



# Finance Act 1973

## 1973 CHAPTER 51

### PART I

#### CUSTOMS AND EXCISE

#### **1 Alteration of revenue duties**

- (1) For the following provisions of the Finance Act 1964 setting out rates of customs and excise duties and of drawback, namely—
  - (a) Table 1 in Schedule 1 (spirits other than imported perfumed spirits) as substituted by section 56(2) of the Finance Act 1972 ; and
  - (b) Schedules 2 to 5 (beer, wine, British wine and tobacco) as substituted by section 1(2) of the Finance Act 1969 ;there shall be substituted the provisions set out in Schedules 1 to 5 to this Act.
- (2) In lieu of the duties of customs and excise charged on matches under section 4 of the Finance Act 1951 there shall be charged on matches imported into the United Kingdom a duty of customs, and on matches sent out from the premises of a manufacturer of matches a duty of excise, at the rates shown in Schedule 6 to this Act.
- (3) The duties of customs and excise charged on mechanical lighters by section 6 of the Finance Act 1928 shall, instead of being charged at the rates specified in section 8 of the Finance Act 1949 and section 56(3) of the Finance Act 1972, be charged at the rates shown in Schedule 7 to this Act, but no duty shall be chargeable under section 6 of the Act of 1928 on a gas lighter, that is to say a mechanical lighter which is shown to the satisfaction of the Commissioners to be constructed solely for the purpose of igniting gas for domestic use.
- (4) The Treasury may by order made before 1st July 1977 make such provision for altering—
  - (a) the rates or incidence of the duties of customs chargeable and reliefs allowable under the Hydrocarbon Oil (Customs & Excise) Act 1971, and
  - (b) the rates of other duties of customs and of drawbacks,

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as may be required to give effect to any Community obligation or any obligation under the Geneva Protocol of 21st December 1972.

- (5) An order under the preceding subsection—
- (a) may make new distinctions or abolish any distinction between goods of different origin ;
  - (b) may amend the Hydrocarbon Oil (Customs & Excise) Act 1971 and the Customs and Excise Act 1952 and substitute for any relief under the Act of 1971 such relief as may be specified in the order ; and
  - (c) may, instead of specifying an inconvenient rate, specify the nearest higher or lower rate that appears to the Treasury to be convenient.
- (6) An order under subsection (4) of this section shall be made by statutory instrument and may be varied or revoked by a subsequent order; and any such order—
- (a) shall, if it does not fall within paragraph (b) below, be subject to annulment in pursuance of a resolution of the House of Commons; and
  - (b) shall, if it increases the rate or extends the incidence of any duty or reduces any relief, be laid before the House of Commons after being made, and, unless it is approved by that House before the expiration of twenty-eight days beginning with the date on which it was made, shall cease to have effect on the expiration of that period, but without prejudice to anything previously done thereunder or to the making of a new order.
- In reckoning any such period no account shall be taken of any time during which Parliament is dissolved or prorogued or during which the House of Commons is adjourned for more than four days.
- (7) The substitution by or under this section of a rate of drawback for a rate previously in force shall apply only in relation to goods in respect of which duty at the corresponding rate has been paid.
- (8) In Schedules 1 to 7 to this Act-
- (a) any rate shown under the heading 1st July 1973 shall as from that date replace the corresponding rate in force before that date ; and
  - (b) rates shown under any of the following headings apply to goods of the following descriptions (the lower or lowest rate applying where more than one rate would otherwise be applicable)

| <i>Heading</i>      | <i>Goods</i>  |
|---------------------|---|
| Commonwealth        | Goods qualifying for Commonwealth preference.   |
| Convention          | Goods originating in a country which at the end of 1972 was part of the Convention area within the meaning of the European Free Trade Association Act 1960. |
| Republic of Ireland | Goods of the Republic of Ireland consigned to the United Kingdom from that country.   |

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| <i>Heading</i> | <i>Goods</i>  |
|----------------|---|
| EEC            | Goods originating or in free circulation in a State which is a member of the European Economic Community. |
| Full           | Other goods.  |

- (9) In section 111(1) and section 122 of the Customs and Excise Act 1952 (which provide for remission of duty on spirits in certain cases by reference to the preferential rate) the following paragraphs shall be substituted for paragraphs (a) and (b)—
- “(a) in the case of British spirits, without payment of duty ;  
(b) in the case of imported spirits, on payment of the difference (if any) between the duty of customs chargeable on the spirits and the duty of excise chargeable on like spirits”.
- (10) This section shall be deemed to have had effect as from 1st April 1973.

## **2 Regulations for determining origin of goods**

- (1) The Secretary of State may by regulations make provision for determining, for the purposes of any duty of customs, the origin of any goods in cases where it does not fall to be determined under a Community regulation or any Act or other instrument having the force of law.
- (2) Regulations under this section may—
- (a) make provision as to the evidence which is to be required or is to be sufficient for the purpose of showing that goods are of a particular origin ; and
- (b) make different provision for different purposes and in relation to goods of different descriptions.
- (3) Subject to the provisions of any regulations under this section, where in connection with a duty of customs chargeable on any goods any question arises as to the origin of the goods, the Commissioners may require the importer of the goods to furnish to them, in such form as they may prescribe, proof of any statement made to them as to any fact necessary to determine that question; and if such proof is not furnished to their satisfaction, the question may be determined without regard to that statement.
- (4) Regulations under this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.

## **3 Continuation of powers under section 9 of Finance Act 1961**

The period after which orders of the Treasury under section 9 of the Finance Act 1961 may not be made or continue in force (which, by section 60 of the Finance Act 1972, was extended until the end of August 1973) shall extend until the end of August 1974 or such later date as Parliament may hereafter determine.

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## PART II

### VALUE ADDED TAX AND CAR TAX

#### 4 Relief for tax-or duty-paid stock held at commencement of VAT

- (1) Where the Commissioners of Customs and Excise are satisfied that purchase tax or a duty to which this section applies was charged on or in respect of goods or on or in respect of parts or ingredients of goods which at the beginning of April 1973 were unused and held by a taxable person for sale in the course of his business, then if—
- (a) before the end of April 1973 or, with the sanction of the Commissioners, at a later date the Commissioners were notified, in the manner required by the notice published by them as Notice No. 748, of the particulars so required; and
  - (b) the other conditions mentioned in that Notice are satisfied;

an amount determined or arrived at in accordance with subsection (2) of this section to take account of the tax or duty charged may, in the manner specified in the Notice, be included in the return made by the taxable person under Part I of the Finance Act 1972 for the first prescribed accounting period or, with the sanction of the Commissioners, in such a return made for a later period and shall, if so included, be treated for the purposes of that Part as an amount to be deducted as input tax.

In this subsection " sale " includes any supply under a hire-purchase agreement.

- (2) The amount that may be so included shall be as follows—
- (a) if it is to take account of purchase tax, then, subject to paragraphs (b) and (c) below, it shall be the amount charged;
  - (b) if purchase tax was charged at a higher rate than the corresponding rate in force on 7th November 1972 the amount shall be what the amount charged would have been had purchase tax been charged at that corresponding rate;
  - (c) if purchase tax was charged in respect of a vehicle which, had purchase tax not been chargeable, would be a chargeable vehicle for the purposes of the car tax, the amount shall be three-fifths of the amount arrived at under paragraphs (a) and (b) above;
  - (d) if the amount is to take account of a duty to which this section applies, then, subject to subsection (5) and paragraph (e) below, it shall be the excess of the amount charged over what it would have been had duty been charged at the corresponding rate in force on 1st April 1973;
  - (e) if the duty was charged at a rate other than the corresponding rate in force on 7th November 1972, then, subject to subsection (5) below, the amount shall be the excess of the amount that would have been charged at that corresponding rate over the amount that would have been charged at the corresponding rate in force on 1st April 1973;

and such method may be used in determining that amount, or, if it cannot be determined, in arriving at an appropriate amount to be substituted for it, as the Commissioners may allow.

- (3) Where by virtue of this section an amount is treated as input tax to take account of a duty charged, then, if any drawback or repayment falls to be allowed or made in respect of that duty, its amount shall be calculated as if the duty had been charged at the corresponding rate in force on 1st April 1973.

- (4) For the purposes of subsections (2)(d), (2)(e) and (3) above, any country's membership of the European Economic Community shall be disregarded.
- (5) In relation to duty charged on a gas lighter, the rates in force on 1st April 1973 shall be taken for the purposes of subsections (2)(d), (2)(e) and (3) above to be—
- (a) Convention, Republic of Ireland or excise, 10p per lighter,
  - (b) other rates, 12 ½ per lighter.
- (6) For the purposes of this section goods shall be deemed to be held by a person at the beginning of April 1973 if, and only if, they were—
- (a) produced by or supplied to him in the United Kingdom ; or
  - (b) imported by him ;
- before the end of March 1973 and had not then been supplied by him; and any question whether goods were supplied by or to or were imported by any person before the end of March 1973 shall be determined as, under sections 7 and 47 of the Finance Act 1972, it falls to be determined for the purposes of the charge to value added tax.
- (7) This section applies to any duty of customs or excise charged on—
- (a) spirits, other than imported perfumed spirits ;
  - (b) beer;
  - (c) wine;
  - (d) British wine;
  - (e) tobacco;
  - (f) matches; or
  - (g) mechanical lighters.
- (8) This section shall be deemed to have had effect from the beginning of April 1973.

## **5 Value added tax-time of supply**

Section 7(5) of the Finance Act 1972 shall have effect, and be deemed always to have had effect, as if for the words " (notwithstanding the preceding provisions of this section)" there were substituted the words " (to the extent that it is not treated as taking place at the time mentioned in subsection (4) of tins section) ".

## **6 Amendment of Finance Act 1972 s. 14**

Section 14 of the Finance Act 1972 (relief on supply of certain second-hand goods) shall have effect, and be deemed always to have had effect, as if the references to a supply on which no tax was chargeable included references to a transaction treated by virtue of an order under section 5(7) of that Act as neither a supply of goods nor a supply of services.

## **7 Supplies through agents**

In section 24 of the Finance Act 1972 the following subsection shall be inserted after subsection (2):—

“(2A) For the purposes of subsection (2) above a person who is not resident in the United Kingdom and whose place or principal place of business is outside the

United Kingdom may be treated as not being a taxable person if as a result he will not be required to be registered under this Part of this Act”

## **8 Membership of value added tax tribunals**

For paragraph 6 of Schedule 6 to the Finance Act 1972 there shall be substituted the following paragraph:—

“6 For each sitting of a value added tax tribunal the chairman shall be either the President or, if so authorised by the President, a member of the appropriate panel of chairmen constituted in accordance with paragraph 7 of this Schedule; and any other member of the tribunal shall be a person selected from the appropriate panel of other members so constituted, the selection being made either by the President or by a member of the panel of chairmen authorised by the President to make it.”

## **9 Car tax (exported vehicles)**

Paragraph 7 of Schedule 7 to the Finance Act 1972 shall have effect, and be deemed always to have had effect, as if at the end there were added the words " but where such a vehicle is imported after having been exported the provisions of section 52 of this Act and of this Schedule shall apply in relation to it as they apply in relation to a vehicle made outside the United Kingdom and not previously imported. "

## **PART III**

### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

## **10 Surtax rates for 1972-73**

- (1) Subject to subsection (2) below, income tax for the year 1972-73 shall be charged, in the case of an individual whose total income exceeded £3,000, at the same higher rates in respect of the excess of that income over £2,000 as were charged for the year 1971-72.
- (2) An individual whose total income for the year 1972-73 did not exceed £3,500 shall be entitled to have the surtax chargeable by virtue of subsection (1) above reduced to an amount equal to 40 per cent, of the difference between his total income and £3,000.

## **11 Charge of corporation tax for financial year 1972**

Corporation tax shall be charged for the financial year 1972 at the rate of 40 per cent.

## **12 Alteration of personal reliefs**

- (1) In section 7 of the Taxes Act (relief for persons over sixty-five with small incomes)—
  - (a) for the references to £634 and £929 (income limits for exemption) there shall be substituted references to £700 and £1,000 ; and
  - (b) for the reference to £245 (excess over those limits beyond which relief by reduction of tax is excluded) there shall be substituted a reference to £340.

(2) Section 16 of the Taxes Act (relief in respect of dependent relative) shall have effect subject to the following modifications :—

(a) in subsection (1) (relief limited by reference to total income of dependent relative) for the words "does not exceed £412 a year" there shall be substituted the words " does not in a year exceed by more than £100 a sum equal to the basic retirement pension for that year " and for the words from " deduction " to the end of the subsection there shall be substituted the words " deduction from his total income of £100 reduced, if the total income of the person so maintained exceeds the basic retirement pension, by the amount of the excess ";

(b) in subsection (2) (modifications of subsection (1) where claimant is a woman) for paragraph (b) there shall be substituted the following paragraph:—

“(b) unless she is a married woman living with her husband, for each reference in that subsection to £100 there shall be substituted a reference to £145”;

(c) at the end of subsection (2) there shall be inserted the following subsections:—

“(2A) Subject to subsection (2B) below, for the purposes of this section ' the basic retirement pension ' for any year means the aggregate of the payments to which a person is entitled in that year on account of a Category A retirement pension under subsection (1) of section 24 of the Social Security Act 1973 if, throughout that year.—

(a) he fulfils the conditions in paragraphs (a) and (b) of that subsection; and

(b) none of those payments is reduced under section 26(1) of that Act (by reference to his earnings) or increased under any provision of subsections (4) to (7) of the said section 24 or under any other provision of that Act.

(2B) In relation to any time before the coming into force of section 24 of the Social Security Act 1973, subsection (2A) above shall have effect as if for the words from ' Category A retirement pension ' to ' 1973 ' there were substituted the words ' retirement pension under subsection (1) of section 30 of the National Insurance Act 1965 where the pension is payable by virtue of his own insurance' and as if for paragraph (b) there were substituted the following paragraph:—

“(b) none of those payments is reduced under subsection (7) of that section (by reference to his earnings) or increased under any other provision of that Act”; and”

(d) in subsection (3) (apportionment of relief where two or more persons jointly maintain a dependent relative) for the words from " the £100 mentioned " to " proviso to that subsection " there shall be substituted the words " the deduction of £100 or less mentioned in that subsection in respect of the person so maintained ".

### 13 Increase in relief for savings bank interest

Section 414(1) of the Taxes Act (relief from income tax on the first £21 of certain savings bank interest) shall, for the year 1974-75 and subsequent years of assessment, have effect with the substitution of a reference to £40 for each reference to £21.

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#### **14 Lump sum benefits on retirement**

- (1) A lump sum paid to a person on his retirement from an office or employment shall not be chargeable to income tax under Schedule E if—
- (a) it is paid in pursuance of any such scheme or fund as is described in subsections (1) and (2) of section 221 of the Taxes Act or in section 24(1) of the Finance Act 1970 and is neither a payment of compensation to which section 73 of the Finance Act 1972 applies nor a payment chargeable to tax under paragraph 9 of Schedule 3 to the Finance Act 1971; or
  - (b) it is a benefit paid in pursuance of any such scheme or agreement as is referred to in section 220 of the Taxes Act or in pursuance of a retirement benefits scheme within the meaning of section 25 of the Finance Act 1970 and the person to whom it is paid was chargeable to tax under section 220 of the Taxes Act or section 23 of the Finance Act 1970 in respect of sums paid, or treated as paid, with a view to the provision of the benefit.
- (2) This section shall be deemed always to have had effect.

#### **15 Pensions and payments on retirement etc.-controlling directors**

The following provisions relating to service of a controlling director shall cease to have effect, namely—

- (a) section 19(2)(f) of the Finance Act 1970 (which excludes approval of a retirement benefits scheme if such service is taken into account); and
- (b) the proviso to paragraph 4 of Schedule 8 to the Taxes Act (which requires such service to be left out of account for the purposes of relief under that Schedule from tax in respect of payments on retirement, etc.).

#### **16 Charge to additional rate of certain income of discretionary trusts**

- (1) So far as income arising to trustees is income to which this section applies it shall, in addition to being chargeable to income tax at the basic rate, be chargeable at the additional rate.
- (2) This section applies to income arising to trustees in any year of assessment so far as it—
- (a) is income which is to be accumulated or which is payable at the discretion of the trustees or any other person (whether or not the trustees have power to accumulate it); and
  - (b) is neither (before being distributed) the income of any person other than the trustees nor treated for any of the purposes of the Income Tax Acts as the income of a settlor; and
  - (c) is not income arising under a trust established for charitable purposes only or income from investments, deposits or other property held for the purposes of a fund or scheme established for the sole purpose of providing relevant benefits within the meaning of section 26 of the Finance Act 1970; and
  - (d) exceeds the income applied in defraying the expenses of the trustees in that year which are properly chargeable to income (or would be so chargeable but for any express provisions of the trust).



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- (3) This section also applies to sums apportioned to the trustees under paragraph 1 of Schedule 16 to the Finance Act 1972 and treated, under paragraph 5(2) of that Schedule as applied by subsection (4) below, as income received by the trustees.
- (4) Sub-paragraphs (2) and (4) to (8) of paragraph 5 of Schedule 16 to the Finance Act 1972 shall, with the omission in sub-paragraph (2)(a) of the words following " the apportionment relates ", the substitution of " income " for " total income " and all other necessary modifications, apply to a sum apportioned to trustees as they apply to sums apportioned to an individual; and paragraph 6 of that Schedule shall apply accordingly.
- (5) For the purposes of this section amounts paid or credited to trustees in any year of assessment in respect of dividends or interest payable in respect of shares in or deposits with or loans to a building society with which arrangements under section 343 of the Taxes Act are in force for that year shall be treated as income for that year received by the trustees after deduction of income tax from a corresponding gross amount.

In this subsection expressions used in section 343 of the Taxes Act have the same meanings as in that section.

- (6) In this section " trustees " does not include personal representatives ; but where personal representatives, on or before the completion of the administration of the estate, pay to trustees any sum representing income which, if personal representatives were trustees within the meaning of this section, would be income to which this section applies, that sum shall be deemed to be paid to the trustees as income and to have borne income tax (at the basic rate).

This subsection shall be construed as if it were contained in Part XV of the Taxes Act.

- (7) In relation to the year 1973-74 and subsequent years of assessment there shall be substituted in section 451 of the Taxes Act—
  - (a) in subsection (2)(e), for the words " tax at the basic rate " the words " the sum of tax at the basic rate and tax at the additional rate " ; and
  - (b) in subsection (5), for the words " of income tax for that year " the words " of both tax at the basic rate and tax at the additional rate for that year ".
- (8) A notice given to trustees under section 8 of the Taxes Management Act 1970 may require a return of the income arising to them to include particulars of the manner in which the income has been applied, including particulars as to the exercise of any discretion and of the persons in whose favour it has been exercised.

## **17 Payments under discretionary trusts**

- (1) Where, in any year of assessment, trustees make a payment to any person in the exercise of a discretion exercisable by them or any person other than the trustees, then, if the sum paid is for all the purposes of the Income Tax Acts income of the person to whom it is paid (but would not be his income apart from the payment), the following provisions of this section shall apply with respect to the payment in lieu of section 52 or 53 of the Taxes Act.
- (2) The payment shall be treated as a net amount corresponding to a gross amount from which tax has been deducted at a rate equal to the sum of the basic rate and the additional rate in force for the year in which the payment is made; and the sum treated as so deducted shall be treated—
  - (a) as income tax paid by the person to whom the payment is made; and

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- (b) so far as not set off under the following provisions of this section, as income tax assessable on the trustees.
- (3) The following amounts, so far as not previously allowed, shall be set against the amount assessable (apart from this subsection) on the trustees in pursuance of subsection (2)(b) above:
- (a) the amount of any tax on income arising to the trustees and charged at the additional as well as at the basic rate in pursuance of section 16 of this Act; and
  - (b) the amount of tax at the additional rate on any sum treated, under paragraph 5(2) of Schedule 16 to the Finance Act 1972 as applied by section 16(4) above, as income of the trustees; and
  - (c) the amount of tax at the basic rate on any amount taken for the purposes of paragraph 5 of Schedule 16 to the Finance Act 1972 as applied by section 16(4) above to be the amount to be excluded from the income of the trustees in accordance with sub-paragraph (b) of that paragraph; and
  - (d) an amount of tax in respect of income found on a claim made by the trustees to have been available to them for distribution at the end of the year 1972-73, which shall be taken to be two-thirds of the net amount of that income;
- but tax on any income represented by amounts paid or credited as mentioned in section 16(5) of this Act after the end of the year 1973-74 shall be taken into account under paragraph (a) above only on production of a certificate from the building society concerned specifying those amounts and stating that an amount representing income tax on that income calculated at the basic rate has been or will be accounted for.
- (4) In section 55 of the Taxes Act (certificates of deduction) after the words " section 52, 53 or 54 above " there shall be inserted the words " or section 17 of the Finance Act 1973 ".
- (5) In this section " trustees " does not include personal representatives within the meaning of section 432(4) of the Taxes Act.

## **18 Discretionary trusts-relief for overseas tax**

- (1) Subsection (2) of this section shall apply if a payment made by trustees falls to be treated as a net amount in accordance with section 17(2) of this Act and the income arising under the trust includes income in respect of which the trustees are entitled to credit for overseas tax under Part XVIII of the Taxes Act (in that subsection referred to as " taxed overseas income ").
- (2) If the trustees certify—
- (a) that the income out of which the payment was made was or included taxed overseas income of an amount and from a source stated in the certificate ; and
  - (b) that that amount arose to them not earlier than in the year 1973-74 and not earlier than six years before the end of the year of assessment in which the payment was made;

the person to whom the payment was made may claim that the payment, up to the amount so certified, shall be treated for the purposes of the said Part XVIII as income received by him from that source and so received in the year in which the payment was made.

## **19 Share option and share incentive schemes**

Sections 78 and 79 of and Schedule 12 to the Finance Act 1972 shall have effect subject to the provisions of Schedule 8 to this Act.

## **20 Close companies: loans for purposes of approved share incentive scheme**

(1) Section 286 of the Taxes Act (loans to participators) shall not apply to a loan which, or so much of a loan as.—

- (a) is made after 5th April 1973 to a person satisfying the conditions specified in paragraph 2 of Part V of Schedule 12 to the Finance Act 1972 and used by him for the purpose of acquiring shares or interests in shares under an approved share incentive scheme; or
- (b) is made after 5th April 1973 to trustees appointed under such a scheme and used by them for the purpose of acquiring shares or interests in shares under the scheme or of enabling persons satisfying those conditions to do so;

unless the shares or interests are acquired from, or under arrangements made with, a participator in the company who acquired them neither under an approved share incentive scheme nor, without consideration, as the holder of shares acquired under such a scheme.

(2) Where by virtue of paragraph (a) or (b) of subsection (1) above the application of section 286 of the Taxes Act is excluded in relation to an amount lent by a close company and used by a person satisfying the conditions mentioned therein to acquire shares or interests in shares, then if, at a time when the whole or part of his debt to the company or the trustees is outstanding, he—

- (a) ceases to satisfy those conditions ; or
- (b) disposes of the whole or part of the shares or interests without applying the proceeds (so far as may be) in or towards the satisfaction of his debt;

the company shall be regarded, for the purposes of that section, as making to him at that time a loan of an amount equal, subject to subsection (3) below, to so much of the debt as remains outstanding.

(3) Where, in a case falling within paragraph (b) of subsection (2) above, the proceeds mentioned therein are less than the amount of the debt that was outstanding immediately before the disposal, the loan which the company is to be regarded as making to the participator shall be of an amount equal to the proceeds less so much thereof as was applied towards the satisfaction of the debt.

(4) Without prejudice to the proviso to subsection (3) of section 303 of the Taxes Act, paragraph (c) of that subsection shall not apply so as to make an individual an associate of a participator as being entitled to benefit under a trust established for the purpose of an approved share incentive scheme.

(5) In this section " approved share incentive scheme " means a share incentive scheme approved under Schedule 12 to the Finance Act 1972 and expressions used in that Schedule have the same meanings as they have there.

## **21 Amendments relating to close companies**

(1) Schedule 16 to the Finance Act 1972 (apportionment of income, etc. of close companies for accounting periods ending after 5th April 1973) shall have effect and, except in so far as any provision of Part I of Schedule 9 to this Act otherwise provides,

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shall be deemed always to have had effect subject to the amendments in that Part of that Schedule, and the transitional provisions in Part II of that Schedule shall have effect with respect to accounting periods of close companies beginning before 6th April 1973.

- (2) Schedule 17 to the Finance Act 1972 (amendments relating to close companies) shall have effect and be deemed always to have had effect as if at the end of paragraph 8 (commencement) there were added the words " but does not affect the operation of any enactment in relation to any previous time ".
- (3) Paragraph 19(1) of Schedule 23 to the Finance Act 1972 (for the purposes of making shortfall assessments for 1973-74 under section 289(1) of the Taxes Act, it is to be assumed that section 232(2) of that Act, which charges certain distributions to income tax, is in force) shall have effect and be deemed always to have had effect as if after the words " of that Act" there were inserted the words " as amended by paragraph 27 (b) of Schedule 6 to the Finance Act 1971 " (substitution of " basic rate " for " standard rate ").
- (4) The repeal by the Finance Act 1972 of the reference in section 98 of the Taxes Management Act 1970 to section 301 of the Taxes Act shall not be taken to have effect in relation to accounting periods in relation to which the repeal of section 301 does not have effect, that is to say accounting periods ending before 6th April 1973.

## **22 Distributions to exempt funds, etc.**

- (1) Where a person entitled to a tax credit in respect of a distribution to which this section applies is, by reason of any exemption from tax, entitled to recover tax and his holding (together with any associated holding) of any one class of the shares, securities or rights by virtue of which he is entitled to the distribution amounts to not less than 10 per cent, thereof, subsection (3) below shall apply to the income represented by any part of the distribution which is not a part—
  - (a) to which profits arising after the date of acquisition are attributable in accordance with Schedule 10 to this Act; or
  - (b) in relation to which the date of acquisition is earlier than 6th April 1965.
- (2) For the purposes of this section and of Schedule 10 to this Act the date of acquisition, in relation to any part of a distribution or profits attributable to it, is the date on which the shares, securities or rights by virtue of which a person is entitled to that part were acquired by him.
- (3) Where this subsection applies to any income.—
  - (a) the exemption from tax shall not extend to that income ; and
  - (b) it shall be treated for the purposes of sections 52 and 53 of the Taxes Act as not brought into charge to income tax; and
  - (c) no amount of interest shall be deducted from or set off against it under section 75 of the Finance Act 1972.
- (4) Where, by virtue of this section, an exemption from tax does not apply to any income represented by a distribution or part of a distribution, the person entitled to the income shall be liable to tax or, as the case may be, additional tax, on it at a rate equal to the additional rate in force at the time the distribution is made and shall be assessable to income tax or corporation tax accordingly.

- (5) This section applies to any qualifying distribution made after 5th April 1973 but does not apply to an amount which—
- (a) in accordance with sections 234 and 235 of the Taxes Act, or
  - (b) by virtue of paragraph 3(3) of Schedule 22 to the Finance Act 1972,
- is treated as a qualifying distribution.
- (6) Schedule 10 to this Act shall have effect for supplementing this section.

## **23 Disallowance of reliefs in respect of bonus issues**

- (1) This section has effect where, on or after 6th April 1973, any person (in this section referred to as "the recipient") receives an amount treated as a distribution by virtue of—
- (a) section 234 of the Taxes Act (bonus issues following repayment of share capital),
  - (b) subsection (1) of section 235 of that Act (matters not to be treated as repayments of share capital), or
  - (c) paragraph 3(3) of Schedule 22 to the Finance Act 1972 (distributions in excess of new consideration received),
- and in the following provisions of this section a distribution falling within any of paragraphs (a) to (c) above is referred to as a "bonus issue" and "relevant tax credit", in relation to a bonus issue, means the tax credit to which the recipient of the bonus issue becomes entitled under section 86 of the Finance Act 1972 in respect of the bonus issue.
- (2) Subject to subsection (6) below, if the recipient is entitled by reason of—
- (a) any exemption from tax, or
  - (b) the setting-off of losses against profits or income,
- to recover tax in respect of any distribution received by him, no account shall be taken for the purposes of any such exemption or set-off of any bonus issue or relevant tax credit received by him.
- (3) Subject to subsection (6) below, where, by virtue of this section, no account is to be taken for the purposes of any exemption from tax of any bonus issue and the relevant tax credit, the person entitled to that issue and that credit shall be liable to tax or, as the case may be, additional tax, on them at a rate equal to the additional rate in force at the time the bonus issue is made and shall be assessable to income tax or corporation tax accordingly.
- (4) Subject to subsection (6) below, a bonus issue and the relevant tax credit shall be treated for the purposes of sections 89 and 90 of the Finance Act 1972 and Schedule 23 to that Act as not being franked investment income.
- (5) Subject to subsection (6) below—
- (a) the relevant tax credit relating to a bonus issue shall not be available to set against any income tax which the recipient is entitled to deduct under section 52, or with which he is chargeable by virtue of section 53, of the Taxes Act (annual payments), and
  - (b) no interest may be deducted or set off under section 75 of the Finance Act 1972 (relief for payment of interest) from or against so much of a person's income as consists of bonus issues and relevant tax credits.

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- (6) Nothing in subsections (2) to (5) above shall affect the proportion (if any) of any bonus issue made in respect of any shares or securities which, if it were declared as a dividend, would represent a normal return to the recipient on the consideration provided by him for the relevant shares or securities, that is to say, those in respect of which the bonus issue was made and, if those securities are derived from shares or securities previously acquired by the recipient, the shares or securities which were previously acquired; nor shall anything in those subsections affect the like proportion of the relevant tax credit relating to that bonus issue.
- (7) For the purposes of subsection (6) above.—
- (a) if the consideration provided by the recipient for any of the relevant shares or securities was in excess of their market value at the time he acquired them, or if no consideration was provided by him for any of the relevant shares or securities, the recipient shall be taken to have provided for those shares or securities consideration equal to their market value at the time he acquired them; and
  - (b) in determining whether an amount received by way of dividend exceeds a normal return, regard shall be had to the length of time previous to the receipt of that amount that the recipient first acquired any of the relevant shares or securities and to any dividends and other distributions made in respect of them during that time.

## **24 Group income**

At the end of subsection (3) of section 256 of the Taxes Act (which excludes the application of subsections (1) and (2) of that section to certain dividends and other payments) there shall be added the words " and shall not apply to a dividend in any case where, if those subsections do not apply to it, the company receiving the dividend will, or would but for section 22 or 23 of the Finance Act 1973, be entitled by virtue of any exemption to claim payment of the tax credit to which it is entitled in respect of the dividend ".

## **25 Tax avoidance: transactions in securities**

- (1) Chapters I and II of Part XVII of the Taxes Act (tax avoidance: transactions in securities) shall be amended in accordance with Schedule 11 to this Act.
- (2) Except in so far as any provision of that Schedule otherwise provides, Schedule 11 to this Act shall have effect with respect to distributions made after 5th April 1973.

## **26 Transactions in certificates of deposit**

- (1) Where a person, after 6th March 1973, acquires the right to receive the amount (with or without interest) stated in a certificate of deposit issued to him or any other person, any profits or gains arising to him from the disposal of that right or, except so far as it is a right to receive interest, from its exercise shall, if not falling to be taken into account as a trading receipt, be treated as annual profits or gains chargeable to tax under Case VI of Schedule D.
- (2) Where a person sustains a loss in a transaction which, if a profit had arisen from it, would be chargeable to tax by virtue of subsection (1) above, then, if he is chargeable to tax under Schedule C or D in respect of the interest payable on the amount stated in

the certificate concerned, the amount of that interest shall be included in the amounts against which he may claim to set off the amount of his loss under section 176 or, as the case may be, section 179 of the Taxes Act (Case VI losses).

- (3) For the purposes of this section profits or gains shall not be treated as falling to be taken into account as a trading receipt by reason only that they are included in the computation required by section 305(2) of the Taxes Act (insurance companies).
- (4) In this section " certificate of deposit" has the same meaning as in section 55 of the Finance Act 1968.

## **27 Treasury securities issued at a discount**

- (1) Where a security to which this section applies is issued at a discount tax shall not be charged in respect of the discount under Case III of Schedule D; but the discount shall not for that reason be regarded as annual profits or gains chargeable to tax under Case VI of Schedule D.
- (2) This section applies to all securities issued by the Treasury after 6th March 1973, except Treasury bills.

## **28 Group relief: qualifications for entitlement**

- (1) The provisions of this section shall have effect on and after 6th March 1973 for the purposes of section 258 and the following sections of Chapter I of Part XI of the Taxes Act (group relief).
- (2) Notwithstanding that at any time a company (in this subsection referred to as " the subsidiary company ") is a 75 per cent, subsidiary or a 90 per cent, subsidiary, within the meaning of section 532 of the Taxes Act, of another company (in this subsection referred to as " the parent company ") it shall not be treated at that time as such a subsidiary for the purposes of the enactments relating to group relief unless, additionally, at that time—
  - (a) the parent company is beneficially entitled to not less than 75 per cent, or, as the case may be, 90 per cent, of any profits available for distribution to equity holders of the subsidiary company ; and
  - (b) the parent company would be beneficially entitled to not less than 75 per cent, or, as the case may be, 90 per cent, of any assets of the subsidiary company available for distribution to its equity holders on a winding-up.
- (3) Subject to subsection (4) below, for the purposes of the enactments relating to group relief, a member's share in a consortium, in relation to an accounting period of the surrendering company, shall be whichever is the lowest in that period of the following percentages, namely—
  - (a) the percentage of the ordinary share capital of the surrendering company which is beneficially owned by that member;
  - (b) the percentage to which that member is beneficially entitled of any profits available for distribution to equity holders of the surrendering company; and
  - (c) the percentage to which that member would be beneficially entitled of any assets of the surrendering company available for distribution to its equity holders on a winding-up;

and if any of those percentages have fluctuated in that accounting period, the average percentage over the period shall be taken for the purposes of this subsection.

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- (4) In any case where the surrendering company is a subsidiary of a holding company which is owned by a consortium, for references in subsection (3) above to the surrendering company there shall be substituted references to the holding company.
- (5) Part I of Schedule 12 to this Act shall have effect for supplementing this section, and the transitional provisions in Part II of that Schedule shall have effect in relation to this section and section 29 below.
- (6) In consequence of the provisions of this section and of Part I of Schedule 12 to this Act, section 258 of the Taxes Act shall have effect subject to the following modifications:—
  - (a) at the end of the proviso to subsection (2) (which provides that no claim may be made by a member of a consortium in particular circumstances) there shall be added the words " nor if the member's share in the consortium in the relevant accounting period of the surrendering company or holding company is nil "; and
  - (b) paragraph (b) of subsection (8) shall be omitted.
- (7) In this section, section 29 below and Schedule 12 to this Act—
  - (a) " the enactments relating to group relief " means the provisions of the Taxes Act specified in subsection (1) above, and
  - (b) any expression to which a meaning is assigned for the purposes of the enactments relating to group relief has the same meaning.

**29 Group relief: effect of arrangements for transfer of company to another group, etc.**

- (1) If, apart from this section, two companies (in this subsection referred to as " the first company " and " the second company ") would be treated as members of the same group of companies and—
  - (a) in an accounting period which ends on or after 6th March 1973, one of the two companies has trading losses or other amounts eligible for relief from corporation tax which it would, apart from this section, be entitled to surrender as mentioned in subsection (1) of section 258 of the Taxes Act, and
  - (b) arrangements are in existence by virtue of which, at some time during or after the expiry of that accounting period.—
    - (i) the first company or any successor of it could cease to be a member of the same group of companies as the second company and could become a member of the same group of companies as a third company, or
    - (ii) any person has or could obtain, or any persons together have or could obtain, control of the first company but not of the second, or
    - (iii) a third company could begin to carry on the whole or any part of a trade which, at any time in that accounting period, is carried on by the first company and could do so either as a successor of the first company or as a successor of another company which is not a third company but which, at some time during or after the expiry of that accounting period, has begun to carry on the whole or any part of that trade,

then, for the purposes of the enactments relating to group relief, the first company shall be treated on and after 6th March 1973 as not being a member of the same group of companies as the second company.



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- (2) If a trading company is owned by a consortium or is a 90 per cent, subsidiary of a holding company which is owned by a consortium and—
- (a) in any accounting period ending on or after 6th March 1973 the trading company has trading losses or other amounts eligible for relief from corporation tax which it would, apart from this section, be entitled to surrender as mentioned in subsection (1) of section 258 of the Taxes Act, and
  - (b) arrangements are in existence by virtue of which—
    - (i) the trading company or any successor of it could, at some time during or after the expiry of that accounting period, become a 75 per cent, subsidiary of a third company, or
    - (ii) any person who owns, or any persons who together own, less than 50 per cent, of the ordinary share capital of the trading company has or together have, or could at some time during or after the expiry of that accounting period obtain, control of the trading company, or
    - (iii) any person, other than a holding company of which the trading company is a 90 per cent, subsidiary, either alone or together with connected persons, holds or could obtain, or controls or could control the exercise of not less than 75 per cent, of the votes which may be cast on a poll taken at a general meeting of the trading company in that accounting period or in any subsequent accounting period, or
    - (iv) a third company could begin to carry on, at some time during or after the expiry of that accounting period, the whole or any part of a trade which, at any time in that accounting period, is carried on by the trading company and could do so either as a successor of the trading company or as a successor of another company which is not a third company but which, at some time during or after the expiry of that accounting period, has begun to carry on the whole or any part of that trade,
- then, for the purposes of the enactments relating to group relief, the trading company shall be treated on and after 6th March 1973 as though it did not (as the surrendering company) fall within any of paragraphs (a) to (c) of subsection (2) of section 258 of the Taxes Act (the cases where group relief is allowed to members of a consortium).
- (3) In any case where a trading company is a 90 per cent, subsidiary of a holding company which is owned by a consortium, any reference in subsection (2) above to the trading company, other than a reference in paragraph (b)(iv) thereof, shall be construed as including a reference to the holding company.
- (4) In this section " third company " means a company which, apart from any provision made by or under any such arrangements as are specified in paragraph (b) of either subsection (1) or subsection (2) above, is not a member of the same group of companies as the first company, within the meaning of subsection (1) above, or, as the case may be, the trading company or holding company to which subsection (2) above applies.
- (5) In subsections (1) and (2) above—
- " connected persons " shall be construed in accordance with section 533 of the Taxes Act; and
  - " control " has the meaning assigned to it by section 534 of the Taxes Act.

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- (6) For the purposes of subsections (1) and (2) above a company is a successor of another if it carries on a trade which, in whole or in part, the other company has ceased to carry on and the circumstances are such that—
- (a) section 252 of the Taxes Act (company reconstructions without change of ownership) applies in relation to the two companies as the predecessor and the successor within the meaning of that section, or
  - (b) the two companies are connected with each other within the terms of section 533 of the Taxes Act.

### **30 Leasing contracts: effect on claims for losses of company reconstructions**

- (1) Subject to the provisions of this section, if—
- (a) under a contract entered into on or after 6th March 1973 a company (in this section referred to as "the first company ") incurs capital expenditure on the provision of machinery or plant which the first company lets to another person by another contract (in this section referred to as a " leasing contract"), and
  - (b) apart from this subsection, the first company would be entitled to claim relief under subsection (1) or subsection (2) of section 177 of the Taxes Act in respect of losses incurred on the leasing contract, and
  - (c) in the accounting period for which a first-year allowance, within the meaning of Chapter I of Part III of the Finance Act 1971, in respect of the expenditure referred to in paragraph (a) above is made to the first company, arrangements are in existence by virtue of which, at some time during or after the expiry of that accounting period, a successor company will be able to carry on any part of the first company's trade which consists of or includes the performance of all or any of the obligations which, apart from the arrangements, would be the first company's obligations under the leasing contract,
- then, in the accounting period specified in paragraph (c) above and in any subsequent accounting period, the first company shall not be entitled to claim relief as mentioned in paragraph (b) above except in computing its profits (if any) arising under the leasing contract.
- (2) For the purposes of this section a company is a successor of the first company if the circumstances are such that—
- (a) section 252 of the Taxes Act (company reconstructions without change of ownership) applies in relation to the first company and the other company as the predecessor and the successor within the meaning of that section, or
  - (b) the two companies are connected with each other within the terms of section 533 of the Taxes Act.
- (3) For the purposes of this section losses incurred on a leasing contract and profits arising under such a contract shall be computed as if the performance of the leasing contract were a trade begun to be carried on by the first company, separately from any other trade which it may carry on, at the commencement of the letting under the leasing contract.
- (4) In determining whether the first company would be entitled to claim relief as mentioned in subsection (1)(b) above, any losses incurred on the leasing contract shall be treated as incurred in a trade carried on by that company separately from any other trade which it may carry on.

### **31 Partnerships involving companies: effect of arrangements for transferring relief**

- (1) The provisions of subsection (2) below shall apply in relation to a company (in this section referred to as " the partner company ") which is a member of a partnership carrying on a trade if arrangements are in existence (whether as part of the terms of the partnership or otherwise) whereby—
  - (a) in respect of the whole or any part of the value of, or of any portion of, the partner company's share in the profits or loss of any accounting period of the partnership, another member of the partnership or any person connected with another member of the partnership receives any payment or acquires or enjoys, directly or indirectly, any other benefit in money's worth; or
  - (b) in respect of the whole or any part of the cost of, or of any portion of, the partner company's share in the loss of any accounting period of the partnership, the partner company, or any person connected with that company, receives any payment or acquires or enjoys, directly or indirectly, any other benefit in money's worth, other than a payment in respect of group relief to the partner company by a company which is a member of the same group as the partner company for the purposes of group relief.
- (2) In any case where the provisions of this subsection apply in relation to the partner company—
  - (a) the company's share in the loss of the relevant accounting period of the partnership and its share in any charges on income, within the meaning of section 248 of the Taxes Act, paid by the partnership in that accounting period shall not be available for set-off for the purposes of corporation tax except against its share in the profits of the trade carried on by the partnership; and
  - (b) except in accordance with paragraph (a) above, no trading losses shall be available for set-off for the purposes of corporation tax against the company's share in the profits of the relevant accounting period of the partnership; and
  - (c) except in accordance with paragraphs (a) and (b) above, no amount which, apart from this subsection, would be available for relief against profits shall be available for set-off for the purposes of corporation tax against so much of the company's total profits as consists of its share in the profits of the relevant accounting period of the partnership ; and
  - (d) notwithstanding anything in section 85 of the Finance Act 1972, no advance corporation tax may be set against the company's liability to corporation tax on its share in the profits of the relevant accounting period of the partnership.
- (3) In subsection (2) above " relevant accounting period of the partnership " means any accounting period of the partnership ending on or after 6th March 1973 in which any such arrangements as are specified in subsection (1) above are in existence or to which any such arrangements apply; but, in relation to any such accounting period which begins before that date, any reference in subsection (2) above to the company's share in the profits or loss of the accounting period or in any such charges on income as are referred to in subsection (2)(a) above shall be construed as a reference to such proportion only of that share as the part of that period beginning on 6th March 1973 bears to the whole of that period.
- (4) If a company is a member of a partnership and tax in respect of any profits of the partnership is chargeable under Case VI of Schedule D, this section shall apply in relation to the company's share in the profits or loss of the partnership as if—
  - (a) the profits or loss to which the company's share is attributable were the profits of, or the loss incurred in, a trade carried on by the partnership, and

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- (b) any allowance which falls to be made under section 46(1) of the Finance Act 1971 (machinery and plant on lease) were an allowance made in taxing that trade.
- (5) For the purposes of this section, subsection (2) of section 155 of the Taxes Act (special rules for partnerships involving companies) shall have effect for determining a company's share in the profits or loss of any accounting period of a partnership as if, in the proviso to subsection (1) of that section, in paragraph (b), the words " or for capital allowances and charges " were omitted.
- (6) Subject to subsection (7) below, to the extent that the partner company's share in the loss of any accounting period of the partnership is attributable—
- (a) to first-year allowances, within the meaning of Chapter I of Part III of the Finance Act 1971, in respect of expenditure incurred by the partnership on the provision of machinery or plant, or
  - (b) to writing-down allowances, within the meaning of Chapter II of Part I of the Capital Allowances Act 1968, or, as the case may require, Chapter I of Part III of the Finance Act 1971, in respect of expenditure incurred by the partnership on the provision of machinery or plant, or
  - (c) to initial allowances under section 56 of the Capital Allowances Act 1968 (in respect of expenditure on works in connection with mines, etc.) in respect of expenditure incurred by the partnership and falling within section 52(1) of the Finance Act 1971 (expenditure incurred on or after 27th October 1970 on the construction of works in a development area or Northern Ireland), or
  - (d) to allowances under section 91 of the Capital Allowances Act 1968 in respect of expenditure incurred by the partnership on scientific research,
- the partner company's share shall be available, notwithstanding anything in subsection (2) above, for surrender by way of group relief or for set-off under section 177(2) of the Taxes Act against the company's profits of the corresponding accounting period or periods, as defined in section 155(2) of that Act.
- (7) Subsection (6) above shall not apply unless—
- (a) the partnership of which the partner company is a partner was in existence immediately before 6th March 1973 ; and
  - (b) after 5th March 1973 there is no change in the proportion of the profits or loss of any accounting period of the partnership which constitutes the partner company's share, other than a change in respect of which the partner company furnishes the inspector with evidence in writing showing that the change results from an agreement entered into before 6th March 1973 ; and
  - (c) the expenditure concerned is incurred under a contract entered into by the partnership before 6th March 1973.
- (8) For the purposes of subsection (6) above, the partner company's share in the loss of any accounting period of the partnership shall be treated as attributable to an allowance falling within any of paragraphs (a) to (d) of that subsection to the extent that it would not have been available for surrender by way of group relief or for set-off as mentioned in that subsection if no such allowance had been available to the partnership in respect of the expenditure concerned.
- (9) In this section " group relief " has the same meaning as in section 258 of the Taxes Act and any question whether one person is connected with another shall be determined in accordance with section 533 of that Act.

## **32 Information as to arrangements for transferring relief, etc.**

- (1) If a company—
- (a) makes a claim for group relief, or
  - (b) being a party to a leasing contract, as defined in section 30 above, claims relief as mentioned in subsection (1)(b) of that section, or
  - (c) being a member of a partnership, either claims any relief which, if subsection (2) of section 31 above applied in relation to it, it would not be entitled to claim, or makes a return which is treated as a claim by virtue of section 85(5) of the Finance Act 1972, or
  - (d) makes a claim under section 92 of the Finance Act 1972 (surrender of advance corporation tax),
- and the inspector has reason to believe that any relevant arrangements may exist, or may have existed at any time material to the claim, then at any time after the claim (or return) is made he may serve notice in writing on the company requiring it to furnish him, within such time being not less than thirty days from the giving of the notice as he may direct, with—
- (i) a declaration in writing stating whether or not any such arrangements exist or existed at any material time, or
  - (ii) such information as he may reasonably require for the purpose of satisfying himself whether or not any such arrangements exist or existed at any material time, or
  - (iii) both such a declaration and such information.
- (2) In this section " relevant arrangements ", in relation to a claim (including a return which is treated as a claim) falling within any of paragraphs (a) to (d) of subsection (1) above, means such arrangements as are referred to in that enactment which is specified in the corresponding paragraph below, that is to say.—
- (a) subsection (1) or subsection (2) of section 29 above or paragraph 5(3) of Schedule 12 to this Act,
  - (b) subsection (1)(c) of section 30 above,
  - (c) subsection (1) of section 31 above,
  - (d) paragraph 5(3) of Schedule 12 to this Act or subsection (9) of section 92 of the Finance Act 1972.
- (3) In a case falling within paragraph (a) of subsection (1) above, a notice under that subsection may be served on the surrendering company, within the meaning of section 258 of the Taxes Act, instead of or as well as on the company claiming relief.
- (4) In a case falling within paragraph (c) of subsection (1) above, a notice under that subsection may be served on the partners instead of or as well as on the company alone, and accordingly may require them, instead of or as well as the company, to furnish the declaration, information or declaration and information concerned.
- (5) In section 98 of the Taxes Management Act 1970 (penalty for failure to furnish information) there shall be added in the first column of the Table the words " Section 32 of the Finance Act 1973 ".
- (6) In this section, sections 29 to 31 above, paragraph 5(3) of Schedule 12 to this Act, and section 92(9) of the Finance Act 1972 " arrangements " means arrangements of any kind, whether in writing or not.

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### **33 Setting of company's advance corporation tax against subsidiary's liability**

For the purpose of—

- (a) enabling the benefit of a company's advance corporation tax to be surrendered under section 92 of the Finance Act 1972, whether or not the tax is surplus advance corporation tax; and
- (b) amending the provisions governing the determination of the question whether one body corporate is a subsidiary of another for the purposes of that section; and
- (c) excepting an amount surrendered under that section from a claim under section 85(3) (carry back) of that Act; and
- (d) extending the period for claiming relief ;

section 92 and certain other provisions of the Finance Act 1972 shall have effect, and be deemed always to have had effect, subject to the amendments specified in Schedule 13 to this Act.

### **34 Minor amendments of Part V of Finance Act 1972**

Part V of the Finance Act 1972 (taxation of companies and company distributions) shall have effect and be deemed always to have had effect subject to the minor amendments specified in Schedule 14 to this Act.

### **35 Election for herd basis**

- (1) An election for the herd basis made under paragraph 2 of Schedule 6 to the Taxes Act after the passing of this Act and before 6th April 1976 shall be valid notwithstanding that it is not made within the time required by paragraph 2(3) or 6(2) of that Schedule.
- (2) An election which is valid by virtue only of this section shall have effect only for the chargeable period in which it is made and subsequent chargeable periods.

### **36 Provisions applicable to BOAC, BEA and the British Airways Board**

- (1) If the British Overseas Airways Corporation or the British European Airways Corporation ceases to carry on a trade and, on the Corporation ceasing to carry on that trade, the British Airways Board begins to carry it on, section 252 of the Taxes Act (company reconstructions without change of ownership) shall apply in relation to the Corporation and the Board (as " the predecessor " and " the successor " for the purposes of that section) with the omission of paragraph (a) of subsection (1) (provisions applicable to common ownership of a trade).
- (2) In section 59(1) of the Civil Aviation Act 1971 (application of group income and group relief provisions to the Corporations and the British Airways Board) after the words " shall be treated ", in the second place where they occur, there shall be inserted the words " notwithstanding anything in section 28 of the Finance Act 1973 ".

### **37 Amendment of section 33 of Finance Act 1965**

Section 33 of the Finance Act 1965 (replacement of business assets) shall apply, where the acquisition of the new assets or of the interest in the new assets referred to therein takes place on or after 6th April 1973, with the substitution in subsection (3) for the

words " ending twelve months after the disposal " of the words " ending three years after the disposal ".

### **38 Territorial extension of charge to income tax, capital gains tax and corporation tax**

- (1) The territorial sea of the United Kingdom shall for all purposes of income tax, capital gains tax and corporation tax (including the following provisions of this section) be deemed to be part of the United Kingdom.
- (2) In this section and in Schedule 15 to this Act—
  - (a) " exploration or exploitation activities " means activities carried on in connection with the exploration or exploitation of so much of the seabed and subsoil and their natural resources as is situated in the United Kingdom or a designated area ; and
  - (b) " exploration or exploitation rights " means rights to assets to be produced by exploration or exploitation activities or to interests in or to the benefit of such assets; and
  - (c) references to the disposal of exploration or exploitation rights include references to the disposal of shares deriving their value or the greater part of their value directly or indirectly from such rights, other than shares quoted on a recognised stock exchange (within the meaning of the Corporation Tax Acts); and
  - (d) "shares " includes stock and any security as defined in section 237(5) of the Taxes Act; and
  - (e) " designated area " means an area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964.
- (3) Any profits or gains from exploration or exploitation activities carried on in a designated area or from exploration or exploitation rights shall be treated for the purposes of income tax or corporation tax as profits or gains from activities or property in the United Kingdom ; and any gains accruing on the disposal of such rights shall be treated for the purposes of Part III of the Finance Act 1965 as gains accruing on the disposal of assets situated in the United Kingdom.
- (4) Any profits or gains arising to any person not resident in the United Kingdom from exploration or exploitation activities carried on in the United Kingdom or in a designated area or from exploration or exploitation rights, and any gains accruing to such a person on the disposal of such rights shall, for the purposes of corporation tax or capital gains tax, be treated as profits or gains of a trade, or gains accruing on the disposal of assets used for the purposes of a trade, carried on by that person in the United Kingdom through a branch or agency.
- (5) In relation to exploration or exploitation rights disposed of by a company resident in a territory outside the United Kingdom to a company resident in the same territory or in the United Kingdom, sections 273 to 275 and 278 to 279 of the Taxes Act (transfer within group and company ceasing to be member of group) shall apply as if in section 272 of that Act (definition of " group " etc.) subsections (1)(a) and (2) were omitted.
- (6) Any emoluments from an office or employment in respect of duties performed in a designated area in connection with exploration or exploitation activities shall be

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treated for the purposes of income tax as emoluments in respect of duties performed in the United Kingdom.

- (7) This section shall have effect for the purposes of income tax and capital gains tax for the year 1973-74 and subsequent years of assessment and for the purposes of corporation tax for the financial year 1973 and subsequent years.
- (8) Schedule 15 to this Act shall have effect for supplementing this section.

### **39 Underwriters**

Schedule 16 to this Act shall have effect with respect to income tax and capital gains tax on the income and gains of underwriting members of Lloyd's or any approved association of underwriters.

### **40 Overseas life insurance companies**

- (1) Section 516(2) of the Taxes Act shall have effect with respect to any accounting period ending after the commencement of this Act as if the following were inserted at the end of paragraph (b): “and
  - (c) shall not affect the liability to tax of an overseas life insurance company for any accounting period for which a charge to corporation tax under Case III of Schedule D arises under section 316 of this Act in respect of any of its income from the investments of its life assurance fund (excluding the pension fund and general annuity fund, if any) or for which such a charge would arise if there were such income”.
- (2) Where an overseas life insurance company receives a qualifying distribution made after 5th April 1973 by a company resident in the United Kingdom and relief in respect of the distribution is not available or is not claimed under arrangements specified in an Order in Council made under section 497 of the Taxes Act, the overseas life insurance company shall be deemed for the purposes of sections 312, 314, 316, 318 and 319 of the Taxes Act and Schedule 18 to the Finance Act 1972 to be entitled to such a tax credit in respect of the distribution as it would be entitled to under section 86 of the Finance Act 1972 if it were resident in the United Kingdom; and accordingly the distribution shall be treated for the purposes of those provisions as representing income equal to the aggregate of the amount or value of the distribution and the amount of that credit.
- (3) Where under subsection (2) above an overseas life insurance company is deemed to be entitled to a tax credit in respect of a distribution, it may claim to have the income represented by the distribution set, subject to subsection (4) below, against its profits chargeable to tax under section 312 or against its income chargeable to tax in accordance with section 316 of the Taxes Act or partly against the one and partly against the other; but to the extent that any income is so set the tax credit included in it shall not be payable and shall not be set against corporation tax under paragraph 6 of Schedule 18 to the Finance Act 1972.
- (4) The amounts that an overseas life insurance company may by virtue of this section set against profits or income of any description shall not exceed the amount of the profits or income of that description and shall be further limited as follows:—
  - (a) the amount set against profits arising from general annuity business shall not exceed a portion of the company's income from investments referable to that business, and that portion shall be determined by the same formula as



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- determines under section 318 of the Taxes Act the portion of those profits which is chargeable to tax; and
- (b) the amount set against profits from pension business shall not exceed such of its income referable to that business as is represented by distributions in respect of which the company is deemed to be entitled to a tax credit by virtue of this section, and shall not reduce any other income.
- (5) Where by virtue of a set-off under this section income or profits of any description are reduced by any amount, that amount shall be left out of account in determining the amount of income tax which is available for set-off against corporation tax under section 246(3) of the Taxes Act.
- (6) A claim under this section in respect of a distribution shall not prevent the making of a subsequent claim for relief in respect of that distribution under arrangements specified in an Order in Council made under section 497 of the Taxes Act; but where such a subsequent claim is made the claim under this section shall be deemed never to have been made, and no adjustment (whether by additional assessments or otherwise) to which the subsequent claim gives rise shall be out of time if it is made within twelve months after the making of the subsequent claim.
- (7) Section 323 of the Taxes Act (interpretation) shall apply for the purposes of this section.

#### **41 General Commissioners' divisions**

The boundaries of any division specified by an order made or having effect as if made under section 2(6) of the Taxes Management Act 1970 and in operation immediately before—

- (a) 1st April 1974, if the division is in England or Wales; and
- (b) 16th May 1975, if the division is in Scotland;

shall remain the same on and after that day as if there were then no change of local government areas (but without prejudice to the making of new orders under that section).

#### **42 Double taxation Agreement with Republic of Ireland**

- (1) The Agreement set out in Schedule 17 to this Act, that is to say, the Agreement made on 2nd May 1973 between the Governments of the United Kingdom and of the Republic of Ireland relating to the first of the Agreements set out in Schedule 12 to the Taxes Act as amended by the second of those Agreements, is hereby confirmed, and, subject to the necessary steps being taken to give it the force of law in the Republic of Ireland, shall have effect accordingly.
- (2) Where, under Article 2 of the Agreement of 2nd May 1973, the exemption from Republic of Ireland income tax to which a company resident in the United Kingdom is entitled in respect of a dividend (as defined in that Article) is limited, the tax to which it is liable by virtue of that Article shall, on a claim made for the purpose to the Board, be allowed (subject to subsection (3) below) as a credit against the corporation tax attributable to that dividend.
- (3) The aggregate of the amounts of credit allowed—
- (a) under subsection (2) above for Republic of Ireland income tax; and

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(b) under any arrangement specified in an Order in Council made under section 497 of the Taxes Act for Republic of Ireland corporation profits tax ; in respect of any dividend to which a company is entitled shall not exceed the amount of corporation tax attributable to that dividend.

(4) Where a company, under subsection (2) above, claims a credit for Republic of Ireland income tax then, notwithstanding section 516 of the Taxes Act, no deduction shall be made for that tax in computing the company's income for the purposes of corporation tax.

(5) Subsections (4) to (6) of section 100 of the Finance Act 1972 shall apply, with the necessary modifications, for determining for the purposes of this section the corporation tax attributable to any dividend.

#### **43 Occupation of Chevening House**

Section 185 of the Taxes Act (accommodation occupied by holder of office or employment) shall not apply in relation to the occupation of Chevening House or any other premises held on the trusts of the trust instrument set out in the Schedule to the Chevening Estate Act 1959 by a person nominated in accordance with those trusts.

#### **44 Relief for interest on special charge**

In relation to interest paid under subsection (3) of section 43 of the Finance Act 1968 after the end of the year 1972-73 subsection (5) of that section shall have effect as if the deduction allowable under it were a deduction in computing income for the purpose of ascertaining the excess of liability to income tax over what it would be if all income tax were chargeable at the basic rate to the exclusion of any other rate and as if for the reference to the standard rate there were substituted a reference to the basic rate.

### **PART IV**

#### **ESTATE DUTY**

#### **45 Valuation of certain investments for purposes of estate duty**

(1) The provisions of this section shall have effect for determining the principal value, for the purposes of estate duty, of any qualifying investments which—

- (a) constitute property passing on the death of a person dying after 6th March 1973 ; and
- (b) fall to be valued as at the date of that death for the purposes of estate duty ; and
- (c) are sold by the appropriate person within the period of twelve months immediately following the date of that death.

(2) On a claim being made in that behalf by the appropriate person there shall be determined for the purposes of this section the amount (if any) by which—

- (a) the aggregate of the values which, apart from this section and apart from any reduction under section 35 of the Finance Act 1968, would be the principal values for the purposes of estate duty of all the qualifying investments falling within paragraphs (a) and (b) of subsection (1) above which are sold by him as mentioned in paragraph (c) of that subsection

exceeds

- (b) the aggregate of the values of those investments at the time they were so sold, taking the value of any particular investments for this purpose as the price for which they were so sold or, if it is greater, the best consideration which could reasonably have been obtained for them at the time of the sale ;

and in this section the amount of that excess is referred to, in relation to those investments, as " the loss on sale ".

- (3) Subject to the following provisions of this section, in determining the estate duty chargeable on the death in question, the principal value of the investments to which the claim relates shall be treated as reduced by an amount equal to the loss on sale.
- (4) Subject to subsection (5) below, if a claim is made under this section and, at any time during the period beginning on the date of the death in question and ending two months after the date of the last sale falling within subsection (1)(c) above of any qualifying investments to which the claim relates, the person making the claim purchases any qualifying investments in the same capacity as that in which he makes the claim, the loss on sale of the investments to which the claim relates shall be treated for the purposes of subsection (3) above as reduced by the proportion which the aggregate of the purchase prices of all the qualifying investments so purchased bears to the aggregate of the values referred to in subsection (2)(b) above (or, if the aggregate of those purchase prices equals or exceeds the aggregate of those values, the loss on sale shall be extinguished).
- (5) If a claim is made under this section by any person in a capacity other than that of an executor or trustee—
- (a) subsection (4) above shall have effect in his case as if for the words " in the same capacity as that in which he makes the claim " there were substituted the words " otherwise than in the capacity of an executor or trustee " , and
- (b) no account shall be taken under that subsection of any qualifying investments purchased by him unless they are of the same description as one of the qualifying investments to which the claim relates.
- (6) In this section—
- " the appropriate person ", in relation to any qualifying investments falling within paragraphs (a) and (b) of subsection (1) above, means the person accountable for estate duty in respect of those investments or, if there is more than one such person and one of them is in fact accounting for that duty, that person;
- " qualifying investments " means shares or securities which at the date of the death in question are quoted on a recognised stock exchange and holdings in a unit trust which at that date is an authorised unit trust, as defined in section 358 of the Taxes Act; and
- " recognised stock exchange " has the same meaning as in the Corporation Tax Acts;
- and any reference to the investments to which a claim relates is a reference to all the qualifying investments which, on the making of the claim, are taken into account under subsection (2) above in determining the loss on sale.
- (7) Schedule 18 to this Act shall have effect for supplementing this section and any expression to which a meaning is assigned by subsection (2) or subsection (6) above has the same meaning in that Schedule as in this section.

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- (8) For the purposes of subsection (5) above and Schedule 18 to this Act, two investments, not being investments in an authorised unit trust, shall not be treated as of the same description if they are separately quoted on a recognised stock exchange, and an investment in one authorised unit trust shall not be treated as of the same description as an investment in another authorised unit trust.

#### **46 Acceptance in satisfaction of estate duty of certain objects and collections**

Without prejudice to their powers under section 30 of the Finance Act 1953 (acceptance of objects associated with certain buildings) and section 34(1) of the Finance Act 1956 (acceptance of certain works of art) the power of the Commissioners of Inland Revenue to accept property other than land in satisfaction of estate duty or settlement estate duty shall include power to accept—

- (a) any picture, print, book, manuscript, scientific object or other thing which the Treasury are satisfied is pre-eminent for its national, scientific or historic interest, and
- (b) any collection or group of pictures, prints, books, manuscripts, works of art, scientific objects or other things if the Treasury are satisfied that the collection or group, taken as a whole, is pre-eminent for its national, scientific, historic or artistic interest,

and subsections (2) and (3) of the said section 30 (which regulate matters arising out of acceptances under that section) shall apply in the same way to acceptances under this section.

## **PART V**

### **STAMP DUTY**

#### **47 Stamp duty on documents relating to chargeable transactions of capital companies**

- (1) If at the time, or as a result, of the occurrence after 31st July 1973 of any of the transactions relating to a capital company which are specified in Part I of Schedule 19 to this Act (in this section referred to as "chargeable transactions")—
- (a) the place of effective management of the capital company is in Great Britain, or
  - (b) the registered office of the capital company is in Great Britain but the place of its effective management is outside the member States,
- then, subject to subsection (2) below, there shall be delivered to the Commissioners, within one month of the transaction, a statement in such form and containing such particulars with respect to the transaction as the Commissioners may prescribe.
- (2) The obligation to deliver a statement to the Commissioners under subsection (1) above shall not apply in relation to a chargeable transaction falling within sub-paragraph (a) or sub-paragraph (b) of paragraph 1 of Schedule 19 to this Act if the transaction consists of or includes—
- (a) the formation of a company which is to be incorporated with limited liability under the Companies Act 1948 and is to have a share capital, or
  - (b) an allotment of shares in respect of which there is a duty under section 52(1) of that Act to deliver a return to the registrar of companies, or

- (c) the registration of a limited partnership (which is effected by sending or delivering a statement under section 8 of the Limited Partnerships Act 1907 to the registrar of companies), or
  - (d) such a change in the contribution or liability of a member of a limited partnership as gives rise to a duty under section 9 of the Limited Partnerships Act 1907 to send or deliver a statement thereof to the registrar of companies.
- (3) In any case where, by virtue of subsection (2)(a) above, there is no obligation to deliver to the Commissioners a statement under subsection (1) above with respect to a chargeable transaction, a statement with respect thereto shall be delivered to the registrar of companies, in addition to the memorandum and articles to be delivered under section 12 of the Companies Act 1948, and—
  - (a) that statement shall be registered by the registrar of companies upon the stamp duty chargeable in accordance with subsection (5) below being paid, and
  - (b) unless that statement is so registered, the registrar of companies shall not register the memorandum and articles under the said section 12.
- (4) If, by virtue of subsection (2) above, there is no obligation to deliver to the Commissioners a statement under subsection (1) above with respect to a chargeable transaction, then—
  - (a) the return or statement required to be delivered or sent to the registrar of companies as mentioned in subsection (2) above, or
  - (b) the statement required to be delivered to the registrar of companies under subsection (3) above,shall contain the like particulars with respect to the transaction as would be required to be contained in a statement under subsection (1) above if the obligation under that subsection did apply.
- (5) Subject to subsection (6) below, where a chargeable transaction occurs, the relevant document shall be charged with ad valorem stamp duty of £1 for every £100 or part of £100 of the amount determined in relation to that document under Part II of Schedule 19 to this Act.
- (6) If the relevant document relates to a chargeable transaction which, by virtue of Part III of Schedule 19 to this Act, is an exempt transaction for the purposes of this section then, except as provided in that Part, stamp duty shall not be chargeable on the document under subsection (5) above, but the document shall not be treated as duly stamped unless it is stamped, in accordance with section 12 of the Stamp Act 1891, with a particular stamp denoting either that it is not chargeable with any duty or that it is duly stamped.
- (7) If a chargeable transaction occurs and the stamp duty (if any) chargeable in accordance with this section on the relevant document is not paid within one month from the date of the transaction.—
  - (a) the duty, if any, which is so chargeable shall be a debt due to Her Majesty from the capital company to which the transaction relates or, if that capital company is not a body corporate, shall be a debt due to Her Majesty for which each of the members of the capital company shall be jointly and severally liable; and
  - (b) the capital company or, if it is not a body corporate, each of its members jointly and severally shall incur a fine equal to 5 per cent, of the duty chargeable and a similar fine for every month from the date of the transaction, other than the first, during which the duty remains unpaid.

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- (8) The supplementary provisions in Part IV of Schedule 19 to this Act shall have effect in relation to chargeable transactions and, in consequence of the provisions of this section, the amendments in Part V of that Schedule shall have effect.
- (9) In this section and in Schedule 19 to this Act—
- " registered office ", in relation to a limited partnership formed in accordance with the Limited Partnerships Act 1907, means the principal place of business of the partnership;
  - " the relevant document ", in relation to a chargeable transaction, means the statement required to be delivered under subsection (1) above or, if subsection (2) above applies.—
    - (a) the return or statement required to be delivered or sent to the registrar of companies as mentioned in subsection (2) above, or
    - (b) the statement required to be delivered to the registrar of companies under subsection (3) above.

#### **48 Capital companies**

- (1) For the purposes of section 47 above and Schedule 19 to this Act, the expression " capital company " means—
- (a) a company incorporated with limited liability according to the law of any part of the United Kingdom;
  - (b) a limited partnership formed in accordance with the Limited Partnerships Act 1907 ;
  - (c) a company incorporated according to the law of a member State other than the United Kingdom;
  - (d) any other corporation or body of persons the shares in whose capital or assets can be dealt in on a stock exchange in a member State; or
  - (e) any other corporation or body of persons operating for profit, whose members have the right to dispose of their shares to third parties without prior authorisation and are responsible for the debts of the corporation or body only to the extent of their shares.
- (2) For the avoidance of doubt, it is hereby declared that a unit trust (whether an authorised unit trust or not) is not, by virtue of paragraph (d) of subsection (1) above, a capital company for the purposes specified in that subsection.

#### **49 Abolition of stamp duty on statements relating to capital and on issue of marketable securities**

- (1) On and after 1st August 1973 no stamp duty shall be chargeable on any statement under—
- (a) section 112 or section 113 of the Stamp Act 1891 (on statements relating to nominal share capital of limited companies); or
  - (b) section 11 of the Limited Partnerships Act 1907 (on statements relating to contributions by limited partners);
- unless the obligation to deliver the statement arose before that date, or the period within which it is required to be delivered or sent began on or before that date.
- (2) No stamp duty shall be chargeable under section 8 of the Finance Act 1899 on any statement of an amount proposed to be secured by an issue of loan capital unless the

obligation to deliver the statement arose before 1st January 1973; and in any case where duty has been paid under that section in respect of any statement on which, by virtue of this subsection, duty was not chargeable, the corporation, company or body of persons by whom the duty was paid shall be entitled, on making a claim in that behalf, to repayment of that duty.

(3) No stamp duty shall be chargeable by virtue of the heading "Marketable Security" in Schedule 1 to the Stamp Act 1891 on any instrument executed or made on or after 1st January 1973, but—

- (a) nothing in this subsection or in the repeals effected by this Act shall affect the stamp duty chargeable on any instrument on the sale of a marketable security of any description by reference to the heading in that Schedule " Conveyance or Transfer on sale " ; and
- (b) without prejudice to section 74 of the Finance (1909-10) Act 1910 (certain conveyances and transfers which operate as voluntary dispositions inter vivos to be chargeable with the same stamp duty as if they were conveyances on sale) any transfer, assignment, disposition or assignation of a marketable security of any description, otherwise than upon a sale thereof, shall be treated as falling within the heading in that Schedule " Conveyance or Transfer of any kind not hereinbefore described " ;

and in any case where duty has been paid by virtue of the said heading " Marketable Security " in respect of an instrument on which, by virtue of this subsection, duty was not chargeable, the person by whom the duty was paid shall be entitled, on making a claim in that behalf, to repayment of that duty.

(4) In any case where—

- (a) stamp duty has been paid under any of the enactments specified in subsection (1) above on a statement which was required to be delivered on or after, or within a period which began after, 1st January 1973, and
- (b) before 1st August 1975 a claim is made, in such form as the Commissioners may prescribe, by the company, corporation or partners by whom the duty was paid, and
- (c) in the case of a company, no claim has been made previously under subsection (5) below,

there shall be determined the amount of duty, in this section referred to as " the notional new duty ", which would have been payable by the company, corporation or partners in respect of transactions occurring in the period of seven months ending immediately before 1st August 1973 if sections 47 and 48 above and Schedule 19 to this Act had been in force on and after 1st January 1973 (with the substitution of a reference to 31st December 1972 for any reference in those provisions to 31st July 1973); and if the amount of duty paid as mentioned in paragraph (a) above exceeds the amount of the notional new duty, the company, corporation or partners shall be entitled to repayment of an amount equal to that excess.

(5) Subject to subsection (8) below, if on a claim made in such form as the Commissioners may prescribe it is proved to their satisfaction that—

- (a) stamp duty has been paid in respect of the nominal share capital, or an increase in the registered or nominal share capital, of a company under section 112 or section 113 of the Stamp Act 1891, and
- (b) on 31st July 1973, the total of the registered or nominal share capital of the company exceeds the total of its issued share capital,

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the company shall be treated as having paid, on account of any duty for which it may become liable under section 47(5) above, a sum equal to that part of the duty paid as mentioned in paragraph (a) above which was so paid in respect of the excess referred to in paragraph (b) above.

- (6) If at any time the nominal share capital of a company was treated as reduced under paragraph (A) of section 55(1) of the Finance Act 1927 (relief from capital duty in cases of reconstruction or amalgamation of companies) then, for the purposes of subsection (5) above, stamp duty shall be treated as having been paid as mentioned in that subsection, at the rate applicable when the acquisition referred to in paragraph (b) of the said section 55(1) occurred, in respect of an amount of nominal share capital equal to the amount of the reduction under the said paragraph (A).
- (7) Subject to subsection (8) below, if, on 31st July 1973, the issued share capital of a company includes any shares which are not fully paid up, then, for the purposes of subsection (5) (b) above, the total of its issued share capital shall be treated as reduced by a sum equal to the total amount which remains to be paid up on those shares.
- (8) If a claim is made under subsection (4) above by a company, no claim may be made by the company under subsection (5) above except at the same time as the claim under subsection (4) above; and for the purpose of any such contemporaneous claim under subsection (5) above and of determining the amount of any repayment under subsection (4) above, subsections (5) to (7) above shall have effect—
  - (a) as if any reference therein to 31st July 1973 were a reference to 31st December 1972 ; and
  - (b) as if paragraph (a) of subsection (5) above applied only to stamp duty paid on a statement which was required to be delivered before, or within a period which began on or before, 1st January 1973 ; and
  - (c) as if the amount which, apart from this paragraph, the company would be treated as having paid as mentioned in subsection (5) above were to be applied first in reducing or extinguishing the amount of the notional new duty (so that only the balance, if any, will be treated as specified in subsection (5) above).
- (9) The repeal by this Act of section 8 of the Finance Act 1899 and of any other enactment amending that section shall not affect the construction of any enactment in which " loan capital" has the same meaning as in that section.

## **50 Temporary statutory effect of House of Commons resolution affecting stamp duties**

- (1) Where the House of Commons passes a resolution which—
  - (a) provides for the variation or abolition of an existing stamp duty other than estate duty ; and
  - (b) is expressed to have effect for a period stated in the resolution in accordance with the following provisions of this section ; and
  - (c) contains a declaration that it is expedient in the public interest that the resolution should have statutory effect under the provisions of this section ;
 then, subject to subsection (3) of this section, the resolution shall for the period so stated have statutory effect as if contained in an Act of Parliament.
- (2) The period to be stated in a resolution is a period expressed as beginning on a date so stated and ending on, or thirty-one days or such less number of days as may be so stated after, the earliest of the dates mentioned in this subsection ; and those dates are—



- (a) the twenty-fifth day on which, after the day the resolution is passed, the House of Commons sits without a Bill containing provisions to the same effect as the resolution being read a second time and without a Bill being amended (whether by the House or a Committee of the House or a Standing Committee) so as to include such provisions;
  - (b) the rejection of such provisions during the passage through the House of a Bill containing them;
  - (c) the dissolution or prorogation of Parliament; and
  - (d) the expiration of the period of five months beginning with the day on which the resolution takes effect.
- (3) A resolution shall cease to have statutory effect under this section if an Act comes into operation varying or abolishing the duty.
- (4) The ending of the period for which a resolution has statutory effect under the provisions of this section shall not affect the validity of anything done during that period.

## PART VI

### MISCELLANEOUS AND GENERAL

#### **51 Determination for estate duty and capital gains tax of open market price of unquoted shares and securities**

- (1) The provisions of subsection (3) below shall have effect in any case where, in relation to an asset to which this section applies, there falls to be determined—
- (a) by virtue of section 7(5) of the Finance Act 1894 (principal value for purposes of estate duty) the price which, in the opinion of the Commissioners, property consisting of the asset would fetch if sold in the open market; or
  - (b) by virtue of section 44(1) of the Finance Act 1965 (market value for purposes of tax on chargeable gains) the price which the asset might reasonably be expected to fetch on a sale in the open market.
- (2) The assets to which this section applies are shares and securities which are not quoted on a recognised stock exchange, within the meaning of the Corporation Tax Acts, at the time as at which their principal value for the purposes of estate duty or their market value for the purposes of tax on chargeable gains falls to be determined.
- (3) For the purposes of a determination falling within subsection (1) above, it shall be assumed that, in the open market which is postulated for the purposes of that determination, there is available to any prospective purchaser of the asset in question all the information which a prudent prospective purchaser of the asset might reasonably require if he were proposing to purchase it from a willing vendor by private treaty and at arm's length.
- (4) The provisions of Schedule 20 to this Act shall have effect with respect to the application of this section.
- (5) This section and Schedule 20 to this Act.—
- (a) so far as they relate to estate duty, shall be construed as one with the Finance Act 1894 ; and

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- (b) so far as they relate to capital gains tax, shall be construed as one with Part III of the Finance Act 1965.

## 52 Transitional relief for charities

- (1) Where a charity (within the meaning of section 360 of the Taxes Act)—
- (a) was entitled, by virtue of the exemption granted under subsection (1)(c)(ii) of that section, to repayment of tax under Schedule D for the year 1971-72 in respect of an annual payment received by it under a disposition (other than a disposition made for a consideration in money or money's worth) under which the amount actually payable did not vary with the standard rate of income tax ; and
  - (b) is so entitled for the year 1973-74 or any of the three subsequent years of assessment in respect of any annual payment received by it under that or a similar disposition which was made before 6th March 1973 and not varied on or after that date;

the charity may, in addition to making a claim under that section for any of the years mentioned in paragraph (b) above for which it is entitled as mentioned therein, claim relief under this section; and on a claim so made it shall be entitled to be paid by the Commissioners of Inland Revenue out of moneys provided by Parliament an amount equal—

- (i) for the first of the years mentioned in paragraph (b) above, to the difference specified in subsection (2) below;
  - (ii) for the second of those years, to three-quarters of that difference;
  - (iii) for the third of those years, to one-half of that difference ; and
  - (iv) for the last of those years, to one-quarter of that difference.
- (2) The difference referred to in subsection (1) above is the difference between—
- (a) the aggregate amount of the repayments to which the charity was entitled as mentioned in paragraph (a) of that subsection; and
  - (b) the aggregate of what those repayments would have been if the standard rate for 1971-72 had been 30 per cent.
- (3) A claim for relief under this section must be made not later than two years after the end of the year of assessment to which it relates and, if it relates to the year 1973-74, not earlier than 1st October 1973.
- (4) Where the activities of a charity which has ceased to exist are carried on by another charity, this section shall apply as if that other charity had been entitled to any repayment of tax for the year 1971-72 to which the charity which has ceased to exist was entitled.

## 53 Overseas pensions: continuation of certain exemptions from tax

- (1) Section 214 of the Taxes Act (tax exemption in respect of certain overseas pensions and pension funds) shall have effect subject to the following modifications:—
- (a) at the end of paragraph (c) of subsection (1) there shall be inserted the following paragraph:—
    - “(d) a pension paid under section 1 of the Overseas Pensions Act 1973, whether or not paid out of a fund established under a scheme made under that section”;

- (b) in the proviso to subsection (1), after the words " paragraph (a) " there shall be inserted the words " or (d) "; and
  - (c) in subsections (2) and (4), for the words " paragraph (b) or (c) " there shall be substituted the words " paragraph (b). (c) or (d) ".
- (2) Any provision of sections 213 to 217 of the Taxes Act (special treatment of certain overseas pensions and pension funds) which refers—
  - (a) to an enactment which, by virtue of subsection (3) of section 2 of the Overseas Pensions Act 1973, is to have effect as if it constituted a scheme made under that section, or
  - (b) to any provision of, or any instrument made under, such an enactment,shall have effect on and after the commencement of the said Act of 1973 as if it were a reference to the scheme under section 2 of that Act which, as mentioned in paragraph (a) above, is constituted by that enactment or to such other scheme made under that section as is certified by the Secretary of State for the purposes of the Taxes Act to correspond to that enactment; and the reference in section 37(3) of the Finance Act 1958 (estate duty treatment of pensions under the Overseas Service Act 1958) to a pension paid as mentioned in section 215(1) of the Taxes Act shall be construed accordingly.
- (3) If and so long as provision is made by double taxation relief arrangements for a pension of a description specified in subsection (4) below to be exempt from tax in the United Kingdom and, by reason of Her Majesty's Government in the United Kingdom having assumed responsibility for the pension, payments in respect of it are made under section 1 of the Overseas Pensions Act 1973, then, to the extent that those payments are made to, or to the widow or widower of, an existing pensioner, the provision made under the arrangements shall apply in relation to the pension, exclusive of any statutory increases thereof, as if it continued to be paid by the government which had responsibility for it before that responsibility was assumed by Her Majesty's Government in the United Kingdom.
- (4) The pensions referred to in subsection (3) above are pensions paid by—
  - (a) the Government of Malawi for services rendered to that Government or to the Government of the Federation of Rhodesia and Nyasaland in the discharge of governmental functions,
  - (b) the Government of Trinidad and Tobago in respect of services rendered to that Government in the discharge of governmental functions,
  - (c) the Government of the Republic of Zambia for services rendered to that Government or to the Government of Northern Rhodesia or to the Government of the Federation of Rhodesia and Nyasaland in the discharge of governmental functions.
- (5) If, immediately before 6th April 1973, a person resident in the United Kingdom is entitled to receive a pension as, or as the widow or widower of, an existing pensioner, and—
  - (a) by virtue of sections 113 and 122 to 124 of the Taxes Act (foreign pensions chargeable to tax under Case V of Schedule D) income tax in respect of sums received on account of the pension in 1972-73 is assessed by reference only to the amount of income received in the United Kingdom, and
  - (b) by reason of Her Majesty's Government in the United Kingdom having assumed responsibility for the pension, payments in respect of it are made under section 1 of the Overseas Pensions Act 1973,

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then, if and so long as the pension is received by that person or, where that person is an existing pensioner, by his or her widow or widower, the provisions of the Taxes Act shall apply in relation to it, exclusive of any statutory increases thereof, as if it continued to be paid by the government or other body or fund which had responsibility for it before that responsibility was assumed by Her Majesty's Government in the United Kingdom.

- (6) If, by reason of Her Majesty's Government in the United Kingdom having assumed responsibility for a pension, allowance or gratuity, payments in respect of it are made under section 1 of the Overseas Pensions Act 1973, then the enactments relating to estate duty shall apply in relation to the pension, allowance or gratuity, exclusive of any statutory increases thereof, as if it continued to be paid by the government or other body or fund which had responsibility for it before that responsibility was assumed by Her Majesty's Government in the United Kingdom.
- (7) At the end of section 273(5) of the Government of India Act 1935 (pensions payable out of certain family pension funds relating to service in India to be exempt from estate duty) there shall be added the words " or to any fund administered under a scheme made under section 2 of the Overseas Pensions Act 1973 which is certified by the Secretary of State, for the purpose of the exemption conferred by this subsection, to correspond to an Order in Council under subsection (1) of this section. "
- (8) In section 40(4)(a) of the Finance Act 1956 (certain pensions treated for estate duty purposes as if paid by the Government of India or the Government of Pakistan) for the words " the Pensions (India, Pakistan and Burma) Act 1955 " there shall be substituted the words " a scheme made under section 2 of the Overseas Pensions Act 1973 which is constituted by the Pensions (India, Pakistan and Burma) Act 1955 or is certified by the Secretary of State for the purposes of this section to correspond to the said Act of 1955 " and for the words " is paid " there shall be substituted the words " was first paid under the said Act of 1955 ".
- (9) In this section—
- " double taxation relief arrangements " means arrangements specified in an Order in Council making any such provisions as are referred to in section 497 of the Taxes Act;
- " existing pensioner ", in relation to a pension, means a person by virtue of whose service the pension is payable and who retired from that service before 6th April 1973 ; and
- " statutory increases ", in relation to a pension, allowance or gratuity, means so much (if any) of the pension, allowance or gratuity as is paid by virtue of the application to it of any provision of the Pensions (Increase) Act 1971 or any enactment repealed by that Act;
- and in this subsection and subsection (6) above " pension, allowance or gratuity " has the same meaning as in section 1 of the Overseas Pensions Act 1973.

## **54 Amendments consequential on establishment of The Stock Exchange**

- (1) In the enactments relating to income tax, corporation tax, capital gains tax, estate duty or stamp duty—
- (a) references to the Stock Exchange, London or the London Stock Exchange, a stock exchange in the United Kingdom or a recognised stock exchange in the United Kingdom shall be construed as references to The Stock Exchange;

- (b) references to quotation on a stock exchange in the United Kingdom or a recognised stock exchange in the United Kingdom shall be construed as references to listing in the Official List of The Stock Exchange; and
- (c) references to a member of a stock exchange in the United Kingdom shall be construed as references to a member of The Stock Exchange ;

and those enactments shall have effect subject to the amendments specified in Schedule 21 to this Act.

- (2) This section shall be deemed to have come into operation on 25th March 1973 but shall not affect the operation of any enactment in relation to anything done before that day.

## **55 Disclosure of information for statistical purposes**

- (1) For the purpose of the compilation or maintenance by the Business Statistics Office of the Department of Trade and Industry of a central register of businesses, or for the purpose of any statistical survey conducted or to be conducted by that Office, the Commissioners or an authorised officer of the Commissioners may disclose to an authorised officer of that Office particulars of the following descriptions obtained or recorded by them in pursuance of Part I of the Finance Act 1972—
  - (a) numbers allocated by the Commissioners on the registration of persons under that Part and reference numbers for members of a group ;
  - (b) names, trading styles and addresses of persons so registered or of members of groups and status and trade classifications of businesses ; and
  - (c) actual or estimated value of supplies.
- (2) Subject to subsection (3) below, no information obtained by virtue of this section by an officer of the Business Statistics Office may be disclosed except to an officer of a Government department (including a Northern Ireland department) for the purpose for which the information was obtained, or for a like purpose.
- (3) Subsection (2) above does not prevent the disclosure—
  - (a) of any information in the form of a summary so framed as not to enable particulars to be identified as particulars relating to a particular person or to the business carried on by a particular person ; or
  - (b) with the consent of any person, of any information enabling particulars to be identified as particulars relating only to him or to a business carried on by him.
- (4) If any person who has obtained any information by virtue of this section discloses it in contravention of this section he shall be liable on summary conviction to a fine not exceeding £400 or on conviction on indictment to imprisonment for a term not exceeding two years or to a fine or to both.
- (5) In this section expressions used in Part I of the Finance Act 1972 have the same meanings as in that Part and references to the Business Statistics Office of the Department of Trade and Industry include references to any Northern Ireland department carrying out similar functions.

## **56 Charges for services, etc., by Government departments**

- (1) Where a Government department, in pursuance of any Community obligation or any international agreement or arrangement, provides any services or facilities or issues any authorisation, certificate or other document, it may, in connection therewith, require the payment of such fees or other charges as may be prescribed by, or

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determined under, regulations made by the Minister in charge of the department with the consent of the Treasury.

- (2) Regulations under this section may provide for the recovery and disposal of any sums payable under the regulations and make different provision for different circumstances.
- (3) The powers conferred by this section are without prejudice to any powers exercisable apart from this section to require the payment of fees or other charges.
- (4) Regulations under this section shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (5) In this section " Government department" includes a department of the Government of Northern Ireland, and any regulations which the Minister in charge of such a department is empowered to make under this section may be made either by him or by the department, and with the consent of the Ministry of Finance for Northern Ireland instead of the Treasury; and in relation to regulations so made subsection (4) of this section shall not apply but they shall be subject to negative resolution, within the meaning of section 41(6) of the Interpretation Act (Northern Ireland) 1954, as if they were a statutory instrument within the meaning of that Act.
- (6) For the purposes of section 6 of the Government of Ireland Act 1920 this section shall be deemed to be contained in an Act passed before the day appointed for the purposes of that section.

## **57 Payments to sugar refiners**

- (1) If for any accounting period the revenues of a sugar refiner fall short of the total sums which are properly chargeable to revenue account for that period and the Minister of Agriculture, Fisheries and Food so directs, the Sugar Board shall make good the deficiency.
- (2) The Minister of Agriculture, Fisheries and Food may with the approval of the Treasury give directions as to the way in which the revenues of a sugar refiner are to be computed for the purposes of this section and as to the sums to be treated for those purposes as properly chargeable to revenue account.
- (3) In this section " sugar refiner " means a person other than the British Sugar Corporation Limited who carries on business in the United Kingdom as a refiner of sugar.

## **58 Trustee Investments Act 1961-dividends of water companies**

- (1) The Treasury may by order make such amendments in paragraph 10 of Part II of Schedule 1 to the Trustee Investments Act 1961 (under which a trustee's power to invest in certain securities depends on the amount of dividends paid) and in any enactment or instrument modifying that paragraph as appear to them required in consequence of the repeal by the Finance Act 1972 of the provisions relating to the deduction of income tax from distributions made by companies.
- (2) An order under this section may be varied or revoked by a subsequent order under this section, and any such order shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

## **59 Citation, interpretation, construction, extent and repeals**

- (1) This Act may be cited as the Finance Act 1973.
- (2) In this Act " the additional rate " means the additional rate mentioned in section 32(1) of the Finance Act 1971, and " the Taxes Act" means the Income and Corporation Taxes Act 1970.
- (3) In this Act—
  - (a) Part I shall be construed as one with the Customs and Excise Act 1952;
  - (b) Part II, so far as it relates to value added tax, shall be construed as one with Part I of the Finance Act 1972 and, so far as it relates to car tax, shall be construed as one with Part II of the Finance Act 1972;
  - (c) Part III, so far as it relates to income tax, shall be construed as one with the Income Tax Acts, so far as it relates to corporation tax, shall be construed as one with the Corporation Tax Acts and, so far as it relates to capital gains tax, shall be construed as one with Part III of the Finance Act 1965 ;
  - (d) Part IV shall be construed as one with the Finance Act 1894; and
  - (e) Part V shall be construed as one with the Stamp Act 1891.
- (4) Except so far as the context otherwise requires, any reference in this Act to any enactment shall be construed as a reference to that enactment as amended, and as including a reference to that enactment as applied, by or under any other enactment, including this Act.
- (5) Except as otherwise expressly provided, such of the provisions of this Act as relate to matters in respect of which the Parliament of Northern Ireland has power to make laws do not extend to Northern Ireland.
- (6) If the Parliament of Northern Ireland passes provisions amending or replacing any enactment of that Parliament referred to in this Act the reference shall be construed as a reference to the enactment as so amended or, as the case may be, as a reference to those provisions.
- (7) The enactments mentioned in Schedule 22 to this Act (which include certain enactments which had ceased to have effect before the commencement of this Act) are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.