



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART IV

#### PROVISIONS RELATING TO THE SCHEDULE D CHARGE

#### CHAPTER II

#### INCOME TAX: BASIS OF ASSESSMENT ETC.

#### *Cases III, IV and V*

#### **67 Special rules where source of income disposed of or yield ceases.**

- (1) <sup>M1</sup>Subject to the provisions of this section, if in any year of assessment a person charged or chargeable to income tax in respect of any income chargeable under Case III, IV or V of Schedule D ceases to possess any particular source of any such income or any part of any such source, the following provisions shall apply to the tax in respect of the income from that source or part—
- (a) notwithstanding section 73, the tax shall for that year, and (if necessary) for the preceding year, be computed separately;
  - (b) subject to paragraph (c) below, the tax shall for that year be computed on the amount of the income arising within the year (instead of the income arising within the preceding year), and shall for that preceding year also be computed on the amount of the income arising within it if greater than the amount on which tax is to be computed for that preceding year apart from this provision; and
  - (c) if no income arose within those two years and the person charged or chargeable makes a claim under this section not later than two years after the end of them, then, subject to subsection (4) below—
    - (i) paragraphs (a) and (b) above shall apply to the year of assessment in which income did last arise and the year preceding it as, apart from

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- this paragraph, they would apply to the year in which he ceases to possess the source or part and the year preceding it, and
- (ii) tax for the year of assessment following that in which income did last arise shall not be chargeable on the amount of the income so arising.
- (2) <sup>M2</sup>For the purposes of the charge under Case III, if at any time interest on a debt begins to be payable subject to deduction of income tax, subsection (1) above shall apply as if the debt were a source of income which the creditor ceased to possess at that time.
- (3) <sup>M3</sup>Where income in respect of which a person has previously been charged or chargeable to income tax under Case IV or V of Schedule D becomes at any time chargeable to income tax by deduction under the provisions of section 123, subsection (1) above shall apply as if the security or possession in question were a source of income which he ceased to possess at that time.
- (4) <sup>M4</sup>Without prejudice to subsection (5) below, a person shall not be entitled by virtue of subsection (1)(c) above to make a claim under this section in respect of any source of income or any part of such a source more than eight years after the end of the year of assessment in which income last arose from that source.
- (5) A person possessing a source of income chargeable to income tax under Case III, IV or V of Schedule D and having possessed it for six consecutive years of assessment without any income arising from it, shall be entitled, if income did arise from it in the year preceding those six years, to make a claim under this section not later than two years after the end of those six years; and if he does so—
- (a) subsection (1) above shall apply as if he had ceased to possess the source of income immediately before the end of those six years; and
  - (b) section 66(3) shall apply in relation to later years of assessment as if he had acquired the source as a new source immediately after the end of those six years.
- (6) <sup>M5</sup>References in this section to income arising shall, in cases where tax under Case IV or V is to be computed by reference to the amount of income received in the United Kingdom, be construed as references to income being so received.
- (7) <sup>M6</sup>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.
- (8) <sup>M7</sup>A person's executors or administrators may make any claim under this section which he might have made, if he had not died, in respect of any source of income, or part of such a source, which he ceased to possess before his death, and may also make a claim under this section in respect of sources of income which he ceased to possess by dying; and after a person's death—
- (a) any tax paid by him and repayable by virtue of a claim under this section (whether made by him or by his executors or administrators) 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 on his executors or administrators, and shall be a debt due from and payable out of his estate.

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

**C1** See 1989 s.94 and Sch.11 para.5—*deep gain securities.*

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**C2** See—1989 s.80 for amendment in case of certain gilt unit trusts. 1990 s.52(3), (4) modification of subs. (1)(b) in the case of certain assessments under Case III Sch. Don unit trusts.

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**Marginal Citations**

- M1** SOURCE-1970 ss. 121(1), 124(1)
- M2** SOURCE-1970 s. 121(2)
- M3** SOURCE-1970 s. 124(2)
- M4** SOURCE-1970 SS. 121(3), 124(3)
- M5** SOURCE-1970 s. 124(4)
- M6** SOURCE-1970 ss. 121(4), 124(5)
- M7** SOURCE-1970 ss. 121(5), 124(6)

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