



# Finance Act 1982

## 1982 CHAPTER 39

### PART III

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

### CHAPTER I

#### GENERAL

#### **20 Charge of income tax for 1982-83**

- (1) Income tax for the year 1982-83 shall be charged at the basic rate of 30 per cent.; and—
- (a) in respect of so much of an individual's total income as exceeds £12,800 at such higher rates as are specified in the Table below; and
  - (b) in respect of so much of the investment income included in an individual's total income as exceeds £6,250 at the additional rate of 15 per cent.

<i>Part of excess over £12,800</i>	<i>Higher rate</i>
The first £2,300	40 per cent.
The next £4,000	45 per cent.
The next £6,200	50 per cent.
The next £6,200	55 per cent.
The remainder	60 per cent.

- (2) Section 24(4) of the Finance Act 1980 (increase of basic rate limit, higher rate bands and investment income threshold) shall not apply for the year 1982-83.

#### **21 Charge of corporation tax for financial year 1981**

Corporation tax shall be charged for the financial year 1981 at the rate of 52 per cent.

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## **22 Rate of advance corporation tax for financial year 1982**

The rate of advance corporation tax for the financial year 1982 shall be three-sevenths.

## **23 Corporation tax: small companies**

- (1) The small companies rate for the financial year 1981 shall be 40 per cent., and for that year the fraction mentioned in subsection (2) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall be two twenty-fifths.
- (2) For the financial year 1981 and subsequent financial years subsection (3) of the said section 95 shall have effect with the substitution for any reference to £80,000 of a reference to £90,000 and with the substitution for any reference to £200,000 of a reference to £225,000.
- (3) Where by virtue of subsection (2) above the said section 95 has effect with different relevant amounts in relation to different parts of the same accounting period, those parts shall be treated for the purposes of that section as if they were separate accounting periods and the profits and income of the company for that period (as defined in that section) shall be apportioned between those parts.

## **24 Personal reliefs**

- (1) Section 24(5) of the Finance Act 1980 (increase of personal reliefs) shall not apply for the year 1982-83.
- (2) In section 8 of the Taxes Act (personal reliefs)—
  - (a) in subsection (1)(a) (married) for "£2,145 " there shall be substituted " £2,445 ";
  - (b) in subsections (1)(b) (single) and (2) (wife's earned income relief) for "£1,375" there shall be substituted " £1,565 ";
  - (c) in subsection (1A) (age allowance) for "£2,895" and "£1,820" there shall be substituted " £3,295 " and " £2,070 " respectively ; and
  - (d) in subsection (1B) (income limit for age allowance) for " £5,900 " there shall be substituted " £6,700 ".

## **25 Relief for interest**

- (1) In sub-paragraph (1) of paragraph 5 of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land) the references to £25,000 shall have effect for the year 1982-83 as well as for previous years of assessment.
- (2) At the end of that paragraph there shall be added the following sub-paragraph—
  - “(6) In determining whether the amount on which interest is payable under a loan exceeds the limit in sub-paragraph (1) above, no account shall be taken of so much (if any) of that amount as consists of interest which has been added to capital and does not exceed £1,000.”

## 26 Deduction of tax from certain loan interest

- (1) If a person who is a qualifying borrower makes a payment of relevant loan interest to which this section applies, he shall be entitled, on making the payment, to deduct and retain out of it a sum equal to income tax thereon at the basic rate for the year of assessment in which the payment becomes due; and, accordingly, section 75 of the Finance Act 1972 (relief for payment of interest), section 54 of the Taxes Act (certain payments of interest to be made under deduction of tax) and section 343(4) of the Taxes Act (no deduction of income tax from payment of interest to building societies) shall not apply to that payment of relevant loan interest.
- (2) Where a sum is deducted under subsection (1) above from a payment of relevant loan interest.—
  - (a) the person to whom the payment is made shall allow the deduction on receipt of the residue ;
  - (b) the borrower shall be acquitted and discharged of so much money as is represented by the deduction as if the sum had been actually paid; and
  - (c) the sum deducted shall be treated as income tax paid by the person to whom the payment is made.
- (3) Part I of Schedule 7 to this Act shall have effect to determine what is relevant loan interest, Part II of that Schedule shall have effect with respect to the application of this section to any such interest and Parts III and IV of that Schedule shall have effect with respect to qualifying borrowers and qualifying lenders respectively.
- (4) Where payments of relevant loan interest to which this section applies become due in any year, the borrower shall be charged with, tax at the basic rate for that year on an amount of income equal, subject to subsection (5) below, to the deduction which, in computing his total income, falls to be made on account of those payments.
- (5) In any case where—
  - (a) payments of relevant loan interest to which this section applies become due in any year ; and
  - (b) the total income of the borrower for that year is such that he cannot benefit from any or, as the case may be, the full amount of the relevant personal reliefs to which he is entitled,so much of that full amount as cannot be deducted from his total income shall be deducted from the amount of income on which he is chargeable to tax by virtue of subsection (4) above.
- (6) In subsection (5) above " relevant personal relief " means any relief to which the borrower concerned is entitled under Chapter II of Part I of the Taxes Act, other than—
  - (a) relief under section 19 of that Act (premiums on life insurance policies) which is given either by deduction by virtue of paragraph 5 of Schedule 4 to the Finance Act 1976 or in accordance with paragraph 15 of that Schedule; and
  - (b) relief under section 20 of the Taxes Act (deferred annuities) ;and for the purposes of subsection (5) above the full amount of those reliefs means the amount of them determined without regard to section 25 of the Taxes Act (under which reliefs are limited so as not to exceed total income).
- (7) Sections 240(5) and 246(3) of the Taxes Act (which require income tax deducted from payments received by certain companies to be set off against corporation tax and denies the company the right to repayment of income tax) shall not apply to a

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payment of relevant loan interest to which this section applies which is received by any company, but, in accordance with regulations under section 29 below, any person by whom such a payment is received shall be entitled to recover from the Board an amount equal to the sum which, by virtue of subsection (2)(c) above is treated as income tax paid by him; and any amount so recovered shall be treated for the purposes of the Tax Acts in like manner as the payment of relevant loan interest to which it relates.

- (8) Notwithstanding paragraph (f) of section 130 of the Taxes Act (prohibition on deduction of annual payments other than interest in computing profits or gains of a trade etc.) no sum shall be deducted in respect of relevant loan interest in computing the amount of the profits or gains to be charged under Case I or II of Schedule D and, accordingly, no sum shall be so deducted in computing the profits or gains to be charged under Case VI of that Schedule.
- (9) In the Finance Act 1976—
- (a) in section 66 (taxation of benefit of employment linked loans) at the end of subsection (8) there shall be added the words " or which would be so eligible apart from section 26 of the Finance Act 1982 "; and
  - (b) in paragraph 8 of Schedule 8 (provisions supplementary to section 66) the following sub-paragraph shall be substituted for sub-paragraph (1)—

“(1) Interest is eligible for relief for the purposes of this Part of this Schedule if it is eligible for relief under section 75 of the Finance Act 1972 or would be eligible for such relief apart from section 26 of the Finance Act 1982.”

## 27 Termination of the option mortgage schemes

- (1) Subject to the provisions of this section, Part II of the 1967 Act (assistance for house purchase and improvement in Great Britain) and Part VIII of the 1981 Order (option mortgages in Northern Ireland) shall cease to have effect on 1st April 1983.
- (2) Nothing in this Act affects the continuing operation of—
  - (a) sections 24(2)(a) and 28 of the 1967 Act (entitlement to and calculation of subsidy) with respect to payments falling to be made by the Secretary of State and related to amounts due from the borrower before 1st April 1983 or treated as so due by virtue of section 28(1A) of that Act; or
  - (b) section 28A of the 1967 Act (recovery of subsidy in certain cases) in its application to any such payments ; or
  - (c) Articles 142(2)(a) and 149 of the 1981 Order (entitlement to and calculation of subsidy) with respect to payments falling to be made by the Department of the Environment for Northern Ireland and related to amounts due from the borrower before 1st April 1983 or treated as so due by virtue of Article 149(2) of that Order; or
  - (d) Article 150 of the 1981 Order (recovery of subsidy in certain cases) in its application to any such payments.
- (3) Nothing in this Act affects the continuing operation of Part II of the 1967 Act in relation to a loan in respect of which an option notice is in force on 31st March 1983 if—
  - (a) on that date the residence condition in section 24B of that Act is not fulfilled ; and

- (b) as a result either of the lender having first become aware of the fact on or before that date or of a notification having been given on or before that date, the option notice will (assuming the continuation in force of the said Part II) cease to have effect after that date by virtue of paragraph (ix) or paragraph (x) of subsection (3) of section 24 of that Act.
- (4) Nothing in this Act affects the continuing operation of Part VIII of the 1981 Order in relation to a loan in respect of which an option notice is in force on 31st March 1983 if—
- (a) on that date the residence condition in Article 145 of that Order is not fulfilled; and
  - (b) as a result either of the lender having first become aware of that fact on or before that date or of a notification having been given on or before that date, the option notice will (assuming the continuation in force of the said Part VIII) cease to have effect after that date by virtue of sub-paragraph (z) or sub-paragraph (f) of paragraph (4) of Article 142 of that Order.
- (5) In this section—
- "the 1967 Act" means the Housing Subsidies Act 1967; and
  - "the 1981 Order" means the Housing (Northern Ireland) Order 1981.

## **28 Variation of terms of repayment of certain loans**

- (1) If relevant loan interest payable by a qualifying borrower—
- (a) is payable under a loan agreement requiring combined payments, and
  - (b) is payable to a qualifying lender who, in accordance with subsection (5) below, is specified for the purposes of this section, and
  - (c) is interest on a loan made before 1st April 1983, or if it is interest in respect of which the Board have notified an earlier date to the lender under paragraph 2(5) of Schedule 7 to this Act, before that earlier date,
- then, subject to subsection (2) below, the terms of repayment of the loan are by virtue of this section varied in accordance with subsection (3) below.
- (2) Subsection (1) above does not apply to any combined payment unless—
- (a) the qualifying lender concerned has, in accordance with regulations, given notice to the qualifying borrower that this section is to apply to combined payments which the borrower is required to make under the loan agreement; and
  - (b) the qualifying borrower has not, in accordance with regulations, given notice to the qualifying lender that he wishes to continue with combined payments which, allowing for any sums he is entitled to deduct by virtue of section 26 above, do not exceed the combined payments which he would have been required to make but for the provisions of that section.
- (3) Where subsection (1) above applies, the amount of any combined payment payable by the qualifying borrower concerned which includes a payment of relevant loan interest shall be determined by the lender so as to secure, so far as practicable—
- (a) that the principal and interest are repaid over the period which is for the time being agreed between the lender and the borrower ; and
  - (b) that, unless there is a change in that period or in the basic rate of income tax or in the rate of interest charged by the lender, the amount of each net payment due from the borrower to the lender will be of the same amount;

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and for the purposes of paragraph (b) above a "net payment" means a payment which, so far as it is a payment of interest, consists of interest from which the sum provided for by section 26(1) above has been deducted.

(4) Where the qualifying borrower gives a notice under subsection (2)(b) above, the amount of any combined payment payable by him which includes a payment of relevant loan interest and the period over which the principal and interest on the loan are to be repaid shall be determined by the lender so as to secure, so far as practicable, that, unless there is a change in the basic rate of income tax or in the rate of interest charged by the lender.—

- (a) the amount of each net payment, as defined in subsection (3) above, which is due from the borrower to the lender will be of the same amount; and
- (b) the amount of each such payment does not exceed what, apart from section 26 above, would have been the amount of the first combined payment payable by the borrower after the date referred to in subsection (1)(c) above, less tax at the basic rate for the year 1983-84 on so much of that combined payment as would have consisted of interest;

but nothing in this section or in the loan agreement shall prevent the borrower from making, at such time or times as he chooses, additional repayments of capital of any amount so as to secure that the principal and interest on the loan are repaid within a period which is not shorter than that referred to in subsection (3)(a) above.

(5) A building society within the meaning of the Building Societies Act 1962 or the Building Societies Act (Northern Ireland) 1967 is by virtue of this subsection specified for the purposes of this section; and the Treasury may by order made by statutory instrument specify any other qualifying lender or class of qualifying lender for the purposes of this section.

(6) The giving of a notice under paragraph (a) or paragraph (b) of subsection (2) above does not affect the right of the qualifying lender and the qualifying borrower to vary, by agreement, the terms on which interest or capital or both is to be repaid.

(7) In this section—

"loan agreement" means an agreement governing the terms of payment of interest and repayment of capital of a loan the interest on which is relevant loan interest;

"combined payment" means one of a number of regular payments which are attributable in part to repayment of capital and in part to payment of interest; and

"regulations" means regulations made by the Board under section 29 below;

and other expressions have the same meaning as in section 26 above.

## **29 Supplementary regulations**

(1) The Treasury may by regulations made by statutory instrument make provision for the application of sections 26 and 28 above and Schedule 7 to this Act in relation to—

- (a) a housing association which is for the time being approved for the purposes of section 341 of the Taxes Act and which borrows or has borrowed from a qualifying lender on the security of a freehold or leasehold estate of that association on land in Great Britain or Northern Ireland; and

- (b) a self-build society, within the meaning of Part I of the Housing Act 1974, which is for the time being approved for the purposes of section 341A of the Taxes Act and which borrows or has borrowed from a qualifying lender on the security of a freehold or leasehold estate of that society on land in Great Britain.
- (2) Regulations under subsection (1) above—
- (a) may contain such modifications of the provisions of sections 26 and 28 above and Schedule 7 to this Act, and
  - (b) may make the application of any of those provisions subject to such special conditions,  
as appear to the Treasury to be appropriate.
- (3) The Board may by regulations made by statutory instrument make provision—
- (a) for the purposes of any provision of section 26 or section 28 above or Schedule 7 to this Act which relates to any matter or thing to be specified by or done in accordance with regulations ;
  - (b) for the application of sections 26 and 28 above and Schedule 7 to this Act in relation to loan interest paid by personal representatives and trustees ;
  - (c) with respect to the furnishing of information by borrowers or lenders, including, in the case of lenders, the inspection of books, documents and other records on behalf of the Board ;
  - (d) for, and with respect to, appeals to the General Commissioners or the Special Commissioners against the refusal of the Board to issue a notice under paragraph 7(1)(b) of Schedule 7 to this Act or the issue of a notice under paragraph 10 of that Schedule ; and
  - (e) generally for giving effect to sections 26 and 28 above and Schedule 7 to this Act.
- (4) In the application of this section to Scotland—
- (a) " a freehold or leasehold estate " means any interest in land;
  - (b) any reference to a loan on the security of such an estate is a reference to a loan upon a heritable security within the meaning of section 9(8)(a) of the Conveyancing and Feudal Reform (Scotland) Act 1970,
- (5) A statutory instrument by which the power to make regulations conferred by subsection (1) or subsection (3) above is exercised shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

### **30 Exemption from income tax: mobility allowance**

- (1) In section 219(1) of the Taxes Act (social security benefits charged to tax unless specifically exempted) after the words " attendance allowance " there shall be inserted the words " mobility allowance ".
- (2) Paragraph (b)(ii) of subsection (2) of section 8 of the Taxes Act (mobility allowance of wives to be treated as earned income) shall cease to have effect.
- (3) This section shall have effect in relation to mobility allowance paid in respect of periods beginning on or after 6th April 1982.

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### 31 Income taxable under Schedule E

(1) The following section shall be inserted in the Taxes Act after section 219—

**“219A Other payments charged under Schedule E.**

(1) The following payments shall be charged to income tax under Schedule E by virtue of this section if they would not otherwise be, that is to say—

- (a) allowances paid under a scheme of the kind described in the Job Release Act 1977, being a scheme which provides for the payment of allowances for periods beginning earlier than one year before the date on which the recipient attains pensionable age, as defined in that Act;
- (b) maternity pay (whether paid during the subsistence of a contract of employment or not) within the meaning of section 33 of the Employment Protection (Consolidation) Act 1978 or, in Northern Ireland, Article 15 of the Industrial Relations (No. 2) (Northern Ireland) Order 1976 ; and
- (c) payments of statutory sick pay within the meaning of section 1 of the Social Security and Housing Benefits Act 1982 or, in Northern Ireland, any corresponding provision contained in an Order in Council under the Northern Ireland Act 1974.

(2) This section has effect in relation to payments made in respect of periods beginning on or after 6th April 1982.”

(2) In subsection (2)(c) of section 530 of the Taxes Act (certain payments to be " earned income "), after the words " section 219(1) " there shall be inserted the words " or section 219A ".

### 32 Social security benefits

(1) In section 27 of the Finance Act 1981 (provisions relating to the taxation of social security payments)—

- (a) in subsection (3) (taxation of certain supplementary allowances)—
  - (i) the words " (except so far as made by virtue of section 4 of that Act) " shall cease to have effect; and
  - (ii) for paragraph (a) there shall be substituted the following paragraphs: —
    - “(a) his right to the allowance is subject to any condition contained in section 5 of that Act (requirements as to registration and availability for employment); or
    - (aa) the allowance is paid to him under Regulation 12, 16 or 19 of the Supplementary Benefit (Urgent Cases) Regulations 1981, and his right to the allowance is not subject to the said section 5 by virtue only of Regulation 3(2) of those Regulations ; or”;
- (b) after subsection (3) there shall be inserted the following subsection—

“(3A) An allowance shall not be charged to tax under Schedule E by virtue of subsection (3)(b) above to the extent that it is made by virtue of section 4 of the said Act of 1976.”;



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- (c) in subsection (5) (relevant amounts) the following paragraph shall be substituted for paragraph (a)—
- “(a) in a case where the supplementary allowance is paid to a person—
- (i) to whom subsection (3)(a) above applies and he is for the purposes of the said Act of 1976 one of a married or unmarried couple the other one of whom is within section 8 of that Act and the said paragraph 10 applies to him, or
- (ii) to whom subsection (3)(b) above applies, to the amount specified in the said paragraph 10 ;
- and at the end of that subsection there shall be inserted the following words—”;
- “Any reference in this subsection to an amount or rate or increase specified in any provision is a reference to the amount or rate or increase so specified for the week in question.”;
- (d) at the end of paragraph (c) of subsection (8) (Northern Ireland adaptations) there shall be added the words “and
- (d) for any reference to the Supplementary Benefit (Urgent Cases) Regulations 1981 there were substituted a reference to the Supplementary Benefit (Urgent Cases) Regulations (Northern Ireland) 1981”; and
- (e) in subsection (11) (commencement of section 27) for the words " 5th April 1982 " there shall be substituted the words " 4th July 1982 ".
- (2) In section 29 of the Finance Act 1981 (pay as you earn repayments) in paragraph (b) for the words from " to the condition " to " or " there shall be substituted the words " to any condition contained in section 5 of the said Act of 1976 or, in Northern Ireland, Article 7 of the said Order (requirements as to registration and availability for employment); or ".
- (3) Any reference in section 27 or section 29 of the Finance Act 1981 to section 5 of the Supplementary Benefits Act 1976 or to Article 7 of the Supplementary Benefits (Northern Ireland) Order 1977 includes a reference to that section or Article as amended by any other enactment including an enactment passed or made after the passing of this Act.
- (4) Paragraph (e) of subsection (1) above shall be deemed to have come into force on 5th April 1982 and the remainder of this section shall be deemed to have come into force on 5th July 1982.

### **33 Small maintenance payments**

- (1) Section 65 of the Taxes Act (certain small maintenance payments to be made without deduction of tax) shall be amended as follows.
- (2) For subsection (1) there shall be substituted the following subsections—
- “(1) In this section 'small maintenance payments' means payments under an order made by a court in the United Kingdom—

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- (a) by one of the parties to a marriage (including a marriage which has been dissolved or annulled) to or for the benefit of the other party to that marriage for that other party's maintenance,
- (b) to any person under 21 years of age for his own benefit, maintenance or education, or
- (c) to any person for the benefit, maintenance or education of a person under 21 years of age,

in respect of which the two conditions mentioned in subsection (1A) below are satisfied; and 'small maintenance order' means an order providing for the making of small maintenance payments.

(1A) The first of the conditions referred to in subsection (1) above is—

- (a) in the case of payments falling within paragraph (a) of that subsection, that the order for the time being requires them to be made—
  - (i) weekly at a rate not exceeding £33 per week, or
  - (ii) monthly at a rate not exceeding £143 per month,
- (b) in the case of payments falling within paragraph (b) (but not within paragraph (a)) of that subsection, that the order for the time being requires them to be made—
  - (i) weekly at a rate not exceeding £33 per week, or
  - (ii) monthly at a rate not exceeding £143 per month,
- (c) in the case of payments falling within paragraph (c) (but not within paragraph (a) or (b)) of that subsection, that the order for the time being requires them to be made—
  - (i) weekly at a rate not exceeding £18 per week, or
  - (ii) monthly at a rate not exceeding £78 per month,

and the second of those conditions is that the payments would, apart from this section, fall within section 52 or section 53 above (deduction of income tax from annual payments).”

(3) For subsection (5) there shall be substituted the following subsection—

“(5) The Treasury may from time to time, by order made by statutory instrument subject to annulment in pursuance of a resolution of the Commons House of Parliament, increase any, or all, of the amounts for the time being specified in subsection (1A) above.”

(4) In subsection (6) for the words from " or further ", where they first occur, to " weekly amount" there shall be substituted the words " the amount for the time being specified in sub-paragraph (i) of paragraph (a), (b) or (c) of subsection (1A) above shall increase the amount for the time being specified in sub-paragraph (ii) of that paragraph so that it is 52 twelfths of the amount specified in sub-paragraph (i) by virtue of the order ".

(5) This section applies—

- (a) in the case of payments under orders made, varied or revived after the passing of this Act, to those falling due after that date, and
- (b) in the case of payments under other orders, to those falling due on or after 6th April 1983.

### **34 Life assurance: variation in life or lives assured**

- (1) Where, as a result of a variation in the life or lives for the time being assured, a qualifying policy (in this section referred to as " the earlier policy ") is replaced by a new policy (in this section referred to as " the later policy") which, in accordance with the rules in paragraph 9 of Schedule 1 to the Taxes Act, is also a qualifying policy, then, subject to subsection (3) below, for the purposes of—
- (a) the enactments specified in subsection (2) below, and
  - (b) any second or subsequent application of this section,
- the later policy and the earlier policy shall be treated as a single policy issued in respect of an insurance made at the time of the making of the insurance in respect of which the earlier policy was issued; and, accordingly, so long as the later policy continues to be a qualifying policy, the single policy shall also be treated as a qualifying policy for those purposes.
- (2) The enactments referred to in subsection (1) above are—
- (a) sections 394 and 395 of the Taxes Act (life policies: chargeable events and computation of gains); and
  - (b) sections 7 to 9 of the Finance Act 1975 (payments becoming due on certain surrenders etc. of life policies).
- (3) Subsection (1) above does not apply unless—
- (a) any sum which would otherwise become payable by the insurer on or in connection with the coming to an end of the earlier policy is retained by the insurer and applied in the discharge of some or all of the liability for any premium becoming due under the later policy; and
  - (b) no consideration in money or money's worth (other than the benefits for which provision is made by the later policy) is receivable by any person on or in connection with the coming to an end of the earlier policy or the coming into existence of the later policy.
- (4) Any sum which is applied as mentioned in subsection (3)(a) above.—
- (a) shall be left out of account in determining, for the purposes of the enactments specified in subsection (2) above, the total amount which at any time has been paid by way of premiums under the single policy referred to in subsection (1) above ; and
  - (b) shall not be regarded, in relation to that single policy, as a relevant capital payment, within the meaning of section 395 of the Taxes Act.
- (5) Any reference in this section to a qualifying policy is a reference to a qualifying policy within the meaning of Part I of Schedule 1 to the Taxes Act.
- (6) This section applies where the later policy comes into existence on or after 25 th March 1982.

### **35 Life assurance: qualifying policies and policies on the lives of children**

- (1) In paragraph 2A of Schedule 4 to the Finance Act 1976 (qualifying life policies: exclusion of accident policies)—
- (a) in sub-paragraph (1), for the words " subsection (2)(a) of section 83 of the Insurance Companies Act 1974" there shall be substituted the words " Class I or Class III in Schedule 1 to the Insurance Companies Act 1981 "; and

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- (b) in sub-paragraph (2), for the words " falling within subsection (2)(b) of the said section 83 " there shall be substituted the words "which—
  - (a) are expressed to be in effect for a period of not less than five years or without limit of time; and
  - (b) either are not expressed to be terminable by the insurer before the expiration of five years from their taking effect or are expressed to be so terminable before the expiration of that period only in special circumstances therein mentioned".
- (2) In paragraph 11(3) of Schedule 4 to the Finance Act 1976 (maximum annual premium for policies on lives of children or grandchildren) for " £52 " there shall be substituted " £64 ".
- (3) In section 30 of the Finance Act 1980 (certain policies not to be qualifying policies) in subsection (3) (definition of " policy " by reference to ordinary long-term insurance business) for the words "within the meaning of section 83(2) of the Insurance Companies Act 1974 " there shall be substituted the words " as defined in section 85(1) of the Insurance Companies Act 1974, as amended by Schedule 4 to the Insurance Companies Act 1981 ".
- (4) This section applies to policies issued in respect of insurances made on or after 25th March 1982.

### **36 Relief in respect of certain income of trade unions**

- (1) In section 338 of the Taxes Act (which, as amended by section 57(3) of the Finance Act 1980, provides for exemption for income and gains of a trade union precluded by Act or rules from assuring to any person a sum exceeding £2,000 by way of a gross sum or £416 a year by way of annuity if the income or gains is or are applied for purpose of provident benefits) for "£2,000" and "£416" there shall be substituted respectively "\* £2,400 " and " £500 ".
- (2) Subsection (1) above has effect in relation to income or gains which are applicable and applied as mentioned in the said section 338 on or after 1st June 1982.

### **37 Retirement annuity relief: Lloyds' underwriters**

- (1) Where for any year of assessment an individual—
  - (a) is chargeable to income tax in respect of relevant earnings derived from Lloyd's underwriting activities; and
  - (b) there is an amount of unused relief attributable to those earnings,
 the individual may, subject to subsection (2) below, elect that there shall be treated as paid in that year any qualifying premium paid by him in the next year of assessment but two.
- (2) An election under this section shall not have effect in relation to so much of any qualifying premium as exceeds the amount of unused relief referred to in subsection (1)(b) above.
- (3) Any election under this section shall be made before the end of the year of assessment in which the premium is paid.
- (4) Where an election is made under this section the provisions of Chapter III of Part IX of the Taxes Act (retirement annuities), other than section 227(1BB), shall have effect

as if the premium or, as the case may be, the part of the premium in question had been paid in the year specified in the election and not in the year in which it was actually paid.

- (5) In this section "qualifying premium" and "relevant earnings" have the same meaning as in the said Chapter III, "unused relief" has the same meaning as in section 227A of the Taxes Act and "relevant earnings derived from Lloyd's underwriting activities" means relevant earnings as an underwriting member of Lloyd's or by way of commission calculated by reference to the profits of Lloyd's underwriting business.
- (6) This section has effect in relation to any premium paid in the year 1982-83 or any subsequent year of assessment.

### **38 Retirement annuity relief: older contributors**

- (1) In subsection (4) of section 228 of the Taxes Act (relief for premiums under retirement annuity contracts limited by reference to percentage of earnings dependent upon age) the words "Subject to subsection (5) below" shall be omitted and for the Table set out in that subsection there shall be substituted the following Table: —

“TABLE

<i>Year of birth</i>	<i>Percentage</i>
1916 to 1933	20
1914 or 1915	21
1912 or 1913	24
1910 or 1911	26½
1908 or 1909	29½
1907	32½”

- (2) Subsection (5) of the said section 228 (which restricts relief in relation to any year in which the individual concerned benefits from pensionable employment) shall cease to have effect.
- (3) This section has effect for the year 1982-83 and subsequent years of assessment.

### **39 Partnership retirement annuities**

- (1) In section 16 of the Finance Act 1974 (partnership retirement annuities) in paragraph (a) of subsection (2) after the word "is" there shall be inserted the words "subject to subsection (2A) below" and at the end of that subsection there shall be inserted—

“(2A) If the retail prices index for the month of December in the last of the seven years referred to in paragraph (c) of subsection (2) above is higher than it was for the month of December in any of the other years referred to in that paragraph, the amount which, for that other year, was the former partner's share of the relevant profits or gains shall be treated for the purposes of that subsection as increased by the same percentage as the percentage increase in the retail prices index.”

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- (2) This section has effect in relation to annual payments falling within section 16(1) of the Finance Act 1974 which are income of the year 1982-83 or any subsequent year of assessment.

#### **40 Share options**

- (1) In any case where—
- (a) for the year 1982-83 or any subsequent year of assessment a person is chargeable to tax under Schedule E, by virtue of section 186 of the Taxes Act (directors and employees of companies granted rights to acquire shares), on an amount equal to a gain realised by the exercise of a right to acquire shares ; and
  - (b) the shares acquired in the exercise of that right were acquired for a consideration which, subject to subsection (2) below, was not less than the market value (determined as for the purposes of the Capital Gains Tax Act 1979) of shares of the same class at the time the right was granted or, if the right was granted before 6th April 1982, 90 per cent, of that market value ; and
  - (c) following an assessment for the year in which that right was exercised (in this section referred to as " the relevant year ") an amount of tax chargeable by virtue of section 186 of the Taxes Act in respect of the amount referred to in paragraph (a) above and exceeding £250 is payable to the collector pursuant to regulations under section 204 of that Act; and
  - (d) the person concerned makes an election in accordance with subsection (3) below,
- he shall be entitled to pay tax by instalments in accordance with subsection (4) below.
- (2) Shares which are acquired for a consideration less than that required by paragraph (b) of subsection (1) above by reason only of a diminution in the market value of shares of that class (determined as aforesaid) which is attributable solely to the share capital of the company issuing the shares being varied after the right to acquire the shares was granted, shall for the purposes of that paragraph be regarded as having been acquired for a consideration not less than that required by that paragraph.
- (3) An election under this section shall be made by notice in writing to the inspector before the expiry of the period of sixty days beginning immediately after the end of the relevant year.
- (4) Where an election has been made under this section the tax referred to in subsection (1) (c) above shall, subject to subsections (5) and (6) below, be paid in three equal instalments as follows—
- (a) the first shall be due and payable at the expiry of the period of fourteen days beginning on the date on which application for the tax is made pursuant to regulations under the said section 204 ;
  - (b) the third shall be due and payable on the last day of the third year following the end of the relevant year; and
  - (c) the second shall be due on such date as falls midway between the dates on which the first and third instalments are due and payable.
- (5) In any case where the date which, apart from this subsection, would be the due date for the third instalment of tax under subsection (4) above is earlier than the due date referred to in paragraph (a) of that subsection, all three instalments shall be due on the later date.

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- (6) Tax which, by virtue of an election under this section, is not yet due and payable in accordance with subsection (4) above may nevertheless be paid at any time and shall become due and payable forthwith if the person who made the election becomes bankrupt under the law of any part of the United Kingdom.
- (7) Subject to any other provision of the Income Tax Acts requiring income of any description to be treated as the highest part of a person's income, for the purposes of paragraph (c) of subsection (1) above in determining what tax is chargeable on a person by virtue of section 186 of the Taxes Act in respect of the amount referred to in paragraph (a) of that subsection, that amount shall be treated as the highest part of his income for the relevant year.
- (8) In Schedule 10 to the Finance Act 1980 (savings-related share option schemes) in paragraph 26 (interpretation) at the end of the definition of " associated company " in sub-paragraph (1) there shall be added the words " except that, for the purposes of paragraph 12 of this Schedule, subsection (1) of that section shall have effect with the omission of the words ' or at any time within one year previously ' " .

#### **41 Share options etc.: restrictions on insider dealing**

Paragraph 5 of Schedule 8 to the Finance Act 1973 and paragraph 18 of Schedule 10 to the Finance Act 1980 (certain matters deemed to be restrictions attaching to shares) shall each have effect and shall be deemed always to have had effect as if the references in those paragraphs to any contract, agreement, arrangement or condition did not include a reference to so much of any contract, agreement, arrangement or condition as contains provisions similar in purpose and effect to any of the provisions of the Model Rules set out in the Model Code for Securities Transactions by Directors of Listed Companies issued by the Stock Exchange in April 1981.

#### **42 Approved profit sharing schemes**

- (1) In section 56 of the Finance Act 1978 (capital receipts in respect of approved profit sharing schemes) in subsection (1)—
  - (a) after the words " trustees become ", in each place where they occur, there shall be inserted the words " or the participant becomes ";
  - (b) before the words " the amount or value " there shall be inserted the words " so much of "; and
  - (c) at the end there shall be added the words " as exceeds the appropriate allowance for that year, as determined under subsection (6) below " .
- (2) For subsection (6) of that section there shall be substituted the following subsection—

“(6) For the purposes of subsection (1) above, the appropriate allowance for any year of assessment means a sum which, subject to a maximum of £140, is the product of multiplying £20 by 1 plus the number of years which fall within the period of 7 years immediately preceding the year in question and in which shares were appropriated to the participant under the scheme ; and if in any year (and before the release date) the trustees become or the participant becomes entitled, in respect of or by reference to any of his shares, to more than one capital receipt, the receipts shall be set against the appropriate allowance for that year in the order in which they are received.”

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- (3) In subsections (1) and (2) of section 58 of the Finance Act 1978 (shares in excess of initial market value of £1,000) for " £1,000 " there shall be substituted " £1,250 ".
- (4) In paragraph 1(4) of Schedule 9 to that Act (profit sharing schemes to provide that total initial market values of shares appropriated to one participant yearly must not exceed £1,000) for " £1,000 " there shall be substituted " £1,250 ".
- (5) Subsections (1) and (2) above apply to receipts to which the trustees become or the participant becomes entitled on or after the passing of this Act; subsection (3) above applies in relation to shares appropriated on or after 6th April 1982; and subsection (4) above shall be deemed to have come into force on that date.

#### **43 Payments for loss of employment etc.**

- (1) Schedule 8 to the Taxes Act (tax on payments for loss of employment etc.) shall have effect with the insertion at the beginning of paragraph 7 of the words " Subject to sub-paragraph (2) below " and with the addition, at the end of that paragraph, of the following: —
  - “(2) In the case of a payment which exceeds £50,000, this paragraph applies as if it were a payment of £50,000 exactly.
- 7A (1) Subject to sub-paragraph (2) below, in the case of a payment which exceeds £50,000 and in respect of which tax is chargeable under section 187 of this Act, the following relief shall be allowed by way of deduction from the tax chargeable by virtue of that section, that is to say, there shall be ascertained—
  - (a) the amount of tax which would be chargeable apart from this paragraph and paragraph 7 above in respect of the income of the holder or past holder of the office or employment for the chargeable period of which the payment is treated as income, and
  - (b) the amount of tax which would be so chargeable if the amount of the payment had been £50,000 exactly,
 and the amount to be deducted shall be one-quarter of the difference between the amount ascertained at (a) and the amount ascertained at (b).
- (2) In the case of a payment which exceeds £75,000, this paragraph applies as if it were a payment of £75,000 exactly.
- (3) Any relief allowed by virtue of this paragraph shall be in addition to that allowed by virtue of paragraph 7 above.”
- (2) This section has effect in relation to any payment which, by virtue of section 187(4) of the Taxes Act, is treated as income received on or after 6th April 1982.

#### **44 Benefits in kind: vouchers**

- (1) Section 36 of the Finance (No. 2) Act 1975 (taxation of benefits in kind provided by means of vouchers other than cash vouchers) shall be amended as follows.
- (2) In subsection (1)—
  - (a) after the words " in relation to a voucher ", in the passage following paragraph (b), there shall be inserted the words " (other than a cheque voucher) "; and



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- (b) at the end there shall be added the words " ; and in relation to a cheque voucher is the one in which the voucher is handed over in exchange for money, goods or services (a voucher which is posted being treated as handed over at the time of posting). "
- (3) For subsection (2) there shall be substituted the following subsection—
- “(2) There shall be deductible under section 189, 192 or 194(3) of the Taxes Act (necessary expenses etc.) from the amount taxable under subsection (1) above such amounts, if any, as would have been so deductible if the cost of the goods or services in question had been incurred by the employee out of his emoluments.”
- (4) After subsection (3) there shall be inserted the following subsection—
- “(3A) Subsection (1) above shall not apply in relation to a transport voucher provided for an employee of a passenger transport undertaking under arrangements in operation on 25th March 1982 and intended to enable that employee or a relation of his to obtain passenger transport services provided by—
- (a) his employer;
  - (b) a subsidiary of his employer ;
  - (c) a body corporate of which his employer is a subsidiary ; or
  - (d) another passenger transport undertaking.”
- (5) For subsections (4) and (4A) there shall be substituted the following subsection—
- “(4) In this section—
- ' cheque voucher ' means a cheque provided for an employee and intended for use by him wholly or mainly for payment for particular goods or services or for goods or services of one or more particular classes; and, in relation to a cheque voucher, references to a voucher being exchanged for goods or services shall be construed accordingly ;
  - ' employee ' means the holder of any office or employment the emoluments in respect of which fall to be assessed under Schedule E; and related expressions shall be construed accordingly ;
  - ' passenger transport undertaking ' means an undertaking whose business consists wholly or mainly in the carriage of passengers and includes a subsidiary of such an undertaking ;
  - ' relation', with respect to an employee, means his spouse, parent or child, the spouse of his child and any dependant of that employee ;
  - ' subsidiary' means a wholly owned subsidiary within the meaning of section 150(4) of the Companies Act 1948;
  - ' transport voucher' means any ticket, pass or other document or token intended to enable a person to obtain passenger transport services (whether or not in exchange for it); and, in relation to a transport voucher, references to a voucher being exchanged for services shall be construed as references to it being exchanged for, or otherwise used to procure, services;
  - ' voucher' does not include a cash voucher within the meaning of section 37 of this Act but, subject to that, means any voucher, stamp or similar document or token capable of being exchanged (whether

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singly or together with other such vouchers, stamps, documents or tokens and whether immediately or only after a time) for money, goods or services (or for any combination of two or more of those things) and includes a transport voucher and a cheque voucher.”

(6) After subsection (5) there shall be inserted the following subsection—

“(5A) Subsections (6) and (7) of section 36A of this Act shall apply for the purposes of this section in relation to vouchers as they apply for the purposes of that section in relation to credit-tokens.”

(7) This section has effect for the year 1982-83 and subsequent years of assessment.

#### **45 Benefits in kind: credit-tokens**

(1) Section 36A of the Finance (No. 2) Act 1975 (taxation of benefits in kind provided by means of credit-tokens) shall be amended as follows.

(2) In subsection (1), paragraph (a) and, in paragraph (b), the words " (including any interest paid in connection therewith) " shall cease to have effect; and accordingly in subsection (3) for the words " paragraphs (a) and " there shall be substituted the word " paragraph ".

(3) For subsection (4) there shall be substituted the following subsections—

“(4) In this section ' credit-token ' means, subject to subsection (4B) below, a card, token, document or other thing given to a person by another person who undertakes—

- (a) that on the production of it (whether or not some other action is also required) he will supply money, goods and services (or any of them) on credit; or
- (b) that where, on the production of it to a third party (whether or not some other action is also required), the third party supplies money, goods and services (or any of them), he will pay the third party for them (whether or not taking any discount or commission).

(4A) For the purposes of subsection (4) above, use of an object to operate a machine provided by the person giving the object, or by a third party, shall be treated as production of the object to that person or, as the case may be, third party.

(4B) In this section—

' credit-token ' does not include a voucher within the meaning of section 36, or a cash voucher within the meaning of section 37, of this Act; and

' employee ' has the same meaning as in section 36(4) of this Act.”

(4) This section has effect for the year 1982-83 and subsequent years of assessment.

#### **46 Benefits in kind: cars and car fuel**

(1) In Chapter III of Part IV of the Finance Act 1981 (benefits in kind)—

- (a) subsections (2), (4) and (5) of section 68 (which, for the year 1982-83 and subsequent years of assessment, amend section 64 of the Finance Act 1976 with respect to certain benefits relating to cars available for private use) shall be deemed not to have been enacted and, accordingly, the said section 64 shall

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- have effect for the year 1982-83 and subsequent years of assessment without regard to the amendments made by those subsections; and
- (b) section 69 (new provision relating to car fuel) shall not have effect until the year 1983-84 and, accordingly, in subsection (2) of that section for " 1982-83 " there shall be substituted " 1983-84 " .
- (2) Subsection (2A) of section 64 of the Finance Act 1976 (removal of double or alternative charges for car and car fuel benefits) shall be amended—
- (a) by the substitution, for the words from the beginning to " under this section " , of the words " Subject to subsection (2B) below, where in any year the benefit of a car is chargeable to tax under this section as the employee's income " ; and
- (b) by the substitution, in paragraph (c), for the words " made by him " of the words " made to him " ;
- and in section 69(2)(a) of that Act (calculation of emoluments in relation to benefits in kind) after the words " amounts as come " there shall be inserted the words " or would but for section 64(2A) of this Act come " .
- (3) After the said subsection (2A) there shall be inserted the following subsection: —
- “(2B) If, in the year 1982-83, the benefit of a car is chargeable to tax under this section, subsection (2A) above shall have effect for that year as if—
- (a) the reference in paragraph (a) to a liability in connection with the car did not include a reference to liability for fuel ;
- (b) the references in paragraph (b) to goods or services in connection with the car did not include fuel; and
- (c) the reference in paragraph (c) to expenses incurred in connection with the car did not include expenses incurred in the provision of fuel.”
- (4) In section 64A of the Finance Act 1976 (taxation of amounts equal to value of car fuel benefits), in subsection (1) for the words from " he shall be treated " to the end of the subsection there shall be substituted the words " an amount equal to whatever is the cash equivalent of that benefit in that year shall be treated as emoluments of the employment and, accordingly, shall be chargeable to income tax under Schedule E. " ; and subsections (7) and (8) of that section shall be omitted.
- (5) Few: the Tables in subsection (2) of the said section 64A there shall be substituted the following Tables: —

TABLE A

Cylinder capacity of car in cubic centimetres	Cash equivalent
1300 or less	£325
More than 1300, but not more than 1800	£425
More than 1800	£650

TABLE B

Original market value of car	Cash equivalent
Less than £4,300	£325

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Original market value of car	Cash equivalent
£4,300 or more but less than £6,100	£425
£6,100 or more	£650

- (6) In subsection (4) of the said section 64A (power for Treasury by order to vary Tables of cash equivalents for the year 1983-84 and subsequent years) for "1983-84 " there shall be substituted " 1984-85 ".
- (7) Section 15 of the Taxes Management Act 1970 (returns of employees' emoluments etc.) shall have effect for the year 1982-83 as if the amendments made by section 69 of the Finance Act 1981 (as amended by this section) had effect for that year.

#### **47 Sub-contractors in the construction industry**

Chapter II of Part III of the Finance (No. 2) Act 1975 shall have effect subject to the provisions of Schedule 8 to this Act (which authorises the issue of certificates under section 70 of that Act to certain individuals who would not otherwise qualify, and makes certain minor amendments).

#### **48 Contributions to local enterprise agencies**

- (1) Notwithstanding anything in section 130 of the Taxes Act (general rules as to deductions not allowable in computing profits or gains) but subject to the provisions of this section, where a person carrying on a trade, profession or vocation makes any contribution (whether in cash or in kind) to an approved local enterprise agency, any expenditure incurred by him in making the contribution which would not otherwise be so deductible may be deducted as an expense in computing the profits or gains of the trade, profession or vocation for the purposes of tax.
- (2) Where any such contribution as is referred to in subsection (1) above is made by an investment company, within the meaning of section 304 of the Taxes Act, any expenditure allowable as a deduction under subsection (1) above shall for the purposes of that section be treated as expenses of management.
- (3) Subsection (1) above does not apply in relation to a contribution made by any person if either he or any person connected with him receives, or is entitled to receive, a benefit of any kind whatsoever for or in connection with the making of that contribution, whether from the agency concerned or from any other person.
- (4) In this section " approved local enterprise agency " means a body approved by the Secretary of State for the purposes of this section; but the Secretary of State shall not so approve a body unless he is satisfied that—
- (a) its sole objective is the promotion or encouragement of industrial and commercial activity or enterprise in a particular area in the United Kingdom with particular reference to encouraging the formation and development of small businesses ; or
  - (b) one of its principal objectives is that set out in paragraph (a) above and it maintains or is about to maintain a fund separate from its other funds which is or is to be applied solely in pursuance of that objective ;

and where the Secretary of State approves a body by virtue of paragraph (b) above, the approval shall specify the fund concerned and, in relation to a body so approved,

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any reference in this section to a contribution is a reference to a contribution which is made wholly to or for the purposes of that fund.

- (5) A body may be approved under subsection (4) above whether or not it is a body corporate or a body of trustees or any other association or organisation and whether or not it is described as a local enterprise agency; but no body may be so approved unless it is precluded, by virtue of any enactment, contractual obligation, memorandum or otherwise from making any direct or indirect payment or transfer to any of its members or to any person charged with the control and direction of its affairs of any of its income or profit by way of dividend, gift, division, bonus or otherwise howsoever by way of profit (but for this purpose the payment of reasonable remuneration for goods, labour or power supplied, or for services rendered, of reasonable interest for money lent or of reasonable rent for any premises does not constitute a payment or transfer which is required to be so precluded).
- (6) Any approval given by the Secretary of State may be made conditional upon compliance with such requirements as to accounts, provision of information and other matters as he considers appropriate ; and if it appears to the Secretary of State—
- (a) that an approved local enterprise agency is not complying with any such requirement, or
  - (b) that one or other of the conditions for his approval contained in subsection (4) above or the precondition for his approval in subsection (5) above has ceased to be fulfilled with respect to an approved local enterprise agency,
- he shall by notice in writing withdraw his approval from the body concerned with effect from such date as he may specify in the notice (which may be a date earlier than the date on which the notice is given).
- (7) In any case where—
- (a) a contribution has been made to an approved local enterprise agency in respect of which relief has been given under subsection (1) above, and
  - (b) any benefit received in any chargeable period by the contributor or any person connected with him is in any way attributable to that contribution,
- the contributor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D or, if he is not chargeable to tax under either of those cases for that period, under Case VI of Schedule D on an amount equal to the value of that benefit.
- (8) Section 533 of the Taxes Act (connected persons) applies for the purposes of subsections (3) and (7) above.
- (9) This section applies to contributions made on or after 1st April 1982 and before 1st April 1992.

#### **49 Relief for interest: loans for investment in close companies**

- (1) Paragraphs 9 and 10 of Schedule 1 to the Finance Act 1974 (relief for interest paid on loans for investment in close companies) shall have effect subject to the following provisions of this section.
- (2) In paragraph 9(1) for the words following sub-paragraph (c) there shall be substituted the words—
- “and either the conditions stated in sub-paragraph (1) of paragraph 10 below or those stated in sub-paragraph (2) of that paragraph are satisfied.”.

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(3) In paragraph 10 for all the words preceding sub-paragraph (a) there shall be substituted the following words—

“(1) The conditions first referred to in paragraph 9 above are—”  
and the following shall be inserted in paragraph 10 as sub-paragraph (2)—

“(2) The conditions secondly referred to in paragraph 9 above are-

- (a) that, when the interest is paid, the company continues to satisfy any of the conditions of paragraph 3A(2) of Schedule 16 to the Finance Act 1972 and the individual holds any part of the ordinary share capital of the company ; and
- (b) that in the period from the application of the proceeds of the loan to the payment of the interest the individual has worked for the greater part of his time in the actual management or conduct of the company or of an associated company of the company; and
- (c) that he shows in the period from the application of the proceeds of the loan to the payment of the interest he has not recovered any capital from the company, apart from any amount taken into account under paragraph 13 below.”

(4) This section has effect in relation to interest paid on or after 10th March 1982.

## **50 Relief for pre-trading expenditure**

In section 39(1) of the Finance Act 1980 (relief for pre-trading expenditure incurred within a year of the time the trader began to carry on the trade) for the words " one year " there shall be substituted the words " three years ".

## **51 Investment in new corporate trades**

(1) In section 52 of the Finance Act 1981 (investment in new corporate trades)—

- (a) in subsection (3) (a) (claim for relief not allowed until company has traded for twelve months) for the words " twelve months " there shall be substituted the words " four months ";
- (b) in subsection (6) (effect of subsection (3)(a) where company is wound up before expiry of the twelve month period) for the words " twelve months " there shall be substituted the words " four months ";
- (c) after subsection (8) there shall be inserted the following subsection—

“(8A) No account shall be taken of the relief, in so far as it is not withdrawn, in determining whether any sums are excluded by virtue of section 33 of the Capital Gains Tax Act 1979 (exclusion of expenditure by reference to tax on income) from the sums allowable as a deduction in the computation of gains and losses for the purposes of that Act.”

(2) In section 53 of that Act (limits of the relief) for subsection (2) there shall be substituted the following subsection—

“(2) The relief shall not be given—

- (a) to the extent that the amount or total amount subscribed by an individual for ordinary shares issued to him (whether or not by the same company) in the years 1981-82 and 1982-83 exceeds £30,000; and

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- (b) to the extent that the amount or total amount subscribed by an individual for ordinary shares issued to him (whether or not by the same company) in the year 1983-84 exceeds £20,000 ;  
but paragraph (a) above shall not authorise relief to be given to an individual in respect of so much of the total amount subscribed by him for shares issued to him in the year 1981-82 as exceeds £10,000.”
- (3) In subsection (7) of section 55 of the Finance Act 1981 (restrictions as to share capital for qualifying company for purposes of section 52 of that Act) for the words " at any time in the relevant period include" there shall be substituted the words " include at any time in the period of three years beginning with the date of issue of the shares in respect of which relief is claimed ".
- (4) In subsection (1) of section 64 of that Act (reduction of sums allowable as deductions for capital gains tax) for the words from " reduced" to the end of paragraph (b) there shall be substituted the words
- “determined without regard to that relief, except that where those sums exceed the consideration they shall be reduced by an amount equal to—
- (a) the amount of that relief, or
- (b) the excess,
- whichever is the less”.

## **52 Subsidiaries of qualifying companies**

- (1) In subsection (1) of section 65 of the Finance Act 1981 (application of sections 52 to 67 of that Act to subsidiaries) for the words from " did not commence business " to the end there shall be substituted the words “and if any subsidiary commenced business before the qualifying company did so, it was incorporated or (if later) commenced business not more than five years before the date of issue of the shares in respect of which relief is claimed; and
- (c) the subsidiary or each subsidiary complies with the requirements of subsections (2) to (6) of section 55 above”.
- (2) In paragraph 2(1) of Schedule 12 to that Act (modification of section 54 of that Act in relation to subsidiaries of qualifying companies) for the words from the beginning to " company if " there shall be substituted the following—
- “(1) In subsections (2), (4) and (6) of section 54, references to the company (except, in each subsection, the first such reference) include references to a company which is during the relevant period a subsidiary of that company, whether it becomes a subsidiary before, during or after the year of assessment in respect of which the individual concerned claims relief and whether or not it is such a subsidiary while he is such an employee, partner or director as is mentioned in subsection (2) or while he has or is entitled to acquire such capital or voting power or rights as are mentioned in subsections (4) and (6).
- (1B) Without prejudice to the provisions of section 54 (as it has effect in accordance with sub-paragraph (1) above), an individual shall be treated as connected with a company if—
- (a) he has at any time in the relevant period had control (within the meaning of section 534 of the Taxes Act) of another company

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which has since that time and before the end of the relevant period become a subsidiary of the company ; or

(b)".

- (3) In paragraph 4 of that Schedule (modification of sections 58 and 59 in relation to subsidiaries of qualifying companies) for the words " a subsidiary of the company " there shall be substituted the words " any company which during the relevant period is a subsidiary of that company, whether it becomes a subsidiary before or after the individual concerned receives any value from it, ".
- (4) After that paragraph there shall be inserted the following paragraph—

“4A In subsection (2) of section 59 (redemption etc. of shares by company) the references to the company (except the first) shall include references to a company which during the relevant period is a subsidiary of the company whether it becomes a subsidiary before or after the redemption, repayment, repurchase or payment referred to in that subsection.”

### **53 Purchase of own shares by unquoted trading company**

- (1) References in the Corporation Tax Acts to distributions of a company shall not include references to a payment made by a company on the redemption, repayment or purchase of its own shares if—
- (a) the company is an unquoted company and either a trading company or the holding company of a trading group; and
  - (b) the redemption, repayment or purchase is made wholly or mainly for the purpose of benefiting a trade carried on by the company or by any of its 75 per cent, subsidiaries, and does not form part of a scheme or arrangement the main purpose or one of the main purposes of which is—
    - (i) to enable the owner of the shares to participate in the profits of the company without receiving a dividend, or
    - (ii) the avoidance of tax ; and
  - (c) the conditions in paragraphs 1 to 9 of Schedule 9 to this Act, so far as applicable, are satisfied in relation to the owner of the shares.
- (2) References in the Corporation Tax Acts to distributions of a company shall not include references to a payment made by a company on the redemption, repayment or purchase of its own shares if—
- (a) the company is within subsection (1)(a) above, and
  - (b) the whole or substantially the whole of the payment (apart from any sum applied in paying capital gains tax charged on the redemption, repayment or purchase) is applied by the person to whom it is made in discharging a liability of his for capital transfer tax charged on a death, and is so applied within the period of two years after the death ;
- but this subsection shall not apply to the extent that the liability could without undue hardship have been discharged otherwise than through the redemption, repayment or purchase of shares in the company or another company within subsection (1)(a) above.
- (3) Schedule 9 to this Act shall have effect for supplementing this section ; and in that Schedule " the purchase " means the redemption, repayment or purchase referred to in subsection (1) above, and " the vendor " means the owner of the shares at the time it is made.



(4) This section has effect in relation to payments made on or after 6th April 1982.

#### **54 Purchase of company's own shares from dealer**

(1) Where on or after 6th April 1982 a company purchases its own shares from a dealer, the purchase price shall be taken into account in computing the profits of the dealer chargeable to tax under Case I or II of Schedule D ; and accordingly—

- (a) tax shall not be chargeable under Schedule F in respect of any distribution represented by any part of the price, and
- (b) the dealer shall not be entitled in respect of the distribution to a tax credit under section 86 of the Finance Act 1972, and
- (c) sections 232(4) (duty to provide statements) and 239 (distributions not chargeable to corporation tax) of the Taxes Act shall not apply to the distribution.

(2) For the purposes of subsection (1) above a person is a dealer in relation to shares of a company if the price received on their sale by him otherwise than to the company would be taken into account in computing his profits chargeable to tax under Case I or II of Schedule D.

(3) In subsection (1) above.—

- (a) the reference to the purchase of shares includes a reference to the redemption or repayment of shares and to the purchase of rights to acquire shares, and
- (b) the reference to the purchase price includes a reference to any sum payable on redemption or repayment;

but subject to subsection (4) below.

(4) Subsection (1) above shall not apply in relation to—

- (a) the redemption of fixed-rate preference shares, or
- (b) the redemption, on terms settled or substantially settled before 6th April 1982, of other preference shares issued before that date,

if (in either case) the shares were issued to and continuously held by the person from whom they are redeemed.

(5) In this section—

" fixed-rate preference shares " means shares which—

- (a) were issued wholly for new consideration, and
- (b) do not carry any right either to conversion into shares or securities of any other description or to the acquisition of any additional shares or securities, and
- (c) do not carry any right to dividends other than dividends which—
  - (i) are of a fixed amount or at a fixed rate percent, of the nominal value of the shares, and
  - (ii) together with any sum paid on redemption, represent no more than a reasonable commercial return on the consideration for which the shares were issued ;

" new consideration " has the same meaning as in Part X of the Taxes Act; and

" shares " includes stock.

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

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## **55 Application of advance corporation tax on purchase of company's own shares**

In section 92 of the Finance Act 1972 (setting of company's advance corporation tax in respect of dividends against subsidiary's liability) after subsection (7) there shall be inserted—

“(7A) References in this section to dividends shall be construed as including references to distributions made on or after 6th April 1982 on the redemption, repayment or purchase by a company of its own shares, and references to the payment of dividends shall be construed accordingly.”

## **56 Close companies: apportionment of income**

(1) In Schedule 16 to the Finance Act 1972 references to distributions shall be construed as including references to anything that would be a distribution but for one or both of—

- (a) paragraph 1 of Schedule 18 to the Finance Act 1980 (demergers), and
- (b) section 53 of this Act.

(2) In paragraph 12 of that Schedule, after sub-paragraph (2A) there shall be inserted—

“(2B) References in sub-paragraphs (1)(a) and (2)(b) above to the redemption or repayment of a company's share capital shall be construed as including references to the purchase by the company of its own shares.”

(3) This section has effect in relation to events occurring on or after 6th April 1982.

## **57 Eurobond dealers: exemption from bond-washing provisions**

Section 472 of the Taxes Act (application of bond-washing provisions to dealers in securities) shall have effect, and be deemed always to have had effect, with the addition, at the end of the section, of the following subsection: —

“(5) Subsection (1) of this section shall not apply if the securities are Eurobonds bought by the first buyer in the ordinary course of his trade as a dealer in Eurobonds ; and in this subsection " Eurobond " means a security—

- (a) which is neither preference stock nor preference share capital; and
- (b) which is issued in bearer form; and
- (c) which carries a right to interest either at a fixed rate or at a rate bearing a fixed relationship to a standard published base rate ; and
- (d) which does not carry a right to any other form of benefit, whether in the nature of interest, participation in profits or otherwise ; and
- (e) the interest on which is payable without any deduction in respect of income tax or of any tax of a similar character imposed by the laws of a territory outside the United Kingdom ;

but, notwithstanding anything in paragraph (d) above, a security is not prevented from being a Eurobond by reason only that it carries a right to convert into a security of another description or to subscribe for further securities (whether of the same description or not).”

## **58 Index-linked Treasury Stock**

(1) This section has effect with respect to the following Treasury Stock, namely—

- (a) 2 per cent. Index-linked Treasury Stock 1996 ; and

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- (b) 2 per cent. Index-linked Treasury Stock 2006 ; and
  - (c) 2½ per cent. Index-linked Treasury Stock 2011;
- and in this section any such stock is referred to as " existing index-linked stock " .
- (2) The variation of the prospectuses relating to existing index-linked stock which was effected by a supplement to those prospectuses dated 9th March 1982 shall not be regarded as having affected the status of such stock as restricted government securities for the purposes of section 41 of the Finance Act 1981 (treatment of any income, gains or losses of insurance companies relating to such securities).
  - (3) Subject to subsection (4) below, on or after 27th March 1982 existing index-linked stock shall not be regarded as restricted government securities for the purposes of section 41 of the Finance Act 1981.
  - (4) If any existing index-linked stock was on 27th March 1982 held by an insurance company against and applied solely towards meeting the liabilities of its pension business, then, if and so long as the stock continues to be so held by that company, it shall continue to be treated as restricted government securities for the purposes of section 41 of the Finance Act 1981.
  - (5) If, on or after 27th March 1982, any existing index-linked stock which on that date was held by an insurance company ceases to be restricted government securities for the purposes of section 41 of the Finance Act 1981, otherwise than by virtue of being actually disposed of or being redeemed, then, on the day on which it so ceases, the stock shall be deemed for the purposes of corporation tax, including, subject to subsection (6) below, corporation tax on chargeable gains, to have been disposed of and immediately re-acquired at its market value on that date.
  - (6) For the purposes of sections 67 and 68 of the Capital Gains Tax Act 1979 (gilt-edged securities)—
    - (a) in ascertaining the date on which securities were acquired, no account shall be taken of any deemed disposal and re-acquisition resulting from subsection (5) above ; and
    - (b) so long as any existing index-linked stock continues, by virtue of subsection (4) above, to be treated on and after 27th March 1982 as restricted government securities for the purposes of section 41 of the Finance Act 1981, it shall be regarded as being stock of a different kind from existing index-linked stock which is not so treated.
  - (7) In this section " insurance company " and " pension business " have the same meaning as in section 323 of the Taxes Act.

## **59      Manufactured dividends: extension to certain securities issued by building societies**

- (1) In section 477 of the Taxes Act (manufactured dividends: treatment of tax deducted) in subsection (2) (exclusion of cases where interest is payable without deduction of tax) after the word " where " , in the first place where it occurs, there shall be inserted the words " otherwise than by virtue of section 343(3)(a) of this Act " .
- (2) This section has effect in relation to contracts for the sale of securities entered into after 9th March 1982.

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## **60 Limitation on meaning of " distribution " for corporation tax**

- (1) Any interest or other distribution which—
- (a) is paid out of the assets of a company (in this section referred to as " the borrower ") on or after the relevant day to another company which is within the charge to corporation tax, and
  - (b) which is so paid in respect of securities of the borrower which fall within any of sub-paragraphs (i) to (iii) and (v) of paragraph (d) of subsection (2) of section 233 of the Taxes Act (meaning of " distribution " ),

shall not be a distribution for the purposes of the Corporation Tax Acts unless the application of this subsection is excluded by subsection (2), subsection (3) or subsection (4) below.

- (2) Subsection (1) above does not apply in a case where the consideration given by the borrower for the use of the principal secured represents more than a reasonable commercial return for the use of that principal; but, where this subsection does apply, nothing in section 233(2)(a) of the Taxes Act shall operate so as to treat as a distribution for the purposes of the Corporation Tax Acts so much of the interest or other distribution as represents a reasonable commercial return for the use of that principal.
- (3) Subsection (1) above does not apply in the case of any interest or other distribution which is paid in respect of a security of the borrower falling within section 233(2)(d)(iii) of the Taxes Act if—
- (a) the principal secured does not exceed £100,000 ; and
  - (b) the borrower is under an obligation to repay the principal and interest before the expiry of the period of five years beginning on the date on which the principal was paid to the borrower ; and
  - (c) that obligation either was entered into before 9th March 1982 or was entered into before 1st July 1982 pursuant to negotiations which were in progress on 9th March 1982 ; and
  - (d) where the period for repayment of either principal or interest is extended on or after 9th March 1982 (but paragraph (b) above still applies), the interest or other distribution is paid within the period which was applicable immediately before that date ;

and for the purposes of paragraph (c) above negotiations shall not be regarded as having been in progress on 9th March 1982 unless, before that date, the borrower had applied to the lender for a loan and had supplied the lender with any documents required by him to support the application.

- (4) Subsection (1) above does not apply in a case where the company to which the interest or other distribution is paid is entitled under any enactment, other than section 239 of the Taxes Act (U.K. company distributions not chargeable to corporation tax), to an exemption from tax in respect of that interest or distribution.
- (5) In subsection (1)(a) above " the relevant day " means—
- (a) in the case of any interest or other distribution which is payable before 1st April 1983 pursuant to an obligation entered into before 9th March 1982, 1st April 1983 ; and
  - (b) in any other case, 9th March 1982.
- (6) This section shall be construed as if it were included in Part X of the Taxes Act.

## **61 Maintenance funds for historic buildings: reimbursement of settlor**

- (1) This section applies to income arising from settled property in respect of which a direction under section 93 below has effect if the income—
  - (a) is treated by virtue of Part XVI of the Taxes Act as income of the settlor for the year 1982-83 or a subsequent year of assessment, and
  - (b) is applied in reimbursing the settlor for expenditure incurred by him for a purpose within subsection (3)(a)(i) of section 93, and if that expenditure is (or would apart from the reimbursement be) deductible in computing the profits of a trade carried on by the settlor.
- (2) Income to which this section applies shall not be treated as reducing the expenditure deductible in computing the profits referred to in subsection (1) above, and shall not be regarded as income of the settlor otherwise than by virtue of Part XVI of the Taxes Act.

## **62 Maintenance funds: miscellaneous amendments**

- (1) Where settled property in respect of which a direction has effect under section 93 below constitutes part only of the property comprised in a settlement, it and the other property shall be treated as comprised in separate settlements for the purposes of the enactments specified in subsection (2) below.
- (2) The enactments referred to in subsection (1) above are—
  - (a) sections 168 to 173 of the Taxes Act;
  - (b) Part XVI of the Taxes Act;
  - (c) sections 16 and 17 of the Finance Act 1973 ;
  - (d) section 38 of the Finance Act 1977 ;
  - (e) sections 52 and 53 of the Finance Act 1980.
- (3) Schedule 10 to this Act (which makes amendments relating to maintenance funds) shall have effect.

## **63 Sums paid to settlor otherwise than as income**

- (1) In section 451 of the Taxes Act (sums paid to settlor otherwise than as income) subsection (1) shall have effect in accordance with subsections (2) and (3) below and shall be presumed so to have had effect in relation to any capital sum paid to the settlor on or after 6th April 1981.
- (2) In paragraph (b) the amendment made by section 42(2)(c) of the Finance Act 1981 shall be presumed not to have been made and, accordingly, the words following " up to the end of " shall read " the next following year, be treated for the purposes aforesaid as income of the settlor for the next following year ".
- (3) In the words following paragraph (b) (as amended by section 42(2)(6) of the Finance Act 1981) after the words " each subsequent year " there shall be inserted the words " up to a maximum of ten subsequent years ".
- (4) Where a capital sum was paid in a relevant year ending before 6th April 1981 (the operative date for sections 42 and 43 of the Finance Act 1981) and the circumstances are such that—
  - (a) subsection (1) of section 451 of the Taxes Act applies to that sum, but

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(b) on that date the whole or some part of that sum (in this subsection referred to as " the balance ") had not been treated, in accordance with that subsection, as the income of the settlor for any relevant year ending before that date, the balance shall be deemed for the purposes of that section to have been paid not at the time the capital sum was in fact paid but on 6th April 1981.

(5) Expressions used in subsections (1) and (4) above have the same meaning as in section 451(1) of the Taxes Act.

#### **64 Payments of interest in currencies other than sterling**

(1) In section 131 (2)(c)(ii) (deduction of certain interest payments to non-residents in computing profits or gains) and section 249(1)(c)(ii) (similar provision in relation to corporation tax) of the Taxes Act, for the words " the currency of a territory outside the scheduled territories " there shall be substituted, in each case, the words " a currency other than sterling ".

(2) In section 416(1) of the Taxes Act (local authority borrowing in foreign currencies) for the words from " the currency " to " territories " there shall be substituted the words " a currency other than sterling ".

(3) Subsection (1) has effect in relation to payments of interest made, and subsection (2) has effect in relation to securities issued, on or after 6th April 1982.

#### **65 Double taxation relief: interest on certain overseas loans**

(1) This section applies in a case where—

- (a) in any chargeable period the profits of any person (in this section referred to as " the lender ") which are brought into charge to income tax or corporation tax include an amount, computed in accordance with section 503 of the Taxes Act, in respect of interest (in this section referred to as " foreign loan interest ") on a loan made to a person resident in a territory outside the United Kingdom; and
- (b) in determining the liability of the lender to income tax or corporation tax, expenditure related to the earning of the foreign loan interest is deductible in computing the profits referred to in paragraph (a) above ; and
- (c) the lender is entitled in accordance with Chapter II of Part XVIII of the Taxes Act (double taxation relief) to credit for foreign tax chargeable on or by reference to the foreign loan interest.

(2) If, in a case where this section applies, the foreign tax referred to in subsection (1)(c) above is or includes an amount of spared tax, then, for the purposes of income tax or corporation tax, the amount which, apart from this subsection, would be the amount of the foreign loan interest shall be treated as increased by so much of the spared tax as does not exceed the permitted amount, as defined in subsection (3) below; but nothing in this subsection prejudices the operation of section 503 of the Taxes Act in relation to foreign tax which is not spared tax.

(3) In this section " spared tax " means foreign tax which, although not payable, falls to be taken into account for the purposes of credit by virtue of section 497(3) of the Taxes Act; and the permitted amount, in relation to spared tax which is referable to the whole or any part of the foreign loan interest, is an amount which does not exceed—

- (a) 15 per cent, of the interest to which the spared tax is referable, computed without regard to any increase under subsection (2) above ; or

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- (b) if it is less, the amount of that spared tax for which, in accordance with any arrangements applicable to the case in question, credit falls to be given as mentioned in subsection (1)(c) above.
- (4) If, in a case where this section applies.—
- (a) the foreign tax referred to in subsection (1)(c) above is or includes an amount of tax which is not spared tax, and
  - (b) that amount of tax exceeds the amount of the credit which, by virtue of Chapter II of Part XVIII of the Taxes Act and subsection (5) below, is allowed for that foreign tax against income tax or corporation tax,
- then, for the purposes of income tax or corporation tax, the amount which, apart from this subsection, would be the amount of the foreign loan interest shall be treated as reduced by a sum equal to the excess.
- (5) Where this section applies, the amount of the credit for foreign tax referred to in subsection (1)(c) above which, in accordance with Chapter II of Part XVIII of the Taxes Act, is to be allowed against income tax or corporation tax shall not exceed 15 per cent, of the foreign loan interest, computed without regard to any increase under subsection (2) or any reduction under subsection (4) above.
- (6) This section shall be construed as if it were included in Chapter II of Part XVIII of the Taxes Act.
- (7) Where the loan on which the foreign loan interest is payable was made pursuant to an agreement entered into before 1st April 1982, this section does not apply in relation to interest payable before 1st April 1983, but subject thereto, this section applies in relation to interest payable on or after 1st April 1982.

## **66 Double taxation relief: underlying tax reflecting interest on loans**

- (1) This section applies in a case where
- (a) a bank or a company connected with a bank makes a claim for an allowance by way of credit in accordance with Chapter II of Part XVIII of the Taxes Act; and
  - (b) the claim relates to underlying tax on a dividend paid by the overseas company, within the meaning of section 508 of that Act; and
  - (c) that underlying tax is or includes tax payable under the law of a territory outside the United Kingdom on or by reference to interest on a loan made in the course of its business by that overseas company or by such a third, fourth or successive company as is referred to in subsection (2) or subsection (3) of that section; and
  - (d) if the company which made the loan had been resident in the United Kingdom, then, in determining its liability to corporation tax, expenditure related to the earning of the interest on the loan would be deductible in computing the profits of the company brought into charge to tax.
- (2) If, in a case where this section applies, the underlying tax is or includes an amount of spared tax, then, for the purposes of corporation tax, the amount which, apart from this subsection, would be the amount of the dividend shall be treated as increased by an amount equal to so much of that spared tax as does not exceed the permitted amount, as defined in subsection (3) below; but nothing in this subsection prejudices the operation of section 503 of the Taxes Act in relation to foreign tax which is not spared tax.

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- (3) In this section "spared tax" has the same meaning as in section 65 above; and the permitted amount, in relation to spared tax which is referable to the whole or any part of the interest referred to in subsection (1)(c) above, is an amount which does not exceed—
- (a) 15 per cent, of the interest to which that spared tax is referable; or
  - (b) if it is less, the amount of that spared tax which under any arrangements is to be taken into account for the purpose of allowing credit against corporation tax in respect of the dividend concerned.
- (4) If, in a case where this section applies.—
- (a) the underlying tax is or includes an amount of tax which is not spared tax, and
  - (b) that amount of tax exceeds 15 per cent, of the interest to which it is referable, then, for the purposes of corporation tax, the amount which, apart from this subsection, would be the amount of the dividend shall be treated as reduced by a sum equal to the excess.
- (5) Where this section applies, the amount of the credit referred to in paragraph (a) of subsection (1) above which is referable to the underlying tax payable as mentioned in paragraph (c) of that subsection shall not exceed 15 per cent, of so much of the interest referred to in that paragraph as is included in the relevant profits of the company paying the dividend; and for the purposes of this subsection—
- (a) "relevant profits" has the same meaning as, by virtue of section 506 of the Taxes Act, it has for the purposes of the computation of underlying tax; and
  - (b) the amount of the interest shall be determined without making any deduction in respect of any foreign tax.
- (6) In subsection (1) above "bank" means a company carrying on, in the United Kingdom or elsewhere.—
- (a) a banking business; or
  - (b) another business which includes the making of loans where the circumstances of the business are such that, in determining the liability of the company to corporation tax, expenditure related to the earning of the interest on those loans is deductible in computing the profits brought into charge to tax;
- and section 533 of the Taxes Act (connected persons) applies for the purposes of subsection (1) above.
- (7) This section shall be construed as if it were included in Chapter II of Part XVIII of the Taxes Act.
- (8) Where the loan referred to in subsection (1)(c) above was made pursuant to an agreement entered into before 1st April 1982 this section does not apply to any underlying tax which is referable to interest on that loan payable before 1st April 1983 but, subject thereto, this section applies where the underlying tax is referable to interest payable on or after 1st April 1982.

## 67 **Double taxation relief: branches of non-resident banks**

At the end of paragraph (b) of the proviso to section 502 of the Taxes Act (exceptions, in relation to unilateral relief, from the requirement that the person claiming relief must be resident in the United Kingdom) there shall be added "and

- (c) for tax paid under the law of any territory in respect of interest on a loan where the following conditions are fulfilled, namely.—



- (i) that the person in question is a company which, for the chargeable period in question, carries on a banking business in the United Kingdom through a branch or agency ; and
- (ii) that the loan was made by the company through the branch or agency in the United Kingdom ; and
- (iii) that the territory under whose law the tax was paid is not one in which the company is liable to tax by reason of domicile, residence or place of management; and
- (iv) that the amount of relief claimed does not exceed (or is by the claim expressly limited to) that which would have been available if the branch or agency had been a company resident in the United Kingdom and the loan had been made by it in the course of its banking business.”

## **68 Postponement of recovery of tax**

- (1) In section 55 of the Taxes Management Act 1970 (postponement of recovery of tax) in subsection (2) for the words " If no application is made under subsection (3) below " there shall be substituted the words " Except as otherwise provided by the following provisions of this section " .
- (2) After subsection (3) of that section there shall be inserted the following subsection—
  - “(3A) An application under subsection (3) above may be made more than thirty days after the date of the issue of the notice of assessment if there is a change in the circumstances of the case as a result of which the appellant has grounds for believing that he is over-charged to tax by the assessment.”
- (3) In subsection (6) of that section (determination of application) in paragraph (a) after the words " subsection (3) above " there shall be inserted the words " other than an application made by virtue of subsection (3A) above " .
- (4) This section has effect in relation to notices of assessment to tax issued after the passing of this Act.

## **69 Interest on unpaid tax**

- (1) In section 86 of the Taxes Management Act 1970 (interest on overdue tax) in subsection (3) (date when interest becomes payable)—
  - (a) the following paragraph shall be inserted after paragraph (a)—
    - “(aa) in relation to any tax payable in accordance with the determination of an appeal against an assessment but which had not been charged by the assessment, the date which if it had been charged would be by virtue of paragraph (a) above have been the reckonable date; and”;
  - and
  - (b) in paragraph (b) after the words " paragraph (a)" there shall be inserted the words " or paragraph (aa) " .
- (2) This section has effect in relation to notices of assessment to tax issued after the passing of this Act.

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## CHAPTER II

### CAPITAL ALLOWANCES

#### 70 Allowances for assets leased outside the United Kingdom

- (1) The provisions of this section have effect with respect to expenditure on the provision of machinery or plant for leasing where the machinery or plant is at any time in the requisite period used for the purpose of being leased to a person who—
- (a) is not resident in the United Kingdom, and
  - (b) does not use the machinery or plant for the purposes of a trade carried on there or for earning profits or gains chargeable to tax by virtue of section 38(4) of the Finance Act 1973,

and where the leasing is not short-term leasing.

- (2) In its application to expenditure falling within subsection (1) above, section 44 of the Finance Act 1971 (writing-down allowances and balancing adjustments) as it has effect—

- (a) in accordance with section 65 of the Finance Act 1980 (assets leased in the course of a trade), or
- (b) in accordance with paragraph 6 of Schedule 8 to the Finance Act 1971 (effect of subsidies towards wear and tear of assets), or
- (c) in accordance with paragraph 10 of that Schedule (cars costing more than £8,000), or
- (d) with respect to any motor car to which paragraph 11 of that Schedule applies (contributions towards expenditure on cars costing more than £8,000), or
- (e) with respect to machinery or plant to which section 46 of the Finance Act 1971 applies (assets leased otherwise than in the course of a trade),

shall have effect, subject to subsection (4) below, as if the reference in subsection (2) of section 44 to 25 per cent, were a reference to 10 per cent.

- (3) In any case where—

- (a) machinery or plant is used for the purpose of being leased to such a person as is referred to in paragraphs (a) and (b) of subsection (1) above, and
- (b) the circumstances are such that the machinery or plant is used otherwise than for a qualifying purpose, within the meaning of section 64 of the Finance Act 1980 (exclusion of first-year allowances for certain leased assets),

any question whether that use falls within the requisite period, as defined in subsection (8) of that section, shall be determined as if, for each reference in that subsection to four years, there were substituted a reference to ten years; and any reference to the requisite period in sections 66 and 67 of that Act shall be construed accordingly.

- (4) No first year allowances, balancing allowances or writing-down allowances shall be available in respect of expenditure falling within subsection (1) above if the circumstances are as mentioned in subsection (3) (b) above and—

- (a) there is a period of more than one year between the dates on which any two consecutive payments become due under the lease ; or
- (b) any payments other than periodical payments are due under the lease or under any agreement which might reasonably be construed as being collateral to the lease; or

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- (c) disregarding variations made under the terms of the lease which are attributable to—
    - (i) changes in the rate of corporation tax or income tax, or
    - (ii) changes in the rate of capital allowances, or
    - (iii) changes in any rate of interest where the changes are linked to changes in the rate of interest applicable to inter-bank loans, or
    - (iv) changes in the premiums charged for insurance of any description by a person who is not connected with the lessor or the lessee,any of the payments due under the lease or under any such agreement as is referred to in sub-paragraph (b) above, expressed as monthly amounts over the period for which that payment is due, is not the same as any other such payment expressed in the same way ; or
  - (d) either the lease is expressed to be for a period which exceeds thirteen years or there is, in the lease or a separate agreement, provision for extending or renewing the lease or for the grant of a new lease so that, by virtue of that provision, the machinery or plant could be leased for a period which exceeds thirteen years; or
  - (e) at any time the lessor or a person connected with him will, or may in certain circumstances, become entitled to receive from the lessee or any other person a payment, other than a payment of insurance moneys, which is of an amount determined before the expiry of the lease and which is referable to a value of the machinery or plant at or after that expiry (whether or not the payment relates to a disposal of the machinery or plant).
- (5) Where a first year allowance, a balancing allowance or a writing-down allowance has been made in respect of expenditure incurred in providing machinery or plant and, at any time in the requisite period, an event occurs such that, by virtue of subsection (4) above, there is no right to that allowance, an amount equal to any such allowance which has previously been given (less any excess reliefs previously recovered by the operation of section 66 of the Finance Act 1980) shall, in relation to the person to whom the machinery or plant belongs immediately before the occurrence of that event, be treated as if it were a balancing charge to be made on him for the chargeable period in which, or in the basis period for which, the machinery or plant is used at the time that event occurs.
- (6) Subsections (3) and (4) of section 66 of the Finance Act 1980 apply in relation to the allowances mentioned in subsection (5) above as they apply in relation to the allowances mentioned in subsection (2) of that section.
- (7) In subsection (1) above " short-term leasing " has the same meaning as in subsection (2)(b) of section 64 of the Finance Act 1980, and in subsection (3) of that section (which defines that expression) at the beginning of sub-paragraph (ii) of paragraph (b), there shall be inserted the words " subject to subsection (3A) below " and at the end of that subsection there shall be added—
- “(3A) In a case where the requisite period exceeds four years the reference in subsection (3)(b)(ii) above to that period shall be construed as a reference to any period of four consecutive years which falls within the requisite period.”
- (8) The provisions of Schedule 11 to this Act shall have effect for supplementing the preceding provisions of this section.

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

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- (9) In subsections (1) and (5) above " the requisite period " has the same meaning as, in a case where subsection (3) above applies, it has in sections 64 to 68 of the Finance Act 1980 ; and section 73 of that Act (interpretation), with the exception of subsection (4) thereof, has effect in relation to the preceding provisions of this section and the provisions of Schedule 11 to this Act—
- (a) as if those provisions were comprised in the foregoing provisions of Chapter II of Part III of that Act; and
  - (b) as if the reference in subsection (1) of that section to section 72 of that Act included a reference to subsection (10) below.
- (10) Subject to subsection (11) below, this section applies to expenditure incurred on or after 10th March 1982 unless—
- (a) the expenditure consists of the payment of sums payable under a contract entered into before that date by the person incurring the expenditure ; or
  - (b) the expenditure consists of the payment of sums payable under a contract entered into not later than 31st March 1984 and the conditions in subsection (12) below are fulfilled;
- and, in either case, the machinery or plant concerned is brought into use not later than 31st March 1985.
- (11) In its application to subsections (4) to (6) above, subsection (10) above has effect as if for the references to 10th March 1982 there were substituted references to 23rd June 1982.
- (12) The conditions referred to in paragraph (b) of subsection (10) above are—
- (a) that the expenditure referred to in that paragraph is incurred in fulfilment of arrangements (not necessarily amounting to contractual obligations) under which the person incurring the expenditure (in this subsection referred to as " the lessor ") would lease the machinery or plant in question to another person (in this subsection referred to as " the lessee "); and
  - (b) that those arrangements were in existence on 10th March 1982 and are evidenced by writing dating from a time before that date ; and
  - (c) that, in reliance upon the arrangements and before 10th March 1982, the lessee had entered into a contract with a third party (in this subsection referred to as " the supplier ") to incur expenditure on the provision of the machinery or plant in question ; and
  - (d) that, pursuant to the arrangements.—
    - (i) the obligations of the lessee under the contract referred to in paragraph (c) above are, before 31st March 1984, either taken over by the lessor or discharged on the lessor entering into a new contract with the supplier ; or
    - (ii) the lessee purchases the machinery or plant in question and transfers it to the lessor before 8th July 1982; and
  - (e) that, on or before 31st March 1984, the lessor enters into a contract to lease the machinery or plant to the lessee; and
  - (f) that, disregarding any use before 8th July 1982, the machinery or plant in question is not brought into use by the lessee before it is leased to him by the lessor; and
  - (g) that the lessor and the lessee are not connected persons and neither of them is connected with the supplier;

and section 533 of the Taxes Act (connected persons) applies for the purposes of this section.

## **71 Restriction on first-year allowances in respect of ships and aircraft let on charter**

- (1) In subsection (5) of section 64 of the Finance Act 1980 (first-year allowances to be available in respect of ships and aircraft let out on certain charters) after the words " subsection (2) above " there shall be inserted the words " but subject to subsection (6A) below " .
- (2) At the end of subsection (6) of that section there shall be inserted the following subsection: —

“(6A) Subsection (5) above does not apply if the main object, or one of the main objects, of the letting of the ship or aircraft on charter, or of a series of transactions of which the letting on charter was one, or of any of the transactions in such a series was to obtain a first-year allowance in respect of expenditure incurred on the provision of the ship or aircraft, whether by the person referred to in subsection (5) (a) above or some other person.”
- (3) This section applies in relation to expenditure incurred on or after 10th March 1982 unless—
  - (a) the expenditure consists of the payment of sums payable under a contract entered into before that date by the person incurring the expenditure ; and
  - (b) the ship or aircraft concerned is brought into use not later than 31st March 1984.

## **72 Expenditure on production and acquisition of films etc.**

- (1) Expenditure which—
  - (a) is incurred on or after 10th March 1982 on the production or acquisition of a film, tape or disc, and
  - (b) would, apart from this subsection, constitute capital expenditure on the provision of machinery or plant for the purposes of Chapter I of Part III of the Finance Act 1971 (first-year and other allowances in respect of machinery and plant),shall be regarded for the purposes of the Tax Acts as expenditure of a revenue nature unless it is expenditure falling within subsection (7) below.
- (2) In this section—
  - (a) any reference to a film is (except where, in subsection (8) below, the context otherwise requires) a reference to an original master negative of the film and its soundtrack (if any);
  - (b) any reference to a tape is a reference to an original master film tape or original master audio tape ; and
  - (c) any reference to a disc is a reference to an original master film disc or original master audio disc;and any reference to the acquisition of a film, tape or disc includes a reference to the acquisition of any description of rights in a film, tape or disc.

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- (3) Subject to the following provisions of this section, in computing the profits or gains accruing to any person from a trade or business which consists of or includes the exploitation of a film, tape or disc, expenditure which—
- (a) is incurred on or after 10th March 1982 on the production or acquisition of a film, tape or disc, and
  - (b) is expenditure of a revenue nature (whether by virtue of subsection (1) above or otherwise),
- shall be allocated to relevant periods in accordance with subsection (4) below ; and in this subsection and subsection (4) below " relevant period " means a period for which the accounts of the trade or business concerned are made up or, if those accounts are not made up for any period, a period the profits or gains of which are taken into account in assessing the income of the trade or business for any chargeable period.
- (4) The amount of expenditure falling within subsection (3) above which falls to be allocated to any relevant period shall be such as is just and reasonable, having regard to—
- (a) the amount of that expenditure which remains un allocated at the beginning of that period;
  - (b) the proportion which the estimated value of the film, tape or disc which is realised in that period (whether by way of income or otherwise) bears to the aggregate of the value so realised and the estimated remaining value of the film, tape or disc at the end of that period ; and
  - (c) the need to bring the whole of the expenditure falling within subsection (3) above into account over the time during which the value of the film, tape or disc is expected to be realised.
- (5) Subsections (3) and (4) above do not apply to the profits or gains of a trade in which the film, tape or disc concerned constitutes trading stock, as defined in section 137(4) of the Taxes Act.
- (6) In a case where any expenditure on the production or acquisition of a film, tape or disc is expenditure to which subsection (1) above applies, sums received from the disposal of that film, tape or disc shall be regarded for the purposes of the Tax Acts as receipts of a revenue nature (if they would not be so regarded apart from this subsection); and the reference in this subsection to sums received from the disposal of any film, tape or disc shall be construed as including—
- (a) sums received from the disposal of any interest or right in or over the film, tape or disc, including an interest or right created by the disposal; and
  - (b) insurance or compensation moneys and other moneys of a like nature which are derived from the film, tape or disc.
- (7) The preceding provisions of this section do not apply to expenditure which is incurred by any person on or before 31st March 1984 if it consists of the payment of sums payable under a contract entered into by him before 10th March 1982 or it is incurred—
- (a) by a person who carries on a trade or business which consists of or includes the exploitation of films, tapes or discs; and
  - (b) on the production or acquisition of a film, tape or disc which is certified by the Secretary of State for the purposes of this section as a qualifying film, tape or disc and the value of which is expected to be realisable over a period of not less than two years.

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- (8) The Secretary of State shall not certify a film, tape or disc as a qualifying film, tape or disc for the purposes of this section unless he is satisfied that it is the master negative, master tape or master disc of a film which, in his opinion.—
- (a) is an eligible film for the purposes of regulations made or having effect as if made under section 6 of the Film Levy Finance Act 1981 (payments by the British Film Fund Agency to the makers of British films) and in force immediately before the passing of this Act; or
  - (b) would be such an eligible film if it were not a television film within the meaning of those regulations.
- (9) In this section " expenditure of a revenue nature " means expenditure which, if it were incurred in the course of a trade the profits or gains of which are chargeable to tax under Case i of Schedule D, would be taken into account for the purpose of computing the profits, gains or losses of the trade; and " receipts of a revenue nature" means receipts which, if they were receipts of such a trade, would be taken into account for that purpose.

### **73 Industrial buildings allowance: very small workshops**

- (1) Chapter I of Part I of the Capital Allowances Act 1968 (industrial buildings allowances) shall apply with the modifications specified in paragraphs 1 to 3 of Schedule 13 to the Finance Act 1980 in relation to capital expenditure on the construction of an industrial building to which this section applies if the expenditure is incurred after 26th March 1983 and before 27th March 1985.
- (2) This section applies to an industrial building if the gross internal floor space of the whole building will not exceed 1,250 square feet.
- (3) Subsections (3) to (6) of section 75 of the Finance Act 1980 (small workshops allowance) shall apply for the purposes of this section as they apply for the purposes of that section and accordingly—
- (a) in subsection (3) the reference to subsection (2) of that section shall be construed as including a reference to subsection (2) of this section ; and
  - (b) in subsections (4) and (5) the references to subsection (1) of that section shall be construed as including a reference to subsection (1) of this section.
- (4) The Tax Acts shall have effect as if this section were contained in Chapter I of Part I of the said Act of 1968.

### **74 Industrial buildings allowance: licensees**

- (1) In section 1 of the Capital Allowances Act 1968 (initial allowances) the following subsection shall be inserted after subsection (1)—
- “(1A) The reference in subsection (1) above to the occupation of a building or structure for the purposes of a trade carried on by the person who incurred the capital expenditure on that building or structure shall include a reference to the use of that building or structure for the purposes of a trade carried on by a licensee of that person or of a lessee of that person.”
- (2) Section 6 of that Act (method of making allowances and charges) shall apply where the building or structure in question is used by a licensee of the person entitled to the relevant interest as if that interest were subject to a lease.

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- (3) In section 7 of that Act (definition of " industrial building or structure ") the following subsection shall be inserted after subsection (3)—

“(3A) Where a building or structure is used by more than one licensee of the same person that building or structure shall not be an industrial building or structure unless each of the licensees uses the building or that part of it to which his licence relates for the purposes of a trade which falls within subsection (1) above.”

- (4) Subsections (1) and (3) above shall apply in relation to licences granted on or after 10th March 1982.

## **75 Industrial buildings allowance: maintenance of goods etc.**

- (1) In section 7 of the Capital Allowances Act 1968 (definition of " industrial building or structure ") the following subsection shall be inserted after subsection (2)—

“(2A) The reference in paragraph (e) of subsection (1) above to the subjection of goods or materials to any process shall include a reference to the maintaining or repairing of any goods or materials but, notwithstanding subsection (2) above, paragraph (e) shall not apply to the maintenance or repair by any person of goods or materials employed by that person in any trade or undertaking unless that trade or undertaking itself falls within any of the paragraphs of that subsection (including paragraph (e)).”

- (2) In subsection (3) of that section (retail shops etc. not to constitute industrial buildings or structures) for the words " subsection (1) or subsection (2)" there shall be substituted the words " the preceding provisions ".

- (3) This section shall be deemed to have come into force on 10th March 1982.

## **76 Allowances for dwelling houses let on assured tenancies**

- (1) The provisions of Schedule 12 to this Act shall have effect to provide for reliefs in respect of expenditure incurred on the construction of buildings consisting of or including dwelling-houses let on assured and certain other tenancies.

- (2) Schedule 12 to this Act has effect only where the expenditure concerned is incurred on or after 10th March 1982 and before 1st April 1987 or is deemed to have been so incurred by virtue of paragraph 8 of that Schedule.

## **77 Teletext receivers and teletext and viewdata adaptors**

- (1) Paragraph 7 of Schedule 12 to the Finance Act 1980 (transitional period for 100 per cent, first year allowances for television sets) shall be amended in accordance with the following provisions of this section.

- (2) In sub-paragraph (2) (definition of "the transitional period ") in paragraph (a) after the words " other than " there shall be inserted the words " a teletext receiver or " and at the end of paragraph (a) there shall be inserted: —

“(aa) in relation to expenditure on the provision of a teletext receiver, the period of five years beginning with that date”.



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- (3) In sub-paragraph (3) (definition of "viewdata receiver") after the words " television set" in the first place where they occur, there shall be inserted the words " which is not a teletext receiver but which is " and the words from "and a television set" to the end of the sub-paragraph shall be omitted.
- (4) After sub-paragraph (3) there shall be inserted the following sub-paragraphs:—
- “(4) In this Part of this Schedule " a teletext receiver " means a television set—
- (a) which is constructed for receiving teletext transmissions, that is to say, transmissions intended for general reception and consisting of a succession of visual displays (with or without accompanying sound) each capable of being selected and held for separate viewing or other use; and
  - (b) which is not also constructed for displaying information received as mentioned in sub-paragraph (3) above.
- (5) In relation to expenditure incurred after 9th March 1982—
- (a) this Part of this Schedule, other than sub-paragraph (6) below, shall have effect as if any reference to a television set included a reference to a teletext adaptor or a viewdata adaptor; and
  - (b) sub-paragraph (2) above shall have effect as if any reference to a teletext receiver included a reference to a teletext adaptor and as if any reference to a viewdata receiver included a reference to a viewdata adaptor.
- (6) In this Part of this Schedule
- (a) " teletext adaptor " means a device external to a television set which, after it is connected to that television set, allows the set to display transmissions in the same manner as a teletext receiver; and
  - (b) " viewdata adaptor" means a device external to a television set which, after it is connected to that television set, allows the set to display information received in the same manner as a viewdata receiver.”

## **78 Extension of section 515 relief to Case V of Schedule D**

- (1) In section 515(1) of the Taxes Act (postponement of capital allowances to secure double taxation relief) for the words " tax in respect of a trade under Case I of Schedule D " there shall be substituted the words " tax under Schedule D in respect of a trade ".
- (2) This section applies in relation to claims made on or after 6th April 1982.

## **79 Capital allowances and stock relief**

- (1) This section applies in any case where a person is entitled to an allowance or relief for a year of assessment and—
- (a) he and the inspector have come to an agreement, in writing, as to the extent to which the allowance or relief is to be given effect in that year (whether by deduction from profits or gains or by discharge or repayment of tax, or both); and
  - (b) no assessment giving effect to the allowance or relief is made for that year.

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- (2) In a case to which this section applies the allowance or relief shall be taken to have been given effect in the year of assessment in question, as if an assessment had been made, to the extent set out in the agreement mentioned in subsection (1) above.
- (3) In this section—  
     " allowance " means an allowance to which section 70 or 71 of the Capital Allowances Act 1968 applies (income tax allowances in taxing a trade); and  
     " relief " means a relief to which Part II of Schedule 9 to the Finance Act 1981 applies (income tax: stock relief).
- (4) This section has effect in relation to agreements made on or after 6th April 1982.

### CHAPTER III

#### CAPITAL GAINS

#### **80 Increase and indexation of annual exempt amount**

- (1) In section 5 of the Capital Gains Tax Act 1979 (exemption for first £3,000 of gains)—  
     (a) for " £3,000 ", in each place where it occurs, there shall be substituted " the exempt amount for the year "; and  
     (b) for " £5,000", where it occurs in subsection (5)(M, there shall be substituted " an amount equal to twice the exempt amount for the year. "
- (2) After subsection (1) of that section there shall be inserted the following subsections—  
     “(1A) Subject to subsection (1B) below, the exempt amount for any year of assessment shall be £5,000.  
     (1B) If the retail prices index for the month of December preceding the year 1983-84 or any subsequent year of assessment is higher than it was for the previous December, then, unless Parliament otherwise determines, subsection (1A) above shall have effect for that year as if for the amount specified in that subsection as it applied for the previous year (whether by virtue of this subsection or otherwise) there were substituted an amount arrived at by increasing the amount for the previous year by the same percentage as the percentage increase in the retail prices index and, if the result is not a multiple of £100, rounding it up to the nearest amount which is such a multiple.  
     (1C) The Treasury shall, before the year 1983-84 and each subsequent year, make an order specifying the amount which by virtue of this section is the exempt amount for that year; and any such order shall be made by statutory instrument”.
- (3) In Schedule 1 to that Act  
     (a) the heading shall be changed to " APPLICATION OF EXEMPT AMOUNT IN PARTICULAR CASES ";  
     (b) for the words " the amount of £3,000 ", where they occur in paragraphs 2(1) and 5(1D), and for " £3,000 " in every other place where it occurs, there shall be substituted the words " the exempt amount for the year ";

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- (c) for " £300 ", where it occurs in paragraphs 5(1B) and 6(4), there shall be substituted the words " one tenth of that exempt amount ";
  - (d) for " £1,500 ", in each place where it occurs in sub-paragraphs (2) and (4) of paragraph 6, and for " the amount of £1,500 ", where it occurs in sub-paragraph (6) of that paragraph, there shall be substituted the words " one half of the exempt amount for the year "; and
  - (e) in sub-paragraph (3) of paragraph 6 for the words from " £5,000 " onwards there shall be substituted the words " ' twice the exempt amount for the year ' of ' one half of the exempt amount for the year ' and ' the exempt amount for the year ' respectively ".
- (4) In section 24(8) of the Finance Act 1980 (definition of " retail prices index " for the purposes of the Income Tax Acts) after the word " Acts " in each place where it occurs, there shall be inserted the words " or the Capital Gains Tax Act 1979 ".
- (5) This section has effect for the year 1982-83 and subsequent years of assessment.

## **81 Increase of chattel exemption**

- (1) In the following enactments, namely.—
- (a) section 128 of the Capital Gains Tax Act 1979 (chattel exemption by reference to consideration of £2,000),
  - (b) section 12(2)(6) of the Taxes Management Act 1970 (information about assets acquired), and
  - (c) section 25(7) of that Act (information about assets disposed of),
- for " £2,000 ", in each case where it occurs, there shall be substituted " £3,000 ".
- (2) This section applies to disposals on or after 6th April 1982 and, accordingly, in relation to subsection (1)(b) above, to assets acquired on or after that date.

## **82 Extension of general relief for gifts**

- (1) Section 79 of the Finance Act 1980 (which gives relief for disposals between individuals and, by virtue of section 78 of the Finance Act 1981, disposals by individuals to trustees) shall have effect as if references to an individual included references to the trustees of a settlement; but a claim for relief under that section in respect of a disposal to the trustees of a settlement shall be made by the transferor alone (instead of by the transferor and the transferee).
- (2) In subsection (4) of that section, the words from " or " onwards shall cease to have effect.
- (3) In subsection (5) of that section—
- (a) in paragraph (a), for the words from " chargeable " to " purposes " there shall be substituted the words " attributable to the value of the asset "; and
  - (b) the words from " and where " onwards shall cease to have effect.
- (4) In section 78 of the Finance Act 1981 (subsections (1) and (3) of which are superseded by this section) in subsection (2) for the words " that section " there shall be substituted the words " section 79 of the Finance Act 1980 ".
- (5) This section applies to disposals on or after 6th April 1982.

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### 83 Relief on compulsory purchase

After section 111 of the Capital Gains Tax Act 1979 there shall be inserted the following sections—

**“111A Rollover relief on compulsory acquisition.**

- (1) This section applies where—
  - (a) on or after 6th April 1982 land (in this section referred to as " the old land ") is disposed of by any person (in this section referred to as " the landowner ") to an authority exercising or having compulsory powers; and
  - (b) the landowner did not take any steps, by advertising or otherwise, to dispose of the old land or to make his willingness to dispose of it known to the authority or others ; and
  - (c) the consideration for the disposal is applied by the landowner in acquiring other land (in this section referred to as " the new land ") not being land excluded from this paragraph by section 11 IB below.
- (2) Subject to section 11 IB below, in a case where the whole of the consideration for the disposal was applied as mentioned in subsection (1)(c) above, the landowner, on making a claim as respects the consideration so applied, shall be treated for the purposes of this Act—
  - (a) as if the consideration for the disposal of the old land were (if otherwise of a greater amount or value) of such amount as would secure that on the disposal neither a gain nor a loss accrues to him ; and
  - (b) as if the amount or value of the consideration for the acquisition of the new land were reduced by the excess of the amount or value of the actual consideration for the disposal of the old land over the amount of the consideration which he is treated as receiving under paragraph (a) above.
- (3) If part only of the consideration for the disposal of the old land was applied as mentioned in subsection (1)(c) above, then, subject to section 11 IB below, if the part of the consideration which was not so applied (in this subsection referred to as " the unexpended consideration ") is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal of the old land, the landowner, on making a claim as respects the consideration which was so applied, shall be treated for the purposes of this Act—
  - (a) as if the amount of the gain so accruing were reduced to the amount of the unexpended consideration (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain); and
  - (b) as if the amount or value of the consideration for the acquisition of the new land were reduced by the amount by which the gain is reduced (or, as the case may be, the amount by which the chargeable gain is proportionately reduced) under paragraph (a) above.
- (4) Nothing in subsection (2) or subsection (3) above affects the treatment for the purposes of this Act of the authority by whom the old land was acquired or of the other party to the transaction involving the acquisition of the new land.
- (5) For the purposes of this section—

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- (a) subsection (2) of section 115 below shall apply in relation to subsection (2) (a) and subsection (2) (b) above as it applies in relation to subsection (1)(a) and subsection (1)(b) of that section ; and
  - (b) subsection (3) of that section shall apply as if any reference to the new assets were a reference to the new land, any reference to the old assets were a reference to the old land and any reference to that section were a reference to this.
- (6) Where this section applies, any such amount as is referred to in subsection (2) of section 110 above shall be treated as forming part of the consideration for the disposal of the old land and, accordingly, so much of that subsection as provides for a deemed disposal of other land shall not apply.
- (7) The provisions of this Act fixing the amount of the consideration deemed to be given for the acquisition or disposal of assets shall be applied before this section is applied.
- (8) In this section—  
" land " includes any interest in or right over land; and  
" authority exercising or having compulsory powers " shall be construed in accordance with section 108(5) above.

#### **111B Provisions supplementary to section 111A.**

- (1) Land is excluded from paragraph (c) of subsection (1) of section 111A above if—
- (a) it is a dwelling-house or part of a dwelling house (or an interest in or right over a dwelling-house), and
  - (b) by virtue of, or of any claim under, any provision of sections 101 to 105 above (private residences) the whole or any part of a gain accruing on a disposal of it by the landowner at a material time would not be a chargeable gain;
- and for the purposes of this subsection " a material time " means any time during the period of six years beginning on the date of the acquisition referred to in the said paragraph (c).
- (2) If, at any time during the period of six years referred to in subsection (1) above, land which at the beginning of that period was not excluded from section 111A(1)(c) above by virtue of that subsection becomes so excluded, the amount of any chargeable gain accruing on the disposal of the old land shall be redetermined without regard to any relief previously given under section 111A above by reference to the amount or value of the consideration for the acquisition of that land; and all such adjustments of capital gains tax, whether by way of assessment or otherwise, may be made at any time, notwithstanding anything in section 34 of the Taxes Management Act 1970 (time limit for assessments).
- (3) Where the new land is a depreciating asset, within the meaning of section 117 below, that section has effect as if—
- (a) any reference in subsection (1) or subsection (3) to section 115 or section 116 were a reference to subsection (2) or subsection (3) respectively of section 111A above ; and
  - (b) paragraph (b) of subsection (2) were omitted ; and

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- (c) the reference in subsection (4) to section 115(3) were a reference to that provision as applied by section 111A(5) above.
- (4) No claim may be made under section 108 above in relation to a transfer which constitutes a disposal in respect of which a claim is made under section 111A above.
- (5) Expressions used in this section have the same meaning as in section 111 A above.”

#### **84 Termination of life interest etc.**

- (1) In section 55 of the Capital Gains Tax Act 1979, in subsection (1), for the words from the beginning to " market value of the asset" there shall be substituted—

“On the termination, on the death of the person entitled to it, of a life interest in possession in all or any part of settled property—

- (a) the whole or a corresponding part of each of the assets forming part of the settled property and not ceasing at that time to be settled property shall be deemed for the purposes of this Act at that time to be disposed of and immediately re-acquired by the trustee for a consideration equal to the whole or a corresponding part of the market value of the asset; but
- (b) no chargeable gain shall accrue on that disposal.

and subsection (2) of that section shall cease to have effect.”;

- (2) In section 56 of that Act, after subsection (1) there shall be inserted—

“(1A) Where the life interest referred to in subsection (1) above is an interest in part only of the settled property to which section 54 applies, subsection (1)(a) above shall not apply but any chargeable gain accruing on the disposal shall be reduced by a proportion corresponding to that represented by the part.

(1B) The last sentence of subsection (1) of section 55 above, and subsection (6) of that section, shall apply for the purposes of subsection (1A) above as they apply for the purposes of section 55(1).”;

and subsection (2) of section 56 shall cease to have effect.

- (3) After section 56 of that Act there shall be inserted—

**“56A Effect on sections 55 and 56 of relief under Finance Act 1980, section 79.**

- (1) This section applies where—
  - (a) a claim for relief was made under section 79 of the Finance Act 1980 in respect of the disposal of an asset to a trustee, and
  - (b) the trustee is deemed to have disposed of the asset, or part of it, by virtue of section 54(1) or 55(1)(a) above.
- (2) Sections 56(1)(a) and 55(1)(b) shall not apply to the disposal of the asset or part by the trustee, but any chargeable gain accruing to the trustee on the disposal shall be restricted to the amount of the held-over gain (or a corresponding part of it) on the disposal of the asset to him.

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(3) Subsection (2) above shall not have effect in a case within section 56(1A) above ; but in such a case the reduction provided for by section 56(1A) above shall be diminished by an amount equal to the proportion there mentioned of the held-over gain.

(4) In this section " held-over gain " has the same meaning as in section 79(1) of the Finance Act 1980."

(4) This section applies in relation to interests terminating on or after 6th April 1982.

## **85 Maintenance funds for historic buildings**

(1) Section 148 of the Capital Gains Tax Act 1979 (maintenance funds for historic buildings) shall be amended as follows.

(2) In subsection (1) for the words " section 84 of the Finance Act 1976 " there shall be substituted the words " section 95 of the Finance Act 1982 ".

(3) In subsection (1A) for the words from " section 89(4)(d)" to " of that Act " there shall be substituted the words " paragraph 1(1) or (5) or 3(1) of Schedule 16 to the Finance Act 1982 no charge to capital transfer tax in respect of the asset deemed to be disposed of or a reduced charge to that tax by virtue of paragraph 1(2) or (8) or 3(4) of that Schedule. "

(4) After subsection (1A) there shall be inserted—

“(1B) This section applies also where a trustee disposes (or is deemed to dispose) of an asset comprised in a settlement if on the disposal the asset becomes settled property in respect of which a direction has effect under section 93 of the Finance Act 1982.”

## **86 Indexation allowance on certain disposals**

(1) This section applies to any disposal of an asset—

- (a) which occurs on or after 6th April 1982, or, if the disposal is by a company, on or after 1st April 1982 ; and
- (b) which occurs after the expiry of the period of twelve months beginning on the date on which the asset in question was acquired or provided (which period is in the following provisions of this Chapter referred to, in relation to a disposal, as " the qualifying period "); and
- (c) on which, disregarding the indexation allowance for which provision is made below, a gain would accrue (whether or not that gain would be wholly a chargeable gain).

(2) In relation to a disposal to which this section applies—

- (a) " the gross gain " means the amount of the gain referred to in subsection (2) (c) above, computed in accordance with Chapter II of Part II of the Capital Gains Tax Act 1979 ; and
- (b) " relevant allowable expenditure " means, subject to subsection (3) below, any sum which, in the computation of the gross gain, was taken into account by virtue of paragraph (a) or paragraph (b) of subsection (1) of section 32 of that Act.

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- (3) In determining what sum (if any) was taken into account as mentioned in subsection (2) (b) above, account shall be taken of any provision of any enactment which, for the purpose of the computation under the said Chapter II, increases, excludes or reduces the whole or any part of any item of expenditure falling within the said section 32 or provides for it to be written-down.
- (4) The following provisions of this Chapter have effect to provide for an allowance (in those provisions referred to as " the indexation allowance ") which, on a disposal to which this section applies, is to be allowed against the gross gain so as to give the gain for the purposes of the Capital Gains Tax Act 1979 or, if the indexation allowance equals or exceeds the gross gain, so as to extinguish it; and, accordingly, at the end of subsection (1) of section 28 of that Act (computation of gains accruing on the disposal of assets) there shall be added the words " and sections 86 and 87 of the Finance Act 1982 ".
- (5) Notwithstanding anything in section 29 of the Capital Gains Tax Act 1979 (losses to be computed in like manner as gains)—
- (a) this section does not apply to a disposal on which a loss accrues; and
  - (b) in any case where, on a disposal to which this section does apply, the indexation allowance exceeds the gross gain, no loss shall result and, accordingly, the disposal shall be one on which, after taking account of the indexation allowance, neither a gain nor a loss accrues.
- (6) The provisions of Schedule 13 to this Act have effect for supplementing this section and the following provisions of this Chapter and the preceding provisions of this section have effect subject to the provisions of that Schedule.

## **87 Calculation of indexation allowance**

- (1) The provisions of this section have effect for the purpose of computing the indexation allowance on a disposal to which section 86 above applies.
- (2) The indexation allowance is the aggregate of the indexed rise in each item of relevant allowable expenditure; and, in relation to any such item of expenditure, the indexed rise is a sum produced by multiplying the amount of that item by a figure expressed as a decimal and determined, subject to subsections (3) and (4) below, by the formula

$$(RD - RI) \div RI$$

where—

RD is the retail prices index for the month in which the disposal occurs; and

RI is the retail prices index for March 1982 or the month which is the twelfth month after that in which the expenditure was incurred, whichever is the later.

- (3) If, in relation to any item of expenditure.—
- (a) the month in which the expenditure was incurred is less than thirteen months before the month in which the disposal occurs, or
  - (b) RD, as defined in subsection (2) above, is equal to or less than RI, as so defined,
- the indexed rise in that item is nil.



- (4) If, in relation to any item of expenditure, the figure determined in accordance with the formula in subsection (2) above would, apart from this subsection, be a figure having more than three decimal places, it shall be rounded to the nearest third decimal place.
- (5) For the purposes of this section—
  - (a) relevant allowable expenditure falling within paragraph
  - (a) of subsection (1) of section 32 of the Capital Gains Tax Act 1979 shall be assumed to have been incurred at the time when the asset in question was acquired or provided; and
  - (b) relevant allowable expenditure falling within paragraph (b) of that subsection shall be assumed to have been incurred at the time when that expenditure became due and payable.

## **88 Identification of securities etc. disposed of: general rules**

- (1) With respect to securities held on, or acquired on or after, 6th April 1982 or, in the case of a company, 1st April 1982 the provisions of this section (other than subsection (8)) and section 89 below have effect in place of sections 65 and 66 of the Capital Gains Tax Act 1979 (pooling and other rules for identification of securities); and, in taking account of those provisions.—
  - (a) this section, section 89 below and Part II of Schedule 13 shall have effect subject to section 58 of the Finance (No. 2) Act 1975 (disposal of shares and securities within prescribed period of acquisition); and
  - (b) the reference in section 68(4) of the Capital Gains Tax Act 1979 (general identification rules for gilt-edged securities) to section 66(1) of that Act shall be construed as including a reference to subsection (4) below.
- (2) Where a person disposes of securities, the securities disposed of shall be identified in accordance with the rules contained in this section with the securities of the same class acquired by him which could be comprised in that disposal, and shall be so identified notwithstanding that they are otherwise identified by the disposal or by a transfer or delivery giving effect to it (but so that where a person disposes of securities in one capacity, they shall not be identified with securities which he holds or can dispose of only in some other capacity).
- (3) Securities disposed of on an earlier date shall be identified before securities disposed of on a later date, and the identification of the securities first disposed of shall accordingly determine the securities which could be comprised in the later disposal.
- (4) Securities disposed of for transfer or delivery on a particular date or in a particular period—
  - (a) shall not be identified with securities acquired for transfer or delivery on a later date or in a later period; and
  - (b) shall be identified with securities acquired for transfer or delivery on or before that date or in or before that period, but on or after the date of the disposal, rather than with securities not so acquired.
- (5) The securities disposed of shall be identified—
  - (a) with securities acquired within the twelve months preceding the disposal rather than with securities not so acquired, and with securities so acquired on an earlier date rather than with securities so acquired on a later date, and

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- (b) subject to paragraph (a) above, with securities acquired on a later date rather than with securities acquired on an earlier date ; and
  - (c) with securities acquired at different times on any one day in as nearly as may be equal proportions.
- (6) The rules contained in the preceding subsections shall have priority according to the order in which they are so contained.
- (7) Notwithstanding anything in subsections (3) to (5) above, where, under arrangements designed to postpone the transfer or delivery of securities disposed of, a person by a single bargain acquires securities for transfer or delivery on a particular date or in a particular period and disposes of them for transfer or delivery on a later date or in a later period, then—
- (a) the securities disposed of by that bargain shall be identified with the securities thereby acquired ; and
  - (b) securities previously disposed of which, but for the operation of paragraph (a) above in relation to acquisitions for transfer or delivery on the earlier date or in the earlier period, would have been identified with the securities acquired by that bargain—
    - (i) shall, subject to subsection (3) above, be identified with any available securities acquired for such transfer or delivery (that is to say, any securities so acquired other than securities to which paragraph (a) above applies and other than securities with which securities disposed of for such transfer or delivery would be identified apart from this subsection) ; and
    - (ii) in so far as they cannot be so identified shall be treated as disposed of for transfer or delivery on the later date, or in the later period, mentioned above.
- (8) The provisions of Part II of Schedule 13 to this Act have effect with respect to securities acquired before 6th April 1982 or, in the case of a company, before 1st April 1982.
- (9) In this section and Schedule 13 to this Act "securities" means—
- (a) shares or securities of a company; and
  - (b) any other assets where they are of a nature to be dealt in without identifying the particular assets disposed of or acquired;

and shares or securities of a company shall not be treated for the purposes of this section and that Schedule as being of the same class unless they are so treated by the practice of The Stock Exchange or would be so treated if dealt with on The Stock Exchange.

## **89 Identification of securities: special rules**

- (1) Where, in a case of a man and his wife living with him, one of them—
- (a) disposes of securities to his wife or her husband on or after 6th April 1982, and
  - (b) disposes of other securities, which are of the same kind as those disposed of to the wife or husband, to another person (in this section referred to as "a third party "), the provisions of subsections (3) and (4) below have effect with respect to any securities acquired by the person making those disposals which, but for the provisions of section 88 above, could have been comprised in either of those disposals.

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- (2) Where a company which is a member of a group of companies—
- (a) disposes of securities to another member of the group on or after 1st April 1982, and
  - (b) disposes of other securities, which are of the same kind as those disposed of to that other company, to another person (in this section referred to as a "third party ") not being another member of the same group, the provisions of subsections (3) and (4) below have effect with respect to any securities acquired by the company making those disposals which, but for the provisions of section 88 above, could have been comprised in either of those disposals.
- (3) If, apart from the provisions of this subsection, securities disposed of to a third party—
- (a) would be indexed securities, and
  - (b) but for the disposal referred to in subsection (1)(a) or, as the case may be, subsection (2)(a) above would be un-indexed securities,
- the identification shall be reversed so that the securities disposed of to the third party (or, if the quantity disposed of to the third party was greater than the quantity disposed of to the wife or husband or, as the case may be, to the other company, a part of them equal to the quantity so disposed of) shall be unindexed securities.
- (4) If there is more than one disposal falling within subsection (1)(o) or, as the case may be, subsection (2)(a) above, or more than one disposal to a third party, the provisions of subsection (3) above shall be applied to securities disposed of on an earlier date before being applied to securities disposed of on a later date, and the re-identification of the securities first disposed of shall accordingly determine the way in which this section applies to the securities comprised in the later disposal.
- (5) In this section " indexed securities " means securities which were acquired or provided more than twelve months before the date of the disposal concerned and " unindexed securities " shall be construed accordingly.
- (6) Section 272 of the Taxes Act (groups of companies) shall apply for the purpose of this section as it applies for the purposes of sections 273 to 281 of that Act.
- (7) Subsection (9) of section 88 above applies for the purposes of this section as it applies for the purposes of that.