



Finance (No. 2) Act 1983

1983 CHAPTER 49

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

1 Basic rate limit, higher rate bands and investment income threshold

For the year 1983-84 income tax shall be charged—

- (a) in respect of so much of an individual's total income as exceeds £14,600 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 £7,100 at the additional rate of 15 per cent.

TABLE

<i>Part of excess over £14,600</i>	<i>Higher rate</i>
The first £2,600	40 per cent.
The next £4,600	45 per cent.
The next £7,100	50 per cent.
The next £7,100	55 per cent.
The remainder	60 per cent.;

and subsection (1) of section 32 of the Finance Act 1971 (charge of income tax) shall have effect accordingly.

2 Corporation tax: small companies

- (1) In section 13 of the Finance Act 1983, for the words "seventy-fifths" there shall be substituted the words " two-hundredths ".

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- (2) For the financial year 1982 and subsequent financial years subsection (3) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall have effect with the substitution for any reference to £90,000 of a reference to £100,000 and with the substitution for any reference to £225,000 of a reference to £500,000.
- (3) Where, by virtue of subsection (2) above, the said section 95 has effect with different relevant amounts in relation to different parts of the same accounting period, those parts shall be treated for the purposes of that section as if they were separate accounting periods and the profits and income of the company for that period (as defined in that section) shall be apportioned between those parts.

3 Relief for interest

- (1) For the year 1983-84, the limit referred to in sub-paragraph (1) of paragraph 5 of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land) shall be £30,000, subject to any reduction falling to be made under that paragraph; and accordingly, for that year, for any reference in that sub-paragraph to £25,000 there shall be substituted a reference to £30,000.
- (2) For the year 1983-84, in paragraph 24(3) of that Schedule (loans to purchase life annuities) for any reference to £25,000 there shall be substituted a reference to £30,000.

4 Loans obtained by reason of employment

At the end of Part III of Schedule 8 to the Finance Act 1976 (taxation of benefit from loans obtained by reason of employment: exceptions where interest eligible for relief) there shall be added the following paragraphs: —

- “12 (1) If, in the year 1983-84 or any subsequent year of assessment.—
- (a) a person has a loan on which no interest is paid and of which the benefit was obtained by reason of his or any other person's employment (in this paragraph referred to as " the employer's loan "), and
 - (b) that person or his wife or husband has another loan which was made later than, or at the same time as, the employer's loan and interest on which is, in whole or in part, eligible for relief,

then, for the purposes of determining whether, had interest been paid on the employer's loan at the official rate, the whole or any part of that interest would have been eligible for relief, Schedule 1 to the Finance Act 1974 shall have effect as if the employer's loan were made after any other loan which falls within paragraph (b) above and which, in the context of the application of Part I of Schedule 9 to the Finance Act 1972, relates to the same land, caravan or house boat as does the employer's loan.

- (2) Where such a loan is made as is mentioned in paragraph (b) of sub-paragraph (1) above, Schedule 1 to the Finance Act 1974 has effect in accordance with that sub-paragraph with respect to so much of the interest referred to therein as would be paid on and after the day on which the loan is made; and paragraph 11(3) above shall have effect for the purpose of determining how much of that interest would have been eligible for relief.

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- 13 (1) Where in any year a person has, alone or together with his wife or husband, two or more loans—
- (a) on which no interest is paid, and
 - (b) which, assuming the application of Part I of Schedule 9 to the Finance Act 1972, would relate, in the context of that Part, to the same land, caravan or house boat,
- then, for the purpose of determining whether, had interest been paid on any of those loans, it would, in whole or in part, have been eligible for relief, it shall be assumed in the first instance that those loans constitute a single loan (equal in amount to the aggregate of the actual loans) and to the extent that, had interest been paid on that single loan, it would have been eligible for relief, the relief shall then be attributed first to the earliest of the actual loans and, if all the relief is not thereby attributed, the balance shall be attributed to the next in time and so on with any of the balance remaining until the relief is wholly attributed.
- (2) Nothing in sub-paragraph (1) above affects the operation of paragraph 12 above in relation to the priority which it gives to a loan falling within sub-paragraph (1)(b) of that paragraph, but any question which of two or more loans falling within sub-paragraph (1) above is the earlier shall be determined without regard to that paragraph.
- 14 References in paragraphs 12 and 13 above to a husband or wife do not include references to a separated husband or wife.”

5 Relief for investment in corporate trades

- (1) Schedule 1 to this Act shall have effect for the purpose of making miscellaneous amendments of Part I of Schedule 5 to the Finance Act 1983 (relief for investment in corporate trades).
- (2) The amendments made by Schedule 1 to this Act shall be deemed to have been incorporated in Part I of Schedule 5 as originally enacted.

6 Allowances for dwelling-houses let on assured tenancies

- (1) In Schedule 12 to the Finance Act 1982 (capital allowances for dwelling-houses let on assured tenancies) in paragraph 4(5)(c) for the words from " there were " to " both " there shall be substituted the words " and the word 'if preceding them there were substituted the words ' unless both " .
- (2) The amendment made by subsection (1) above shall be deemed always to have had effect, except that it shall not affect the validity of any election under paragraph 4 of Schedule 7 to the Capital Allowances Act 1968 which was made before 1st April 1983 in reliance on the provisions of paragraph 4(5)(c) of Schedule 12 to the Finance Act 1982, as originally enacted.
- (3) In subsection (4) of section 34 of the Capital Gains Tax Act 1979 (definition of "capital allowance") at the end of paragraph (a) there shall be inserted the following paragraph: —
 - “(aa) an allowance under Schedule 12 to the Finance Act 1982”.

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- (4) The amendment made by subsection (3) above shall be deemed always to have had effect, except that it shall not affect the computation under Chapter II of Part II of the Capital Gains Tax Act 1979 of the amount of any loss accruing on a disposal before 1st April 1983.
- (5) In paragraph 3 of Schedule 12 to the Finance Act 1982 (definition of "qualifying dwelling-house") in sub-paragraph (3)(a) after the words " unless the landlord " there shall be inserted the words " is a company and either ".
- (6) The amendment made by subsection (5) above shall have effect in relation to—
 - (a) expenditure incurred on or after 5th May 1983 otherwise than pursuant to a contract entered into before that date by the person incurring the expenditure, and
 - (b) expenditure which, by virtue of paragraph 8 of Schedule 12 to the Finance Act 1982, is deemed to be incurred on or after that date,
 and also in any case where a person other than a company becomes entitled to the relevant interest, within the meaning of that Schedule, on or after that date.

7 **Relief for local constituency associations of political parties on reorganisation of constituencies**

- (1) In this section " relevant date " means the date of coming into operation of an Order in Council under section 3 of the House of Commons (Redistribution of Seats) Act 1949 (orders specifying new parliamentary constituencies) and, in relation to any relevant date.—
 - (a) " former parliamentary constituency " means an area which, for the purposes of parliamentary elections, was a constituency immediately before that date but is no longer such a constituency after that date ; and
 - (b) " new parliamentary constituency " means an area which, for the purposes of parliamentary elections, is a constituency immediately after that date but was not such a constituency before that date.
- (2) In this section " local constituency association " means an unincorporated association (whether described as an association, a branch or otherwise) whose primary purpose is to further the aims of a political party in an area which at any time is or was (he same or substantially the same as the area of a parliamentary constituency or two or more parliamentary constituencies and, in relation to any relevant date.—
 - (a) "existing association" means a local constituency association whose area was the same, or substantially the same, as the area of a former parliamentary constituency or two or more such constituencies ; and
 - (b) " new association " means a local constituency association whose area is the same, or substantially the same, as the area of a new parliamentary constituency or two or more such constituencies.
- (3) For the purposes of this section, a new association is a successor to an existing association if any part of the existing association's area is comprised in the new association's area.
- (4) In any case where, before, on or after a relevant date.—
 - (a) an existing association disposes of land to a new association which is a successor to the existing association, or

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- (b) an existing association disposes of land to a body (whether corporate or unincorporated) which is an organ of the political party concerned and, as soon as practicable thereafter, that body disposes of the land to a new association which is a successor to the existing association,
- the parties to the disposal or, where paragraph (b) above applies, to each of the disposals, shall be treated for the purposes of corporation tax in respect of chargeable gains or, as the case may require, capital gains tax as if the land disposed of were acquired from the existing association or the body making the disposal for a consideration of such an amount as would secure that on the disposal neither a gain nor a loss accrued to that association or body.
- (5) In a case falling within subsection (4) above, the new association shall be treated for the purposes of Schedule 5 to the Capital Gains Tax Act 1979 (assets held on 6th April 1965) as if the acquisition by the existing association of the land disposed of as mentioned in that subsection had been the new association's acquisition of it; and in paragraph 3 of Schedule 13 to the Finance Act 1982 (indexation: subsequent disposals following a no gain /no loss disposal) at the end of sub-paragraph (3) there shall be added—
- “(d) subsection (4) of section 7 of the Finance (No. 2) Act 1983”.
- (6) In any case where—
- (a) before, on or after a relevant date, an existing association disposes of any land which was used and occupied by it for the purposes of its functions, and
- (b) the existing association transfers the whole or part of the proceeds of the disposal to a new association which is a successor to the existing association,
- then, subject to subsection (7) below, the Capital Gains Tax Act 1979 (and, in particular, the provisions of sections 115 to 121 providing for roll-over relief on the replacement of business assets) shall have effect as if, since the time it was acquired by the existing association, the land disposed of had been the property of the new association and, accordingly, as if the disposal of it had been by the new association.
- (7) If, in a case falling within subsection (6) above, only part of the proceeds of the disposal is transferred to the new association, that subsection shall apply—
- (a) as if there existed in the land disposed of as mentioned in paragraph (a) of that subsection a separate asset in the form of a corresponding undivided share in that land, and subject to any necessary apportionments of consideration for an acquisition or disposal of, or of an interest in, that land ; and
- (b) as if the references in that subsection (other than paragraph (a) thereof) to the land disposed of and the disposal of it were references respectively to the corresponding undivided share referred to in paragraph (a) above and the disposal of that share ;
- and for this purpose a corresponding undivided share in the land disposed of is a share which bears to the whole of that land the same proportion as the part of the proceeds transferred bears to the whole of those proceeds.
- (8) In this section " political party " means a political party which qualifies for exemption under paragraph 11 of Schedule 6 to the Finance Act 1975 (gifts to political parties).
- (9) This section applies in any case where the relevant date falls after 1st January 1983 and the disposal referred to in subsection (4) or subsection (6) above is on or after 6th April 1983.