



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART XIII **U.K.**

#### MISCELLANEOUS SPECIAL PROVISIONS

### CHAPTER VI **U.K.**

#### OTHER PROVISIONS

##### *Miscellaneous*

#### **577 Business entertaining expenses. **U.K.****

- (1) <sup>M1</sup>Subject to the provisions of this section—
  - (a) no deduction shall be made in computing [<sup>F1</sup>profits] chargeable to tax under <sup>F2</sup>. . . Schedule D for any expenses incurred in providing business entertainment, and such expenses shall not be included in computing any expenses of management in respect of which relief may be given under the Tax Acts;
  - (b) no deduction for expenses so incurred shall be made from emoluments chargeable to tax under Schedule E; and
  - (c) for the purposes of [<sup>F3</sup>Part II of the 1990 Act], the use of any asset for providing business entertainment shall be treated as use otherwise than for the purposes of trade.
- (2) <sup>F4</sup>.....
- (3) The expenses to which paragraph (a) of subsection (1) above applies include, in the case of any person, any sums paid by him to, or on behalf of, or placed by him at the disposal of a member of his staff exclusively for the purpose of defraying expenses incurred or to be incurred by him in providing business entertainment, but where—
  - (a) any such sum falls to be included in his emoluments chargeable to tax under Schedule E; and

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- (b) the deduction or inclusion of that sum as mentioned in that paragraph falls to be disallowed in whole or in part by virtue of this section;  
 paragraph (b) of that subsection shall not preclude the deduction of any expenses defrayed out of that sum.
- (4) <sup>F4</sup> . . . . .
- (5) For the purposes of this section “business entertainment” means entertainment (including hospitality of any kind) provided by a person, or by a member of his staff, in connection with a trade carried on by that person, but does not include anything provided by him for bona fide members of his staff unless its provision for them is incidental to its provision also for others.
- (6) <sup>F4</sup> . . . . .
- (7) In this section—
- (a) any reference to expenses incurred in, or to the use of an asset for, providing entertainment includes a reference to expenses incurred in, or to the use of an asset for, providing anything incidental thereto;
- (b) references to a trade include references to any business, profession or vocation; and
- (c) references to the members of a person’s staff are references to persons employed by that person, directors of a company or persons engaged in the management of a company being for this purpose deemed to be persons employed by it.
- (8) This section shall apply in relation to the provision of a gift as it applies in relation to the provision of entertainment, except that it shall not by virtue of this subsection apply in relation to the provision for any person of a gift consisting of an article incorporating a conspicuous advertisement for the donor, being an article—
- (a) which is not food, drink, tobacco or a token or voucher exchangeable for goods; and
- (b) the cost of which to the donor, taken together with the cost to him of any other such articles given by him to that person in the same year, does not exceed £10.
- (9) <sup>M2</sup>Subsection (8) above shall not preclude the deduction, in computing [<sup>F1</sup>profits] under <sup>F2</sup> . . . Case I or II of Schedule D, of expenditure incurred in making a gift to a body of persons or trust established for charitable purposes only; and for the purposes of this subsection the Historic Buildings and Monuments Commission for England and the Trustees of the National Heritage Memorial Fund shall each be treated as such a body of persons.
- (10) <sup>M3</sup>Nothing in this section shall be taken as precluding the deduction of expenses incurred in, or any claim for capital allowances in respect of the use of an asset for, the provision by any person of anything which it is his trade to provide, and which is provided by him in the ordinary course of that trade for payment or, with the object of advertising to the public generally, gratuitously.

#### Textual Amendments

**F1** Words in s. 577(1)(a)(9) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a), Sch. 7 para. 1

**F2** Words in s. 577(1)(9) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), Sch. 27 Pt. 3(4), Note

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- F3** Words in s. 577(1)(c) substituted (with effect in accordance with s. 164(1)(2) and with application in accordance with s. 164(1)(2) of the amending Act) by Capital Allowances Act 1990 c. 1), Sch. 1 para. 8(30), s. 164(3)
- F4** S. 577(2)(4)(6) repealed (with effect in accordance with s. 72(1) of the repealing Act) by Finance Act 1988 (c. 39), Sch 14 Pt. 4

#### Marginal Citations

- M1** Source-1970 s.411(1)-(8); 1985 s.43; 1971 s.50(8)
- M2** Source-1980 s.54, 118(3); 1983 s.46(3)(b)
- M3** Source-1970 s.411(9)

### [<sup>F5</sup>577A Expenditure involving crime. U.K.]

(1) In computing [<sup>F6</sup>profits] chargeable to tax under <sup>F7</sup>. . . Schedule D, no deduction shall be made for any expenditure incurred in making a payment the making of which constitutes the commission of a criminal offence.

[ In computing [<sup>F6</sup>profits] chargeable to tax under <sup>F7</sup>. . . Schedule D, no deduction shall <sup>F8</sup>(1A) be made for any expenditure incurred in making a payment induced by a demand constituting—

- (a) the commission in England or Wales of the offence of blackmail under section 21 of the Theft Act 1968,
- (b) the commission in Northern Ireland of the offence of blackmail under section 20 of the Theft Act (Northern Ireland) 1969, or
- (c) the commission in Scotland of the offence of extortion.]

(2) [<sup>F9</sup>Any expenditure mentioned in subsection (1) or (1A) above] shall not be included in computing any expenses of management in respect of which relief may be given under the Tax Acts.]

#### Textual Amendments

- F5** S. 577A inserted (with application in accordance with s. 123(2) of the amending Act) by Finance Act 1993 (c. 34), s. 123(1)(2)
- F6** Words in s. 577A(1)(1A) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a), Sch. 7 para. 1
- F7** Words in s. 577A(1)(1A) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), Sch. 27 Pt. 3(4), Note
- F8** S. 577A(1A) inserted (with application in accordance with s. 141(4) of the amending Act) by Finance Act 1994 (c. 9), s. 141(2)
- F9** Words in s. 577A(2) substituted (with application in accordance with s. 141(4) of the amending Act) by Finance Act 1994 (c. 9), s. 141(3)

### 578 Housing grants. U.K.

<sup>M4</sup>(1) Where, under any enactment relating to the giving of financial assistance for the provision, maintenance or improvement of housing accommodation or other residential accommodation, a payment is made to a person by way of grant or other contribution towards expenses incurred, or to be incurred, by that or any other person, the payment shall not be treated as a receipt in computing income for any tax purpose.

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- (2) Subsection (1) above shall not apply to a payment in so far as it is made in respect of an expense giving rise to a deduction in computing income for any tax purpose.

#### Marginal Citations

**M4** Source-1970 s.376

VALID FROM 22/03/2001

#### [<sup>F10</sup>578A Expenditure on car hire U.K.]

- (1) This section provides for a reduction in the amounts—
- (a) allowable as deductions in computing profits chargeable to tax under Case I or II of Schedule D,
  - (b) which can be included as expenses of management of an investment company (as defined by section 130), or
  - (c) allowable as deductions from emoluments chargeable to tax under Schedule E,
- for expenditure on the hiring of a car to which this section applies.
- (2) This section applies to the hiring of a car—
- (a) which is not a qualifying hire car, and
  - (b) the retail price of which when new exceeds £12,000.
- “Car” and “qualifying hire car” are defined by section 578B.
- (3) The amount which would, apart from this section, be allowable or capable of being included must be reduced by multiplying it by the fraction—

$$\frac{\pounds 12,000 + P}{2P}$$

where P is the retail price of the car when new.

- (4) If an amount has been reduced under subsection (3) and subsequently—
- (a) there is a rebate (however described) of the rentals, or
  - (b) there occurs in connection with the rentals a transaction that falls within section 94 (debts deducted and subsequently released),
- the amount otherwise taxable in respect of the rebate or transaction must be reduced by multiplying it by the fraction in subsection (3) above.]

#### Textual Amendments

**F10** Ss. 578A, 578B inserted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 52](#) (with [Sch. 3 para. 113](#))

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VALID FROM 22/03/2001

**[<sup>F10</sup>578B Expenditure on car hire: supplementary U.K.]**

- (1) In section 578A “car” means a mechanically propelled road vehicle other than one—
  - (a) of a construction primarily suited for the conveyance of goods or burden of any description, or
  - (b) of a type not commonly used as a private vehicle and unsuitable for such use.References to a car accordingly include a motor cycle.
- (2) For the purposes of section 578A, a car is a qualifying hire car if—
  - (a) it is hired under a hire-purchase agreement (within the meaning of section 784(6)) under which there is an option to purchase exercisable on the payment of a sum equal to not more than 1 per cent. of the retail price of the car when new, or
  - (b) it is a qualifying hire car for the purposes of Part 2 of the Capital Allowances Act (under section 82 of that Act).
- (3) In section 578A and this section “new” means unused and not second-hand.
- (4) The power under section 74(4) of the Capital Allowances Act to increase or further increase the sums of money specified in Chapter 8 of Part 2 of that Act includes the power to increase or further increase the sum of money specified in section 578A(2) (b) or (3).]

**Textual Amendments**

**F10** Ss. 578A, 578B inserted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 52 (with Sch. 3 para. 113)

**579 Statutory redundancy payments. U.K.**

- <sup>M5</sup>(1) Any redundancy payment, and the corresponding amount of any other employer’s payment, shall be exempt from income tax under Schedule E.
- (2) Where a redundancy payment or other employer’s payment is made in respect of employment wholly in a trade, profession or vocation carried on by the employer, and within the charge to tax, the amount of the redundancy payment or the corresponding amount of the other employer’s payment shall (if not otherwise so allowable) be allowable as a deduction in computing for the purposes of Schedule D the [<sup>F11</sup>profits] or losses of the trade, profession or vocation, but—
  - (a) <sup>F12</sup> . . . . .
  - (b) if the employer’s payment was made after the discontinuance of the trade, profession or vocation the <sup>F13</sup> . . . amount so deductible shall be treated as if it were a payment made on the last day on which the trade, profession or vocation was carried on.
- (3) Where a redundancy payment or other employer’s payment is made in respect of employment wholly in a business carried on by the employer and expenses of management of the business are eligible for relief under section 75 or 76—

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- (a) the amount [<sup>F14</sup>of the redundancy payment or the corresponding amount of the other employer's payment] shall (if not otherwise so allowable) be allowable as expenses of management eligible for relief under that section, and
  - (b) if the employer's payment was made after the discontinuance of the business the <sup>F15</sup> . . . amount so allowable shall be treated as if it were expenses of management incurred on the last day on which the business was carried on.
- (4) <sup>F16</sup> . . . . .
- (5) Relief shall not be given under [<sup>F17</sup>subsections (2) and (3)] above, or otherwise, more than once in respect of any employer's payment, and if the employee was being employed in such a way that different parts of his remuneration fell for tax purposes to be treated in different ways—
- (a) the amount [<sup>F18</sup>of the redundancy payment or the corresponding amount of the other employer's payment] shall be apportioned to the different capacities in which the employee was employed; and
  - (b) [<sup>F17</sup>subsections (2) and (3)] above shall apply separately to the employment in those capacities, and by reference to the apportioned part of that amount, instead of by reference to the full amount of the employer's payment <sup>F19</sup> . . . .
- (6) Where the Minister pays a sum under [<sup>F20</sup>section 166 of the Employment Rights Act 1996] or [<sup>F21</sup>Article 201 of the Employment Rights (Northern Ireland) Order 1996] in respect of an employer's payment this section shall apply as if—
- (a) that sum had been paid on account of that redundancy or other employer's payment, and
  - (b) so far as the employer has reimbursed the Minister, it had been so paid by the employer.

#### Textual Amendments

- F11** Words in s. 579(2) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a), **Sch. 7 para. 1**
- F12** S. 579(2)(a) repealed (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 3 Pt. 1**
- F13** Word in s. 579(2)(b) repealed (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 3 Pt. 1**
- F14** Words in s. 579(3)(a) substituted (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 1 para. 35(2)(a)**
- F15** Word in s. 579(3)(b) repealed (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 3 Pt. 1**
- F16** S. 579(4) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), **Sch. 5 para. 43, Sch. 27 Pt. 3(4)**, Note (with Sch. 5 para. 73)
- F17** Words in s. 579(5) substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 5 para. 43** (with Sch. 5 para. 73)
- F18** Words in s. 579(5)(a) substituted (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 1 para. 35(2)(a)**
- F19** Words in s. 579(5)(b) repealed (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 3 Pt. 1**
- F20** Words in s. 579(6) substituted (22.8.1996) by Employment Rights Act 1996 (c. 18), s. 243, **Sch. 1 para. 35(2)(b)**
- F21** Words in s. 579(6) substituted (24.9.1996) by The Employment Rights (Northern Ireland) Order 1996 (S.I. 1996/1919 (N.I. 16)), arts. 1(2), 255, **Sch. 1** (with Sch. 2 para. 1)

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

- C2** S. 579 modified (with effect in accordance with s. 39(3)-(5) of the modifying Act) by Finance Act 1995 (c. 4), **Sch. 6 para. 23**

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### Marginal Citations

M5 Source-1970 s.412(1)-(6)

## 580 Provisions supplementary to section 579. U.K.

<sup>M6</sup>(1) In section 579—

- (a) “redundancy payment”<sup>F22</sup> and “employer’s payment” have the same meaning as in Part XI of the Employment Rights Act 1996] or <sup>F23</sup>Part XII of the Employment Rights (Northern Ireland) Order 1996];
- (b) references to the corresponding amount of an employer’s payment (other than a redundancy payment) are references to the amount of that employer’s payment so far as not in excess of the amount <sup>F24</sup>which would have been payable as a redundancy payment had one been payable;]
- (c) “the Minister” in relation to <sup>F25</sup>the Employment Rights Act 1996] means the Secretary of State and in relation to <sup>F26</sup>the Employment Rights (Northern Ireland) Order 1996] means the Department of Health and Social Services.

(2) <sup>F27</sup>.....

(3) In section 579(1) the reference to tax under Schedule E does not include a reference to tax under section 148 and accordingly payments exempted by section 579(1) may be taken into account under section 148.

### Textual Amendments

- F22** Words in s. 580(1)(a) substituted (22.8.1996) by [Employment Rights Act 1996 \(c. 18\), s. 243, Sch. 1 para. 35\(3\)\(a\)](#)
- F23** Words in s. 580(1)(a) substituted (24.9.1996) by [The Employment Rights \(Northern Ireland\) Order 1996 \(S.I. 1996/1919 \(N.I. 16\)\), arts. 1\(2\), 255, Sch. 1 \(with Sch. 2 para. 1\)](#)
- F24** Words in s. 580(1)(b) substituted (22.8.1996) by [Employment Rights Act 1996 \(c. 18\), s. 243, Sch. 1 para. 35\(3\)\(b\)](#)
- F25** Words in s. 580(1)(c) substituted (22.8.1996) by [Employment Rights Act 1996 \(c. 18\), s. 243, Sch. 1 para. 35\(3\)\(c\)](#)
- F26** Words in s. 580(1)(c) substituted (24.9.1996) by [The Employment Rights \(Northern Ireland\) Order 1996 \(S.I. 1996/1919 \(N.I. 16\)\), arts. 1\(2\), 255, Sch. 1 \(with Sch. 2 para. 1\)](#)
- F27** S. 580(2) repealed (22.8.1996) by [Employment Rights Act 1996 \(c. 18\), s. 243, Sch. 3 Pt. 1](#)

### Marginal Citations

M6 Source-1970 s.412(7), (8)

## <sup>F28</sup>580A Relief from tax on annual payments under certain insurance policies. U.K.

- (1) This section applies (subject to subsection (7)(b) below) in the case of any such annual payment under an insurance policy as—
  - (a) apart from this section, would be brought into charge under Case III of Schedule D; or
  - (b) is equivalent to a description of payment brought into charge under Case III of that Schedule but (apart from this section) would be brought into charge under Case V of that Schedule.

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- (2) Subject to the following provisions of this section, the annual payment shall be exempt from income tax if—
- (a) it constitutes a benefit provided under so much of an insurance policy as provides insurance against a qualifying risk;
  - (b) the provisions of the policy by which insurance is provided against that risk are self-contained (within the meaning of section 580B);
  - (c) the only annual payments relating to that risk for which provision is made by that policy are payments in respect of a period throughout which the relevant conditions of payment are satisfied; and
  - (d) at all times while the policy has contained provisions relating to that risk, those provisions have been of a qualifying type.
- (3) For the purposes of this section and section 580B a qualifying risk is any risk falling within either of the following descriptions, that is to say—
- (a) a risk that the insured will (or will in any specified way) become subject to, or to any deterioration in a condition resulting from, any physical or mental illness, disability, infirmity or defect;
  - (b) a risk that circumstances will arise as a result of which the insured will cease to be employed or will cease to carry on any trade, profession or vocation carried on by him.
- (4) For the purposes of this section the relevant conditions of payment are satisfied in relation to payments under an insurance policy for so long as any of the following continues, that is to say—
- (a) an illness, disability, infirmity or defect which is insured against by the relevant part of the policy, and any related period of convalescence or rehabilitation;
  - (b) any period during which the insured is, in circumstances insured against by the relevant part of the policy, either unemployed or not carrying on a trade, profession or vocation;
  - (c) any period during which the income of the insured (apart from any benefits under the policy) is less, in circumstances so insured against, than it would have been if those circumstances had not arisen; or
  - (d) any period immediately following the end, as a result of the death of the insured, of any period falling within any of paragraphs (a) to (c) above;
- and in this subsection “the relevant part of the policy” means so much of it as relates to insurance against one or more risks mentioned in subsection (3) above.
- (5) For the purposes of subsection (2)(d) above provisions relating to a qualifying risk are of a qualifying type if they are of such a description that their inclusion in any policy of insurance containing provisions relating only to a comparable risk would (apart from any reinsurance) involve the possibility for the insurer that a significant loss might be sustained on the amounts payable by way of premiums in respect of the risk, taken together with any return on the investment of those amounts.
- (6) An annual payment shall not be exempt from income tax under this section if it is paid in accordance with a contract the whole or any part of any premiums under which have qualified for relief for the purposes of income tax by being deductible either—
- (a) in the computation of the insured’s income from any source; or
  - (b) from the insured’s income.



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- (7) Where a person takes out any insurance policy wholly or partly for the benefit of another and that other person pays or contributes to the payment of the premiums under that policy, then to the extent only that the benefits under the policy are attributable, on a just and reasonable apportionment, to the payments or contributions made by that other person—
- (a) that other person shall be treated for the purposes of this section and section 580B as the insured in relation to that policy;
  - (b) this section shall have effect in relation to those benefits, so far as comprised in payments to that other person or his spouse, as if the reference in subsection (1)(a) above to Case III of Schedule D included a reference to Schedule E; and
  - (c) subsection (6) above shall have effect as if the references to the premiums under the policy were references only to the payments or contributions made by that other person in respect of the premiums.
- (8) Where—
- (a) payments are made to or in respect of any person (“the beneficiary”) under any insurance policy (“the individual policy”),
  - (b) the rights under the individual policy in accordance with which the payments are made superseded, with effect from the time when another policy (“the employer’s policy”) ceased to apply to that person, any rights conferred under that other policy,
  - (c) the employer’s policy is or was a policy entered into wholly or partly for the benefit of persons holding office or employment under any person (“the employer”) against risks falling within subsection (3)(a) above,
  - (d) the individual policy is one entered into in pursuance of, or in accordance with, any provisions contained in the employer’s policy, and
  - (e) the beneficiary has ceased to hold office or employment under the employer as a consequence of the occurrence of anything insured against by so much of the employer’s policy as related to risks falling within subsection (3)(a) above,
- this section shall have effect as if the employer’s policy and the individual policy were one policy.
- (9) In the preceding provisions of this section references to the insured, in relation to any insurance policy, include references to—
- (a) the insured’s spouse; and
  - (b) in the case of a policy entered into wholly or partly for purposes connected with the meeting of liabilities arising from an actual or proposed transaction identified in the policy, any person on whom any of those liabilities will fall jointly with the insured or his spouse.
- (10) References in this section and section 580B to insurance against a risk include references to any insurance for the provision (otherwise than by way of indemnity) of any benefits against that risk, and references to what is insured against by a policy shall be construed accordingly.]

#### Textual Amendments

**F28** Ss. 580A, 580B inserted (with effect in accordance with s. 143(2)-(5) of the amending Act) by Finance Act 1996 (c. 8), s. 143(1)

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**[<sup>F28</sup>580B Meaning of “self-contained” for the purposes of s.580A. U.K.]**

- (1) For the purposes of section 580A the provisions of an insurance policy by which insurance is provided against a qualifying risk are self-contained unless subsection (2) or (3) below applies to the provisions of that policy so far as they relate to that risk; but, in determining whether either of those subsections so applies, regard shall be had to all the persons for whose benefit insurance is provided by that policy against that risk.
- (2) This subsection applies to the provisions of an insurance policy so far as they relate to a qualifying risk if—
  - (a) that insurance policy contains provision for the payment of benefits other than those relating to that risk;
  - (b) the terms of the policy so far as they relate to that risk, or the manner in which effect is given to those terms, would have been significantly different if the only benefits under the policy had been those relating to that risk; and
  - (c) that difference is not one relating exclusively to the fact that the amount of benefits receivable by or in respect of any person under the policy is applied for reducing the amount of other benefits payable to or in respect of that person under the policy.
- (3) This subsection applies to the provisions of an insurance policy (“the relevant policy”) so far as they relate to a qualifying risk if—
  - (a) the insured under that policy is, or has been, the insured under one or more other policies;
  - (b) that other policy, or each of those other policies, is in force or has been in force at a time when the relevant policy was in force or at the time immediately before the relevant policy was entered into;
  - (c) the terms of the relevant policy so far as relating to that risk, or the manner in which effect is given to those terms, would have been significantly different if the other policy or policies had not been entered into; and
  - (d) that difference is not one relating exclusively to the fact that the amount of benefits receivable by or in respect of any person under the other policy, or any of the other policies, is applied for reducing the amount of benefits payable to or in respect of that person under the relevant policy.
- (4) In subsections (2)(b) and (3)(c) above the references to the terms of a policy so far as they relate to a risk include references to the terms fixing any amount payable by way of premium or otherwise in respect of insurance against that risk.]

**Textual Amendments**

**F28** Ss. 580A, 580B inserted (with effect in accordance with s. 143(2)-(5) of the amending Act) by Finance Act 1996 (c. 8), s. 143(1)

VALID FROM 22/07/2004

**[<sup>F29</sup>580C Relief from tax on annual payments under immediate needs annuities U.K.]**

- (1) No liability to income tax arises in respect of a relevant annual payment made under an immediate needs annuity to the extent that—

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- (a) it is made for the benefit of the person protected under the immediate needs annuity, and
  - (b) it is made to a care provider or a local authority in respect of the provision of care for the person protected.
- (2) In this section “relevant annual payment” means an annual payment which—
- (a) would (apart from this section) be brought into charge under Case III of Schedule D, or
  - (b) is equivalent to a description of payment brought into charge under Case III of that Schedule but would (apart from this section) be brought into charge under Case V of that Schedule.
- (3) In this section “immediate needs annuity” means a contract for a life annuity—
- (a) the purpose, or one of the purposes, of which is to protect a person against the consequences of his being unable, at the time the contract is made, to live independently without assistance because of—
    - (i) mental or physical impairment, or
    - (ii) injury, sickness or other infirmity,which is expected to be permanent, and
  - (b) under which benefits are payable in respect of the provision of care for the person protected.
- (4) In this section “care provider” means a person who carries on a trade, profession or vocation which consists of or includes the provision of care and who—
- (a) in relation to care provided in England and Wales or Northern Ireland, is registered under the relevant enactment in respect of the provision of care;
  - (b) in relation to care provided in Scotland, provides care which is registered under the relevant enactment;
  - (c) in relation to care provided in a territory outside the United Kingdom, satisfies comparable requirements under the law of that territory relating to the provision of care.
- (5) In this section “the relevant enactment” means—
- (a) in relation to England and Wales, Part 2 of the Care Standards Act 2000,
  - (b) in relation to Scotland, Part 1 of the Regulation of Care (Scotland) Act 2001,
  - (c) in relation to Northern Ireland, Part 2 or 3 of the Registered Homes (Northern Ireland) Order 1992 or Part 3 of the Health and Personal Social Services (Quality, Improvement and Regulation) (Northern Ireland) Order 2003.
- (6) In this section “care” means accommodation, goods or services which it is necessary or desirable to provide to a person because of—
- (a) mental or physical impairment, or
  - (b) injury, sickness or other infirmity,
- which is expected to be permanent.
- (7) In this section “life annuity” means an annuity to which section 656 (read with section 657) applies.
- (8) The Treasury may by order amend—
- (a) the definition of “immediate needs annuity” in subsection (3) above;

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- (b) the definitions of “care provider” in subsection (4) above and of “the relevant enactment” in subsection (5) above.]

#### Textual Amendments

- F29** S. 580C inserted (with effect in accordance with s. 147(6) of the amending Act) by Finance Act 2004 (c. 12), s. 147(3)

### 581 Borrowing in foreign currency by local authorities and statutory corporations. **U.K.**

- (1) <sup>M7</sup>If the Treasury direct that this section shall apply to any securities issued by a local authority and expressed in a currency other than sterling, interest on those securities—
- (a) shall be paid without deduction of income tax, and
  - (b) so long as the beneficial owner is not resident in the United Kingdom, shall be exempt from income tax (but not corporation tax).
- (2) Where for repayment of the principal amount due under the securities there is an option between sterling and one or more currencies other than sterling, that subsection shall be applicable to the securities if the option is exercisable only by the holder of the securities, and shall not be applicable to the securities in any other case.
- (3) Where any income of any person is by virtue of any provision of the Income Tax Acts to be deemed to be income of any other person, that income shall not be exempt from tax by virtue of this section by reason of the first-mentioned person not being resident in the United Kingdom.
- (4) <sup>M8</sup>This section shall have effect in relation to any securities issued by or loan made to a statutory corporation as it has effect in relation to any securities issued by a local authority, the references to the beneficial owner or holder of the securities being for this purpose read, in the case of such a loan, as references to the person for the time being entitled to repayment or eventual repayment of the loan.
- (5) In subsection (4) above “statutory corporation” means—
- (a) a corporation incorporated by an Act; or
  - (b) any other corporation, being a corporation to which functions in respect of the carrying on of an undertaking are entrusted by an Act or by an order made under or confirmed by an Act;
- but, save as is provided by paragraph (b) above, does not include any company within the meaning of the <sup>M9</sup>Companies Act 1985 or the <sup>M10</sup>Companies (Northern Ireland) Order 1986.
- (6) <sup>M11</sup>In relation to securities issued before 6th April 1982 subsections (1) and (2) above shall have effect with the substitution for references to sterling of references to a currency of a country which at the time of the issue was specified in Schedule 1 to the <sup>M12</sup>Exchange Control Act 1947.

#### Marginal Citations

- M7** Source-1970 s.416(1)-(3); 1982 s.64(2)  
**M8** Source-1975 s.12; 1987 Sch.15 7  
**M9** 1985 c. 6.

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- M10** S.I. 1986/1032 (N.I. 6).  
**M11** Source-1970 s.416(1)-(3); 1982 s.64(2)  
**M12** 1947 c. 14.

VALID FROM 06/04/2005

<sup>F30</sup>**581A Interest on foreign currency securities etc. U.K.**

Interest within section 755(1) of ITTOIA 2005 (interest on foreign currency securities etc.) shall be paid without deduction of income tax.]

**Textual Amendments**

- F30** S. 581A inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 242** (with Sch. 2)

**582 Funding bonds issued in respect of interest on certain debts. U.K.**

- <sup>M13</sup>(1) Where any funding bonds are issued to a creditor in respect of any liability to pay interest on any debt to which this section applies—
- (a) the issue of the bonds shall be treated for all the purposes of the Tax Acts as if it were the payment of an amount of that interest equal to the value of the bonds at the time of their issue, and
  - (b) the redemption of the bonds shall not be treated for those purposes as the payment of any amount of that interest.
- (2) Where an issue of bonds is treated by virtue of subsection (1) above as if it were the payment of an amount of interest, and any person by or through whom the bonds are issued would be required by virtue of any provision of the Tax Acts to deduct income tax from that amount of interest if it had been actually paid by or through him, the following provisions shall have effect—
- (a) subject to paragraph (b) below, any such person—
    - (i) shall retain bonds the value of which at the time of their issue is equal to income tax on that amount of interest at the [<sup>F31</sup>applicable] rate for the year of assessment in which the bonds are issued, and
    - (ii) shall be acquitted in respect of any such retention in the same way as if he had deducted such tax from the interest, and
    - (iii) shall be chargeable with that tax accordingly, but may tender the bonds retained in satisfaction thereof;
  - (b) where <sup>F32</sup> . . . it is impracticable to retain bonds on account of income tax under paragraph (a) above—
    - <sup>F33</sup>(i) any such person shall be relieved from the obligation to retain bonds and account for income tax under that paragraph, on his furnishing to the Board] a statement of the names and addresses of the persons to whom the bonds have been issued and the amount of the bonds issued to each such person; and
    - (ii) tax in respect of the amount of interest treated by virtue of this section as having been paid by the issue of the bonds shall be charged under

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Case VI of Schedule D for the chargeable period in which the bonds are issued on the persons receiving or entitled to the bonds.

[<sup>F34</sup>(2A) In subsection (2) above “the applicable rate”, in relation to a year of assessment, means whichever of the basic rate and the lower rate for that year is the rate at which the person by or through whom the bonds are issued would have had to deduct income tax from the amount of interest in question if that amount had been actually paid by or through him.]

- (3) This section applies to any debt incurred, whether in respect of any money borrowed or otherwise, by any government, public authority or public institution whatsoever, or by any body corporate whatsoever.
- (4) For the purposes of this section “funding bonds” includes any bonds, stocks, shares, securities or certificates of indebtedness.

#### Textual Amendments

- F31** Word in s. 582(a)(i) substituted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by Finance Act 1996 (c. 8), Sch. 6 para. 14(1)
- F32** Words in s. 582(2)(b) repealed (with effect in accordance with s. 134(2) of the repealing Act) by Finance Act 1996 (c. 8), Sch. 20 para 32(a), Sch. 41 Pt. 5(10), Note
- F33** Words in s. 582(b)(i) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 20 para. 32(b)
- F34** S. 582(2A) inserted (with effect in accordance with Sch. 6 para. 28 of the amending Act) by Finance Act 1996 (c. 8), Sch. 6 para. 14(2)

#### Marginal Citations

- M13** Source-1970 s.417; 1971 Sch.6 47

#### [<sup>F35</sup>582A Designated international organisations: miscellaneous exemptions. U.K.]

- (1) The Treasury may by order designate for the purposes of any one or more of subsections [<sup>F36</sup>(2) and (4) to (6) below and section 118B(4)] any international organisation of which the United Kingdom is a member; and in those subsections “designated” means designated under this subsection.
- (2) Section 43 shall not apply in the case of payment made by an organisation designated for the purposes of this subsection.
- (3) <sup>F37</sup> .....
- (4) Section 349(1) shall not apply in the case of a payment of an amount payable by an organisation designated for the purposes of this subsection.
- (5) Section 349(2) shall not apply in the case of interest payable by—
  - (a) an organisation designated for the purposes of this subsection, or
  - (b) a partnership of which such an organisation is a member.
- (6) An organisation designated for the purposes of this subsection shall not be a person to whom section 560(2) applies.]

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#### Textual Amendments

- F35** S. 582A inserted by Finance Act 1991 (c. 31, SIF 63:1), s. 118(1)  
**F36** Words in s. 582A(1) substituted (29.4.1996) by Finance Act 1996 (c. 8), Sch. 29 para. 6  
**F37** S. 582A(3) repealed (with effect in accordance with Sch. 7 para. 32, Sch. 41 Pt. 5(2) Note of the repealing Act) by Finance Act 1996 (c. 8), Sch. 7 para. 22, Sch. 41 Pt. 5(2)

### 583 Inter-American Development Bank. **U.K.**

<sup>M14</sup>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 Inter-American Development Bank 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 Bank maintains an office or other place of business in the United Kingdom.

#### Marginal Citations

- M14** Source-1976 s.131(2)

### 584 Relief for unremittable overseas income **U.K.**

- (1) <sup>M15</sup>Where a person is chargeable to tax by reference to the amount of any income arising in a territory outside the United Kingdom (“overseas income”), then for the purposes of tax this section shall apply to the overseas income in so far as—
- (a) he is prevented from transferring the amount of the overseas income to the United Kingdom, either by the laws of that territory or any executive action of its government or by the impossibility of obtaining foreign currency in that territory; and
  - (b) he has not realised the overseas income outside that territory for a consideration in sterling or a consideration in some other currency which he is not prevented from transferring to the United Kingdom.

Overseas income to which this section applies is referred to below as unremittable.

[<sup>F38</sup>(2) Subject to subsection (2A) below, where a person so chargeable makes a claim under this subsection in relation to any overseas income—

- (a) which is unremittable; and
- (b) to which subsection (1)(a) above will continue to apply notwithstanding any reasonable endeavours on his part,

then, in the first instance, account shall not be taken of that income, and tax shall be assessed, or, in the case of corporation tax, assessable, and shall be charged on all persons concerned and for all periods accordingly.

(2A) If on any date paragraph (a) or (b) of subsection (2) above ceases to apply to any part of any overseas income in relation to which a claim has been made under that subsection—

- (a) that part of the income shall be treated as income arising on that date, and
- (b) account shall be taken of it, and of any tax payable in respect of it under the law of the territory where it arises, according to their value at that date.]

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- (4) Where [<sup>F39</sup>a person becomes chargeable to income tax or corporation tax in respect of income from any source by virtue of subsection (2) or (2A)] above after it has ceased to possess that source of income, the income shall be chargeable under Case VI of Schedule D.
- (5) <sup>M16</sup>Where under an agreement entered into under arrangements made by the Secretary of State in pursuance of section 11 of the <sup>M17</sup>Export Guarantees and Overseas Investment Act 1978 any payment is made by the Export Credit Guarantee Department in respect of any income which cannot be transferred to the United Kingdom, then, to the extent of the payment, the income shall be treated as income [<sup>F40</sup>to which paragraphs (a) and (b) of subsection (2) above do not apply (and accordingly cannot cease to apply)].
- [<sup>F41</sup>(6) A claim under subsection (2) above—
- (a) for the purposes of income tax, shall be made on or before the first anniversary of the 31st January next following the year of assessment in which the income arises;
- (b) for the purposes of corporation tax, shall be made no later than two years after the end of the accounting period in which the income arises.]
- (7) In the case of the death of a person who, if he had not died, would, under subsection (2) [<sup>F42</sup>or (2A)] above, have become chargeable to any income tax, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators, and shall be a debt due from and payable out of his estate.
- (8) Subject to subsections (2) and [<sup>F43</sup>(2A)] above, the amount of any unremittable overseas income shall be determined by reference to the generally recognised market value in the United Kingdom (if any), or, in the absence of any such value, according to the official rate of exchange of the territory where the income arises.
- (9) Any appeal against an assessment which involves a question as to the operation of this section shall be made to the Special Commissioners and not to the General Commissioners.
- (10) <sup>M18</sup>This section shall have effect as respects any accounting period in which the conditions in subsection (2) above cease to be satisfied in relation to any income, being an accounting period ending on or before such day, not being earlier than 31st March 1992, as the Treasury may by order appoint for the purposes of this section, with the omission of subsections (3) and (4).

#### Subordinate Legislation Made

**P1** S. 584(10) power exercised: 30.9.1993 appointed by S.I. 1992/3066, **art. 2(2)(b)**

#### Textual Amendments

**F38** S. 584(2)(2A) substituted for s. 584(2)(3) (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 20 para. 33(2)**

**F39** Words in s. 584(4) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 20 para. 33(3)**

**F40** Words in s. 584(5) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 20 para. 33(4)**

**F41** S. 584(6) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 20 para. 33(5)**



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**F42** Words in s. 584(7) inserted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 20 para. 33(6)

**F43** Words in s. 584(8) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 20 para. 33(7)

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

**C3** See 1979(C) s.13—*delayed remittances of capital gains.*

**Marginal Citations**

**M15** Source-1970 s.418(1), (2), (2A), (2B); 1987 (No.2) Sch.6 6

**M16** Source-1972 s.124(2)(a)

**M17** 1978 c. 18.

**M18** Source-1987 (No.2) Sch.6 6(5)

**585 Relief from tax on delayed remittances. U.K.**

<sup>M19</sup>(1) A person charged or chargeable for any year of assessment in respect of income from any source with tax which (apart from this section) falls to be computed under Case IV or V of Schedule D, or under Case III of Schedule E, on the amount of income received in the United Kingdom in the basis year for that year of assessment, may <sup>F44</sup> if the relevant conditions are satisfied, by making a claim require that the following provisions of this section shall apply; and for this purpose the relevant conditions are—

- (a) that of the income so received all or part arose before the basis year but he was unable to transfer it to the United Kingdom before that year; and
- (b) subject to subsection (2) below, that that inability was due to the laws of the territory where the income arose, or to executive action of its government, or to the impossibility of obtaining foreign currency in that territory; and
- (c) that the inability was not due to any want of reasonable endeavours on his part.

(2) For the purposes of this section, where in any year of assessment a person is granted a pension or increase of pension retrospectively, the amount paid in respect of any previous year of assessment by virtue of the grant shall be treated as income arising in that previous year, whenever it is paid, and he shall be treated as having possessed the source of income from the time as from which the grant has effect; and subsection (1) (b) above shall not apply in relation to any amount so paid, except as respects the period after it becomes payable.

(3) Where a person claims that the provisions of this section shall apply for any year of assessment as respects the income from any source, then for the purposes of income tax—

- (a) there shall be deducted from the income received in the United Kingdom in the basis year for that year the amount as respects which the conditions in paragraphs (a), (b) and (c) of subsection (1) above are satisfied, so far as applicable; but
- (b) the part (if any) of that amount arising in each previous year of assessment shall be treated as if it were income received in the United Kingdom in the basis year for that previous year.

(4) Nothing in this section shall alter the year which is to be taken as the basis year for computing tax chargeable for any year of assessment under Case IV or V of Schedule D, and where under subsection (3)(b) above income is treated as received in the United

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Kingdom in a year which is the basis year for two years of assessment, it shall not by reason thereof be taken into account except in the year in which it arose.

(5) Where—

- (a) a person makes a claim under this section for any year of assessment as respects income from any source chargeable under Case IV or V of Schedule D, and
- (b) that year is the basis year for computing the tax with which he is chargeable on the income from that source both for that and for the succeeding year of assessment,

tax shall not be chargeable for either of those years of assessment on the amount referred to in paragraph (a) of subsection (3) above (without however being charged a second time by virtue of paragraph (b) of that subsection).

(6) No claim under this section shall be made in respect of any income [F45 after the fifth anniversary of the 31st January next following] the year of assessment in which the income is received in the United Kingdom.

(7) There shall be made all such adjustments, whether by way of repayment of tax, assessment or otherwise, as may be necessary to give effect to this section, and notwithstanding anything in the Income Tax Acts, any adjustment to give effect to a claim under this section may be made at any time.

(8) A person's executors or administrators may make any claim under this section which he might have made, if he had not died, and after a person's death—

- (a) any tax paid by him and repayable by virtue of a claim under this section (whoever made the claim) shall be repaid to his executors or administrators; and
- (b) any additional tax chargeable by virtue of such a claim shall be assessed and charged upon his executors or administrators and shall be a debt due from and payable out of his estate.

(9) In this section “basis year” means—

- (a) in relation to tax chargeable for any year of assessment under Case IV or V of Schedule D in respect of income from any source, the year by reference to which the amount of the income chargeable finally falls to be computed; and
- (b) in relation to tax chargeable for any year of assessment under Case III of Schedule E, that year of assessment;

and any reference in this section to a source of income includes a part of a source.

#### Textual Amendments

**F44** Words in s. 585(1) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 20 para. 34

**F45** Words in s. 585(6) substituted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 21 para. 16

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

**C4** See 1979(C) s.13—*delayed remittances of capital gains.*

#### Marginal Citations

**M19** Source-1970 s.419

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**586 Disallowance of deductions for war risk premiums. U.K.**

- <sup>M20</sup>(1) In computing the amount of the profits or gains of any person for any tax purpose, no sum shall be deducted in respect of any payment made by him to which this section applies.
- (2) No payment to which this section applies shall be included in computing the expenses of management in respect of which relief may be given under section 75 or 76.
- (3) Subject to subsections (4) and (5) below, this section applies to any payment made by any person under any contract or arrangement under which that person is, in the event of war damage, entitled or eligible, either absolutely or conditionally, to or for any form of indemnification, whether total or partial, and whether by way of a money payment or not, in respect of that war damage.
- (4) Where the payment is made in respect of the right or eligibility mentioned in subsection (3) above and also in respect of other matters, the deduction or inclusion of so much of the payment as is properly attributable to the other matters shall not be disallowed by virtue only of subsection (1) or (2) above.
- (5) This section shall not apply to any payment made under any contract of marine insurance, or any contract of insurance of an aircraft, or any contract of insurance of goods in transit.
- (6) In this section “war damage” means loss or damage arising from action taken by an enemy of Her Majesty, or action taken in combating such an enemy or in repelling an imagined attack by such an enemy, or action taken in anticipation of or in consequence of an attack by such an enemy.

**Marginal Citations**

**M20** Source-1970 s.420

**587 Disallowance of certain payments in respect of war injuries to employees. U.K.**

- <sup>M21</sup>(1) In computing the amount of the profits or gains, or total income, of any person for any tax purpose, no sum shall be deducted in respect of any payment made by him to which this section applies.
- (2) No payment to which this section applies shall be included in computing—
- (a) the expenses of management in respect of which relief may be given under section 75 or 76; or
  - (b) the expenses of management or supervision in respect of which relief may be given under section 121.
- (3) Subject to subsections (4) and (5) below, this section applies—
- (a) to any payments by way of benefit made by any person to, or to the personal representatives or dependants of, any employees of his on account of their incapacity, retirement or death owing to war injuries, whether sustained in the United Kingdom or elsewhere; and
  - (b) to any payments made by any person by way of premium or contribution under any policy, agreement, scheme or arrangement providing for the payment of benefits to, or to the personal representatives or dependants of, any employees

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of his on account of their incapacity, retirement or death owing to such war injuries.

- (4) This section shall not apply to any payment (whether by way of benefit or by way of premium or contribution) which is payable under any policy, agreement, scheme or arrangement made before 3rd September 1939, except to the extent that the amount of the payment is increased by any variation of the terms of that policy, agreement, scheme or arrangement made on or after that date.
- (5) This section shall not apply to any payment by way of benefit if, in the opinion of the Board, that payment was made under an established practice which was such that the same or a greater payment would have been made if the incapacity, retirement or death had not been due to war injuries.
- (6) Where a person makes a payment by way of benefit to which this section applies and, in the opinion of the Board, there is an established practice under which a smaller payment would have been made if the incapacity, retirement or death had not been due to war injuries, the deduction or inclusion of an amount equal to that smaller payment shall not be disallowed by virtue only of subsection (1) or (2) above.
- (7) Where a person makes a payment to which this section applies by way of premium or contribution, and the policy, agreement, scheme or arrangement provides for the payment of any benefit in the event of incapacity, retirement or death not due to war injuries, the deduction or inclusion of so much of the payment of premium or contribution as, in the opinion of the Board, is properly attributable to benefit payable in the event of incapacity, retirement or death not due to war injuries shall not be disallowed by virtue only of subsection (1) or (2) above.
- (8) In this section “war injuries” means physical injuries—
  - (a) caused by—
    - (i) the discharge of any missile (including liquids and gas);
    - (ii) the use of any weapon, explosive or other noxious thing; or
    - (iii) the doing of any other injurious act,
 

either by the enemy or in combating the enemy or in repelling an imagined attack by the enemy; or
  - (b) caused by the impact on any person or property of any enemy aircraft, or any aircraft belonging to, or held by any person on behalf of, or for the benefit of, Her Majesty or any allied power, or any part of, or anything dropped from, any such aircraft.

#### Marginal Citations

M21 Source-1970 s.421

[<sup>F46</sup> 587A New issues of securities: extra return. U.K.]

- (1) This section applies where—
  - (a) securities (old securities) of a particular kind are issued by way of the original issue of securities of that kind,
  - (b) on a later occasion securities (new securities) of the same kind are issued,

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- (c) a sum (the extra return) is payable in respect of the new securities, by the person issuing them, to reflect the fact that interest is accruing on the old securities,
- (d) the issue price of the new securities includes an element (whether or not separately identified) representing payment for the extra return, and
- (e) the extra return is equal to the amount of interest payable for the relevant period on so many old securities as there are new (or, if there are more new securities than old, the amount of interest which would be so payable if there were as many old securities as new),

[<sup>F47</sup>but this section shall not apply for the purposes of corporation tax, except where the issue of the new securities was before 1st April 1996.]

- (2) Anything payable or paid by way of the extra return shall be treated for the purposes of the Tax Acts as payable or paid by way of interest (to the extent that it would not be so treated apart from this subsection).
- (3) But as regards any payment by way of the extra return, relief shall not be given under any provision of the Tax Acts to the person by whom the new securities are issued; and “relief” here means relief by way of deduction in computing profits or gains or deduction or set off against income or total profits.
- (4) For the purposes of this section securities are of the same kind if they are treated as being of the same kind by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange.
- (5) For the purposes of this section the relevant period is the period beginning with the day following the relevant day and ending with the day on which the new securities are issued.
- (6) For the purposes of this section the relevant day is—
  - (a) the last (or only) interest payment day to fall in respect of the old securities before the day on which the new securities are issued, or
  - (b) the day on which the old securities were issued, in a case where no interest payment day fell in respect of them before the day on which the new securities are issued;and an interest payment day, in relation to the old securities, is a day on which interest is payable under them.]

#### Textual Amendments

- F46** S. 587A inserted by Finance Act 1991 (c. 31, SIF 63:1), s. 54, Sch. 12 para. 1 (with application as referred to in Sch. 12 para. 5 of that Act)
- F47** Words in s. 587A(1) inserted (with effect in accordance with s. 105(1) of the amending Act) by Finance Act 1996 (c. 8), Sch. 14 para. 33 (with Sch. 15)

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VALID FROM 28/07/2000

**[<sup>F48</sup>587B Gifts of shares and securities to charities etc. U.K.]**

- (1) Subsections (2) and (3) below apply where, otherwise than by way of a bargain made at arm's length, an individual, or a company which is not itself a charity, disposes of the whole of the beneficial interest in a qualifying investment to a charity.
- (2) On a claim made in that behalf to an officer of the Board—
  - (a) the relevant amount shall be allowed—
    - (i) in the case of a disposal by an individual, as a deduction in calculating his total income for the purposes of income tax for the year of assessment in which the disposal is made;
    - (ii) in the case of a disposal by a company, as a charge on income for the purposes of corporation tax for the accounting period in which the disposal is made; and
  - (b) no relief in respect of the disposal shall be given under section 83A or any other provision of the Income Tax Acts;

but paragraph (a)(i) above shall not apply for the purposes of any computation under section 550(2)(a) or (b).
- (3) The consideration for which the charity's acquisition of the qualifying investment is treated by virtue of section 257(2) of the 1992 Act as having been made—
  - (a) shall be reduced by the relevant amount; or
  - (b) where that consideration is less than that amount, shall be reduced to nil.
- (4) Subject to subsections (5) to (7) below, the relevant amount is an amount equal to—
  - (a) where the disposal is a gift, the market value of the qualifying investment at the time when the disposal is made;
  - (b) where the disposal is at an undervalue, the difference between that market value and the amount or value of the consideration for the disposal.
- (5) Where there are one or more benefits received in consequence of making the disposal which are received by the person making the disposal or a person connected with him, the relevant amount shall be reduced by the value of that benefit or, as the case may be, the aggregate value of those benefits; and section 839 applies for the purposes of this subsection.
- (6) Where the disposal is a gift, the relevant amount shall be increased by the amount of the incidental costs of making the disposal to the person making it.
- (7) Where the disposal is at an undervalue—
  - (a) to the extent that the consideration for the disposal is less than that for which the disposal is treated as made by virtue of section 257(2)(a) of the 1992 Act, the relevant amount shall be increased by the amount of the incidental costs of making the disposal to the person making it; and
  - (b) section 48 of that Act (consideration due after time of disposal) shall apply in relation to the computation of the relevant amount as it applies in relation to the computation of a gain.
- (8) In the case of a disposal by a company which is carrying on life assurance business—

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- (a) if the company is charged to tax under Case I of Schedule D in respect of such business, subsections (2) and (3) above shall not apply;
- (b) if the company is not so charged to tax in respect of such business—
- (i) subsection (2)(a)(ii) above shall have effect as if for “a charge on income” there were substituted “an expense of management”; and
  - (ii) the relevant amount given by subsection (4) above shall be reduced by so much (if any) of that amount as is not referable to basic life assurance and general annuity business;
- and for the purpose of determining how much (if any) of that amount is not so referable, section 432A shall have effect as if that amount were a gain accruing on the disposal of the qualifying investment to the company.
- (9) In this section—
- “authorised unit trust” and “open-ended investment company” have the meanings given by section 468;
  - “charity” has the same meaning as in section 506 and includes each of the bodies mentioned in section 507(1);
  - “the incidental costs of making the disposal to the person making it” shall be construed in accordance with section 38(2) of the 1992 Act;
  - “life assurance business” and related expressions have the same meaning as in Chapter I of Part XII;
  - “offshore fund” means a collective investment scheme (within the meaning of the <sup>M22</sup>Financial Services Act 1986) which is constituted by any company, unit trust scheme or other arrangement falling within paragraph (a), (b) or (c) of section 759(1);
  - “qualifying investment” means any of the following—
    - (a) shares or securities which are listed or dealt in on a recognised stock exchange;
    - (b) units in an authorised unit trust;
    - (c) shares in an open-ended investment company; and
    - (d) an interest in an offshore fund.
- (10) Subject to subsection (11) below, the market value of any qualifying investment shall be determined for the purposes of this section as for the purposes of the 1992 Act.
- (11) In the case of an interest in an offshore fund for which there are separate published buying and selling prices, section 272(5) of the 1992 Act (meaning of “market value” in relation to rights of unit holders in a unit trust scheme) shall apply with any necessary modifications for determining the market value of the interest for the purposes of this section.]

#### Textual Amendments

**F48** S. 587B inserted (with effect in accordance with s. 43(3) of the amending Act) by Finance Act 2000 (c. 17), s. 43(1)

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

**C5** S. 587B modified (with effect in accordance with reg. 30AA(3) of the modifying reg.) by the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997 (S.I. 1997/473), reg. 30AA(1)

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(2) (as inserted (25.10.2000) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 2000 \(S.I. 2000/2710\)](#), [regs. 1, 5](#))

#### Marginal Citations

**M22** 1986 c. 60.

VALID FROM 06/04/2007

### <sup>F49</sup>587B Qualifying interests in land held jointly **U.K.**

- (1) This section applies for the purposes of section 587B where a qualifying investment is a qualifying interest in land.
- (2) Where two or more persons (“the owners”)—
  - (a) are jointly beneficially entitled to the qualifying interest in land, or
  - (b) are, taken together, beneficially entitled in common to the qualifying interest in land,
 relief under section 587B is available if at least one of the owners is a qualifying company and all the owners dispose of the whole of their beneficial interests in the qualifying interest in land to the charity.
- (3) Subsection (4) applies if one or more of the owners is not a company.
- (4) For the purpose of determining whether the owners' beneficial interests are disposed of as mentioned in subsection (2), section 587B(9B) and (9C) applies as if references to a company included a reference to a person who is not a company.
- (5) Relief under section 587B is available to each of the owners which is a qualifying company.
- (6) If one or more of the owners is an individual—
  - (a) the relevant amount is taken to be the relievable amount calculated for the purposes of Chapter 3 of Part 8 of ITA 2007, and
  - (b) the amount of relief under section 587B to be given to a qualifying company is such share of the relievable amount as is allocated to the company by the agreement mentioned in section 442(5) of ITA 2007.
- (7) Subsections (8) to (12) apply if none of the owners is an individual.
- (8) The amount of relief under section 587B to be given to a qualifying company is such share of the relevant amount as is allocated to the company by an agreement made between those owners which are qualifying companies.
- (9) Calculate the relevant amount as if—
  - (a) the owners were a single qualifying company, and
  - (b) the disposals of the owners' beneficial interests were a single disposal by that single company of the whole of the beneficial interest in the qualifying interest in land.
- (10) In particular, for the purposes of section 587B(7) calculate the consideration for which the disposal is made by virtue of section 257(2)(a) of the 1992 Act by—
  - (a) calculating, for each owner, the consideration for which the disposal of the owner's beneficial interest is so made, and



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(b) adding together all the consideration calculated under paragraph (a).

- (11) If one or more of the owners is not a qualifying company, in calculating the relevant amount make just and reasonable adjustments to reduce the relevant amount to reflect the fact that relief under section 587B is not available to that owner or to those owners.
- (12) If one or more of the owners is within paragraph (b) of section 587B(8), in calculating the relevant amount make just and reasonable adjustments to reduce the relevant amount to reflect the requirements of sub-paragraph (ii) of that paragraph.
- (13) A company is a qualifying company if—
- (a) it is not itself a charity, and
  - (b) it is not within section 587B(8)(a).]

#### Textual Amendments

**F49** S. 587BA inserted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by Income Tax Act 2007 (c. 3), Sch. 1 para. 138 (with Sch. 2)

VALID FROM 24/07/2002

#### [<sup>F50</sup>587C Supplementary provision for gifts of real property U.K.]

- (1) This section applies for the purposes of section 587B where a qualifying investment is a qualifying interest in land.
- (2) Where two or more persons—
- (a) are jointly beneficially entitled to the qualifying interest in land, or
  - (b) are, taken together, beneficially entitled in common to the qualifying interest in land,
- section 587B applies only if each of those persons disposes of the whole of his beneficial interest in the qualifying interest in land to the charity.
- (3) Relief under section 587B shall be available to each of the persons referred to in subsection (2) above, but the amount that may be allowed as respects any of them shall be only such share of the relevant amount as they may agree in the case of that person.
- (4) No person may make a claim for a relief under subsection (2) of section 587B unless he has received a certificate given by or on behalf of the charity.
- (5) The certificate must—
- (a) specify the description of the qualifying interest in land which is the subject of the disposal,
  - (b) specify the date of the disposal, and
  - (c) contain a statement that the charity has acquired the qualifying interest in land.
- (6) If, in the case of a disposal of a qualifying interest in land, a disqualifying event occurs at any time in the relevant period, the person (or each of the persons) who

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made the disposal to the charity shall be treated as never having been entitled to relief under section 587B in respect of the disposal.

- (7) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (6) above.
- (8) For the purposes of subsection (6) above a disqualifying event occurs if the person (or any one of the persons) who made the disposal or any person connected with him (or any one of them)—
- (a) becomes entitled to an interest or right in relation to all or part of the land to which the disposal relates, or
  - (b) becomes party to an arrangement under which he enjoys some right in relation to all or part of that land,
- otherwise than for full consideration in money or money's worth.
- (9) A disqualifying event does not occur, for the purposes of subsection (6) above, if a person becomes entitled to an interest or right as mentioned in subsection (8)(a) above as a result of a disposition of property on death, whether the disposition is effected by will, under the law relating to intestacy or otherwise.
- (10) For the purposes of subsection (6) above the relevant period is the period beginning with the date of the disposal of the qualifying interest in land and ending with—
- (a) in the case of an individual, the fifth anniversary of the 31st January next following the end of the year of assessment in which the disposal was made, and
  - (b) in the case of a company, the sixth anniversary of the end of the accounting period in which the disposal was made.
- (11) Section 839 (connected persons) applies for the purposes of this section.
- (12) This section shall be construed as one with section 587B.]

#### Textual Amendments

- F50** S. 587C inserted (with effect in accordance with s. 97(6) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 97\(5\)](#)

## 588 Training courses for employees. **U.K.**

- <sup>M23</sup>(1) Where, on or after 6th April 1987, a person (in this section referred to as the “employer”) incurs expenditure in paying or reimbursing relevant expenses incurred in connection with a qualifying course of training which—
- (a) is undertaken by a person (in this section referred to as the “employee”) who is the holder or past holder of any office or employment under the employer; and
  - (b) is undertaken with a view to retraining the employee,
- the employee shall not thereby be regarded as receiving any emolument which forms part of his income for any purpose of Schedule E.
- (2) Section 589 shall have effect to determine for the purposes of this section—
- (a) what is a qualifying course of training;
  - (b) whether such a course is undertaken by an employee with a view to retraining; and

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- (c) what are relevant expenses in relation to such a course.
- (3) Subject to subsection (4) below, where—
- (a) an employer incurs expenditure in paying or reimbursing relevant expenses as mentioned in subsection (1) above; and
  - (b) that subsection has effect in relation to the income of the employee for the purposes of Schedule E;
- then, if and so far as that expenditure would not, apart from this subsection, be so deductible, it shall be deductible in computing for the purposes of Schedule D the [<sup>F51</sup>profits] of the trade, profession or vocation of the employer for the purposes of which the employee is or was employed.
- (4) If the employer carries on a business, the expenses of management of which are eligible for relief under section 75, subsection (3) above shall have effect as if for the words from “in computing” onwards there were substituted “ as expenses of management for the purposes of section 75 ”.
- (5) In any case where—
- (a) an employee’s liability to tax for any year of assessment is determined (by assessment or otherwise) on the assumption that subsection (1) above applies in his case and, subsequently, there is a failure to comply with any provision of section 589(3) and (4); or
  - (b) an employer’s liability to tax for any year is determined (by assessment or otherwise) on the assumption that, by virtue only of subsection (3) above (or subsections (3) and (4) above), he is entitled to a deduction on account of any expenditure and, subsequently, there is such a failure as is referred to in paragraph (a) above;
- an assessment under [<sup>F52</sup>section 29(1)] of the Management Act of an amount due in consequence of the failure referred to above may be made at any time not later than six years after the end of the chargeable period in which the failure occurred.
- (6) Where an event occurs by reason of which there is a failure to comply with any provision of section 589(3) and (4), the employer of the employee concerned shall within 60 days of coming to know of the event give a notice to the inspector containing particulars of the event.
- (7) If the inspector has reason to believe that an employer has not given a notice which he is required to give under subsection (6) above in respect of any event, the inspector may by notice require the employer to furnish him within such time (not less than 60 days) as may be specified in the notice with such information relating to the event as the inspector may reasonably require for the purposes of this section.

#### Textual Amendments

- F51** Word in s. 588(3) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), s. 46(3)(a), [Sch. 7 para. 1](#)
- F52** Words in s. 588(5) substituted (with effect in accordance with [Sch. 18 para. 17\(1\)\(2\)](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 18 para. 10](#)

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

- C6** [S. 588](#) modified (with effect in accordance with s. 39(4)(5) of the modifying Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 6 para 24](#) (the modification consisting of the insertion of a s. 588(4A) for limited purposes, and that s. 588(4A) was repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by [Finance Act 1998 \(c. 36\)](#), [Sch. 27 Pt. 3\(4\)](#), Note)

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### Marginal Citations

**M23** Source-1987 s.35(1)-(7)

## 589 Qualifying courses of training etc. **U.K.**

- <sup>M24</sup>(1) Subject to subsection (2) below, a course is a qualifying course of training if—
- (a) it provides a course of training designed to impart or improve skills or knowledge relevant to, and intended to be used in the course of, gainful employment (including self-employment) of any description; and
  - (b) the course is entirely devoted to the teaching or practical application of the skills or knowledge (or to both such teaching and practical application); and
  - (c) the duration of the course does not exceed one year; and
  - (d) all teaching and practical application forming part of the course takes place within the United Kingdom.
- (2) A course shall not be regarded as a qualifying course of training in relation to a particular employee unless—
- (a) he attends the course on a full-time or substantially full-time basis; and
  - (b) he is employed by the employer full-time throughout the period of two years ending at the time when he begins to undertake the course or, if it is earlier, at the time he ceases to be employed by him; and
  - (c) the opportunity to undertake the course, on similar terms as to payment or reimbursement of relevant expenses, is available either generally to holders or past holders of offices or employment under the employer or to a particular class or classes of such holders or past holders.
- (3) An employee shall not be regarded as undertaking a course with a view to retraining unless—
- (a) he begins to undertake the course of training while he is employed by the employer or within the period of one year after he ceases to be so employed; and
  - (b) he ceases to be employed by the employer not later than the end of the period of two years beginning at the end of the qualifying course of training.
- (4) An employee shall not be regarded as having undertaken a course with a view to retraining if, any time within the period of two years beginning at the time when he ceased to be employed as mentioned in subsection (3)(b) above, he is again employed by the employer.
- (5) Where an employee undertakes a qualifying course of training, the relevant expenses consist of—
- (a) fees for attendance at the course;
  - (b) fees for any examination which is taken during or at the conclusion of the course;
  - (c) the cost of any books which are essential for a person attending the course, and
  - (d) travelling expenses falling within subsection (6) below.
- (6) The travelling expenses referred to in subsection (5)(d) above are those which would be deductible under section 198—
- (a) on the assumption that attendance at the course is one of the duties of the employee's office or employment; and

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- (b) if the employee has in fact ceased to be employed by the employer, on the assumption that he continues to be employed by him.
- (7) Any reference in this section to an employee being employed by an employer is a reference to the employee holding office or employment under the employer.

#### Marginal Citations

M24 Source-1987 Sch.5

### [<sup>F53</sup>589A Counselling services for employees. U.K.]

- (1) This section applies where—
  - (a) qualifying counselling services are provided to a person (the employee) in connection with the termination of the holding by him of any office or employment, and
  - (b) the termination takes place on or after 16th March 1993.
- (2) This section also applies where—
  - (a) subsection (1)(a) above applies, and
  - (b) the termination takes place before 16th March 1993 but relevant expenditure is incurred on or after that date.
- (3) Relevant expenditure is expenditure incurred in—
  - (a) providing the qualifying counselling services to the employee,
  - (b) paying or reimbursing fees for the provision to the employee of the qualifying counselling services, or
  - (c) paying or reimbursing any allowable travelling expenses incurred in connection with the provision of the qualifying counselling services to the employee.
- (4) No charge to tax under Schedule E shall arise in respect of—
  - (a) the provision of the qualifying counselling services to the employee,
  - (b) the payment or reimbursement of fees for the provision to the employee of the qualifying counselling services, or
  - (c) the payment or reimbursement of any allowable travelling expenses incurred in connection with the provision of the qualifying counselling services to the employee.
- (5) Where this section applies by virtue of subsection (2) above, subsection (4) above shall apply only to the extent that the expenditure incurred in providing the services or paying or reimbursing the fees or expenses is incurred on or after 16th March 1993.
- (6) Subsection (4) above shall apply whether or not the person who provides the services or pays or reimburses the fees or expenses is the person under whom the employee holds or held the office or employment mentioned in subsection (1) above.
- (7) Subsections (8) to (10) below apply where any relevant expenditure is incurred by the person under whom the employee holds or held the office or employment mentioned in subsection (1) above (the employer).
- (8) If and so far as the expenditure would not, apart from this subsection, be so deductible, it shall be deductible in computing for the purposes of Schedule D the [<sup>F54</sup>profits] of the

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trade, profession or vocation of the employer for the purposes of which the employee is or was employed.

- (9) If the employer carries on a business and the expenses of management of the business are eligible for relief under section 75, subsection (8) above shall have effect as if for the words from “in computing” onwards there were substituted “as expenses of management for the purposes of section 75”.
- (10) Where this section applies by virtue of subsection (2) above, subsections (8) and (9) above shall apply only to the extent that the expenditure is incurred on or after 16th March 1993.]

#### Textual Amendments

**F53** Ss. 589A, 589B inserted (27.7.1993) by [Finance Act 1993 \(c. 34\), s. 108](#)

**F54** Word in s. 589A(8) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 1](#)

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

**C7** [S. 589A](#) modified (with effect in accordance with s. 39(4)(5) of the modifying Act) by [Finance Act 1995 \(c. 4\), Sch. 6 para 25](#) (the modification consisting of the insertion of a s. 589A(9A) for limited purposes, and that s. 589A(9A) was repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by [Finance Act 1998 \(c. 36\), Sch. 27 Pt. 3\(4\)](#), Note)

### **589B** <sup>F55</sup>**Qualifying counselling services etc.** **U.K.**

- (1) Subsections (2) to (4) below apply for the purposes of section 589A.
- (2) Subject to subsection (3) below, services are qualifying counselling services if—
- (a) the purpose, or main purpose, of their provision is to enable the employee to adjust to the termination of his holding of the office or employment mentioned in section 589A(1) or is to enable him to find other gainful employment (including self-employment) or is to enable him to do both,
  - (b) the services consist wholly of any or all of the following, namely, giving advice and guidance, imparting or improving skills, and providing or making available the use of office equipment or similar facilities,
  - (c) the employee has been employed by the employer full-time throughout the period of two years ending at the time when the services begin to be provided to him or, if it is earlier, at the time he ceases to be employed by the employer,
  - (d) the opportunity to receive the services, on similar terms as to payment or reimbursement of any expenses incurred in connection with their provision, is available either generally to holders or past holders of offices or employment under the employer or to a particular class or classes of such holders or past holders, and
  - (e) the services are provided in the United Kingdom.
- (3) Where paragraphs (a) to (d) of subsection (2) above are satisfied in relation to particular services but the services are provided partly in and partly outside the United Kingdom, the extent to which the services are qualifying counselling services shall be determined on a just and reasonable basis.
- (4) In relation to services, allowable travelling expenses are those which would be deductible under section 198—

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*Status: Point in time view as at 16/06/1999. This version of this cross heading contains provisions that are not valid for this point in time.*

*Changes to legislation: Income and Corporation Taxes Act 1988, Cross Heading: Miscellaneous is up to date with all changes known to be in force on or before 15 July 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)*

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- (a) on the assumption that receipt of the services is one of the duties of the employee's office or employment, and
  - (b) if the employee has in fact ceased to be employed by the employer, on the assumption that he continues to be employed by him.
- (5) Any reference in this section or section 589A to an employee being employed by an employer is a reference to the employee holding office or employment under the employer.

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**Textual Amendments**

**F55** Ss. 589A, 589B inserted (27.7.1993) by Finance Act 1993 (c. 34), s. 108

**Status:**

Point in time view as at 16/06/1999. This version of this cross heading contains provisions that are not valid for this point in time.

**Changes to legislation:**

Income and Corporation Taxes Act 1988, Cross Heading: Miscellaneous is up to date with all changes known to be in force on or before 15 July 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.