



Finance Act 1975

1975 CHAPTER 7

PART I

VALUE ADDED TAX

1 VAT: eight per cent. rate

- (1) In section 9 of the Finance Act 1972 (rate of value added tax)—
 - (a) in subsection (1), for the word "ten" there shall be substituted the word "eight"; and
 - (b) subsection (2) (which is spent) shall be omitted.
- (2) The Value Added Tax (Change of Rate) Order 1974 is hereby revoked.
- (3) This section shall be deemed to have come into force on 18th November 1974.

2 VAT: special rate for light hydrocarbon oil, etc.

- (1) Subject to subsection (2) below, in its application to the supply or importation of any light oil, petrol substitute or power methylated spirits, within the meaning of the Hydrocarbon Oil (Customs & Excise) Act 1971, section 9 of the Finance Act 1972 (rate of value added tax) shall have effect, and shall be deemed to have had effect on and after 18th November 1974, as if for the rate of tax for the time being in force, whether by virtue of subsection (1) of that section or of any order under subsection (3) thereof, there were substituted the rate of 25 per cent.
- (2) Nothing in subsection (1) above—
 - (a) shall affect the rate of tax chargeable on the supply or importation of light oil in containers not exceeding 20 fluid ounces, where the oil is intended for sale in those containers solely as fuel for mechanical lighters, as defined in section 221(4) of the Customs and Excise Act 1952; or
 - (b) shall apply to any goods of a description for the time being specified in Schedule 4 to the Finance Act 1972 (zero rating).

3 Relief for " do-it-yourself " builders

(1) After section 15 of the Finance Act 1972 there shall be inserted the following section—

“15A Refund of tax to persons constructing new homes otherwise than in the course of a business.

(1) Subject to the following provisions of this section, where, on or after 13th November 1974, tax becomes chargeable on the supply of goods to, or the importation of goods by, a person constructing a dwelling lawfully and otherwise than in the course of a business carried on by him, and those goods—

- (a) are incorporated in the dwelling or its site, and
- (b) are of such a nature that, if he were a taxable person constructing the dwelling for the purpose of granting a major interest in it, within the meaning of section 5(6) of this Act, he would be entitled to deduct that tax as input tax,

the Commissioners shall, on a claim made by him in that behalf, refund to him the amount of the tax so chargeable.

(2) The Commissioners shall not be required to entertain a claim for a refund of tax under this section unless the claim—

- (a) is made within such time and in such form and manner, and
- (b) contains such information, and
- (c) is accompanied by such documents, whether by way of evidence or otherwise,

as the Commissioners may by regulations prescribe.

(3) In this section—

- (a) references to a dwelling include references to a garage constructed at the same time as the dwelling and intended to be occupied together with it; and
- (b) references to the construction of a dwelling do not include references to the conversion, reconstruction, alteration or enlargement of any existing building or buildings.”

(2) At the end of section 40(1) of the Finance Act 1972 (appeals relating to value added tax) there shall be inserted the following paragraph:—

“(j) the amount of any refunds under section 15A of this Act”.

4 Refund to diplomatic missions, etc., of VAT on importation of hydrocarbon oil

At the end of section 17 of the Finance Act 1972 there shall be added the following subsection:—

“(5) In the following provisions, that is to say—

- (a) section 8(1) of the Consular Relations Act 1968,
- (b) paragraphs 6 and 12 of Schedule 1 to the International Organisations Act 1968, and
- (c) section 1(1) of the Diplomatic and other Privileges Act 1971,

after the words ' customs duty paid on' there shall be inserted the words ' or value added tax paid on the importation of.’”

PART II

INCOME TAX AND CORPORATION TAX

5 Income tax: alteration of additional rates for 1974-75

Section 7(1) of the Finance Act 1974 (charge of income tax for 1974-75) shall have effect with the substitution for paragraph (b) of the following provisions, that is to say—

“(b) in respect of so much of the investment income included in an individual's total income as exceeds £1,000 at the additional rates of 10 per cent, for the first £1,000 of the excess and 15 per cent, for the remainder;

except that, in the case of an individual who shows that, at any time within that year, his age or that of his wife living with him was sixty-five years or more, income tax at the additional rate of 10 per cent, shall not be charged in respect of the first £500 of the excess mentioned in paragraph (b) above.”

6 Investment of pension funds in building societies

- (1) Where sums payable to exempt pension funds are among the sums with respect to which arrangements have been entered into with a building society under section 343 of the Taxes Act, paragraph (b) of subsection (3) of that section shall not apply to the sums so payable; but the amounts paid or credited in respect of them shall be treated as paid or credited after deduction of income tax from a corresponding gross amount.
- (2) In this section " building society " has the same meaning as in section 343 of the Taxes Act and " exempt pension fund " means any fund or scheme in the case of which provision is made by the enactments mentioned in subsection (3) below for exempting the whole or part of its income from income tax.
- (3) The enactments referred to in subsection (2) above are sections 208, 211, 212, 213, 214, 216, and 226 of the Taxes Act and section 21(2) of the Finance Act 1970.

7 Early surrender or conversion of life policies

- (1) Where a policy of life insurance to which this section applies has been issued and, within four years from the making of the insurance in respect of which it was issued, any of the following events happens, that is to say—
 - (a) the surrender of the whole or part of the rights conferred by the policy;
 - (b) the falling due (otherwise than on death) of a sum payable in pursuance of a right conferred by the policy to participate in profits ; and
 - (c) the conversion of the policy into a paid-up or partly paid-up policy;the body by whom the policy was issued shall pay to the Board, out of the sums payable by reason of the surrender or, as the case may be, out of the sum falling due or out of the fund available to pay the sums which will be due on death or on the maturity of the policy, a sum determined in accordance with the following provisions of this section, unless the body is wound up and the event is a surrender or conversion effected in connection with the winding-up.

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- (2) The sum payable under subsection (1) above shall, subject to the following provisions of this section, be equal to the lower of the following, that is to say—
- (a) the appropriate percentage of the premiums payable under the policy up to the happening of the event; and
 - (b) the surrender value of the policy at the time of the happening of the event less the complementary percentage of the premiums mentioned in paragraph (a) above.
- (3) If the event is one of those mentioned below, the sum payable to the Board shall not exceed the following limit, that is to say.—
- (a) if it is the surrender of part of the rights conferred by the policy, the value of the rights surrendered at the time of the surrender ;
 - (b) if it is the conversion of the policy into a partly paid-up policy, the surrender value, at the time of the conversion, of so much of the policy as is paid up ; and
 - (c) if it is the falling due of a sum, that sum.
- (4) If the event was preceded by the happening of such an event as is mentioned in subsection (1) above, subsection (2) above shall apply—
- (a) as if the lower of the amounts mentioned therein were reduced by the sum paid under this section in respect of the earlier event; and
 - (b) if the earlier event was such an event as is mentioned in paragraph (a) or (c) of subsection (3) above, as if the surrender value of the policy were increased by the amount which, under that paragraph, limited or might have limited the sum payable under this section in respect of the earlier event.
- (5) For the purposes of this section, the appropriate percentage, in relation to any event, is the percentage equal to the following fraction of the basic rate of income tax in force for the year of assessment in which the event happens, that is to say.—
- (a) if the event happens in the first two of the four years mentioned in subsection (1) above, three-sixths ;
 - (b) if it happens in the third of those years, two-sixths; and
 - (c) if it happens in the last of those years, one-sixth;
- and the complementary percentage, in relation to any event, is 100 per cent, less the appropriate percentage.
- (6) Where the annual amount of the premiums payable under a policy of life insurance is at any time increased (whether under the policy or by any contract made after its issue) so as to exceed by more than 25 per cent, the first annual amount so payable, the additional rights attributable to the excess shall be treated for the purposes of this section as conferred by a new policy issued in respect of an insurance made at that time, and the excess shall be treated as premiums payable under the new policy.
- (7) Subject to subsection (8) below, this section applies to any policy of life insurance issued in respect of an insurance made after 26th March 1974; but where it applies by virtue of subsection (6) above to a policy treated as having been issued in respect of an insurance made after that date by reason of an increase in the annual amount of the premiums payable under an earlier policy, it shall apply with the modification that the excess referred to in that subsection shall be taken to be the excess over the annual amount of the premiums at 26th March 1974.

- (8) This section does not apply to a policy unless it is a qualifying policy within the meaning of Schedule 1 to the Taxes Act, and does not in any case apply to such a policy as is mentioned in paragraph (b) or (c) of the proviso to section 19(4) of that Act.

8 Surrender, etc. of policies after four years

- (1) Where a policy of life insurance to which this section applies has been issued and, in the fifth or any later year from the making of the insurance in respect of which it was issued, either of the following events happens, that is to say—

- (a) the surrender of the whole or part of the rights conferred by the policy ; and
- (b) the falling due (otherwise than on death or maturity) of a sum payable in pursuance of a right conferred by the policy to participate in profits;

then, if either of those events has happened before, the body by whom the policy was issued shall pay to the Board, out of the sums payable by reason of the surrender, or, as the case may be, out of the sum falling due, a sum determined in accordance with the following provisions of this section.

- (2) The sum payable under subsection (1) above shall, subject to the following provisions of this section, be equal to the applicable percentage of the lower of the following—
- (a) the total of the premiums which are payable in that year under the policy; and
 - (b) the sums payable by reason of the surrender or, as the case may be, the sum falling due;

and the percentage to be applied for this purpose shall be a percentage equal to one half of the basic rate of income tax in force in the year of assessment in which the event happens.

- (3) Where, after a sum has become payable under subsection (1) above, and within the same year from the making of the insurance, another such event happens as is mentioned therein, the sums payable under that subsection in respect of both or all of the events shall not exceed the applicable percentage of the total mentioned in subsection (2)(a) above.
- (4) Where, on the happening of an event in the fifth or any later year from the making of the insurance, any sum is payable under subsection (1) of section 7 of this Act as applied by subsection (6) of that section, as well as under subsection (1) above, subsection (2) above shall apply as if the sums or sum mentioned in paragraph (b) thereof were reduced by the sum payable under section 7 of this Act.
- (5) This section applies to any policy of life insurance issued in respect of an insurance made after 26th March 1974, but only if it is a qualifying policy within the meaning of Schedule 1 to the Taxes Act; but does not apply to a policy issued in the course of an industrial insurance business, as defined in section 1(2) of the Industrial Assurance Act 1923 or of the Industrial Assurance Act (Northern Ireland) 1924.

9 Provisions supplementary to sections 7 and 8

- (1) Where on the happening of an event in relation to a policy of life insurance a sum is payable under section 7 or 8 of this Act, relief under section 19 of the Taxes Act in respect of the relevant premiums paid under the policy shall be reduced by the sum so payable or, as the case may be, by so much of that sum as does not exceed the amount of that relief (or does not exceed so much of that amount as remains after any previous reduction under this section).

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- (2) For the purposes of this section the relevant premiums are—
- (a) in relation to a sum payable under section 7 of this Act, the premiums payable under the policy up to the happening of the event by reason of which the sum is payable; and
 - (b) in relation to a sum payable under section 8 of this Act, the premiums payable in the year (from the making of the insurance) in which the event happens by reason of which the sum is payable.
- (3) Where the relevant premiums are payable in more than one year of assessment the reduction in relief under this section shall, so far as possible, reduce relief for an earlier year of assessment before reducing relief for a later one.
- (4) Any sum paid under section 7 or 8 of this Act by reason of any event shall be treated—
- (a) as between the parties, as received by the person by whom the premiums under the policy were paid; and
 - (b) for the purposes of income tax, as income tax paid by that person in satisfaction of the increase in liability resulting from the reduction of relief under this section ;
- and where that sum exceeds that increase in liability he shall be entitled, on a claim made by him not later than six years after the end of the year of assessment in which the event happens, to repayment of the excess.
- (5) Schedule 1 to this Act shall have effect with respect to the payment of sums payable under section 7 or 8 of this Act and related matters.

10 Life policies, life annuities and capital redemption policies

Sections 19 and 21 and Chapter III of Part XIV of the Taxes Act and Schedule 1 to that Act shall have effect subject to the provisions of Schedule 2 to this Act; and in those provisions references to any section not otherwise identified are to sections of that Act and " Schedule 1 " means Schedule 1 to that Act.

11 Extension of tax exemption for certain savings certificates

In section 95(1) of the Taxes Act (exemption from tax of accumulated interest payable in respect of certain United Kingdom savings certificates), and in section 96(1) of that Act (corresponding exemption for certain Ulster savings certificates), after the words " accumulated interest", wherever occurring, there shall be inserted the words " and any terminal bonus or other sum ".

12 Statutory corporation borrowing in foreign currency

Section 416 of the Taxes Act (local authority borrowing in foreign currency) shall have effect in relation to any securities issued by or loan made to a statutory corporation (as defined in section 26(1) of the Prevention of Fraud (Investments) Act 1958) as it has effect in relation to any securities issued by a local authority, the references to the beneficial owner or holder of the securities being for this purpose read, in the case of such a loan, as references to the person for the time being entitled to repayment or eventual repayment of the loan.

13 Initial allowances for industrial buildings and structures, etc.

- (1) In relation to expenditure incurred after 12th November 1974 section 1(2) of the Capital Allowances Act 1968 (initial allowances for industrial buildings and structures, etc.) shall have effect as if for the words " three-twentieths " there were substituted the words " one-half " ; and accordingly section 67(2)(d) of the Finance Act 1972 shall not apply to expenditure so incurred.
- (2) Expenditure shall not be treated for the purposes of this section as having been incurred after the date on which it was in fact incurred by reason only of section 1(6) of the Capital Allowances Act 1968 (expenditure incurred before trade began) or section 5(1) of that Act (purchase of unused buildings or structures).

14 Expenditure on thermal insulation

- (1) If a person carrying on a trade has after 12th November 1974 incurred expenditure in adding any insulation against loss of heat to any industrial building or structure occupied by him for the purposes of that trade, Chapter I of Part III of the Finance Act 1971 shall apply as if the expenditure were capital expenditure incurred on the provision of machinery or plant for the purposes of the trade, and as if the machinery or plant had, in consequence of his incurring the expenditure, belonged to him and had been in use for the purposes of the trade, and as if the disposal value of the machinery or plant were nil.
- (2) If a person has after 12th November 1974 incurred expenditure in adding any insulation against loss of heat to any industrial building or structure let by him otherwise than in the course of a trade, Chapter I of Part III of the Finance Act 1971 shall apply as if the expenditure were capital expenditure incurred in providing machinery or plant first let by that person, otherwise than in the course of a trade, at the time when the expenditure was incurred, and as if the property comprised in the lease of the building or structure had as from that time included the machinery or plant, and as if the disposal value of the machinery or plant were nil.
- (3) Any allowance made by virtue of section 46(1) of the Finance Act 1971 in a case where it applies by virtue of subsection (2) above shall (notwithstanding section 48(2) of that Act) be available primarily against the following income, that is to say—
 - (a) income taxed under Schedule A in respect of any premises which at any time in the chargeable period for which the allowance falls to be made consist of or include an industrial building or structure; or
 - (b) income which is the subject of a balancing charge under Chapter I (industrial buildings and structures, etc.) of Part I of the Capital Allowances Act 1968.
- (4) This section shall be construed as if contained in Chapter I of Part III of the Finance Act 1971 ; and in this section " industrial building or structure " has the meaning given by section 7 of the Capital Allowances Act 1968.

15 Expenditure on fire safety

- (1) If a person carrying on a trade has on or after the relevant date incurred expenditure in taking, in respect of any premises used by him for the purposes of the trade—
 - (a) steps specified, in a letter or other document sent or given to him by or on behalf of the fire authority on an application for a fire certificate under the Fire Precautions Act 1971 in respect of those premises, as steps that would have to be taken in order to satisfy the authority as mentioned in subsection (4) of

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section 5 of that Act, being steps that might have been, but were not, specified in a notice under that subsection; or

- (b) steps which, in consequence of the making of an order under section 10 of that Act prohibiting or restricting the use of the premises, had to be taken to enable the premises to be used without contravention of the order,

then, if an allowance or deduction in respect of the expenditure could not, apart from this section, be made in taxing the trade or computing the profits or gains arising from it, Chapter I of Part III of the Finance Act 1971 shall apply as regards the expenditure as it would apply by virtue of section 17 of the Finance Act 1974 if the expenditure fell within the said section 17.

- (2) For the purposes of this section the relevant date, in relation to expenditure incurred in taking steps falling within subsection (1)(a) above, is 1st June 1972 and, in relation to expenditure incurred in taking steps falling within subsection (1)(b) above, is 20th March 1972.
- (3) This section shall be construed as if contained in Chapter I of Part III of the Finance Act 1971.

16 Trade unions

- (1) If a trade union entered in the list of trade unions maintained under the Trade Union and Labour Relations Act 1974 was formed after 30th September 1971, it shall be treated as having been a registered trade union within the meaning of section 338 of the Taxes Act (exemption for trade unions) at all times between its formation and its entry in that list.
- (2) If a trade union was a registered trade union on 30th September 1971, it shall be treated for the purposes of the said section 338 as having remained a registered trade union so long as it remained a trade union and was not entered in the said list.

17 Sales, etc. at undervalue or overvalue

- (1) In section 485 of the Taxes Act (sales etc. at undervalue or overvalue), after subsection (5) there shall be inserted as subsection (5A)—

“(5A) In determining for the purposes of this section whether any person (alone or with others) has control over a body of persons—

- (a) there shall be attributed to him any rights or powers of a nominee for him, that is to say, any rights or powers which another possesses on his behalf or may be required to exercise on his direction or behalf;
- (b) there may also be attributed to him any rights or powers of a person with whom he is connected (within the meaning of section 533 of this Act, but omitting subsections (5) to (7) and the exception in subsection (4)), including any rights or powers of a nominee for such a person, that is to say any rights or powers which another possesses on behalf of such a person or may be required to exercise on his direction or behalf.”.

The amendments made by this subsection shall not apply in relation to transactions carried out before 10th December 1974.

- (2) For the removal of doubt it is hereby declared that in subsections (1)(a) and (2)(a) of the said section 485 the references to both the seller and the buyer being bodies of

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persons and some other person having control over both of them include cases where both of them are bodies of persons and are under the control of the same persons.

- (3) The Board may, by notice in writing given to any body corporate, require it to give to the Board, within such time (not being less than thirty days) as may be specified in the notice, such particulars (which may include details of relevant documents) as may be so specified of any related transaction which appears to the Board—
- (a) to be, or to be connected with, a transaction with respect to which the Board might give a direction under the said section 485 ; or
 - (b) to be relevant for determining whether such a direction could or should be given in any case ; or
 - (c) to be relevant for determining for the purposes of that section what price any property sold would have fetched had the sale been one between independent persons dealing at arm's length.
- (4) For the purposes of a notice under subsection (3) above a transaction is a related transaction if, but only if, it is one to which the body corporate to whom the notice is given, or a body corporate associated with that body, was a party; and for the purposes of this subsection two bodies corporate are associated with one another if one is under the control of the other or both are under the control of the same person or persons.
- (5) Where, in the case of a transaction with respect to which it appears to the Board that a direction under the said section 485 might be given—
- (a) one of the parties is a body corporate resident outside the United Kingdom and a 51 per cent, subsidiary of a body corporate (in this subsection referred to as " the parent body ") resident in the United Kingdom; and
 - (b) the other party is, or is a 51 per cent, subsidiary of, the parent body,
- the Board may, by notice in writing given to the parent body, require it to make available for inspection any books, accounts or other documents or records whatsoever of the parent body or, subject to subsection (6) below, of any body of persons over which it has control which relate to that transaction, to any other transaction (of whatever nature) in the same assets, or to transactions (of whatever nature) in assets similar to those to which the first-mentioned transaction related.
- (6) If, in a case in which under subsection (5) above the parent body is by notice required to make available for inspection any books, accounts, documents or records of a body of persons resident outside the United Kingdom over which the parent body has control, it appears to the Board, on the application of the parent body, that the circumstances are such that the requirement ought not to have effect, the Board shall direct that the parent body need not comply with the requirement.

If, on such an application, the Board refuse to give a direction under this subsection, the parent body may, by notice in writing given to the Board within thirty days after the refusal, appeal to the Special Commissioners who, if satisfied that the requirement in question ought in the circumstances not to have effect, may determine accordingly.

- (7) Where it appears to the Board that a body of persons may be a party to a transaction or transactions with respect to which a direction under the said section 485 might be given, then, for the purpose of assisting the Board to determine whether such a direction should be given, an inspector specifically authorised in that behalf by the Board may, at any reasonable time, on production if so required of his authority, enter any premises used in connection with the relevant trade carried on by that body of persons (that is to say, the trade in the course of which the transaction or transactions were effected) and inspect there any books, accounts or other documents or records

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whatsoever relating to that trade which he considers it necessary for him to inspect for that purpose, and may require any such books, accounts or other documents or records to be produced to him there for inspection.

An inspector's authority for entering any premises under this subsection shall state the name of the inspector and the name of the body of persons carrying on the trade in connection with which the premises are used.

- (8) If and so far as the question in dispute on an appeal to the General Commissioners or, in Northern Ireland, to a county court against an assessment to tax arises from a direction of the Board under the said section 485 and the assessment is for a chargeable period beginning after the passing of this Act, the question shall be referred to and determined by the Special Commissioners.
- (9) 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 17(3) and (5) of the Finance Act 1975 ", and in the second column of the Table the words " section 17(7) of the Finance Act 1975 ".
- (10) Subsection (3) to (7) above shall be construed as one with the said section 485.

18 Relief for increase in stock values in financial year 1973

- (1) Subject to the following provisions of this section, if—
 - (a) a company carries on a trade in respect of which it is, for its 1973 accounting period, within the charge to corporation tax under Case I of Schedule D, and
 - (b) the value of the company's trading stock at the end of its 1973 accounting period (in this section referred to as its " closing stock value") exceeds the value of its trading stock at the beginning of that accounting period (in this section referred to as its " opening stock value "),
 the company shall be entitled to relief under this section by reference to the amount of that excess; and in the following provisions of this section the amount of that excess is referred to as the company's " 1973 increase in stock value ".
- (2) In this section " 1973 accounting period " means—
 - (a) in the case of a company which has not more than one accounting period ending in the financial year 1973, that accounting period ; and
 - (b) in the case of any other company, a notional accounting period beginning on the first day of the first of the company's accounting periods which ends in the financial year 1973 and ending on the last day of the last of the company's accounting periods which ends in that year;
 and for the purposes of this section an accounting period which ends on the last day of a financial year shall be treated as ending in that year.
- (3) Schedule 3 to this Act shall have effect—
 - (a) in any case where a company's 1973 accounting period does not coincide with a period of account or with two or more consecutive periods of account or is longer than twelve months ; and
 - (b) in certain cases where trading stock is transferred between companies which are members of the same group of companies ; and
 - (c) in certain cases of companies beginning or ceasing to carry on a trade or ceasing to be within the charge to corporation tax or to be resident in the United Kingdom.

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(4) For the purposes of the Corporation Tax Acts, other than this section and Schedule 3 to this Act, in any case where a company is entitled to relief under this section—

- (a) the company's closing stock value shall be treated as reduced by an amount equal to its 1973 increase in stock value, less 10 per cent, of its trading income for its 1973 accounting period, and
- (b) the value of the company's trading stock at the beginning of the period of account which begins on the day following that as at which the closing stock value is determined shall be treated as reduced by the like amount,

and all such adjustments shall be made in any assessment to corporation tax for any relevant accounting period as are necessary to give effect to any relief under this section.

(5) A company shall not be entitled to relief under this section unless—

- (a) its closing stock value is not less than £25,000 ; and
- (b) its 1973 increase in stock value is greater than 10 per cent, of its trading income for its 1973 accounting period; and
- (c) a claim for the relief is made within the time allowed under subsection (6) below ;

and, notwithstanding anything in section 155 of the Taxes Act (partnership profits and losses computed in certain cases as if the partnership were a company), nothing in this section shall affect the computation of the profits of, or any loss incurred in, a partnership unless each of the partners is a company.

(6) A claim for relief under this section in respect of an accounting period may be made at any time before—

- (a) the date on which the assessment to corporation tax for that period becomes final, that is to say, when the assessment can no longer be varied by any Commissioners on appeal or by the order of any court, or
- (b) the expiry of the period of six months beginning with the date on which this Act is passed,

whichever is the later.

(7) In any case where—

- (a) by virtue of subsection (2)(b) above, a company's 1973 accounting period consists of two or more accounting periods and the last of those periods (in this subsection referred to as " the relevant accounting period") coincides with a period of account, and
- (b) the company makes a claim for relief under this section, and
- (c) in the relevant accounting period the company incurs a loss in the trade referred to in subsection (1)(a) above,

then, notwithstanding that the relevant accounting period is less than 12 months, in relation to so much of the loss referred to in paragraph (a) above as would not have been incurred if the claim for relief under this section had not been made, subsections (2) and (3) of section 177 of the Taxes Act (carry back of losses against profits of preceding accounting periods ending within a specified time) shall have effect as if the time specified in the said subsection (3) comprised—

- (i) so much of the 1973 accounting period as does not consist of the relevant accounting period ; and
- (ii) the period which ends immediately before the 1973 accounting period and is either equal in length to that period or 12 months, whichever is the shorter.

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- (8) Where any adjustment is made in the computation of the profits arising or losses incurred in an accounting period in giving effect to a claim for relief under this section, a claim for relief or (as the case may be) for additional relief under any other provision of the Tax Acts which is made in consequence of that adjustment (whether by the company to which the relief under this section is granted or by any other company) shall not be out of time if it is made before the end of the period of six months beginning with the date on which this Act is passed, notwithstanding that the time limit otherwise applicable to a claim under that provision has expired.
- (9) In this section " trading stock " has the same meaning as in section 137 of the Taxes Act except that it does not include—
- (a) securities, which for this purpose includes shares and stock, or
 - (b) any services, article or material which, if the trade concerned were a profession, would be treated as work in progress for the purposes of section 138 of that Act, or
 - (c) in the case of a company which carries on a trade in partnership with other persons at least one of whom is an individual, any interest in the trading stock of the partnership,
- and in determining the value of a company's trading stock at any time for the purposes of this section, to the extent that, at or before that time, any payments on account have been received by the company in respect of any trading stock, the value of that stock shall be reduced accordingly.
- (10) In this section " trading income " means, in relation to any trade, the income from the trade computed, in accordance with the rules applicable to Case I of Schedule D, except that—
- (a) no deduction or addition shall be made by virtue of section 73, section 74 or section 91 of the Capital Allowances Act 1968 (corporation tax allowances and charges and allowances for capital expenditure on scientific research); and
 - (b) no account shall be taken of any set-off or reduction of income to which the company is entitled by virtue of section 177 or section 178 of the Taxes Act (trade etc. losses); and
 - (c) in a case falling within subsection (9)(c) above, any income in relation to the trade carried on by the partnership shall be excluded.
- (11) For the purposes of this section, in any case where, by virtue of subsection (2)(b) above, a company's 1973 accounting period consists of more than one accounting period, its trading income for its 1973 accounting period shall be the aggregate of its trading income for each of the accounting periods of which that period consists.

PART III

CAPITAL TRANSFER TAX

Main charging provisions

19 Capital transfer tax

- (1) A tax, to be known as capital transfer tax, shall be charged on the value transferred by a chargeable transfer.

- (2) Schedule 4 to this Act shall have effect with respect to the administration and collection of the tax.

20 Transfers and chargeable transfers

- (1) The following provisions of this section shall have effect, subject to the other provisions of this Part of this Act, for determining for the purposes of capital transfer tax what is a chargeable transfer and what value is transferred by a chargeable transfer.
- (2) Subject to subsections (3) and (4) below, a transfer of value is any disposition made by a person ("the transferor") as a result of which the value of his estate immediately after the disposition is less than it would be but for the disposition; and the amount by which it is less is the value transferred by the transfer.
- (3) For the purposes of subsection (2) above no account shall be taken of the value of excluded property which ceases to form part of a person's estate as a result of a disposition.
- (4) A disposition is not a transfer of value if it is shown that it was not intended, and was not made in a transaction intended, to confer any gratuitous benefit on any person and either—
- (a) that it was made in a transaction at arm's length between persons not connected with each other, or
 - (b) that it was such as might be expected to be made in a transaction at arm's length between persons not connected with each other;

but this subsection does not apply to a disposition by which a reversionary interest is acquired in the circumstances mentioned in section 23(3) of this Act and does not apply to a sale of shares or debentures not quoted on a recognised stock exchange unless it is shown that the sale was at a price freely negotiated at the time of the sale or at a price such as might be expected to have been freely negotiated at the time of the sale.

In this subsection "transaction" includes a series of transactions and any associated operations.

- (5) A chargeable transfer is any transfer of value made by an individual after 26th March 1974 other than an exempt transfer.
- (6) A transfer of value made by an individual after that date and exempt only to a limited extent—
- (a) is, if all the value transferred by it is within the limit, an exempt transfer; and
 - (b) is, if that value is partly within and partly outside the limit, a chargeable transfer of so much of that value as is outside the limit as well as an exempt transfer of so much of that value as is within the limit.
- (7) For the purposes of this section, where the value of a person's estate is diminished and that of another person's estate is increased by the first-mentioned person's omission to exercise a right he shall be treated as having made a disposition at the time, or the latest time, when he could have exercised the right, unless it is shown that the omission was not deliberate.

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21 Settled property

Schedule 5 to this Act shall have effect with respect to settled property.

22 Transfer on death

- (1) On the death of any person after the passing of this Act tax shall be charged as if, immediately before his death, he had made a transfer of value and the value transferred by it had been equal to the value of his estate immediately before his death, but subject to the following provisions of this section.
- (2) Where the deceased was entitled to an interest in possession in settled property which on his death but during the life of the settlor reverted to the settlor, then, unless the settlor had acquired a reversionary interest in the property for a consideration in money or money's worth, the value of the settled property shall be left out of account in determining for the purposes of this Part of this Act the value of the deceased's estate immediately before his death.
- (3) Where the deceased was entitled to an interest in possession in settled property and on his death the settlor's spouse became beneficially entitled to that property, then if—
 - (a) the settlor's spouse was at the time of the death domiciled in the United Kingdom and resident (within the meaning of the Income Tax Acts) in the United Kingdom in the year of assessment in which the death occurred; and
 - (b) neither the settlor nor the settlor's spouse had acquired a reversionary interest in the property for a consideration in money or money's worth ;
 the value of the settled property shall be left out of account in determining for the purposes of this Part of this Act the value of the deceased's estate immediately before his death.
- (4) Where one party to a marriage has died before 13th November 1974 and the other party dies after the passing of this Act, then, in determining for the purposes of this Part of this Act the value of the other party's estate immediately before his death, there shall be left out of account the value of any property which, if estate duty were chargeable on that death, would be excluded from the charge by section 5(2) of the Finance Act 1894 (relief on death of surviving spouse).
- (5) Where a person who dies after the passing of this Act—
 - (a) had, before 27th March 1974 but not more than seven years before his death, made a gift inter vivos of any property; or
 - (b) had, before 27th March 1974 but not at any time there after, a beneficial interest in possession in any property comprised in a settlement;
 and by reason thereof any property would, had estate duty been chargeable on his death, have been included by virtue of section 2(1)(c) or 2(1)(b)(i) of the Finance Act 1894 in the property passing on his death, then, in determining for the purposes of capital transfer tax the value of his estate immediately before his death, there shall be included the value which for the purposes of estate duty chargeable on his death would have been the principal value of the property so included (or, in a case where, under paragraph 3 of Part II of Schedule 17 to the Finance Act 1969 the duty chargeable on the property would have been charged on a reduced value, that reduced value).
- (6) Where estate duty on the whole or part of the value of any property which would have been included as mentioned in subsection (5) above would, by virtue of section 23 of the Finance Act 1925 or section 28 of the Finance Act 1954, have been chargeable

at 55 per cent, of the estate rate, the tax chargeable on that value or part by virtue of subsection (5) above shall be charged at 55 per cent, of the rate represented by the fraction of which—

- (a) the numerator is the amount of tax which (apart from this subsection) would be chargeable on the value of the deceased's estate immediately before his death; and
 - (b) the denominator is that value.
- (7) Where any part of the property which would have been included as mentioned in subsection (5) above would, by virtue of section 40(2)(c) of the Finance Act 1969, have formed an estate by itself, the tax chargeable under this section shall be the aggregate of—
- (a) the tax that would have been so chargeable if that part had not been so included ; and
 - (b) the tax (if any) that would have been so chargeable if that part only had formed the estate of the deceased and the deceased had made no previous chargeable transfers;

but in a case where (by reason of an excess over £25,000) the part referred to in paragraph (b) above would have been a fraction only of any property, the tax that would have been chargeable as mentioned in that paragraph shall be taken to be the like fraction of the tax that would have been so chargeable if the remainder of that property had also been included in the estate of the deceased.

- (8) Where the estate duty would have been estate duty under the law of Northern Ireland—
- (a) subsection (5) above shall have effect with the substitution of a reference to four years for the reference in paragraph (a) to seven years, and of a reference to Schedule 1 to the Finance Act (Northern Ireland) 1969 for the reference to Schedule 17 to the Finance Act 1969; and
 - (b) subsection (6) shall have effect with the substitution of references to section 3 of the Finance (No. 2) Act (Northern Ireland) 1947 and section 3 of the Finance Act (Northern Ireland) 1954 for the references to section 23 of the Finance Act 1925 and section 28 of the Finance Act 1954 ; and
 - (c) subsection (7) shall have effect with the substitution of a reference to section 7(2)(c) of the Finance Act (Northern Ireland) 1969 for the reference to section 40(2)(c) of the Finance Act 1969.
- (9) For the purposes of this section, where it cannot be known which of two or more persons who have died survived the other or others they shall be assumed to have died at the same instant.

Meaning of estate and excluded property

23 Meaning of estate

- (1) For the purposes of this Part of this Act, a person's estate is the aggregate of all the property to which he is beneficially entitled, except that the estate of a person immediately before his death does not include excluded property.
- (2) A person who has a general power which enables him, or would if he were sui juris enable him, to dispose of any property other than settled property, or to charge money on any property other than settled property, shall be treated as beneficially entitled to the property or money; and for this purpose " general power " means a power

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or authority enabling the person by whom it is exercisable to appoint or dispose of property as he thinks fit.

- (3) Notwithstanding subsection (1) above, where a person entitled to an interest (whether in possession or not) in any settled property acquires a reversionary interest expectant (whether immediately or not) on that interest, the reversionary interest is not part of his estate for the purposes of this Part of this Act.

24 Excluded property

- (1) The following provisions of this section apply for determining what is excluded property for the purposes of this Part of this Act, in addition to property which is excluded property by virtue of any of the provisions of Schedule 7 to this Act, and subject to paragraph 2 of Schedule 5 to this Act.
- (2) Property situated outside the United Kingdom is excluded property if the person beneficially entitled to it is an individual domiciled outside the United Kingdom.
- (3) A reversionary interest is excluded property unless—
- (a) it has at any time been acquired (whether by the person entitled to it or by a person previously entitled to it) for a consideration in money or money's worth; or
 - (b) it is the interest expectant on the determination of a lease treated as a settlement by virtue of paragraph 1(3) of Schedule 5 to this Act.

Liability for tax

25 Liability for tax

- (1) The persons liable for the tax on the value transferred by any chargeable transfer shall be determined in accordance with the following provisions of this section and, in the cases mentioned in other provisions of this Part of this Act, in accordance with those provisions; and, except as otherwise provided, where under this Part of this Act two or more persons are liable for the same tax each of them shall be liable for the whole of it.
- (2) Where the chargeable transfer is made by a disposition (including any omission treated as a disposition under section 20(7) of this Act) of the transferor the persons liable are—
- (a) the transferor and the transferee ; and
 - (b) so far as the tax is attributable to the value of any property, any person in whom the property is vested (whether beneficially or otherwise) at any time after the transfer or who at any such time is beneficially entitled to an interest in possession in the property ; and
 - (c) where by the chargeable transfer any property becomes comprised in a settlement, any person for whose benefit any of the property or income from it is applied.
- (3) Where the chargeable transfer is one made under Schedule 5 to this Act, the persons liable are—
- (a) the trustees of the settlement; and
 - (b) any person entitled (whether beneficially or not) to an interest in possession in the settled property; and

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- (c) any person for whose benefit any of the settled property or income from it is applied at or after the time of the transfer; and
 - (d) where the chargeable transfer is made during the life of the settlor and the trustees are not for the time being resident in the United Kingdom, the settlor.
- (4) Where the chargeable transfer is made within three years of the transferor's death, then, with respect to so much of the tax as exceeds what it would have been had the transferor died more than three years after the transfer, subsection (2)(a) above shall have effect with the omission of the words " the transferor and " and subsection (3) above with the omission of paragraph (d).
- (5) Where the chargeable transfer is (under section 22 of this Act) made on the death of any person, the persons liable are, subject to subsection (7) below.—
- (a) so far as the tax is attributable to the value of property which either—
 - (i) was not immediately before the death comprised in a settlement; or
 - (ii) was so comprised and consists of land in the United Kingdom which devolves upon or vests in the deceased's personal representatives, the deceased's personal representatives;
 - (b) so far as the tax is attributable to the value of property which, immediately before the death, was comprised in a settlement, the trustees of the settlement;
 - (c) so far as the tax is attributable to the value of any property, any person in whom the property is vested (whether beneficially or otherwise) at any time after the death or who at any such time is beneficially entitled to an interest in possession in the property;
 - (d) so far as the tax is attributable to the value of any property which, immediately before the death, was comprised in a settlement, any person for whose benefit any of the property or income from it is applied after the death ;
- and for the purposes of this subsection a person entitled to part only of the income of any property shall, notwithstanding anything in paragraph 3 of Schedule 5 to this Act, be deemed to be entitled to an interest in the whole of the property.
- (6) For the purposes of this section—
- (a) any person who takes possession of or intermeddles with, or otherwise acts in relation to, property so as to become liable as executor or trustee (or, in Scotland, any person who intromits with property or has become liable as a vitious intromitter); and
 - (b) any person to whom the management of property is entrusted on behalf of a person not of full legal capacity,
- shall be treated as a person in whom the property is vested.
- (7) Where the chargeable transfer is made on death and any tax is by virtue of section 22(5) of this Act attributable to the value of any property which would have passed on the death for the purposes of estate duty, subsection (5) above does not apply in relation to the tax so attributable but the persons liable for that tax are the persons who would have been accountable for the estate duty in respect of that property.
- (8) Where a transferor is liable for any tax and, by another transfer of value made by him on or after 27th March 1974, any property became the property of a person who at the time of both transfers was his spouse, that person is liable for so much of the tax as does not exceed the value of the property at the time of the other transfer.

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- (9) In this section " the transferee " means, in relation to a chargeable transfer, any person the value of whose estate is increased by the transfer; and for the purposes of this section any question whether trustees are resident in the United Kingdom shall be determined as under paragraph 12(5) of Schedule 5 to this Act.
- (10) References in this section to any property include references to any property directly or indirectly representing it.

26 Exceptions from liability

- (1) A purchaser of property, and a person deriving title from or under such a purchaser, shall not by virtue of subsection (2)(b) or (5)(c) of section 25 of this Act be liable for tax attributable to the value of the property, unless the property is subject to an Inland Revenue charge.
- (2) No person other than those liable under subsection (1) or (2) of section 32 or subsection (3) or (4) of section 34 of this Act or, in the case of tax payable on the proceeds of a sale in accordance with paragraph 3(a) of Schedule 9 to this Act, the person liable under paragraph 2(2) of that Schedule, shall be liable for any tax chargeable under those provisions respectively, and no person other than those liable under subsection (3) of section 39 of this Act shall be liable for any tax chargeable under subsection (1) of that section.
- (3) Where a transfer of value is made within one year of the death of the transferor and, by reason of an excess over the amount specified in paragraph 10(1)(b) or 11(1)(b) of Schedule 6 to this Act, any tax is chargeable on a part of the value transferred which is attributable to property given to a charity or property which becomes the property of a political party, no person other than the charity or, as the case may be, the political party shall be liable for tax on that part.
- (4) A person shall not by virtue of section 25(5)(a) of this Act be liable for tax attributable to the value of any heritable property in Scotland which is vested in him as executor in the circumstances and for the purposes mentioned in subsection (1) or (2) of section 18 of the Succession (Scotland) Act 1964.

27 Limitation of liability

- (1) A person shall not be liable under section 25(5)(a) of this Act for any tax as a personal representative of a deceased person, except to the extent of the following assets, namely—
- (a) so far as the tax is attributable to the value of any property other than such as is mentioned in paragraph (b) below, the assets (other than property so mentioned) which he has received as personal representative or might have so received but for his own neglect or default; and
 - (b) so far as the tax is attributable to property which, immediately before the death, was comprised in a settlement and consists of land in the United Kingdom, so much of that property as is at any time available in his hands for the payment of the tax, or might have been so available but for his own neglect or default.
- (2) A person shall not be liable for tax as trustee in relation to any property, except to the extent of—

- (a) so much of the property as he has actually received or disposed of or as he has become liable to account for to the persons beneficially entitled thereto ; and
 - (b) so much of any other property as is for the time being available in his hands as trustee for the payment of the tax or might have been so available but for his own neglect or default.
- (3) A person not liable as mentioned in subsection (1) or (2) above but liable for tax as a person in whom property is vested or liable for tax as a person entitled to a beneficial interest in possession in any property shall not be liable for the tax except to the extent of that property.
- (4) Where the tax exceeds what it would have been had the transferor died more than three years after the transfer, a person shall not be liable for the excess as a person in whom property is vested otherwise than beneficially, except to the extent of so much of the property as is vested in him at the time of the death ; and a person shall not be liable for the excess as a trustee in relation to any property, except to the extent of—
- (a) so much of the property as is vested in him at the time of the death ; and
 - (b) so much of the property as, after the death, he has actually received or disposed of or as, after the death, he has become liable to account for to the persons beneficially entitled thereto.
- (5) A person liable for tax as a person for whose benefit any settled property, or income from any settled property, is applied, shall not be liable for the tax except to the extent of the amount of the property or income (reduced in the case of income by the amount of any income tax borne by him in respect of it).
- (6) Where a person is liable for any tax—
- (a) under subsection (2) of section 25 of this Act otherwise than as transferor ; or
 - (b) under subsection (3) of that section otherwise than as trustee of the settlement;
- he shall be liable only if the tax remains unpaid after it ought to have been paid, and, in a case where any part of the value transferred is attributable to the tax on it, shall be liable to no greater extent than he would have been had the value transferred been reduced by the tax remaining unpaid.
- (7) Subsection (6) above shall not apply in relation to such an excess as is mentioned in subsection (4) above.

28 Burden of tax

- (1) Where personal representatives have paid an amount of tax and—
- (a) the tax is tax on the value transferred by a chargeable transfer made on death ; and
 - (b) an Inland Revenue charge for that amount is imposed on any property under paragraph 20 of Schedule 4 to this Act or would be so imposed but for subparagraph (4) of that paragraph ;
- the amount shall, where occasion requires, be repaid to them by the person in whom the property is vested.
- (2) Where a person has paid to the Board any tax which is or might at his option have been payable by instalments and he is entitled to recover the whole or part of it from another person, that other person shall, unless otherwise agreed between them, be entitled to refund the tax or that part by the same instalments (with the same interest thereon) as those by which it might have been paid to the Board.

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- (3) Where a person is liable, otherwise than as transferor, and otherwise than under section 25(8) of this Act, for tax attributable to the value of any property he shall, for the purpose of paying the tax or raising the amount of it when paid, have power, whether or not the property is vested in him, to raise the amount of the tax by sale or mortgage of, or a terminable charge on, that property or any part thereof.
- (4) A person having a limited interest in any property who pays the tax attributable to the value of that property shall be entitled to the like charge as if the tax so attributable had been raised by means of a mortgage to him.
- (5) Any money held on the trusts of a settlement may be expended in paying the tax attributable to the value of any property comprised in the settlement and held on the same trusts.
- (6) On an application being made in such form as the Board may prescribe by a person who has paid or borne the tax attributable to the value of any property, being tax for which he is not ultimately liable, the Board shall grant a certificate specifying the tax paid and the debts and incumbrances allowed in valuing the property.
- (7) Except to the extent of any repayment which may be or become due from the Board, a certificate under subsection (6) above shall be conclusive as between any person by whom the tax specified in the certificate falls to be borne and the person seeking to recover the tax from him; and any repayment of the tax falling to be made by the Board shall be duly made if made to the person producing the certificate.
- (8) References in this section to tax include interest on tax and, in subsections (1) to (5), costs properly incurred in respect of it.

Reliefs and related provisions

29 Exempt transfers and miscellaneous exemptions and reliefs

Schedule 6 to this Act shall have effect with respect to exempt transfers and Schedule 7 to this Act with respect to the exemptions and reliefs mentioned therein.

30 Relief for successive charges

- (1) Where the value of a person's estate was increased by a chargeable transfer (in this section referred to as the previous transfer) made not more than four years before his death, the tax chargeable on his death under section 22 of this Act shall, subject to subsection (2) below, be reduced by the following percentage of the tax charged on so much of the value transferred by the previous transfer as is attributable to the increase, that is to say—
 - (a) by 80 per cent, if the period between the previous transfer and the death was one year or less ;
 - (b) by 60 per cent, if that period was more than one year but not more than two years ;
 - (c) by 40 per cent, if that period was more than two years but not more than three years ; and
 - (d) by 20 per cent, if that period was more than three years.
- (2) No reduction shall be made under this section with respect to an increase attributable to property which, at the time of the death, was settled property, if, under paragraph 5

of Schedule 5 to this Act, tax is chargeable on the death as if the value of that property were reduced.

- (3) Where the value of a person's estate was increased on a death on which estate duty was payable, the preceding provisions of this section shall apply with the necessary modifications and, in particular, as if on that death there had been a chargeable transfer and the estate duty had been tax on the value transferred thereby.

31 Conditional exemption for certain objects on death

- (1) The Treasury may, on a claim made for the purpose, designate such pictures, prints, books, manuscripts, works of art, scientific collections or other things not yielding income as—
- (a) were included in the estate of a person immediately before his death ; and
 - (b) appear to the Treasury to be of national, scientific, historic or artistic interest; to be objects to which this section applies.
- (2) Where, with respect to an object to which this section applies, an undertaking is given, by such person as the Treasury think appropriate in the circumstances of the case, that, until the person entitled to the object dies or the object is disposed of, whether by sale or gift or otherwise.—
- (a) the object will be kept permanently in the United Kingdom and will not leave it temporarily except for a purpose and a period approved by the Treasury ; and
 - (b) reasonable steps will be taken for the preservation of the object; and
 - (c) reasonable facilities for examining the object for the purpose of seeing the steps taken for its preservation, or, subject to subsection (3) below, for purposes of research, will be allowed to any person authorised by the Treasury to examine it;

the value of the object shall be left out of account in determining for the purposes of this Part of this Act the value transferred by the transfer of value made on the death of the person mentioned in subsection (1)(a) above.

- (3) If it appears to the Treasury, on a claim made for the purpose, that any documents which are designated or to be designated as objects to which this section applies contain information which for personal or other reasons ought to be treated as confidential, they may exclude those documents, either altogether or to such extent as they think fit, from so much of an undertaking given or to be given under subsection (2) (c) above as relates to their examination for purposes of research.
- (4) In this section " national interest" includes interest within any part of the United Kingdom.

32 Charge on failure of condition of exemption

- (1) Where, under section 31 of this Act, the value of an object has been left out of account and the Treasury are satisfied that at any time the undertaking given under that section with respect to the object has not been observed in a material respect, tax shall be chargeable with respect to the object in accordance with section 33 of this Act and the person liable for the tax shall be the person who, if the object were sold at the time the tax becomes chargeable, would be entitled to receive (whether for his benefit or not) the proceeds of sale or any income arising from them.

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- (2) Where, under section 31 of this Act, the value of an object has been left out of account and—
- (a) subsection (1) above does not apply ; but
 - (b) the object is disposed of, whether on sale or otherwise,
- then, subject to the following provisions of this section, tax shall be chargeable with respect to the object in accordance with section 33 of this Act and the person liable for the tax shall be the person for whose benefit the object is disposed of ; but where the value of an object has been so left out of account on the death of more than one person the tax chargeable under this subsection shall be chargeable only by reference to the last death.
- (3) Tax shall not be chargeable by virtue of subsection (2) above with respect to an object—
- (a) on its being sold by private treaty to a body mentioned in paragraph 12 of Schedule 6 to this Act or on its being disposed of to such a body otherwise than by sale; or
 - (b) if it is disposed of otherwise than by sale and the under taking previously given with respect to it is replaced by a further undertaking under section 31 of this Act.
- (4) For the purposes of subsection (2) above the acceptance of an object under paragraph 17 of Schedule 4 to this Act shall not be treated as a disposal of the object.

33 Amount and effect of charge under section 32

- (1) The following provisions of this section shall have effect where, under section 31 of this Act, the value of any object has been left out of account in determining the value transferred by the transfer of value made on the death of any person (in this section referred to as the value transferred on death) and tax becomes chargeable with respect to the object under section 32 of this Act by reason of the disposal of the object or the non-observance of an undertaking (in this section referred to as a chargeable event).
- (2) If the chargeable event occurs within three years of the death—
- (a) the value of the object (at the time of the death) shall no longer be left out of account, and tax shall be chargeable on the value transferred on death as if section 31 of this Act had never applied to the object; and
 - (b) the tax chargeable under section 32 of this Act with respect to the object shall be so much of the tax chargeable on the value transferred on death as is attributable to the value restored under this subsection.
- (3) If the chargeable event occurs more than three years after the death, the tax chargeable under section 32 of this Act with respect to the object shall be so much of the tax that would have been chargeable on the value transferred on death as would have been attributable to the value of the object if—
- (a) section 31 of this Act had not applied to the object; and
 - (b) the value of the object at the time of the death had been equal to its value at the time of the chargeable event and, if the chargeable event was a disposal on sale, that value had been equal to the proceeds of sale.
- (4) Where—
- (a) under section 31 of this Act the value of two or more objects has been left out of account in determining the value transferred on death ; and

- (b) those objects formed a set at the time of the death ; and
- (c) tax becomes chargeable under section 32 of this Act with respect to two or more of the objects by reason of chargeable events occurring at different times;

then, subject to subsection (5) below, the preceding provisions of this section shall apply as if both or all the chargeable events had occurred at the time of the earlier or earliest one, and the tax chargeable with respect to the objects and (where necessary) the tax chargeable on the value transferred on death shall be adjusted accordingly on the occurrence of each of the subsequent chargeable events.

- (5) Subsection (4) above does not apply with respect to two or more chargeable events which are disposals to different persons who are neither acting in concert nor connected with each other.

34 Conditional exemption for certain buildings etc. on death

- (1) Where any of the following property was included in the estate of a person immediately before his death, that is to say—

- (a) land which in the opinion of the Treasury is of outstanding scenic or historic or scientific interest;
- (b) a building for the preservation of which special steps should in the opinion of the Treasury be taken by reason of its outstanding historic or architectural interest;
- (c) land which adjoins such a building as is mentioned in paragraph (b) above and which in the opinion of the Treasury is essential for the protection of the character and amenities of the building, or,
- (d) an object which in the opinion of the Treasury is historically associated with such a building as is mentioned in paragraph (b) above ;

the Treasury may, on a claim made for the purpose, designate the property as property to which this section applies.

- (2) Where, with respect to any property to which this section applies, an undertaking is given, by such person as the Treasury think appropriate in the circumstances of the case, that, until the person entitled to the property dies or the property is disposed of, whether by sale or gift or otherwise, reasonable steps will be taken—

- (a) in the case of land falling within subsection (1)(a) above, for the maintenance of the land and the preservation of its character ; and
- (b) in the case of any other property, for the maintenance, repair and preservation of the property and, if it is an object falling within subsection (1)(d) above, for keeping it associated with the building concerned;

and for securing reasonable access to the public, the value of the property shall be left out of account in determining for the purposes of this Part of this Act the value transferred by the transfer of value made on the death of the person mentioned in subsection (1) above (in this section referred to as the value transferred on his death).

- (3) Where, under subsection (2) above, the value of any property has been left out of account and the Treasury are satisfied that at any time the undertaking given under that subsection in respect of that property has not been observed in a material respect, then, subject to subsection (5) below, tax shall be chargeable in accordance with subsection (7) or (8) below with respect to the property and any property associated with it, and the person liable for the tax shall be the person who, if the property were sold at the time the tax becomes chargeable, would be entitled to receive (whether for his benefit or not) the proceeds of sale or any income arising from them.

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- (4) Where, under subsection (2) above, the value of any property has been left out of account in determining the value transferred on the death of any person and—
- (a) subsection (3) above does not apply ; but
 - (b) the property is disposed of, whether on sale or otherwise,
- then, subject to subsections (5) and (6) below, tax shall be chargeable in accordance with subsection (7) or (8) below with respect to the property and any property associated with it, and the person liable for the tax shall be the person for whose benefit the property is disposed of; but where the value of the property has been left out of account on the death of more than one person the tax chargeable under this subsection shall be chargeable only by reference to the last death.
- (5) The Treasury may direct that the tax chargeable under this section on a failure to observe an undertaking with respect to any property or on the disposal of any property shall be chargeable with respect only to that property, if it appears to them that the entity consisting of the building, land and objects concerned has not been materially affected.
- (6) Tax shall not be chargeable under subsection (4) above with respect to any property—
- (a) on its being sold by private treaty to a body mentioned in paragraph 12 of Schedule 6 to this Act or on its being disposed of to such a body otherwise than by sale; or,
 - (b) if it is disposed of otherwise than by sale and the undertaking previously given with respect to it is replaced by a further undertaking under subsection (2) above;
- and for the purposes of subsection (4) above the acceptance of any property under paragraph 17 of Schedule 4 to this Act shall not be treated as a disposal of the property.
- (7) Where, under this section, tax becomes chargeable with respect to any property within three years of the death on which its value has been left out of account—
- (a) the value of the property (at the time of the death) shall no longer be left out of account and tax shall be chargeable on the value transferred on the death as if this section had never applied to the property; and
 - (b) the tax chargeable under this section with respect to the property shall be so much of the tax chargeable on the value transferred on the death as is attributable to the value restored under this subsection.
- (8) Where, under this section, tax with respect to any property becomes chargeable more than three years after the death, the tax shall be so much of the tax that would have been chargeable on the value transferred on the death as would have been attributable to the value of the property if—
- (a) this section had not applied to the property; and
 - (b) the value of the property at the time of the death had been equal to its value at the time the tax becomes chargeable and, if it becomes chargeable on a sale, that value had been equal to the proceeds of sale.
- (9) For the purposes of this section two or more properties are associated with each other if one of them is a building falling within subsection (1)(b) above and the other or others such land or objects as, in relation to that building, fall within subsection (1) (c) or (d) above.

35 Relief, in certain circumstances, for agricultural property

Part I of Schedule 8 to this Act shall have effect for giving relief where the value transferred by a chargeable transfer is determined by reference to the value of agricultural property and the conditions mentioned in that Part are satisfied.

36 Relief for woodlands

Schedule 9 to this Act shall have effect for giving relief where the value transferred by a chargeable transfer made on death is determined by reference to the value of woodlands and the conditions mentioned in that Schedule are satisfied.

Rate of tax and valuation

37 Rate of tax

- (1) The tax charged on the value transferred by a chargeable transfer made by any transferor shall be charged at the following rate or rates, that is to say—
 - (a) if the transfer is the first chargeable transfer made by that transferor, at the rate or rates applicable to that value under the appropriate Table set out in subsection (3) below;
 - (b) if the transfer is not the first chargeable transfer made by that transferor, at the rate or rates applicable under that Table to such part of the aggregate of that value and of the values previously transferred by chargeable transfers made by that transferor, as is the highest part of that aggregate and is equal to that value.
- (2) Except as otherwise provided, the First Table set out in subsection (3) below is the appropriate Table for a transfer made on or at any time within three years of the death of the transferor, and the Second Table set out in that subsection is the appropriate Table for any other transfer.
- (3) In each of the Tables set out below any rate shown in the third column is that applicable to such portion of the value concerned as exceeds the lower limit shown in the first column but does not exceed the upper limit (if any) shown in the second column.

FIRST TABLE

Portion of value		Rate of tax
Lower limit	Upper limit	Per cent.
£	£	
0	15,000	Nil
15,000	20,000	10
20,000	25,000	15
25,000	30,000	20
30,000	40,000	25
40,000	50,000	30
50,000	60,000	35

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Portion of value		Rate of tax
60,000	80,000	40
80,000	100,000	45
100,000	120,000	50
120,000	150,000	55
150,000	500,000	60
500,000	1,000,000	65
1,000,000	2,000,000	70
2,000,000	—	75

SECOND TABLE

Portion of value		Rate of tax
Lower limit	Upper limit	Per cent.
£	£	
0	15,000	Nil
15,000	20,000	5
20,000	25,000	
25,000	30,000	10
30,000	40,000	m
40,000	50,000	15
50,000	60,000	m
60,000	80,000	20
80,000	100,000	22i
100,000	120,000	27i
120,000	150,000	35
150,000	200,000	42i
200,000	250,000	50
250,000	300,000	55
300,000	500,000	60
500,000	1,000,000	65
1,000,000	2,000,000	70
2,000,000	—	75

38 Valuation

- (1) Except as otherwise provided by this Part of this Act, the value at any time of any property shall for the purposes of capital transfer tax be the price which the property

might reasonably be expected to fetch if sold in the open market at that time; but that price shall not be assumed to be reduced on the ground that the whole property is to be placed on the market at one and the same time.

- (2) Schedule 10 to this Act shall have effect with respect to the valuation of property for the purposes of capital transfer tax and the determination of the value transferred by a transfer of value.

Other charges

39 Close companies

- (1) Subject to the following provisions of this section, where a close company makes a transfer of value, tax shall be charged as if each individual to whom an amount is apportioned under this section had made a transfer of value of such amount as after deduction of tax (if any) would be equal to the amount so apportioned, less the amount (if any) by which the value of his estate is more than it would be but for the company's transfer; but for this purpose his estate shall be treated as not including any rights or interests in the company.
- (2) For the purposes of subsection (1) above the value transferred by the company's transfer of value shall be apportioned among the participators according to their respective rights and interests in the company immediately before the transfer, and any amount so apportioned to a close company shall be further apportioned among its participators, and so on; but—
 - (a) so much of that value as is attributable to any payment or transfer of assets to any person which falls to be taken into account in computing that person's profits or gains or losses for the purposes of income tax or corporation tax shall not be apportioned; and
 - (b) if any amount which would otherwise be apportioned to an individual who is domiciled outside the United Kingdom is attributable to the value of any property outside the United Kingdom, that amount shall not be apportioned.
- (3) The persons liable for the tax chargeable under subsection (1) above shall be the company and, so far as it remains unpaid after it ought to have been paid, the persons to whom any amounts have been apportioned under this section and any individual (whether such a person or not) the value of whose estate is increased by the company's transfer; but—
 - (a) a person to whom not more than 5 per cent, of the value transferred is apportioned shall not as such be liable for any of the tax; and
 - (b) each of the other persons to whom any part of that value has been apportioned shall be so liable only for such part of the tax as corresponds to that part of that value; and
 - (c) a person shall not as a person the value of whose estate is increased be liable for a greater amount than the amount of the increase.
- (4) Notwithstanding section 51(2) of this Act, tax chargeable under subsection (1) above shall be left out of account in determining with respect to any time after the company's transfer what previous transfers of value have been made by a person falling within subsection (3)(a) above.
- (5) Where there is at any time an alteration in so much of a close company's share or loan capital as does not consist of shares or securities quoted on a recognised stock

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exchange or an alteration in any rights attaching to shares in or debentures of a close company which are not so quoted, the alteration shall be treated as having been made by a disposition made at that time by the participators, whether or not it would fall to be so treated apart from this subsection.

(6) In this section—

" alteration " includes extinguishment;

" close company " means a company within the meaning of the Corporation Tax Acts which is, or would, if resident in the United Kingdom, be a close company for the purposes of those Acts;

" participator ", in relation to any company, means any person who is (or would be if the company were resident in the United Kingdom) a participator in relation to that company for the purposes of Chapter III of Part XI of the Taxes Act, other than a person who would be such a participator by reason only of being a loan creditor.

(7) In determining for the purposes of this section whether a disposition made by a close company is a transfer of value or what value is transferred by such a transfer section 41 of this Act shall be disregarded.

(8) References in this section to a person's rights and interests in a company include rights and interests in the assets of the company available for distribution among the participators in the event of a winding up or in any other circumstances.

(9) This section has effect subject to paragraph 24 of Schedule 5 to this Act.

40 Tax chargeable in certain cases of future payments, etc.

(1) Where a disposition made for a consideration in money or money's worth is a transfer of value and any payments made or assets transferred by the transferor in pursuance of the disposition are made or transferred more than one year after the disposition is made, tax (if any) shall be charged as if—

(a) any payment made or asset transferred in pursuance of the disposition were made or transferred in pursuance of a separate disposition made, without consideration, at the time the payment is made or the asset is transferred ; and

(b) the amount of the payment made or the value of the asset transferred in pursuance of each of those separate dispositions were the chargeable portion of the payment or asset.

(2) For the purposes of this section the chargeable portion of any payment made or any asset transferred at any time shall be such portion of its value at that time as is found by applying to it the fraction of which—

(a) the numerator is the value actually transferred by the disposition first mentioned in subsection (1) above (calculated as if no tax were payable on it); and

(b) the denominator is the value, at the time of that disposition, of the aggregate of the payments made or to be made and assets transferred or to be transferred by the transferor in pursuance of it.

41 Free loans etc.

(1) Where a person, otherwise than in a transaction at arm's length between persons not connected with each other, allows another the use of money or other property

without consideration in money or money's worth or for a consideration less than could reasonably be expected in such a transaction, he shall be treated as making a transfer of value in every chargeable period in which he allows that use; and—

- (a) the value transferred thereby shall be the difference between the amount of the consideration (if any) for that period and that of the consideration that might be so expected; and
 - (b) the transfer shall be treated as being made at the end of the chargeable period or, if earlier, at the time when that use comes to an end ; and
 - (c) the transfer shall be treated as made out of the transferor's income.
- (2) In this section " chargeable period ", in relation to any use, means the period beginning when the use is begun and ending with 5th April next following, and every subsequent period of twelve months ending with 5th April, but no period beginning before 6th April 1976 shall be a chargeable period.

42 Annuity purchased in conjunction with life policy

(1) Where—

- (a) a policy of life insurance is issued in respect of an insurance made on or after 27th March 1974 or is on or after that date varied or substituted for an earlier policy; and
- (b) at the time the insurance is made or at any earlier or later date an annuity on the life of the insured is purchased; and
- (c) the benefit of the policy is vested in a person other than the person who purchased the annuity;

then, unless it is shown that the purchase of the annuity and the making of the insurance (or, as the case may be, the substitution or variation) were not associated operations, the person who purchased the annuity shall be treated as having made a transfer of value by a disposition made at the time the benefit of the policy became so vested (to the exclusion of any transfer of value which, apart from this section, he might have made as a result of the vesting or of the purchase and the vesting being associated operations).

(2) The value transferred by that transfer of value shall be equal to whichever of the following is less, namely.—

- (a) the aggregate of—
 - (i) the value of the consideration given for the annuity; and
 - (ii) any premium paid or other consideration given under the policy on or before the transfer; and
- (b) the value of the greatest benefit capable of being conferred at any time by the policy, calculated as if that time were the date of the transfer.

(3) The preceding provisions of this section shall apply, with the necessary modifications, where a contract for an annuity payable on a person's death is on or after 27th March 1974 made or varied or substituted for or replaced by such a contract or a policy of life insurance as they apply where a policy of life insurance is issued, varied or substituted as mentioned in subsection (1) above.

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Miscellaneous

43 Chargeable transfers affecting more than one property

- (1) Where the value transferred by a chargeable transfer is determined by reference to the values of more than one property the tax chargeable on the value transferred shall be attributed to the respective values in the proportions which they bear to their aggregate, but subject to any provision reducing the amount of tax attributable to the value of any particular property.
- (2) Where the value transferred by more than one chargeable transfer made by the same person on the same day depends on the order in which the transfers are made, they shall be treated as made in the order which results in the lowest value chargeable.

44 Associated operations

- (1) In this Part of this Act " associated operations " means, subject to subsection (2) below, any two or more operations of any kind, being—
 - (a) operations which affect the same property, or one of which affects some property and the other or others of which affect property which represents, whether directly or indirectly, that property, or income arising from that property, or any property representing accumulations of any such income; or
 - (b) any two operations of which one is effected with reference to the other, or with a view to enabling the other to be effected or facilitating its being effected, and any further operation having a like relation to any of those two, and so on; whether those operations are effected by the same person or different persons, and whether or not they are simultaneous ; and " operation " includes an omission.
- (2) The granting of a lease for full consideration in money or money's worth shall not be taken to be associated with any operation effected more than three years after the grant, and no operation effected on or after 27th March 1974 shall be taken to be associated with an operation effected before that date.
- (3) Where a transfer of value is made by associated operations carried out at different times it shall be treated as made at the time of the last of them; but where any one or more of the earlier operations also constitute a transfer of value made by the same transferor, the value transferred by the earlier operations shall be treated as reducing the value transferred by all the operations taken together, except to the extent that the transfer constituted by the earlier operations but not that made by all the operations taken together is exempt under paragraph 1 of Schedule 6 to this Act.

45 Persons treated as domiciled in the United Kingdom

- (1) Except as otherwise provided, a person not domiciled in the United Kingdom at any time (in this section referred to as " the relevant time ") shall be treated for the purposes of this Part of this Act as domiciled in the United Kingdom at the relevant time if—
 - (a) he was domiciled in the United Kingdom on or after 10th December 1974 and within the three years immediately preceding the relevant time; or
 - (b) he was resident in the United Kingdom on or after 10th December 1974 and in not less than seventeen of the twenty years of assessment ending with the year of assessment in which the relevant time falls ; or

- (c) he has, since 10th December 1974, become and has remained domiciled in the Islands and, immediately before becoming domiciled there, he was domiciled in the United Kingdom.
- (2) For the purposes of subsection (1)(b) above the question whether a person was resident in the United Kingdom in any year of assessment shall be determined as for the purposes of income tax, but without regard to any dwelling-house available in the United Kingdom for his use.
- (3) In this section " the Islands " means the Channel Islands and the Isle of Man.

Disposition for maintenance of family

46 Dispositions for maintenance of family

- (1) A disposition is not a transfer of value if it is made by one party to a marriage in favour of the other party or of a child of either party and is—
 - (a) for the maintenance of the other party, or
 - (b) for the maintenance, education or training of the child for a period ending not later than the year in which he attains the age of eighteen or, after attaining that age, ceases to undergo full-time education or training.
- (2) A disposition is not a transfer of value if it is made in favour of a child who is not in the care of a parent of his and is for his maintenance, education or training for a period ending not later than the year in which—
 - (a) he attains the age of eighteen ; or
 - (b) after attaining that age he ceases to undergo full-time education or training;but paragraph (b) above applies only if before attaining that age the child has for substantial periods been in the care of the person making the disposition.
- (3) A disposition is not a transfer of value if it is made in favour of a dependent relative of the person making the disposition and is a reasonable provision for his care or maintenance.
- (4) A disposition is not a transfer of value if it is made in favour of an illegitimate child of the person making the disposition and is for the maintenance, education or training of the child for a period ending not later than the year in which he attains the age of eighteen or, after attaining that age, ceases to undergo full-time education or training.
- (5) Where a disposition satisfies the conditions of the preceding provisions of this section to a limited extent only so much of it as satisfies them and so much of it as does not satisfy them shall be treated as separate dispositions; and where a disposition satisfying those conditions is a disposal of an interest in possession in settled property, the interest shall not, by virtue of paragraph 4(1) of Schedule 5 to this Act, be treated for the purposes of that Schedule as coming to an end.
- (6) In this section—
 - " child " includes a step-child and an adopted child and " parent " shall be construed accordingly ;
 - " dependent relative " means, in relation to any person, a relative of his, or of his spouse, who is incapacitated by old age or infirmity from maintaining himself, or the mother of that person, or of his spouse, if the mother is

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widowed or living apart from her husband, or, in consequence of dissolution or annulment of marriage, a single woman ;

" marriage", in relation to a disposition made on the occasion of the dissolution or annulment of a marriage, and in relation to a disposition varying a disposition so made, includes a former marriage ; and

" year " means any period of twelve months ending with 5th April.

47 Deeds of family arrangement, etc.

- (1) So far as a deed of family arrangement or similar instrument which is made not more than two years after the death of any person varies the dispositions (whether effected by will or under the law relating to intestacy) of the property of which he was competent to dispose.—
 - (a) the variation shall not be a transfer of value ; and
 - (b) this Part of this Act shall apply as if the variation had been effected by the deceased.
- (2) Where a legacy or any interest in a deceased person's estate is disclaimed within two years of his death and the disclaimer is not made for a consideration in money or money's worth, the disclaimer is not a transfer of value.
- (3) An election by a surviving spouse under section 47A of the Administration of Estates Act 1925 (redemption of life interest in residuary estate) is not a transfer of value ; and where such an election is made this Part of this Act shall have effect as if the surviving spouse, instead of being entitled to the life interest, had been entitled to a sum equal to the capital value mentioned in that section.
- (4) Where a person becomes entitled to an interest in settled property but disclaims the interest, then, if the disclaimer is not made for a consideration in money or money's worth, this Part of this Act shall apply as if he had not become entitled to the interest.
- (5) In relation to a death occurring before the passing of this Act but not before 10th December 1972 subsection (1) above shall have effect as if the reference to a deed of family arrangement or similar instrument made not more than two years after the death were a reference to such a deed or instrument made not more than two years after the passing of this Act.

Estate duty and obsolete death duties

48 Interest on repayment of estate duty and on instalments of duty

- (1) In relation to any period falling after 12th November 1974 any sums repayable as sums paid in excess of estate duty or interest on estate duty shall carry interest at the same rate as that at which the duty, if outstanding, would have carried interest.
- (2) Interest paid to any person under this section shall not be income of that person for any tax purposes.
- (3) Subject to the following provisions of this section, where estate duty charged on a death occurring after 12th November 1974 is payable by instalments under section 62 of the Finance Act 1971 or section 3 of the Finance Act (Northern Ireland) 1971—
 - (a) as being charged in respect of property falling within paragraph (a) or (b) of subsection (2) of that section; or

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- (b) as being attributable to the net value of a business or an interest in a business ; it shall, for the purpose of any interest to be added to each instalment, be treated as carrying interest from the date at which the instalment is payable.
- (4) Subsection (3) above does not apply to estate duty payable in respect of shares or securities of a company falling within paragraph (a) of subsection (5) below unless it also falls within paragraph (b) or (c) of that subsection.
- (5) The companies referred to in subsection (4) above are—
- (a) any company whose business consists wholly or mainly of one or more of the following, that is to say, dealing in securities, stocks or shares, land or buildings, or making or holding investments;
 - (b) any company whose business consists wholly or mainly in being a holding company (within the meaning of section 154 of the Companies Act 1948) of one or more companies not falling within paragraph (a) above; and
 - (c) any company whose business is that of a jobber (as defined in section 477 of the Taxes Act) or discount house, and is carried on in the United Kingdom.
- (6) Subsection (3) above does not apply to estate duty charged in respect of property which, by reason of an interest which came to an end, or a gift which was made, before 13th November 1974, passes on death by virtue of section 2(1)(b)(i) or section 2(1)(c) of the Finance Act 1894.
- (7) Subsection (3) above applies only to the extent that the principal value in respect of which the duty is payable as mentioned therein does not exceed £250,000; and any excess shall be attributed to duty in respect of the shares, securities, business or interest concerned in proportion to their respective values.

49 Abolition of estate duty and transitional provisions

- (1) Estate duty shall not be levied on the principal value of any property passing on a death occurring after the passing of this Act; and the enactments relating to estate duty shall have effect in relation to a death occurring before the passing of this Act but after 12th November 1974 subject to the amendments specified in Schedule 11 to this Act.
- (2) Part II of Schedule 8 to this Act shall have effect for making, in relation to deaths occurring after 12th November 1974, provisions with respect to estate duty similar to those made with respect to capital transfer tax by Part I of that Schedule.
- (3) Where, under the enactments relating to estate duty, any property was treated, by virtue of any disposition made or interest subsisting after 26th March 1974, as passing on a death occurring before the passing of this Act, that disposition or the coming to an end of that interest shall not be a chargeable transfer.
- (4) Where estate duty is under section 61(5) of the Finance (1909-10) Act 1910 payable on the net moneys received from the sale of timber, trees or wood when felled or cut during the period referred to therein and that period has not ended before the passing of this Act, that period shall end immediately after the first transfer of value made after the passing of this Act in which the value transferred is, or is determined by reference to, the value of the land concerned, other than a transfer exempt by virtue of paragraph 1 of Schedule 6 to this Act.
- (5) So far as any provision in any document, whether executed before or after the passing of this Act, refers (in whatever terms) to estate duty or death duties it shall have

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effect, as far as may be, as if the reference included a reference to capital transfer tax chargeable under section 22 of this Act.

50 Final abolition of obsolete death duties

- (1) After the passing of this Act no person shall in any case be required to account for or pay, and the Board shall not in any case charge, levy, recover or collect—
- (a) any duty described in Schedule 1 to the Finance Act 1894;
 - (b) any duty imposed on a representation or inventory by any Act in force before the Customs and Inland Revenue Act 1881;
 - (c) any legacy duty, succession duty or settlement estate duty;
- (including in each case any duty which is then outstanding).
- (2) This section does not affect any right to repayment of or to any allowance in respect of any sum paid before the passing of this Act on account of any such duty.

Supplemental

51 Interpretation of Part III

- (1) In this Part of this Act, except where the context otherwise requires.—
- " amount " includes value ;
 - " barrister " includes a member of the Faculty of Advocates;
 - " the Board " means the Commissioners of Inland Revenue;
 - " charity " and " charitable " have the same meanings as in the Income Tax Acts ;
 - " disposition " includes a disposition effected by associated operations;
 - " enactment " includes an enactment of the Parliament of Northern Ireland and an Order in Council made under section 1(3) of the Northern Ireland (Temporary Provisions) Act 1972;
 - " estate duty " includes estate duty under the law of Northern Ireland;
 - " excluded property " shall be construed in accordance with section 24 of, and paragraph 2 of Schedule 5 and paragraphs 3, 5 and 6 of Schedule 7 to, this Act;
 - " Government department " includes a Northern Ireland department;
 - " heritable security " means any security capable of being constituted over any interest in land by disposition or assignation of that interest in security of any debt and of being recorded in the General Register of Sasines;
 - " incumbrance " includes any heritable security, or other debt or payment secured upon heritage;
 - " Inland Revenue charge " means a charge imposed by virtue of paragraph 20 of Schedule 4 to this Act;
 - " local authority " has the meaning assigned to it by section 52 of the Finance Act 1974 ;
 - " mortgage " includes a heritable security and a security constituted over any interest in movable property;
 - " personal representatives " includes any person by whom or on whose behalf an application for a grant of administration or for the resealing of a

grant made outside the United Kingdom is made, and any such person as is mentioned in section 25(6)(a) of this Act;

" property " includes rights and interests of any description ;

" purchaser " means a purchaser in good faith for consideration in money or money's worth other than a nominal consideration and includes a lessee, mortgagee or other person who for such consideration acquires an interest in the property in question ;

" reversionary interest " means a future interest under a settlement, whether it is vested or contingent (including an interest expectant on the termination of an interest in possession which, by virtue of paragraph 3 of Schedule 5 to this Act, is treated as subsisting in part of any property);

" tax " means capital transfer tax ;

" the Special Commissioners " has the same meaning as in the Taxes Management Act 1970.

- (2) Except as otherwise provided, references in this Part of this Act to a transfer of value made, or made by any person, include references to events on the happening of which tax is chargeable as if a transfer of value had been made, or, as the case may be, had been made by that person ; and " transferor " shall be construed accordingly.
- (3) References in this Part of this Act (except section 45) to a person being domiciled in the United Kingdom or outside the United Kingdom shall be construed in accordance with that section.
- (4) For the purposes of this Part of this Act any question whether a person is connected with another shall be determined as, for the purposes of Part III of the Finance Act 1965, it falls to be determined under paragraph 21 of Schedule 7 to that Act, but as if in that paragraph " relative " included uncle, aunt, nephew and niece and " settlement", " settlor " and " trustee " had the same meanings as in this Part of this Act.
- (5) References in this Part of this Act (except paragraph 11(10) of Schedule 5) to property to which a person is beneficially entitled do not include references to property to which a person is entitled as a corporation sole.

52 Consequential amendments and repeals

- (1) In consequence of the preceding provisions of this Part of this Act the enactments mentioned in Schedule 12 to this Act shall have effect subject to the amendments specified therein.
- (2) The enactments mentioned in Part I of Schedule 13 to this Act are hereby repealed, to the extent specified in the third column of that Part—
 - (a) in relation to deaths occurring after the passing of this Act; and
 - (b) so far as they relate to the duties mentioned in section 50 of this Act, in relation to any death.
- (3) The repeal by this section of any enactment relating to a duty mentioned in section 50 of this Act shall not affect its operation for the purposes of any such right to repayment or allowance as is referred to in subsection (2) of that section.

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PART IV

MISCELLANEOUS AND GENERAL

53 Recipient bodies referred to in Finance Act 1972, s. 119

- (1) In section 119 of the Finance Act 1972 for the words " falling within Schedule 25 to this Act", wherever they occur, there shall be substituted the words " mentioned in paragraph 12 of Schedule 6 to the Finance Act 1975 ".
- (2) This section shall have effect in relation to disposals made after 26th March 1974.

54 Appeals on questions of value of unquoted shares or of securities

- (1) In section 47(3) of the Taxes Management Act 1970 for the words from "by the General Commissioners" to " section 44(4) of this Act" there shall be substituted the words " by the Special Commissioners. "
- (2) Where at the time this Act is passed any such appeal as is mentioned in section 47(3) of the Taxes Management Act 1970 is pending before any General Commissioners, the Special Commissioners may, if they think fit, on an application made by the parties, arrange with the General Commissioners for the transfer of the proceedings to the Special Commissioners, and the proceedings may be so transferred accordingly.

55 Local loans

- (1) Loans in pursuance of section 3 of the National Loans Act 1968 may be made by the Public Works Loan Commissioners, in addition to any loans made by them under section 132 of the Finance Act 1972, but the aggregate of—
 - (a) the commitments of the Commissioners outstanding at any time in respect of undertakings entered into by them to grant such loans ; and
 - (b) the advances in respect of such loans made by them under this section up to that time,
 shall not exceed £2,000 million or such greater amount as may be specified in an order under subsection (2) below.
- (2) The Treasury may, on not more than three occasions, by order made by statutory instrument increase or further increase the limit imposed by subsection (1) above by such sum not exceeding £2,000 million as may be specified in the order.
- (3) No order shall be made under this section unless a draft of it has been laid before and approved by a resolution of the Commons House of Parliament.

56 Signature of certain requisitions and requests of the Treasury

Without prejudice to the Treasury Instruments (Signature) Act 1849, any requisition or request for a credit under section 13 or 15 of the Exchequer and Audit Departments Act 1866 or section 1(3) of the National Loans Act 1968 may be signed by any two of the following persons, namely the Secretaries of the Treasury and such officers as the Treasury may from time to time appoint to that duty.

57 Appointment of General Commissioners in Scotland, and amendment of declaration to be made by certain officers

- (1) As from 16th May 1975 subsection (3) of section 2 of the Taxes Management Act 1970 (appointment of General Commissioners for divisions in Scotland) shall be amended as follows, that is to say—
 - (a) for the words " the appropriate local authority " there shall be substituted the words " the Secretary of State "; and
 - (b) the words from " but " to the end of the subsection shall be omitted;and any appointment made under that subsection before that date shall have effect on and after it as if made under that subsection as so amended.
- (2) In the form of declaration set out in Part I of Schedule 1 to the Taxes Management Act 1970 (declarations by General and Special Commissioners and others), for the words from " my duties " to " gains " (where that word first occurs) there shall be substituted the words " the duties of my office ", for the words " my duties " where occurring elsewhere in that form there shall be substituted the words " those duties ", and for the words " income tax or any tax on company profits or capital gains " there shall be substituted the words " inland revenue ".
- (3) Nothing in subsection (2) above shall invalidate any declaration made before the passing of this Act.

58 Amendments of Vehicles (Excise) Act (Northern Ireland) 1972

- (1) In section 7 of the Vehicles (Excise) Act (Northern Ireland) of 1972 (that is to say [1972 c. 10](#) of Northern Ireland) as amended by Article 15 of the Finance (Northern Ireland) Order 1972, subsection (2A) (vehicles adapted for use by disabled persons exempt from duty under that Act) shall be amended as follows—
 - (a) for the words " specifically and extensively adapted " there shall be substituted the word " suitable " , and
 - (b) paragraph (a) shall be omitted.This subsection shall be deemed to have come into force on 31st July 1974 (when corresponding amendments took effect in Great Britain).
- (2) Section 38(1) of that Act shall have effect, and be deemed always to have had effect, with the substitution for " 1971 " (enacted in error for " 1972 ") of " 1972 ".

59 Citation, interpretation, construction and repeals

- (1) This Act may be cited as the Finance Act 1975.
- (2) In this Act " the Taxes Act " means the Income and Corporation Taxes Act 1970.
- (3) In this Act—
 - (a) Part I shall be construed as one with Part I (value added tax) of the Finance Act 1972 ; and
 - (b) Part II, so far as it relates to income tax, shall be construed as one with the Income Tax Acts and, so far as it relates to corporation tax, shall be construed as one with the Corporation Tax Acts.
- (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

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including a reference to that enactment as applied, by or under any other enactment, including this Act.

- (5) The enactments mentioned in Schedule 13 to 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.