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## SCHEDULES

### SCHEDULE 1

Section 1(1).

#### SPIRITS (RATES OF CUSTOMS AND EXCISE DUTIES)

Table 1: Spirits other than Imported Perfumed Spirits

Description of Spirits	Excise rate			Customs rates								
				Full			Commonwealth			Convention		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1. British spirits (per proof gallon)	17	2	9	—			—			—		
2. Imported spirits other than perfumed spirits												
(a) not-comprised below in this paragraph (per proof gallon)				17	5	3	17	2	9	17	2	9
(b) liqueurs, cordials, mixtures and other preparations in bottle, entered in				23	6	0	23	2	6	23	2	6

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Description of Spirits	Excise rate	Customs rates		
		Full	Commonwealth	Convention
such manner as to indicate that the strength is not to be tested (per gallon)				
<p>each of the above rates of duty being, in the case of spirits not warehoused or warehoused for less than 3 years, increased by 1s. 6d. per proof gallon or, for spirits within paragraph 2(b) of this table, by 2s. 0d. per gallon.</p>				

SCHEDULE 2

Section 1(1).

WINE (RATES OF CUSTOMS DUTIES)

Description of wine	<i>Rates of duty (per gallon)</i>					
	Full			Commonwealth		
	£	s.	d.	£	s.	d.
Light wine: — Still—						
not in bottle.	1	3	3	1	1	3
in bottle	1	5	9	1	2	9
Sparkling	1	15	9	1	13	9
Other wine: — Still—						

For the purposes of this Schedule, "light wine" means wine not exceeding 25 degrees or, in the case of wine qualifying for Commonwealth preference, 27 degrees of proof spirit.

<i>Rates of duty (per gallon)</i>						
Description of wine	Full			Commonwealth		
not in bottle.	2	5	3	1	15	3
in bottle	2	7	9	1	16	9
Sparkling	2	17	9	2	7	9
together, in the case of wine exceeding 42 degrees proof spirit, with an addition for each additional degree or fraction of a degree of		3	9		2	11

For the purposes of this Schedule, "light wine" means wine not exceeding 25 degrees or, in the case of wine qualifying for Commonwealth preference, 27 degrees of proof spirit.

## SCHEDULE 3

Section 1(1).

## BRITISH WINE (RATES OF EXCISE DUTIES)

Description of British wine	Rates of duty (per gallon)		
	£	s.	d.
Light British wine:—			
Still	1	0	9
Sparkling	1	6	9
Other British wine:—			
Still	1	5	9
Sparkling	1	11	9

For the purposes of this Schedule, "light British wine" means British wine not exceeding 27 degrees of proof spirit.

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SCHEDULE 4

Section 4(3).

AMOUNT OF GAMING LICENCE DUTY IN RESPECT OF PREMISES

TABLE

*Amount of duty*

Description of premises	On licence for bingo only	On licence for all games
	£	£
1. Premises other than— (a) premises which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £1,000; (b) premises consisting of or comprised in a vessel.	125	750
2. Premises— (a) which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £1,000 but not exceeding £1,500; or (b) which consist of or are comprised in a vessel.	1,500	7,500
3. Premises which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £1,500 but not exceeding £2,250.	2,000	15,000
4. Premises which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £2,250 but not exceeding £3,000.	2,000	30,000
5. Premises which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £3,000.	2,000	75,000

## SCHEDULE 5

Section 4(4).

### ENFORCEMENT OF DUTIES RELATING TO BETTING OR GAMING

#### *Protection of officers*

- 1 Where an officer takes any action in pursuance of instructions of the Commissioners or a Collector given in connection with the enforcement of the enactments relating to the general betting duty or the duty on gaming licences or on gaming machine licences and, apart from the provisions of this paragraph, the officer would in taking that action be committing an offence under the enactments relating to betting or gaming, he shall not be guilty of that offence.

#### *Keeping by bookmaker of record of authorised agents*

- 2 (1) The provisions of this paragraph shall apply to a bookmaker at any time when any person is for the time being, or has at any time during the immediately preceding two months been, authorised by that bookmaker to act as his agent for receiving or negotiating bets or otherwise conducting betting operations, other than such bets or operations as involve liability only to the pool betting duty.
- (2) The bookmaker shall maintain at any of his premises to which bets received by any such person as aforesaid as the bookmaker's agent are or were transmitted, or, if in the case of any such premises the Commissioners think fit, at such other place as the Commissioners may allow, a record in such form and containing such particulars as the Commissioners may direct in respect of any such person who is for the time being, and any such person who has at any time during the said two months been but is no longer, authorised as aforesaid, being in either case a person by or on whose behalf bets received as aforesaid are or were transmitted to those premises.
- (3) A bookmaker shall not be guilty of contravening or failing to comply with the provisions of sub-paragraph (2) of this paragraph by reason of a failure to make an entry or alteration in the said record if that entry or alteration is made before six o'clock in the evening of the day after that on which the happening which necessitated the entry or alteration took place.
- (4) Paragraph 2(2)(b) of Schedule 3 to the Finance Act 1966 (under which a bookmaker is required to notify the Commissioners of the names and addresses of any persons acting as his agent as mentioned in sub-paragraph (1) of this paragraph) shall cease to have effect.

#### *Form in which books, etc., are to be kept*

- 3 The books, records and accounts kept in pursuance of paragraph 3(a) of Schedule 1 to the Betting Duties Act 1963 by the person for the time being carrying on a general betting business or pool betting business shall be kept in such form as the Commissioners may direct.

#### *Power for officers to remain on premises*

- 4 Where an officer has entered on any premises, being premises used for the purposes of a general betting business on which the person carrying on that business is required by paragraph 3(c) of the said Schedule 1 to permit the officer to enter, that person shall permit that officer to remain on those premises at any time while those

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premises are being used, or when that officer has reasonable cause to believe that those premises are likely to be used, for the conduct of betting operations.

*Penalties*

- 5 Paragraphs 4 to 6 of the said Schedule 1 shall apply to a contravention of or failure to comply with any of the provisions of paragraphs 2 to 4 of this Schedule as they apply to a contravention of or failure to comply with any of the provisions of paragraph 2 or 3 of that Schedule.

*Interpretation*

- 6 In this Schedule, the following expressions have the following meanings respectively, that is to say—
- " bookmaker " has the same meaning as for the purposes of the Betting, Gaming and Lotteries Act 1963 ;
  - " Collector " means a Collector of Customs and Excise ;
  - " general betting business " and " pool betting business " mean a business which involves or may involve any sums becoming payable by the person carrying on that business by way of the general betting duty or, as the case may be, by way of the pool betting duty.

SCHEDULE 6

Section 5.

AMENDMENTS TO PART I OF SCHEDULE 1 TO PURCHASE TAX ACT 1963

- 1 For any reference to 11% or 16 ½ % there shall be substituted a reference to 12 ½ % or, as the case may be, 20%.
- 2 Except in the following places, namely, Groups 1, 2, 4, 8, 9, 16 and 17, paragraph (c.) of Group 19, Groups 22, 24 and 25, paragraph (a) of Group 26, Group 29, paragraphs (a) and (b) of Group 30, and Groups 31 and 32, for any reference to 27 ½ % there shall be substituted a reference to 33 ⅓ %.
- 3 In the following places namely, paragraph (b) of Group 1, paragraph (b) of Group 2, paragraphs (a) and (b) of Group 4, paragraph (a) of Group 8, paragraph (b)(i) of Group 9, paragraph (b) of Group 16, paragraph (c) of Group 19, Groups 22 and 25, paragraph (a) of Group 26, Group 29 and paragraphs (a) and (b) of Group 30, for any reference to 27 ½ % there shall be substituted a reference to 50%.
- 4 In Group 14, paragraph (2) of the exemptions shall be omitted.
- 5 In Group 17, for the words " Articles not comprised below in this Group .... 27 ½ % " there shall be substituted the words—

“(a) Articles not comprised below in this Group	33 ⅓ %
(b) Articles not comprised below in this Group which are made wholly or partly of gold, silver or other precious metal (not including base metal which is coated or plated with precious metal).	50%”

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6 After Group 19 there shall be inserted the following:—

“GROUP 19A

(a) Instruments, whether or not complete, which are, or if complete would be, suitable for the reproduction of sound recorded on magnetic tapes or on other recording material, whether or not those instruments are, or if complete would be, suitable also for so recording sound, and parts thereof and accessories thereto.	33 ⅓ %
(b) Sound records on magnetic tape or on other recording material, other than records of a kind not produced in quantity for general sale.	50%
(c) Containers (not comprised in any other Group) for records falling within paragraph (b) above.	50%

*Not chargeable under this Group*

1. Tape recorders and reproducers suitable only for scientific or industrial use, and parts and accessories suitable only for use therewith.
2. Instruments suitable only as office appliances for the recording or reproduction of speech, and parts and accessories suitable only for use therewith.

*Exempt*

Sound records for the reproduction of speech, specially adapted for the use of the blind; and instruments specially designed for the reproduction of sound from such records.”

7 For Group 24 there shall be substituted the following:—

“GROUP 24

(a) Photographic cameras and photographic enlargers, lenses and other parts of and accessories to photographic cameras and photographic enlargers.	50%
(b) Cinematograph projectors, filmstrip and slide projectors, and parts thereof and accessories thereto; projection screens not exceeding 35 square feet in area; and slide viewers and slide containers, except viewers or containers for use with slides exceeding 3 inches in width.	50%
(c) Unexposed sensitized photographic paper, cloth, plates and film.	50%

*Exempt*

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- (1) Cinematograph cameras and cinematograph projectors for film of standard width, and parts and accessories suitable only for use therewith.
- (2) Cameras, enlargers, cinematograph and filmstrip projectors, and parts thereof, and accessories thereto, being articles suitable only for industrial, scientific or military use.
- (3) Epidiascopes, projectors for use with slides exceeding 3 inches in width, and parts and accessories suitable only for use therewith.
- (4) Photographic paper, cloth, plates and film, the following:—
  - (i) cinematograph film of standard width;
  - (ii) X-ray plates, film and paper;
  - (iii) ferro-prussiate and ferro-gallic paper and cloth;
  - (iv) dye-line paper, cloth and film;
  - (v) document base paper, transparent tracing paper base and tracing cloth.”

8 In Group 30, in paragraph (a), for the words "comprised in Group 2 " there shall be substituted the words " comprised below or in any other Group ".

9 For Group 31 there shall be substituted the following:—

“GROUP 31

*comprising* Toilet requisites, except face cloths and towels.

- |  |        |
|--|--------|
| (a) Brushes (other than toothbrushes), combs, scissors, nippers, knives, razors, razor blades, razor strops, razor sharpeners, dry shavers and dry shaver heads, mirrors, sponges, dental sticks and toothpicks. | 33 ⅓ % |
| (b) Other articles not comprised below in this Group.  | 50%    |

*Exempt*

Toothbrushes; toilet paper.”

10 For Group 32, there shall be substituted the following:—

“GROUP 32

*comprising* Perfumery; and toilet preparations, whether medicated or not, including cosmetics.

- |  |        |
|--|--------|
| (a) Perfumery  | 50%    |
| (b) Soap made up for sale as toilet soap; soap substitutes made up for sale as substitutes for toilet soap; baby dusting powders; shaving creams; shampoos; dentifrices; eye" lotions, mouth washes and antiseptics; calamine lotion and similar alleviating preparations, unperfumed. | 33 ⅓ % |
| (c) Other articles.  | 50%”   |



SCHEDULE 7

Section 8.

VEHICLES EXCISE DUTY

**PART I**

RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 1 TO ACT OF 1962

Description of vehicle	Rate of duty		
	£	s.	d.
1. Bicycles and tricycles of which the cylinder capacity of the engine does not exceed 150 cubic centimetres; electrically propelled bicycles; electrically propelled tricycles which do not exceed 165 pounds in weight unladen	2	10	0
2. Bicycles of which the cylinder capacity of the engine exceeds 150 cubic centimetres but does not exceed 250 cubic centimetres; tricycles (other than those in the foregoing paragraph) and vehicles (other than mowing machines) with more than three wheels, being tricycles and vehicles neither constructed nor adapted for use nor used for the carriage of a driver or passenger	5	0	0
3. Bicycles and tricycles not in the foregoing paragraphs	10	0	0

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**PART II**

## RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 3 TO ACT OF 1962

1.	Weight unladen of vehicle		Rate of Duty					
	2.	3.	4.			5.		
Description of vehicle	Exceeding	Not Exceeding	Initial			Additional for each ton or part of a ton in excess of the weight in column 2		
			£	s.	d.	£	s.	d.
1. Agricultural machines; digging machines; mobile cranes; works trucks; mowing machines.	—	—	5	0	0	—		
2. Haulage vehicles, being showmen's vehicles.	— 7 ¼ tons 8 tons 10 tons	7 ¼ tons 8 tons 10 tons —	47 56 65 65	0 5 10 10	0 0 0 0	— — — 9		0 0 0 10 0
3. Haulage vehicles, not being showmen's vehicles.	— 2 tons 4 tons 6 tons 7 ¼ tons 8 tons	2 tons 4 tons 6 tons 7 ¼ tons 8 tons —	60 108 148 189 229 229	0 0 10 0 10 10	0 0 0 0 0 0	— — — — — 40		0 0 0 0 0 10 0

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### PART III

#### RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 4 TO ACT OF 1962

Table A

#### GENERAL RATES OF DUTY

Weight unladen of vehicle			Rate of Duty					
1.	2.	3.	4.			5.		
Description of vehicle	Exceeding	Not Exceeding	Initial			Additional for each $\frac{1}{4}$ ton or part of a $\frac{1}{4}$ ton in excess of the weight in column 2		
			£	s.	d.	£	s.	d.
1. Farmers' goods vehicles.	—	12 cwt.	17	10	0	—		
	12 cwt.	16 cwt.	19	5	0	—		
	16 cwt.	1 ton	21	0	0	—		
	1 ton	1 $\frac{1}{4}$ tons	22	15	0	—		
	1 $\frac{1}{4}$ tons	2 $\frac{1}{2}$ tons	22	15	0	2	0	0
	2 $\frac{1}{2}$ tons	4 $\frac{1}{4}$ tons	32	15	0	2	10	0
	4 $\frac{1}{4}$ tons	5 $\frac{3}{4}$ tons	50	5	0	1	0	0
	5 $\frac{3}{4}$ tons	8 $\frac{1}{2}$ tons	56	5	0	1	5	0
	8 $\frac{1}{2}$ tons	—	70	0	0	1	0	0
2. Showmen's goods vehicles.	—	12 cwt.	17	10	0	—		
	12 cwt.	16 cwt.	19	5	0	—		
	16 cwt.	1 ton	21	0	0	—		
	1 ton	3 tons	21	0	0	2	0	0
	3 tons	4 tons	37	0	0	2	5	0
	4 tons	5 tons	46	0	0	2	0	0
	5 tons	6 tons	54	0	0	1	15	0
	6 tons	—	61	0	0	2	0	0
3. Electrically propelled goods vehicles (other than farmers' goods vehicles)	—	12 cwt.	24	0	0	—		
	12 cwt.	16 cwt.	26	5	0	—		
	16 cwt.	1 ton	29	10	0	—		
	1 ton	6 tons	29	10	0	3	0	0
	6 tons	7 tons	89	10	0	2	10	0
	7 tons	8 $\frac{1}{4}$ tons	99	10	0	2	15	0
	8 $\frac{1}{4}$ tons	—	113	5	0	3	0	0

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Weight unladen of vehicle			Rate of Duty					
1.	2.	3.	4.			5.		
Description of vehicle	Exceeding	Not Exceeding	Initial			Additional for each $\frac{1}{4}$ ton or part of a $\frac{1}{4}$ ton in excess of the weight in column 2		
or showmen's goods vehicles); tower wagons.								
4. Goods vehicles not included in any of the foregoing provisions of this Part of this Schedule.	—	12 cwt.	24	0	0	—		
	12 cwt.	16 cwt.	30	0	0	—		
	16 cwt.	1 ton	36	10	0	—		
	1 ton	1 $\frac{1}{2}$ tons	36	10	0	6	10	0
	1 $\frac{1}{2}$ tons	2 tons	49	10	0	6	15	0
	2 tons	3 tons	63	0	0	7	10	0
	3 tons	4 tons	93	0	0	10	10	0
	4 tons	—	135	0	0	13	10	0

Table B

## RATES OF DUTY ON GOODS VEHICLES USED FOR DRAWING TRAILERS

Weight unladen of vehicle					
1.	2.	3.	4.		
Description of vehicle	Exceeding	Not Exceeding	Rate of Duty		
			£	s.	d.
1. Showmen's goods vehicles	—	—	17	10	0
2. Electrically propelled goods vehicles (other than farmers' goods vehicles and showmen's goods vehicles);	—	1 $\frac{1}{2}$ tons	14	0	0
	1 $\frac{1}{2}$ tons	3 tons	24	0	0
	3 tons	—	27	0	0

Weight unladen of vehicle					
1.	2.	3.		4.	
Description of vehicle	Exceeding	Not Exceeding		Rate of Duty	
tower wagons.					
3. Other goods vehicles	—	1 ½ tons	14	0	0
	1 ½ tons	2 ½ tons	24	0	0
	2 ½ tons	4 tons	40	0	0
	4 tons	—	54	0	0

**PART IV**

## RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 5 TO ACT OF 1962

Description of vehicle	Rate of Duty		
	£	s.	d.
1. Electrically propelled vehicles; vehicles not exceeding seven horse-power, if registered under the Roads Act 1920 for the first time before 1st January 1947	18	0	0
2. Vehicles not included above	25	0	0

## SCHEDULE 8

Section 15.

## AGGREGATION OF INFANTS' INVESTMENT, ETC. INCOME

*General rules about aggregation*

- 1 (1) Subject to the provisions of this Schedule, income to which section 15(1) of this Act applies shall be treated as follows—
- (a) so far as it is income for a year of assessment or part of a year of assessment during which both parents of the infant are alive, and are married to and living with each other, as income for that year of the father;
  - (b) so far as it is income for a year or part during which both parents are alive, but are either not married to each other or not living with each other, as income

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for that year of the father or, for any period during which the mother has actual custody of the infant, as income for that year of the mother; and

- (c) so far as it is income for a year or part during which one only of the parents is alive, as income for the year of that parent.

- (2) So far as any income to which the said section 15(1) applies is income for a year of assessment, or part of a year of assessment, of an infant who is illegitimate and has not been adopted, sub-paragraph (1) above shall not apply to the income, but it shall be treated instead as income for that year of the mother, or, for any period during which the father has actual custody of the infant, as income for that year of the father.
- (3) For the purposes of this paragraph an infant's parents are to be treated as living with each other unless they are separated under an order of a court of competent jurisdiction, or by deed of separation, or are in fact separated in such circumstances that the separation is likely to be permanent.
- (4) Where a parent appeals against any assessment or decision on a claim on the grounds that an infant was not, or was, in his or her actual custody for any period, or was or was not for any period in the actual custody of the other parent, the other parent shall be entitled to appear and be heard on that question by the Commissioners hearing the appeal; and, as respects that question—
- (a) if the other parent does so appear, the determination of the Commissioners shall for the purposes of income tax be final and conclusive against him or her, save that he or she shall have the same right as the appellant to require the statement of a case for the opinion of the High Court, and
- (b) the determination of the Commissioners shall also be final and conclusive against the other parent if he or she fails without reasonable cause to appear.
- 2 Income of an infant falling to be treated as income of a parent by virtue of the provisions of this Schedule shall be so treated for all income tax purposes, or for the purposes of income tax other than surtax, or for the purposes of surtax only, according to the purposes for which it would have constituted income of the infant but for those provisions.

*Exclusion of aggregation where infant in legal custody of third party*

- 3 Paragraph 1 above shall not apply to any income so far as it is income for a year of assessment or part of a year of assessment during which the infant was in law in the custody of a person or persons other than a parent, and was not in the actual custody of a parent.

*Special rules for non-residents*

- 4 (1) Where, in the case of any income falling within paragraph 1(1)(a) above, one of the infant's parents is, and one is not, resident for the year in the United Kingdom, the said paragraph 1(1)(a) shall have effect in relation thereto as if, instead of specifying the infant's father, it specified the parent resident for the year in the United Kingdom if the infant is so resident, and the other parent if the infant is not so resident.
- (2) Nothing in the preceding provisions of this Schedule shall have effect so as to treat income of an infant resident in the United Kingdom for any year of assessment as income of a parent not so resident for that year, or income of an infant not so resident for any year as income of a parent so resident for that year.

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*Provisions as to certain payments involving tax reliefs*

- 5 (1) Where income of an infant for any period is treated by virtue of this Schedule as income of a parent, and the infant has made payments of either of the following descriptions—
- (a) annual payments in respect of which a deduction is permitted in computing for that period total income for the purposes of income tax or surtax, or
  - (b) payments in that period of interest in respect of which income tax at the standard rate is repayable,
- the said payments shall, to the extent of that income, be treated as having been made thereout by the parent instead of by the infant, and in the order in which they are described above.
- (2) Where income of an infant for any period is so treated, and the infant has during that period made payments qualifying for relief under section 219 of the Income Tax Act 1952 (premiums under certain life policies and annuity contracts), the deductions from tax to which he would apart from this sub-paragraph be entitled by reason of those payments shall, to the extent that the payments could have been made out of the income so treated (or, where sub-paragraph (1) above has effect, out of that income reduced by the payments falling within that sub-paragraph), be made instead from the tax with which the parent is chargeable.

*Right of parent to recover tax on infant's income*

- 6 (1) Where income of an infant is treated by virtue of this Schedule as income of a parent for any year of assessment, the parent shall be entitled to recover from the infant an amount equal to that by which the tax chargeable on and payable by him or her for the year exceeds that which would have been so chargeable and payable if the income had not been so treated:
- Provided that, so far as the excess is attributable to trust income which has not been distributed, the right conferred by this paragraph shall be exercisable against that income instead of against the infant.
- (2) A parent may require from the Board a certificate specifying in relation to any income the amount of tax which he or she is entitled to recover under this paragraph from trustees, and any such certificate shall be conclusive evidence of that amount.

*Repayments by parents*

- 7 Where income of an infant is treated as income of a parent by virtue of this Schedule, and, by reason thereof, the parent obtains in respect of any allowance or relief a repayment of tax in excess of that to which he would have been entitled if the income had not been so treated, the parent shall pay an amount equal to the excess to the infant, or, if the income arose under a trust, to the trustees.

*Loss relief*

- 8 (1) A claim for relief under section 341 of the Income Tax Act 1952 (set off of trade etc. losses against general income) may require that the relief be given without any reference to income treated by virtue of this Schedule as income of the person sustaining the loss or of that person's spouse.

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- (2) Where income so treated is not excluded by virtue of sub-paragraph (1) above, it shall be treated for the purposes of section 15(1) of the Finance Act 1953 (relief to be given by treating loss as reducing claimant's income first, and then income of claimant's spouse) as distinct from that of the claimant, and as if referred to therein after that of the spouse.

*Duty of trustees to give information*

- 9 A trustee shall, on being so required in writing by a parent of any beneficiary under the trust, give to the parent details of the trust income arising to the beneficiary for any year of assessment during, or for any part of which, the beneficiary is an infant.

*Adopted children*

- 10 In this Schedule "parent" means, in the case of an infant who has been adopted, a parent by adoption, and references to the father and the mother of an infant shall be construed accordingly; and references in this Schedule to adoption include references to adoption under the law of any territory outside the United Kingdom.

SCHEDULE 9

Section 16.

LIFE POLICIES, LIFE ANNUITY CONTRACTS AND CAPITAL REDEMPTION POLICIES

**PART I**

LIFE POLICIES: QUALIFICATION FOR RELIEF UNDER S.219 OF THE INCOME TAX ACT 1952

*General rules applicable to whole life and term assurances*

- 1 (1) Subject to the following provisions of this Part of this Schedule, if a policy secures a capital sum which is payable only on death, or one payable either on death or on earlier disability, it is a qualifying policy if—
- (a) it satisfies the conditions appropriate to it under sub paragraphs (2) to (4) below, and
  - (b) except to the extent permitted by sub-paragraph (5) below, it does not secure any other benefits.
- (2) If the capital sum referred to in sub-paragraph (1) above is payable whenever the event in question happens, or if it happens at any time during the life of a specified person—
- (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—
    - (i) until the happening of the event, or, as the case may require, until the happening of the event or the earlier death of the specified person, or
    - (ii) until the time referred to in sub-paragraph (i) above or the earlier expiry of a specified period ending not earlier than ten years after the making of the insurance, and



- (b) the total premiums payable in any period of twelve months must not exceed—
  - (i) twice the amount of the total premiums payable in any other such period, or
  - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for a period of ten years from the making of the insurance, or, in a case falling within paragraph (a)(ii) above, until the end of the period therein referred to.
- (3) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person—
  - (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—
    - (i) until the happening of the event or the earlier expiry of the said term, or, as the case may require, until the happening of the event or, if earlier, the expiry of the term or the death of the specified person, or
    - (ii) as in sub-paragraph (i) above, but with the substitution for references to the term of references to a specified shorter period, being one ending not earlier than ten years after the making of the insurance of, if sooner, the expiry of three-quarters of the said term, and
  - (b) the total premiums payable in any period of twelve months must not exceed—
    - (i) twice the amount of the total premiums payable in any other such period, or
    - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for the term referred to in paragraph (a)(i) above, or, as the case may require, for the shorter period referred to in paragraph (a)(ii) above.
- (4) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending not more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person, the policy must provide that any payment made by reason of its surrender during that period is not to exceed the total premiums previously paid thereunder.
- (5) Notwithstanding sub-paragraph (1)(b) above, if a policy secures a capital sum payable only on death, it may also secure benefits (including benefits of a capital nature) to be provided in the event of a person's disability ; and no policy is to be regarded for the purposes of that provision as securing other benefits by reason only of the fact that it confers a right to participate in profits, that it carries a guaranteed surrender value, that it gives an option to receive payments by way of annuity, or that it makes provision for the waiver of premiums by reason of a person's disability or for the effecting of a further insurance or insurances without the production of evidence of insurability.
- (6) In applying sub-paragraph (2) or (3) above to any policy—
  - (a) no account shall be taken of any provision for the waiver of premiums by reason of a person's disability, and

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- (b) if the term of the policy runs from a date earlier, but not more than three months earlier, than the making of the insurance, the insurance shall be treated as having been made on that date, and any premium paid in respect of the period before the making of the insurance, or in respect of that period and a subsequent period, as having been payable on that date.
- (7) References in this paragraph to a capital sum payable on any event include references to any capital sum, or series of capital sums, payable by reason thereof; and a policy secures a capital sum payable either on death or on disability notwithstanding that the amount payable may vary with the event.

*General rules applicable to endowment assurances*

- 2 (1) Subject to the following provisions of this Part of this Schedule, a policy which secures a capital sum payable either on survival for a specified term or on earlier death, or earlier death or disability, including a policy securing the sum on death only if occurring after the attainment of a specified age not exceeding sixteen, is a qualifying policy if it satisfies the following conditions—
- (a) the term must be one ending not earlier than ten years after the making of the insurance,
  - (b) premiums must be payable under the policy at yearly or shorter intervals, and—
    - (i) until the happening of the event in question, or
    - (ii) until the happening of that event, or the earlier expiry of a specified period shorter than the term but also ending not earlier than ten years after the making of the insurance, or
    - (iii) if the policy is to lapse on the death of a specified person, until one of those times or the policy's earlier lapse,
  - (c) the total premiums payable under the policy in any period of twelve months must not exceed—
    - (i) twice the amount of the total premiums payable in any other such period, or
    - (ii) one-eighth of the total premiums which would be payable if the policy were to run for the specified term,
  - (d) the policy—
    - (i) must guarantee that the capital sum payable on death, or on death occurring after the attainment of a specified age not exceeding sixteen, will, whenever that event may happen, be equal to three-quarters at least of the total premiums which would be payable if the policy were to run for that term, disregarding any amounts included in those premiums by reason of their being payable otherwise than annually, and
    - (ii) if it is a policy which does not secure a capital sum in the event of death before the attainment of a specified age not exceeding sixteen, must not provide for the payment in that event of an amount exceeding the total premiums previously paid thereunder, and
  - (e) the policy must not secure the provision (except by surrender) at any time before the happening of the event in question of any benefit of a capital nature other than a payment falling within paragraph (d)(ii) above, or benefits attributable to a right to participate in profits or arising by reason of a person's disability.

- (2) Sub-paragraphs (6) and (7) of paragraph 1 above shall, with any necessary modifications, have effect for the purposes of this paragraph as they have effect for the purposes of that paragraph.
- (3) For the purposes of sub-paragraph (1)(d)(i) above, ten per cent, of the premiums payable under any policy issued in the course of an industrial assurance business as defined in section 1(2) of the Industrial Assurance Act 1923 shall be treated as attributable to the fact that they are not paid annually.

*Special types of policy*

(i) Friendly Society policies

- 3 A policy issued by any friendly society, or branch of a friendly society, in the course of its tax exempt life or endowment business, as defined in section 29(9) of the Finance Act 1966, is a qualifying policy notwithstanding that it does not comply with the conditions specified in paragraph 1 or 2 above.

(ii) Industrial Assurance policies

- 4 (1) A policy issued in the course of an industrial assurance business, as defined in section 1(2) of the Industrial Assurance Act 1923, and not constituting a qualifying policy by virtue of paragraph 1 or 2 above, is nevertheless a qualifying policy if—
- (a) the sums guaranteed by the policy, together with those guaranteed at the time the assurance is made by all other policies issued in the course of such a business to the same person and not constituting qualifying policies apart from this paragraph, do not exceed £1,000,
  - (b) it satisfies the conditions with respect to premiums specified in paragraph 1(2) above,
  - (c) except by reason of death or surrender, no capital sum other than one falling within paragraph (d) below can become payable under the policy earlier than ten years after the making of the assurance, and
  - (d) where the policy provides for the making of a series of payments during its term—
    - (i) the first such payment is due not earlier than five years after the making of the assurance, and the others, except the final payment, at intervals of not less than five years, and
    - (ii) the amount of any payment, other than the final payment, does not exceed four-fifths of the premiums paid in the interval before its payment, and
    - (iii) if the first such payment is due earlier than ten years after the making of the assurance, or any other such payment except the last is due earlier than ten years after the preceding one, the sums guaranteed by the policy, together with the other sums referred to in paragraph (a) above so far as guaranteed by policies the payments under which also fall within this sub-paragraph, do not exceed £500.
- (2) For the purpose of this paragraph, the sums guaranteed by a policy do not include any bonuses, or, in the case of a policy providing for a series of payments during its term, any of those payments except the first, or any sum payable on death during the term by reference to one or more of those payments except so far as that sum is referable to the first such payment.

(iii) Family income policies and mortgage protection policies

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- 5 (1) The following provisions apply to any policy which is not a qualifying policy apart from those provisions, and the benefits secured by which consist of or include the payment on or after a person's death of—
- (a) one capital sum of an amount which does not vary according to the date of death, plus a series of capital sums payable if the death occurs during a specified period, or
  - (b) a capital sum, the amount of which is less if the death occurs in a later part of a specified period than if it occurs in an earlier part of that period.
- (2) A policy falling within sub-paragraph (1)(a) above is a qualifying policy if—
- (a) it would be one if it did not secure the series of capital sums there referred to, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
  - (b) it would also be one if it secured only that series of sums, and the premiums thereunder were the balance of those actually so payable.
- (3) A policy falling within sub-paragraph (1)(b) above is a qualifying policy if—
- (a) it would be one if the amount of the capital sum there referred to were equal throughout the period to its smallest amount, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
  - (b) it would also be one if it secured only that capital sum so far as it from time to time exceeds its smallest amount, and the premiums payable thereunder were the balance of those actually so payable.

*Other special provisions*

(i) Exceptional mortality risk

- 6 For the purpose of determining whether any policy is a qualifying policy, there shall be disregarded—
- (a) so much of any premium thereunder as is charged on the grounds that an exceptional risk of death is involved, and
  - (b) any provision under which, on those grounds, any sum may become chargeable as a debt against the capital sum guaranteed by the policy on death.

(ii) Connected policies

- 7 Where the terms of any policy provide that it is to continue in force only so long as another policy does so, neither policy is a qualifying policy unless, if they had constituted together a single policy issued in respect of an insurance made at the time of the insurance in respect of which the first-mentioned policy was issued, that single policy would have been a qualifying policy.

(iii) Premiums paid out of sums due under previous policies

- 8 (1) Where, in the case of a policy under which a single premium only is payable, liability for the payment of that premium is discharged in accordance with sub-paragraph (2) below, the policy is a qualifying policy notwithstanding anything in paragraph 1(2) or 1(3) above, or in paragraph (b) or (c) of paragraph 2(1); and where, in the case of any other policy, liability for the payment of the first premium thereunder, or of any part of that premium, is so discharged, the premium or part shall be disregarded for the purposes of paragraph 1(2)(b) and 1(3)(b) above, and of paragraph (c) of paragraph 2(1).

- (2) Liability for the payment of a premium is discharged in accordance with this sub-paragraph if it is discharged by the retention by the company with whom the insurance is made of the whole or a part of any sum which has become payable on the maturity of, or on the surrender more than ten years after its issue of the rights conferred by, a policy—
- (a) previously issued by the company to the person making the insurance, or, if it is made by trustees, to them or any predecessors in office, or
  - (b) issued by the company when the person making the insurance was an infant, and securing a capital sum payable either on a specified date falling not more than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age,
- being, unless it is a policy falling within paragraph (b) above and the premium in question is a first premium only, a policy which was itself a qualifying policy, or which would have been a qualifying policy if issued in respect of an insurance made after 19th March 1968.
- (iv) Substitutions, variations &c
- 9 (1) Where one policy (hereafter referred to as " the new policy ") is issued in substitution for, or on the maturity of and in consequence of an option conferred by, another policy (hereafter referred to as " the old policy " ) the question whether the new policy is a qualifying policy shall, to the extent provided by the rules in sub-paragraph (2) below, be determined by reference to both policies.
- (2) The said rules (for the purposes of which, the question whether the old policy was a qualifying policy shall be determined in accordance with this Part of this Schedule, whatever the date of the insurance in respect of which it was issued) are as follows—
- (a) if the new policy would apart from this paragraph be a qualifying policy, but the old policy was not, the new policy is not a qualifying policy unless the person making the insurance in respect of which it is issued was an infant when the old policy was issued, and the old policy was one securing a capital sum payable either on a specified date falling not later than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age ;
  - (b) if the new policy would apart from this paragraph be a qualifying policy, and the old policy was also a qualifying policy, the new policy is a qualifying policy unless—
    - (i) it takes effect before the expiry of ten years from the making of the insurance in respect of which the old policy was issued, and
    - (ii) the highest total of premiums payable thereunder for any period of twelve months expiring before that time is less than one-half of the highest total paid for any period of twelve months under the old policy, or under any related policy issued less than ten years before the issue of the new policy (" related policy " meaning any policy in relation to which the old policy was a new policy within the meaning of this paragraph, any policy in relation to which that policy was such a policy, and so on);
  - (c) if the new policy would not apart from this paragraph be a qualifying policy, and would fail to be so by reason only of paragraph 1(2) or 1(3) above, or of paragraph (a), (b) or (c) of paragraph 2(1), it is nevertheless a qualifying policy if the old policy was a qualifying policy and—

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- (i) the old policy was issued in respect of an insurance made more than ten years before the taking effect of the new policy, and the premiums payable for any period of twelve months under the new policy do not exceed the smallest total paid for any such period under the old policy, or
  - (ii) the old policy was issued outside the United Kingdom, and the circumstances are as specified in sub-paragraph (3) below.
- (3) The said circumstances are—
- (a) that the person in respect of whom the new insurance is made became resident in the United Kingdom during the twelve months ending with the date of its issue,
  - (b) that the issuing company certify that the new policy is in substitution for the old, and that the old was issued either by a branch or agency of theirs outside the United Kingdom or by a company outside the United Kingdom with whom they have arrangements for the issue of policies in substitution for ones held by persons coming to the United Kingdom, and
  - (c) that the new policy confers on the holder benefits which are substantially equivalent to those which he would have enjoyed if the old policy had continued in force.
- 10 (1) Subject to the provisions of this paragraph, where the terms of a policy are varied, the question whether the policy after the variation is a qualifying policy shall be determined in accordance with the rules in paragraph 9 above, with references in those rules to the new policy and the old policy construed for that purpose as references respectively to the policy after the variation and the policy before the variation, and with any other necessary modifications.
- (2) In applying any of those rules by virtue of this paragraph, the question whether a policy after a variation would be a qualifying policy apart from the rule shall be determined as if any reference in paragraphs 1 to 7 of this Schedule to the making of an insurance,
- or to a policy's term, were a reference to the taking effect of the variation or, as the case may be, to the term of the policy as from the variation.
- (3) This paragraph does not apply by reason of—
- (a) any variation which, whether or not of a purely formal character, does not affect the terms of a policy in any significant respect, or
  - (b) any variation effected before the end of the year 1968 for the sole purpose of converting into a qualifying policy any policy issued (but not one treated by virtue of section 16(6) of this Act as issued) in respect of an insurance made after 19th March 1968.

## PART II

### PROVISIONS CHARGING TAX ON GAINS

*Meaning of "chargeable event", and computation of gain arising*

- (i) Life policies

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- 11 (1) Subject to the provisions of this paragraph, in this Part of this Schedule "chargeable event" means, in relation to a policy of life insurance—
- (a) unless it is a policy which falls within sub-paragraph (2) below, any of the following—
    - (i) any death giving rise to benefits under the policy,
    - (ii) the maturity of the policy,
    - (iii) the surrender in whole or in part of the rights conferred by the policy, and
    - (iv) the assignment for money or money's worth of those rights or of any share therein ; and
  - (b) if it is a policy falling within sub-paragraph (2) below, any of the above events, but—
    - (i) in the case of death or maturity, only if the policy is converted into a paid-up policy before the expiry of ten years from the making of the insurance, or, if sooner, of three-quarters of the term for which the policy is to run if not ended by death or disability,
    - (ii) in the case of a surrender or assignment, only if it is effected within that time, or the policy has been converted into a paid-up policy within that time.
- (2) A policy falls within this sub-paragraph if (whether or not the premiums thereunder are eligible for relief under section 219 of the Income Tax Act 1952) it is a qualifying policy within the meaning of Part I of this Schedule.
- (3) The maturity of a policy is not a chargeable event in relation thereto if a new policy is issued in consequence of the exercise of an option conferred by the maturing policy unless the person making the insurance in respect of which the new policy is issued was an infant when the former policy was issued, and the former policy was one securing a capital sum payable either on a specified date falling not later than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age.
- (4) No event is a chargeable event in relation to a policy if the rights conferred by the policy have at any time before the event been assigned for money or money's worth.
- (5) No account shall be taken for the purposes of this paragraph of any assignment effected by way of security for a debt, or on the discharge of a debt secured by the rights or share concerned, or of any assignment between spouses living together ; and references in sub-paragraph (1) above to the surrender of the rights conferred by a policy do not include references to the surrender of any right to a bonus.
- (6) Where sub-paragraph (1)(b) above applies to a policy which has been varied so as to increase the premiums payable thereunder, it shall so apply as if the references in sub-paragraph (i) to the making of the insurance and the term of the policy were references respectively to the taking effect of the variation and the term of the policy as from the variation.
- 12 (1) On the happening of a chargeable event in relation to any policy of life insurance, there shall be treated as a gain arising in connection with the policy—
- (a) if the event is a death, the excess (if any) of the surrender value of the policy immediately before the death, plus the amount or value of any relevant capital payments, over the total amount previously paid under the policy by way of premiums ;

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- (b) if the event is the maturity of the policy, or the surrender in whole or in part of the rights thereby conferred, the excess (if any) of the amount or value of the sum payable or other benefits arising by reason of the event, plus the amount or value of any relevant capital payments, over the total amount previously paid under the policy by way of premiums, or, in the case of a partial surrender, over the same proportion of that amount as is borne by the amount or value of the said sum or other benefits to the amount or value of the sum or other benefits which would have been payable, or would have arisen, if the rights had been wholly surrendered;
  - (c) if the event is an assignment—
    - (i) if it is an assignment of all the rights conferred by the policy, the excess (if any) of the amount or value of the consideration, plus the amount or value of any relevant capital payments, over the total amount previously paid under the policy by way of premiums, and
    - (ii) if it is an assignment of a share only in those rights, the excess (if any) of the amount or value of the consideration, plus the amount or value of any relevant capital payments so far as attributable to the share assigned and received by the assignor or by any person at his direction, over the same proportion of the total amount previously paid under the policy by way of premiums as is borne by the amount or value of the consideration to the market value of the rights.
- (2) Where, in a case falling within sub-paragraph (1)(b) above, a right to periodical payments arises by reason of the event, there shall be treated as payable by reason thereof an amount equal to the capital value of those payments at the time the right arises.
- (3) Where, in a case falling within sub-paragraph (1)(c) above, the assignment is between persons who are connected with each other within the meaning of paragraph 21 of Schedule 7 to the Finance Act 1965, the assignment shall be deemed to have been made for a consideration equal to the market value of the rights or share assigned.
- (4) In this paragraph, "relevant capital payments" means, in relation to any policy, any sum or other benefit of a capital nature, other than one attributable to a person's disability, paid or conferred under the policy before the happening of the chargeable event, and any sum paid, or other benefit conferred, by reason of any surrender before that time of a right to a bonus under the policy; and references in this sub-paragraph and (in relation to premiums) in sub-paragraph (1) above to "the policy" include references to any related policy, that is to say, to any policy in relation to which the policy is a new policy within the meaning of paragraph 9 above, any policy in relation to which that policy is such a policy, and so on.
- (ii) Life annuity contracts
- 13 (1) Subject to sub-paragraphs (2) and (3) below, in this Part of this Schedule "chargeable event" means, in relation to any contract for a life annuity, the surrender in whole or in part of the rights conferred by the contract, or the assignment for money or money's worth of those rights or of any share therein.

Where the terms of a contract provide for the payment of a capital sum as an alternative, in whole or in part, to payments by way of annuity, the taking of the capital sum shall be treated for the purposes of this and the next following paragraph as a surrender in whole or in part of the rights conferred by the contract



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- (2) An event referred to in sub-paragraph (1) above is not a chargeable event in relation to any contract if the rights conferred by the contract have at any time before the event been assigned for money or money's worth.
  - (3) Sub-paragraph (5) of paragraph 11 above shall, with any necessary modification, apply for the purposes of this paragraph as it applies for the purposes of the said paragraph 11.
- 14 (1) On the happening of a chargeable event in relation to any contract for a life annuity, there shall be treated as a gain arising in connection with the contract—
- (a) if the event is the surrender in whole or in part of the rights conferred by the contract, the excess (if any) of the amount payable by reason of the event over—
    - (i) the total amount previously paid under the contract, whether by way of premiums or as lump sum consideration, reduced, if before the happening of the event one or more payments have been made on account of the annuity, by the capital element in the said payment or payments, as determined in accordance with section 27 of the Finance Act 1956, or
    - (ii) in the case of a partial surrender, the same proportion of that amount (as so reduced where appropriate) as is borne by the amount payable by reason of the event to the amount which would have been so payable if the rights had been wholly surrendered;
  - (b) if the event is the assignment for money or money's worth of the rights conferred by the contract, or of any share therein, the excess (if any) of the amount or value of the consideration over—
    - (i) the amount specified in sub-paragraph (1)(a)(i) above, or
    - (ii) if the assignment is of a share only, the same proportion of that amount (reduced as therein mentioned where appropriate) as is borne by the amount or value of the consideration to the market value of the rights.
- (2) Sub-paragraph (3) of paragraph 12 above shall apply for the purposes of sub-paragraph (1) above as it applies for the purposes of sub-paragraph (1)(c) of that paragraph.
- (iii) Capital redemption policies
- 15 (1) Subject to sub-paragraph (2) below, in this Part of this Schedule "chargeable event" means, in relation to a capital redemption policy, any of the following—
- (i) the maturity of the policy,
  - (ii) the surrender in whole or in part of the rights conferred by the policy, and
  - (iii) the assignment for money or money's worth of those rights or of any share therein.
- (2) Sub-paragraph (5) of paragraph 11 above shall apply for the purposes of this paragraph as it applies for purposes of the said paragraph 11.
- 16 (1) The provisions of paragraph 12 above, except sub-paragraph (3) thereof, shall, so far as appropriate and subject to sub-paragraph (2) below, apply to capital redemption policies as they apply to policies of life insurance.
- (2) Where a chargeable event happens in relation to a capital redemption policy which has previously been assigned for money or money's worth, the said paragraph 12 shall

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have effect in relation thereto as if, for the references to the total amount previously paid under the policy by way of premiums, there were substituted references to the amount or value of the consideration given for the last such assignment, plus the total amount of the premiums paid under the policy since that assignment

*Method of charging gain to tax*

- 17 (1) Where, under the preceding provisions of this Schedule, a gain is to be treated as arising in connection with any policy or contract—
- (a) if, immediately before the happening of the chargeable event in question, the rights conferred by the policy or contract were vested in an individual as beneficial owner, or were held on trusts created by an individual (including trusts arising under section 11 of the Married Women's Property Act 1882, section 2 of the Married Women's Policies of Assurance (Scotland) Act 1880, or section 4 of the Law Reform (Husband and Wife) Act (Northern Ireland) 1964) or as security for a debt owed by an individual, the amount of the gain shall be deemed for the purposes of surtax (but not for any other income tax purpose except the furnishing of information) to form part of that individual's total income for the year in which the event happened ;
  - (b) if, immediately before the happening of that event, the said rights were in the beneficial ownership of a close company within the meaning of Part IV of the Finance Act 1965, or were held on trusts created, or as security for a debt owed, by such a company, then—
    - (i) for the purposes of section 77 of that Act (shortfall in distributions) the company's distributable income (but not its estate or trading income) for the accounting period in which the event happened shall be treated as increased by the amount of the gain, and
    - (ii) the amount of the gain shall also be deemed to form part of the company's income for that period for the purposes of section 78 of that Act (surtax apportionments) ;
  - (c) if, immediately before the happening of that event, the said rights were vested in personal representatives within the meaning of Part XIX of the Income Tax Act 1952, the amount of the gain shall, as regards surtax, be deemed for the purposes of the said Part XIX to be part of the aggregate income of the estate of the deceased:

Provided that nothing in this sub-paragraph shall apply to any amount which is chargeable to income tax or to corporation tax apart from this sub-paragraph.

- (2) Where, immediately before the happening of a chargeable event, the rights conferred by any policy or contract were vested beneficially in two or more persons, or were held on trusts created,
- or as security for a debt owed, by two or more persons, paragraphs (a) and (b) of sub-paragraph (1) above shall have effect in relation to each of those persons as if he had been the sole owner, settlor or debtor, but with references to the amount of the gain construed as references to the part of it proportionate to his share in the rights at the time of the event or, as the case may require, when the trusts were created.
- (3) References in sub-paragraphs (1) and (2) above to the rights conferred by a policy or contract are, in the case of an assignment of a share only in any rights, references to that share.

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*Relief where gain charged directly to surtax*

- 18 (1) The following provisions of this paragraph shall have effect for the purpose of giving relief, on a claim in that behalf being made by him to the Board, in respect of any increase in an individual's liability to tax which is attributable to one or more amounts being included in his total income for a year of assessment by virtue of paragraph 17(1)(a) above.
- (2) Where one amount only is so included, there shall be computed—
- (a) the surtax which would be chargeable in respect of the amount if relief under this paragraph were not available and it constituted the highest part of the claimant's total income for the year, and
  - (b) the surtax (if any) which would be chargeable in respect of the amount if calculated, in accordance with sub-paragraph (3) below, by reference to its appropriate fraction,
- and the relief shall consist of a reduction or repayment of tax equal to the difference between the two amounts of surtax so computed, or, if surtax would not be chargeable on a calculation by reference to the appropriate fraction, of a reduction or repayment of the tax equal to the surtax computed under paragraph (d) above.
- (3) In sub-paragraph (2) above "appropriate fraction" means, in relation to any amount, such a sum as bears thereto the same proportion as that borne by one to the number of complete years for which the policy or contract has run before the happening of the chargeable event; and the computation required by paragraph (b) of that sub-paragraph shall be made by applying to the amount in question the rate or rates of surtax (if more than one, in corresponding proportions) which would apply if it were reduced to that fraction, treating it, as so reduced, as still constituting the highest part of the claimant's total income for the year, and treating so much of it (if any) as would then not be chargeable to surtax as if it were chargeable thereto at a nil rate.
- For the purposes of this sub-paragraph, the number of years for which a policy of life insurance has run before the happening of a chargeable event shall be calculated, where appropriate, from the issue of the earliest related policy, meaning, any policy in relation to which the policy is a new policy within the meaning of paragraph 9 above, any policy in relation to which that policy is such a policy, and so on.
- (4) Where by virtue of the said paragraph 17(1)(a) two or more amounts are included in an individual's total income for any year of assessment, sub-paragraphs (2) and (3) above shall apply as if they together constituted a single amount, but with the appropriate fraction of the whole determined by adding together the appropriate fractions of the individual amounts.
- (5) A provision of this paragraph requiring surtax to be calculated as if an amount constituted the highest part of a claimant's total income shall apply notwithstanding any provision of the Income Tax Acts directing any other amount to be treated as the highest part thereof, but, for the purposes of this paragraph, a claimant's total income shall be deemed not to include any amount in respect of which he is chargeable to tax under section 37 of the Finance Act 1960 (payments on retirement or removal from office or employment) or sections 22 to 24 of the Finance Act 1963 (premiums, &c, treated as rent).
- (6) For the purposes of any provision of the Income Tax Acts, other than this paragraph or Schedule 6 to the Finance Act 1963, requiring an amount to be treated as the highest part of an individual's income, his income shall be calculated without regard to any amount included therein as mentioned in sub-paragraph (1) above ; and where

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an individual claims relief for any year of assessment under the said Schedule 6 or paragraph 7 of Schedule 4 to the Finance Act 1960, then, in calculating the relief, the claimant's income shall be deemed to include, in respect of any amount which would otherwise be included therein as aforesaid, no greater amount than the appropriate fraction thereof.

- (7) Section 9 of the Income Tax Management Act 1964 shall apply to any claim for relief under this paragraph.

*Right of individual to recover tax from trustees*

- 19 (1) Where an amount is included in an individual's income by virtue of paragraph 17(1) (a) above, and the rights or share in question were held immediately before the happening of the chargeable event on trust, the individual shall be entitled to recover from the trustees, to the extent of any sums, or to the value of any benefits, received by them by reason of the event, an amount equal to that (if any) by which the tax with which he is chargeable for the year of assessment in question, reduced by the amount of any relief available under paragraph 18 above in respect of the amount so included, exceeds the tax with which he would have been chargeable for the year if the said amount had not been so included.
- (2) Where, for the purposes of relief under the said paragraph 18, two or more amounts are to be treated as one, the reduction required by sub-paragraph (1) above on account of the relief available in respect of any of them shall consist of a proportionate part of the relief available in respect of their aggregate.
- (3) An individual may require the Board to certify any amount recoverable by him by virtue of this paragraph, and the certificate shall be conclusive evidence of the amount.

### PART III

#### SUPPLEMENTARY PROVISIONS

*Duty of insurers, etc. to certify qualifying policies,  
and to give information about chargeable events*

- 20 (1) Subject to sub-paragraph (3) below, where a policy of life insurance issued in respect of an insurance made after 19th March 1968 is, in the opinion of the body by whom it is issued, a qualifying policy within the meaning of Part I of this Schedule, it shall be the duty of that body to give to the policy holder a duly authenticated certificate to that effect.

Any such certificate shall be given within three months of the issue of the policy, or, if later, within three months of the passing of this Act, and shall specify the name of the policy holder, the name of the person whose life is assured, the reference number or other means of identification allocated to the policy, the capital sum or sums assured, and the amounts and dates for payment of the premiums.

- (2) Subject to the said sub-paragraph (3), where a policy of life insurance is varied after the said 19th March and, in the opinion of the body by whom it was issued, is after the variation a qualifying policy within the meaning of the said Part I, it shall be the duty of that body, within three months of the making of the variation, or, if later,

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within three months of the passing of this Act, to give to the policy holder a like certificate with respect to the policy after the variation.

- (3) Where, in the case of any policy, or any policy after a variation, the total premiums payable in any period of twelve months do not exceed £26, a certificate need be given under sub-paragraph (1) or (2) above only if requested in writing by the policy holder, and, if so requested, shall be given within three months of receipt of the request; and sub-paragraph (2) above shall not apply by reason of—
- (a) any variation which, whether or not of a purely formal character, does not affect the terms of a policy in any significant respect, or
  - (b) any variation of a policy issued in respect of an insurance made on or before 19th March 1968, other than a variation by virtue of which the policy falls, under section 16(6) of this Act, to be treated as issued in respect of an insurance made after that date.
- (4) Subject to sub-paragraph (5) below, where a chargeable event within the meaning of Part II of this Schedule has happened in relation to any policy or contract, the body by or with whom the policy or contract was issued, entered into or effected shall, within three months of the event or, if it is a death or an assignment, within three months of their receiving written notification thereof, deliver to the inspector a certificate specifying—
- (a) the name and address of the policy holder,
  - (b) the nature of the event, and the date on which it happened,
  - (c) as may be required for computing the gain to be treated as arising by virtue of the said Part II—
    - (i) the surrender value of the policy, or the sum payable, or other benefits to be conferred, by the body in question by reason of the event,
    - (ii) the amount or value of any relevant capital payments,
    - (iii) the amounts previously paid under the policy or contract by way of premiums, or otherwise by way of consideration for an annuity, and
    - (iv) the capital element in any payment previously made on account of an annuity, and
  - (d) the number of years relevant for computing the appropriate fraction of the gain for the purposes of paragraph 18(3) above.
- (5) Sub-paragraph (4) above shall not apply where—
- (a) the body in question are satisfied that no gain is to be treated as arising by reason of the event, or
  - (b) the amount of the surrender value or sum, or the value of the other benefits, referred to in paragraph (c)(i) of that sub-paragraph, together with the amount or value of any payments within paragraph (c)(ii) thereof, does not exceed £500,
- but the inspector may by notice in writing require a like certificate in any such case, and it shall be the duty of the body to deliver the certificate within thirty days of receipt of the notice.
- (6) Sections 46 and 47 of the Finance Act 1960 (penalties) shall have effect as if sub-paragraphs (4) and (5) above were included in the third column of Schedule 6 to that Act.

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*Interpretation*

- 21 In this Schedule " assignment", in relation to Scotland, means an assignation.

SCHEDULE 10

Section 18.

CASH BASIS ETC.

*Allowable deductions*

- 1 (1) In computing the charge to tax in respect of sums received by any person which are chargeable to tax by virtue of subsection (1) of the principal section, there shall be deducted from the amount which, apart from this paragraph, would be chargeable to tax—
- (a) any loss, expense or debit (not being a loss, expense or debit arising directly or indirectly from the discontinuance itself) which, if the trade, profession or vocation had not been discontinued, would have been deducted in computing for tax purposes the profits or gains of the person by whom it was carried on before the discontinuance, or would have been deducted from or set off against those profits or gains as so computed, and
  - (b) any allowance under the Capital Allowances Act 1968 to which the person who carried on the trade, profession or vocation was entitled immediately before the discontinuance and to which effect has not been given by way of relief before the discontinuance.
- (2) No amount shall be deducted under sub-paragraph (1) above if that amount has been allowed under any other provision of the Income Tax Acts or the Corporation Tax Acts.
- (3) No amount shall be deducted more than once under this paragraph, or both under this paragraph and under section 32(4) of the Finance Act 1960 (post-cessation receipts: allowable deductions), and—
- (a) any expense or debit shall be apportioned between a sum chargeable under subsection (1) of the principal section and a sum chargeable under the said section 32 in such manner as may be just,
  - (b) as between sums chargeable, whether under subsection (1) of the principal section or the said section 32, for one year of assessment or accounting period, and sums so chargeable for a subsequent year of assessment or accounting period, any deduction in respect of a loss or capital allowance shall be made against sums chargeable for the earlier year of assessment or accounting period,
  - (c) subject to paragraph (b) above, as between sums chargeable for any year of assessment or accounting period under subsection (1) of the principal section and sums so chargeable under the said section 32, any deduction in respect of a loss or capital allowance shall be made under this paragraph rather than under the said section 32,
- but, in the case of a loss which by virtue of this paragraph or the said section 32(4) is to be allowed after the discontinuance, not so as to authorise its deduction from any sum chargeable for a year of assessment or accounting period preceding that in which the loss is incurred.

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- (4) In section 21(5) of the Finance Act 1964 (body corporate carrying on mutual business: exclusion of double relief), and in section 17(8) of the Finance Act 1967 (relief for sale of copyright), the references to section 32(4) of the Finance Act 1960 shall include references to this paragraph.
- 2 (1) In computing the charge to tax in respect of sums received by any person which are chargeable to tax by virtue of subsection (2) of the principal section, there shall be deducted any expense or debit which is not otherwise allowable and which, but for the change in basis, would have been deducted in computing for tax purposes the profits or gains of the trade, profession or vocation.
- (2) No amount shall be deducted more than once under this paragraph.

*Transfer of right to receive a payment*

- 3 (1) Subject to sub-paragraph (2) below, in the case of a transfer for value of the right to receive any sum to which subsection (1) or subsection (2) of the principal section applies, any tax chargeable by virtue of that section shall be charged in respect of the amount or value of the consideration (or, in the case of a transfer otherwise than at arm's length, in respect of the value of the right transferred as between parties at arm's length), and references in the principal section and this Schedule to sums received shall be construed accordingly.
- (2) Where the occasion of the discontinuance is a change in the persons carrying on the trade, profession or vocation, and the right to receive any sum to which subsection (1) of the principal section applies is or was transferred, at the time of the change, to die persons carrying on the trade, profession or vocation after title change, tax shall not be charged by virtue of the principal section, but (except where the change took place before 19th March 1968) any sum received by those persons by virtue of the transfer shall be treated for all purposes as a receipt to be brought into the computation of profits or gains of the trade, profession or vocation in the period in which it is received.

*Work in progress*

- 4 (1) It is hereby declared that where work in progress at the discontinuance of a profession or vocation, or the responsibility for its completion, is transferred, the sums to which subsection (1) of the principal section applies include any sums received by way of consideration for the transfer, and any sums received by way of realisation by the transferee, on behalf of the transferor, of the work in progress transferred.
- (2) Where, in the case of any profession or vocation, the profits or gains of which are chargeable to tax under Case I or Case II of Schedule D there has been—
- (a) a change from a conventional basis to the earnings basis, or a change of conventional basis, and
  - (b) the value of work in progress at the time of the change was debited in the accounts and allowed as a deduction in computing profits for tax purposes for a period after the change,

then, in so far as no counterbalancing credit was brought into account in computing profits for tax purposes for any period ending before or with the date of the change, tax shall be charged under subsection (2) of the principal section in respect of that amount for the year of assessment in which the change occurred as if that amount

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were a sum to which the said subsection (2) applies, and the change of basis were a change of the kind described in that subsection.

- (3) In this paragraph " work in progress " at the time of a change of basis shall be construed in the same way as " work in progress " at the discontinuance of a profession or vocation is construed by section 43(5) of the Finance Act 1960, with the substitution in that subsection for references to the discontinuance of references to the change of basis.

#### *Earned income relief*

- 5 Where an individual is chargeable to tax by virtue of the principal section, and the profits or gains of the trade, profession or vocation to which he was entitled before the discontinuance, or as the case may be before the change in basis, fell to be treated as earned income for income tax purposes the sums in respect of which he is so chargeable (after any reduction under section 19 of this Act) shall also be treated for income tax purposes as earned income.

#### *Election for charge to tax at time of discontinuance or change of basis*

- 6 (1) Where any sum chargeable to tax by virtue of the principal section is received in any year of assessment beginning not later than six years after the discontinuance, or as the case may be after the change of basis, the recipient may, by notice in writing sent to the inspector within two years after that year of assessment, elect that the tax so chargeable shall be charged as if the sum were received on the date on which the discontinuance took place, or as the case may be on the last day of the period at the end of which the change of basis took place and in any such case an assessment shall (notwithstanding anything in the Income Tax Acts or the Corporation Tax Acts) be made on him accordingly, and in connection with that assessment no further deduction or relief shall be made or given in respect of any loss or allowance deducted in pursuance of paragraph 1 or paragraph 2 above.
- (2) In section 33(3) of the Finance Act 1960 (election as respects tax chargeable by virtue of section 32 of that Act corresponding to the election under this paragraph) for the words ' twelve months ' there shall be substituted the words ' two years '.

#### *Company surtax*

- 7 Subsections (4) and (5) of section 33 of the Finance Act 1960 (which, as amended by section 63 of the Finance Act 1965, concern the charge to tax on participators in a close company which is wound up) shall have effect as if references to section 32 of that Act included references to subsection (1) of the principal section.

#### *Partnerships*

- 8 (1) Section 19 of this Act shall apply as follows as respects the net amount of any sum chargeable under the principal section which is assessed by reference to a sum accruing to a partnership.
- (2) The part of that net amount which is apportioned to any partner (who is an individual), or the personal representative of such an individual, shall be a net amount with which that person is chargeable under the principal section.



- (3) If the part of the said net amount which is so apportioned is a greater proportion of that amount than is the individual's share (that is to say the part to be included in his total income) of the total amount of the partnership profits assessed to income tax for the three years of assessment ending with the year in which the discontinuance or change of basis took place, the amount of the reduction to be given by way of relief shall not exceed the amount of relief which would have been so given if the apportionment had been made by reference to his share of that total amount.

## SCHEDULE 11

Section 32.

QUOTED SECURITIES HELD ON 6TH APRIL 1965:  
ELECTION FOR POOLING AT VALUE ON THAT DATE

- 1 (1) If a person so elects, quoted securities covered by the election shall be excluded—
- (a) from the principal section, and
  - (b) from paragraph 22(4) of Schedule 6 to the Finance Act 1965 (which brings into the computation of the gain the cost of acquisition as well as the value on 6th April 1965).
- (2) This paragraph has effect as respects any disposal after 19th March 1968.
- (3) An election made by any person under this paragraph shall be as respects all disposals made by him at any time, including disposals made before the election but after 19th March 1968—
- (a) of quoted securities of kinds other than fixed-interest securities and preference shares, or
  - (b) of fixed-interest securities and preference shares,
- and references to the quoted securities covered by an election shall be construed accordingly.
- Any person may make both of the elections.
- (4) An election under this paragraph shall not cover quoted securities which the holder acquired on a disposal after 19th March 1968 in relation to which either of the following enactments (which secure that neither a gain nor a loss accrues on the disposal) applies, that is—
- (a) paragraph 20(1) of Schedule 7 to the Finance Act 1965 (husband and wife),
  - (b) paragraph 2(1) of Schedule 13 to that Act (transfers within group of companies),
- but this paragraph shall apply to the quoted securities so held if the person making the original disposal (that is to say the wife or husband of the holder, or the other member of the group of companies) makes an election covering quoted securities of the kind in question.
- For the purpose of identifying quoted securities disposed of by the holder with quoted securities acquired by him on a disposal in relation to which either of the said enactments applies, so far as they are of the same class, quoted securities acquired at an earlier time shall be deemed to be disposed of before quoted securities acquired at a later time.
- (5) For the avoidance of doubt it is hereby declared—

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- (a) that where a person makes an election under this paragraph as respects quoted securities which he holds in one capacity, that election does not cover quoted securities which he holds in another capacity, and
  - (b) that an election under this paragraph is irrevocable.
- (6) An election under this paragraph shall be made by notice in writing to the inspector not later than the expiration of two years from the end of the year of assessment or accounting period of a company in which the first relevant disposal is made, or such further time as the Board may allow.
- (7) Subject to paragraph 2 below, in this paragraph the "first relevant disposal", in relation to each of the elections referred to in sub-paragraph (3) of this paragraph, means the first disposal after 19th March 1968 by the person making the election of quoted securities of the kind covered by that election.
- (8) In ascertaining the first relevant disposal, and in ascertaining " the relevant time " for the purposes of paragraph 2 below, any disposal chargeable under Case VII of Schedule D shall be disregarded, and " disposal chargeable under Case VII of Schedule D " includes any case where the acquisition and disposal is in circumstances such that no gain accrues, but if a gain had accrued it would have been so chargeable.
- (9) All such adjustments shall be made, whether by way of discharge or repayment of tax, or the making of assessments or otherwise, as are required to give effect to an election under this paragraph.

*Election by principal company of group*

- 2 (1) In the case of companies which at the relevant time are members of a group of companies—
- (a) an election under paragraph 1 above by the company which at that time is the principal company of the group shall have effect also as an election by any other company which at that time is a member of the group, and
  - (b) no election under that paragraph may be made by any other company which at that time is a member of the group.
- (2) In this paragraph " the relevant time ", in relation to a group of companies, and in relation to each of the elections referred to in paragraph 1(3) above, is the first occasion after 19th March 1968 when any company which is then a member of a group disposes of quoted securities of a kind covered by that election, and for the purposes of paragraph 1(6) above that occasion is, in relation to the group, " the first relevant disposal".
- (3) This paragraph shall not apply in relation to quoted securities of either kind referred to in paragraph 1(3) of this Schedule which are owned by a company which, in some period after 19th March 1968 and before the relevant time, was not a member of the group if in that period it had made an election under paragraph 1 above in relation to securities of that kind (or was treated by virtue of this paragraph, in relation to another group, as having done so), or had made a disposal of quoted securities of that kind and did not make an election within the time limited by paragraph 1(6) above.
- (4) This paragraph shall apply notwithstanding that a company ceases to be a member of the group at any time after the relevant time.
- (5) In this paragraph " company " and " group " shall be construed in accordance with paragraph 1 of Schedule 13 to the Finance Act 1965.

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*Pooling at value on 6th April 1965: exchange of securities etc.*

- 3
- (1) Where a person who has made only one of the elections under the preceding provisions of this Schedule disposes of quoted securities which, in accordance with paragraphs 4 to 7 of Schedule 7 to the Finance Act 1965, are to be regarded as being or forming part of a new holding, the election shall apply according to the nature of the quoted securities disposed of, notwithstanding that under the said paragraph 4 the new holding is to be regarded as the same asset as the original holding and that the election would apply differently to the original holding.
  - (2) Where the election does not cover the disposal out of the new holding, but does cover quoted securities of the kind comprised in the original holding, then in computing the gain accruing on the disposal out of the new holding (in accordance with the principal section) the question of what remained undisposed of on any disposal out of the original holding shall be decided on the footing that the principal section applied to that earlier disposal.
  - (3) In the case converse to that in sub-paragraph (2) above (that is to say where the election covers the disposal out of the new holding, but does not cover quoted securities of the kind comprised in the original holding) the question of how much of the new holding derives from quoted securities held on 6th April 1965, and how much derives from other quoted securities, shall be decided for the purposes of this Schedule as it is decided for the purposes of the principal section.

*Underwriters*

- 4
- No election under this Schedule shall cover quoted securities comprised in any underwriter's premiums trust fund, or premiums trust fund deposits, or personal reserves, being securities comprised in funds to which paragraph 9 of Schedule 7 to the Finance Act 1965 applies.

SCHEDULE 12

Section 34.

CAPITAL GAINS

**PART I**

CAPITAL GAINS TAX AND CORPORATION TAX

*Exemption for tangible movables which are wasting assets*

- 1
- (1) Subject to the provisions of this paragraph, no chargeable gain shall accrue on the disposal after 19th March 1968 of, or of an interest in, an asset which is tangible movable property and which is a wasting asset.
  - (2) Sub-paragraph (1) above shall not apply to a disposal of, or of an interest in, an asset—
    - (a) if, from the beginning of the period of ownership of the person making the disposal to the time when the disposal is made, the asset has been used and used solely for the purposes of a trade, profession or vocation and if that person has claimed or could have claimed any capital allowance in respect

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- of any expenditure attributable to the asset or interest under paragraph (a) or paragraph (b) of paragraph 4(1) of Schedule 6 to the Finance Act 1965, or
- (b) if the person making the disposal has incurred any expenditure on the asset or interest which has otherwise qualified in full for any capital allowance.
- (3) In the case of the disposal of, or of an interest in, an asset which, in the period of ownership of the person making the disposal, has been used partly for the purposes of a trade, profession or vocation and partly for other purposes, or has been used for the purposes of a trade, profession or vocation for part of that period, or which has otherwise qualified in part only for capital allowances—
- (a) the consideration for the disposal, and any expenditure attributable to the asset or interest by virtue of the said paragraph 4(1)(a) and (b), shall be apportioned by reference to the extent to which that expenditure qualified for capital allowances, and
- (b) the computation under the said Schedule 6 shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
- (c) sub-paragraph (1) above shall not apply to any gain accruing by reference to the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation, or to the expenditure qualifying for capital allowances.
- (4) Sub-paragraph (1) above shall not apply to a disposal of commodities of any description by a person dealing on a terminal market or dealing with or through a person ordinarily engaged in dealing on a terminal market.
- (5) Paragraph 28 of Schedule 6 to the Finance Act 1965 (assets treated as acquired at value on 6th April 1965: capital allowances to be treated as made in respect of notional expenditure on acquisition on that date) shall apply for the purposes of paragraph 11 of that Schedule (wasting assets qualifying for capital allowances) as it applies for the purposes of paragraph 6 of that Schedule (restriction of losses by reference to capital allowances).
- (6) This paragraph shall be construed as one with Schedule 6 to the Finance Act 1965.

*Exemption for private residences*

- 2 (1) Section 29 of the Finance Act 1965 shall not apply in relation to a gain if the acquisition of, or of the interest in, the dwelling-house or the part of a dwelling-house was made wholly or partly for the purpose of realising a gain from the disposal of it, and shall not apply in relation to a gain so far as attributable to any expenditure which was incurred after the beginning of the period of ownership and was incurred wholly or partly for the purpose of realising a gain from the disposal.
- (2) Sub-paragraph (1) above has effect in substitution for subsection (11) of the said section 29 (which excludes relief unless the acquisition was made for the purpose of residing in, or in the part of, the dwelling-house and not wholly or partly for the purpose of realising a gain).

*Replacement of business assets*

- 3 (1) This paragraph has effect as respects Class I of the classes of assets in section 33(6) of the Finance Act 1965.

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- (2) Where the trade is a trade of dealing in or developing land, but a profit on the sale of any land held for the purposes of the trade would not form part of the trading profits, then, as regards that land, the trade shall be treated for the purposes of the said section 33 as if it were not a trade of dealing in or developing land.
- (3) A person who is a lessor of tied premises shall be treated as if he occupied (as well as used) those tied premises only for the purposes of the relevant trade.

This sub-paragraph shall be construed in accordance with section 26(2) of the Finance Act 1952 (income tax and corporation tax on tied premises).

*Death of heir of entail or proper liferenter*

- 4 (1) The provisions of Part III of the Finance Act 1965, so far as relating to the charging of capital gains tax on the death after 19th March 1968 of an heir of entail in possession of any property in Scotland subject to an entail, whether sui iuris or not, or of a proper liferenter of any property, shall have effect subject to the following provisions of this paragraph.
- (2) For the purposes of the said Part III, on the death of any such heir or liferenter—
  - (a) the deceased shall be deemed not to have been a person competent to dispose of the entailed or, as the case may be, liferented property;
  - (b) the heir of entail next entitled to the entailed property under the entail (hereafter in this paragraph called " the next heir") or, as the case may be, the person (if any) who, on the death of the liferenter, becomes entitled to possession of the property as fiar (hereafter in this paragraph called " the fiar ") shall be deemed to have acquired all the assets forming part of the property—
    - (i) in the case of the next heir, at the date on which the deceased succeeded to the property under the entail,
    - (ii) in the case of the fiar, at the date on which the instrument under which the deceased was entitled to his liferent came into operation so as to create a liferent of the property,for a consideration equal to their market value at that date, and to have disposed of, and immediately reacquired, those assets at the date of the deceased's death for a consideration equal to their market value at that date.
- (3) Section 21 of the Finance Act 1965 (alternative charge to capital gains tax) shall not apply in relation to the charging of capital gains tax on gains accruing in consequence of sub-paragraph (2)(b) above.
- (4) Section 25(5) of the Finance Act 1965 (under which, in the case of the death of any individual, the relief provided for by section 24(2) of that Act in respect of capital gains tax chargeable on gains accruing in consequence of section 24(1) of that Act may in certain circumstances become available to the trustees of a settlement) shall, in a case where the deceased was such an heir of entail or life-renter as aforesaid, have effect, for the purpose of making that relief available to the next heir or, as the case may be, the fiar as well as to any such trustees, as if references—
  - (a) to the trustees of a settlement, or to a body of trustees,  
included references to the next heir or, as the case may be, the fiar,
  - (b) to settled property included references to the property of which the deceased was the heir of entail in possession or, as the case may be, the liferenter,

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- (c) to the disposal of settled property deemed to be effected in accordance with subsection (3) or subsection (4) of the said section 25 on the termination of a life interest by the death, or otherwise in consequence of the death, included references to the disposal of the property deemed to be effected in accordance with sub-paragraph (2)(b) above,  
and subject to any other necessary modification.
- (5) In the case of the death of any such heir or liferenter, section 29 of the Finance Act 1965 (private residences) shall, subject to all necessary modifications, apply in relation to a gain accruing in consequence of sub-paragraph (2)(b) above to the next heir or fiar on the disposal of an asset deemed to be effected in accordance with that sub-paragraph, being an asset within subsection (1) of the said section 29, where the dwelling-house or part of a dwelling-house mentioned in that subsection was the only or main residence of the deceased.
- (6) Where on the death of any such heir the next heir becomes chargeable to capital gains tax on gains accruing in consequence of sub-paragraph (2)(b) above, he shall, for the purpose of paying that tax or of recovering the amount of the tax if he has already paid it, have the like right to sell or charge the entailed property or any part of it as he would have had if the tax had been estate duty leviable on the property.
- (7) Paragraph 4 of Schedule 10 to the Finance Act 1965 (postponement of payment of tax) shall have effect as if—
- (a) after sub-paragraph (1)(b) there were inserted the following words—
- “or
- (c) on the disposal of any property deemed to be effected on any occasion in accordance with paragraph 4(2)(b) of Schedule 12 to the Finance Act 1968,”; and
- (b) in sub-paragraph (1), after the word " trustees " there were inserted the words " or, in a case falling within head (c) of this sub-paragraph, of the next heir or of the fiar, ".
- (8) In estimating, for the purposes of estate duty, the value of any-property passing on the death of any such heir or liferenter, being property of which, by virtue of sub-paragraph (2)(b) above, the next heir or, as the case may be, the fiar is deemed to have disposed at the date of the deceased's death, allowance shall be made for any capital gains tax chargeable on gains accruing in consequence of the said sub-paragraph 2(b) on that death in respect of that property.
- (9) This paragraph (except sub-paragraph (8) thereof) shall be construed as one with Part III of the Finance Act 1965, and sub-paragraph (8) shall be construed as one with Part I of the Finance Act 1894.

*Election for valuation on 6th April 1965*

- 5 (1) An election under paragraph 25(1) of Schedule 6 to the Finance Act 1965 shall be made by notice in writing to the inspector given within two years from the end of the year of assessment or accounting period of a company in which the disposal is made or such further time as the Board may by notice in writing allow.
- (2) This paragraph applies to a disposal made before or after the passing of this Act, and has effect in substitution for the time limit of two years in the said paragraph 25(1) whether or not that time limit has expired before the passing of this Act.

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- (3) Where the said time limit has expired before the passing of this Act all such adjustments shall be made, whether by way of repayment or discharge of tax, or by assessment, as may be required to give effect to the provisions of this paragraph.

*Land in Great Britain : election excluding valuation at current use value*

- 6 In section 33(3) of the Finance Act 1967 after " end of the year of assessment", there shall be inserted " or accounting period of a company " , and the definition of " year of assessment" shall be repealed.

*Duration of leases*

- 7 (1) In ascertaining for the purposes of Part III of the Finance Act 1965 the duration of a lease of land the following provisions shall have effect.
- (2) Where the terms of the lease include provision for the determination of the lease by notice given by the landlord, the lease shall not be treated as granted for a term longer than one ending at the earliest date on which it could be determined by notice given by the landlord.
- (3) Where any of the terms of the lease (whether relating to forfeiture or to any other matter) or any other circumstances render it unlikely that the lease will continue beyond a date falling before the expiration of the term of the lease, the lease shall not be treated as having been granted for a term longer than one ending on that date.
- (4) Sub-paragraph (3) applies in particular where the lease provides for the rent to go up after a given date, or for the tenant's obligations to become in any other respect more onerous after a given date, but includes provision for the determination of the lease on that date by notice given by the tenant, and those provisions render it unlikely that the lease will continue beyond that date.
- (5) Where the terms of the lease include provision for the extension of the lease beyond a given date by notice given by the tenant this paragraph shall apply as if the term of the lease extended for as long as it could be extended by the tenant, but subject to any right of the landlord by notice to determine the lease.
- (6) It is hereby declared that the question what is the duration of a lease is to be decided, in relation to the grant or any disposal of the lease, by reference to the facts which were known or ascertainable at the time when the lease was acquired or created.
- (7) Paragraph 8 of Schedule 8 to the Finance Act 1965 (which is superseded by this paragraph) shall cease to have effect, and this paragraph shall be construed as one with the said Schedule 8 and so that the reference in paragraph 9(1) of that Schedule to the said paragraph 8 shall be taken as a reference to this paragraph.

*Disposal of debts*

- 8 (1) In paragraph 11 of Schedule 7 to the Finance Act 1965—
- (a) in sub-paragraph (1) (exemption for debt in hands of original creditor or his legatee), and
- (b) in sub-paragraph (4) (disallowance of loss on disposal of debt by assignee connected with original creditor or his legatee)
- for the words " or his legatee " there shall be substituted the words " or his personal representative or legatee ".

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- (2) Where the original creditor is a trustee and the debt, when created, is settled property, the said sub-paragraphs (1) and (4) shall apply as if for the references to the original creditor's personal representative or legatee there were substituted references to any person becoming absolutely entitled, as against the trustee, to the debt on its ceasing to be settled property, and to that person's personal representative or legatee.

*Government securities issued at a discount*

- 9 In Schedule 9 to the Finance Act 1965 after the entry relating to " 6% Conversion Stock 1972 " there shall be added the following entry:—

“British Transport 3% Stock 1967-72	97 ½	100”
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*Exclusion of short-term gains accruing to trustees*

- 10 (1) This paragraph has effect as respects a gain accruing to a trustee on a disposal of an asset forming part of settled property, being a disposal deemed to be effected by the trustee under section 25(4) of the Finance Act 1965 (which, as extended by subsections (6) and (7) of that section, creates an occasion of charge on a termination of a life interest and on certain other occasions).
- (2) The gain shall not be a chargeable gain for the purposes of Part III of the Finance Act 1965—
- (a) if the trustee disposes of the asset in circumstances such that the disposal is chargeable under Case VII of Schedule D, or
  - (b) if by virtue of paragraph 4(2) of Schedule 9 to the Finance Act 1962 (beneficiary becoming absolutely entitled to settled property) any person is treated as if the acquisition of the asset by the trustee had been his acquisition of it, and that person disposes of the asset in circumstances such that the disposal is chargeable under the said Case VII.
- (3) This paragraph shall be construed as if contained in paragraph 3 of Schedule 6 to the Finance Act 1965.
- (4) There shall be made all such adjustments, whether by way of discharge or repayment of tax, or by the making of assessments, or otherwise, as are required to give effect to the provisions of this paragraph.

*Short-term gains on disposals only partly derived from relevant acquisitions*

- 11 (1) This paragraph has effect where—
- (a) after 10th April 1968 there is a disposal chargeable under Case VII of Schedule D, and
  - (b) an interest included in that disposal does not derive, or wholly derive, from a relevant acquisition,
- and in this paragraph the interest, or part of an interest, which does not derive from a relevant acquisition is called " the untaxed element".
- (2) For the purposes of Part III of the Finance Act 1965 it shall be assumed that immediately before the said disposal the untaxed element was sold and immediately reacquired by the person making the disposal (but so that the assumed sale is not a



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disposal chargeable under Case VII of Schedule D for the purposes of paragraph 3(1) of Schedule 6 to the Finance Act 1965 (exclusion of short-term gains)).

- (3) Where the said disposal is a part disposal, the assumption in sub-paragraph (2) above shall be made only as respects such part of the untaxed element as can reasonably and justly be attributed to what is disposed of.
- (4) For the said purposes it shall be assumed that the sale and reacquisition is for a consideration equal to the amount at which the untaxed element fell to be brought into account under section 13(4) of the Finance Act 1962 (which involves valuation at a date immediately before the disposal) in computing the gain accruing on the disposal chargeable under Case VII:

Provided that if the untaxed element is an interest in land section 33 of the Finance Act 1967 (current use value for land in Great Britain) and Schedule 14 to that Act shall have effect as if the definition of " land " in paragraph 17 of that Schedule included what is assumed to be sold.

- (5) In this paragraph references to a disposal chargeable under Case VII of Schedule D are references to cases where the acquisition and disposal is in circumstances such that the gain accruing on it is chargeable under Case VII of Schedule D, or where it would be so chargeable if there were a gain so accruing.
- (6) For the purposes of this paragraph " relevant acquisition " has the meaning given by section 13(8)(a) of the Finance Act 1962, and an interest included in the disposal shall be treated as deriving from an acquisition if without that acquisition the whole interest could not have been so included.

*Exclusion of short-term gains : supplemental*

- 12 (1) Paragraph 10 above, and sub-paragraphs (2), (3) and (4) of paragraph 3 of Schedule 6 to the Finance Act 1965 (which make corresponding provision for cases where a disposal of an asset is followed by another disposal of that asset which is chargeable under Case VII) shall apply if what is disposed of on the second occasion does not consist of or include the whole of what was disposed of on the first occasion, so as to afford relief in respect of so much of it as was comprised in both disposals.
- (2) In paragraph 3 of Schedule 6 to the Finance Act 1965 and in this Schedule references to a disposal chargeable under Case VII shall not include references to a disposal on which by virtue of paragraph 18(1) of Schedule 9 to the Finance Act 1962 neither a gain nor a loss can accrue.

*Administration: non-resident trading in United Kingdom*

- 13 The Table at the end of paragraph 1(3) of Schedule 10 to the Finance Act 1965 (income tax provisions applied to capital gains tax) shall include section 374 of the Income Tax Act 1952 (responsibility and indemnification of persons in whose name a non-resident person is chargeable).

*Commencement*

- 14 Except as otherwise provided, this Part of this Schedule has effect as respects any disposals of assets after 5th April 1968.

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*Status: This is the original version (as it was originally enacted).*

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## PART II

### COMPANIES

#### *Company amalgamations and reconstructions*

- 15 (1) Paragraph 7 of Schedule 7 to the Finance Act 1965 shall be amended as follows.
- (2) Sub-paragraph (1) (issue of shares or debentures in one company to holders of shares or debentures in another company to be treated as an exchange in certain circumstances) shall apply after 10th April 1968, in relation to a company which has no share capital, as if references to shares in or debentures of a company included references to any interests in the company possessed by members of the company, and paragraphs 4 and 6 of the said Schedule 7 shall apply accordingly.
- (3) Sub-paragraph (2) (reconstruction or amalgamation involving transfer of a company's business) shall only apply to a transfer at a time after 10th April 1968 if both that company and the company to which the business is transferred are at that time resident in the United Kingdom.

#### *Transfer of business to a company*

- 16 Paragraph 8 of Schedule 7 to the Finance Act 1965 shall not apply to a transfer after 10th April 1968 if the person, or any of the persons, to whom any gain accrues on the transfer is a company.

#### *Dividend-stripping: receipt of dividend by member of a group*

- 17 (1) This paragraph has effect where section 65(3) of the Finance Act 1965 (main provisions about dividend-stripping) or paragraph 3(4) of Schedule 11 to the Finance Act 1967 (transfers between companies and their members or participators) applies so as to treat any amount as a capital distribution paid after 10th April 1968 if the recipient was, at the time when it became entitled to receive that amount, a member of a group of companies and if the holding consists of shares in another member of the group.
- (2) Paragraph 3(2) of Schedule 7 to the Finance Act 1965 (postponement of occasion of charge) shall apply as if the inspector had duly given a direction under that sub-paragraph, and that sub-paragraph shall apply accordingly, but subject to the provisions of paragraph 9 of Schedule 10 to the Finance Act 1966 (no postponement where there is no expenditure against which the distribution can be set off), and the said paragraph 9(1) shall apply as if it referred to the said paragraph 3(2) as extended by this paragraph.

#### *Company ceasing to be member of a group*

- 18 (1) If a company (in this paragraph called the chargeable company) ceases to be a member of a group of companies at any time after 10th April 1968, this paragraph shall have effect as respects any asset which the chargeable company acquired from another company which was at the time of acquisition a member of that group of companies, but only if the time of acquisition fell—
- (a) on or after 6th April 1965, and

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- (b) within the period of six years ending with the time when the company ceases to be a member of the group.

Where two or more associated companies cease to be members of the group at the same time, this sub-paragraph shall not have effect as respects an acquisition by one from another of those associated companies.

- (2) If, when the chargeable company ceases to be a member of the group, the chargeable company, or an associated company also leaving the group, owns, otherwise than as trading stock—

- (a) the asset, or
- (b) property to which a chargeable gain has been carried forward from the asset on a replacement of business assets,

the chargeable company shall be treated for all the purposes of Part III of the Finance Act 1965 as if immediately after its acquisition of the asset it had sold, and immediately reacquired, the asset at market value at that time.

- (3) For the purposes of this paragraph—

- (a) two or more companies are associated companies if, by themselves, they would form a group of companies,
- (b) a chargeable gain is carried forward from an asset to other property on a replacement of business assets if, by one or more claims under section 33 of the Finance Act 1965, the chargeable gain accruing on a disposal of the asset is reduced, and as a result an amount falls to be deducted from the expenditure allowable in computing a gain accruing on the disposal of the other property,
- (c) an asset acquired by the chargeable company shall be treated as the same as an asset owned at a later time by that company or associated company if the value of the second asset is derived in whole or in part from the first asset, and in particular where the second asset is a freehold, and the first asset was a leasehold and the lessee has acquired the reversion.

- (4) If any of the corporation tax assessed on a company in consequence of this paragraph is not paid within six months from the date when it becomes payable then—

- (a) a company which on the said date, or immediately after the chargeable company ceased to be a member of the group, was the principal company of the group, and
- (b) a company which owned the asset on the said date, or when the chargeable company ceased to be a member of the group,

may at any time within two years from the time when the tax became payable, be assessed and charged (in the name of the chargeable company) to all or any part of that tax ; and a company paying any amount of tax under this sub-paragraph shall be entitled to recover a sum of that amount from the chargeable company.

- (5) Notwithstanding any limitation on the time for making assessments, an assessment to corporation tax chargeable in consequence of this paragraph may be made at any time within six years from the time when the chargeable company ceased to be a member of the group, and where under this paragraph the chargeable company is to be treated as having disposed of, and reacquired, an asset, all such recomputations of liability in respect of other disposals, and all such adjustments of tax, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of the provisions of this paragraph shall be carried out.

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*Status: This is the original version (as it was originally enacted).*

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*Shares in subsidiary member of a group*

- 19 (1) This paragraph has effect if a company (in this paragraph called the subsidiary) ceases to be a member of a group of companies at any time after 10th April 1968, and on an earlier occasion shares in the subsidiary were disposed of by another company (in this paragraph called "the chargeable company") which was then a member of that group in the course of an amalgamation or reconstruction in the group, but only if that earlier occasion fell—
- (a) on or after 6th April 1965, and
  - (b) within the period of six years ending with the date on which the subsidiary ceases to be a member of the group.
- (2) The chargeable company shall be treated, for all the purposes of Part III of the Finance Act 1965, as if immediately before the earlier occasion it had sold, and immediately re-acquired, the said shares at market value at that time.
- (3) If, before the subsidiary ceases to be a member of the group, the chargeable company has ceased to exist, or a resolution has been passed, or an order made, for the winding up of the company, or any other act has been done for the like purpose, any corporation tax to which, if the chargeable company had continued in existence, it would have been chargeable in consequence of this paragraph may be assessed and charged (in the name of the chargeable company) on the company which is, at the time when the subsidiary ceases to be a member of the group, the principal company of the group.
- (4) If any of the corporation tax assessed on a company in consequence of this paragraph, or in pursuance of sub-paragraph (3) above, is not paid within six months from the date when it becomes payable, then—
- (a) a company which is on the said date, or was on the earlier occasion, the principal company of the group, and
  - (b) any company taking an interest in the subsidiary as part of the amalgamation or reconstruction in the group,
- may at any time within two years from the time when the tax became payable, be assessed and charged (in the name of the chargeable company) to all or any part of that tax; and a company paying any amount of tax under this sub-paragraph shall be entitled to recover a sum of that amount from the chargeable company, or as the case may be from the company assessed under sub-paragraph (3) above.
- (5) Notwithstanding any limitation on the time for making assessments, an assessment to corporation tax chargeable in consequence of this paragraph may be made at any time within six years from the time when the subsidiary ceased to be a member of the group and, in relation to any disposal of the property after the earlier occasion, there shall be made all such adjustments of tax, whether by way of assessment or by way of discharge or repayment of tax as may be required in consequence of the provisions of this paragraph.
- (6) For the purposes of this paragraph there is a disposal of shares in the course of an amalgamation or reconstruction in a group of companies if paragraph 6 or paragraph 7 of Schedule 7 to the Finance Act 1965 (company amalgamations) applies to shares in a company so as to equate them with shares in or debentures of another company, and the companies are members of the same group, or become members of the same group as a result of the amalgamation or reconstruction.

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*Status: This is the original version (as it was originally enacted).*

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- (7) Where by virtue of paragraph 7 of the said Schedule 7 shares are to be treated as cancelled and replaced by a new issue, references in this paragraph to a disposal of shares include references to the occasion of their being so treated.

*Loss on disposal of shares etc. attributable to depreciatory transaction in a group*

- 20 (1) This paragraph has effect as respects a disposal after 10th April 1968 of shares in, or securities of, a company if the value of the shares or securities has been materially reduced by any disposal of assets, on or after 6th April 1965, at other than market value by one member of a group of companies to another, and in this paragraph any such disposal of assets is called a "depreciatory transaction":

Provided that no account shall be taken under this sub-paragraph of a disposal of assets if and to the extent that that disposal of assets fell to be treated as giving rise to a capital distribution within the meaning of Part III of the Finance Act 1965, and if the recipient of the capital distribution is the person disposing of the shares and securities.

- (2) If the person making the disposal of the shares or securities is, or has at any time been, a member of the said group of companies, any allowable loss accruing on the disposal shall be reduced to such extent as appears to the inspector, or on appeal the Commissioners concerned, to be just and reasonable having regard to the depreciatory transaction:

Provided that if the person is not a member of the said group when that person disposes of the shares or securities, no reduction of the loss shall be made by reference to a depreciatory transaction which took place when that person was not a member of the said group.

- (3) The inspector or the Commissioners shall make the decision under sub-paragraph (2) above on the footing that the allowable loss ought not to reflect any diminution in the value of the company's assets which was attributable to a depreciatory transaction 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, but allowance may be made for any other transaction on or after 6th April 1965 which has enhanced the value of the company's assets and depreciated the value of the assets of any other member of the group.

- (4) If, under sub-paragraph (2) above, a reduction is made in an allowable loss, any chargeable gain accruing on a disposal of the shares or securities of any other company which was a party to the depreciatory transaction by reference to which the reduction was made, being a disposal not later than six years after the depreciatory transaction, shall be reduced to such extent as appears to the inspector, or on appeal to the Commissioners concerned, to be just and reasonable having regard to the effect of the depreciatory transaction on the value of those shares or securities at the time of their disposal:

Provided that the total amount of any one or more reductions in chargeable gains made by reference to a depreciatory transaction shall not exceed the amount of the reductions in allowable losses made by reference to that depreciatory transaction.

All such adjustments, whether by way of discharge or repayment of tax, or otherwise, as are required to give effect to the provisions of this sub-paragraph may be made at any time.

- (5) For the purposes of this paragraph—

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" securities " includes any loan stock or similar security whether secured or unsecured, references to the disposal of assets include references to any method by which one company which is a member of a group appropriates the goodwill of another member of the group, a

" group of companies " may consist of companies some or all of which are not resident in the United Kingdom.

- (6) References in this paragraph to the disposal of shares or securities include references to the occasion of the making of a claim under section 23(4) of the Finance Act 1965 that the value of shares or securities has become negligible, and references to a person making a disposal shall be construed accordingly.

*Disposal or acquisition outside a group of companies*

- 21 (1) In paragraph 4 of Schedule 13 to the Finance Act 1965 (capital allowances) for the words

“Where a member of a group of companies disposes of an asset”  
there shall be substituted the words

“Where a company which is or has been a member of a group of companies disposes of an asset”.

- (2) In paragraph 5 of the said Schedule 13 (transitional provisions as to assets held on 6th April 1965) for the words

“in relation to a disposal of an asset by a member of a group of companies”  
there shall be substituted the words

“in relation to a disposal of an asset by a company which is or has been a member of a group of companies”.

- (3) References in the said paragraphs 4 and 5 to the acquisition of an asset by one member of a group from another shall, notwithstanding sub-paragraphs (1) and (2) above, continue to be read as references to acquisition at a time when both are members of the group.

- (4) This paragraph applies as respects any disposal after 10th April 1968.

*Non-resident group of companies*

- 22 (1) This paragraph has effect for the purposes of section 41 of the Finance Act 1965 (residents interested in non-resident company).

- (2) Part I of Schedule 13 to the Finance Act 1965 (group of companies resident in the United Kingdom), without paragraph 1 (definition of company and group) and without paragraph 7 (recovery of tax), shall apply in relation to non-resident companies which are members of a non-resident group of companies, as it applies in relation to companies resident in the United Kingdom which are members of a group of companies.

- (3) Paragraphs 18 and 19 above shall apply for the said purposes as if for any reference in those paragraphs to a group of companies there were substituted a reference to a non-resident group of companies, and as if references to companies were references to companies not resident in the United Kingdom.

- (4) This paragraph has effect as respects any disposal after 10th April 1968.

*Supplemental*

- 23 (1) For the purposes of this Part of this Schedule—
- (a) a " non-resident group " of companies—
    - (i) in the case of a group, none of the members of which are resident in the United Kingdom, means that group, and
    - (ii) in the case of a group, two or more members of which are not resident in the United Kingdom, means the members which are not resident in the United Kingdom;
  - (b) " group " and " subsidiary " shall be construed in accordance with subparagraphs (b) and (c) of paragraph 1 of Schedule 13 to the Finance Act 1965, with any necessary modifications where applied to a company incorporated under the law of a country outside the United Kingdom,
  - (c) except in the definition of " non-resident group " above, or as otherwise expressly provided, " company " shall be construed in accordance with subparagraph (a) of the said paragraph 1 (which relates to companies resident in the United Kingdom).
- (2) For the purposes of this Part of this Schedule a group remains the same group so long as the same company remains the principal company of the group, and if at any time the principal company of a group becomes a subsidiary of another company the group of which it was the principal company before that time shall be regarded as the same as the group of which that other company, or one of which it is a subsidiary, is the principal company, and the question whether or not a company has ceased to be a member of a group shall be determined accordingly.
- (3) For the said purposes the passing of a resolution or the making of an order, or any other act, for the winding-up of a company shall not be regarded as the occasion of that company, or of any subsidiary of that company, ceasing to be a member of a group of companies.
- (4) Without prejudice to the provisions of paragraph 2(1) of Schedule 13 to the Finance Act 1965, where any provision in this Part of this Schedule makes the assumption that a member of a group has sold or acquired an asset, it shall be assumed also that it was not a sale to or acquisition from another member of the group.
- (5) Any provision in this Part of this Schedule making the assumption that an asset is sold and reacquired at market value shall have effect subject to the provisions of section 33 of the Finance Act 1967 (current use value of land in Great Britain).
- (6) This Part of this Schedule has effect as respects tax for any accounting period ending after 10th April 1968, and so far as it relates to liability to tax arising on a disposal deemed to have been made on or before 10th April 1968, shall have effect for tax for earlier accounting periods.

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*Status: This is the original version (as it was originally enacted).*

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## SCHEDULE 13

Section 34.

## SHORT TERM CAPITAL GAINS

*Exemption for tangible movables which are wasting assets*

- 1 (1) Chargeable assets for the purposes of Case VII of Schedule D shall not include an asset which is tangible movable property and which is a wasting asset, and shall not include an interest in tangible movable property which is a wasting asset.
- (2) Sub-paragraph (1) above shall not apply to a disposal of commodities of any description by a person dealing on a terminal market or dealing with or through a person ordinarily engaged in dealing on a terminal market.
- (3) In this paragraph "wasting asset" has the meaning given by paragraph 9 of Schedule 6 to the Finance Act 1965.
- (4) This paragraph has effect as respects a disposal after 19th March 1968.

*Company amalgamations and reconstructions*

- 2 Paragraph 13(1) of Schedule 9 to the Finance Act 1962 (issue of shares or debentures in one company to holders of shares or debentures in another company to be treated as an exchange in certain circumstances) shall apply after 10th April 1968, in relation to a company which has no share capital, as if references to shares in or debentures of a company included references to any interests in the company possessed by members of the company, and paragraphs 10 and 12 of that Schedule shall apply accordingly.

*Husband and wife dealing in shares, etc.*

- 3 (1) Where, in the case of a man and his wife living with him, one of them—
- (a) disposes of shares to his wife or her husband after 10th April 1968, and
  - (b) disposes of other shares, of the same kind as those disposed of to the wife or husband, to another person (in this paragraph called "a third party"),
- the provisions of this paragraph shall have effect as respects any shares acquired by the person making those disposals which, but for the provisions of paragraph 8 of Schedule 9 to the Finance Act 1962 (identification of shares), could have been comprised in either of those disposals.
- (2) If, but for the provisions of this sub-paragraph, shares disposed of to a third party—
- (a) would not be taxable shares, and
  - (b) but for the disposal to the wife or husband would be taxable shares,
- the identification shall be reversed so that the shares disposed of to the third party (or, if the quantity disposed of to the third party was greater than the quantity disposed of to the wife or husband, a part of them equal to the quantity disposed of to the wife or husband) shall be taxable shares.
- (3) If there is more than one disposal to the wife or husband, or more than one disposal to a third party, the provisions of this paragraph shall be applied to shares disposed of on an earlier date before being applied to shares disposed of on a later date, and the re-identification of the shares first disposed of shall accordingly determine the way in which this paragraph applies to the shares comprised in the later disposal.



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- (4) In this paragraph " taxable shares " are shares the disposal of which, together with their acquisition, constitutes an acquisition and disposal within the meaning of Chapter II of Part II of the Finance Act 1962.
- (5) This paragraph shall apply in relation to a disposal of any assets as it applies in relation to a disposal of shares, where the assets are of a nature to be dealt in without identifying the particular assets disposed of or acquired.

*Husband and wife dealing in shares etc.: sale at a loss and reacquisition*

- 4 (1) Where, in the case of a man and his wife living with him, a loss accrues to one of them from his or her acquisition and disposal of any shares, and the other of them is to be treated in accordance with this paragraph as acquiring the same shares within the prescribed period after the disposal, that loss shall be allowable under Case VII by deduction from any gain accruing to the other (that is to say the wife or husband of the person to whom the loss accrued) from an acquisition and disposal of the shares beginning with that acquisition by the other, but shall not be so allowable by deduction from any other gain accruing to either of them.
- (2) Shares disposed of by the husband or wife shall not for the purposes of this paragraph be treated as the same as shares acquired by the other if for the purposes of paragraph 9 of Schedule 9 to the Finance Act 1962—
  - (a) the person disposing of the shares is to be treated as having reacquired the same shares, or
  - (b) the person acquiring the shares is to be treated as thereby reacquiring shares disposed of,or if the person acquiring the shares acquires them from her husband or his wife.
- (3) Subject to sub-paragraph (2) above, where the husband or wife disposes of shares and the other afterwards acquires the like shares within the prescribed period from the disposal, the other is to be treated for the purposes of this paragraph as acquiring the same shares as those disposed of (or, if the quantity disposed of was greater than the quantity acquired, a part equal to the quantity acquired) and, so far as necessary, the rules in paragraphs (a) to (d) of paragraph 9(2) of Schedule 9 to the Finance Act 1962 (successive disposals and successive acquisitions) shall apply for the purpose of determining which are the same shares, as if the husband and wife were one person, and disregarding all shares excluded by sub-paragraph (2) above.
- (4) For the purposes of this paragraph shares acquired by the wife or husband for transfer or delivery after the date of transfer or delivery of the shares sold by the other shall be deemed to have been acquired after the disposal of the shares sold.
- (5) Where the husband or wife acquires shares and, under paragraph 8 of Schedule 9 to the Finance Act 1962, shares previously disposed of by him or her are identified with those shares, then—
  - (a) this paragraph shall not apply in relation to any loss accruing from that acquisition and disposal, and
  - (b) that acquisition shall not be treated for the purposes of this paragraph as an acquisition of the same shares as any shares disposed of by the other,and sub-paragraphs (4) to (6) of paragraph 9 of the said Schedule 9 shall apply as if references in those sub-paragraphs to sub-paragraph (3) of that paragraph included references to this sub-paragraph.

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*Status: This is the original version (as it was originally enacted).*

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- (6) In this paragraph " the prescribed period " means—
- (a) in the case of an acquisition of shares through a stock exchange, one month, and
  - (b) in the case of an acquisition of shares otherwise than through a stock exchange, or in the case of an acquisition of some other kind of asset, six months.
- (7) This paragraph shall apply in relation to acquisitions or disposals of any assets as it applies in relation to acquisitions or disposal of shares, where the assets are of a nature to be dealt in without identifying the particular assets disposed of or acquired.

*Construction and commencement*

- 5 (1) Except as otherwise provided, this Schedule has effect as respects any disposals of assets after 10th April 1968.
- (2) This Schedule shall be construed as one with Chapter II of Part II of the Finance Act 1962,

SCHEDULE 14

Section 35.

ESTATE DUTY : GIFTS, ETC.

*Substitution of seven years for five years*

- 1 List of enactments amended
- Customs and Inland Revenue Act 1881
  - Section 38(2)(a) except as respects gifts for public or charitable purposes.  
Finance Act 1894
  - Section 2(3) except as respects gifts for public or charitable purposes.  
Finance Act 1939
  - Section 31(2).  
Finance Act 1940
  - Section 43(2).
  - Section 46(1).
  - Section 47(1) (in two places).
  - Section 48(3) (in two places).
  - Section 51(1A).
  - Section 55(1)(a).
  - Section 58(1)(a).
  - In Schedule 7, paragraphs 1(4), 2(1)(3)(5) and 2(6)(c).  
Finance Act 1950
  - Section 45(2)(a)(b).  
Finance Act 1954
  - Section 29(1)(2)(4).  
Finance Act 1958
  - Section 28(1)(8)(10).

*Consequential amendments*

- 2 (1) In section 38(2)(a) of the Customs and Inland Revenue Act 1881 (as applied by section 2(1)(c) of the Finance Act 1894) for " three months " (as originally enacted) substitute " seven years, or in the case of a gift made for public or charitable purposes twelve months ".
- (2) In section 2(3) of the Finance Act 1894 for " twelve months " substitute " seven years, or in the case of a gift made for public or charitable purposes twelve months ".
- (3) In section 59(3) of the Finance (1909-10) Act 1910 the reference to the period provided by that section shall be taken as a reference to seven years, or in the case of a gift made for public or charitable purposes twelve months.

*Benefits from companies*

- 3 (1) In section 46(2) of the Finance Act 1940 for " last five accounting years " substitute " last seven accounting years " , and, where the company came into existence in any of the last seven accounting years mentioned in the said section 46(2) as so amended, the reference to the last seven accounting years shall be construed as a reference to the accounting year in which the company came into existence and all later accounting years.
- (2) In the case of a death on or before 19th March 1970 the exception in subsection (1) of the principal section shall not apply to any of the amendments made by that subsection in section 46 or section 47 of, or Schedule 7 to, the Finance Act 1940 if any benefits accrued to the deceased from the company after 19th March 1963.
- (3) The provisions of the said Act as to what are to be treated as benefits accruing to the deceased from the company, and as to when a benefit is treated as having accrued therefrom, shall, as amended by this Act, apply for the purposes of sub-paragraph (2) above as they apply for the purposes of the said section 46, but as if the references in section 47 of that Act, and paragraph 2 of Schedule 7 to that Act, to the seven years ending with the death of the deceased were treated as references to the said seven years less so much thereof as fell before 20th March 1963.

*Surrender of title to benefits from a company : graduation of charge*

- 4 (1) In section 65(1) of the Finance Act 1960 for " two years " substitute " four years " , and—
- (a) in paragraph (a) of the said subsection (1) for " three years " substitute " five years " , and
- (b) in paragraph (b) of that subsection for " four years " substitute " six years " .
- (2) Sub-paragraph (1) above shall not have effect so as to give a lesser percentage reduction than the percentage reduction (if any) which, assuming that the deceased had died on 19th March 1968, would have fallen to be made under the said subsection (1) without the amendments made by this paragraph.

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## SCHEDULE 15

Section 41.

## SPECIAL CHARGE: TRUSTS

*Income out of capital, etc.*

- 1 (1) The investment income of an individual arising under a trust shall be ascertained without regard to any part of it shown to the satisfaction of the Board to be attributable to payments duly made otherwise than out of the income of the trust.
- (2) For the purposes of this paragraph the income of a trust shall be ascertained without regard to—
- (a) income or deductions of any description which, under section 42 of this Act, are to be left out of account in ascertaining aggregate investment income, or
  - (b) income from another trust which is shown to the satisfaction of the Board to be attributable to payments duly made otherwise than out of the income of that trust,
- and no deduction shall be made in respect of any payment made to a beneficiary under the trust or to any person claiming under such a beneficiary.

*Recovery of charge from trustees*

- 2 (1) If the person originally chargeable has not paid the special charge or any part of it, and so elects as respects any trust—
- (a) his liability to the special charge shall be reduced by the amount, if any, attributable to the trust, and
  - (b) the amount so attributable shall be chargeable on the person answerable for the trust.
- (2) If the person originally chargeable has paid part only of the special charge he may nevertheless make an election in accordance with sub-paragraph (1) above, but the reduction under sub-paragraph (1)(a) above in respect of the trust, or, if more than one, of all the trusts together, shall not exceed the amount remaining unpaid.
- (3) An election under this paragraph shall be made by notice in writing to the Board within thirty days from the date of the notice of assessment to the special charge or such longer time as the Board may allow, and shall not be effective unless the notice contains, to the satisfaction of the Board, sufficient particulars of the trust, the names and addresses of the persons answerable for the trust, and the amount of investment income arising under the trust to the person making the election.
- (4) In this and the four next following paragraphs "trust" does not include a foreign trust.
- 3 (1) If the person originally Chargeable has paid the whole of the special charge he may recover from the person answerable for a trust the amount, if any, attributable to that trust.
- (2) If the person originally chargeable has paid the part of the special charge which is not attributable to any trust, and any additional amount, he may recover from the person answerable for a trust the amount, if any, attributable to that trust, but so that the total amount recoverable, and the amount recoverable from any one trust, shall not exceed that additional amount.
- 4 If at any time after the expiration of thirty days from the date when the special charge became due, all or any part of the special charge remains due from the

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person originally chargeable, then, without prejudice to the powers of recovery from that person, the amount attributable to any trust may be charged on the person answerable for the trust, but not so as to charge more than is unpaid.

- 5 The amount with which a person answerable for a trust is chargeable under paragraph 2 or paragraph 4 above shall be due and payable by him on the issue to him of a notice of charge by the Board, and an appeal shall lie against the notice of charge in the same way as an appeal lies against an assessment to the special charge.

*Income derived from another trust*

- 6 (1) This paragraph has effect where all or part of an individual's investment income arising under a trust (in this paragraph called " the first trust") derives from another trust (in this paragraph called " the second trust").

(2) If—

- (a) the person originally chargeable has made an election under paragraph 2 above as respects the first trust, or
- (b) any amount has become chargeable on the person answerable for the first trust in accordance with paragraph 4 above,

the person answerable for the first trust may elect that for all the purposes of this Schedule the individual's investment income deriving from the second trust shall be treated as arising under that trust, and not under the first trust, and then any election under paragraph 2 above as respects the first trust shall take effect also as an election as respects the second trust.

An election under this sub-paragraph shall be made by notice in writing to the Board within thirty days from the date of the notice of charge on the person answerable for the first trust, or such longer time as the Board may allow, and shall not be effective unless the notice contains, to the satisfaction of the Board, sufficient particulars of the second trust, the names and addresses of the persons answerable for that trust, and the amount of the individual's investment income deriving from that trust.

- (3) If the person originally chargeable has made a claim for recovery of any amount under paragraph 3 above from the person answerable for the first trust, the person answerable for the first trust may by notice in writing to the person originally chargeable require that, as respects his rights of recovery, the individual's investment income deriving from the second trust shall be treated as arising under that trust, and not under the first trust.

A notice under this sub-paragraph shall give particulars of the names and addresses of the persons answerable for the second trust, and of the amount of the individual's investment income deriving from the second trust.

- (4) Where income arising under the second trust derives from a third trust, the person answerable for the second trust shall have the rights conferred by this paragraph as respects that income, and so on for any further trust, and in such a case references in this paragraph to the first and second trust shall be construed accordingly.

- (5) For the purposes of this paragraph the amount of the individual's income which derives from the second trust shall be that fraction of his income arising under the first trust of which—

- (a) the numerator is the income arising under the second trust to the trustees of the first trust, ascertained in accordance with paragraph 1(1) above,

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- (b) the denominator is the total income of the first trust, ascertained in accordance with paragraph 1(2) above.

*Notice to persons answerable for a trust*

- 7 (1) The person originally chargeable shall not be entitled to exercise his right under paragraph 3 above unless, not later than six months after his payment of, or of the part of, the special charge or after the making of the assessment, whichever is the later, he gave notice in writing to the person answerable for the trust of his intention to exercise any right available to him under paragraph 3 above.
- (2) If notice is so given, the person answerable for the trust shall not be entitled to give a notice under paragraph 6(3) above unless, not later than one month after the receipt of the notice under this paragraph, he has given notice in writing of its receipt to the person answerable for the second trust.
- (3) If an application is made to the Board in accordance with the following provisions of this paragraph, showing to their satisfaction the amount of an individual's investment income which arises under a trust, the Board shall give to the person originally chargeable, and to the person answerable for the trust, a certificate stating the amount of the special charge attributable to the trust, and, if less, the amount recoverable from the person answerable for the trust.
- (4) An application under sub-paragraph (3) above—
- (a) may be made by the person originally chargeable, if he has paid the whole of the special charge, or the part of the special charge which is not attributable to any trust together with an additional amount, but shall be made not later than six months after the payment, or after the making of the assessment, whichever is the later,
- (b) may be made by the person answerable for the trust not later than one month after receipt of a notice under sub-paragraph (1) above, or as the case may be, of a notice under sub-paragraph (2) above.

*Application of trust property in payment of charge*

- 8 (1) The powers of a trustee or tenant for life (whether arising under the Settled Land Act 1925 or that Act as applied by section 28 of the Law of Property Act 1925, or otherwise) shall include a power to apply or direct the application of capital money, and to raise money by mortgage, for the purpose of paying the special charge, or interest on the special charge, of making payments in advance of assessment in or towards the special charge, and of discharging any liability arising under the preceding provisions of this Schedule.
- (2) As between the persons interested (whether in income or capital) under a trust, the law relating to the ultimate incidence of estate duty shall apply to any amount falling to be paid under the preceding provisions of this Schedule in respect of income derived from property subject to the trust as if—
- (a) that amount were estate duty charged on that property,
- (b) estate duty was so charged on the cesser of a life interest in the property, occurring at the end of the year 1967-68, being an interest not subject to any interest in the property in fact existing under the trust, and
- (c) that amount were charged as on property not passing to the executor as such :

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Provided that as between any annuity, other than one by reason of which the said amount or any part thereof fell to be paid, and other interests, the amount shall be borne by the other interests to the exoneration of the annuity.

- (3) Where the income derived from property referred to in sub-paragraph (2) above was a share only of income from the property, whether or not subject to other interests, that sub-paragraph shall apply as if the income so derived had been derived from a corresponding share of the property.
- (4) This paragraph shall, in its application to Scotland, have effect as if for sub-paragraph (1) there were substituted the following sub-paragraph:—
  - “(1) For the purpose of paying the special charge, of making payments in advance of assessment in or towards the special charge, and of discharging any liability arising under the preceding provisions of this Schedule, a trustee, a liferenter or an heir of entail in possession shall have power to expend capital money and to sell, or to borrow money on the security of, the estate or any part thereof, heritable as well as moveable.”
- (5) In the application of sub-paragraph (1) above to Northern Ireland, for the first reference to the Settled Land Act 1925 there shall be substituted a reference to the Settled Land Acts 1882 to 1890, and the reference to the said Act of 1925 as applied by the Law of Property Act 1925 shall be omitted.

#### *Foreign trusts*

- 9 (1) If it is shown to the satisfaction of the Board—
  - (a) that any part of the special charge in respect of an individual's aggregate investment income is directly or indirectly attributable to a foreign trust, and
  - (b) that neither the individual or his wife nor, if different, the person chargeable, nor the trustee of any intermediate trust which is not a foreign trust, was absolutely entitled, as against the trustees, to the capital of the trust, or to a part of the capital of the trust of an amount or value not less than the amount of the special charge so attributable, and
  - (c) that the income in question does not arise under a settlement in relation to which the individual or his wife is a settlor under any of the provisions of Part XVIII of the Income Tax Act 1952,the Board shall relieve all persons of liability to that part of the special charge, by discharge or by repayment, and, as between the person originally chargeable and any person answerable for a trust any amount recovered in respect of that part of the special charge shall be repaid.
- (2) For the purposes of this paragraph part of the special charge is directly or indirectly attributable to a foreign trust—
  - (a) if, in accordance with this Schedule, it is attributable to that trust, or
  - (b) if income of a trust which is not a foreign trust derives from the foreign trust, and part of the special charge would be attributable to the foreign trust if it were not a foreign trust and if an election were made under paragraph 6 of this Schedule.
- (3) For the purposes of this paragraph—

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- (a) a trust is, in relation to a foreign trust, an intermediate trust if any part of the investment income arising under the trust derives, directly or indirectly, from the foreign trust,
- (b) where a person has any rights or powers which could be exercised so as to make him absolutely entitled, as against the trustees, to the capital of the trust or any part of it, he shall be treated as absolutely entitled, as against the trustees, to the capital or that part of it.

*Limitation of liability of trustees*

- 10 (1) Where on a claim against a trustee or tenant for life made in pursuance of this Schedule by the Board or some other person it is shown to the satisfaction of the Board that the rights of indemnification of the trustee or tenant for life out of the trust estate are, otherwise than by negligence or default on his part, insufficient to provide for his reimbursement, the Board shall give such directions for the limitation or release of his liability as appear just and equitable.
- (2) Sub-paragraph (1) above shall not apply to a claim against a trustee for any amount in respect of which the trustee could have made an election or given a notice under paragraph 6 of this Schedule.
- (3) Where a person who has paid any part of the special charge proves to the satisfaction of the Board that by reason of directions under sub-paragraph (1) above he is deprived of the right to recover any amount in respect thereof, the Board shall repay that amount to him.

*Interpretation*

- 11 (1) The following provisions have effect for the interpretation of this Schedule in a case where the special charge falls to be made in respect of an individual's aggregate investment income and that income includes any amount arising under a trust.
- (2) For the purposes of this Schedule the amount of the special charge attributable to the trust shall be the fraction of the special charge of which—
- (a) the numerator is the individual's investment income arising under the trust, and
  - (b) the denominator is the individual's aggregate investment income, ascertained before making any deduction under section 42(7) of this Act.
- (3) Where credit for foreign tax falls to be allowed against the special charge, the amount of the special charge attributable to the trust shall be ascertained—
- (a) by applying the fraction in sub-paragraph (2) above to the special charge without allowing the credit against the amount of the special charge, and
  - (b) by deducting from the resulting amount so much of the credit, if any, as is allowable in respect of income arising from the trust.
- (4) For the said purposes "the person originally chargeable" means the individual or other person liable to pay the special charge apart from the provisions of this Schedule.
- 12 (1) For the said purposes "the person answerable" for a trust is—
- (a) in the case of a subsisting settlement within the meaning of the Settled Land Act 1925, or in Northern Ireland the Settled Land Acts 1882 to 1890, the tenant for life,



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- (b) in the case of any other subsisting trust, the trustees.
- (2) Where the trust has come to an end, " the person answerable " for the trust is the person who immediately after the trust came to an end was entitled in law to the trust property, either beneficially or as the trustee of property settled under another trust, and if more than one person was then so entitled, those persons shall be severally liable as persons answerable for the trust in proportion to the value of their interests therein.
- (3) In applying sub-paragraph (2) above a person becoming entitled by virtue of a mortgage or charge, or in Scotland by virtue of the exercise of a power of sale contained in a bond and disposition in security, shall be disregarded, and sub-paragraph (2) above shall apply to the person or persons who would have been entitled in law to the trust property but for the mortgage or charge, or the exercise of the power of sale.
- (4) For the purposes of this paragraph a trust shall be deemed to have come to an end when any person has become entitled thereunder to capital and the trust property has in consequence thereof become vested in that person or an assignee of his interest, and where part of the trust property has become so vested a proportionate part of the amount recoverable from the person answerable for the trust shall be recoverable from the person described in sub-paragraphs (2) and (3) above, and the remainder from the person described in sub-paragraph (1) above, and " subsisting " in relation to a settlement or trust shall be construed accordingly.
- 13 (1) In this Schedule, unless the context otherwise requires—
- a trust is a " foreign trust " if and only if the general administration of the trust is ordinarily carried on outside the United Kingdom and the trustees or a majority of them for the time being are not resident or not ordinarily resident in the United Kingdom,
- " tenant for life " means, in relation to any settlement, any person who has the powers of a tenant for life under the Settled Land Act 1925 or in Northern Ireland under the Settled Land Acts 1882 to 1890,
- " trustee " includes a personal representative and " trust " shall be construed accordingly,
- and references to a trust do not include references to a trust constituted in pursuance of a unit trust scheme as defined in section 26(1) of the Prevention of Fraud (Investments) Act 1958 or section 22 of the Prevention of Fraud (Investments) Act (Northern Ireland) 1940.
- (2) In this Schedule references to income of an individual arising under a trust include references to income from property subject to the trust which is treated as the income of that individual for income tax purposes generally, or for surtax.
- (3) Where any property or fund is held as to different parts thereof on different trusts, this Schedule shall apply separately to each part.

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## SCHEDULE 16

Section 45.

## SPECIAL CHARGE: CLOSE COMPANIES

*Special apportionments*

- 1 Subject to paragraph 2 below—
- (a) any apportionment under Part IV of this Act of the income of a close company shall be made according to the respective interests of the participators in that company,
  - (b) any sub-apportionment under Part IV of this Act of income of one close company apportioned to another close company shall be made according to the respective interests of the participators in that other company.

- 2 (1) In the case of any company—
- (a) the provisos to section 258(3) of the Income Tax Act 1952 (beneficial interests in loans),
  - (b) section 259(1) of that Act (interests which would arise in a winding up), and
  - (c) section 260 of that Act, without subsection (5) (further provisions as to underlying interests),

shall apply as they applied, in the case of an investment company, to apportionments for surtax under Chapter III of Part IX of that Act (a reference to a participator being substituted for any reference to a member or loan creditor).

- (2) For the purposes of sub-paragraph (1) above, a loan creditor shall be deemed to have an interest in any company which is an investment company to the extent that the income to be apportioned or assets representing it is or have been expended or applied, or is or are available to be expended or applied, in redemption or repayment or discharge of the loan capital or debt (including any premium thereon) in respect of which he is a loan creditor.

In this sub-paragraph " investment company " means a company whose income consists wholly or mainly of investment income, construing " investment income " in accordance with paragraph 8(1) of Schedule 18 to the Finance Act 1965.

- 3 (1) Notice of any apportionment (including any sub-apportionment) of the income of a close company under Part IV of this Act shall be given by serving on the company a statement showing the amount of the income of the company up to the required standard for the purposes of the apportionment, and either the amount apportioned to each participator or the amount apportioned to each class of shares, as the Board think fit.
- (2) A company which is aggrieved by any such notice of apportionment shall be entitled to appeal to the Special Commissioners on giving notice to an officer of the Board within thirty days after the date of the notice.

*Recovery of special charge from company*

- 4 (1) This paragraph has effect where the special charge falls to be made in respect of an individual's investment income and that income includes any amount—
- (a) treated as part of his total income for surtax in consequence of an apportionment (with any sub-apportionment) of the income of a company under section 78 of the Finance Act 1965, or

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- (b) treated as part of his investment income in consequence of an apportionment (with any sub-apportionment) of the income of a close company under Part IV of this Act,  
and in this paragraph " the apportioned income " means any amount falling within paragraph (a) or (b) above.
- (2) If at the expiration of thirty days from the time when the special charge became due, any part of it remains unpaid, the Board may by notice in writing addressed to the company require the company to pay what then remained unpaid up to the following limit.
- (3) The said limit is the fraction of the special charge falling to be made in respect of the individual's aggregate investment income of which—
- (a) the numerator is the apportioned income, and
  - (b) the denominator is the individual's aggregate investment income, ascertained before making any deduction under section 42(7) of this Act.
- (4) Where credit for foreign tax falls to be allowed against the special charge, the said limit shall be ascertained by applying the fraction in sub-paragraph (3) above to the special charge without allowing the credit against the amount of the special charge.
- (5) Any sum required to be paid by a company in pursuance of the notice shall be payable on the day next following the giving of the notice, and the provisions of Part IV of this Act shall apply as if that amount had been assessed on the company.

## SCHEDULE 17

Section 52.

### SELECTIVE EMPLOYMENT TAX—AREAS FOR HOTEL ETC. REFUND

The areas referred to in section 52(1) of this Act are—

- (1) the following employment exchange areas (that is to say, areas for which an employment exchange has been established for the purposes of the Employment and Training Act 1948) as subsisting at the date of the passing of this Act, being areas which at that date formed part of the development areas hereinafter mentioned within the meaning of section 26(6) of the Finance Act 1967, namely—
- (a) in the Northern Development Area—

Alnwick	Keswick
Amble	Malton
Barnard Castle Sub-Office	Middleton-in-Teesdale Sub-Office
Berwick-on-Tweed	Millom
Brampton	Morpeth
Carlisle	Northallerton
Cleator Moor	Penrith
Cockermouth	Pickering
Crook	Prudhoe

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Grange-over-Sands	Richmond
Sub-Office	Scarborough
Haltwhistle	Thirsk
Hexham	Ulverston
Kendal	Whitby
(b) in the Scottish Development Area—	
Annan	Fort William
Anstruther	Fraserburgh
Arbroath	Galashiels
Ayr	Girvan
Banchory	Glenrothes
Banff	Haddington
Blairgowrie	Hawick
Brechin	Helensburgh
Buckie	Huntly
Campbeltown	Invergordon
Carluke	Inverness
Castle Douglas	Inverurie
Cowdenbeath	Kirkcaldy
Crieff	Kirkwall
Cumnock	Lanark
Cupar	Lerwick
Dingwall	Lesmahagow
Dumfries	Leven and Methil
Dunoon	Lochgilthead
Elgin	Lossiemouth
Eyemouth	Montrose
Forfar	Nairn
Forres	Newton Stewart
North Berwick Sub-Office	Sanquhar
	Stirling
Oban	Stonehaven Branch Office
Perth	Stornoway
Peterhead	Stranraer
Pitlochry	Thurso

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Portree	Troon
Rothesay	Wick
St. Andrews	
(c) in the Welsh Development Area—	
Aberystwyth	Llandeilo Sub-Office
Amlwch	Llandovery Sub-Office
Bangor	Llandrindod Wells
Beaumaris	Llandyssul
Bethesda	Llangefni
Blaenau Ffestiniog	Llangollen
Brecon	Llanrwst
Caernarvon	Machynlleth
Cardigan	Milford Haven
Carmarthen	Newtown
Conway	Pembroke Dock
Crickhowell Branch Office	Penmaenmawr
	Penygroes
Denbigh	Portmadoc
Fishguard	Pwllheli
Haverfordwest	Tenby
Holyhead	Welshpool
Lampeter	
(d) in the South Western Development Area—	
Barnstaple	Looe
Bideford	Newquay
Bude Sub-Office	Penzance
Camborne	Redruth
Camelford	St. Austell
Falmouth	St. Ives
Helston	Truro
Ilfracombe	Wadebridge
Liskeard	
(2) in the said Scottish Development Area—	
(a) the islands comprised in the employment exchange areas of Ardrossan and Largs as subsisting as aforesaid ;	

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- (b) so much of the employment exchange area of Aberdeen as subsisting as aforesaid as at the date of the passing of this Act was comprised—
- (i) in the area of the district council of Alford or of Ellon; or
  - (ii) in the small burgh of Ellon.

## SCHEDULE 18

Section 54.

### PREMIUM SAVINGS BONDS : NEW TERMS

- 1 Premium Savings Bonds are a Government Security and are eligible for inclusion in draws for cash prizes. These prizes are free from United Kingdom Income Tax, Surtax and Capital Gains Tax.
- 2 Premium Saving Bonds (Series B) (hereinafter called Bonds) will be issued in units of £1 by the Treasury and will be subject to regulations made from time to time by the Treasury under section 12 of the National Debt Act 1958, or having effect by virtue of that Act. The principal of the Bonds and the prizes allotted will be a charge on the National Loans Fund with recourse to the Consolidated Fund.
- 3 The purchaser will be required to fill in an application form giving his full name and address, the amount of Bonds which he wishes to purchase and his usual signature.
- 4 Bonds are not transferable either during the lifetime or on the death of the registered holder. No responsibility can be accepted in respect of their use as security for a loan.
- 5 There will be a monthly prize fund which will be determined by calculating one month's interest on each bond eligible for the draws in that month. The rate of interest will be  $4\frac{5}{8}\%$  per annum or such other rate as may be prescribed under the provisions of paragraph 15 below.
- 6 A draw will be held each week to allot from the prize fund one prize of £25,000, and a draw will be held each month to allot the amount remaining after the amounts for the prizes for the weekly draws in that month have been set aside.
- 7 A Bond will be eligible for inclusion in the first draw held after the expiration of the three clear calendar months following the month in which it is purchased, provided that it has not been repaid before the expiration of those three months. After a Bond has qualified for its first draw it will be included in each succeeding draw, unless it has been repaid before the first day of the month in which the draw is held or (subject to the provisions of paragraph 15 below) the registered holder has died before the first day of a period of twelve consecutive calendar months preceding the month in which the draw is held.
- 8 Each £1 unit Bond will have one chance in each draw for which it is eligible. Each £1 unit Bond may win not more than one prize in each draw for which it is eligible and in draws producing more than one prize will be allotted the highest prize for which it is drawn.
- 9 Notwithstanding the provisions of paragraph 7 above any Bond purchased in contravention of any regulation limiting the number of unit Bonds which may be held by any person shall not be eligible for inclusion in any draw until the holding has been reduced to not more than the maximum number permitted by such regulation.

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- 10 The monthly prize fund will be allocated in prizes of the following numbers and amounts (or such other numbers and amounts as may be prescribed under the provisions of paragraph 15 below):—
- (a) For the weekly draws there will be set aside an amount to be allocated as single prizes of £25,000 each week, the number of such prizes to be equal to the number of Saturdays in the month.
  - (b) For the monthly draw the remaining prize fund will then be allocated as follows:—
    - (i) each complete £100,000 will be divided into:
      - 1 prize of £5,000
      - 10 prizes of £1,000
      - 10 prizes of £500
      - 20 prizes of £250
      - 30 prizes of £100
      - 150 prizes of £50
      - 2,580 prizes of £25
    - (ii) of the remainder, each complete £10,000 will be divided into:
      - 1 prize of £1,000
      - 1 prize of £500
      - 2 prizes of £250
      - 3 prizes of £100
      - 20 prizes of £50
      - 268 prizes of £25
    - (iii) any amount of less than £10,000 will be allocated in prizes of £25, any residual sum of less than £25 being added to the prize fund in the following month.
- 11 The serial numbers of Bonds which are allotted prizes will be published in the London Gazette, and the registered holders will be notified by post at their last address as recorded at the Bonds and Stock Office.
- 12 All matters relating to the method and conduct of the draw and allotment of prizes shall be at the sole discretion of the Postmaster General, whose decision as to which Bonds have drawn prizes shall be final.
- 13 The purchase price of a Bond is repayable in full on application to the Bonds and Stock Office.
- 14 For the purposes of this Prospectus a Bond shall be deemed to be repaid on the day on which a warrant for the amount repayable is posted to the person entitled to it.
- 15 The Treasury reserve the right by giving not less than three months notice in the London, Edinburgh and Belfast Gazettes:—
- (a) to vary the rate of interest specified in paragraph 5 above for determining the amount of the prize fund ;
  - (b) to vary the scale of prizes set out in paragraphs 6 and 10 above;
  - (c) to vary the provisions of paragraph 7 above insofar as they relate to the eligibility of a Bond for inclusion in a draw after the death of the registered holder;
  - (d) to declare any Bonds purchased on or before a date specified in the Notice to be ineligible for further draws.

- 16 If the Treasury give notice under paragraph 15 above to vary the terms of this Prospectus for any Bonds sold on those terms, its terms shall be deemed to be varied accordingly, as from the date of publication of the Notice, for any application to buy a Bond or Bonds on or after that date.

## SCHEDULE 19

Section 59.

### SOCIAL SERVICES AGREEMENT BETWEEN TREASURY AND MINISTRY OF FINANCE FOR NORTHERN IRELAND

The Commissioners of Her Majesty's Treasury and the Ministry of Finance for Northern Ireland, with a view to assimilating the burdens on the Exchequer of the United Kingdom and the Exchequer of Northern Ireland in respect of social and allied services, have entered into the following Agreement which amends as from 28th November 1966 the Agreement of 11th February 1949, relating to social and allied services, set out in the Schedule to the Social Services (Northern Ireland Agreement) Act 1949.

- 1 The said Agreement of 11th February 1949 shall have effect as if:—
- (a) there were substituted for sub-paragraphs (a) to (c) of paragraph (i) of article 1 the following sub-paragraphs:—
    - “(a) the Ministry of Social Security Act 1966, and the corresponding enactments in Northern Ireland;
    - (b) the Family Allowances Act 1965, and the corresponding enactments in Northern Ireland; and
    - (c) the National Health Service Act 1946, the National Health Service (Scotland) Act 1947, and the corresponding enactments in Northern Ireland.”;
  - (b) in sub-paragraph (a) of paragraph (ii) of article 1, for the words " the Family Allowances Act 1945 ", there were substituted the words " the Family Allowances Act 1965 ",  
and for the words " the Ministry of National Insurance " there were substituted the words " the Ministry of Social Security ";
  - (c) in sub-paragraph (b) of paragraph (ii) of article 1, for the words " sub-paragraphs (a), (b), (c) and (c)", there were substituted the words " sub-paragraphs (a) and (b) ";
  - (d) in sub-paragraph (c) of paragraph (ii) of article 1, for the words " sub-paragraph (d)", there were substituted the words " sub-paragraph (c) ";
  - (e) there were substituted for paragraph (a) of article 3 the following paragraph:—
    - “(a) to maintain the rates of—
      - (i) benefits corresponding to those payable in Great Britain under the Ministry of Social Security Act 1966, and
      - (ii) family allowances,
 in general parity with the rates of benefits and allowances obtaining in Great Britain ; and”.
- 2 This Agreement shall not come into operation until confirmed by Acts of the Parliaments of the United Kingdom and Northern Ireland respectively, but upon being so confirmed shall apply as from 28th November 1966.



*Status: This is the original version (as it was originally enacted).*

In Witness whereof Brian Kevin O'Malley and John McCann two of the Commissioners of Her Majesty's Treasury have hereunto set their hands and seals and the Official Seal of the Ministry of Finance for Northern Ireland has been hereunto affixed this Twenty-eighth day of February 1968.

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Signed Sealed and Delivered by                      B. K. O'Malley  
Brian Kevin" O'Malley one of the  
Commissioners of Her Majesty's  
Treasury in the presence of:— }

F. R. Green,  
House of Commons,  
London, S.W.1.  
Civil Servant

Signed Sealed and Delivered by John              J. McCann  
McCann one of the Commissioners of  
Her Majesty's Treasury in the presence  
of:— }

F. R. Green,  
House of Commons,  
London, S.W.1.  
Civil Servant

The Official Seal of the Ministry of              H. V. Kirk  
Finance for Northern Ireland was  
hereunto affixed in the presence of:— }

C. J. Bateman,  
Civil Servant,  
Ministry of Finance,  
Northern Ireland.

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SCHEDULE 20

Section 61.

REPEALS

**PART I**

CUSTOMS AND EXCISE REPEALS

Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6. and 1 Eliz. 2. c. 44.	The Customs and Excise Act 1952.	Section 66.
5 & 6 Eliz. 2. c.49.	The Finance Act 1957.	Section 3.

The above repeals in the Finance Act 1965 do not affect licences taken out before 20th March 1968.

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*Status: This is the original version (as it was originally enacted).*

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Chapter	Short Title	Extent of Repeal
7 & 8 Eliz. 2. c. 58.	The Finance Act 1959.	In section 1(7) the words from " and section 3 of the Finance Act 1957 " onwards.
1963 c. 9.	The Purchase Tax Act 1963.	In Part I of Schedule 1, in Group 14, paragraph (2) of the exemptions, and in paragraph (a) of Group 26 the words " Diaries, calendars and similar articles: and"
1964 c. 49.	The Finance Act 1964.	Section 7(1) and (5).
1965 c. 25.	The Finance Act 1965.	In section 5, subsections (1), (2), (6) and (7), and in subsection (5) the words "II and" and the words from " except" onwards.  In Schedule 5, Parts I, II, in, IV and VI.
1966 c. 18.	The Finance Act 1966.	Section 4.  Section 5 (on the expiration of the period of one month beginning with the day on which this Act is passed).  In Schedule 3, paragraph 2(2) (b).
1967 c. 54.	The Finance Act 1967.	In section 1— subsection (1)(b); in subsection (2), paragraphs (a), (c) and (d) and, in the words following the paragraphs, the figure " 1" and the words " 3 and 4 respectively"; subsection (3)(a) and (d).  Schedules 1, 3 and 4.

The above repeals in the Finance Act 1965 do not affect licences taken out before 20th March 1968.

*Status: This is the original version (as it was originally enacted).*

## PART II

### DOUBLE TAXATION RELIEF REPEALS

Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6. and 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	In Schedule 16 paragraphs 5, 6, 7 and 8.
1965 c. 25.	The Finance Act 1965.	In Schedule 16 paragraphs 1 and 6.

This Part of this Schedule has effect as respects relief from income tax or capital gains tax for the year 1968-69 and subsequent years of assessment, and as respects relief from corporation tax for the financial year 1968 and subsequent financial years.

## PART III

### CAPITAL GAINS REPEALS

Chapter	Short Title	Extent of Repeal
1965 c. 25.	The Finance Act 1965.	In section 17 subsections (7) and (8) where the acquisition and disposal take place after 19th March 1968.  Section 24(10) as respects a death after 19th March 1968.  Section 29(11).  In Schedule 6, paragraph 9(1) (b), and in paragraph 25(1) the words from "by notice" to "date of the disposal".  In Schedule 8 paragraph 8 as respects a disposal after 5th April 1968.
1967 c. 54.	The Finance Act 1967.	In section 33(3) the words from " and ' year of assessment' " to the end of the subsection.

## PART IV

### ESTATE DUTY REPEALS

Chapter	Short Title	Extent of Repeal
52 & 53 Vict. c. 7.	The Customs and Inland Revenue Act 1889.	In the first paragraph of section 11(1) the words from

This Part of this Schedule has effect in the case of a death after 19th March, 1968.

*Status: This is the original version (as it was originally enacted).*

Chapter	Short Title	Extent of Repeal
10 Edw. 7 & 1 Geo. 5. c. 8.	The Finance (1909-10) Act 1910.	"shall be read as if" to "said description of property".
3 & 4 Geo. 6. c. 29.	The Finance Act 1940.	In section 59 subsection (1), and in subsection (2) the words " and this section" and, as respects gifts made after 19th March 1968, the words from "which are made" to " circumstances or ".
9 & 10 Geo. 6. c. 64.	The Finance Act 1946.	In section 46(2) proviso (b).
5 & 6 Eliz. 2. c. 49.	The Finance Act 1957.	Section 47. Schedule 11.
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960.	In section 38(10) the words from " except in " to the end of the subsection. Section 64(1).

This Part of this Schedule has effect in the case of a death after 19th March, 1968.

## PART V

### EXCHANGE CONTROL REPEALS

Chapter	Short Title	Extent of Repeal
10 & 11 Geo. 6. c. 14.	The Exchange Control Act 1947.	In section 30, in subsection (1)(v), and in subsection (3), the words "Treasury bills or ".
1964 c. 60.	The Emergency Laws (Re-enactments and Repeals) Act 1964.	In section 40 the words " Treasury bills ".
		In section 2(3), in paragraph (a) of the definition of " security " the words " and Treasury bills ".

## PART VI

### MISCELLANEOUS REPEALS

Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6. and 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	Section 205(3). Section 397(3).
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960.	Section 40(1)(c).

The repeal of section 397(3) of the Income Tax Act 1952 has effect for the year 1969-70 and subsequent years of assessment.

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*Status: This is the original version (as it was originally enacted).*

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Chapter	Short Title	Extent of Repeal
<a href="#">1965 c. 25.</a>	The Finance Act 1965.	In Schedule 17, paragraph 4(3), the words from " and as regards" to "each of the others " as respects a distribution made after 10th April 1968.
<a href="#">1967 c. 54.</a>	The Finance Act 1967.	Section 16(1).

The repeal of section 397(3) of the Income Tax Act 1952 has effect for the year 1969-70 and subsequent years of assessment.