section shall be made at the time payment of the corporation tax on account of which it is deemed to be made is due (or, as the case may be, would be due if there were any liability to corporation tax).
- (8) If the inspector is satisfied before the time mentioned in subsection (7) above that an amount falls to be repaid under that subsection, that amount shall be repaid when the inspector is so satisfied; but no repayment shall be made by virtue of this subsection before 1st September 1975.
- (9) The relevant accounting period for the purposes of this section shall be determined as follows, but subject to subsection (10)(b) below:—
 - (a) if the company has an accounting period ending in the financial year 1974 which is a period of twelve months or is the company's first accounting period, that period shall be the relevant accounting period;
 - (b) if the company does not have such an accounting period but has an accounting period ending in the financial year 1974, that accounting period (or if more than one the first of them) and, so far as necessary, any subsequent accounting period shall be a relevant accounting period; and

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- (c) if the company has no accounting period ending in the financial year 1974 its first accounting period ending after that financial year shall be the relevant accounting period;

but where a relevant accounting period falling under paragraph (b) above is a period of less than twelve months it shall be the relevant accounting period for such part only of the payments made under this section and repayments due to the company under subsection (7) of this section as bears to the whole thereof the same proportion as the length of that period bears to twelve months.

- (10) Where the affairs of a company are wound up, then—
 - (a) if the winding-up commenced before 1st January 1974, the company shall not be required to make any payment by virtue of this section ; and
 - (b) if the winding-up commenced on or after that date but before the end of the financial year 1974 and the company so elects by notice in writing given to the inspector, the accounting period ending with the commencement of the winding-up shall be the relevant accounting period.
- (11) If any payment to be made under this section is not made at the time it is due the amount of the payment may be assessed on the company and shall carry interest as if it were an amount of tax assessable in accordance with Schedule 14 to the Finance Act 1972; and for the purpose of recovering the whole or part of the interest the amount of the payment may be so assessed whether or not it has been paid.

14 Alteration of personal reliefs

- (1) Chapter II of Part I of the Taxes Act shall be amended in accordance with the following provisions of this section.
- (2) In section 8 (personal relief)—
 - (a) for the reference in subsection (1)(a) (married) to £775 there shall be substituted a reference to £865 ; and
 - (b) for the references in subsections (1)(b) (single) and (2) (wife's earned income relief) to £595 there shall be substituted references to £625.
- (3) In section 10(3) (appropriate amount for child)—
 - (a) for the reference to £265 (child over sixteen) there shall be substituted a reference to £305 ;
 - (b) for the reference to £235 (child over eleven but not over sixteen) there shall be substituted a reference to £275; and
 - (c) for the reference to £200 (child not over eleven) there shall be substituted a reference to £240.
- (4) In section 14 (additional relief for widows and others in respect of children) for the references to £130 there shall be substituted references to £180.
- (5) In section 7 (persons over sixty-five with small incomes)—
 - (a) for the references to £700 and £1,000 (income limits for exemption) there shall be substituted references to £810 and £1,170;
 - (b) for the reference to £340 (excess over those limits beyond which relief by reduction of tax is excluded) there shall be substituted a reference to £565 ; and
 - (c) for the reference to 50 per cent, (percentage governing relief by reduction of tax) there shall be substituted a reference to 55 per cent.

- (6) In section 24 (reduction on account of family allowances) for the reference to £60 there shall be substituted a reference to £52.

15 Maintenance payments

- (1) Where an individual's income for any year of assessment consists of or includes amounts paid as maintenance payments to him or for his benefit, the first £1,000 of those amounts shall not be investment income for the purposes mentioned in section 32(3) of the Finance Act 1971.

- (2) In this section—

" maintenance payments " means payments made by a party to a marriage by way of provision for the other party or for a child of both or either of the parties, or payments by way of provision for a child which are made by his natural father;

" marriage " includes a marriage which has been dissolved or annulled;

" child " includes an illegitimate child and an adopted child;

and for the purposes of this section payments to or for the benefit of a party to a marriage which are made under a settlement (within the meaning of Chapter III of Part XVI of the Taxes Act) made by the other party shall be treated as made by the other party if they are made during his life.

16 Partnership retirement annuities

- (1) Where a person (in this section referred to as the former partner) has ceased to be a member of a partnership on retirement because of age or ill-health or on death and, under—

- (a) the partnership agreement; or
- (b) an agreement replacing the partnership agreement or supplementing it or supplementing an agreement replacing it; or
- (c) an agreement made with an individual who acquires the whole or part of the business carried on by the partnership;

annual payments are made for the benefit of the former partner or his widow or a dependant of his and are for the purposes of income tax income of the person for whose benefit they are made, the payments shall be treated as earned income of that person, except to the extent that they exceed the limit specified in subsection (2) below, and shall not reduce the income which is chargeable as investment income of any other person.

- (2) The limit mentioned in subsection (1) above is 50 per cent, of the average of the amounts which, in the best three of the relevant years of assessment, were the former partner's shares of the relevant profits or gains; and for this purpose—

- (a) the former partner's share in any year of the relevant profits or gains is so much of the relevant profits or gains as fell to be included in a return of his income for that year; and
- (b) the relevant profits or gains are the profits or gains of any trade, profession or vocation on which the partnership or any other partnership of which the former partner was a member was assessed to income tax; and

- (c) the relevant years of assessment are the last seven years of assessment in which he was required to devote substantially the whole of his time to acting as a partner in the partnership or those partnerships ; and
- (d) the best three of the relevant years of assessment are those three of them in which the amounts of his shares of the relevant profits were highest;

but where, in any of the relevant years, the circumstances were such that any of the profits or gains of a partnership were not assessable to income tax, paragraphs (a), (b) and (d) above shall apply as they would apply had those profits or gains been so assessable.

17 Expenditure on fire safety

- (1) If a person carrying on a trade has on or after 1st June 1972 incurred expenditure in taking steps specified in a notice served on him by the fire authority under section 5(4) of the Fire Precautions Act 1971, and—
- (a) the notice was issued on an application for a fire certificate in respect of premises used by him for the purposes of the trade ; and
 - (b) an allowance or deduction in respect of the expenditure could not, apart from this section, be made in taxing the trade or computing the profits or gains arising from it;

Chapter I of Part III of the Finance Act 1971 shall apply as if the expenditure were capital expenditure incurred on the provision of machinery or plant for the purposes of the trade, and as if the machinery or plant had, in consequence of his incurring the expenditure, belonged to him and had been in use for the purposes of the trade; and as if the disposal value of the machinery or plant were nil.

- (2) This section shall be construed as if contained in Chapter I of Part III of the Finance Act 1971.

18 Expenses allowances to directors and others

Section 198(3) of the Taxes Act shall have effect for the year 1975-76 and subsequent years of assessment as if for the references to £2,000 there were substituted references to £5,000.

19 Restrictions on relief for interest

- (1) In section 75 of the Finance Act 1972 (relief for payment of interest)—
- (a) in subsection (1) for the words " and makes a claim to relief under this subsection, then" there shall be substituted the words " and the interest is stated in Schedule 9 to this Act or in Part III of Schedule 1 to the Finance Act 1974 to be eligible for relief under this section, then, if he makes a claim to the relief and ";
 - (b) after subsection (1) there shall be inserted the following subsection:—

“(1A) Relief under this section shall not be given in respect of interest on a debt incurred by overdrawing an account or by debiting the account of any person as the holder of a credit card or under similar arrangements.”;
 - (c) subsections (3) to (5) shall be omitted ; and

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- (d) at the end of subsection (7) there shall be added the words " and Schedule 1 to the Finance Act 1974 ".
- (2) The provisions of the Taxes Act and of the Finance Act 1972 mentioned in Schedule 1 to this Act shall have effect subject to the amendments specified therein.
- (3) The preceding provisions of this section apply in relation to any interest paid after 26th March 1974 unless it is excepted from this subsection by the following provisions of this section; and where any interest which is so excepted would also be eligible for relief under section 75 of the Finance Act 1972 as amended by this Act, the relief shall not be restricted by virtue of subsection (3) of that section.
- (4) Interest is excepted from subsection (3) above if it is payable on a debt incurred on or before 26th March 1974 or on a debt replacing one so incurred and—
- (a) where it is payable on an overdraft, it is payable before 6th April 1975 ; and
 - (b) where it is not payable on an overdraft but on a debt replacing an overdraft, the overdraft was replaced (either by the debt on which the interest is payable or by another debt which was not an overdraft) before 6th April 1975 and the interest is payable before 6th April 1980; and
 - (c) in any other case the interest is payable before 6th April 1980;
- but where the interest is payable on an overdraft or on a debt replacing an overdraft it shall be eligible for relief to the extent only that it or, as the case may be, the amount on which it is payable, does not exceed the limit imposed by subsection (5) below.
- (5) The limit on the interest excepted by virtue of paragraph (a) of subsection (4) above is the amount of interest that would be payable after 26th March 1974 and before 6th April 1975 on an amount equal to the debit balance on 26th March 1974 of the overdrawn account and at the rate at which interest on that balance was chargeable on 26th March 1974; and the limit on the amount interest payable on which is excepted by paragraph (b) of that subsection is that debit balance.
- (6) For the purposes of this section—
- (a) a debt replaces another if it is incurred for the purpose of discharging that other debt or a debt replacing it;
 - (b) a debt incurred by overdrawing an account which had a debit balance on 26th March 1974 shall be treated as incurred on or before that date ; and
 - (c) a debt incurred by debiting the account of a person as the holder of a credit card or under similar arrangements shall be treated as incurred by overdrawing that account and " overdraft" shall be construed accordingly.
- (7) Where, by virtue of Part I of Schedule 9 to the Finance Act 1972 as originally enacted, interest on a loan would be protected interest, and it is proved by written evidence—
- (a) that the money raised by the loan and applied as mentioned in that Part was so applied in pursuance of a binding contract entered into on or before 26th March 1974; and
 - (b) that the loan was made in pursuance of an offer made by the lender on or before that date and that the offer either was in writing or was evidenced by a note or memorandum made by the lender on or before that date;
- the debt on which the interest is payable shall be deemed for the purposes of subsection (4) above to have been incurred on or before that date.

20 Share option and share incentive schemes

- (1) The following provisions shall cease to have effect—
- (a) section 78 of the Finance Act 1972 (approved share option schemes) except in its application to cases where a right obtained as mentioned therein was exercised before 27th March 1974 ; and
 - (b) subsections (2)(a) and (3)(a) of section 79 of that Act (which exclude the application of subsections (4) and (7) of that section in cases of acquisitions under approved share incentive schemes) except in their application to cases where the acquisition was made before that day; and
 - (c) paragraph 7(a) of Schedule 8 to the Finance Act 1973 (certain matters not to be regarded as restrictions attaching to shares) except in its application to cases where the shares were acquired before 26th April 1974.
- (2) In paragraph 1 of Schedule 8 to the Finance Act 1973 the following sub-paragraph shall be substituted for sub-paragraph (b)—
- “(b) the shares satisfy the condition stated in paragraph 3 below, and are either shares of a class quoted on a recognised stock exchange or shares in a company which is not under the control of another company”.

21 Cases I and II of Schedule E

- (1) In paragraph 1 of Schedule E as set out in section 181(1) of the Taxes Act the following shall be substituted for Cases I and II:—
- “Case I: where the person holding the office or employment is resident and ordinarily resident in the United Kingdom, any emoluments for the chargeable period, subject, however, to the deduction or exception provided for in Schedule 2 to the Finance Act 1974 if in the chargeable period he performs the duties of the office or employment wholly outside the United Kingdom or the emoluments are foreign emoluments;
- Case II: where that person is not resident or, if resident, then not ordinarily resident in the United Kingdom, any emoluments for the chargeable period in respect of duties performed in the United Kingdom, subject, however, to the deduction provided for in Schedule 2 to the Finance Act 1974 if the emoluments are foreign emoluments;”
- and in the words beginning with " The emoluments excepted from Cases I and II as foreign emoluments " for " excepted from " there shall be substituted " referred to in " .
- (2) Where a person performs any duties of an office or employment in the United Kingdom, his emoluments from any other office or employment shall not be treated for the purposes of Case I of Schedule E as emoluments in respect of duties performed wholly outside the United Kingdom unless he shows that their amount would have been the same whether or not the duties of any office or employment which he performs in the United Kingdom were performed by him.
- (3) In section 188(2) of the Taxes Act (exemptions and reliefs in respect of tax under section 187)—
- (a) paragraph (b) and the words following paragraph (c) shall be omitted and paragraph (c) shall become paragraph (b); and
 - (b) for the words from the beginning to " (a) in any case, that" there shall be substituted the words

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“Tax shall not be charged by virtue of section 187 above in respect of one-half of a payment in the case of which the conditions in paragraph (a) below are satisfied and shall not be charged in respect of any payment in the case of which the conditions in paragraph (b) below are satisfied ; and those conditions are—

(a) that”and

(c) in the paragraph which becomes paragraph (b) for the words preceding " that the foreign service " there shall be substituted the words " that the payment is in respect of an office or employment in which the holder's service included foreign service and ".

(4) In Schedule 8 to the Taxes Act—

(a) in paragraph 6 the words " and not being a payment of compensation for loss of office " shall be omitted; and

(b) in paragraph 16 after the words " means service" there shall be inserted the words " before the year 1974-75 " and after sub-paragraph (b) there shall be inserted the words " or service after the year 1973-74 such that emoluments from the office or employment were not chargeable under Case I of Schedule E (or would not have been so chargeable, had there been any) or that a deduction equal to their whole amount was or would have been allowable under paragraph 1 of Schedule 2 to the Finance Act 1974 in charging them ".

(5) In section 221(4) of the Taxes Act, for the words from " but" to " employment for that year " there shall be substituted the words " but either—

(a) the circumstances in which he performs the duties of his employment are such that no tax is chargeable under Case I or II of Schedule E in respect of the emoluments of his employment for that year (or would have been so chargeable had there been any); or

(b) those emoluments are foreign emoluments within the meaning of paragraph 1 of Schedule E and the Board are satisfied, on a claim made by the employee, that the payments in question are made pursuant to a scheme or to a fund which corresponds to such a scheme or fund as is mentioned in subsection (1) or (2) above ".

(6) In Schedule 12 to the Taxes Act (double taxation relief: Republic of Ireland) in paragraph 3(3) of Part III, for the words " excepted from " there shall be substituted the words " referred to in " and for the words " shall not include " the words " shall be taken not to include ".

(7) For subsection (2) of section 24 of the Finance Act 1970 there shall be substituted the following subsection:—

“(2) Neither subsection (1) nor subsection (2) of the last preceding section shall apply for any year of assessment where the employee performs the duties of his employment in such circumstances that no tax is chargeable under Case I or Case II of Schedule E in respect of the emoluments of his employment (or would be so chargeable were there such emoluments) or where the emoluments from the employment are foreign emoluments within the meaning of paragraph 1 of Schedule E and the Board are satisfied, on a claim made by the employee, that the retirement benefits scheme in question corresponds to such a scheme as is mentioned in paragraph (a), (b) or (c) of subsection (1) above.”

- (8) Schedule 2 to this Act shall have effect with respect to the deductions and exception referred to in Cases I and II of Schedule E as substituted by subsection (1) above.
- (9) This section has effect for the year 1974-75 and subsequent years of assessment; but tax shall not be chargeable for any of those years under Case III of Schedule E on emoluments which, if this section had had effect for earlier years, would have fallen under Case I or Case II.

22 Foreign pensions or annuities

- (1) In section 122 of the Taxes Act paragraph (c) of subsection (2) (remittance basis for income arising from foreign pension) shall be omitted; but in charging any income arising from a pension which would have fallen under that paragraph a deduction of one-tenth of its amount shall be allowed unless it is the income of a person falling under paragraph (a) of that subsection.
- (2) Where any income chargeable in accordance with subsection (1) above arises from a pension payable under any special provision made by the law of the Federal Republic of Germany or any part of it or of Austria for victims of National-Socialist persecution, the deduction to be made under that subsection shall be equal to one-half instead of one-tenth of the amount of the income.
- (3) A deduction of one-tenth of its amount shall also be allowed in charging any pension or annuity to tax under paragraph 4 of Schedule E.
- (4) In section 53(5) of the Finance Act 1973 (change of source of payment not to affect liability to tax) paragraph (a) (limitation to pensions chargeable under Case V of Schedule D) shall be omitted.
- (5) This section has effect for the year 1974-75 and subsequent years of assessment; and where, as a result of subsection (1) of this section, the particulars required by a notice given under section 8 of the Taxes Management Act 1970 before the commencement of this Act are insufficient a further notice under that section may be given, but limited to such further particulars as may be required for the purposes of this section.

23 Income from trade, etc. carried on abroad

- (1) In section 122 of the Taxes Act paragraph (b) of subsection (2) (remittance basis for income derived from trade, profession or vocation carried on abroad) shall be omitted and any income which would have fallen under that paragraph shall, unless it is the income of a person falling under paragraph (a) of that subsection, be computed in accordance with the rules applicable to Cases I and II of Schedule D, and subsection (1) (a) of that section shall not apply to it.
- (2) Subject to the following provisions of this section—
 - (a) the following provisions of the Taxes Act (so far as applicable) namely, sections 168 to 172 and 174 shall apply in relation to a loss incurred by any person in the year 1973-74 or a subsequent year of assessment in the carrying on of a trade, profession or vocation chargeable in accordance with subsection (1) above as they apply to a loss incurred in a trade, profession or vocation chargeable to tax under Case I or Case II of Schedule D ; and

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- (b) the Capital Allowances Act 1968 and Part III of the Finance Act 1971 shall apply in relation to such a trade, profession or vocation as is first mentioned in paragraph (a) above as they apply to one such as is last mentioned therein.
- (3) In charging the income from any trade, profession or vocation in accordance with subsection (1) above there shall be allowed a deduction of one-quarter of the amount of that income and the like deduction shall be made from any charge made by virtue of subsection (2)(b) above; and any relief given by virtue of subsection (2) above in respect of the amount of any loss or allowance shall be confined to tax on three-quarters of that amount.
- (4) Relief shall not be given by virtue of subsection (2)(a) above except on income in the charging of which to tax a deduction is to be allowed under this section or section 22 of, or Schedule 2 to, this Act.
- (5) This section has effect for the year 1974-75 and subsequent years of assessment; and where, as a result of this section, the particulars required by a notice given under section 8 of the Taxes Management Act 1970 before the commencement of this Act are insufficient a further notice under that section may be given, but limited to such further particulars as may be required for the purposes of this section.
- (6) Nothing in this section shall be taken—
 - (a) to permit any capital allowances to be made for a year earlier than the year 1974-75 and carried forward to that or a subsequent year ; or
 - (b) to apply sections 115 to 118 or section 154 of the Taxes Act (basis of assessment and change in ownership of trade, etc.) in relation to income chargeable under Case V of Schedule D but computed in accordance with subsection (1) above.
- (7) Where tax on the income from any trade, profession or vocation is chargeable for the year 1974-75 in accordance with subsection (1) above and would not, apart from this subsection, be computed on the income arising in that year, then, if the person charged so requires by notice in writing given to the inspector not later than six years after the end of that year, the tax shall be computed on the amount of the income so arising, and such adjustments shall be made, whether by repayment of tax, assessment or otherwise, as may be necessary to give effect to this subsection.

24 Returns of persons treated as employees

Where a person performs in the United Kingdom for a continuous period of not less than thirty days duties of an office or employment and—

- (a) the office or employment is under or with a person resident outside and not resident in the United Kingdom; but
- (b) the duties are performed for the benefit of a person resident or carrying on a trade, profession or vocation in the United Kingdom ;

section 15 of the Taxes Management Act 1970 (return of employees) except paragraph (b) of subsection (1) (payments made in respect of employment) shall apply as if the person performing the duties were employed by the person for whose benefit they are performed; and any notice given to him under section 8 of the Taxes Management Act 1970 may require a return of his income to include particulars of any emoluments paid to him, whether or not tax is chargeable on them.

25 Sub-contractors in construction industry

- (1) In section 30 of the Finance Act 1971 (exceptions from section 29) in subsection (3) for the words " a certificate " onwards there shall be substituted the words " on such an application a separate certificate may be issued in respect of the firm to each of the partners ".
- (2) In subsection (7) of the said section 30, at the end of paragraph (d) (power to make regulations requiring production of certificates) there shall be added the words " and providing for the completion and delivery of forms supplied by the Board certifying such production ".
- (3) A person to whom a certificate is issued under the said section 30 shall take all reasonable steps to ensure its safe custody; and any person who, without lawful authority or excuse—
 - (a) disposes of any such certificate or any form supplied by the Board in connection with regulations made by virtue of subsection (7)(d) of that section, or
 - (b) possesses such a certificate or form or any document purporting to be such a certificate or form,shall be liable on summary conviction to a fine not exceeding £500.
- (4) Notwithstanding any enactment prescribing the period within which summary proceedings may be commenced, proceedings for an offence under subsection (6) of the said section 30 or under subsection (3) above may be commenced at any time within three years from the commission of the offence.

26 Life insurance companies

- (1) The following provisions of this section shall have effect in relation to any accounting period of an insurance company carrying on life assurance business which falls wholly after 31st March 1973 and any part falling after that date of such an accounting period beginning before and ending after that date.
- (2) The policy holders' share of the life assurance gains shall not be reduced under section 93(2) of the Finance Act 1972, but corporation tax charged on so much of that share as remains after setting against it the amounts referred to in subsection (3) (c) below shall be calculated as if the rate of corporation tax were whichever of the following is the less—
 - (a) the rate at which capital gains tax is chargeable under section 20(3) of the Finance Act 1965 for the year of assessment in which the accounting period ends; and
 - (b) 37.5 per cent.
- (3) For the purposes of this section there shall be ascertained the policy holders' share and the remainder (in this subsection referred to as the residual part) of the life assurance gains and of the relevant reliefs ; and—
 - (a) the residual part of the relevant reliefs shall be set against so much of the residual part of those gains as remains after reducing it in accordance with section 93(2) of the Finance Act 1972 ; and
 - (b) if the residual part of the relevant reliefs exceeds the residual part, as so reduced, of those gains, the excess (or so much of it as does not, together with the policy holders' share of the relevant reliefs, exceed the policy holders'

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share of those gains) shall be added to the policy holders' share of the relevant reliefs ; and

- (c) the policy holders' share of the relevant reliefs, with any addition made under paragraph (b) above, shall be set against the policy holders' share of the life assurance gains.

(4) For the purposes of this section—

- (a) the life assurance gains are such part of the amount to be included, in accordance with section 265 of the Taxes Act, in the company's total profits as is attributable to gains from investments held in connection with the company's life assurance business ;
- (b) the policy holders' share of the life assurance gains or of the relevant reliefs is such fraction thereof as is equal to the fraction of the profits of the company in respect of its life assurance business which, under section 309 of the Taxes Act, is excluded from the computation of those profits or would be so excluded if the profits were computed in accordance with the provisions applicable to Case I of Schedule D; and
- (c) the relevant reliefs are such of the sums to be deducted from or set off against the company's profits as are deducted from or set off against the life assurance gains.

(5) Section 322 of the Taxes Act (deduction of tax from chargeable gains) shall have effect as if the proviso to subsection (3) thereof had not been included among the repeals made by the Finance Act 1972; and section 93(8) of that Act (which modified that subsection) shall cease to have effect.

27 Friendly societies

(1) Where this section applies to a registered friendly society—

- (a) section 332(1) of the Taxes Act shall not exempt the society from income tax or corporation tax on its profits arising after 26th March 1974 otherwise than from life or endowment business ; and
- (b) if the society, after 26th March 1974 or such later date as may be specified in a direction under this section, makes a payment to a member in respect of his interest in the society and the payment is made otherwise than in the course of life or endowment business and exceeds the aggregate of any sums paid by him to the society by way of contributions or deposits, after deducting from that aggregate the amount of—

- (i) any previous payment so made to him by the society after that date, and

- (ii) any earlier repayment of such sums paid by him,

the excess shall be treated for the purposes of corporation tax and income tax as a qualifying distribution.

(2) This section applies to any society registered after 31st May 1973 unless—

- (a) its business is limited to the provision, in accordance with the rules of the society, of benefits for or in respect of employees of a particular employer or such other group of persons as is for the time being approved for the purposes of this section by the registrar; or
- (b) it was registered before 27th March 1974 and its rules limit the aggregate amount which may be paid by a member by way of contributions and deposits

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to not more than £1 per month or such greater amount as the registrar may authorise for the purposes of this section;

and also applies to any society registered before 1st June 1973 with respect to which a direction under the following provisions of this section is in force.

- (3) If a friendly society registered before 1st June 1973 begins after 26th March 1974 to carry on business other than life or endowment business or, in the opinion of the registrar, begins to carry on business other than life or endowment business on an enlarged scale or of a new character, and it appears to the registrar, having regard to the restrictions imposed by this section on friendly societies registered later, that for the protection of the revenue it is expedient to do so, he may serve a notice on the society referring to the provisions of this subsection and stating that he is considering the question whether, for the protection of the revenue, it is expedient to give a direction that this section shall apply to the society as from such date as may be specified in the notice, being the date when in the opinion of the registrar the relevant change in the society's activities took place.
- (4) The registrar shall consider any representations or undertakings made or offered to him by the society within the period of one month from service of the notice, and if the society so requests shall afford it an opportunity of being heard by him not later than three weeks after the end of that period.
- (5) If, after consideration of any such representations or undertakings, the registrar remains of the opinion that it is expedient to do so, he shall direct that this section shall apply to the society as from the date specified in the notice, but subject to any further direction given by him cancelling that direction.
- (6) A friendly society may, within one month from the giving of a direction under this section, appeal against it to the court to which or person to whom it might appeal under section 77A of the Friendly Societies Act 1896 or section 81 of the Friendly Societies Act (Northern Ireland) 1970 against cancellation of its registration.
- (7) For the purposes of this section a registered friendly society formed on the amalgamation of two or more friendly societies shall be treated as registered before 1st June 1973 if at the time of the amalgamation this section did not apply to any of the societies amalgamated, but otherwise shall be treated as registered at that time.
- (8) In this section—
 - " life or endowment business " has the same meaning as in Chapter III of Part XII of the Taxes Act;
 - " the registrar " means the Chief Registrar of Friendly Societies or the assistant registrar for Scotland or the registrar having corresponding functions under the law of Northern Ireland;and references to a friendly society include references to any branch of the society.
- (9) In section 335 of the Taxes Act, in subsection (4) the words from " but " to the end shall be omitted; and after that subsection there shall be inserted the following subsection—
 - “(4A) A friendly society may, within one month from the giving of a direction under this section, appeal against it to the court to which or person to whom it might appeal under section 77A of the Friendly Societies Act 1896 or section 81 of the Friendly Societies Act (Northern Ireland) 1970 against cancellation of its registration.”

28 Trade unions

- (1) In section 338 of the Taxes Act (exemption for trade unions)—
- (a) references to a registered trade union shall be construed as including references to a trade union entered in the list of trade unions maintained under the Trade Union and Labour Relations Act 1974 ; and
 - (b) in subsection (2) (definition of " provident benefits " by reference to registered rules) the word " registered" shall be omitted.
- (2) Section 123(2) of the Finance Act 1972 (which restricts the exemption conferred by section 338 of the Taxes Act) shall cease to have effect.

29 Depreciatory transactions

In relation to any disposal made (within the meaning of section 280 of the Taxes Act) after 26th March 1974 subsection (5) of that section (measure of reduction of allowable loss) shall have effect as if the words " if and so far as the effect of the transaction was to increase the value of the assets of any other member of the group " were omitted.

30 Transactions in deposits without certificate or in debts

- (1) Where, in a transaction in which no certificate of deposit or security (within the meaning of paragraph 5 of Schedule 7 to the Finance Act 1965) is issued, an amount becomes payable with interest and the person liable to pay it is a bank or similar institution or a person regularly engaging in similar transactions, then if the right to receive the amount or the interest on it is disposed of or the right to receive the amount is exercised (whether by the person who acquires it in the transaction or by some person acquiring it directly or indirectly from him), any profits or gains arising from the disposal or exercise shall, if not falling to be taken into account as a trading receipt, be treated as annual profits or gains chargeable to tax under Case VI of Schedule D.
- (2) Subsections (2) to (4) of section 26 of the Finance Act 1973 (which contain supplementary provisions with respect to transactions in certificates of deposit) shall, with the necessary modifications, apply for the purposes of this section.
- (3) This section does not apply in relation to the disposal or exercise of any right to receive an amount or interest on it, if the transaction in which the amount became payable was entered into on or before 7th December 1973 and the disposal or exercise takes place not later than the time at which the right arose or would have arisen but for any transaction entered into after that date.

31 Replacement of business assets

Section 33 of the Finance Act 1965 (replacement of business assets) shall be amended by adding after paragraph (d) of subsection (10) the words "and

- (e) in relation to the activities of an unincorporated association or other body chargeable to corporation tax, being a body not established for profit whose activities are wholly or mainly carried on otherwise than for profit, but in the case of assets within head A of class 1 in subsection (6) above only if they are both occupied and used by the body, and in the case of other assets only if they are used by the body;"

32 Disposals of shares in unit trusts, investment trusts and funds in court

In relation to gains accruing on disposals after 5th April 1974 section 112 of the Finance Act 1972 (reduction of tax liability on certain disposals of shares in unit trusts, investment trusts and funds in court) shall have effect as if for the references in paragraphs (b) and (c) of subsection (3) to 15 per cent, there were substituted references to 16 ½ per cent.

33 Reduced rate of capital gains tax for certain unit trusts and for funds in court

Section 113 of the Finance Act 1972 shall have effect for the year 1974-75 and subsequent years of assessment as if the rate specified in it were 16 ½ per cent, instead of 15 per cent.

34 Transfer of business on retirement

For references to the amounts of ten thousand pounds and two thousand pounds in section 34(1) of the Finance Act 1965 there shall, as regards disposals made after 2nd July 1974, be substituted references to the amounts of twenty thousand pounds and four thousand pounds respectively.

35 Interest paid to directors and directors' associates

- (1) As from 1st April 1974 section 285(4) of the Taxes Act (overall limit beyond which interest paid by close company to directors with material interest or their associates is treated as distribution) shall have effect as if the rate of interest specified therein were 12 per cent, per annum ; and the Treasury may by order provide that as from such later date as may be specified in the order that section shall have effect as if that rate were such rate as may be so specified.
- (2) Where an accounting period begins before and ends on or after the date as from which a change takes effect by virtue of subsection (1) above, a separate overall limit shall be worked out for the part of the accounting period ending before that date and the part beginning on that date ; and its amount shall be such proportion of the overall limit for the whole period (calculated in the first case at the rate before the change and, in the second, at the rate after the change) as is equal to the proportion which the amount of the relevant interest paid in that part bears to the amount of the relevant interest paid in the whole of the period.
- (3) In this section " interest" and " paid " have the same meanings as in section 285 of the Taxes Act and " relevant interest" means interest paid as mentioned in subsection (1) of that section.
- (4) An order under this section shall be made by statutory instrument and may be varied or revoked by a subsequent order; but no such order shall be made unless a draft of it has been laid before and approved by resolution of the House of Commons.

36 Amendment of Taxes Act section 243

In section 243(5) of the Taxes Act (assessment before corporation tax is charged for the year in question) after the words " according to the rate of tax " there shall be inserted the words " and the other rates and the fractions ".

37 Tax on company in liquidation

- (1) In section 245 of the Taxes Act there shall be substituted, for subsections (2) and (3), subsections (2) and (3) set out below and, for subsection (7), subsections (7) to (9) set out below:—

“(2) Subject to subsection (3) below—

- (a) corporation tax shall be charged on the profits of the company arising in the winding-up in its final year at the rate of corporation tax fixed or proposed for the penultimate year, and the amount of chargeable gains to be included in those profits shall be reduced by such fraction fixed or proposed for the penultimate year as is applicable under section 93 of the Finance Act 1972; but
- (b) where the corporation tax charged on the company's income included in those profits falls to be calculated or reduced in accordance with section 95 or section 96 of the Finance Act 1972 it shall be so calculated or reduced in accordance with such rate or fraction fixed or proposed for the penultimate year as is applicable under that section.

- (3) If, before the affairs of the company are completely wound up, any of the rates or fractions mentioned in subsection (2) above has been fixed or proposed for the final year, that subsection shall have effect in relation to that rate or fraction as if for the references to the penultimate year there were substituted references to the final year.

- (7) References in this section to a rate or fraction fixed or proposed are references to a rate or fraction fixed by an Act passed before the completion of the winding-up or, if not so fixed, proposed by a Budget resolution (and without regard to any subsequent Act); except that if a rate or fraction so fixed is proposed to be altered by a Budget resolution any such reference to it is a reference to it as proposed to be so altered.

In this subsection " Budget resolution " means a resolution of the House of Commons for fixing any such rate or fraction as is mentioned in this section.

- (8) Where the winding-up commenced before the company's final year, paragraphs (a) and (b) of subsection (2) (but not subsection (3)) above shall apply in relation to the company's profits arising at any time in its penultimate year.

- (9) Any assessment made by virtue of section 243(5) above shall be subject to any such adjustment by discharge or repayment of tax or by a further assessment as may be required to give effect to this section.”

- (2) Advance corporation tax on a distribution made by a company in the financial year in which its affairs are completely wound up shall, if the winding-up is completed before the rate of advance corporation tax for that year has been fixed by an Act, be computed at the rate proposed for that year by a resolution of the House of Commons and without regard to any Act passed subsequently, but subject to section 103(5) of the Finance Act 1972 (distributions made on or before 5th April); and where advance corporation tax has, under section 103(1) of that Act, been paid or assessed according to the rate last fixed, the necessary adjustment shall be made by discharge or repayment of tax or by a further assessment.