



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART VII

#### GENERAL PROVISIONS RELATING TO TAXATION OF INCOME OF INDIVIDUALS

#### CHAPTER IV

#### SPECIAL PROVISIONS

### **313 Taxation of consideration for certain restrictive undertakings.**

[<sup>F1M1</sup>(1) Where an individual who holds, has held, or is about to hold, an office or employment gives in connection with his holding that office or employment an undertaking (whether absolute or qualified, and whether legally valid or not) the tenor or effect of which is to restrict him as to his conduct or activities, any sum to which this section applies shall be treated as an emolument of the office or employment, and accordingly shall be chargeable to tax under Schedule E, for the year of assessment in which it is paid.

(2) This section applies to any sum which—

- (a) is paid, in respect of the giving of the undertaking or its total or partial fulfilment, either to the individual or to any other person; and
- (b) would not, apart from this section, fall to be treated as an emolument of the office or employment.

(3) Where the individual has died before the payment of any sum to which this section applies, subsections (1) and (2) above shall have effect as if that sum had been paid immediately before his death.

(4) Where valuable consideration otherwise than in the form of money is given in respect of the giving of the undertaking or its total or partial fulfilment, subsections (1) to (3) above shall have effect as if a sum had instead been paid equal to the value of that consideration.

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(5)]

<sup>F1</sup>(6) In this section—

- (a) “office or employment” means any office or employment whatsoever such that the emoluments thereof, if any, are or would be chargeable to income tax under Case I or II of Schedule E; and
- (b) references to the giving of valuable consideration do not include references to the mere assumption of an obligation to make over or provide valuable property, rights or advantages, but do include references to the doing of anything in or towards the discharge of such an obligation.

#### Textual Amendments

**F1** *Subss. (1)-(5) replaced by 1988(F) s.73 in respect of undertakings given on or after 9 June 1988. And see 1970(M) s.98—penalty for failure to deliver particulars.*

#### Marginal Citations

**M1** Source-1970 s.34(1); 1971 Sch.6 15

### 314 Divers and diving supervisors.

<sup>M2</sup>(1) Where the duties of any employment which are performed by a person in the United Kingdom or a designated area consist wholly or mainly—

- (a) of taking part, as a diver, in diving operations concerned with the exploration or exploitation of the seabed, its subsoil and their natural resources; or
- (b) of acting, in relation to any such diving operations, as a diving supervisor,

the Income Tax Acts shall have effect as if the performance by that person of those duties constituted the carrying on by him of a trade within Case I of Schedule D; and accordingly Schedule E shall not apply to the emoluments from the employment so far as attributable to his performance of those duties.

(2) In this section “designated area” means any area designated under section 1(7) of the <sup>M3</sup>Continental Shelf Act 1964.

#### Marginal Citations

**M2** Source-1978 s.29(1), (2)

**M3** 1964 c. 29.

### 315 Wounds and disability pensions.

<sup>M4</sup>(1) Income from wounds and disability pensions to which this subsection applies shall be exempt from income tax and shall not be reckoned in computing income for any purposes of the Income Tax Acts.

(2) Subsection (1) above applies to—

- (a) wounds pensions granted to members of the naval, military or air forces of the Crown;
- (b) retired pay of disabled officers granted on account of medical unfitness attributable to or aggravated by naval, military or air-force service;

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- (c) disablement or disability pensions granted to members, other than commissioned officers, of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air-force service;
  - (d) disablement pensions granted to persons who have been employed in the nursing services of any of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air-force service; and
  - (e) injury and disablement pensions payable under any scheme made under the <sup>M5</sup>Injuries in War (Compensation) Act 1914, the <sup>M6</sup>Injuries in War Compensation Act 1914 (Session 2) and the <sup>M7</sup>Injuries in War (Compensation) Act 1915 or under any War Risks Compensation Scheme for the Mercantile Marine.
- (3) Where the amount of any retired pay or pensions to which subsection (1) above applies is not solely attributable to disablement or disability, the relief conferred by that subsection shall extend only to such part as is certified by the [<sup>F2</sup>Secretary of State for Social Security], after consultation with the appropriate government department, to be attributable to disablement or disability.

#### Textual Amendments

- F2** Words in s. 315(3) substituted by [The Transfer of Functions \(Health and Social Security\) Order 1988 \(S.I. 1988/1843\)](#), [Sch. 3 para. 2\(d\)](#)

#### Modifications etc. (not altering text)

- C1** S. 315(3): functions transferred by [The Transfer of Functions \(Health and Social Security\) Order 1988 \(S.I. 1988/1843\)](#), art. 2, [Sch. 2 Pt. 2](#)

#### Marginal Citations

- M4** Source-1970 s.365  
**M5** 1914 c. 30.  
**M6** 1914 c. 18 (5 & 6 Geo. 5 c. 18).  
**M7** 1915 c. 24.

### 316 Allowances, bounties and gratuities.

- <sup>M8</sup>(1) Where, under the scheme relating to men in the Armed Forces of the Crown announced on behalf of His Majesty's Government in the United Kingdom on 15th April 1946 or under any other scheme certified by the Treasury to make analogous provision for classes of persons to whom the first-mentioned scheme does not apply, a person who has served in the armed forces of the Crown at any time during the continuance in force of the <sup>M9</sup>Emergency Powers (Defence) Act 1939 voluntarily undertakes to serve therein for a further period, any sum payable to him in pursuance of the scheme out of moneys provided by Parliament by way of gratuity at the end of his further period of service shall not be regarded as income for any income tax purposes.
- (2) Where, under the scheme relating to members of the Women's Royal Naval Service, the Auxiliary Territorial Service and the Women's Auxiliary Air Force announced on behalf of His Majesty's Government in the United Kingdom on 20th November 1946, or under any other scheme certified by the Treasury to make analogous provision for classes of persons to whom the first-mentioned scheme does not apply, a woman who

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has served in or with the armed forces of the Crown at any time during the continuance in force of the Emergency Powers (Defence) Act 1939 voluntarily undertakes to serve in or with those forces for a further period, any sum payable to her in pursuance of the scheme out of moneys provided by Parliament by way of gratuity at the end of her further period of service shall not be regarded as income for any income tax purposes.

(3) Any allowance payable out of the public revenue to or in respect of any class of persons, being members of the armed forces of the Crown, as respects which the Treasury certifies either—

- (a) that it is payable to the persons in question in lieu of food or drink normally supplied in kind to members of the armed forces, or
- (b) that it is payable in respect of the persons in question as a contribution to the expenses of a mess,

shall not be regarded as income for any income tax purposes.

(4) The sums known as training expenses allowances payable out of the public revenue to members of the reserve and auxiliary forces of the Crown, and the sums payable by way of bounty out of the public revenue to such members in consideration of their undertaking prescribed training and attaining a prescribed standard of efficiency, shall not be treated as income for any income tax purpose.

(5) Any sum which, in pursuance of the scheme as to service emoluments contained in the Command Paper laid before Parliament in August 1950, becomes payable out of moneys provided by Parliament by way of bounty to a person who, having served in the armed forces of the Crown, voluntarily undertakes to serve for a further period shall not be regarded as income for any income tax purpose.

#### Marginal Citations

**M8** Source-1970 s.366

**M9** 1939 c. 62.

### 317 Victoria Cross and other awards.

<sup>M10</sup>(1) The following shall be disregarded for all the purposes of the Income Tax Acts—

- (a) annuities and additional pensions paid to holders of the Victoria Cross;
- (b) annuities and additional pensions paid to holders of the George Cross;
- (c) annuities paid to holders of the Albert Medal or of the Edward Medal;
- (d) additional pensions paid to holders of the Military Cross;
- (e) additional pensions paid to holders of the Distinguished Flying Cross;
- (f) additional pensions paid to holders of the Distinguished Conduct Medal;
- (g) additional pensions paid to holders of the Conspicuous Gallantry Medal;
- (h) additional pensions paid to holders of the Distinguished Service Medal;
- (i) additional pensions paid to holders of the Military Medal;
- (j) additional pensions paid to holders of the Distinguished Flying Medal;

where paid by virtue of holding the award.

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#### Marginal Citations

M10 Source-1970 s.368; 1980 s.26

### 318 Other pensions in respect of death due to war service etc.

<sup>M11</sup>(1) Payments of pensions or allowances to which this section applies shall not be treated as income for any purposes of the Income Tax Acts.

(2) This section applies to—

- (a) any pension or allowance payable by or on behalf of the Department of Health and Social Security under so much of any Order in Council, Royal Warrant, order or scheme as relates to death due to—
  - (i) service in the armed forces of the Crown or war-time service in the merchant navy, or
  - (ii) war injuries;
- (b) any pension or allowance at similar rates and subject to similar conditions which is payable by the Ministry of Defence in respect of death due to peacetime service in the armed forces of the Crown before 3rd September 1939; and
- (c) any pension or allowance which is payable under the law of a country other than the United Kingdom and is of a character substantially similar to a pension or allowance falling within paragraph (a) or (b) above.

(3) Where a pension or allowance falling within subsection (2) above is withheld or abated by reason of the receipt of another pension or allowance not falling within that subsection, there shall be treated as falling within that subsection so much of the other pension or allowance as is equal to the pension or allowance that is withheld or, as the case may be, to the amount of the abatement.

#### Marginal Citations

M11 Source-1979 (No.2) s.9

### 319 Crown servants: foreign service allowance.

Where any allowance to any person in the service of the Crown is certified by the Treasury to represent compensation for the extra cost of having to live outside the United Kingdom in order to perform his duties, that allowance shall not be regarded as income for any income tax purpose.

### 320 Commonwealth Agents-General and official agents etc.

<sup>M12</sup>(1) An Agent-General who is resident in the United Kingdom shall be entitled to the same immunity from income tax as that to which the head of a mission so resident is entitled under the <sup>M13</sup>Diplomatic Privileges Act 1964.

(2) Any person having or exercising any employment to which this subsection applies (not being a person employed in any trade, business or other undertaking carried on for the purposes of profit) shall be entitled to the same immunity from income tax

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as that to which a member of the staff of a mission is entitled under the Diplomatic Privileges Act 1964.

(3) The employments to which subsection (2) above applies are the employment in the United Kingdom as—

- (a) a member of the personal staff of any Agent-General; or
- (b) an official agent for, or for any state or province of, any of the countries for the time being mentioned in Schedule 3 to the <sup>M14</sup>British Nationality Act 1981 or the Republic of Ireland; or
- (c) an official agent for any self-governing colony,

of a person certified by the High Commissioner of the country in question or, as the case may be, by the Agent-General for the state, province or self-governing colony in question to be ordinarily resident outside the United Kingdom and to be resident in the United Kingdom solely for the purpose of the performance of his duties as such member or official agent.

(4) In this section—

“Agent-General” means the Agent-General for any state or province of a country within subsection (3)(b) above or for any self-governing colony;

“High Commissioner” includes the head of the mission of a country within subsection (3)(b) above by whatever name called;

“mission” has the same meaning as in the Diplomatic Privileges Act 1964, and references to the head of a mission and a member of the staff of a mission shall be construed in accordance with that Act;

“self-governing colony” means any colony certified by a Secretary of State to be a self-governing colony.

**Modifications etc. (not altering text)**

**C2** *The countries mentioned in the British Nationality Act 1981 Sch.3 (as amended) are—Countries whose citizens are Commonwealth citizens* Antigua and Barbuda, Australia, The Bahamas, Bangladesh, Barbados, Belize, Botswana, Brunei, Canada, Republic of Cyprus, Dominica, Fiji, The Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Nauru, New Zealand, Nigeria, Papua New Guinea, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Seychelles, Sierra Leone, Singapore, Solomon Islands, Sri Lanka, Swaziland, Tanzania, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Western Samoa, Zambia, Zimbabwe.

**Marginal Citations**

**M12** Source-1970 s.372

**M13** 1964 c. 81.

**M14** 1981 c. 81.

**321 Consuls and other official agents.**

<sup>M15</sup>(1) Income arising from any office or employment to which this section applies shall be exempt from income tax, and no account shall be taken of any such income in estimating the amount of income for any income tax purposes.

(2) The offices and employments to which this section applies are the following, that is to say—

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- (a) the office of a consul in the United Kingdom in the service of any foreign state; and
- (b) the employment of an official agent in the United Kingdom for any foreign state, not being an employment exercised by a Commonwealth citizen or a citizen of the Republic of Ireland or exercised in connection with any trade, business or other undertaking carried on for the purposes of profit.

(3) In this section—

“consul” means a person recognised by Her Majesty as being a consul-general, consul, vice-consul or consular agent; and

“official agent” means a person, not being a consul, who is employed on the staff of any consulate, official department or agency of a foreign state, not being a department or agency which carries on any trade, business or other undertaking for the purposes of profit.

#### Marginal Citations

M15 Source-1970 s.373

### 322 Consular officers and employees.

<sup>M16</sup>(1) Where a consular officer or employee in the United Kingdom of any foreign state to which this section applies—

- (a) is not a British citizen, a British Dependent Territories citizen [<sup>F3</sup>, a British National (Overseas)] or a British Overseas citizen, and
- (b) is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as such a consular officer or employee, and
- (c) either is a permanent employee of that state or was not ordinarily resident in the United Kingdom immediately before he became a consular officer or employee in the United Kingdom of that state;

then any income of his falling within Case IV or V of Schedule D shall be exempt from income tax, and he shall be treated as not resident in the United Kingdom for the purposes of sections 48 and 123(4).

- (2) Without prejudice to section 321, the income arising from a person’s employment in the United Kingdom as a consular employee of any foreign state to which this section applies shall be exempt from income tax, except in the case of a person who is not a national of that state but is a British citizen, a British Dependent Territories citizen [<sup>F3</sup>, a British National (Overseas)] or a British Overseas citizen.
- (3) For the purposes of this section “consular employee” includes any person employed, for the purposes of the official business of a consular officer, at any consulate or consular establishment or at any other premises used for those purposes.
- (4) This section shall apply to any foreign state to which Her Majesty by Order in Council directs that it shall apply for the purpose of giving effect to any consular convention or other arrangement with that state making similar provision in the case of Her Majesty’s consular officers or employees in that state.
- (5) An Order in Council under subsection (4) above—

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- (a) may limit the operation of this section in relation to any state in such manner as appears to Her Majesty to be necessary or expedient having regard to the arrangement with that state;
- (b) may be made so as to have effect from a date earlier than the making of the Order or the passing of this Act (but not earlier than the coming into force of the arrangement with regard to which it is made); and
- (c) may contain such transitional provisions as appear to Her Majesty to be necessary or expedient;

and any statutory instrument under this section shall be subject to annulment in pursuance of a resolution of the House of Commons.

#### Textual Amendments

**F3** 1990 s.89 and Sch.14 para.4(1) (*correction of errors*)—*deemed always to have had effect.*

#### Modifications etc. (not altering text)

**C3** *For orders see Part III Vol.5.*

#### Marginal Citations

**M16** Source-1970 s.374(1), (3)-(7)

### 323 Visiting forces.

- <sup>M17</sup>(1) The emoluments paid by the government of any designated country to any member of a visiting force of that country who is not a British citizen, a British Dependent Territories citizen [<sup>F4</sup>, a British National (Overseas)] or a British Overseas citizen shall be exempt from income tax.
- (2) A period during which a member of a visiting force to whom subsection (1) above applies is in the United Kingdom by reason solely of his being a member of that force shall not be treated for the purposes of income tax either as a period of residence in the United Kingdom or as creating a change of his residence or domicile.
- (3) Subsection (2) above shall not affect the operation of section 278 in relation to any person for any year of assessment.
- (4) In subsections (1) and (2) above references to a visiting force shall apply to a civilian component of such a force as they apply to the force itself; and those subsections shall be construed as one with the <sup>M18</sup>Visiting Forces Act 1952, but so that, for the purposes of this section, references to a designated country shall be substituted in that Act for references to a country to which a provision of that Act applies.
- (5) For the purpose of conferring on persons attached to any designated allied headquarters the like benefits as are conferred by subsections (1) and (2) above on members of a visiting force or civilian component, any members of the armed forces of a designated country shall, while attached to any such headquarters, be deemed to constitute a visiting force of that country, and there shall be a corresponding extension of the class of persons who may be treated as members of a civilian component of such a visiting force.
- (6) In the case of persons of any category for the time being agreed between Her Majesty's government in the United Kingdom and the other members of the North Atlantic Council—



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- (a) employment by a designated allied headquarters shall be treated for the purposes of subsection (2) above as if it were service as a member of a visiting force of a designated country; and
  - (b) the emoluments paid by a designated allied headquarters to persons employed by such a headquarters shall be exempt from income tax.
- (7) The exemption conferred by subsection (6)(b) above shall cease to apply to British citizens, British Dependent Territories citizens [<sup>F5</sup>, a British National (Overseas)] and British Overseas citizens if it becomes unnecessary that it should so apply for the purpose of giving effect to any agreement between parties to the North Atlantic Treaty.
- (8) For the purposes of this section—
- “allied headquarters” means any international military headquarters established under the North Atlantic Treaty, and
  - “designated” means designated for the purpose in question by or under any Order in Council made for giving effect to any international agreement.

#### Textual Amendments

**F4** 1990 s.89 and Sch.14 para.4(1) (correction of errors)—deemed always to have had effect.

**F5** 1990 s.89 and Sch.14 para.4(2) (correction of errors)—deemed always to have had effect.

#### Modifications etc. (not altering text)

**C4** For orders see Part III Vol.5 under  
“Securities”.

#### Marginal Citations

**M17** Source-1970 s.367

**M18** 1952 c. 67.

### 324 Designated international organisations.

<sup>M19</sup>(1) The Treasury may by order designate for the purposes of this section—

- (a) any international organisation—
    - (i) if one of its members is the United Kingdom or any of the Communities; and
    - (ii) if the agreement under which that member became a member provides for exemption from tax, in relation to the organisation, of the kind for which provision is made by this section; or
  - (b) any of the Communities or the European Investment Bank.
- (2) Where an organisation has been so designated, a person not resident in the United Kingdom shall not be liable to income tax in respect of income from any security issued by the organisation if he would not be liable but for the fact that—
- (a) the security or income is issued, made payable or paid in the United Kingdom or in sterling; or
  - (b) the organisation maintains an office or other place of business in the United Kingdom.

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### Marginal Citations

**M19** Source-1984 s.126(1), (2), (3)(a), (4); 1985 s.96(1)

## 325 Interest on deposits with National Savings Bank.

Where the total income of an individual for the year of assessment includes, or would but for this section include, any sums paid or credited in respect of interest on deposits with the National Savings Bank, other than investment deposits, those sums shall be disregarded for all purposes of the Income Tax Acts, other than the furnishing of information, if or in so far as they do not exceed £70; *and for this purpose the question whether or how far those sums exceed £70 shall, where by virtue of section 279a woman's income is deemed to be her husband's, be determined separately as regards the part of his income which is his by virtue of that section and the part which is his apart from that section*<sup>F6</sup>.

### Textual Amendments

**F6** Words repealed by 1988(F) s.148 and Sch. 14 Part VIII for 1990-91 and subsequent years.

## 326 Interest etc. under contractual savings schemes.

<sup>M20</sup>(1) Any terminal bonus, or interest or other sum, payable under a certified contractual savings scheme—

- (a) in respect of money raised under section 12 of the <sup>M21</sup>National Loans Act 1968, or
- (b) in respect of shares in a building society, <sup>F7</sup>or
- (c) in respect of money paid to an institution authorised under the <sup>M22</sup>Banking Act 1987, <sup>F8</sup>or
- (d) in respect of money paid to a relevant European institution,] shall <sup>F9</sup>not be regarded as income for any income tax purpose.]

(2) In this section “certified contractual savings scheme” means, except in relation to a building society <sup>F10</sup>or an institution authorised under the Banking Act 1987 <sup>F11</sup>or a relevant European institution], <sup>F12</sup>a share option linked scheme]—

- (a) governed by regulations made under section <sup>F13</sup>11 of the <sup>M23</sup>National Debt Act 1972]; and
- (b) providing for periodical contributions by individuals for a specified period, and the repayment in accordance with the regulations of contributions together with any additional sum by way of bonus or interest, and
- (c) certified by the Treasury as qualifying for exemption under this section.

(3) In this section “certified contractual savings scheme” means, in relation to a building society, <sup>F12</sup>a share option linked scheme]—

- (a) providing for periodical contributions by individuals for a specified period, being contributions by way of investment in shares in the building society, and
- (b) certified by the Treasury as <sup>F14</sup>fulfilling such requirements as the Treasury may specify for the purposes of this section], and as qualifying for exemption under this section.

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- [<sup>F15</sup>(4) In this section “certified contractual savings scheme” means, in relation to an institution authorised under the Banking Act 1987, [<sup>F12</sup>a share option linked scheme]—
- (a) providing for periodical contributions by individuals for a specific period, and
  - (b) certified by the Treasury as [<sup>F14</sup>fulfilling such requirements as the Treasury may specify for the purposes of this section], and as qualifying for exemption under this section.]
- [<sup>F16</sup>(5) In this section “certified contractual savings scheme” means, in relation to a relevant European institution, a share option linked scheme—
- (a) providing for periodical contributions by individuals for a specified period, and
  - (b) certified by the Treasury as [<sup>F14</sup>fulfilling such requirements as the Treasury may specify for the purposes of this section], and as qualifying for exemption under this section.]
- [<sup>F17</sup>(6) Any terminal bonus, interest or other sum payable under a scheme shall not be treated as payable under a certified contractual savings scheme for the purposes of this section if—
- (a) the contract under which the sum is payable provides for contributions to be made by way of investment in a building society or to be made to an institution authorised under the Banking Act 1987 or to a relevant European institution, and
  - (b) neither the requirement under subsection (7) below nor that under subsection (8) below is fulfilled.
- (7) The requirement under this subsection is that—
- (a) when the contract is entered into there is Treasury authorisation for the society or institution concerned to enter into contracts under the scheme, and
  - (b) the authorisation was given without any conditions being imposed.
- (8) The requirement under this subsection is that—
- (a) when the contract is entered into there is Treasury authorisation for the society or institution concerned to enter into contracts under the scheme,
  - (b) the authorisation was given subject to conditions being met, and
  - (c) the conditions are met when the contract is entered into.]
- [<sup>F18</sup>(9) Schedule 15A to this Act (which contains provisions supplementing this section) shall have effect.]

#### Textual Amendments

- F7** 1990 s.29(a).
- F8** S. 326(1)(d) and preceding word inserted (with application in accordance with Sch. 12 para. 3(5) of the amending Act) by Finance Act 1995 (c. 4), Sch. 12 para. 3(2)
- F9** 1990 s.29(b).*Previously*  
“be disregarded for all purposes of the Income Tax Acts.”
- F10** 1990 s.29(c).
- F11** Words in s. 326(2) inserted (1.5.1995) by Finance Act 1995 (c. 4), Sch. 12 para. 3(3)
- F12** Words in s. 326(2)(3)(4) substituted (with application in accordance with Sch. 12 para. 2(3) of the amending Act) by Finance Act 1995 (c. 4), Sch. 12 para. 2(1)(2)
- F13** 1990 s.89 and Sch. 14 para. 5 (*correction of errors*)—*deemed always to have had effect. Previously* “12 of the National Debt Act 1958 or section 52 of the Finance Act 1969”.

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*Changes to legislation: Income and Corporation Taxes Act 1988, CHAPTER IV is up to date with all changes known to be in force on or before 22 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- F14** Words in s. 326(3)(b)(4)(b)(5)(b) substituted (with application in accordance with Sch. 12 para. 4(3) of the amending Act) by Finance Act 1995 (c. 4), **Sch. 12 para. 4(2)**; S.I. 1995/1778, **art. 2**
- F15** 1990 s.29(d).
- F16** S. 326(5) inserted (1.5.1995) by Finance Act 1995 (c. 4), **Sch. 12 para. 3(4)**
- F17** S. 326(6)-(8) inserted (with application in accordance with Sch. 12 para. 5(2) of the amending Act) by Finance Act 1995 (c. 4), **Sch. 12 para. 5(1)**
- F18** S. 326(9) inserted (1.5.1995) by Finance Act 1995 (c. 4), **Sch. 12 para. 6(1)**

**Modifications etc. (not altering text)**

- C5** See 1988(F) Sch.12 para.7—*application of s.326 to building society transfers.*

**Marginal Citations**

- M20** Source-1970 s.415(1)-(3), (5)
- M21** 1968 c. 13.
- M22** 1987 c. 22.
- M23** 1972 c. 65.

**[<sup>F19</sup>326A Tax-exempt special savings accounts.**

- (1) Subject to the provisions of section 326B, any interest or bonus payable on a deposit account in respect of a period when it is a tax-exempt special savings account shall not be regarded as income for any income tax purpose.
- (2) An account is a “tax-exempt special savings account” for the purposes of this section if the conditions set out in subsections (3) to (9) below and any further conditions prescribed by regulations made by the Board are satisfied when the account is opened; and subject to section 326B it shall continue to be such an account until the end of the period of five years beginning with the day on which it is opened, or until the death of the account-holder if that happens earlier.
- (3) The account must be opened on or after 1st January 1991 by an individual aged 18 or more.
- (4) The account must be with a building society or an institution authorised under the Banking Act 1987 [<sup>F20</sup>or a relevant European institution].
- (5) The account must be identified as a tax-exempt special savings account and the account-holder must not simultaneously hold any other such account (with the same or any other society or institution).
- (6) The account must not be a joint account.
- (7) The account must not be held on behalf of a person other than the account-holder.
- (8) The account must not be connected with any other account held by the account-holder or any other person; and for this purpose an account is connected with another if—
  - (a) either was opened with reference to the other, or with a view to enabling the other to be opened on particular terms, or with a view to facilitating the opening of the other on particular terms, and
  - (b) the terms on which either was opened would have been significantly less favourable to the holder if the other had not been opened.
- (9) There must not be in force a notice given by the Board to the society or institution prohibiting it from operating new tax-exempt special savings accounts.

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- [ In this section “relevant European institution” means an institution which—
- <sup>F21</sup>(10) (a) is a European authorised institution within the meaning of the <sup>M24</sup>Banking Co-ordination (Second Council Directive) Regulations 1992, and
- (b) may accept deposits in the United Kingdom in accordance with those regulations.]]

#### Textual Amendments

**F19** Ss. 326A-326C inserted by [Finance Act 1990 \(c. 29\), s. 28\(1\)](#)

**F20** Words in s. 326A(4) inserted (with application in accordance with s. 63(5) of the amending Act) by [Finance Act 1995 \(c. 4\), s. 63\(2\)](#)

**F21** S. 326A(10) inserted (with application in accordance with s. 63(5) of the amending Act) by [Finance Act 1995 \(c. 4\), s. 63\(3\)](#)

#### Marginal Citations

**M24** [S.I. 1992/3218](#).

### 326B Loss of exemption for special savings accounts.

- (1) A tax-exempt special savings account shall cease to be such an account if at any time after it is opened any of the conditions set out in subsections (4) to (8) of section 326A, or any further condition prescribed by regulations made by the Board, is not satisfied, or if any of the events mentioned in subsection (2) below occurs.
- (2) The events referred to in subsection (1) above are—
- (a) the deposit of more than £3,000 in the account during the period of 12 months beginning with the day on which it is opened, more than £1,800 in any of the succeeding periods of 12 months, or more than £9,000 in total;
- (b) a withdrawal from the account which causes the balance to fall below an amount equal to the aggregate of—
- (i) all the sums deposited in the account before the time of the withdrawal, and
- (ii) an amount equal to income tax at the basic rate on any interest or bonus paid on the account before that time (and for this purpose the basic rate in relation to any interest or bonus is the rate that was the basic rate when the interest or bonus was paid);
- (c) the assignment of any rights of the account-holder in respect of the account, or the use of such rights as security for a loan.
- (3) If at any time an account ceases to be a tax-exempt special savings account by virtue of subsection (1) above, the Income Tax Acts shall have effect as if immediately after that time the society or institution had credited to the account an amount of interest equal to the aggregate of any interest and bonus payable in respect of the period during which the account was a tax-exempt special savings account.

#### Modifications etc. (not altering text)

**C6** [S. 326B\(3\)](#) modified (2.1.1996) by The Tax-exempt [Special Savings Account \(Relevant European Institutions\) Regulations 1995 \(S.I. 1995/3239\)](#), [reg. 7](#)

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**[<sup>F22</sup>326BB follow-up TESSAs.**

- (1) Subsection (2) below applies where—
  - (a) an individual, within the period of six months from the day on which a tax-exempt special savings account held by him matured, opens another account (“a follow-up account”) which is a tax-exempt special savings account at the time it is opened; and
  - (b) the total amount deposited in the matured account, before it matured, exceeded £3,000.
- (2) In relation to the follow-up account section 326B(2)(a) shall apply as if the reference to £3,000 were a reference to the total amount so deposited.
- (3) For the purposes of subsection (1) above a tax-exempt special savings account held by an individual matures when a period of five years throughout which the account was a tax-exempt special savings account comes to an end.
- (4) An account is not connected with another account for the purposes of section 326A(8) merely because one of them is a follow-up account.]

**Textual Amendments**

**F22** S. 326BB inserted (1.5.1995) by *Finance Act 1995 (c. 4), s. 62(2)*

**326C Tax-exempt special savings accounts: supplementary.**

- (1) The Board may make regulations—
  - (a) prescribing conditions additional to those set out in section 326A which must be satisfied if an account is to be or remain a tax-exempt special savings account;
  - (b) making provision for the giving by the Board to building societies and other institutions of notices prohibiting them from operating new tax-exempt special savings accounts, including provision about appeals against the giving of notices;
  - (c) requiring building societies and other institutions operating or proposing to operate tax-exempt special savings accounts to give information or send documents to the Board or to make documents available for inspection;
  - [<sup>F23</sup>(cc) providing that subsection (2) of section 326BB does not apply in relation to a follow-up account unless at such time as may be prescribed by the regulations the building society or institution with which the account is held has a document of a prescribed description containing such information as the regulations may prescribe;
  - (cd) requiring building societies and other institutions operating tax-exempt special savings accounts which mature to give to the individuals who have held them certificates containing such information as the regulations may prescribe;]
  - (d) making provision as to the transfer of tax-exempt special savings accounts from one building society or institution to another;
  - (e) generally for supplementing the provisions of sections 326A [<sup>F24</sup>326B and 326BB].

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[<sup>F25</sup>(1A) In paragraph (cc) of subsection (1) above “document” includes a record kept by means of a computer; and regulations made by virtue of that paragraph may prescribe different documents for different cases.

(1B) Subsection (3) of section 326BB applies for the purposes of subsection (1) above as it applies for the purposes of subsection (1) of that section.]

(2) The reference in section 326A to a deposit account shall be taken to include a reference to a share account with a building society, and accordingly that section, [<sup>F26</sup>sections 326B and 326BB] and subsection (1) above shall apply to such an account with the necessary modifications.

#### Textual Amendments

**F23** S. 326C(1)(cc)(dd) inserted (1.5.1995) by Finance Act 1995 (c. 4), s. 62(3)

**F24** Words in s. 326C(1)(e) substituted (1.5.1995) by Finance Act 1995 (c. 4), s. 62(4)

**F25** S. 326C(1A)(1B) inserted (1.5.1995) by Finance Act 1995 (c. 4), s. 62(5)

**F26** Words in s. 326C(2) substituted (1.5.1995) by Finance Act 1995 (c. 4), s. 62(6)

#### [<sup>F27</sup> 326D Tax-exempt special savings accounts: tax representatives.

(1) Without prejudice to the generality of section 326C(1), the Board may make regulations providing that an account held with a relevant European institution shall not be a tax-exempt special savings account at the time it is opened, or shall cease to be a tax-exempt special savings account at a given time, unless at the time concerned one of the following three requirements is fulfilled.

(2) The first requirement is that—

- (a) a person who falls within subsection (5) below is appointed by the institution to be responsible for securing the discharge of prescribed duties which fall to be discharged by the institution, and
- (b) his identity and the fact of his appointment have been notified to the Board by the institution.

(3) The second requirement is that there are other arrangements with the Board for a person other than the institution to secure the discharge of such duties.

(4) The third requirement is that there are other arrangements with the Board designed to secure the discharge of such duties.

(5) A person falls within this subsection if—

- (a) he is not an individual and has a business establishment in the United Kingdom, or
- (b) he is an individual and is resident in the United Kingdom.

(6) Different duties may be prescribed as regards different institutions or different descriptions of institution.

(7) The regulations may provide that—

- (a) the first requirement shall not be treated as fulfilled unless the person concerned is of a prescribed description;
- (b) the appointment of a person in pursuance of that requirement shall be treated as terminated in prescribed circumstances.

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- (8) The regulations may provide that—
- (a) the second requirement shall not be treated as fulfilled unless the person concerned is of a prescribed description;
  - (b) arrangements made in pursuance of that requirement shall be treated as terminated in prescribed circumstances.
- (9) The regulations may provide as mentioned in subsection (10) below as regards a case where—
- (a) in accordance with the first requirement a person is at any time appointed to be responsible for securing the discharge of duties, or
  - (b) in accordance with the second requirement there are at any time arrangements for a person to secure the discharge of duties.
- (10) In such a case the regulations may provide that the person concerned—
- (a) shall be entitled to act on the institution’s behalf for any of the purposes of the provisions relating to the duties;
  - (b) shall secure (where appropriate by acting on the institution’s behalf) the institution’s compliance with and discharge of the duties;
  - (c) shall be personally liable in respect of any failure of the institution to comply with or discharge any such duty as if the duties imposed on the institution were imposed jointly and severally on the institution and the person concerned.
- (11) Regulations under this section may include provision that section 326B(3) shall have effect as if the reference to subsection (1) included a reference to the regulations.
- (12) In this section “prescribed” means prescribed by the regulations.]

#### Textual Amendments

**F27** S. 326D inserted (1.5.1995) by [Finance Act 1995 \(c. 4\), s. 63\(4\)](#)

#### **327 Disabled person’s vehicle maintenance grant.**

A grant made under paragraph 2 of Schedule 2 to the <sup>M25</sup>National Health Service Act 1977 or section 46(3) of the <sup>M26</sup>National Health Service (Scotland) Act 1978 (cost of maintenance etc. of vehicles belonging to disabled persons) or under Article 30 of the <sup>M27</sup>Health and Personal Social Services (Northern Ireland) Order 1972 to any person owning a vehicle shall not be treated as income for any purpose of the Income Tax Acts.

#### Marginal Citations

**M25** 1977 c. 49.

**M26** 1978 c. 29.

**M27** S.I. 1972/1265 (N.I. 14).



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VALID FROM 10/07/2003

### [<sup>F28</sup>327A Payments to adopters

- (1) The following payments shall not be treated as income for any purpose of the Income Tax Acts—
- (a) any payment or reward falling within section 57(3) of the Adoption Act 1976 (payments authorised by the court) which is made to a person who has adopted, or intends to adopt, a child;
  - (b) payments under section 57(3A)(a) of that Act (payments by adoption agencies of legal or medical expenses of persons seeking to adopt);
  - (c) payments of allowances under regulations under section 57A of that Act (permitted allowances to persons who have adopted, or intend to adopt, children) (as at 9th April 2003, see the Adoption Allowance Regulations 1991);
  - (d) any payment or reward falling within section 51(3) of the Adoption (Scotland) Act 1978 (payments authorised by the court) which is made to a person who has adopted, or intends to adopt, a child;
  - (e) payments under section 51(4)(a) of that Act (payments by adoption agencies of legal or medical expenses of persons seeking to adopt);
  - (f) payments of allowances by virtue of section 51B of that Act (transitional provisions) in accordance with a scheme approved by the Secretary of State under section 51(5) of that Act (schemes for payment of allowances to persons who have adopted, or intend to adopt, a child);
  - (g) payments of allowances in accordance with an adoption allowances scheme under section 51A of that Act;
  - (h) any payment or reward falling within Article 59(2)(b) of the Adoption (Northern Ireland) Order 1987 (payments authorised by the court) which is made to a person who has adopted, or intends to adopt, a child;
  - (i) any payment under Article 59(2)(c) of that Order (payments by registered adoption societies) which is made to a person who has adopted, or intends to adopt, a child;
  - (j) payments of allowances under regulations under Article 59A of that Order (permitted allowances to persons who have adopted, or intend to adopt, children) (as at 9th April 2003, see the Adoption Allowance Regulations (Northern Ireland) 1996);
  - (k) payments of financial support made in the course of providing adoption support services within the meaning of the Adoption and Children Act 2002 (see sections 2(6) and (7) and 4 of that Act);
  - (l) payments made under regulations under paragraph 3(1) of Schedule 4 to that Act (transitional and transitory provisions: adoption support services).
- (2) The Treasury may by order amend this section for the purposes of—
- (a) adding a description of payment, or
  - (b) removing a description of payment if the power to make a payment of that description has been repealed or revoked or has otherwise ceased to be exercisable.]

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### Textual Amendments

**F28** S. 327A inserted (with effect in accordance with s. 175(2) of the amending Act) by Finance Act 2003 (c. 14), s. 175(1)

### 328 Funds in court.

- (1) <sup>M28</sup>If any common investment fund established under section 42 of the <sup>M29</sup>Administration of Justice Act 1982 is for the time being designated for the purposes of this subsection by an agreement between the Board and the investment manager of the fund—
- (a) subject to subsection (2) below, the investment manager shall be entitled to exemption from income tax in respect of so much of the income derived from that fund or any investment thereof as is paid by him by way of dividend on the shares into which the fund is divided; and
  - (b) dividends on those shares shall be paid without deduction of income tax and shall be chargeable under Case III of Schedule D.
- A claim for exemption under paragraph (a) shall be made to the Board.
- (2) <sup>M30</sup>Where the income or part of the income derived in a year of assessment from the fund or its investments consists of interest on securities, the income or part (as the case may be) shall for the purposes of subsection (1)(a) above be calculated by treating it as the amount it would be apart from section 714(5), but reduced by an amount (if any) equal to the excess of A over B.
- (3) In subsection (2) above—
- A is the total amount of allowances to which, by virtue of section 714(4), the investment manager of the fund is entitled in the year of assessment in respect of all securities comprised in the fund; and
- B is the total amount of annual profits or gains which, by virtue of section 714(2), he is treated as receiving in the year of assessment in respect of those securities.
- (4) In subsections (2) and (3) above “interest” and “securities” have the same meanings as in sections 710 and 711.
- (5) <sup>M31</sup>Where at any time by virtue of subsection (1) above the income of any person from any source becomes chargeable to income tax as provided by that subsection, not having previously been chargeable by direct assessment on that person, section 66(3) shall apply as if the source of that income were a new source of income acquired by that person at that time.
- (6) The Accountant General and any other person authorised to invest in a fund designated for the purposes of subsection (1) above shall as respects each year of assessment furnish to the Board, at such time and in such manner as they may direct, particulars of any sums paid without deduction of tax by virtue of that subsection and of the persons to whom they were paid, except that particulars shall not be required of any case where the total of such sums paid to any person in that year did not exceed £15.
- (7) An agreement designating a fund for the purposes of subsection (1) above may provide for incidental and consequential matters, including arrangements for giving effect to subsection (1)(a) above by provisional repayments of tax deducted at source, and may

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be determined by the Board or the investment manager of the fund by one year's notice expiring at the end of any year of assessment.

- (8) The reference to the Accountant General is a reference to the Accountant General of the Supreme Court of England and Wales and in relation to money in the Supreme Court of Judicature of Northern Ireland, or money in a county court in Northern Ireland, and in relation to investments representing such money, includes a reference to the Accountant General of the Supreme Court of Judicature of Northern Ireland or any other person by whom such funds are held.

#### Modifications etc. (not altering text)

- C7** See the Common Investment Funds Scheme 1965 (S.I. 1965 No.1467) (not reproduced) para.3—establishment of Gross Income Fund, and para.5—dividends thereon to be paid without deduction of tax so far as permitted by arrangements between Public Trustee and Commissioners of Inland Revenue.

#### Marginal Citations

- M28** Source-1970 s.413(1), (2)  
**M29** 1982 c. 53.  
**M30** Source-1985 Sch.23 8(5), (6); 1986 Sch.17 1(1)  
**M31** Source-1970 s.413(3)-(6)

### 329 Interest on damages for personal injuries.

- (1)<sup>M32</sup>The following interest shall not be regarded as income for any income tax purpose—
- (a) any interest on damages in respect of personal injuries to a plaintiff or any other person, or in respect of a person's death, which is included in any sum for which judgment is given by virtue of a provision to which this paragraph applies; and
  - (b) any interest on damages or solatium in respect of personal injuries sustained by a pursuer or by any other person, decree for payment of which is included in any interlocutor by virtue of section 1 of the <sup>M33</sup>Interest on Damages (Scotland) Act 1958.
- (2)<sup>M34</sup>The provisions to which subsection (1)(a) above applies are—
- (a) section 3 of the <sup>M35</sup>Law Reform (Miscellaneous Provisions) Act 1934;
  - (b) section 17 of the <sup>M36</sup>Law Reform (Miscellaneous Provisions) Act (Northern Ireland) 1937;
  - (c) section 35A of the <sup>M37</sup>Supreme Court Act 1981;
  - (d) section 69 of the <sup>M38</sup>County Courts Act 1984;
  - (e) section 33A of the <sup>M39</sup>Judicature (Northern Ireland) Act 1978; and
  - (f) Article 45A of the <sup>M40</sup>County Courts (Northern Ireland) Order 1980.
- (3)<sup>M41</sup>A payment in satisfaction of a cause of action, including a payment into court, shall not be regarded as income for any income tax purpose to the extent to which it is in respect of interest which would fall within subsection (1) above if included in a sum for which a judgment is given or if decree for payment of it were included in an interlocutor.

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- (4) <sup>M42</sup>In this section “personal injuries” includes any disease and any impairment of a person’s physical or mental condition.

#### Marginal Citations

- M32** Source-1970 s.375A(1); 1971 s.19  
**M33** 1958 c. 61.  
**M34** Source-1970 s.375A(1B)  
**M35** 1934 c. 41.  
**M36** 1937 c. 9 (N.I.).  
**M37** 1981 c. 54.  
**M38** 1984 c. 28.  
**M39** 1978 c. 23 (N.I.).  
**M40** S.I. 1980/397 (N.I. 13).  
**M41** Source-1970 s.375A(1A); 1981 s.39  
**M42** Source-1970 s.35 7A(2); 1971 s.19

VALID FROM 29/04/1996

#### <sup>F29</sup>**329A Personal injury damages in the form of periodical payments.**

- (1) Where—
- (a) an agreement is made settling a claim or action for damages for personal injury on terms whereby the damages are to consist wholly or partly of periodical payments; or
  - (b) a court awarding damages for personal injury makes an order incorporating such terms,
- the payments shall not for the purposes of income tax be regarded as the income of any of the persons mentioned in subsection (2) below and accordingly shall be paid without any deduction under section 348(1)(b) or 349(1).
- (2) The persons referred to in subsection (1) above are—
- (a) the person (“A”) entitled to the damages under the agreement or order;
  - (b) any person who, whether in pursuance of the agreement or order or otherwise, receives the payments or any of them on behalf of A;
  - (c) any trustee who, whether in pursuance of the agreement or order or otherwise, receives the payments or any of them on trust for the benefit of A under a trust under which A is during his lifetime the sole beneficiary.
- (3) The periodical payments referred to in subsection (1) above, or any of them, may, if the agreement or order mentioned in that subsection or a subsequent agreement so provides, consist of payments under one or more annuities purchased or provided for, or for the benefit of, A by the person by whom the payments would otherwise fall to be made.
- (4) Sums paid to, or for the benefit of, A by a trustee or trustees shall not be regarded as his income for the purposes of income tax if made out of payments which by virtue of this section are not to be regarded for those purposes as income of the trustee or trustees.

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- (5) In this section “personal injury” includes any disease and any impairment of a person’s physical or mental condition.
- (6) For the purposes of this section a claim or action for personal injury includes—
- (a) such a claim or action brought by virtue of the <sup>M43</sup>Law Reform (Miscellaneous Provisions) Act 1934;
  - (b) such a claim or action brought by virtue of the <sup>M44</sup>Law Reform (Miscellaneous Provisions) Act (Northern Ireland) 1937;
  - (c) such a claim or action brought by virtue of the <sup>M45</sup>Damages (Scotland) Act 1976;
  - (d) a claim or action brought by virtue of the <sup>M46</sup>Fatal Accidents Act 1976;
  - (e) a claim or action brought by virtue of the <sup>M47</sup>Fatal Accidents (Northern Ireland) Order 1977.
- (7) In relation to such an order as is mentioned in paragraph (b) of subsection (1) above “damages” includes an interim payment which the court, by virtue of rules of court in that behalf, orders the defendant to make to the plaintiff; and where, without such an order, the defendant agrees to make a payment on account of the damages that may be awarded against him in such an action as is mentioned in paragraph (a) of that subsection, that paragraph shall apply to the payment and the agreement as it applies to damages and to such an agreement as is there mentioned.
- (8) In the application of subsection (7) above to Scotland for references to the plaintiff and the defendant there shall be substituted references to the pursuer and the defender.]

#### Textual Amendments

**F29** Ss. 329AA, 329AB inserted (with effect in accordance with s. 150(2)-(4) of the amending Act) by Finance Act 1996 (c. 8), s. 150(1), **Sch. 26**

#### Modifications etc. (not altering text)

**C8** S. 329AA applied (with modifications) (5.8.2004) by [The Thalidomide Children's Trust \(Application of Section 329AA of the Income and Corporation Taxes Act 1988\) Order 2004 \(S.I. 2004/1819\)](#), **art. 2**

#### Marginal Citations

**M43** 1934 c. 41.  
**M44** 1937 c. 9 (N.I.).  
**M45** 1976 c. 13.  
**M46** 1976 c. 30.  
**M47** S.I. 1977/1251 (N.I. 18).

VALID FROM 29/04/1996

#### [<sup>F29</sup>**329AB** Compensation for personal injury under statutory or other schemes.

- (1) Section 329AA applies to annuity payments under an award of compensation made under the Criminal Injuries Compensation Scheme as it applies to payments of damages in that form under such an agreement or order as is mentioned in subsection (1) of that section.

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- (2) In subsection (1) above “the Criminal Injuries Compensation Scheme” means—
- (a) the scheme established by arrangements made under the <sup>M48</sup>Criminal Injuries Compensation Act 1995; or
  - (b) arrangements made by the Secretary of State for compensation for criminal injuries and in operation before the commencement of that scheme.
- (3) If it appears to the Treasury that any other scheme or arrangement, whether established by statute or otherwise, makes provision for the making of periodical payments by way of compensation for personal injury within the meaning of section 329AA, the Treasury may by order apply that section to those payments with such modifications as the Treasury consider necessary.]

#### Textual Amendments

**F29** Ss. 329AA, 329AB inserted (with effect in accordance with s. 150(2)-(4) of the amending Act) by Finance Act 1996 (c. 8), s. 150(1), **Sch. 26**

#### Marginal Citations

**M48** 1995 c. 53.

### [<sup>F30</sup>329A Annuities purchased for certain persons.

- (1) In a case where—
- (a) an agreement is made settling a claim or action for damages for personal injury,
  - (b) under the agreement the damages are to consist wholly or partly of periodical payments, and
  - (c) under the agreement the person entitled to the payments is to receive them as the annuitant under one or more annuities purchased for him by the person against whom the claim or action is brought or, if he is insured against the claim concerned, by his insurer,
- the agreement is for the purposes of this section a qualifying agreement.
- (2) In a case where—
- (a) an agreement is made settling a claim or action for damages for personal injury,
  - (b) under the agreement the damages are to consist wholly or partly of periodical payments, and
  - (c) a later agreement is made under which the person entitled to the payments is from a future date to receive them as the annuitant under one or more annuities purchased for him by the person against whom the claim or action is brought or, if he is insured against the claim concerned, by his insurer,
- the agreement mentioned in paragraph (c) above is for the purposes of this section a qualifying agreement.
- (3) Subsection (4) below applies where—
- (a) a person receives a sum as the annuitant under an annuity purchased for him pursuant to a qualifying agreement, or

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- (b) a person receives a sum on behalf of the annuitant under an annuity purchased for the annuitant pursuant to a qualifying agreement.
- (4) Where this subsection applies the sum shall not be regarded as the recipient's or annuitant's income for any purposes of income tax and accordingly shall be paid without any deduction under section 349(1).
- (5) Subsections (6) to (10) below apply for the purposes of subsection (1) above.
- (6) The periodical payments may be for the life of the claimant, for a specified period or of a specified number or minimum number or include payments of more than one of those descriptions.
- (7) The amounts of the periodical payments (which need not be at a uniform rate or payable at uniform intervals) may be—
  - (a) specified in the agreement, with or without provision for increases of specified amounts or percentages,
  - (b) subject to adjustment in a specified manner so as to preserve their real value, or
  - (c) partly specified as mentioned in paragraph (a) and partly subject to adjustment as mentioned in paragraph (b) above.
- (8) The annuity or annuities must be such as to provide sums which as to amount and time of payment correspond to the periodical payments described in the agreement.
- (9) Personal injury includes any disease and any impairment of a person's physical or mental condition.
- (10) A claim or action for personal injury includes—
  - (a) such a claim or action brought by virtue of the <sup>M49</sup>Law Reform (Miscellaneous Provisions) Act 1934;
  - (b) such a claim or action brought by virtue of the <sup>M50</sup>Law Reform (Miscellaneous Provisions) Act (Northern Ireland) 1937;
  - (c) such a claim or action brought by virtue of the <sup>M51</sup>Damages (Scotland) Act 1976;
  - (d) a claim or action brought by virtue of the <sup>M52</sup>Fatal Accidents Act 1976;
  - (e) a claim or action brought by virtue of the <sup>M53</sup>Fatal Accidents (Northern Ireland) Order 1977.
- (11) For the purposes of subsection (2) above—
  - (a) subsections (6), (9) and (10) above apply;
  - (b) subsection (7) above applies as if the reference to the agreement were to that mentioned in subsection (2)(a) above;
  - (c) subsection (8) above applies as if the reference to periodical payments described in the agreement were to periodical payments described in the agreement mentioned in subsection (2)(a) above and falling to be made after the later agreement takes effect.
- (12) This section does not apply unless the sum concerned is received after the day on which the Finance Act 1995 is passed, but it is immaterial when—
  - (a) the agreement mentioned in subsection (1) above is made or takes effect, or
  - (b) either of the agreements mentioned in subsection (2) above is made or takes effect.]

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#### Textual Amendments

**F30** Ss. 329A, 329B inserted (1.5.1995) by [Finance Act 1995 \(c. 4\), s. 142](#)

#### Marginal Citations

**M49** 1934 c. 41.

**M50** 1937 c. 9 (N.I.).

**M51** 1976 c. 13.

**M52** 1976 c. 30.

**M53** S.I. 1977/1251 (N.I. 18).

### [<sup>F30</sup> 329B Annuities assigned in favour of certain persons.

(1) In a case where—

- (a) an agreement is made settling a claim or action for damages for personal injury,
- (b) under the agreement the damages are to consist wholly or partly of periodical payments,
- (c) the person against whom the claim or action is brought (or, if he is insured against the claim concerned, his insurer) purchases one or more annuities, and
- (d) a later agreement is made under which the annuity is, or the annuities are, assigned in favour of the person entitled to the payments so as to secure that from a future date he receives the payments as the annuitant under the annuity or annuities,

the agreement mentioned in paragraph (d) above is for the purposes of this section a qualifying agreement.

(2) Subsection (3) below applies where—

- (a) a person receives a sum as the annuitant under an annuity assigned in his favour pursuant to a qualifying agreement, or
- (b) a person receives a sum on behalf of the annuitant under an annuity assigned in the annuitant's favour pursuant to a qualifying agreement.

(3) Where this subsection applies the sum shall not be regarded as the recipient's or annuitant's income for any purposes of income tax and accordingly shall be paid without any deduction under section 349(1).

(4) For the purposes of subsection (1) above—

- (a) subsections (6), (9) and (10) of section 329A apply;
- (b) subsections (7) and (8) of section 329A apply as if references to the agreement were to that mentioned in subsection (1)(a) above.

(5) This section does not apply unless the sum concerned is received after the day on which the Finance Act 1995 is passed, but it is immaterial when either of the agreements mentioned in subsection (1) above is made or takes effect.]

#### Textual Amendments

**F30** Ss. 329A, 329B inserted (1.5.1995) by [Finance Act 1995 \(c. 4\), s. 142](#)



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VALID FROM 08/11/1995

**[<sup>F31</sup>329C Annuities: criminal injuries.**

- (1) For the purposes of this section—
- (a) “a qualifying award” is an award of compensation made under the Criminal Injuries Compensation Scheme with respect to a person (“A”) on terms which provide—
    - (i) for payments under one or more annuities purchased for A in accordance with the provisions of the Scheme to be received by A or by another person on his behalf; or
    - (ii) for payments under one or more annuities purchased in accordance with the provisions of the Scheme to be received and held on trust by trustees of a qualifying trust for the benefit of A; and
  - (b) “a qualifying trust” is a trust under which A is, during his lifetime, the sole beneficiary.
- (2) Where a person receives a sum—
- (a) as the annuitant under an annuity purchased for him pursuant to a qualifying award,
  - (b) on behalf of the annuitant under an annuity purchased for the annuitant pursuant to a qualifying award, or
  - (c) as a trustee to be held on trust for A under a qualifying trust, in a case where the sum is paid under the terms of an annuity purchased pursuant to a qualifying award,
- the sum shall not be regarded for the purposes of income tax as income of the recipient, or as A’s income, and accordingly shall be paid without any deduction under section 349(1).
- (3) In this section “the Criminal Injuries Compensation Scheme” means—
- (a) the scheme established by arrangements made under the Criminal Injuries Compensation Act 1995; or
  - (b) arrangements made by the Secretary of State for compensation for criminal injuries and in operation at any time before the commencement of that scheme.]

**Textual Amendments**

**F31** S. 329C inserted (8.11.1995) by [Criminal Injuries Compensation Act 1995 \(c. 53\)](#), s. 8

**330 Compensation for National-Socialist persecution.**

Annuities and pensions payable under any special provision for victims of National-Socialist persecution which is made by the law of the Federal Republic of Germany or any part of it or of Austria shall not be regarded as income for any income tax purpose.

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### 331 Scholarship income.

- <sup>M54</sup>(1) Income arising from a scholarship held by a person receiving full-time instruction at a university, college, school or other educational establishment shall be exempt from income tax, and no account shall be taken of any such income in computing the amount of income for income tax purposes.
- (2) In this section “scholarship” includes an exhibition, bursary or any other similar educational endowment.

#### Marginal Citations

**M54** Source-1970 s.375(1), (2)

VALID FROM 27/07/1999

#### [<sup>F32</sup>331A Student loans: certain interest to be disregarded.

- (1) If—
- (a) a loan is made to a person under any of the relevant student loan provisions,
  - (b) an amount is recovered from him in respect of the loan,
  - (c) an amount is repaid to him in respect of the amount recovered, and
  - (d) interest is paid to him in respect of the amount repaid,
- the interest shall be disregarded for all purposes of income tax.
- (2) For the purposes of subsection (1) above the relevant student loan provisions are—
- (a) section 22 of the <sup>M55</sup>Teaching and Higher Education Act 1998;
  - (b) section 73(f) of the <sup>M56</sup>Education (Scotland) Act 1980;
  - (c) Article 3 of the <sup>M57</sup>Education (Student Support) (Northern Ireland) Order 1998.]

#### Textual Amendments

**F32** S. 331A inserted (27.7.1999) by [Finance Act 1999 \(c. 16\), s. 60](#)

#### Marginal Citations

**M55** 1998 c.30  
**M56** 1980 c.44  
**M57** S.I. 1998/1760 (N.I. 14).

### 332 Expenditure and houses of ministers of religion.

- <sup>M58</sup>(1) Subsection (2) below applies where an interest in any premises belongs to a charity or any ecclesiastical corporation and (in right of that interest)—
- (a) the persons from time to time holding any full-time office as clergyman or minister of any religious denomination, or
  - (b) any particular person holding such an office,

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have or has a residence in those premises from which to perform the duties of the office.

- (2) In the case of such a clergyman or minister, for the purposes of income tax with which he may be chargeable under Schedule E, there shall be disregarded—
- (a) the making good to him, in consequence of his being the holder of his office, of statutory amounts payable in connection with the premises or statutory deductions falling to be made in connection therewith, except in so far as an amount or deduction is properly attributable to a part of the premises in respect of which he receives rent;
  - (b) the payment on his behalf, except as aforesaid, of such a statutory amount; and
  - (c) unless he is in <sup>F33</sup>employment to which Chapter II of Part V applies], the value to him of any expenses incurred in connection with the provision in the premises of living accommodation for him, being expenses incurred in consequence of his being the holder of his office.
- (3) In assessing the income tax chargeable (whether under Schedule E or any other Schedule) upon a clergyman or minister of any religious denomination, the following deductions may be made from any profits, fees or emoluments of his profession or vocation—
- (a) any sums of money paid or expenses incurred by him wholly, exclusively and necessarily in the performance of his duty as a clergyman or minister;
  - (b) such part of the rent (not exceeding one-quarter) as the inspector by whom the assessment is made may allow, paid by him in respect of a dwelling-house any part of which is used mainly and substantially for the purposes of his duty as such clergyman or minister; and
  - (c) in respect of expenses borne by him in the maintenance, repairs, insurance or management of any premises in which, in right of such an interest as is mentioned in subsection (1) above, he has such a residence as is mentioned in that subsection, such part of the expenses as, together with any deduction allowable in respect of such expenses under paragraph (a) above, is equal to one-quarter of the amount of the expenses.

On an appeal to the General Commissioners or Special Commissioners, the Commissioners shall have jurisdiction to review the inspector's decision under paragraph (b) above.

- (4) In this section “statutory amount” and “statutory deduction” mean an amount paid and a deduction made in pursuance of any provision contained in or having the force of an Act.

#### Textual Amendments

- F33** 1989 s.53(2)(f). *Previously*  
“director's or higher-paid employment (as defined in section 167)”.

#### Marginal Citations

- M58** Source-1970 s.194; 1977 Sch.8 2, 3; 1987 Sch.15 2(12)

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### [<sup>F34</sup>332A Venture capital trusts: relief.

Schedule 15B shall have effect for conferring relief from income tax in respect of investments in venture capital trusts and distributions by such trusts.]

#### Textual Amendments

**F34** S. 332A inserted (1.5.1995) by Finance Act 1995 (c. 4), s. 71(1)

### 333 Personal equity plans.

<sup>M59</sup>(1) The Treasury may make regulations providing that an individual who invests under a plan shall be entitled to relief from income tax in respect of the investments.

(2) The regulations shall set out the conditions subject to which plans are to operate and the extent to which investors are to be entitled to relief from tax.

(3) In particular, the regulations may—

- (a) specify the description of individuals who may invest and the kind of investments they may make;
- (b) specify maximum investment limits and minimum periods for which investments are to be held;
- (c) provide that investments are to be held by persons (“plan managers”) on behalf of investors;
- (d) specify how relief from tax is to be claimed by, and granted to, investors or plan managers on their behalf;
- (e) provide that plans and plan managers must be such as are approved by the Board;
- (f) specify the circumstances in which approval may be granted and withdrawn.
- [<sup>F35</sup>(g) provide for plans to be treated as being of different kinds, according to criteria set out in the regulations;
- (h) provide that the Board may register a plan as being of a particular kind;
- (i) make different provision as to different kinds of plan;
- (j) provide for investment by an individual under more than one plan in the same year of assessment.]

(4) The regulations may include provision—

- (a) that in prescribed circumstances—
  - (i) an investor under a plan shall cease to be, and be treated as not having been, entitled to relief from tax in respect of the investments; and
  - (ii) he or the plan manager concerned (depending on the terms of the regulations) shall account to the Board for tax from which relief has already been given on the basis that the investor was so entitled;
- (b) that an investor under a plan or the plan manager concerned (depending on the terms of the regulations) shall account to the Board for tax from which relief has been given in circumstances such that the investor was not entitled to it;
- (c) adapting, or modifying the effect of, any enactment relating to income tax in order to—
  - (i) secure that investors under plans are entitled to relief from tax in respect of investments;

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- (ii) secure that investors under plans cease to be, and are treated as not having been, so entitled;
  - (iii) secure that investors under plans or plan managers account for tax as mentioned in paragraph (a) or (b) above;
- (d) that a person who is, or has at any time been, either an investor under a plan or a plan manager—
- (i) shall comply with any notice which is served on him by the Board and which requires him within a prescribed period to make available for the Board’s inspection documents (of a prescribed kind) relating to a plan or to investments which are or have been held under it;
  - (ii) shall, within a prescribed period of being required to do so by the Board, furnish to the Board information (of a prescribed kind) about a plan or about investments which are or have been held under it;
- (e) generally for the purpose of bringing plans into existence, and generally for the purpose of the administration of plans and the administration of income tax and corporation tax in relation to them.
- (5) In this section “prescribed” means prescribed by the regulations.

#### Textual Amendments

**F35** S. 333(3)(g)-(j) inserted by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), [s.70](#)

#### Modifications etc. (not altering text)

**C9** S. 333(2)-(5) applied (with modifications) (6.3.1992 with effect as mentioned in [s. 289\(1\)\(2\)](#) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), [ss. 151\(2\)](#), [289](#) (with [ss. 60](#), [101\(1\)](#), [171](#), [201\(3\)](#)).

**C10** For regulations see Part III Vol.5.

#### Marginal Citations

**M59** Source-1986 Sch.8

### [<sup>F36</sup>333A Personal equity plans: tax representatives.

- (1) Regulations under section 333 may include provision that a European institution cannot be a plan manager unless one of the following three requirements is fulfilled.
- (2) The first requirement is that—
  - (a) a person who falls within subsection (5) below is for the time being appointed by the institution to be responsible for securing the discharge of prescribed duties which fall to be discharged by the institution, and
  - (b) his identity and the fact of his appointment have been notified to the Board by the institution.
- (3) The second requirement is that there are for the time being other arrangements with the Board for a person other than the institution to secure the discharge of such duties.
- (4) The third requirement is that there are for the time being other arrangements with the Board designed to secure the discharge of such duties.
- (5) A person falls within this subsection if—

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- (a) he is not an individual and has a business establishment in the United Kingdom, or
  - (b) he is an individual and is resident in the United Kingdom.
- (6) Different duties may be prescribed as regards different institutions or different descriptions of institution.
- (7) The regulations may provide that—
- (a) the first requirement shall not be treated as fulfilled unless the person concerned is of a prescribed description;
  - (b) the appointment of a person in pursuance of that requirement shall be treated as terminated in prescribed circumstances.
- (8) The regulations may provide that—
- (a) the second requirement shall not be treated as fulfilled unless the person concerned is of a prescribed description;
  - (b) arrangements made in pursuance of that requirement shall be treated as terminated in prescribed circumstances.
- (9) The regulations may provide as mentioned in subsection (10) below as regards a case where—
- (a) in accordance with the first requirement a person is for the time being appointed to be responsible for securing the discharge of duties, or
  - (b) in accordance with the second requirement there are for the time being arrangements for a person to secure the discharge of duties.
- (10) In such a case the regulations may provide that the person concerned—
- (a) shall be entitled to act on the institution’s behalf for any of the purposes of the provisions relating to the duties;
  - (b) shall secure (where appropriate by acting on the institution’s behalf) the institution’s compliance with and discharge of the duties;
  - (c) shall be personally liable in respect of any failure of the institution to comply with or discharge any such duty as if the duties imposed on the institution were imposed jointly and severally on the institution and the person concerned.
- (11) In this section—
- (a) “European institution” has the same meaning as in the <sup>M60</sup>Banking Co-ordination (Second Council Directive) Regulations 1992;
  - (b) “prescribed” means prescribed by the regulations.
- (12) The preceding provisions of this section shall apply in the case of a relevant authorised person as they apply in the case of a European institution; and “relevant authorised person” here means a person who is an authorised person for the purposes of the <sup>M61</sup>Financial Services Act 1986 by virtue of section 31 of that Act.]

#### Textual Amendments

**F36** S. 333A inserted (1.5.1995) by Finance Act 1995 (c. 4), s. 64(1)

#### Marginal Citations

**M60** S.I. 1992/3218.

**M61** 1986 c. 60.

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VALID FROM 31/07/1998

**[<sup>F37</sup>333B] Involvement of insurance companies with plans and accounts.**

- (1) The Treasury may make regulations providing exemption from tax for income from, and chargeable gains in respect of, investments and deposits of so much of an insurance company's long term business fund as is referable to section 333 business.
- (2) The Treasury may by regulations modify the effect of section 30(4) of the <sup>M62</sup>Finance (No. 2) Act 1997 (which repeals section 231(2) of the Taxes Act 1988 with effect from 6th April 1999) in relation to distributions which—
  - (a) are made before 6th April 2004; and
  - (b) are received by an insurance company in respect of investments of so much of its long term business fund as is referable to section 333 business.
- (3) Regulations under this section may make provision for insurance companies that are not resident in the United Kingdom to be treated, in relation to investments of so much of their long term business funds as are referable to section 333 business—
  - (a) as if they were so resident for the purposes of any enactment conferring an entitlement to, or to the payment of, tax credits in respect of investments; and
  - (b) as if such other conditions of any entitlement to, or to the payment of, tax credits were also satisfied.
- (4) Regulations under section 333 or this section may include provision which, in relation to insurance companies that are not resident in the United Kingdom—
  - (a) requires a person to be appointed to be responsible for securing the discharge of any duties to which such an insurance company is subject under the regulations; and
  - (b) confers rights and powers, and imposes liabilities, on a person so appointed; and, without prejudice to the generality of paragraphs (a) and (b) above, regulations made by virtue of this subsection may include any provision corresponding to any that, in relation to a European institution, may be made under section 333A.
- (5) Regulations under this section may provide that an insurance company—
  - (a) shall comply with any notice served on it by the Board which requires it, within a prescribed period, to make available for the Board's inspection documents (of a prescribed kind) relating to, or to matters connected with, its past or present section 333 business; and
  - (b) shall, within a prescribed period of being required to do so by the Board, furnish to the Board information (of a prescribed kind) about its past or present section 333 business or any matters connected with it.
- (6) Any power of the Treasury under this section to make provision by regulations in relation to insurance companies shall include power by regulations to make such corresponding provision in relation to friendly societies as the Treasury think fit.
- (7) Regulations under this section may—
  - (a) for purposes connected with any exemption from tax conferred by virtue of subsection (1) above, apply or modify any provision made by or under the Tax Acts;
  - (b) make different provision for different cases;

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- (c) include such incidental, supplemental, consequential and transitional provision as the Treasury may consider appropriate.
- (8) Without prejudice to the generality of the powers conferred by subsection (7) above, the provision that may be made in connection with an exemption from tax conferred by virtue of subsection (1) above shall include provision for section 436 to apply (with any such modifications as may be prescribed) in relation to section 333 business as it applies in relation to pension business.
- (9) In this section—
- “friendly society” has the same meaning as in Chapter II of Part XII;
  - “insurance company” means an insurance company within the meaning of the <sup>M63</sup>Insurance Companies Act 1982;
  - “long term business fund” has the same meaning as in Chapter I of Part XII;
  - “prescribed” means prescribed by regulations under this section;
  - “section 333 business”, in relation to an insurance company, means the business of the company that is attributable to the making of investments with that company under plans for which provision is made by regulations under section 333.]

#### Textual Amendments

**F37** S. 333B inserted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 77\(1\)](#)

#### Marginal Citations

**M62** 1997 c. 58.

**M63** 1982 c. 50.



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