



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART VII

GENERAL PROVISIONS RELATING TO TAXATION OF INCOME OF INDIVIDUALS

CHAPTER I

PERSONAL RELIEFS

The reliefs

256 General

An individual who makes a claim in that behalf or, in the case of relief under section 266, who satisfies the conditions of that section, shall be entitled to such relief as is specified in sections 257 to 274, subject however to the provisions of sections 275 to 278 and 287 and 288.

257 Personal relief

- (1) Subject to the provisions of this section and section 261, the claimant shall be entitled—
 - (a) if he proves—
 - (i) that for the year of assessment he has his wife living with him, or
 - (ii) that his wife is wholly maintained by him during the year of assessment, and that he is not entitled in computing the amount of his income for that year for income tax purposes to make any deduction in respect of the sums paid for the maintenance of his wife, to a deduction of £3,795 from his total income;
 - (b) in any other case, to a deduction of £2,425 from his total income.
- (2) Subject to the provisions of this section, subsection (1) above shall have effect—

Status: This is the original version (as it was originally enacted).

- (a) in relation to a claim by a person who proves that he or his wife was at any time within the year of assessment of the age of 65 or upwards, as if the sum specified in paragraph (a) were £4,675; and
- (b) in relation to a claim by a person who proves that he was at any time within the year of assessment of the age of 65 or upwards, as if the sum specified in paragraph (b) were £2,960;

and for the purposes of this subsection a person who would have been of the age of 65 or upwards within the year of assessment if he had not died in the course of it shall be treated as having been of that age within that year.

- (3) Subject to the provisions of this section, subsection (1) above shall have effect—
 - (a) in relation to a claim by a person who proves that he or his wife was at any time within the year of assessment of the age of 80 or upwards, as if the sum specified in paragraph (a) were £4,845; and
 - (b) in relation to a claim by a person who proves that he was at any time within the year of assessment of the age of 80 or upwards, as if the sum specified in paragraph (b) were £3,070;

and for the purposes of this subsection, a person who would have been of the age of 80 or upwards within the year of assessment if he had not died in the course of it shall be treated as having been of that age within that year.

- (4) For any year of assessment for which a person is entitled to increased personal relief by virtue of subsection (3) above, he shall not be entitled to increased relief under subsection (2) above.
- (5) Where the claimant's total income for the year of assessment exceeds £9,800, subsections (2) and (3) above shall not apply except in a case where the deduction to be allowed under subsection (1) above will be increased by virtue of this subsection; and in such a case subsection (2) or (3), as the case may be, shall apply as if the sums mentioned in it were reduced by two-thirds of the excess of that total income over £9,800.
- (6) If the total income of the claimant includes any earned income of his wife, the deduction to be allowed under this section shall be increased by the amount of that earned income or by £2,425, whichever is the less.
- (7) For the purposes of subsection (6) above—
 - (a) any earned income of the claimant's wife arising in respect of any pension, superannuation or other allowance, deferred pay or compensation for loss of office, given in respect of his past services in any office or employment, shall be deemed not to be earned income of his wife; and
 - (b) no payment of benefit under the Social Security Acts 1975 or the Social Security (Northern Ireland) Acts 1975 except—
 - (i) a Category A retirement pension (exclusive of any increase under section 10 of the Social Security Pensions Act 1975 or Article 12 of the Social Security Pensions (Northern Ireland) Order 1975);
 - (ii) unemployment benefit, and
 - (iii) invalid care allowance,
 shall be treated as earned income.

- (8) Subsection (1) above shall have effect in relation to any claim by a man who becomes married in the year of assessment for which the claim is made and has not previously in that year been entitled to relief under paragraph (a) of that subsection, as if the sum

specified in that paragraph were reduced, for each month of that year ending before the date of the marriage, by one-twelfth of the amount by which it exceeds the sum specified in paragraph (b) of that subsection.

In this subsection “month” means a month beginning with the 6th day of a month of the calendar year.

- (9) If the retail prices index for the month of December preceding a year of assessment is higher than it was for the previous December, then, unless Parliament otherwise determines, this section shall apply for that year as if for each amount specified in subsections (1) to (6) above as they 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—
- (a) in the case of an amount specified in subsection (5) above, the result is not a multiple of £100, rounding it up to the nearest amount which is such a multiple;
 - (b) in the case of any other amount, the increase is not a multiple of £10, rounding the increase up to the nearest amount which is such a multiple.
- (10) Subsection (9) above shall not require any change to be made in the amounts deductible or repayable under section 203 between the beginning of a year of assessment and 5th May in that year.
- (11) The Treasury shall in each year of assessment make an order specifying the amounts which by virtue of subsection (9) above will be treated as specified for the following year of assessment in subsections (1) to (6) above.

258 Widower’s or widow’s housekeeper

- (1) If the claimant proves that he is a widower and that for the year of assessment a person, being a relative of his or of his deceased wife, is resident with him in the capacity of a housekeeper, or that he has no relative of his own or of his deceased wife who is able and willing to act in such capacity and that he has employed some other person to reside with him for the purpose, he shall be entitled to a deduction of £100 from his total income in respect of that relative or person.
- (2) No relief shall be allowed under this section—
- (a) unless the claimant proves that no other individual is entitled to relief in respect of the relative under the provisions of this Chapter, or, if any other individual is so entitled, that the other individual has relinquished his claim thereto; or
 - (b) where the relative is a married woman living with her husband, and the husband has claimed and been allowed the higher relief under section 257(1), or the relative is a man who has claimed and been allowed that higher relief; or
 - (c) to a person entitled to relief under section 259.
- (3) Not more than one deduction shall be allowed under this section to any claimant for any year.
- (4) This section shall apply to a claimant being a widow as it applies to a claimant being a widower, with the substitution of “her deceased husband” for “his deceased wife”.

259 Additional relief in respect of children

- (1) This section applies—
- (a) to any individual who is not entitled for the year of assessment to the higher (married persons) relief under section 257(1); and
 - (b) to any married man who is entitled for the year of assessment to that higher relief but whose wife was throughout that year totally incapacitated by physical or mental infirmity.
- (2) Subject to subsections (3) and (4) below and to section 260, if the claimant, being a person to whom this section applies, proves in the case of a year of assessment that a qualifying child is resident with him for the whole or part of the year, he shall be entitled to a deduction from his total income of an amount equal to the difference between the higher (married persons) relief and the lower (single persons) relief under subsection (1) of section 257 as it applies to persons not falling within subsection (2) or (3) of that section.
- (3) A claimant is entitled to only one deduction under subsection (2) above for any year of assessment irrespective of the number of qualifying children resident with him in that year.
- (4) A person to whom this section applies by virtue of subsection (1)(a) above shall not be entitled to relief under this section for a year of assessment during any part of which that person is married and living with his or her spouse unless the child in connection with whom the relief is claimed is resident with that person during a part of the year in which that person is not married and living with his or her spouse.
- (5) For the purposes of this section a qualifying child means, in relation to any claimant and any year of assessment, a child who—
- (a) is born in, or is under the age of 16 years at the commencement of, the year or, being over that age at the commencement of that year, is receiving full-time instruction at any university, college, school or other educational establishment; and
 - (b) is a child of the claimant or, not being such a child, is born in, or is under the age of 18 years at the commencement of, the year and maintained for the whole or part of that year by the claimant at his own expense.
- (6) In subsection (5)(a) above the reference to a child receiving full-time instruction at an educational establishment includes a reference to a child undergoing training by any person (“the employer”) for any trade, profession or vocation in such circumstances that the child is required to devote the whole of his time to the training for a period of not less than two years.
- For the purposes of a claim in connection with a child undergoing training, the inspector may require the employer to furnish particulars with respect to the training of the child in such form as may be prescribed by the Board.
- (7) If any question arises under this section whether a child is receiving full-time instruction at an educational establishment, the Board may consult the Secretary of State or the Department of Education for Northern Ireland.
- (8) In subsection (5)(b) above the reference to a child of the claimant includes a reference to a stepchild of his, an illegitimate child of his if he has married the other parent after the child’s birth and an adopted child of his if the child was under the age of 18 years when he was adopted.

- (9) Notwithstanding anything in section 9 of the Family Law Reform Act 1969 or section 5 of the Age of Majority Act (Northern Ireland) 1969 or any rule of law in Scotland, for the purposes of subsection (5) above a child whose birthday falls on 6th April shall be taken to be over the age of 16 at the commencement of the year which begins with his 16th birthday and over the age of 18 at the commencement of the year which begins with his 18th birthday.

260 Apportionment of relief under section 259

- (1) Where for any year of assessment two or more individuals are entitled to relief under section 259 in connection with the same child—
- (a) the amount referred to in subsection (2) of that section shall be apportioned between them; and
 - (b) the deduction to which each of them is entitled under that section shall, subject to subsection (2) below, be equal to so much of that amount as is apportioned to him.
- (2) Where for any year of assessment amounts are apportioned to an individual under this section in respect of two or more children, the deduction to which he is entitled for that year under section 259 shall be equal to the sum of those amounts or the amount referred to in subsection (2) of that section, whichever is the less.
- (3) Any amount required to be apportioned under this section shall be apportioned between the individuals concerned in such proportions as may be agreed between them or, in default of agreement, in proportion to the length of the periods for which the child in question is resident with them respectively in the year of assessment; and where the proportions are not so agreed, the apportionment shall be made by such body of General Commissioners, being the General Commissioners for a division in which one of the individuals resides, as the Board may direct, or, if none of the individuals resides in Great Britain, by the Special Commissioners.
- (4) Where a claim is made under section 259 and it appears that, if the claim is allowed, an apportionment will be necessary under this section, the Board may if they think fit direct that the claim itself shall be dealt with by any specified body of Commissioners which could under this section be directed to make the apportionment and that the same Commissioners shall also make any apportionment which proves to be necessary; and where a direction is given under this subsection no other body of Commissioners shall have jurisdiction to determine the claim.
- (5) The Commissioners making any apportionment under this section shall hear and determine the case in like manner as an appeal, but any individual who is, or but for the provisions of this section would be, entitled to relief in connection with the child shall be entitled to appear and be heard by the Commissioners or to make representations to them in writing.
- (6) For the purposes of this section an individual shall not be regarded as entitled to relief under section 259 for any year of assessment in connection with the same child as another individual if there is another child in connection with whom he, and he alone, is entitled to relief under that section for that year.

261 Claims under sections 258 and 259 for year of marriage

A man who becomes married during a year of assessment may by notice to the inspector elect that his marriage be disregarded for the purposes of any claim for that year under section 258 or 259, and, in that case, the marriage shall also be disregarded for the purposes of any claim for that year under section 257.

262 Widows' bereavement allowance

Where a man dies in a year of assessment for which he is entitled to the higher (married persons) relief under section 257(1), or would be so entitled but for an election under section 261 or 287, his widow shall be entitled—

- (a) for that year of assessment, and
- (b) unless she marries again before the beginning of it, for the next following year of assessment,

to a deduction from her total income of an amount equal to that referred to in section 259(2).

263 Dependent relatives

- (1) If the claimant proves that he maintains at his own expense—
 - (a) any relative of his or of his wife who is incapacitated by old age or infirmity from maintaining himself; or
 - (b) his or his wife's mother who, whether or not incapacitated, is either widowed, or living apart from her husband, or a single woman in consequence of dissolution or annulment of marriage,being (whether falling within paragraph (a) or (b) above) a person whose total income does not in a year exceed by more than £100 a sum equal to the basic retirement pension for that year, he shall be entitled in respect of each such person whom he so maintains to a deduction from his total income of £100 reduced, if the total income of the person so maintained exceeds the basic retirement pension, by the amount of the excess.
- (2) Where the claimant under subsection (1) above is a woman—
 - (a) the references in that subsection to the claimant's wife shall be construed as references to the claimant's husband; and
 - (b) unless she is a married woman living with her husband, for each reference in that subsection to £100 there shall be substituted a reference to £145.
- (3) For the purposes of this section "the basic retirement pension" for any year means the aggregate of the payments to which a person would be entitled in that year on account of a Category A retirement pension under the Social Security Acts 1975 or the Social Security (Northern Ireland) Acts 1975 if the weekly rate of his pension consisted (and consisted only) of the full amount of the basic component.
- (4) Subject to subsection (7) below, where two or more persons jointly maintain any such person as is mentioned in subsection (1) above, the deduction of £100 or less mentioned in that subsection in respect of the person so maintained shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

The apportionment under this subsection may be effected as the persons entitled to claim the relief agree, and, subject to any such agreement, subsections (5) and (6) below shall apply to the apportionment.

- (5) Any apportionment under subsection (4) above shall be made by such body of General Commissioners, being the General Commissioners for a division in which one of the individuals resides, as the Board may direct, or, if none of the individuals resides in Great Britain, by the Special Commissioners.
- (6) Where a claim is made under subsection (1) above and it appears that, if the claim is allowed, an apportionment will be necessary under subsection (4) above, the Board may if they think fit direct that the claim itself shall be dealt with by any specified body of Commissioners which could under this section be directed to make the apportionment and that the same Commissioners shall also make any apportionment which proves to be necessary; and where a direction is given under this subsection no other body of Commissioners shall have jurisdiction to determine the claim.
- (7) Where, without subsection (2)(b) above, the claimant's relief would fall to be reduced by any proportion under subsection (4) above, any increase in the claimant's relief attributable to subsection (2)(b) above shall be reduced by the same proportion; and accordingly subsection (4) above shall be read without reference to the modifications made by subsection (2)(b).

264 Claimant depending on services of a son or daughter

If the claimant, by reason of old age or infirmity, is compelled to depend upon the services of a son or daughter resident with and maintained by him, he shall be entitled to a deduction of £55 from his total income.

265 Relief for blind persons

- (1) Subject to subsection (3) below, if the claimant proves—
 - (a) that he is a married man who for the year of assessment has his wife living with him, and that one of them was, and the other was not, a registered blind person for the whole or part of the year; or
 - (b) that, not being such a married man, he was a registered blind person for the whole or part of the year,he shall be entitled to a deduction of £540 from his total income.
- (2) Subject to subsection (3) below, if the claimant proves—
 - (a) that he is a married man who for the year of assessment has his wife living with him, and
 - (b) that he was a registered blind person for the whole or part of the year and his wife was also a registered blind person for the whole or part of the year,he shall be entitled to a deduction of £1,080 from his total income.
- (3) Unless a claimant who is entitled to relief for the year of assessment under section 264 in respect of the services of a son or daughter relinquishes his claim to that relief, he shall not be allowed relief under this section for that year.
- (4) In this section “registered blind person” means a person registered as a blind person in a register compiled under section 29 of the National Assistance Act 1948 or, in the

case of a person ordinarily resident in Scotland or in Northern Ireland, a person who is a blind person within the meaning of section 64(1) of that Act.

266 Life assurance premiums

- (1) Subject to the provisions of this section, sections 274 and 619(6) and Schedules 14 and 15, an individual who pays any such premium as is specified in subsection (2) below or makes a payment falling within subsection (7) below shall (without making any claim) be entitled to relief under this section.
- (2) The premiums referred to in subsection (1) above are any premiums paid by an individual under a policy of insurance or contract for a deferred annuity, where—
 - (a) the payments are made to —
 - (i) any insurance company legally established in the United Kingdom or any branch in the United Kingdom of an insurance company lawfully carrying on in the United Kingdom life assurance business (as defined in section 431); or
 - (ii) underwriters being members of Lloyd’s who comply with the requirements set forth in section 83 of the Insurance Companies Act 1982; or
 - (iii) a registered friendly society; or
 - (iv) in the case of a deferred annuity, the National Debt Commissioners; and
 - (b) the insurance or, as the case may be, the deferred annuity is on the life of the individual or on the life of his spouse; and
 - (c) the insurance or contract was made by him or his spouse.
- (3) Subject to subsections (7), (10) and (11) below, no relief under this section shall be given—
 - (a) except in respect of premiums payable under policies for securing a capital sum on death, whether in conjunction with any other benefit or not;
 - (b) in respect of premiums payable under any policy issued in respect of an insurance made after 19th March 1968 unless the policy is a qualifying policy;
 - (c) in respect of premiums payable under any policy issued in respect of an insurance made after 13th March 1984, except where the relief relates to part only of any such payment as falls within subsection (6) below;
 - (d) in respect of premiums payable during the period of deferment in respect of a policy of deferred assurance.
- (4) Subject to subsections (6) to (8) below, relief under this section in respect of any premiums paid by an individual in a year of assessment shall be given by making good to the person to whom they are paid any deficiency arising from the deductions authorised under subsection (5) below; and this section and Schedule 14 shall have effect in relation to any premium or part of a premium which is paid otherwise than in the year of assessment in which it becomes due and payable as if it were paid in that year.
- (5) Subject to the provisions of Schedule 14—
 - (a) an individual resident in the United Kingdom who is entitled to relief under this section in respect of any premium may deduct from any payment in respect of the premium and retain an amount equal to 15 per cent. of the payment; and

- (b) the person to whom the payment is made shall accept the amount paid after the deduction in discharge of the individual's liability to the same extent as if the deduction had not been made and may recover the deficiency from the Board.
- (6) Where—
- (a) a person is entitled to relief under this section in respect of part only of a payment made to a registered friendly society; and
- (b) the insurance or contract was made by the society in the course of tax exempt life or endowment business (as defined in section 466(2)),
- subsection (4) above shall not apply with respect to that relief but there shall be deducted from his total income an amount equal to one-half of that part of the payment.
- (7) Where a person makes a payment to a trade union as defined in section 28(1) of the Trade Union and Labour Relations Act 1974, and part of that payment is attributable to the provision of superannuation, life insurance or funeral benefits, he shall be entitled to relief under this section in respect of that part of the payment, but—
- (a) subsection (4) above shall not apply; and
- (b) there shall be deducted from his total income an amount equal to one-half of that part of the payment.
- This subsection shall also apply in relation to any payment made to an organisation of persons in police service but only where the annual amount of the part of the payment attributable to the provision of the benefits in question is £20 or more.
- (8) Where the individual is not resident in the United Kingdom but is entitled to relief by virtue of section 278(2), subsection (4) above shall not apply but (subject to section 278(3)) the like relief shall be given to him under paragraph 6 of Schedule 14.
- (9) Subsections (5) and (8) above shall apply in relation to an individual who is not resident in the United Kingdom but is a member of the armed forces of the Crown or the wife (but not the husband) of such a member as if the individual were so resident.
- (10) Subsection (3)(b) above shall not apply—
- (a) to any policy of life insurance having as its sole object the provision on an individual's death or disability of a sum substantially the same as any amount then outstanding under a mortgage of his residence, or of any premises occupied by him for the purposes of a business, being a mortgage the principal amount secured by which is repayable by instalments payable annually or at shorter regular intervals; or
- (b) to any policy of life insurance issued in connection with an approved scheme as defined in Chapter I of Part XIV.
- In the application of this subsection to Scotland, for any reference to a mortgage there shall be substituted a reference to a heritable security within the meaning of the Conveyancing (Scotland) Act 1924 (but including a security constituted by *ex facie* absolute disposition or assignment).
- (11) Subsection (3)(a) and (d) above shall not affect premiums payable—
- (a) under policies or contracts made in connection with any superannuation or bona fide pension scheme for the benefit of the employees of any employer, or of persons engaged in any particular trade, profession, vocation or business, or for the benefit of the wife or widow of any such employee or person or of his children or other dependants, or

- (b) under policies taken out by teachers in the schools known in the year 1918 as secondary schools, pending the establishment of a superannuation or pension scheme for those teachers.
- (12) Schedule 14 shall have effect for the purpose of modifying, for certain cases, and supplementing the provisions of this section.

267 Qualifying policies

Schedule 15, Part I of which contains the basic rules for determining whether or not a policy is a qualifying policy, Part II of which makes provision for the certification etc. of policies as qualifying policies and Part III of which modifies Parts I and II in their application to certain policies issued by non-resident companies, shall have effect for the purpose of determining whether or not a policy is a qualifying policy; and, accordingly, any reference in this Act to a qualifying policy shall be construed in accordance with that Schedule.

268 Early conversion or surrender of life policies

- (1) Where a policy of life insurance to which this section applies has been issued and, within four years from the making of the insurance in respect of which it was issued, any of the following events happens, that is to say—
- (a) the surrender of the whole or part of the rights conferred by the policy;
 - (b) the falling due (otherwise than on death) of a sum payable in pursuance of a right conferred by the policy to participate in profits; and
 - (c) the conversion of the policy into a paid-up or partly paid-up policy;
- the body by whom the policy was issued shall pay to the Board, out of the sums payable by reason of the surrender or, as the case may be, out of the sum falling due or out of the fund available to pay the sums which will be due on death or on the maturity of the policy, a sum determined in accordance with the following provisions of this section, unless the body is wound up and the event is a surrender or conversion effected in connection with the winding-up.
- (2) The sum payable under subsection (1) above shall, subject to the following provisions of this section, be equal to the lower of the following, that is to say—
- (a) the appropriate percentage of the premiums payable under the policy up to the happening of the event; and
 - (b) the surrender value of the policy at the time of the happening of the event less the complementary percentage of the premiums mentioned in paragraph (a) above.
- (3) If the event is one of those mentioned below, the sum payable to the Board shall not exceed the following limit, that is to say—
- (a) if it is the surrender of part of the rights conferred by the policy, the value of the rights surrendered at the time of the surrender;
 - (b) if it is the conversion of the policy into a partly paid-up policy, the surrender value at the time of the conversion, of so much of the policy as is paid up; and
 - (c) if it is the falling due of a sum, that sum.
- (4) If the event was preceded by the happening of such an event as is mentioned in subsection (1) above, subsection (2) above shall apply—

- (a) as if the lower of the amounts mentioned therein were reduced by the sum paid under this section in respect of the earlier event; and
 - (b) if the earlier event was such an event as is mentioned in paragraph (a) or (c) of subsection (3) above, as if the surrender value of the policy were increased by the amount which, under that paragraph, limited or might have limited the sum payable under this section in respect of the earlier event.
- (5) For the purposes of this section the appropriate percentage, in relation to any event, is the percentage equal to the following fraction of the percentage found by doubling that mentioned in section 266(5)(a) as in force for the year of assessment in which the event happened, that is to say—
- (a) if the event happens in the first two of the four years mentioned in subsection (1) above, three-sixths;
 - (b) if it happens in the third of those years, two-sixths; and
 - (c) if it happens in the last of those years, one-sixth;
- and the complementary percentage, in relation to any event, is 100 per cent. less the appropriate percentage.
- (6) Where the annual amount of the premiums payable under a policy of life insurance is at any time increased (whether under the policy or by any contract made after its issue) so as to exceed by more than 25 per cent.—
- (a) if the insurance was made on or before 26th March 1974, the annual amount as at that date, or
 - (b) in the case of any other insurance, the first annual amount so payable,
- the additional rights attributable to the excess shall be treated for the purposes of this section as conferred by a new policy issued in respect of an insurance made at that time, and the excess shall be treated as premiums payable under the new policy.
- (7) This section applies to any policy of life insurance which is a qualifying policy unless—
- (a) it is a policy in respect of the premiums on which relief under section 266 is not available by virtue of subsection (3)(c) of that section; or
 - (b) it is a policy of life insurance issued in connection with an approved scheme, as defined in Chapter I of Part XIV;
- and in relation to a policy of life insurance issued in respect of an insurance made before 27th March 1974 applies only in accordance with subsection (6) above.

269 Surrender etc. of policies after four years

- (1) Where a policy of life insurance to which this section applies has been issued and, in the fifth or any later year from the making of the insurance in respect of which it was issued, either of the following events happens, that is to say—
- (a) the surrender of the whole or part of the rights conferred by the policy; and
 - (b) the falling due (otherwise than on death or maturity) of a sum payable in pursuance of a right conferred by the policy to participate in profits;
- then, if either of those events has happened before, the body by whom the policy was issued shall pay to the Board, out of the sums payable by reason of the surrender, or, as the case may be, out of the sum falling due, a sum determined in accordance with the following provisions of this section.

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

- (2) The sum payable under subsection (1) above shall, subject to the following provisions of this section, be equal to the applicable percentage of the lower of the following—
- (a) the total of the premiums which are payable in that year under the policy; and
 - (b) the sums payable by reason of the surrender or, as the case may be, the sum falling due;
- and the percentage to be applied for this purpose shall be a percentage equal to that mentioned in section 266(5)(a) as in force for the year of assessment in which the event happens.
- (3) Where, after a sum has become payable under subsection (1) above, and within the same year from the making of the insurance, another such event happens as is mentioned therein, the sums payable under that subsection in respect of both or all of the events shall not exceed the applicable percentage of the total mentioned in subsection (2)(a) above.
- (4) Where, on the happening of an event in the fifth or any later year from the making of the insurance, any sum is payable under subsection (1) of section 268 as applied by subsection (6) of that section as well as under subsection (1) above, subsection (2) above shall apply as if the sums or sum mentioned in paragraph (b) thereof were reduced by the sum payable under that section.
- (5) This section applies to any policy of life insurance which is a qualifying policy unless—
- (a) it is a policy in respect of the premiums on which relief under section 266 is not available by virtue of subsection (3)(c) of that section; or
 - (b) it is a policy issued in the course of an industrial insurance business; or
 - (c) it was issued in respect of an insurance made before 27th March 1974.

270 Provisions supplementary to sections 268 and 269

- (1) Where on the happening of an event in relation to a policy of life insurance a sum is payable under section 268 or 269, relief under section 266 in respect of the relevant premiums paid under the policy shall be reduced by the sum so payable or, as the case may be, by so much of the sum as does not exceed the amount of that relief (or as does not exceed so much of that amount as remains after any previous reduction under this section).
- (2) For the purposes of this section the relevant premiums are—
- (a) in relation to a sum payable under section 268, the premiums payable under the policy up to the happening of the event by reason of which the sum is payable; and
 - (b) in relation to a sum payable under section 269, the premiums payable in the year (from the making of the insurance) in which the event happens by reason of which the sum is payable.
- (3) Where the relevant premiums are payable in more than one year of assessment the reduction in relief under this section shall, so far as possible, reduce relief for an earlier year of assessment before reducing relief for a later one.
- (4) Any sum paid under section 268 or 269 by reason of any event shall be treated—
- (a) as between the parties, as received by the person by whom the premiums under the policy were paid; and

- (b) for the purposes of section 266, as a sum paid by that person in satisfaction of his liability resulting from the reduction of relief under this section; and where that sum exceeds that liability he shall be entitled, on a claim made by him not later than six years after the end of the year of assessment in which the event happens, to repayment of the excess.

271 Deemed surrender in cases of certain loans

(1) Where—

- (a) under section 547 a gain arising in connection with a policy or contract would be treated as forming part of an individual's total income; and
- (b) the policy was issued in respect of an insurance made after 26th March 1974 or the contract was made after that date; and
- (c) any sum is at any time after the making of the insurance or contract lent to or at the direction of that individual by or by arrangement with the body issuing the policy or, as the case may be, the body with which the contract was made;

then, subject to subsection (2) below, the same results shall follow under sections 268 to 270 as if at the time the sum was lent there had been a surrender of part of the rights conferred by the policy or contract and the sum had been paid as consideration for the surrender (and if the policy is a qualifying policy, whether or not the premiums under it are eligible for relief under section 266, those results shall follow under section 269, whether or not a gain would be treated as arising on the surrender).

(2) Subsection (1) above does not apply—

- (a) in relation to a policy if—
- (i) it is a qualifying policy; and
- (ii) either interest at a commercial rate is payable on the sum lent or the sum is lent to a full-time employee of the body issuing the policy for the purpose of assisting him in the purchase or improvement of a dwelling used or to be used as his only or main residence; or
- (b) in relation to a contract if and to the extent that interest on the sum lent is eligible for relief under section 353 by virtue of section 365.

272 Collection of sums payable under sections 268 and 269

- (1) Any body by whom a policy to which section 268 or 269 applies has been issued shall, within 30 days of the end of each period of 12 months ending with 31st March in every year, make a return to the collector of the sums which, in that period, have become payable by it under either of those sections.
- (2) Any sum which is to be included in a return made under subsection (1) above shall be due at the time by which the return is to be made and shall be paid without being demanded.
- (3) Where any sum which was or ought to have been included in such a return is not paid by the end of the period for which the return was to be made, it may be recovered by an assessment as if it were income tax for the year of assessment in which that period ends; and where it appears to the inspector that a sum which ought to have been so included had not been included or that a return is not correct he may make such an assessment to the best of his judgment.

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

- (4) All the provisions of the Income Tax Acts relating to the assessment and collection of tax, interest on unpaid tax, appeals and penalties shall, with the necessary modifications, apply in relation to sums due under this section; and for the purposes of those provisions so far as they relate to interest on unpaid tax, a sum assessed in pursuance of this section shall be treated as having been payable when it would have been payable had it been included in a return under subsection (1) above.
- (5) Where, on an appeal against an assessment made in pursuance of this section, it is determined that a greater sum has been assessed than was payable, the excess, if paid, shall be repaid.
- (6) Where a body has paid a sum which is payable under section 268 or 269 it shall give within 30 days to the person by whom the sum is, under section 270(4), treated as received a statement specifying that sum and showing how it has been arrived at.
- (7) The Board or an inspector may, by notice served on the body by whom a policy to which section 268 or 269 applies has been issued, require the body, within such time, not being less than 30 days, as may be specified in the notice—
 - (a) to furnish such particulars; or
 - (b) to make available for inspection by an officer authorised by the Board such books and other documents in the possession or under the control of the body; as the Board or officer may reasonably require for the purposes of those sections or this section.

273 Payments securing widows' and children's annuities

Subject to sections 274, 617(3) and 619(6), if the claimant is, under any Act of Parliament or under the terms or conditions of his employment, liable to the payment of any sum, or to the deduction from his salary or stipend of any sum, for the purpose of securing a deferred annuity to his widow or provision for his children after his death, he shall be entitled to a deduction from the amount of income tax with which he is chargeable equal to income tax at the basic rate on the amount of the sum paid by him or deducted from his salary or stipend.

274 Limits on relief under sections 266 and 273

- (1) The aggregate of the premiums or other sums in respect of which relief is given to any person under section 266 shall not exceed £1,500 in any year of assessment or one-sixth of that person's total income, whichever is the greater.
- (2) The aggregate of the relief given under sections 266 and 273 in respect of premiums or sums payable for securing any benefits other than capital sums on death shall not exceed the amount of the income tax calculated at the appropriate rate on £100.
- (3) In subsection (2) above "the appropriate rate"—
 - (a) in relation to premiums to which section 266 applies, means 15 per cent.;
 - (b) in relation to other payments, means the basic rate of income tax.
- (4) War insurance premiums shall not be taken into account in calculating the limits of one-sixth of total income or of £100 mentioned in this section.

In this subsection "war insurance premiums" means any additional premium or other sum paid in order to extend an existing life insurance policy to risks arising from war

or war service abroad, and any part of any premium or other sum paid in respect of a life insurance policy covering those risks, or either of them, which appears to the inspector to be attributable to those risks, or either of them.

Supplemental

275 Meaning of “relative”

In this Chapter “relative” includes any person of whom the person claiming a relief had the custody and whom he maintained at his own expense while that person was under the age of 16 years.

276 Effect on relief of charges on income

- (1) Where any of the claimant’s income is income the income tax on which (at the basic rate) he is entitled to charge against any other person, or to deduct, retain or satisfy out of any payment, he shall not be entitled to relief under this Chapter in respect of that income, except to the extent, if any, that the relief would exceed tax at the basic rate on that income.
- (2) Notwithstanding subsection (1) above, relief under section 273 may be given to the extent that the deduction from tax provided for by that section can be made from so much of the income tax with which the claimant is chargeable as exceeds what would be the amount of that tax if all income tax were chargeable at the basic rate to the exclusion of any other rate.

277 Partners

- (1) Subject to subsection (2) below, the following persons having joint interests, that is to say—
 - (a) coparceners, joint tenants, or tenants in common of the profits of any property, and
 - (b) joint tenants, or tenants of land or tenements in partnership, being in the actual and joint occupation thereof in partnership, who are entitled to the profits thereof in shares, and
 - (c) partners carrying on a trade, profession or vocation together who are entitled to the profits thereof in shares,may claim any relief under this Chapter according to their respective shares and interests, and any such claims which are proved may be dealt with in the same manner as in the case of several interests.
- (2) The income of a partner from a partnership carrying on any trade, profession or vocation shall be deemed to be the share to which he is entitled during the year to which the claim relates in the partnership profits, such profits being estimated according to the provisions of the Income Tax Acts.

278 Non-residents

- (1) Subject to the provisions of this section, no relief under this Chapter shall be given in the case of any individual who is not resident in the United Kingdom.

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

- (2) Subject to subsection (3) below, subsection (1) above shall not apply in the case of any individual who satisfies the Board that he or she—
- (a) is a Commonwealth citizen or a citizen of the Republic of Ireland; or
 - (b) is a person who is or who has been employed in the service of the Crown, or who is employed in the service of any missionary society or in the service of any territory under Her Majesty's protection; or
 - (c) is resident in the Isle of Man or the Channel Islands; or
 - (d) has previously resided within the United Kingdom, and is resident abroad for the sake of his or her health, or the health of a member of his or her family resident with him or her; or
 - (e) is a widow whose late husband was in the service of the Crown.

- (3) No relief under this Chapter shall be given so as to reduce the amount of the income tax payable by the individual below the amount which results from applying the fraction—

$$\frac{A}{B}$$

to the amount which would have been payable by him by way of income tax if the tax were chargeable on his total income from all sources (including income which is not subject to income tax charged in the United Kingdom) where—

A is the amount of his income subject to income tax charged in the United Kingdom; and

B is the amount of his total income.

- (4) Subsection (3) above shall have effect as if the amount of any relief to which an individual is entitled under section 266(4) were an amount by which his liability to income tax is reduced.
- (5) For the purposes of subsection (3) above as it applies to an individual whose income includes income eligible for double taxation relief—
- (a) in computing the amount of the income tax payable by the individual, the tax chargeable in respect of the income eligible for double taxation relief shall be disregarded;
 - (b) in computing the amount of his income subject to income tax charged in the United Kingdom, the income eligible for double taxation relief shall be disregarded; and
 - (c) in computing his total income from all sources, including income which is not subject to income tax charged in the United Kingdom, income eligible for double taxation relief shall be included, and the income tax which would be chargeable on that total income shall be computed without regard to the double taxation relief available in respect of the income eligible for double taxation relief;

and, accordingly, where this subsection applies, the amount of the tax chargeable in respect of the income eligible for double taxation relief shall not be affected by subsections (2) and (3) above.

- (6) Subsection (5) shall not operate so as to make the tax payable by an individual for a year of assessment higher than it would have been if the double taxation relief had not been available.

- (7) In subsection (5) above “income eligible for double taxation relief” means any dividends, interest, royalties or other profits which are chargeable to income tax but in respect of which relief (other than credit) is available under an Order in Council under section 788 so as to limit the rate of income tax so chargeable (but not so as to confer an exemption and make it income which is not subject to income tax charged in the United Kingdom).
- (8) Any claim which an individual is entitled to make by virtue of subsection (2) above shall be made to the Board.