



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART III

PROVISIONS RELATING TO THE SCHEDULE C CHARGE AND GENERAL PROVISIONS ABOUT GOVERNMENT SECURITIES

General

44 Income tax: mode of charge.

- (1) ^{M1}Income tax under Schedule C shall be charged by the Board, and shall be paid on behalf of the persons entitled to the profits, dividends or proceeds which are the subject of the tax—
- (a) in the case of tax charged under paragraph 1 of that Schedule, by the persons and bodies of persons respectively entrusted with payment;
 - (b) in the case of tax charged under paragraph 2 of that Schedule, by the Bank of England;
 - (c) in the case of tax charged under paragraph 3 or 4 of that Schedule, by the banker or other person, or by the banker or dealer in coupons, as the case may be.
- (2) Schedule 3 shall have effect in relation to the assessment, charge and payment of income tax under Schedule C.

Marginal Citations

M1 SOURCE-1970 s. 94

45 Interpretation of Part III.

^{M2}In this Part—

“banker” includes a person acting as a banker;

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“coupons” and “coupons for any overseas public revenue dividends” include warrants for and bills of exchange purporting to be drawn or made in payment of any overseas public revenue dividends;

“dividends” means any interest, public annuities, dividends or shares of annuities;

[^{F1}“overseas public revenue dividends” means public revenue dividends payable out of any public revenue other than that of the United Kingdom;]

“public revenue”, except where the context otherwise requires, includes the public revenue of any government whatsoever, and the revenue of any public authority or institution in any country outside the United Kingdom; and

“public revenue dividends” means dividends payable out of any public revenue.

Textual Amendments

- F1** 1988(F) s.76(2) with respect to payments obtained on or after 29 July 1988. Previously ““overseas public revenue dividends” means public revenue dividends payable elsewhere than in the United Kingdom (whether they are also payable in the United Kingdom or not) out of any public revenue other than public revenue of the United Kingdom;”.

Marginal Citations

- M2** SOURCE-1970 s. 107, Sch. 5 para. 14

Government securities: exemptions from tax

46 Savings certificates and tax reserve certificates.

- (1) ^{M3}Subject to subsections (3) to (6) below, income arising from savings certificates shall not be liable to tax.
- (2) ^{M4}Tax shall not be chargeable in respect of the interest on tax reserve certificates issued by the Treasury.
- (3) ^{M5}Subsection (1) above does not apply to any savings certificates which are purchased by or on behalf of a person in excess of the amount which a person is for the time being authorised to purchase under regulations made by the Treasury or, as respects Ulster Savings Certificates, by the Department of Finance and Personnel.
- (4) Subsection (1) above does not apply to Ulster Savings Certificates unless—
 - (a) the holder is resident and ordinarily resident in Northern Ireland when the certificates are repaid; or
 - (b) the certificates were purchased by him and he was so resident and ordinarily resident when they were purchased.
- (5) A claim under this section in respect of Ulster Savings Certificates shall be made to the Board.
- (6) In this section “savings certificates” means savings certificates issued under section 12 of the ^{M6}National Loans Act 1968 or section 7 of the ^{M7}National Debt Act 1958 or Section 59 of the ^{M8}Finance Act 1920 and any war savings certificates as defined in section 9(3) of the ^{M9}National Debt Act 1972, together with any savings

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certificates issued under any corresponding enactment forming part of the law of Northern Ireland.

Modifications etc. (not altering text)

C1 *And see, as regards Ulster Savings Certificates, Part III Vol.5.*

Marginal Citations

M3 SOURCE-1981 S. 34(1)
M4 SOURCE-1970 s. 98
M5 SOURCE-1981 s. 34(2)–(5); 1979 (C) s. 71(2)(a)
M6 1968 c. 13.
M7 1958 c.6.
M8 1920 c.18.
M9 1972 c. 65.

47 United Kingdom government securities held by non-residents.

- (1) ^{M10}The interest on securities which—
- (a) the Treasury have power to issue for the purpose of raising any money or any loan with a condition that the interest thereon shall not be liable to income tax so long as it is shown that the securities are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom, and
 - (b) have been issued with such a condition,
- shall, subject to subsection (3) below, be exempt from tax accordingly.
- (2) A claim under this section shall be made to the Board.
- (3) Where any income of any person is, by virtue of any provision of the Tax Acts (and, in particular, but without prejudice to the generality of the preceding words, by virtue of Chapter III of Part XVII) to be deemed to be income of any other person, that income is not exempt from tax as being derived from a security issued by the Treasury with any condition regulating the treatment of the interest thereon for tax purposes by reason of the first-mentioned person not being ordinarily resident, or being neither domiciled nor ordinarily resident, in the United Kingdom.

Marginal Citations

M10 SOURCE-1970 s. 99

48 Securities of foreign states.

- (1) ^{M11}Subject to subsection (3) below, no tax shall be chargeable in respect of—
- (a) dividends payable in the United Kingdom on the securities of any state or territory outside the United Kingdom, or
 - (b) any dividends or proceeds chargeable apart from this subsection under paragraph 3 or 4 of Schedule C,
- if it is proved, on a claim in that behalf made to the Board, that the person owning the securities and entitled to the dividends or proceeds is not resident in the United Kingdom.

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(2) Where—

- (a) securities are held under a trust, and
- (b) the person who is the beneficiary in possession is the sole beneficiary in possession and can, by means either of revocation of the trust or of the exercise of any powers under the trust, call upon the trustees at any time to transfer the securities to him absolutely free from any trust,

that person shall for the purposes of subsection (1) above be deemed to be the person owning the securities.

(3) Where any income of any person is, by virtue of any provision of the Tax Acts (and in particular, but without prejudice to the generality of the preceding words, by virtue of Chapter III of Part XVII) to be deemed to be income of any other person, that income is not exempt from tax by virtue of this section by reason of the first-mentioned person not being resident in the United Kingdom.

(4) ^{M12}Paragraph 1 of Schedule C shall not apply, in the case of dividends payable out of any public revenue other than the public revenue of the United Kingdom, if the securities in respect of which the dividends are payable are held in a recognised clearing system.

Marginal Citations

- M11** SOURCE-1970 s. 100
M12 SOURCE-1986 s. 48(1)

49 Stock and dividends in name of Treasury etc.

(1) ^{M13}No tax shall be chargeable in respect of the stock or dividends transferred to accounts in the books of the Bank of England in the name of the Treasury or the National Debt Commissioners in pursuance of any Act of Parliament, but the Bank of England shall transmit to the Board an account of the total amount thereof.

(2) No tax shall be chargeable in respect of the stock or dividends belonging to the Crown, in whatever name they may stand in the books of the Bank of England.

Marginal Citations

- M13** SOURCE-1970 s. 106(1), (2)

Government securities: interest payable without deduction of tax

50 United Kingdom securities: Treasury directions for payment without deduction of tax.

- (1) ^{M14}The Treasury may direct that any of the following securities, that is to say—
- (a) any securities issued under the War Loan Acts 1914 to 1919 or under section 60 of the ^{M15}Finance Act 1916;
 - (b) any securities issued or deemed to be issued under the ^{M16}National Loans Act 1939 or issued under the ^{M17}National Loans Act 1968;

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- (c) any government stock issued under section 1 of the ^{M18}Bank of England Act 1946, section 1 of the ^{M19}Cable and Wireless Act 1946, section 65(1) of the ^{M20}Town and Country Planning Act 1947 or section 62(1) of the ^{M21}Town and Country Planning (Scotland) Act 1947; and
- (d) any such stock as is mentioned in section 33(1) of the ^{M22}Coal Industry Nationalisation Act 1946 or section 26(1) of the ^{M23}Iron and Steel Act 1967;
- shall be issued, or shall be deemed to have been issued, subject to the condition that the interest thereon shall be paid without deduction of income tax; and subject to the provisions of this section the interest shall be so paid accordingly, but shall be chargeable under Case III of Schedule D.
- (2) ^{M24}The holder of any registered securities the interest on which is by virtue of directions given under subsection (1) above payable without deduction of tax may make an application to the Bank under this subsection requesting that income tax shall be deducted from the interest on those securities before payment thereof.
- (3) Where any such application is made, income tax in respect of the interest on those securities shall, so long as they remain registered in the name of the applicant and subject to the withdrawal of the application under subsection (5) below, be deducted and charged in the same manner as if they were not securities to which subsection (1) above applied.
- (4) ^{M25}An application under subsection (2) above shall be made in such form as the Bank with the approval of the Treasury may prescribe, and any application made less than two months before the date on which a payment of interest falls due shall only have effect as regards any payment of interest subsequent to that payment.
- (5) An application made under subsection (2) above may at any time be withdrawn by notice to the Bank in such form as the Bank may with the approval of the Treasury prescribe, but an application so withdrawn shall, notwithstanding the withdrawal, continue to have effect as regards any interest payable less than two months after the date the notice is received at the Bank.
- (6) Where any securities to which subsection (2) above applies are held on trust, the holders of the securities may make an application under that subsection in respect thereof without the consent of any other person, notwithstanding anything in the instrument creating the trust.
- (7) In this section—
- “the Bank” means the Bank of England or the Bank of Ireland as the case requires, and
- “registered” means entered in the register of the Bank.

Marginal Citations

- M14** SOURCE-1970 s. 101(1)
- M15** 1916 c. 89.
- M16** 1939 c. 117.
- M17** 1968 c. 13.
- M18** 1946 c. 46.
- M19** 1946 c. 82.
- M20** 1947 c. 51.
- M21** 1947 c. 53.
- M22** 1946 c. 59.

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M23 1967 c. 17.

M24 SOURCE-1970 s. 101(2)

M25 SOURCE-1970 s. 101(3)–(6)

51 Treasury directions as respects Northern Ireland securities.

- (1)^{M26}The Treasury may, on the application of the Department of Finance and Personnel, as respects any securities to which this section applies, direct that the securities specified in the direction shall be issued, or shall be deemed to have been issued, subject to the condition that the interest thereon shall be paid without deduction of income tax; and in relation to any securities so specified and the interest thereon, section 50 shall have effect as if—
- (a) the securities were securities in respect of which a direction had been given by the Treasury under subsection (1) of that section;
 - (b) references in that section to “the Bank” were (notwithstanding subsection (7) of that section) references to the bank in the books of which the securities are registered or inscribed; and
 - (c) the references in subsections (4) and (5) of that section to the Treasury were references to the Department of Finance and Personnel.
- (2) The securities to which this section applies are securities issued under section 11(1)(c) of the^{M27}Exchequer and Financial Provisions Act (Northern Ireland) 1950 for money borrowed by the Department of Finance and Personnel for the purposes of making issues from the Consolidated Fund of Northern Ireland.

Marginal Citations

M26 SOURCE-1970 s. 102

M27 1950 c. 3 (N.I.)

VALID FROM 29/04/1996

[^{F2}51AA Commencement of direction under section 50 or 51.

A direction under section 50 or 51 that any security shall be deemed to have been issued subject to the condition that the interest thereon shall be paid without deduction of tax may provide that the direction is to have effect in relation only to payments of interest made on or after such date as may be specified in the direction.]

Textual Amendments

F2 S. 51AA inserted (29.4.1996) by Finance Act 1996 (c. 8), s. 155

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VALID FROM 01/05/1995

[^{F3}51A Gilt-edged securities held under authorised arrangements.

- (1) Subject to the provisions of any regulations under section 51B, where gilt-edged securities of an eligible person are for the time being held under arrangements that satisfy the applicable requirements—
 - (a) those securities shall be deemed to have been issued subject to the condition that the interest on them is paid without deduction of income tax; and
 - (b) that interest shall be so paid accordingly, but shall be chargeable under Case III of Schedule D.
- (2) For the purposes of this section gilt-edged securities are securities of an eligible person so long as—
 - (a) they are in the beneficial ownership of a company, local authority or local authority association or of any health service body (within the meaning of section 519A) and that company, authority, association or body is beneficially entitled to the interest on them;
 - (b) they are in the beneficial ownership of a person who does not fall within paragraph (a) above but is of any such description as may be prescribed by regulations made by the Treasury and that person is beneficially entitled to the interest on those securities;
 - (c) the circumstances in which they are held are such that any income from them is eligible for relief from tax by virtue of section 505(1)(c), or would be so eligible but for section 505(3);
 - (d) the circumstances in which they are held are such that any income from them is eligible for relief from tax by virtue of section 592(2), 608(2)(a), 613(4), 614(2), (3) or (4), 620(6) or 643(2);
 - (e) they are assets of any such trust fund as is referred to in section 83 of the ^{M28}Insurance Companies Act 1982 (premiums trust funds of members of Lloyd's); or
 - (f) the circumstances in which they are held are such that any income from them falls to be treated as the income of, or of the government of, a sovereign power or of an international organisation.
- (3) For the purposes of this section the arrangements under which any gilt-edged securities are held shall be taken to satisfy the applicable requirements if—
 - (a) such conditions as may be imposed by or under any such regulations as may be made by the Treasury are satisfied in relation to those arrangements; and
 - (b) a declaration with respect to the satisfaction of those conditions has been made in accordance with any such regulations by such person having an entitlement to or in respect of the securities as may be determined under the regulations.
- (4) The conditions that may, for the purposes of subsection (3)(a) above, be imposed by regulations under this section in relation to arrangements for the holding of any gilt-edged securities shall include—
 - (a) conditions as to the accounts in which the securities are to be held under the arrangements and as to the accounts into which interest on the securities is to be paid;

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- (b) conditions requiring persons holding the securities, or otherwise having functions under or in connection with the arrangements, to be persons of a description specified in the regulations or to be approved in accordance with the regulations;
 - (c) conditions requiring persons who, for purposes connected with the arrangements, act directly or indirectly—
 - (i) on behalf of the person beneficially entitled to the securities, or
 - (ii) on behalf of the person who holds them,
 to be persons registered with the Board in accordance with the regulations; and
 - (d) conditions as to the provision about transfers of securities held under the arrangements that is to be contained in the arrangements.
- (5) Regulations made by the Treasury for the purposes of this section may—
- (a) impose requirements in relation to any such persons as are mentioned in subsection (4)(b) and (c) above with respect to the manner in which their functions under or in connection with the arrangements are exercised;
 - (b) require such persons—
 - (i) to consider the accuracy of any declaration made for the purposes of subsection (3)(b) above; and
 - (ii) themselves to make declarations as to the extent to which conditions or other requirements imposed for the purposes of this section appear to be, or to have been, satisfied or complied with;
 - (c) make provision—
 - (i) about the making of applications for approval or registration under any such regulations;
 - (ii) for the circumstances in which any approval or registration is to be or may be given or refused;
 - (iii) for the withdrawal or cancellation of any approval or registration;
 - (iv) for appeals against any refusal to grant an approval or to register any person, or against the withdrawal or cancellation of any approval or registration;
 - (d) make provision for the publication of information showing the effect of any determinations in pursuance of regulations made by virtue of paragraph (c) above;
 - (e) make provision for notices to be issued by the Board to such persons as may be described in the regulations where the Board are satisfied that this section has effect, or does not have effect, in relation to any gilt-edged securities;
 - (f) impose obligations—
 - (i) on persons having any rights in relation to gilt-edged securities held under arrangements described in the regulations,
 - (ii) on any such persons as are mentioned in subsection (4)(b) and (c) above, and
 - (iii) on persons who are applying to be approved or registered for the purposes of this section,
 as to the provision of information, and the production of documents, to the Board or, on request, to an officer of the Board;

and

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- (g) impose requirements, framed wholly or partly by reference to the opinion of the Board, as to—
- (i) the contents of any declaration to be made in accordance with regulations under this section,
 - (ii) the form and manner in which any declaration or information is to be made or provided in accordance with any such regulations, and
 - (iii) the keeping and production to, or to an officer of, the Board of any document in which any such declaration or information is contained.
- (6) Any person who—
- (a) contravenes, or fails to comply with, any requirement imposed on him by or under any regulations under this section, or
 - (b) fraudulently or negligently makes or produces any incorrect declaration, information or document in pursuance of any such requirement,
- shall be liable to a penalty not exceeding £25,000.
- (7) In this section “gilt-edged securities” means any securities which—
- (a) are gilt-edged securities for the purposes of the 1992 Act; or
 - (b) will be such securities on the making of any order under paragraph 1 of Schedule 9 to that Act the making of which is anticipated in the prospectus under which they were issued.
- (8) In this section “international organisation” means an organisation of which two or more sovereign powers, or the governments of two or more sovereign powers, are members; and if, in any proceedings, any question arises whether a person is an international organisation for the purposes of this section a certificate issued by or under the authority of the Secretary of State stating any fact relevant to that question shall be conclusive evidence of that fact.
- (9) Regulations made by the Treasury for the purposes of this section may—
- (a) make different provision for different cases; and
 - (b) contain such supplementary, incidental, consequential and transitional provision as appears to the Treasury to be appropriate.
- (10) This section shall not apply to any interest paid before such day as the Treasury may by order appoint, and different days may be appointed under this subsection for different purposes.]

Subordinate Legislation Made

P1 [S. 51A\(10\)](#) power exercised: 2.1.1996 appointed by [S.I. 1995/2932](#)

Textual Amendments

F3 [S. 51A](#) inserted (1.5.1995) by [Finance Act 1995 \(c. 4\), s. 77](#)

Marginal Citations

M28 [1982 c. 50.](#)

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VALID FROM 01/05/1995

[^{F4}51B Periodic accounting for tax on interest on gilt-edged securities.

- (1) The Treasury may by regulations provide for persons to whom payments of interest on relevant gilt-edged securities are made without deduction of tax to be required to make periodic returns to an officer of the Board of—
- (a) amounts of any payments of such interest made to that person, and
 - (b) amounts of tax for which, assuming the payments to bear tax at the basic rate for the relevant year of assessment, that person is to be accountable under the regulations in respect of those payments;
- and any such regulations may further provide for the amounts of tax required to be included in any such return to become due, at the time when the return is required to be made, from the person required to make it.
- (2) Regulations made by the Treasury for the purposes of this section may—
- (a) specify such periods as the Treasury may consider appropriate as the periods for which returns are to be made, and in respect of which any person is to account for tax, under the regulations;
 - (b) make provision for enabling returns under the regulations to be combined with returns under Schedule 16 and for requiring particulars of claims and calculations made for the purposes of the regulations to be set out in the returns;
 - (c) provide, in respect of any period for which a return is to be made by any person under the regulations, for that person to be obliged, before the end of the period, to make a payment on account of amounts that may become due from him in respect of that period;
 - (d) impose a requirement for a special return to be made for the purposes of any obligation imposed by virtue of paragraph (c) above;
 - (e) provide for the amount which, under the regulations, is to be due from any person in respect of any period to be reduced by reference to amounts which—
 - (i) are paid by or on behalf of that person under contracts or arrangements relating to transfers of gilt-edged securities; and
 - (ii) are or fall to be treated as representative of interest on those securities;
 - (f) authorise amounts in respect of which there is an obligation to account for tax under the regulations to be treated for specified purposes of the Tax Acts as payments on which a person has borne income tax by deduction;
 - (g) make provision for the assessment of amounts due under the regulations and for the repayment in specified circumstances of amounts paid under the regulations;
 - (h) make provision for interest to be payable, at such rate as may be determined by or under the regulations, on amounts that have become due under the regulations but have not been paid;
 - (i) make provision, where payments of interest on any relevant gilt-edged securities would be comprised in the income of a member of Lloyd's, for obligations that may be imposed by regulations under this section on the

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person to whom the interest is paid to be imposed, instead, on such other person as may be described in the regulations.

- (3) Regulations made by the Treasury for the purposes of this section may—
- (a) include provision which for the purposes of the regulations makes any provision corresponding, with or without modifications, to any of the provisions of Schedule 16;
 - (b) make provision modifying the operation of Schedule 19AB in relation to cases where payments of interest on relevant gilt-edged securities are made without deduction of tax to companies carrying on pension business;
 - (c) include provision which requires obligations and liabilities under the regulations to be treated as obligations and liabilities to which provisions of Schedule 23 to the Finance Act 1995 (UK representatives) apply; and
 - (d) include provision which, for any of the purposes of the regulations, applies provisions of sections 126 and 127 of, and Schedule 23 to, that Act in relation to times before those provisions otherwise come into force.
- (4) Regulations made by the Treasury for the purposes of this section may—
- (a) make different provision for different cases; and
 - (b) contain such supplementary, incidental, consequential and transitional provision as appears to the Treasury to be appropriate;
- and subsection (3) of section 178 of the ^{M29}Finance Act 1989 (extent of powers to set rates of interest) shall apply for the purposes of the power conferred by virtue of subsection (2)(h) above as it applies for the purposes of the power to make regulations under that section.
- (5) In this section “relevant gilt-edged securities” means securities which are gilt-edged securities within the meaning of section 51A, other than any to which a direction of the Treasury under section 50 relates.
- (6) In this section “relevant year of assessment”—
- (a) in relation to a manufactured payment, means the year of assessment in which it is received by the person to whom it is paid; and
 - (b) in relation to any other payment of interest, means the year of assessment in which the payment is made;
- and in this subsection “manufactured payment” means any payment which for the purposes of Schedule 23A is a payment of manufactured interest.]

Textual Amendments

F4 S. 51B inserted (1.5.1995) by Finance Act 1995 (c. 4), s. 78(1)

Marginal Citations

M29 1989 c. 26.

52 Taxation of interest on converted government securities and interest which becomes subject to deduction.

- (1) ^{M30}Where the income which any individual is required under the Income Tax Acts to include in a statement of his total income for any year includes both—

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- (a) interest received without deduction of income tax in respect of government securities (“the original securities”) which have been exchanged for any other government securities (“substituted securities”), and
 - (b) interest taxed by deduction in respect of such substituted securities,
- and the amount of the interest so included exceeds the full amount of the interest for a complete year on the original securities, then, if that individual so requires—
- (i) the excess shall not be taken into account in ascertaining his total income for that year for the purposes of income tax, but
 - (ii) the excess shall nevertheless be chargeable to income tax for that year at such rate or rates, and subject to such reliefs, if any, as would be applicable if it constituted the highest part of an income equal, subject to section 833(3), to the amount of his total income exclusive of the excess.
- (2) Where an application is made under section 50(2) with respect to any securities, subsection (1) above shall have effect as if—
- (a) during the period in which the interest on those securities was paid without deduction of income tax, those securities were original securities, and
 - (b) during any later period, they were substituted securities.

Marginal Citations

M30 SOURCE-1970 s. 104

Status:

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