



# Finance Act 1990

## 1990 CHAPTER 29

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [26th July 1990]

<sup>xix2</sup>Most Gracious Sovereign, WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### Editorial Information

- X1** Ss. 4, 132, Sch. 19 Pt. I from Gp 12:2 (Betting, Gaming and Lotteries), ss. 1-3, 7-9, 132, 133, Schs. 1, 3, 19 Pt. I from Gp 40:1 (Customs and Excise), ss. 10-16, 131(2), 132, 133, Sch. 19 Pt III from Gp 40:2 (Customs and Excise), ss. 132, 133 from Gp 44:2 (Energy), ss. 115-120, 133 from Gp 58 (Harbours, Docks and Piers), ss. 17-30, 39(9), 41-62, 65-71, 73-82, 86-106, 114, 121, 122, 125-127, 131-133, Schs. 4-17, 18 paras. 2, 5, Sch 19 Pts IV, V from Gp 63:1 (Income, Corporation and Capital Gains Taxes), ss 28(3), 31-40, 48, 54, 56, 63, 64, 70(5)-(9), 72, 81(3)(6)(8), 83-85, 89, 127(2)-(4), 131(3), 133, Sch 9 paras 2, 7, Sch. 10 paras 28, 29, Sch. 14 paras 17-19, Sch 18 para 3 from Gp 63:2 (Income, Corporation and Capital Gains Taxes), ss 124-126, 127(3)(4), 133, Sch 18 para 4 from Gp 65 (Inheritance Tax), ss 128-130, 132, 133, Sch 19 Pt VIII from Gp 99:5 (Public Finance and Economic Controls), ss. 5, 6, 132, 133, Schs 2, 19 Pt II from Gp 107:2 (Road Traffic), ss. 107-114, 127(3)(4), 132, 133, Sch 18 para 1, Sch 19 Pts VI, VII from Gp 114 (Stamp Duty)
- X2** General amendments to Tax Acts, Income Tax Acts, and/or Corporation Tax Acts made by legislation after 1.2.1991 are noted against [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#) but not against each Act

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*Status: Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.*  
*Changes to legislation: Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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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## PART I

### CUSTOMS AND EXCISE AND VALUE ADDED TAX

#### CHAPTER I

#### CUSTOMS AND EXCISE

##### *Rates of duty*

### 1      **Spirits, beer, wine, made-wine and cider.**

- (1) In section 5 of the <sup>M1</sup>Alcoholic Liquor Duties Act 1979 (spirits) for “£15.77” there shall be substituted “ £17.35 ”.
- (2) In section 36 of that Act (beer) for “£0.90” there shall be substituted “ £0.97 ”.
- (3) For the Table of rates of duty in Schedule 1 to that Act (wine and made-wine) there shall be substituted the Table in Schedule 1 to this Act.
- (4) In section 62(1) of that Act (cider) for “£17.33” there shall be substituted “ £18.66 ”.
- (5) This section shall be deemed to have come into force at 6 o’clock in the evening of 20th March 1990.

#### **Marginal Citations**

**M1**    1979 c. 4.

### 2      **Tobacco products.**

- (1) For the Table in Schedule 1 to the <sup>M2</sup>Tobacco Products Duty Act 1979 there shall be substituted—

#### “ TABLE

|  |  |
|--|--|
| 1. Cigarettes                                | An amount equal to 21 per cent. of the retail price plus £34.91 per thousand cigarettes. |
| 2. Cigars                                    | £53.67 per kilogram.   |
| 3. Hand-rolling tobacco                      | £56.63 per kilogram.   |
| 4. Other smoking tobacco and chewing tobacco | £24.95 per kilogram.”  |

- (2) This section shall be deemed to have come into force on 23rd March 1990.

#### **Marginal Citations**

**M2**    1979 c. 7.

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### 3 Hydrocarbon oil.

- (1) In section 6 of the <sup>M3</sup>Hydrocarbon Oil Duties Act 1979—
  - (a) in subsection (1), for “£0.2044” (duty on light oil) and “£0.1729” (duty on heavy oil) there shall be substituted “ £0.2248 ” and “ £0.1902 ” respectively; and
  - (b) subsection (2A) (special rate of duty on petrol below 4 star) shall cease to have effect.
- (2) In section 11(1) of that Act, for “£0.0077” (rebate on fuel oil) and “£0.0110” (rebate on gas oil) there shall be substituted “ £0.0083 ” and “ £0.0118 ” respectively.
- (3) In section 13A(1) of that Act (rebate on unleaded petrol), for “£0.0272” there shall be substituted “ £0.0299 ”.
- (4) In section 14(1) of that Act (rebate on light oil for use as furnace fuel), for “£0.0077” there shall be substituted “ £0.0083 ”.
- (5) In Part I of Schedule 3 to that Act, for paragraph 10A there shall be substituted—

“10A Amending the definition of “aviation gasoline” in subsection (4) of section 6 of this Act.”
- (6) Subsections (1) to (4) above shall be deemed to have come into force at 6 o’clock in the evening of 20th March 1990.

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#### Marginal Citations

M3 1979 c. 5.

### 4 Pool betting duty.

- (1) In section 7(1) of the <sup>M4</sup>Betting and Gaming Duties Act 1981 (which specifies 42½ per cent. as the rate of pool betting duty), for the words “42½ per cent.” there shall be substituted the words “ 40 per cent. ”.
- (2) This section shall apply in relation to bets made at any time by reference to an event taking place on or after 6th April 1990.

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#### Marginal Citations

M4 1981 c. 63.

### 5 Vehicles excise duty.

- (1) The <sup>M5</sup>Vehicles (Excise) Act 1971 (“the 1971 Act”) and the <sup>M6</sup>Vehicles (Excise) Act (Northern Ireland) 1972 (“the 1972 Act”) shall be amended as follows.
- (2) In Schedule 3 to each Act (annual rates of duty on haulage vehicles)—
  - (a) in paragraph 1 of Part I, for the words from “according” to the end there shall be substituted the words “be the rate specified in relation to vehicles of that description in the second column of that Part.”; and

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- (b) for the Table set out in Part II there shall be substituted the Table set out in Part I of Schedule 2 to this Act.
- (3) Part II of Schedule 2 to this Act (which amends Part I of Schedule 4 to the 1971 Act) shall have effect.
- <sup>F1</sup>(4) .....
- (5) For the Tables set out in Part II of Schedule 4 to the 1971 Act there shall be substituted the Tables set out in Part IV of Schedule 2 to this Act.
- <sup>F1</sup>(6) .....
- (7) In paragraph 2 of Schedule 4A to each Act (annual rates of duty on vehicles used for carrying or drawing exceptional loads) for “£3,100” there shall be substituted “£3,250”.
- (8) This section, except subsections (3) and (4), shall apply in relation to licences taken out after 20th March 1990.
- (9) Subsections (3) and (4) above shall apply in relation to licences taken out after 30th September 1990.

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**Textual Amendments**

**F1** S. 5(4)(6) repealed(*1.10.1991*) by [Finance Act 1991 \(c. 31, SIF 107:2\)](#), ss. 10, 123, [Sch. 19 Pt.IV](#); [S.I. 1991/2021](#), [art. 2](#).

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**Marginal Citations**

**M5** 1971 c. 10.

**M6** 1972 c. 10 (N.I.).

*Other provisions*

**6 Vehicles excise duty: exemptions.**

- (1) Section 4 of each of the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972 (exemptions) shall be amended as follows.
- (2) In subsection (1) the following paragraph shall be inserted after paragraph (c)—  
“(ca) veterinary ambulances;”.
- (3) In subsection (1) the following paragraphs shall be inserted after paragraph (k)—  
“(ka) vehicles (other than mowing machines) neither constructed nor adapted for use nor used for the carriage of a driver or passenger;  
(kb) vehicles (other than ambulances) used for the carriage of disabled persons by bodies for the time being recognised for the purposes of this paragraph by the Secretary of State;”.
- (4) The following subsections shall be inserted after subsection (1)—  
“(1A) The Secretary of State shall recognise a body for the purposes of subsection (1) (kb) above if, on application made to him in such manner as he may specify, it appears to him that the body is concerned with the care of disabled persons.

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- (1B) The issue by the Secretary of State of a nil licence in respect of a mechanically propelled vehicle shall be treated, where the document is issued by virtue of paragraph (kb) of subsection (1) above, as recognition by him for the purposes of that paragraph of the body by reference to whose use of the vehicle the document is issued.
- (1C) The Secretary of State may withdraw recognition of a body for the purposes of subsection (1)(kb) above if it appears to him that the body is no longer concerned with the care of disabled persons.
- (1D) The reference in subsection (1B) above to the issue by the Secretary of State of a nil licence is a reference to the issue by him in accordance with regulations under this Act of a document which—
- (a) is in the form of a vehicle licence, and
  - (b) has the word “NIL” marked in the space provided for indicating the amount of duty payable.”
- (5) In subsection (2) the following definitions shall be inserted before the definition of “road construction vehicle”—
- ““ambulance” means a vehicle which—
- (a) is constructed or adapted for, and used for no other purpose than, the carriage of sick, injured or disabled persons to or from welfare centres or places where medical or dental treatment is given; and
  - (b) is readily identifiable as a vehicle used for the carriage of such persons by virtue of being marked “Ambulance” on both sides;
- “disabled person” means a person suffering from a physical or mental defect or disability;
- “veterinary ambulance” means a vehicle which—
- (a) is used for no other purpose than the carriage of sick or injured animals to or from places where veterinary treatment is given; and
  - (b) is readily identifiable as a vehicle used for the carriage of such animals by virtue of being marked “Veterinary Ambulance” on both sides;”.
- (6) This section shall be deemed to have come into force on 21st March 1990.

## 7 Entry of goods on importation.

Schedule 3 to this Act (which amends the provisions of the <sup>M7</sup>Customs and Excise Management Act 1979 about initial and supplementary entries and postponed entry) shall have effect in relation to goods imported on or after the day on which this Act is passed.

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### Marginal Citations

M7 1979 c. 2.

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## 8 Spirits methylated abroad.

(1) In section 4(1) of the <sup>M8</sup>Alcoholic Liquor Duties Act 1979, for the definition of “methylated spirits” there shall be substituted—

““methylated spirits” means—

- (a) spirits mixed in the United Kingdom with some other substance in accordance with regulations made under section 77 below; or
- (b) spirits mixed outside the United Kingdom with some other substance if the spirits and other substance, and the proportions in which they are mixed, are such as are prescribed by those regulations for the production of methylated spirits in the United Kingdom;”.

(2) This section shall come into force on 1st January 1991.

### Marginal Citations

M8 1979 c. 4.

## 9 Lodgings for officers in charge of distillery.

In section 12 of the Alcoholic Liquor Duties Act 1979 (licence to manufacture spirits) subsections (6) to (9) (requirement that distiller provide lodgings for officers in charge of distillery) shall cease to have effect.

## CHAPTER II

### VALUE ADDED TAX

## 10 Registration.

(1) The <sup>M9</sup>Value Added Tax Act 1983 shall be amended as follows.

(2) For paragraph 1(1) to (3) of Schedule 1 (registration) there shall be substituted—

“(1) Subject to sub-paragraphs (3) to (5) below, a person who makes taxable supplies but is not registered becomes liable to be registered—

- (a) at the end of any month, if the value of his taxable supplies in the period of one year then ending has exceeded £25,400; or
- (b) at any time, if there are reasonable grounds for believing that the value of his taxable supplies in the period of thirty days then beginning will exceed £25,400.

(2) Where a business carried on by a taxable person is transferred to another person as a going concern and the transferee is not registered at the time of the transfer, then, subject to sub-paragraphs (3) to (5) below, the transferee becomes liable to be registered at that time if—

- (a) the value of his taxable supplies in the period of one year ending at the time of the transfer has exceeded £25,400; or
- (b) there are reasonable grounds for believing that the value of his taxable supplies in the period of thirty days beginning at the time of the transfer will exceed £25,400.

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- (3) A person does not become liable to be registered by virtue of sub-paragraph (1)(a) or (2)(a) above if the Commissioners are satisfied that the value of his taxable supplies in the period of one year beginning at the time at which, apart from this sub-paragraph, he would become liable to be registered will not exceed £24,400.”
- (3) In paragraph 1(4) of Schedule 1 after “(1)(a)” there shall be inserted “or (2)(a)”.
- (4) In paragraph 1(5) of Schedule 1 after “sub-paragraph (1)” there shall be inserted “or (2)”.
- (5) In paragraph 1(6) of Schedule 1 after “sub-paragraph (1)” there shall be inserted “or (2)”.
- (6) For paragraphs 3 and 4 of Schedule 1 there shall be substituted—
- “3 (1) A person who becomes liable to be registered by virtue of paragraph 1(1)(a) above shall notify the Commissioners of the liability within thirty days of the end of the relevant month.
- (2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the end of the month following the relevant month or from such earlier date as may be agreed between them and him.
- (3) In this paragraph “the relevant month”, in relation to a person who becomes liable to be registered, means the month at the end of which he becomes liable to be registered.
- 4 (1) A person who becomes liable to be registered by virtue of paragraph 1(1)(b) above shall notify the Commissioners of the liability before the end of the period by reference to which the liability arises.
- (2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the beginning of the period by reference to which the liability arises.
- 4A (1) A person who becomes liable to be registered by virtue of paragraph 1(2) above shall notify the Commissioners of the liability within thirty days of the time when the business is transferred.
- (2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the time when the business is transferred.
- 4B Where a person becomes liable to be registered by virtue of paragraph 1(1)(a) above and by virtue of paragraph 1(1)(b) or 1(2) above at the same time, the Commissioners shall register him in accordance with paragraph 4(2) or 4A(2) above, as the case may be, rather than paragraph 3(2) above.”
- (7) Section 33(1A) (registration of transferee of business) shall cease to have effect.

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- (8) In consequence of the amendment of paragraph 1 of Schedule 1, in section 28(1) (registration of local authorities) for “1(a)(ii)” there shall be substituted “1(1)(a)”.
- (9) Subsections (2) to (5) and (8) above shall be deemed to have come into force on 21st March 1990.
- (10) Subsections (6) and (7) above apply in relation to persons who become liable to be registered after 20th March 1990.

#### Marginal Citations

M9 1983 c. 55.

## 11 Bad debts.

- (1) Subsection (2) below applies where—
- (a) on or after 1st April 1989 a person has supplied goods or services for a consideration in money and has accounted for and paid tax on the supply,
  - (b) the whole or any part of the consideration for the supply has been written off in his accounts as a bad debt, and
  - (c) a period of [<sup>F2</sup>one year] (beginning with the date of the supply) has elapsed.
- (2) Subject to the following provisions of this section and to regulations under it the person shall be entitled, on making a claim to the Commissioners, to a refund of the amount of tax chargeable by reference to the outstanding amount.
- (3) In subsection (2) above “the outstanding amount” means—
- (a) if at the time of the claim the person has received no payment by way of the consideration written off in his accounts as a bad debt, an amount equal to the amount of the consideration so written off;
  - (b) if at that time he has received a payment or payments by way of the consideration so written off, an amount by which the payment (or the aggregate of the payments) is exceeded by the amount of the consideration so written off.
- (4) A person shall not be entitled to a refund under subsection (2) above unless—
- (a) the value of the supply is equal to or less than its open market value, and
  - (b) in the case of a supply of goods, the property in the goods has passed to the person to whom they were supplied or to a person deriving title from, through or under that person.
- (5) Regulations under this section may—
- (a) require a claim to be made at such time and in such form and manner as may be specified by or under the regulations;
  - (b) require a claim to be evidenced and quantified by reference to such records and other documents as may be so specified;
  - (c) require the claimant to keep, for such period and in such form and manner as may be so specified, those records and documents and a record of such information relating to the claim and to subsequent payments by way of consideration as may be so specified;



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- (d) require the repayment of a refund allowed under this section where any requirement of the regulations is not complied with;
  - (e) require the repayment of the whole or, as the case may be, an appropriate part of a refund allowed under this section where the claimant subsequently receives any payment (or further payment) by way of the consideration written off in his accounts as a bad debt;
  - (f) include such supplementary, incidental, consequential or transitional provisions as appear to the Commissioners to be necessary or expedient for the purposes of this section;
  - (g) make different provision for different circumstances.
- (6) The provisions which may be included in regulations by virtue of subsection (5)(f) above may include rules for ascertaining—
- (a) whether, when and to what extent consideration is to be taken to have been written off in accounts as a bad debt;
  - (b) whether a payment is to be taken as received by way of consideration for a particular supply;
  - (c) whether, and to what extent, a payment is to be taken as received by way of consideration written off in accounts as a bad debt.
- (7) The provisions which may be included in regulations by virtue of subsection (5)(f) above may include rules dealing with particular cases, such as those involving part payment or mutual debts; and in particular such rules may vary the way in which the following amounts are to be calculated—
- (a) the outstanding amount mentioned in subsection (2) above, and
  - (b) the amount of any repayment where a refund has been allowed under this section.
- (8) No claim for a refund may be made under subsection (2) above in relation to a supply as regards which a refund is claimed, whether before or after the passing of this Act, under section 22 of the <sup>M10</sup>Value Added Tax Act 1983 (existing provision for refund in cases of bad debts).
- (9) Section 22 of that Act shall not apply in relation to any supply made after the day on which this Act is passed.
- (10) Sections 4 and 5 of that Act shall apply for determining the time when a supply is to be treated as taking place for the purposes of construing this section.
- (11) That Act shall be amended as follows—
- (a) in section 39(1A)(b) after the word “above” there shall be inserted the words “or section 11 of the Finance Act 1990”;
  - (b) in section 40(1)(f) after the words “section 22 above” there shall be inserted the words “or section 11 of the Finance Act 1990”.
- (12) In section 13(2) of the <sup>M11</sup>Finance Act 1985, the word “and” at the end of paragraph (b) shall be omitted and after paragraph (c) there shall be inserted the words “and
- (d) a refund under section 11 of the Finance Act 1990,”.

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#### Textual Amendments

**F2** Words in s. 11(1)(c) substituted(*retrospectively*) by [Finance Act 1991 \(c. 31, SIF 40:2\)](#), s. 15(1)(2).

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### Marginal Citations

**M10** 1983 c. 55.

**M11** 1985 c. 54.

## 12 Domestic accommodation.

(1) Section 14 of the Value Added Tax Act 1983 (credit for input tax against output tax) shall be amended as follows.

(2) The following subsection shall be inserted after subsection (3) (definition of “input tax”)—

“(3A) For the purposes of subsection (3)

above, where goods or services supplied to, or goods imported by, a company are used or to be used in connection with the provision of accommodation by the company, they shall not be treated as used or to be used for the purpose of any business carried on by the company to the extent that the accommodation is used or to be used for domestic purposes by—

- (a) a director of the company, or
- (b) a person connected with a director of the company.”

(3) The following subsection shall be inserted at the end—

“(11) For the purposes of this section “director” means—

- (a) in relation to a company whose affairs are managed by a board of directors or similar body, a member of that board or similar body;
- (b) in relation to a company whose affairs are managed by a single director or similar person, that director or person;
- (c) in relation to a company whose affairs are managed by the members themselves, a member of the company;

and a person is connected with a director if that person is the director’s wife or husband, or is a relative, or the wife or husband of a relative, of the director or of the director’s wife or husband.”

(4) This section applies in relation to goods or services supplied, and goods imported, on or after the day on which this Act is passed.

## 13 Goods shipped as stores.

(1) In section 16 of the <sup>M12</sup>Value Added Tax Act 1983 (zero-rating) the following subsection shall be inserted after subsection (6) (goods shipped for use as stores etc)—

“(6A) Subsection (6)(b)

above shall not apply in the case of goods shipped for use as stores on a voyage or flight to be made by the person to whom the goods were supplied and to be made for a purpose which is private.”

(2) This section applies in relation to supplies made after the day on which this Act is passed.

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**Marginal Citations**

M12 1983 c. 55.

**14 Supplies to groups.**

- (1) Section 29A of the Value Added Tax Act 1983 (supplies to groups) shall be amended as follows.
- (2) In subsection (1) for “and (3)” there shall be substituted “to (3A)”.
- (3) The following subsection shall be inserted after subsection (3)—  
“(3A) Subsection (4)  
  
below shall not apply to the extent that the chargeable assets consist of capital items in respect of which regulations made under section 15(3) and (4) above, and in force when the assets are transferred, provide for adjustment to the deduction of input tax.”
- (4) This section shall have effect in relation to transfers of assets made on or after 1st April 1990.

**15 Power to assess.**

- (1) In paragraph 4(2) of Schedule 7 to the <sup>M13</sup>Value Added Tax Act 1983 after the words “so paid or credited,” there shall be inserted the words “or which would not have been so paid or credited had the facts been known or been as they later turn out to be,”.
- (2) This section shall apply in relation to an amount paid or credited to a person after the day on which this Act is passed.

**Marginal Citations**

M13 1983 c. 55.

**16 Interest on tax etc. recovered or recoverable by assessment.**

- (1) Section 18 of the <sup>M14</sup>Finance Act 1985 (interest on tax etc. recovered or recoverable by assessment) shall be amended as follows.
- (2) In subsection (1) for the words from “tax” to “rate” there shall be substituted the words “whole of the amount assessed shall carry interest at the prescribed rate from the reckonable date”.
- (3) In subsection (3) for the words from “that tax” to “rate” there shall be substituted the words “the whole of the amount paid shall carry interest at the prescribed rate from the reckonable date”.
- (4) Subsections (4) and (5) shall cease to have effect.
- (5) In subsection (7) for “(4) and (5)” there shall be substituted “(1) and (3)”.

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- (6) This section applies in relation to assessments made on or after the day on which this Act is passed.

**Marginal Citations**

M14 1985 c. 54.

**PART II**

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

**CHAPTER I**

GENERAL

*Income tax rates and allowances*

**17 Rates and main allowances.**

- (1) Income tax shall be charged for the year 1990-91, and—
  - (a) the basic rate shall be 25 per cent.;
  - (b) the basic rate limit shall be £20,700;
  - (c) the higher rate shall be 40 per cent.; and
  - (d) section 1(4) of the Taxes Act 1988 (indexation of basic rate limit) shall not apply.
- (2) In sections 1(5) and 257C(2) of the Taxes Act 1988, for the words from “between” to the end there shall be substituted the words “during the period beginning with 6th April and ending with 17th May in the year of assessment.”
- (3) In section 828 of that Act (orders and regulations), in subsection (4), for “257(11)” there shall be substituted “257C”.
- (4) Subsections (2) and (3) above shall have effect for the year 1990-91 and subsequent years of assessment.

**18 Relief for blind persons.**

In section 265(1) of the Taxes Act 1988, for “£540” there shall be substituted “£1,080”.

*Corporation tax rates*

**19 Charge and rate of corporation tax for 1990.**

Corporation tax shall be charged for the financial year 1990 at the rate of 35 per cent.

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

C1 S. 19 excluded by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), s. 23(1).

## 20 Small companies.

- (1) For the financial year 1990—
  - (a) the small companies' rate shall be 25 per cent., and
  - (b) the fraction mentioned in section 13(2) of the Taxes Act 1988 (marginal relief for small companies) shall be one-fortieth.
- (2) In section 13(3) of that Act (limits of marginal relief), in paragraphs (a) and (b)—
  - (a) for “£150,000” there shall be substituted “ £200,000 ”, and
  - (b) for “£750,000” there shall be substituted “ £1,000,000 ”.
- (3) Subsection (2) above shall have effect for the financial year 1990 and subsequent financial years; and where by virtue of that subsection section 13 of the Taxes Act 1988 has effect with different relevant maximum amounts in relation to different parts of a company's accounting period, then for the purposes of that section those parts shall be treated as if they were separate accounting periods and the profits and basic profits of the company for that period shall be apportioned between those parts.

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

C2 S. 20 excluded by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), s. 23(2).

### *Benefits in kind*

## 21 Care for children.

- (1) The following section shall be inserted after section 155 of the Taxes Act 1988—

**“155A Care for children.**

- (1) Where a benefit consists in the provision for the employee of care for a child, section 154 does not apply to the benefit to the extent that it is provided in qualifying circumstances.
- (2) For the purposes of subsection (1) above the benefit is provided in qualifying circumstances if—
  - (a) the child falls within subsection (3) below,
  - (b) the care is provided on premises which are not domestic premises,
  - (c) the condition set out in subsection (4) below or the condition set out in subsection (5) below (or each of them) is fulfilled, and
  - (d) in a case where the registration requirement applies, it is met.
- (3) The child falls within this subsection if—
  - (a) he is a child for whom the employee has parental responsibility,
  - (b) he is resident with the employee, or

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- (c) he is a child of the employee and maintained at his expense.
- (4) The condition is that the care is provided on premises which are made available by the employer alone.
- (5) The condition is that—
  - (a) the care is provided under arrangements made by persons who include the employer,
  - (b) the care is provided on premises which are made available by one or more of those persons, and
  - (c) under the arrangements the employer is wholly or partly responsible for financing and managing the provision of the care.
- (6) The registration requirement applies where—
  - (a) the premises on which the care is provided are required to be registered under section 1 of the Nurseries and Child-Minders Regulation Act 1948 or section 11 of the Children and Young Persons Act (Northern Ireland) 1968, or
  - (b) any person providing the care is required to be registered under section 71 of the Children Act 1989 with respect to the premises on which it is provided;

and the requirement is met if the premises are so registered or (as the case may be) the person is so registered.
- (7) In subsection (3)(c) above the reference to a child of the employee includes a reference to a stepchild of his.
- (8) In this section—
  - “care” means any form of care or supervised activity, whether or not provided on a regular basis, but excluding supervised activity provided primarily for educational purposes;
  - “child” means a person under the age of eighteen;
  - “domestic premises” means any premises wholly or mainly used as a private dwelling;
  - “parental responsibility” has the meaning given in section 3(1) of the Children Act 1989.”
- (2) In section 154(2) of the Taxes Act 1988 for the words “section 155” there shall be substituted the words “ sections 155 and 155A ”.
- (3) This section applies for the year 1990-91 and subsequent years of assessment.

## 22 Car benefits.

- (1) In Schedule 6 to the Taxes Act 1988 (taxation of directors and others in respect of cars) for Part I (tables of flat rate cash equivalents) there shall be substituted—

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**“PART I**

**TABLES OF FLAT RATE CASH EQUIVALENTS**

**Table A**

**CARS WITH AN ORIGINAL MARKET VALUE UP TO £19,250 AND HAVING A CYLINDER CAPACITY**

| <b>Cylinder capacity of car in cubic centimetres</b> | <b>Age of car at end of relevant year of assessment</b> |                        |
|--|---|------------------------|
|  | <b>Under 4 years</b>                                    | <b>4 years or more</b> |
| 1400 or less   | £1,700  | £1,150                 |
| More than 1400 but not more than 2000                | £2,200  | £1,500                 |
| More than 2000                                       | £3,550  | £2,350                 |

**Table B**

**CARS WITH AN ORIGINAL MARKET VALUE UP TO £19,250 AND NOT HAVING A CYLINDER CAPACITY**

| <b>Original market value of car</b>      | <b>Age of car at end of relevant year of assessment</b> |                        |
|--|---|------------------------|
|  | <b>Under 4 years</b>                                    | <b>4 years or more</b> |
| Less than £6,000                         | £1,700  | £1,150                 |
| £6,000 or more but less than £8,500      | £2,200  | £1,500                 |
| £8,500 or more but not more than £19,250 | £3,550  | £2,350                 |

**Table C**

**CARS WITH AN ORIGINAL MARKET VALUE OF MORE THAN £19,250**

| <b>Original market value of car</b>         | <b>Age of car at end of relevant year of assessment</b> |                        |
|---|---|------------------------|
|   | <b>Under 4 years</b>                                    | <b>4 years or more</b> |
| More than £19,250 but not more than £29,000 | £4,600  | £3,100                 |
| More than £29,000                           | £7,400  | £4,900 <sup>(2)</sup>  |

(2) This section shall have effect for the year 1990-91 and subsequent years of assessment.

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### *Mileage allowances*

#### **23 Limit on chargeable mileage profit.**

Schedule 4 to this Act (which contains provisions about sums paid in respect of travelling expenses) shall have effect.

### *Charities*

#### **24 Payroll deduction scheme.**

- (1) In section 202(7) of the Taxes Act 1988 (which limits to £480 the deductions attracting relief for “£480” there shall be substituted “£600”.
- (2) This section shall have effect for the year 1990-91 and subsequent years of assessment.

#### **25 Donations to charity by individuals.**

- (1) For the purposes of this section, a gift to a charity by an individual (“the donor”) is a qualifying donation if—
  - (a) it is made on or after 1st October 1990,
  - (b) it satisfies the requirements of subsection (2) below, and
  - (c) the donor gives an appropriate certificate in relation to it to the charity.
- (2) A gift satisfies the requirements of this subsection if—
  - (a) it takes the form of a payment of a sum of money;
  - (b) it is not subject to a condition as to repayment;
  - (c) it is not a covenanted payment to charity;
  - (d) it does not constitute a sum falling within section 202(2) of the Taxes Act 1988 (payroll deduction scheme);
  - (e) neither the donor nor any person connected with him receives a benefit in consequence of making it or, where the donor or a person connected with him does receive a benefit in consequence of making it, the relevant value in relation to the gift does not exceed two and a half per cent. of the amount of the gift and the amount to be taken into account for the purposes of this paragraph in relation to the gift does not exceed £250;
  - (f) it is not conditional on or associated with, or part of an arrangement involving, the acquisition of property by the charity, otherwise than by way of gift, from the donor or a person connected with him;
  - (g) the sum paid is not less than £600;
  - <sup>F3</sup>(h) .....
  - (i) the donor is resident in the United Kingdom at the time the gift is made.
- (3) The reference in subsection (1)(c) above to an appropriate certificate is a reference to a certificate which is in such form as the Board may prescribe and contains statements to the following effect—
  - (a) that the gift satisfies the requirements of subsection (2) above, and
  - (b) that, either directly or by deduction from profits or gains brought into charge to tax in the relevant year of assessment, the donor has paid or will pay to the



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Board income tax of an amount equal to income tax at the basic rate for the relevant year of assessment on the grossed up amount of the gift.

- (4) For the purposes of subsections (2)(e) above and (5) below, the relevant value in relation to a gift is—
- (a) where there is one benefit received in consequence of making it which is received by the donor or a person connected with him, the value of that benefit;
  - (b) where there is more than one benefit received in consequence of making it which is received by the donor or a person connected with him, the aggregate value of all the benefits received in consequence of making it which are received by the donor or a person connected with him.
- (5) The amount to be taken into account for the purposes of subsection (2)(e) above in relation to a gift to a charity is an amount equal to the aggregate of—
- (a) the relevant value in relation to the gift, and
  - (b) the relevant value in relation to each gift already made to the charity by the donor in the relevant year of assessment which is a qualifying donation for the purposes of this section.
- (6) Where a gift is a qualifying donation, the Income Tax Acts, except Part IX of the Taxes Act 1988 (annual payments), shall have effect, in their application to the donor, as if the making of the gift were the making of a covenanted payment to charity of an amount equal to the grossed up amount of the gift, being a payment falling to be made at the time the gift is made.
- (7) Where the payment which the donor is treated by virtue of subsection (6) above as making would, if in fact made, be payable wholly or partly out of profits or gains brought into charge to income tax, they shall be assessed and charged with income tax on the donor without distinguishing the payment and in respect of so much of them as is equal to the payment and may be deducted in computing his total income the donor shall be charged at the appropriate rate.
- (8) Where the payment which the donor is treated by virtue of subsection (6) above as making would, if in fact made, not be payable or not be wholly payable out of profits or gains brought into charge to income tax, the donor shall be assessable and chargeable with income tax at the appropriate rate on the payment, or on so much of it as would not be payable out of profits or gains brought into charge to income tax.
- (9) For the purposes of subsections (7) and (8) above the appropriate rate is the basic rate for the year of assessment in which, in accordance with subsection (6) above, the payment falls to be made.
- (10) The receipt by a charity of a gift which is a qualifying donation shall be treated for the purposes of the Tax Acts, in their application to the charity, as the receipt, under deduction of income tax at the basic rate for the relevant year of assessment, of an annual payment of an amount equal to the grossed up amount of the gift.
- (11) Section 839 of the Taxes Act 1988 applies for the purposes of subsections (2) and (4) above.
- (12) For the purposes of this section—
- (a) “charity” has the same meaning as in section 506 of the Taxes Act 1988 and includes each of the bodies mentioned in section 507 of that Act;
  - (b) “covenanted payment to charity” has the meaning given by section 660(3) of the Taxes Act 1988;

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- (c) “relevant year of assessment”, in relation to a gift, means the year of assessment in which the gift is made;
- (d) references, in relation to a gift, to the grossed up amount are to the amount which after deducting income tax at the basic rate for the relevant year of assessment leaves the amount of the gift; and
- (e) references to profits or gains brought into charge to income tax are to profits or gains which are treated for the purposes of section 348 of the Taxes Act 1988 as brought into charge to income tax.

#### Textual Amendments

**F3** S. 25(2)(h) repealed (for gifts made on or after 19.03.1991) by Finance Act 1991 (c. 31, SIF 63:1), ss. 71(5)(6), 123, Sch. 19 Pt.V Note 12.

## 26 Company donations to charity.

- (1) Section 339 of the Taxes Act 1988 (charges on income: donations to charity) shall be amended as follows.
- (2) In subsection (1) after the word “payment” there shall be inserted the words “ of a sum of money ”.
- (3) In subsection (2) the words “and is not a close company” shall be omitted.
- (4) The following subsections shall be inserted after subsection (3)—
  - “(3A) A payment made by a close company is not a qualifying donation if it is of a sum which leaves less than £600 after deducting income tax under subsection (3) above.
  - (3B) A payment made by a close company is not a qualifying donation if—
    - (a) it is made subject to a condition as to repayment, or
    - (b) the company or a connected person receives a benefit in consequence of making it and either the relevant value in relation to the payment exceeds two and a half per cent. of the amount given after deducting tax under section 339(3) or the amount to be taken into account for the purposes of this paragraph in relation to the payment exceeds £250.
  - (3C) For the purposes of subsections (3B) above and (3D) below, the relevant value in relation to a payment to a charity is—
    - (a) where there is one benefit received in consequence of making it which is received by the company or a connected person, the value of that benefit;
    - (b) where there is more than one benefit received in consequence of making it which is received by the company or a connected person, the aggregate value of all the benefits received in consequence of making it which are received by the company or a connected person.
  - (3D) The amount to be taken into account for the purposes of subsection (3B)(b) above in relation to a payment to a charity is an amount equal to the aggregate of—
    - (a) the relevant value in relation to the payment, and

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- (b) the relevant value in relation to each payment already made to the charity by the company in the accounting period in which the payment is made which is a qualifying donation within the meaning of this section.
- (3E) A payment made by a close company is not a qualifying donation if it is conditional on, or associated with, or part of an arrangement involving, the acquisition of property by the charity, otherwise than by way of gift, from the company or a connected person.
- (3F) A payment made by a company is not a qualifying donation unless the company gives to the charity to which the payment is made a certificate in such form as the Board may prescribe and containing—
- (a) in the case of any company, a statement to the effect that the payment is one out of which the company has deducted tax under subsection (3) above, and
  - (b) in the case of a close company, a statement to the effect that the payment satisfies the requirements of subsections (3A) to (3E) above.
- (3G) A payment made by a company is not a qualifying donation if the company is itself a charity.”
- (5) The following subsection shall be inserted after subsection (7)—
- “(7A) In subsections (3B) to (3E) above references to a connected person are to a person connected with—
- (a) the company, or
  - (b) a person connected with the company;
- and section 839 applies for the purposes of this subsection.”
- (6) This section applies in relation to payments made on or after 1st October 1990.

## 27 Maximum qualifying company donations.

- <sup>F4</sup>(1) .....
- (2) In section 339 of that Act (charges on income: donations to charity) subsection (5) shall be omitted and in subsection (9) for “(5)” there shall be substituted “ (4) ”.
- <sup>F4</sup>(3) .....
- (4) This section applies in relation to accounting periods ending on or after 1st October 1990.

### Textual Amendments

- F4** S. 27(1)(3) repealed(for accounting periods beginning on or after 19.03.1991) by Finance Act 1991 (c. 31, SIF 63:1), s. 123, Sch. 19 Pt.V Note 5.

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### *Savings*

## 28 Tax-exempt special savings accounts.

(1) After section 326 of the Taxes Act 1988 there shall be inserted—

### **“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.
- (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.

### **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.

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- (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.

### **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;
  - (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 and 326B.
- (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, section 326B and subsection (1) above shall apply to such an account with the necessary modifications.”
- (2) In the Table in section 98 of the <sup>M15</sup>Taxes Management Act 1970 (penalties for failure to comply with notices etc), in each column, before “regulations under section 333” there shall be inserted— “ regulations under section 326C; ”.

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(3) In section 149B of the <sup>M16</sup>Capital Gains Tax Act 1979, for subsection (4) there shall be substituted—

“(4) Any bonus to which section 326 (certified contractual savings schemes) or 326A (tax-exempt special savings accounts) of the Taxes Act 1988 applies shall be disregarded for all purposes of the enactments relating to capital gains tax.”

**Marginal Citations**

**M15** 1970 c. 9.

**M16** 1979 c. 14.

**29 Extension of SAYE.**

In section 326 of the Taxes Act 1988 (income tax relief for SAYE)—

- (a) in subsection (1), after paragraph (b) there shall be inserted the words “or
  - (c) in respect of money paid to an institution authorised under the Banking Act 1987,”;
- (b) in that subsection, for the words “be disregarded” onwards there shall be substituted the words “not be regarded as income for any income tax purpose.”;
- (c) in subsection (2), after the words “building society” there shall be inserted the words “or an institution authorised under the Banking Act 1987”; and
- (d) after subsection (3) there shall be inserted—

“(4) In this section “certified contractual savings scheme” means, in relation to an institution authorised under the Banking Act 1987, a scheme—

- (a) providing for periodical contributions by individuals for a specified period, and
- (b) certified by the Treasury as corresponding to a scheme certified under subsection (2) above, and as qualifying for exemption under this section.”

**30 Building societies.**

Schedule 5 to this Act (which contains provisions relating to building societies, deposit-takers and investors) shall have effect.

*Employee share ownership trusts*

**31 Conditions for roll-over relief.**

- (1) Relief is available under section 33(1) below where each of the seven conditions set out in subsections (2) to (8) below is fulfilled.
- (2) The first condition is that a person (the claimant) makes a disposal of shares, or his interest in shares, to the trustees of a trust which—
  - (a) is a qualifying employee share ownership trust at the time of the disposal, and

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- (b) was established by a company (the founding company) which immediately after the disposal was a trading company or the holding company of a trading group.
- (3) The second condition is that the shares—
- (a) are shares in the founding company,
  - (b) form part of the ordinary share capital of the company,
  - (c) are fully paid up,
  - (d) are not redeemable, and
  - (e) are not subject to any restrictions other than restrictions which attach to all shares of the same class or a restriction authorised by paragraph 7(2) of Schedule 5 to the <sup>M17</sup>Finance Act 1989.
- (4) The third condition is that, at any time in the entitlement period, the trustees—
- (a) are beneficially entitled to not less than 10 per cent. of the ordinary share capital of the founding company,
  - (b) are beneficially entitled to not less than 10 per cent. of any profits available for distribution to equity holders of the founding company, and
  - (c) would be beneficially entitled to not less than 10 per cent. of any assets of the founding company available for distribution to its equity holders on a winding-up.
- (5) The fourth condition is that the claimant obtains consideration for the disposal and, at any time in the acquisition period, all the amount or value of the consideration is applied by him in making an acquisition of assets or an interest in assets (replacement assets) which—
- (a) are, immediately after the time of the acquisition, chargeable assets in relation to the claimant, and
  - (b) are not shares in, or debentures issued by, the founding company or a company which is (at the time of the acquisition) in the same group as the founding company;
- but the preceding provisions of this subsection shall have effect without the words “, at any time in the acquisition period,” if the acquisition is made pursuant to an unconditional contract entered into in the acquisition period.
- (6) The fifth condition is that, at all times in the proscribed period, there are no unauthorised arrangements under which the claimant or a person connected with him may be entitled to acquire any of the shares, or an interest in or right deriving from any of the shares, which are the subject of the disposal by the claimant.
- (7) The sixth condition is that no chargeable event occurs in relation to the trustees in—
- (a) the chargeable period in which the claimant makes the disposal,
  - (b) the chargeable period in which the claimant makes the acquisition, or
  - (c) any chargeable period falling after that mentioned in paragraph (a) above and before that mentioned in paragraph (b) above;
- and “chargeable period” here means a year of assessment or (if the claimant is a company) an accounting period of the claimant for purposes of corporation tax.
- (8) The seventh condition is that the disposal is made on or after 20th March 1990.

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### Marginal Citations

M17 1989 c. 26.

## 32 Conditions for relief: supplementary.

- (1) This section applies for the purposes of section 31 above.
- (2) The entitlement period is the period beginning with the disposal, and ending on the expiry of twelve months beginning with the date of the disposal.
- (3) The acquisition period is the period beginning with the disposal, and ending on the expiry of six months beginning with—
  - (a) the date of the disposal, or
  - (b) if later, the date on which the third condition (set out in section 31(4) above) first becomes fulfilled.
- (4) The proscribed period is the period beginning with the disposal, and ending on—
  - (a) the date of the acquisition, or
  - (b) if later, the date on which the third condition (set out in section 31(4) above) first becomes fulfilled.
- (5) All arrangements are unauthorised unless—
  - (a) they arise wholly from a restriction authorised by paragraph 7(2) of Schedule 5 to the <sup>M18</sup>Finance Act 1989, or
  - (b) they only allow one or both of the following as regards shares, interests or rights, namely, acquisition by a beneficiary under the trust and appropriation under an approved profit sharing scheme.
- (6) An asset is a chargeable asset in relation to the claimant at a particular time if—
  - (a) at that time he is resident or ordinarily resident in the United Kingdom, and
  - (b) were the asset to be disposed of at that time, a gain accruing to him would be a chargeable gain.
- (7) An asset is also a chargeable asset in relation to the claimant at a particular time if, were it to be disposed of at that time, any gain accruing to him on the disposal would be a chargeable gain—
  - (a) in respect of which he would be chargeable to capital gains tax under section 12(1) of the <sup>M19</sup>Capital Gains Tax Act 1979 (non-resident with United Kingdom branch or agency), or
  - (b) which would form part of his chargeable profits for corporation tax purposes by virtue of section 11(2)(b) of the Taxes Act 1988 (non-resident companies).
- (8) But an asset is not a chargeable asset in relation to the claimant at a particular time if, were he to dispose of the asset at that time, he would fall to be regarded for the purposes of any double taxation relief arrangements as not liable in the United Kingdom to tax on any gains accruing to him on the disposal; and “double taxation relief arrangements” means arrangements having effect by virtue of section 788 of the Taxes Act 1988 (as extended to capital gains tax by section 10 of the <sup>M20</sup>Capital Gains Tax Act 1979).



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- (9) The question whether a trust is at a particular time a qualifying employee share ownership trust shall be determined in accordance with Schedule 5 to the <sup>M21</sup>Finance Act 1989; and “chargeable event” in relation to trustees has the meaning given by section 69 of that Act.
- (10) The expressions “holding company”, “trading company” and “trading group” have the meanings given by paragraph 1 of Schedule 20 to the <sup>M22</sup>Finance Act 1985; and “group” (except in the expression “trading group”) shall be construed in accordance with section 272 of the Taxes Act 1970.
- (11) “Ordinary share capital” in relation to the founding company means all the issued share capital (by whatever name called) of the company, other than capital the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company.
- (12) Schedule 18 to the Taxes Act 1988 (group relief: equity holders and profits or assets available for distribution) shall apply for the purposes of section 31(4) above as if—
  - (a) the trustees were a company,
  - (b) the references to section 413(7) to (9) of that Act were references to section 31(4) above,
  - (c) the reference in paragraph 7(1)(a) to section 413(7) of that Act were a reference to section 31(4) above, and
  - (d) paragraph 7(1)(b) were omitted.

#### Marginal Citations

- M18** 1989 c. 26.  
**M19** 1979 c. 14.  
**M20** 1979 c. 14.  
**M21** 1989 c. 26.  
**M22** 1985 c. 54.

### 33 The relief.

- (1) In a case where relief is available under this subsection the claimant shall, on making a claim in the period of two years beginning with the acquisition, be treated for the purposes of the 1979 Act—
  - (a) as if the consideration for the disposal were (if otherwise of a greater amount or value) of such amount as would secure that on the disposal neither a gain nor a loss accrues to him, and
  - (b) as if the amount or value of the consideration for the acquisition were reduced by the excess of the amount or value of the actual consideration for the disposal over the amount of the consideration which the claimant is treated as receiving under paragraph (a) above.
- (2) Relief is available under subsection (3) below where—
  - (a) relief would be available under subsection (1) above but for the fact that part only of the amount or value mentioned in section 31(5) above is applied as there mentioned, and

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- (b) all the amount or value so mentioned except for a part which is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal is so applied.
- (3) In a case where relief is available under this subsection the claimant shall, on making a claim in the period of two years beginning with the acquisition, be treated for the purposes of the 1979 Act—
  - (a) as if the amount of the gain accruing on the disposal were reduced to the amount of the part mentioned in subsection (2)(b) above, and
  - (b) as if the amount or value of the consideration for the acquisition were reduced by the amount by which the gain is reduced under paragraph (a) above.
- (4) Nothing in subsection (1) or (3) above shall affect the treatment for the purposes of the 1979 Act of the other party to the disposal or of the other party to the acquisition.
- (5) The provisions of the 1979 Act fixing the amount of the consideration deemed to be given for a disposal or acquisition shall be applied before the preceding provisions of this section are applied.
- (6) In this section “the 1979 Act” means the <sup>M23</sup>Capital Gains Tax Act 1979.

**Marginal Citations**

**M23** 1979 c. 14.

**34 Dwelling-houses: special provision.**

- (1) Subsection (2) below applies where—
  - (a) a claim is made under section 33 above,
  - (b) immediately after the time of the acquisition mentioned in section 31(5) above and apart from this section, any replacement asset was a chargeable asset in relation to the claimant,
  - (c) the asset is a dwelling-house or part of a dwelling-house or land, and
  - (d) there was a time in the period beginning with the acquisition and ending with the time when section 33(1) or (3) above falls to be applied such that, if the asset (or an interest in it) were disposed of at that time, it would be within section 101(1) of the Capital Gains Tax Act 1979 (relief on disposal of private residence) and the individual there mentioned would be the claimant or the claimant’s spouse.
- (2) In such a case the asset shall be treated as if, immediately after the time of the acquisition mentioned in section 31(5) above, it was not a chargeable asset in relation to the claimant.
- (3) Subsection (4) below applies where—
  - (a) the provisions of section 33(1) or (3) above have been applied,
  - (b) any replacement asset which, immediately after the time of the acquisition mentioned in section 31(5) above and apart from this section, was a chargeable asset in relation to the claimant consists of a dwelling-house or part of a dwelling-house or land, and
  - (c) there is a time after section 33(1) or (3) above has been applied such that, if the asset (or an interest in it) were disposed of at that time, it would be within

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section 101(1) of the Capital Gains Tax Act 1979 and the individual there mentioned would be the claimant or the claimant's spouse.

- (4) In such a case—
- (a) the asset shall be treated as if, immediately after the time of the acquisition mentioned in section 31(5) above, it was not a chargeable asset in relation to the claimant and adjustments shall be made accordingly, but
  - (b) any gain treated as accruing in consequence of the application of paragraph (a) above shall be treated as accruing at the time mentioned in subsection (3)(c) above or, if there is more than one such time, at the earliest of them.
- (5) Subsection (6) below applies where—
- (a) a claim is made under section 33 above,
  - (b) immediately after the time of the acquisition mentioned in section 31(5) above and apart from this section, any replacement asset was a chargeable asset in relation to the claimant,
  - (c) the asset was an option to acquire (or to acquire an interest in) a dwelling-house or part of a dwelling-house or land,
  - (d) the option has been exercised, and
  - (e) there was a time in the period beginning with the exercise of the option and ending with the time when section 33(1) or (3) above falls to be applied such that, if the asset acquired on exercise of the option were disposed of at that time, it would be within section 101(1) of the <sup>M24</sup>Capital Gains Tax Act 1979 and the individual there mentioned would be the claimant or the claimant's spouse.
- (6) In such a case the option shall be treated as if, immediately after the time of the acquisition mentioned in section 31(5) above, it was not a chargeable asset in relation to the claimant.
- (7) Subsection (8) below applies where—
- (a) the provisions of section 33(1) or (3) above have been applied,
  - (b) any replacement asset which, immediately after the time of the acquisition mentioned in section 31(5) above and apart from this section, was a chargeable asset in relation to the claimant consisted of an option to acquire (or to acquire an interest in) a dwelling-house or part of a dwelling-house or land,
  - (c) the option has been exercised, and
  - (d) there is a time after section 33(1) or (3) above has been applied such that, if the asset acquired on exercise of the option were disposed of at that time, it would be within section 101(1) of the Capital Gains Tax Act 1979 and the individual there mentioned would be the claimant or the claimant's spouse.
- (8) In such a case—
- (a) the option shall be treated as if, immediately after the time of the acquisition mentioned in section 31(5) above, it was not a chargeable asset in relation to the claimant and adjustments shall be made accordingly, but
  - (b) any gain treated as accruing in consequence of the application of paragraph (a) above shall be treated as accruing at the time mentioned in subsection (7)(d) above or, if there is more than one such time, at the earliest of them.
- (9) References in this section to an individual include references to a person entitled to occupy under the terms of a settlement.

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### Marginal Citations

M24 1979 c. 14.

## 35 Shares: special provision.

- (1) Subsection (2) below applies where—
  - (a) a claim is made under section 33 above,
  - (b) immediately after the time of the acquisition mentioned in section 31(5) above and apart from this section, any replacement asset was a chargeable asset in relation to the claimant,
  - (c) the asset consists of shares, and
  - (d) in the period beginning with the acquisition and ending when section 33(1) or (3) above falls to be applied relief is claimed under Chapter III of Part VII of the Taxes Act 1988 (business expansion scheme) in respect of the asset.
- (2) In such a case the asset shall be treated as if, immediately after the time of the acquisition mentioned in section 31(5) above, it was not a chargeable asset in relation to the claimant.
- (3) Subsection (4) below applies where—
  - (a) the provisions of section 33(1) or (3) above have been applied,
  - (b) any replacement asset which, immediately after the time of the acquisition mentioned in section 31(5) above and apart from this section, was a chargeable asset in relation to the claimant consists of shares, and
  - (c) after section 33(1) or (3) above has been applied relief is claimed under Chapter III of Part VII of the Taxes Act 1988 in respect of the asset.
- (4) In such a case the asset shall be treated as if, immediately after the time of the acquisition mentioned in section 31(5) above, it was not a chargeable asset in relation to the claimant and adjustments shall be made accordingly.

## 36 Chargeable event when replacement assets owned.

- (1) Subsection (3) below applies where—
  - (a) the provisions of section 33(1) or (3) above are applied,
  - (b) a chargeable event occurs in relation to the trustees on or after the date on which the disposal is made (and whether the event occurs before or after the provisions are applied or the passing of this Act),
  - (c) the claimant was neither an individual who died before the chargeable event occurs nor trustees of a settlement which ceased to exist before the chargeable event occurs, and
  - (d) the condition set out below is fulfilled.
- (2) The condition is that, at the time the chargeable event occurs, the claimant or a person then connected with him is beneficially entitled to all the replacement assets.
- (3) In a case where this subsection applies, the claimant or connected person (as the case may be) shall be deemed for all purposes of the <sup>M25</sup>Capital Gains Tax Act 1979—
  - (a) to have disposed of all the replacement assets immediately before the time when the chargeable event occurs, and

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- (b) immediately to have reacquired them,  
at the relevant value.
- (4) The relevant value is such value as secures on the deemed disposal a chargeable gain equal to—
- (a) the amount by which the amount or value of the consideration mentioned in section 33(1)(b) above was treated as reduced by virtue of that provision (where it applied), or
  - (b) the amount by which the amount or value of the consideration mentioned in section 33(3)(b) above was treated as reduced by virtue of that provision (where it applied).
- (5) In a case where subsection (3) above would apply if “all” read “any of” in subsection (2) above, subsection (3) shall nevertheless apply, but as if—
- (a) in subsection (3)(a) “all the replacement assets” read “the replacement assets concerned”, and
  - (b) the relevant value were reduced to whatever value is just and reasonable.
- (6) Subsection (7) below applies where—
- (a) subsection (3) above applies (whether or not by virtue of subsection (5) above), and
  - (b) before the time when the chargeable event occurs anything has happened as regards any of the replacement assets such that it can be said that a charge has accrued in respect of any of the gain carried forward by virtue of section 33(1) or (3) above.
- (7) If in such a case it is just and reasonable for subsection (3) above to apply as follows, it shall apply as if—
- (a) the relevant value were reduced (or further reduced) to whatever value is just and reasonable, or
  - (b) the relevant value were such value as secures that on the deemed disposal neither a gain nor a loss accrues (if that is just and reasonable);
- but paragraph (a) above shall not apply so as to reduce the relevant value below that mentioned in paragraph (b) above.
- (8) For the purposes of subsection (6)(b) above the gain carried forward by virtue of section 33(1) or (3) above is the gain represented by the amount which by virtue of either of those provisions falls to be deducted from the expenditure allowable in computing a gain accruing on the disposal of replacement assets (that is, the amount found under subsection (4)(a) or (b) above, as the case may be).
- (9) In this section “chargeable event” in relation to trustees has the meaning given by section 69 of the <sup>M26</sup>Finance Act 1989.

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**Marginal Citations**

**M25** 1979 c. 14.

**M26** 1989 c. 26.

**37 Chargeable event when replacement property owned.**

- (1) Subsection (3) below applies where—

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- (a) paragraphs (a) to (c) of section 36(1) above are fulfilled, and
  - (b) the condition set out below is fulfilled.
- (2) The condition is that—
- (a) before the time when the chargeable event occurs, all the gain carried forward by virtue of section 33(1) or (3) above was in turn carried forward from all the replacement assets to other property on a replacement of business assets, and
  - (b) at the time the chargeable event occurs, the claimant or a person then connected with him is beneficially entitled to all the property.
- (3) In a case where this subsection applies, the claimant or connected person (as the case may be) shall be deemed for all purposes of the 1979 Act—
- (a) to have disposed of all the property immediately before the time when the chargeable event occurs, and
  - (b) immediately to have reacquired it,
- at the relevant value.
- (4) The relevant value is such value as secures on the deemed disposal a chargeable gain equal to—
- (a) the amount by which the amount or value of the consideration mentioned in section 33(1)(b) above was treated as reduced by virtue of that provision (where it applied), or
  - (b) the amount by which the amount or value of the consideration mentioned in section 33(3)(b) above was treated as reduced by virtue of that provision (where it applied).
- (5) In a case where subsection (3) above would apply if “all the” in subsection (2) above (in one or more places) read “any of the”, subsection (3) shall nevertheless apply, but as if—
- (a) in subsection (3)(a) “all the property” read “the property concerned”, and
  - (b) the relevant value were reduced to whatever value is just and reasonable.
- (6) Subsection (7) below applies where—
- (a) subsection (3) above applies (whether or not by virtue of subsection (5) above), and
  - (b) before the time when the chargeable event occurs anything has happened as regards any of the replacement assets, or any other property, such that it can be said that a charge has accrued in respect of any of the gain carried forward by virtue of section 33(1) or (3) above.
- (7) If in such a case it is just and reasonable for subsection (3) above to apply as follows, it shall apply as if—
- (a) the relevant value were reduced (or further reduced) to whatever value is just and reasonable, or
  - (b) the relevant value were such value as secures that on the deemed disposal neither a gain nor a loss accrues (if that is just and reasonable);
- but paragraph (a) above shall not apply so as to reduce the relevant value below that mentioned in paragraph (b) above.
- (8) For the purposes of subsections (2) and (6)(b) above the gain carried forward by virtue of section 33(1) or (3) above is the gain represented by the amount which by virtue of either of those provisions falls to be deducted from the expenditure allowable in

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computing a gain accruing on the disposal of replacement assets (that is, the amount found under subsection (4)(a) or (b) above, as the case may be).

(9) For the purposes of subsection (2) above a gain is carried forward from assets to other property on a replacement of business assets if, by one or more claims under sections 115 to 121 of the 1979 Act, the chargeable gain accruing on a disposal of the assets is reduced, and as a result an amount falls to be deducted from the expenditure allowable in computing a gain accruing on the disposal of the other property.

(10) In this section “the 1979 Act” means the <sup>M27</sup>Capital Gains Tax Act 1979.

**Marginal Citations**

M27 1979 c. 14.

**38 Chargeable event when bonds owned.**

(1) Subsection (3) below applies where—

- (a) paragraphs (a) to (c) of section 36(1) above are fulfilled, and
- (b) the condition set out below is fulfilled.

(2) The condition is that—

- (a) all the replacement assets were shares (new shares) in a company or companies,
- (b) there has been a transaction to which paragraph 10(1) of Schedule 13 to the <sup>M28</sup>Finance Act 1984 applies and as regards which all the new shares constitute the old asset and qualifying corporate bonds constitute the new asset, and
- (c) at the time the chargeable event occurs, the claimant or a person then connected with him is beneficially entitled to all the bonds.

(3) In a case where this subsection applies, a chargeable gain shall be deemed to have accrued to the claimant or connected person (as the case may be); and the gain shall be deemed to have accrued immediately before the time when the chargeable event occurs and to be of an amount equal to the relevant amount.

(4) The relevant amount is an amount equal to the lesser of—

- (a) the first amount, and
- (b) the second amount.

(5) The first amount is—

- (a) the amount of the chargeable gain that would be deemed to accrue under paragraph 10(1)(b) of Schedule 13 to the Finance Act 1984 if there were a disposal of all the bonds at the time the chargeable event occurs, or
- (b) nil, if an allowable loss would be so deemed to accrue if there were such a disposal.

(6) The second amount is an amount equal to—

- (a) the amount by which the amount or value of the consideration mentioned in section 33(1)(b) above was treated as reduced by virtue of that provision (where it applied), or

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- (b) the amount by which the amount or value of the consideration mentioned in section 33(3)(b) above was treated as reduced by virtue of that provision (where it applied).
- (7) In a case where subsection (3) above would apply if “all the” in subsection (2) above (in one or more places) read “any of the”, subsection (3) shall nevertheless apply, but as if—
- (a) in subsection (5) above “all the bonds” read “the bonds concerned”,
  - (b) the second amount were reduced to whatever amount is just and reasonable, and
  - (c) the relevant amount were reduced accordingly.
- (8) Subsection (9) below applies where—
- (a) subsection (3) above applies (whether or not by virtue of subsection (7) above), and
  - (b) before the time when the chargeable event occurs anything has happened as regards any of the new shares, or any of the bonds, such that it can be said that a charge has accrued in respect of any of the gain carried forward by virtue of section 33(1) or (3) above.
- (9) If in such a case it is just and reasonable for subsection (3) above to apply as follows, it shall apply as if—
- (a) the second amount were reduced (or further reduced) to whatever amount is just and reasonable, and
  - (b) the relevant amount were reduced (or further reduced) accordingly (if the second amount is less than the first amount).
- (10) But nothing in subsection (9) above shall have the effect of reducing the second amount below nil.
- (11) For the purposes of subsection (8)(b) above the gain carried forward by virtue of section 33(1) or (3) above is the gain represented by the amount which by virtue of either of those provisions falls to be deducted from the expenditure allowable in computing a gain accruing on the disposal of replacement assets (that is, the amount found under subsection (6)(a) or (b) above, as the case may be).

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**Marginal Citations**

**M28** 1984 c. 43.

**39 Information.**

- (1) An inspector may by notice in writing require a return to be made by the trustees of an employee share ownership trust in a case where—
- (a) a disposal of shares, or an interest in shares, has at any time been made to them, and
  - (b) a claim is made under section 33(1) or (3) above.
- (2) Where he requires such a return to be made the inspector shall specify the information to be contained in it.



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- (3) The information which may be specified is information the inspector needs for the purposes of sections 36 to 38 above, and may include information about—
  - (a) expenditure incurred by the trustees;
  - (b) assets acquired by them;
  - (c) transfers of assets made by them.
- (4) The information which may be required under subsection (3)(a) above may include the purpose of the expenditure and the persons receiving any sums.
- (5) The information which may be required under subsection (3)(b) above may include the persons from whom the assets were acquired and the consideration furnished by the trustees.
- (6) The information which may be required under subsection (3)(c) above may include the persons to whom assets were transferred and the consideration furnished by them.
- (7) In a case where section 33(1) or (3) above has been applied, the inspector shall send to the trustees of the employee share ownership trust concerned a certificate stating—
  - (a) that the provision concerned has been applied, and
  - (b) the effect of the provision on the consideration for the disposal or on the amount of the gain accruing on the disposal (as the case may be).
- (8) For the purposes of this section, the question whether a trust is an employee share ownership trust shall be determined in accordance with Schedule 5 to the <sup>M29</sup>Finance Act 1989.
- (9) In the Table in section 98 of the <sup>M30</sup>Taxes Management Act 1970 (penalties for failure to comply with notices etc.) at the end of the first column there shall be inserted— “Section 39 of the Finance Act 1990.”

**Marginal Citations**

**M29** 1989 c. 26.

**M30** 1970 c. 9.

**40 Other enactments.**

- (1) Section 117 of the 1979 Act (roll-over relief: depreciating assets) shall be amended as mentioned in subsections (2) to (4) below.
- (2) In subsection (1) after “116 above” there shall be inserted “and section 33 of the Finance Act 1990”.
- (3) The following subsection shall be inserted after subsection (2)—

“(2A) Where section 33 of the Finance Act 1990 has effect subject to the provisions of this section, subsection (2)(b) above shall have effect as if it read—

  - (b) section 36(3) of the Finance Act 1990 applies as regards asset No.2 (whether or not by virtue of section 36(5)), or”
- (4) In subsection (3) for “and so claims” there shall be substituted “and claims”.
- (5) Where a charge can be said to accrue by virtue of section 36 or 37 above in respect of any of the gain carried forward by virtue of section 33(1) or (3) above, so much of

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the gain charged shall not be capable of being carried forward (from assets to other property or from property to other property) under sections 115 to 121 of the 1979 Act on a replacement of business assets.

- (6) For the purpose of construing subsection (5) above—
- (a) what of the gain has been charged shall be found in accordance with what is just and reasonable;
  - (b) section 37(8) and (9) above shall apply.
- (7) In a case where—
- (a) section 38 above applies in the case of bonds,
  - (b) subsequently a disposal of the bonds occurs as mentioned in paragraph 10(1) (b) of Schedule 13 to the <sup>M31</sup>Finance Act 1984, and
  - (c) a chargeable gain is deemed to accrue under paragraph 10(1)(b),
- the chargeable gain shall be reduced by the relevant amount found under section 38 above or (if the amount exceeds the gain) shall be reduced to nil.
- (8) The relevant amount shall be apportioned where the subsequent disposal is of some of the bonds mentioned in subsection (7)(a) above; and subsection (7) shall apply accordingly.
- (9) In this section “the 1979 Act” means the <sup>M32</sup>Capital Gains Tax Act 1979.

**Marginal Citations**

**M31** 1984 c. 43.

**M32** 1979 c. 14.

*Insurance companies and friendly societies*

**41 Apportionment of income etc.**

Schedule 6 to this Act (which makes provision about the apportionment of income etc. and related provision) shall have effect.

**42 Overseas life assurance business.**

Schedule 7 to this Act (which makes provision about the taxation of overseas life assurance business) shall have effect.

**43 Deduction for policy holders’ tax.**

- (1) In section 82(1)(a) of the <sup>M33</sup>Finance Act 1989 (computation of profits on Case I basis), for the words “, in respect of the period, are allocated to or expended on behalf of policy holders or annuitants” there shall be substituted the words “ are allocated to, and any amounts of tax or foreign tax which are expended on behalf of, policy holders or annuitants in respect of the period ”.
- (2) In section 436(3) of the Taxes Act 1988 (modified application of section 82 in relation to computations of profits of general annuity business or pension business), the words “and of the words “tax or” in section 82(1)(a)” shall be added at the end of paragraph (a).

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- (3) The Finance Act 1989 shall be deemed always to have had effect with the amendment made by subsection (1) above, and the amendment made by subsection (2) above shall have the same effect as, by virtue of section 84(5)(b) of that Act, it would have had if it had been made by Schedule 8 to that Act.

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**Marginal Citations**

M33 1989 c. 26.

#### 44 Reinsurance commissions.

- (1) In section 85(2) of the Finance Act 1989 (receipts excluded from charge under Case VI of Schedule D), after paragraph (c) there shall be inserted—  
“(ca) any reinsurance commission; or”.
- (2) In section 86 of the Finance Act 1989 (spreading of relief for expenses), at the end of subsection (1) there shall be added the words “and less any reinsurance commissions falling within section 76(1)(ca) of that Act”.
- (3) In section 76(1) of the Taxes Act 1988 (treatment of expenses of management), after paragraph (c) there shall be inserted—  
“(ca) there shall also be deducted from the amount treated as the expenses of management for any accounting period any reinsurance commission earned in the period which is referable to basic life assurance business; and”.
- (4) Sections 85 and 86 of the <sup>M34</sup>Finance Act 1989 shall be deemed always to have had effect with the amendments made by subsections (1) and (2) above, and section 76 of the Taxes Act 1988 shall have effect as if the amendment made by subsection (3) above had been included among those made by section 87 of the Finance Act 1989.
- (5) Nothing in subsection (2) above applies to commissions in respect of the reinsurance of liabilities assumed by the recipient company in respect of insurances made before 14th March 1989, but without prejudice to the application of that subsection to any reinsurance commission attributable to a variation on or after that date in a policy issued in respect of such an insurance; and for this purpose the exercise of any rights conferred by a policy shall be regarded as a variation of it.

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**Marginal Citations**

M34 1989 c. 26.

#### 45 Policy holders’ share of profits etc.

- (1) In section 88 of the Finance Act 1989 (corporation tax: policy holders’ fraction of profits), in subsection (1) for the words “the policy holders’ fraction of its relevant profits for any accounting period shall” there shall be substituted the words—  
“(a) the policy holders’ share of the relevant profits for any accounting period, or  
(b) where the business is mutual business, the whole of those profits

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shall ”.

- (2) In subsection (4) of that section, for the word “fraction” there shall be substituted the word “share”, and after the words “that period” there shall be inserted the words “, or where the business is mutual business the whole of those profits,”.
- (3) For section 89 of that Act (which defines the shareholders’ and policy holders’ fractions) there shall be substituted—

**“89 Policy holders’ share of profits.**

- (1) The references in section 88 above to the policy holders’ share of the relevant profits for an accounting period of a company carrying on life assurance business are references to the amount arrived at by deducting from those profits the Case I profits of the company for the period in respect of the business, reduced in accordance with subsection (2) below.
- (2) For the purposes of subsection (1) above, the Case I profits for a period shall be reduced by—
  - (a) the amount, so far as unrelieved, of any franked investment income arising in the period as respects which the company has made an election under section 438(6) of the Taxes Act 1988, and
  - (b) the shareholders’ share of any other unrelieved franked investment income arising in the period from investments held in connection with the business.
- (3) For the purposes of this section “the shareholders’ share” in relation to any income is so much of the income as is represented by the fraction

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

where—

A is an amount equal to the Case I profits of the company for the period in question in respect of its life assurance business, and

B is an amount equal to the excess of the company’s relevant non-premium income and relevant gains over its relevant expenses and relevant interest for the period.

- (4) Where there is no such excess as is mentioned in subsection (3) above, or where the Case I profits are greater than any excess, the whole of the income shall be the shareholders’ share; and (subject to that) where there are no Case I profits, none of the income shall be the shareholders’ share.
- (5) In subsection (3) above the references to the relevant non-premium income, relevant gains, relevant expenses and relevant interest of a company for an accounting period are references respectively to the following items as brought into account for the period, so far as referable to the company’s life assurance business,—
  - (a) the company’s investment income from the assets of its long-term business fund together with its other income, apart from premiums;
  - (b) any increase in the value (whether realised or not) of those assets;

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- (c) expenses payable by the company;
    - (d) interest payable by the company;
- and if for any period there is a reduction in the value referred to in paragraph (b) above (as brought into account for the period), that reduction shall be taken into account as an expense of the period.
- (6) Except in so far as regulations made by the Treasury otherwise provide, in this section “brought into account” means brought into account in the revenue account prepared for the purposes of the Insurance Companies Act 1982; and where the company’s period of account does not coincide with the accounting period, any reference to an amount brought into account for the accounting period is a reference to the corresponding amount brought into account for the period of account in which the accounting period is comprised, proportionately reduced to reflect the length of the accounting period as compared with the length of the period of account.
  - (7) In this section “Case I profits” means profits computed in accordance with the provisions of the Taxes Act 1988 applicable to Case I of Schedule D.
  - (8) For the purposes of this section franked investment income is “unrelieved” if—
    - (a) it has not been excluded from charge to tax by virtue of any provision,
    - (b) no tax credit comprised in it has been paid, and
    - (c) no relief has been allowed against it by deduction or set-off.”
- (4) In subsection (3) of section 434 of the Taxes Act 1988 (franked investment income etc.)—
- (a) for the words “policy holders’ fraction” in both places where they occur there shall be substituted the words “policy holders’ share”;
  - (b) in paragraph (a), after the word “income” there shall be inserted the words “from investments held in connection with the company’s life assurance business”;
  - (c) in paragraph (b), for the words “only to the shareholders’ fraction of that income” there shall be substituted the words “to that income excluding the amount within paragraph (a) above”.
- (5) In subsection (3A) of that section, for the word “fraction” there shall be substituted the word “share”.
- (6) In subsection (6) of that section, for the word “therefrom” onwards there shall be substituted the words “the policy holders’ share of the relevant profits”.
- (7) After subsection (6) of that section there shall be inserted—
- “(6A) For the purposes of this section—
- (a) “the policy holders’ share” of any franked investment income is so much of that income as is not the shareholders’ share within the meaning of section 89 of the Finance Act 1989, and
  - (b) “the policy holders’ share of the relevant profits” has the same meaning as in section 88 of that Act.”
- (8) In section 434A of the Taxes Act 1988—
- (a) in subsection (1), for the word “fraction” there shall be substituted the word “share”, and

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- (b) in subsection (2), for the words “the relevant profits” onwards there shall be substituted the words “the policy holders’ share of the relevant profits” has the same meaning as in section 88 of the Finance Act 1989”.
- (9) In section 438 of the Taxes Act 1988, in subsection (6) after the words “part of its” there shall be inserted the word “relevant”, and after that subsection there shall be inserted—
- “(6A) In subsection (6) above “relevant franked investment income” means the shareholders’ share of franked investment income within subsection (1) above, and for this purpose “shareholders’ share” has the same meaning as for the purposes of section 89 of the Finance Act 1989.”
- (10) The <sup>M35</sup>Finance Act 1989 shall be deemed always to have had effect with the amendments made by subsections (1) to (3) above, and the amendments made by subsections (4) to (9) above shall have the same effect as, by virtue of section 84(5) (b) of that Act, they would have had if they had been made by Schedule 8 to that Act.
- (11) Paragraphs 1 and 3(3) of Schedule 8 to the Finance Act 1989 shall be deemed never to have had effect.

#### **Marginal Citations**

**M35** 1989 c. 26.

#### **46 Annual deemed disposal of holdings of unit trusts etc.**

- (1) Where at the end of an accounting period the assets of an insurance company’s long term business fund include—
- (a) rights under an authorised unit trust, or
  - (b) relevant interests in an offshore fund,
- then, subject to the following provisions of this section and to section 47 below, the company shall be deemed for the purposes of corporation tax on capital gains to have disposed of and immediately re-acquired each of the assets concerned at its market value at that time.
- (2) Subsection (1) above shall not apply to assets linked solely to pension business or to assets of the overseas life assurance fund, and in relation to other assets (apart from assets linked solely to [<sup>F5</sup>basic life assurance and general annuity business]) shall apply only to the relevant chargeable fraction of each class of asset.
- (3) For the purposes of subsection (2) above “the relevant chargeable fraction” in relation to linked assets is the fraction of which—
- (a) the denominator is the mean of such of the opening and closing long term business liabilities as are liabilities in respect of benefits to be determined by reference to the value of linked assets, other than assets linked solely to [<sup>F6</sup>basic life assurance and general annuity business] or pension business and assets of the overseas life assurance fund; and
  - (b) the numerator is the mean of such of the opening and closing liabilities within paragraph (a) above as are liabilities of business the profits of which are not charged to tax under Case I or Case VI of Schedule D (disregarding section 85 of the Finance Act 1989).

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- (4) For the purposes of subsection (2) above “the relevant chargeable fraction” in relation to assets other than linked assets is the fraction of which—
- (a) the denominator is the aggregate of—
    - (i) the mean of the opening and closing long term business liabilities, other than liabilities in respect of benefits to be determined by reference to the value of linked assets and liabilities of the overseas life assurance business, and
    - (ii) the mean of the opening and closing amounts of the investment reserve; and
  - (b) the numerator is the aggregate of—
    - (i) the mean of such of the opening and closing liabilities within paragraph (a) above as are liabilities of business the profits of which are not charged to tax under Case I or Case VI of Schedule D (disregarding section 85 of the <sup>M36</sup>Finance Act 1989), and
    - (ii) the mean of the appropriate parts of the opening and closing amounts of the investment reserve.
- (5) For the purposes of this section an interest is a “relevant interest in an offshore fund” if—
- (a) it is a material interest in an offshore fund for the purposes of Chapter V of Part XVII of the Taxes Act 1988, or
  - (b) it would be such an interest if the shares and interests excluded by subsections (6) and (8) of section 759 of that Act were limited to shares or interests in trading companies.
- (6) For the purposes of this section the amount of an investment reserve and the “appropriate part” of it shall be determined in accordance with section 432A(8) and (9) of the Taxes Act 1988.
- (7) In this section—
- “authorised unit trust” has the same meaning as in section 468 of the Taxes Act 1988;
  - “market value” has the same meaning as in the <sup>M37</sup>Capital Gains Tax Act 1979;
  - “trading company” means a company—
    - (a) whose business consists of the carrying on of insurance business, or the carrying on of any other trade which does not consist to any extent of dealing in commodities, currency, securities, debts or other assets of a financial nature, or
    - (b) whose business consists wholly or mainly of the holding of shares or securities of trading companies which are its 90 per cent. subsidiaries;
- and in this section and section 47 below other expressions have the same meanings as in Chapter I of Part XII of the Taxes Act 1988.
- (8) Schedule 8 to this Act (which contains transitional provisions relating to the charge imposed by this section) shall have effect.
- (9) Subject to the provisions of Schedule 8, this section shall have effect in relation to accounting periods beginning on or after 1st January 1991 or, where the Treasury by order appoint a later day, in relation to accounting periods beginning on or after that

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day (and not in relation to any earlier accounting period, even if the order is made after 1st January 1991 and the period has ended before it is made).

#### Textual Amendments

- F5** Words in s. 46(2) substituted (for accounting periods beginning on or after 01.01.1992) by Finance Act 1991 (c. 31, SIF 63:1), s. 48, Sch. 7 paras. 14(1), 18.
- F6** Words in s. 46(3)(a) substituted (for accounting periods beginning on or after 01.01.1992) by Finance Act 1991 (c. 31, SIF 63:1), s. 48, Sch. 7 paras. 14(2), 18.

#### Commencement Information

- II** S. 46 wholly in force at 01.01.1992 see S.I. 1991/2860, art.2

#### Marginal Citations

- M36** 1989 c. 26.  
**M37** 1979 c. 14.

## 47 Spreading of gains and losses under section 46.

- (1) Any chargeable gains or allowable losses which would otherwise accrue on disposals deemed by virtue of section 46 above to have been made at the end of a company's accounting period shall be treated as not accruing to it, but instead—
- (a) there shall be ascertained the difference (“the net amount”) between the aggregate of those gains and the aggregate of those losses, and
  - (b) one seventh of the net amount shall be treated as a chargeable gain or, where it represents an excess of losses over gains, as an allowable loss accruing to the company at the end of the accounting period, and
  - (c) a further one seventh shall be treated as a chargeable gain or, as the case may be, as an allowable loss accruing at the end of each succeeding accounting period until the whole amount has been accounted for.
- (2) For any accounting period of less than one year, the fraction of one seventh referred to in subsection (1)(c) above shall be proportionately reduced; and where this subsection has had effect in relation to any accounting period before the last for which subsection (1)(c) above applies, the fraction treated as accruing at the end of that last accounting period shall also be adjusted appropriately.
- (3) Where—
- (a) the net amount for an accounting period of an insurance company represents an excess of gains over losses,
  - (b) the net amount for one of the next six accounting periods (after taking account of any reductions made by virtue of this subsection) represents an excess of losses over gains,
  - (c) there is (after taking account of any such reductions) no net amount for any intervening accounting period, and
  - (d) within two years after the end of the later accounting period the company makes a claim for the purpose in respect of the whole or part of the net amount for that period,

the net amounts for both the earlier and the later period shall be reduced by the amount in respect of which the claim is made.



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- (4) Subject to subsection (5) below, where a company ceases to carry on long term business before the end of the last of the accounting periods for which subsection (1) (c) above would apply in relation to a net amount, the fraction of that amount that is treated as accruing at the end of the accounting period ending with the cessation shall be such as to secure that the whole of the net amount has been accounted for.
- (5) Where there is a transfer of the whole or part of the long term business of an insurance company (“the transferor”) to another company (“the transferee”) in accordance with a scheme sanctioned by a court under section 49 of the <sup>M38</sup>Insurance Companies Act 1982, any chargeable gain or allowable loss which (assuming that the transferor had continued to carry on the business transferred) would have accrued to the transferor by virtue of subsection (1) above after the transfer shall instead be deemed to accrue to the transferee.
- (6) Where subsection (5) above has effect, the amount of the gain or loss accruing at the end of the first accounting period of the transferee ending after the day when the transfer takes place shall be calculated as if that accounting period began with the day after the transfer.
- (7) Where the transfer is of part only of the transferor’s long term business, subsection (5) above shall apply only to such part of any amount to which it would otherwise apply as is appropriate.
- (8) Any question arising as to the operation of subsection (7) above shall be determined by the Special Commissioners who shall determine the question in the same manner as they determine appeals; but both the transferor and transferee shall be entitled to appear and be heard or to make representations in writing.

**Marginal Citations**

M38 1982 c. 50.

**48 Transfers of long term business.**

Schedule 9 to this Act (which makes provision about the tax consequences of certain transfers of long term business by insurance companies) shall have effect.

**49 Friendly societies: increased tax exemption.**

- (1) In subsection (2) of section 460 of the Taxes Act 1988 (exemption from tax for profits of friendly society arising from life or endowment business), in paragraph (c)—
  - (a) in sub-paragraph (i), for “£100” there shall be substituted “ £150 ”; and
  - (b) after that sub-paragraph there shall be inserted—
    - “(ia) where the profits relate to contracts made after 31st August 1987 but before 1st September 1990, of the assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £100;”.
- (2) In subsection (3) of that section, for the words “of subsection (2)(c)(i)” there shall be substituted the words “ of subsection (2)(c)(i) or (ia) ”.

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- (3) In subsection (3) of section 464 of that Act (maximum benefits payable to members of friendly societies), for the words from “Kingdom)” to the end there shall be substituted the words “Kingdom)—
- (a) contracts under which the total premiums payable in any period of 12 months exceed £150; or
  - (b) contracts made before 1st September 1990 under which the total premiums payable in any period of 12 months exceed £100,
- unless all those contracts were made before 1st September 1987.”
- (4) In subsection (4) of that section, for the word “limit” there shall be substituted the word “limits”.
- (5) In paragraph 3(8)(b)(ii) of Schedule 15 to that Act (amount of premiums to be disregarded in determining whether a policy meets conditions for it to be a qualifying policy), after the word “premiums” there shall be inserted the words “ or, where those premiums are payable otherwise than annually, an amount equal to 10 per cent. of those premiums if that is greater ”.

## 50 Friendly societies: application of enactments.

- (1) Section 463 of the Taxes Act 1988 (application to life or endowment business of friendly societies of Corporation Tax Acts as they apply to mutual life assurance business) shall be renumbered as subsection (1) of that section.
- (2) After that provision as so renumbered there shall be added—
- “(2) The provisions of the Corporation Tax Acts which apply on the transfer of the whole or part of the long term business of an insurance company to another company shall apply in the same way—
- (a) on the transfer of the whole or part of the business of a friendly society to another friendly society (and on the amalgamation of friendly societies), and
  - (b) on the transfer of the whole or part of the business of a friendly society to a company which is not a friendly society (and on the conversion of a friendly society into such a company),
- so however that the Treasury may by regulations provide that those provisions as so applied shall have effect subject to such modifications and exceptions as may be prescribed by the regulations.
- (3) The Treasury may by regulations provide that the provisions of the Corporation Tax Acts which apply on the transfer of the whole or part of the long term business of an insurance company to another company shall have effect where the transferee is a friendly society subject to such modifications and exceptions as may be prescribed by the regulations.
- (4) Regulations under this section may make different provision for different cases and may include provision having retrospective effect.”

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*Unit and investment trusts etc.*

**51 Authorised unit trusts.**

The following sections shall be inserted immediately before section 469 of the Taxes Act 1988—

**“468E Authorised unit trusts: corporation tax.**

- (1) This section has effect as regards an accounting period of the trustees of an authorised unit trust ending after 31st December 1990.
- (2) Subject to subsection (3) below, the rate of corporation tax for a financial year shall be deemed to be the rate at which income tax at the basic rate is charged for the year of assessment which begins on 6th April in the financial year concerned.
- (3) Where the period begins before 1st January 1991, subsection (2) above shall only apply for the purpose of computing corporation tax chargeable for so much of the period as falls in the financial year 1991 and subsection (4) below shall apply for the purpose of computing corporation tax chargeable for so much of the period as falls in the financial year 1990.
- (4) So much of the period as falls after 31st December 1990 and before 1st April 1991 shall be deemed to fall in a financial year for which the rate of corporation tax is the rate at which income tax at the basic rate is charged for the year 1990-91.
- (5) Subsections (3) and (4) above shall not apply where the authorised unit trust concerned is a certified unit trust as respects the period.
- (6) Where the period begins after 31st December 1990, section 338 shall have effect as if any reference to interest of any description were a reference to interest of that description on borrowing of a relevant description.
- (7) Where the authorised unit trust concerned is a certified unit trust as respects the period, subsection (6) above shall have effect without the words preceding “section 338”.
- (8) For the purposes of subsection (6) above borrowing is of a relevant description if it is borrowing in respect of which there has been no breach during the accounting period of the duties imposed on the manager of the scheme by regulations under section 81 of the Financial Services Act 1986 with respect to borrowing by the trustees of the scheme.
- (9) The Treasury may by regulations provide that for subsection (8) above (as it has effect for the time being) there shall be substituted a subsection containing a different definition of what constitutes borrowing of a relevant description for the purposes of subsection (6) above.
- (10) Regulations under subsection (9) above may contain such supplementary, incidental, consequential or transitional provision as the Treasury think fit.
- (11) In this section “certified unit trust” means, as respects an accounting period, a unit trust scheme in the case of which—

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- (a) an order under section 78 of the Financial Services Act 1986 is in force during the whole or part of that accounting period, and
- (b) a certificate under section 78(8) of that Act, certifying that the scheme complies with the conditions necessary for it to enjoy the rights conferred by the UCITS directive, has been issued before or at any time during that accounting period.

(12) In this section—

“authorised unit trust” has the same meaning as in section 468,

“the UCITS directive” means the directive of the Council of the European Communities, dated 20th December 1985, on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (no.85/611/EEC), and

“unit trust scheme” has the same meaning as in section 469.

#### **468F Authorised unit trusts: distributions.**

(1) Subsection (2) below applies where—

- (a) as regards a distribution period ending after 31st December 1990 a dividend is treated by virtue of section 468(2) as paid to a unit holder (whether or not income is in fact paid to the unit holder),
- (b) the dividend is treated as paid by the trustees of a unit trust scheme which is an authorised unit trust as respects the accounting period in which the distribution period falls, and
- (c) on the date of payment the unit holder is within the charge to corporation tax and not a dual resident.

(2) For the purpose of computing corporation tax chargeable in the case of the unit holder the payment shall be deemed—

- (a) to be an annual payment, and not a dividend or other distribution, and
- (b) to have been received by the unit holder after deduction of income tax at the basic rate, for the year of assessment in which the date of payment falls, from a corresponding gross amount.

(3) Subsection (2) above shall have effect subject to the following provisions of this section and to section 468G.

(4) Subsection (2) above shall not apply where the rights in respect of which the dividend is treated as paid are held by the trustees of a unit trust scheme which is an authorised unit trust as respects the accounting period (of that scheme) in which the date of payment falls.

(5) Where the unit holder is on the date of payment the manager of the scheme, subsection (2) above shall not apply in so far as the rights in respect of which the dividend is treated as paid are rights held by him in the ordinary course of his business as manager of the scheme.

(6) Subsection (2) above shall not apply to so much of the payment as is attributable to income of the trustees arising before 1st January 1991.

(7) Subsection (6) above shall not apply where—

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- (a) the payment is treated as made as regards a distribution period falling in an accounting period as respects which the authorised unit trust is a certified unit trust, or
- (b) the authorised unit trust is on the date of payment a fund of funds.

(8) In this section—

- “authorised unit trust” has the same meaning as in section 468,
- “certified unit trust” has the same meaning as in section 468E,
- “distribution period” has the same meaning as in section 468,
- “dual resident” means a person who is resident in the United Kingdom and falls to be regarded for the purposes of any arrangements having effect by virtue of section 788 as resident in a territory outside the United Kingdom,
- “fund of funds” means a unit trust scheme the sole object of which is to enable the unit holders to participate in or receive profits or income arising from the acquisition, holding, management or disposal of units in unit trust schemes, and
- “unit trust scheme” has the same meaning as in section 469.

#### **468G Dividends paid to investment trusts.**

- (1) Section 468F(2) shall not apply in a case where—
  - (a) the first condition set out below is fulfilled, and
  - (b) if one or more of the second to fourth conditions set out below applies, the condition (or each of the conditions) which applies is fulfilled.
- (2) The first condition is that—
  - (a) the unit holder is a company which is an investment trust as respects the accounting period of the company that includes 20th March 1990, and
  - (b) immediately before the end of 20th March 1990, not less than 90 per cent. by value of the company’s investments consisted of units in a unit trust scheme which (or units in different unit trust schemes each of which) was an authorised unit trust on 20th March 1990.
- (3) The second condition applies if the date of payment is included in an accounting period of the company which falls after the company’s accounting period that includes 20th March 1990; and the condition is that the company is an investment trust as respects—
  - (a) the accounting period of the company that includes the date of payment, and
  - (b) each (if any) accounting period of the company which falls after the company’s accounting period that includes 20th March 1990 and before the company’s accounting period that includes the date of payment.
- (4) The third condition applies if the company makes an investment after 20th March 1990, and on or before the date of payment, in units in a unit trust scheme which is an authorised unit trust on the date of payment; and the condition is that, immediately before the end of the date of payment, each unit held by the company in a unit trust scheme which is an authorised unit trust on that date is a unit in a unit trust scheme—

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- (a) in which the company held units immediately before the end of 20th March 1990, and
- (b) which was an authorised unit trust on 20th March 1990.

(5) The fourth condition applies if—

- (a) the third condition applies, and
- (b) immediately before the end of 20th March 1990 the company held units in more than one unit trust scheme which was an authorised unit trust on that date;

and the condition is that the investments made by the company after 20th March 1990, and on or before the date of payment, were made in accordance with the requirements applicable to the investment of funds of the company on 20th March 1990.

(6) For the purposes of this section—

- (a) “authorised unit trust” has the same meaning as in section 468,
- (b) “unit trust scheme” has the same meaning as in section 469, and
- (c) a unit trust scheme is an authorised unit trust on a particular date if it is an authorised unit trust as respects the accounting period of the scheme that includes that date.”

## 52 Unit trusts: repeals.

- (1) The Taxes Act 1988 shall have effect subject to the following provisions of this section.
- (2) In section 468 (authorised unit trusts) subsection (5) shall not apply as regards a distribution period beginning after 31st December 1990.
- (3) Where a particular distribution period is by virtue of subsection (2) above the last distribution period as regards which section 468(5) applies in the case of a trust, the trustees’ liability to income tax in respect of any source of income chargeable under Case III of Schedule D shall be assessed as if they had ceased to possess the source of income on the last day of that distribution period.
- (4) But where section 67 of the Taxes Act 1988 applies by virtue of subsection (3) above, it shall apply with the omission from subsection (1)(b) of the words from “and shall” to “this provision”.
- (5) Section 468B (certified unit trusts: corporation tax) shall not apply as regards an accounting period ending after 31st December 1990.
- (6) Section 468C (certified unit trusts: distributions) shall not apply as regards a distribution period ending after 31st December 1990.
- (7) Section 468D (funds of funds: distributions) shall not apply as regards a distribution period ending after 31st December 1990.
- (8) In this section “distribution period” has the same meaning as in section 468 of the Taxes Act 1988.

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### **53 Unit trust managers: exemption from bond-washing provisions.**

- (1) Section 732 of the Taxes Act 1988 (application of bond-washing provisions to dealers in securities) shall have effect, and be deemed always to have had effect, with the insertion of the following subsection after subsection (5)—

“(5A) Subsection (1) above shall not apply if the securities are rights in a unit trust scheme and the subsequent sale is carried out by the first buyer in the ordinary course of his business as manager of the scheme.”

- (2) Section 472 of the Taxes Act 1970 (corresponding provision of the old law) shall be deemed always to have had effect with the insertion after subsection (5) of the subsection set out in subsection (1) above.

### **54 Indexation: collective investment schemes.**

- (1) The provisions specified in subsection (2) below (which provide for an indexation allowance on the disposal of assets) shall not apply in the case of a disposal if each of the three conditions set out below is fulfilled.

- (2) The provisions are—

- (a) in the <sup>M39</sup>Finance Act 1982, sections 86(4) and 87 and, in Schedule 13, paragraphs 1 to 7, 8(2)(c) and 10(3), and  
(b) in the <sup>M40</sup>Finance Act 1985, section 68(4) to (8) and, in Schedule 19, paragraphs 1(3), 2, 5, 7(3), 8(1)(b) and (c), 11 to 15, 18, 22 and 23.

- (3) The first condition is that the disposal is of rights in property to which collective investment arrangements relate; and—

- (a) collective investment arrangements are arrangements which constitute a collective investment scheme;  
(b) “collective investment scheme” has the same meaning as in the <sup>M41</sup>Financial Services Act 1986.

- (4) Subject to subsection (5) below, the second condition is that, at some time in the relevant ownership period, not less than 90 per cent. of the market value (at that time) of the investment property then falling within the arrangements was represented by—

- (a) non-chargeable assets,  
(b) shares in a building society, or  
(c) such assets and such shares.

- (5) In a case where—

- (a) the arrangements are ones under which the contributions of the participants, and the profits or income out of which payments are to be made to them, are pooled in relation to separate parts of the property in question, and  
(b) the disposal is of rights in property falling within a separate part,  
subsection (4) above shall have effect as if the reference to the arrangements were to the separate part.

- (6) For the purposes of subsection (4) above the relevant ownership period is the period which begins with the later of—

- (a) the earliest date on which any relevant consideration was given for the acquisition of the rights, and  
(b) 1st April 1982,

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and ends with the day on which the disposal is made.

- (7) For the purposes of subsection (4) above investment property is all property other than cash awaiting investment.
- (8) For the purposes of subsection (4) above an asset is a non-chargeable asset if, were it to be disposed of—
- (a) at the time the rights are disposed of, and
  - (b) by a person resident in the United Kingdom,
- any gain accruing on the disposal would not be a chargeable gain.
- (9) In subsection (4)(b) above “shares” and “building society” have the same meanings as in the <sup>M42</sup>Building Societies Act 1986.
- (10) For the purposes of subsection (6) above relevant consideration is consideration which, assuming the application of Chapter II of Part II of the <sup>M43</sup>Capital Gains Tax Act 1979 to the disposal of the rights, would fall to be taken into account in determining the amount of the gain or loss accruing on the disposal, whether that consideration was given by or on behalf of the person making the disposal or by or on behalf of a predecessor in title of his whose acquisition cost represents (directly or indirectly) the whole or any part of the acquisition cost of the person making the disposal.
- (11) The third condition is that the disposal is made on or after 20th March 1990.

#### Marginal Citations

- M39** 1982 c. 39.  
**M40** 1985 c. 54.  
**M41** 1986 c. 60.  
**M42** 1986 c. 53.  
**M43** 1979 c. 14.

## 55 Investment trusts.

- (1) In section 842 of the Taxes Act 1988 (investment trusts) the following subsections shall be inserted after subsection (2)—
- “(2A) Subsection (1)(e) above shall not apply as regards an accounting period if—
- (a) the company is required to retain income in respect of the period by virtue of a restriction imposed by law, and
  - (b) the amount of income the company is so required to retain in respect of the period exceeds an amount equal to 15 per cent. of the income the company derives from shares and securities.
- (2B) Subsection (2A) above shall not apply where—
- (a) the amount of income the company retains in respect of the accounting period exceeds the amount of income it is required by virtue of a restriction imposed by law to retain in respect of the period, and
  - (b) the amount of the excess or, where the company distributes income in respect of the period, that amount together with the amount of income which the company so distributes is at least £10,000 or, where the period is less than 12 months, a proportionately reduced amount.



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(2C) Paragraph (e) of subsection (1) above shall not apply as regards an accounting period if the amount which the company would be required to distribute in order to fall within that paragraph is less than £10,000 or, where the period is less than 12 months, a proportionately reduced amount.”

(2) This section applies in relation to accounting periods ending on or after the day on which this Act is passed.

### Securities

#### 56 Convertible securities.

Schedule 10 to this Act (convertible securities) shall have effect.

#### [<sup>F7</sup>57 Deep gain securities.

(1) In Schedule 11 to the <sup>M44</sup>Finance Act 1989 (deep gain securities) paragraph 1 (meaning of deep gain security) shall be amended as follows.

(2) The following sub-paragraph shall be inserted after sub-paragraph (3)—

“(3A) In the case of a security issued on or after 9th June 1989, for the purposes of sub-paragraph (2) above “redemption” does not include any redemption which may be made before maturity only if—

- (a) the person who issued the security fails to comply with the duties imposed on him by the terms of issue,
- (b) the person who issued the security becomes unable to pay his debts, or
- (c) the security was issued by a company and a person gains control of the company in pursuance of the acceptance of an offer made by that person to acquire shares in the company.”

(3) The amendment made by this section shall be deemed always to have had effect.]

#### Textual Amendments

**F7** S. 57 repealed (retrospectively and to be taken always to have had effect) by [Finance \(No. 2\) Act 1992](#) (c. 48), ss. 33, 82, [Sch. 7 para. 7](#) [Sch. 18 Pt.VII](#) (made 16.7.1992).

#### Marginal Citations

**M44** 1989 c. 26.

#### 58 Qualifying indexed securities.

(1) In Schedule 11 to the Finance Act 1989 (deep gain securities) paragraph 2 (qualifying indexed securities) shall be amended as follows.

(2) In sub-paragraph (2)(c) for the words from “the security” to “8th June 1989” there shall be substituted the words “the security was quoted in the official list of a recognised stock exchange at the time it was issued”.

(3) The following sub-paragraphs shall be inserted after sub-paragraph (8)—

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“(8A) If a security was issued before 9th June 1989, was not quoted in the official list of a recognised stock exchange at the time it was issued, but was quoted in such a list on 8th June 1989, for the purposes of sub-paragraph (2)(c) above it shall be deemed to have been quoted in that list at the time it was issued.

(8B) If a security was issued on or after 9th June 1989, and was quoted in the official list of a recognised stock exchange at a time after it was issued but before the end of the qualifying period, for the purposes of sub-paragraph (2)(c) above it shall be deemed to have been quoted in that list at the time it was issued; and the qualifying period is the period of one month beginning with the day on which the security was issued.”

(4) The following sub-paragraph shall be inserted after sub-paragraph (11)—

“(11A) In a case where the terms of issue contain provision for the amount payable on redemption to be not less than a specified percentage of the issue price, the provision shall not prevent the fourth condition being fulfilled if the specified percentage is not greater than 10.”

(5) The following sub-paragraph shall be inserted after sub-paragraph (12)—

“(12A) In a case where—

- (a) the terms of issue contain provision for the amount payable on redemption in any of the qualifying circumstances (set out in sub-paragraph (13) below) to be not more than the issue price, and
  - (b) the security was issued on or after 9th June 1989,
- the provision shall not prevent the fourth condition being fulfilled.”

(6) In sub-paragraph (13)—

- (a) for the words “and (12)” there shall be substituted the words “, (12) and (12A)”, <sup>[F8]</sup>and]
- <sup>[F8]</sup>(b) in paragraph (d) the words “before 9th June 1989” shall be omitted.]

(7) The amendments made by this section shall be deemed always to have had effect.

#### Textual Amendments

**F8** S. 58(6)(b) and word in s. 58(6)(a) repealed (*retrospectively* and to be taken always to have had effect) by Finance No. 2 Act 1992 (c. 48), ss. 32, 82, Sch. 7 para. 7, Sch. 18 Pt. VII (made 16.7.1992)

## 59 Deep discount securities.

(1) In Schedule 4 to the Taxes Act 1988 (deep discount securities) paragraph 1 (interpretation) shall be amended as follows.

(2) The following sub-paragraph shall be inserted after sub-paragraph (1A) (itself inserted by Schedule 10 to this Act)—

“(1B) Notwithstanding anything in sub-paragraph (1) above, for the purposes of this Schedule a security is not a deep discount security if—

- (a) it was issued on or after 1st August 1990, and

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- (b) under the terms of issue, there is more than one date on which the holder will be entitled to require it to be redeemed by the company or the public body which issued it.”
- (3) This section shall come into force on 1st August 1990.

### *Oil industry*

#### **60 Allowance for abandonment expenditure related to offshore machinery or plant.**

In section 62 of the <sup>M45</sup>Capital Allowances Act 1990 (treatment of demolition costs) in subsection (1)(b) after the words “machinery or plant” there shall be inserted “then, subject to section 62A”; and after that section there shall be inserted the following sections—

#### **“62A Special allowance for demolition costs related to offshore machinery or plant.**

- (1) Subject to subsection (3) below, this section applies to expenditure which, apart from this section, would fall within section 62(1)(b) and which is incurred—
- by any person carrying on a ring fence trade; and
  - for the purposes of or in connection with the closing down of, or of any part of, an oil field, within the meaning of Part I of the Oil Taxation Act 1975; and
  - on the demolition of machinery or plant which has been brought into use for the purposes of that trade and which is or forms part of an offshore installation or a submarine pipe-line;
- and in this section any such expenditure is referred to as “abandonment expenditure”.
- (2) In this section “ring fence trade” means activities which—
- fall within any of paragraphs (a) to (c) of subsection (1) of section 492 of the principal Act (treatment of oil extraction activities etc. for tax purposes); and
  - constitute a separate trade (whether by virtue of that subsection or otherwise).
- (3) In subsection (1)(c) above—
- the reference to demolition is a reference to demolition which is carried out, wholly or substantially, in order to comply with an abandonment programme, within the meaning of Part I of the Petroleum Act 1987, or with any condition to which the approval of such a programme is subject; and
  - “offshore installation” and “submarine pipe-line” have the same meaning as in that Part.
- (4) If the person incurring any abandonment expenditure so elects,—
- for the chargeable period related to the incurring of that expenditure there shall be made to that person an allowance equal to the excess of the abandonment expenditure to which the election relates over any moneys received for the remains of the machinery or plant concerned; and

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- (b) that excess shall not be taken into account to increase qualifying expenditure as mentioned in section 62(1)(b).
- (5) An election under this section—
  - (a) shall specify the abandonment expenditure to which it relates and the amounts of any such moneys received as mentioned in subsection (4) (a) above;
  - (b) shall be made by notice in writing given to the inspector not later than two years after the end of the chargeable period related to the incurring of the abandonment expenditure; and
  - (c) shall be irrevocable.
- (6) This section has effect where the chargeable period related to the incurring of the expenditure or its basis period ends after 30th June 1991.

**62B Treatment of post-cessation abandonment expenditure related to offshore machinery or plant.**

- (1) Subsection (2) below applies in any case where—
  - (a) a person (in this section referred to as “the former trader”) ceases to carry on a ring fence trade; and
  - (b) after 30th June 1991 and within the period of three years immediately following the last day on which he carried on that trade, the former trader incurs expenditure (in this section referred to as “post-cessation expenditure”) on the demolition of machinery or plant which falls within section 62A(1)(c); and
  - (c) the post-cessation expenditure would have been abandonment expenditure for the purposes of section 62A if the demolition had been carried out and the expenditure incurred before the cessation of the ring fence trade; and
  - (d) apart from this section, the post-cessation expenditure would not be deductible in computing the income of the former trader for any purpose of corporation tax or income tax.
- (2) Where this subsection applies, the qualifying expenditure of the former trader for the chargeable period related to the cessation of his ring fence trade shall be treated for the purposes of sections 24 and 25 as increased by so much of the post-cessation expenditure as exceeds any moneys received in the three year period referred to in paragraph (b) of subsection (1) above for the remains of the machinery or plant referred to in that paragraph.
- (3) Where subsection (2) above applies, any moneys received as mentioned in that subsection shall not constitute income of the former trader for any purpose of income tax or corporation tax.
- (4) All such adjustments shall be made, whether by way of discharge or repayment of tax or otherwise, as may be required in consequence of the provisions of this section.
- (5) In this section “ring fence trade” has the same meaning as in section 62A.”

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### Marginal Citations

M45 1990 c. 1.

<sup>F9</sup>61 .....

### Textual Amendments

**F9** S. 61 repealed (for losses incurred in accounting periods ending on or after 01.04.1991) by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), s. 123, [Sch. 19 Pt.V](#) Note 4(c).

## 62 CT treatment of PRT repayment.

(1) In section 500 of the Taxes Act 1988 (deduction of PRT in computing income for corporation tax purposes), in subsection (4) (reduction or extinguishment of deduction where PRT repaid)—

- (a) at the beginning there shall be inserted the words “ Subject to the following provisions of this section ”; and
- (b) for the words “accounting period” there shall be substituted “ calendar year ”.

(2) For subsection (5) of that section there shall be substituted the following subsections—

“(5) If, in a case where paragraph 17 of Schedule 2 to the 1975 Act applies, an amount of petroleum revenue tax in respect of which a deduction has been made under subsection (1) above is repaid by virtue of an assessment under that Schedule or an amendment of such an assessment, then, so far as concerns so much of that repayment as constitutes the appropriate repayment,—

- (a) subsection (4) above shall not apply; and
- (b) the following provisions of this section shall apply in relation to the company which is entitled to the repayment.

(6) In subsection (5) above and the following provisions of this section—

- (a) “the appropriate repayment” has the meaning assigned by sub-paragraph (2) of paragraph 17 of Schedule 2 to the 1975 Act;
- (b) in relation to the appropriate repayment, a “carried back loss” means an allowable loss which falls within sub-paragraph (1)(a) of that paragraph and which (alone or together with one or more other carried back losses) gives rise to the appropriate repayment;
- (c) in relation to a carried back loss, “the operative chargeable period” means the chargeable period in which the loss accrued; and
- (d) in relation to the company which is entitled to the appropriate repayment, “the relevant accounting period” means the accounting period in or at the end of which ends the operative chargeable period or, if the company’s ring fence trade is permanently discontinued before the end of the operative chargeable period, the last accounting period of that trade.

(7) In computing for corporation tax the amount of the company’s income arising in the relevant accounting period from oil extraction activities or oil rights

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there shall be added an amount equal to the appropriate repayment; but this subsection has effect subject to subsection (8) below in any case where—

- (a) two or more carried back losses give rise to the appropriate repayment; and
- (b) the operative chargeable period in relation to each of the carried back losses is not the same; and
- (c) if subsection (6)(d) above were applied separately in relation to each of the carried back losses there would be more than one relevant accounting period.

(8) Where paragraphs (a) to (c) of subsection (7) above apply, the appropriate repayment shall be treated as apportioned between each of the relevant accounting periods referred to in paragraph (c) of that subsection in such manner as to secure that the amount added by virtue of that subsection in relation to each of those relevant accounting periods is what it would have been if—

- (a) relief for each of the carried back losses for which there is a different operative chargeable period had been given by a separate assessment or amendment of an assessment under Schedule 2 to the 1975 Act; and
- (b) relief for a carried back loss accruing in an earlier chargeable period had been so given before relief for a carried back loss accruing in a later chargeable period.

(9) Any additional assessment to corporation tax required in order to give effect to the addition of an amount by virtue of subsection (7) above may be made at any time not later than six years after the end of the calendar year in which is made the repayment of petroleum revenue tax comprising the appropriate repayment.

(10) In this section “allowable loss” and “chargeable period” have the same meaning as in Part I of the 1975 Act and “calendar year” means a period of twelve months beginning on 1st January.”

(3) At the end of section 502(1) of the Taxes Act 1988 (defined expressions for Chapter V of Part XII) there shall be added “and

“ring fence trade” means activities which—

- (a) fall within any of paragraphs (a) to (c) of subsection (1) of section 492; and
- (b) constitute a separate trade (whether by virtue of that subsection or otherwise)”.

## 63 Disposals of certain shares deriving value from exploration or exploitation assets or rights.

(1) In Schedule 8 to the <sup>M46</sup>Finance Act 1988 (capital gains: assets held on 31st March 1982) in paragraph 12 (certain disposals excluded from elections under section 96(5) of that Act), in sub-paragraph (2) at the end of paragraph (c) there shall be inserted “or

- (d) shares which, on 31st March 1982, were unquoted and derived their value, or the greater part of their value, directly or indirectly from oil exploration or exploitation assets situated in the United Kingdom or a designated area or from such assets and oil exploration or exploitation rights taken together”.

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(2) After the said sub-paragraph (2) there shall be inserted the following sub-paragraphs—

“(2A) For the purposes of sub-paragraph (2)(d) above,—

- (a) “shares” includes stock and any security, as defined in section 254(1) of the Taxes Act 1988; and
- (b) shares (as so defined) were unquoted on 31st March 1982 if, on that date, they were neither quoted on a recognised stock exchange nor dealt in on the Unlisted Securities Market;

but nothing in this paragraph affects the operation, in relation to such unquoted shares, of sections 77 to 81 of the Capital Gains Tax Act 1979 (under which, on a reorganisation etc., a new holding may fall to be treated as the same asset as the original shares).

(2B) In sub-paragraph (2)(d)

above—

“designated area” means an area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964;

“oil exploration or exploitation assets” shall be construed in accordance with sub-paragraphs (2C) and (2D) below; and

“oil exploration or exploitation rights” means rights to assets to be produced by oil exploration or exploitation activities (as defined in sub-paragraph (2D) below) or to interests in or to the benefit of such assets.

(2C) For the purposes of sub-paragraph (2)(d) above an asset is an oil exploration or exploitation asset if either—

- (a) it is not a mobile asset and is being or has at some time been used in connection with oil exploration or exploitation activities carried on in the United Kingdom or a designated area; or
- (b) it is a mobile asset which has at some time been used in connection with oil exploration or exploitation activities so carried on and is dedicated to an oil field in which the company whose shares are disposed of by the disposal or a person connected with that company, within the meaning of section 839 of the Taxes Act 1988, is or has been a participator;

and, subject to sub-paragraph (2D) below, expressions used in paragraphs (a) and (b) above have the same meaning as if those paragraphs were included in Part I of the Oil Taxation Act 1975.

(2D) In the preceding provisions of this paragraph “oil exploration or exploitation activities” means activities carried on in connection with—

- (a) the exploration of land (including the seabed and subsoil) in the United Kingdom or a designated area, as defined in sub-paragraph (2B) above, with a view to searching for or winning oil; or
- (b) the exploitation of oil found in any such land;

and in this sub-paragraph “oil” has the same meaning as in Part I of the Oil Taxation Act 1975.”

(3) The amendments made by subsections (1) and (2) above have effect with respect to disposals on or after 22nd January 1990.

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- (4) Notwithstanding that, apart from this subsection, an election under section 96(5) of the <sup>M47</sup>Finance Act 1988 is irrevocable, where—
- (a) such an election has been made before 22nd January 1990, and
  - (b) apart from subsection (1) above, the assets to the disposal of which the election would apply include assets falling within paragraph 12(2)(d) of Schedule 8 to the Finance Act 1988 (as set out in subsection (1) above),
- the election may be revoked by notice in writing given to the inspector before 1st January 1991 by the person by whom the election was made.

#### Marginal Citations

**M46** 1988 c. 39.

**M47** 1988 c. 39.

#### 64 Limitation of losses on disposal of oil industry assets.

- (1) This section applies to a disposal of an oil industry asset where the following conditions are fulfilled—
- (a) the disposal occurs on or after 22nd January 1990;
  - (b) the person making the disposal held the asset on 31st March 1982 or, by virtue of paragraph 1 of Schedule 8 to the Finance Act 1988 (previous no gain/no loss disposals), is treated as having held the asset on that date for the purposes of section 96 of that Act (rebasings to 1982 of assets held on 31st March 1982);
  - (c) disregarding the following provisions of this section, for the purposes of capital gains tax, a loss would accrue on the disposal; and
  - (d) in the application of section 96 of the Finance Act 1988 to the disposal, subsection (2) of that section (the rebasing to 1982 values) does not apply because of the operation of subsection (3)(b) of that section (a smaller loss accrues if subsection (2) does not apply).
- (2) For the purposes of this section, the following are “oil industry assets”—
- (a) a licence under the <sup>M48</sup>Petroleum (Production) Act 1934 or the <sup>M49</sup>Petroleum (Production) Act (Northern Ireland) 1964;
  - (b) shares falling within sub-paragraph (2)(d) of paragraph 12 of Schedule 8 to the Finance Act 1988 (exclusion of certain disposals from elections under section 96(5) of the Finance Act 1988);
  - (c) oil exploration or exploitation assets, which expression shall be construed, subject to subsection (3) below, in accordance with sub-paragraphs (2C) and (2D) of the said paragraph 12; and
  - (d) any interest in an asset falling within paragraphs (a) to (c) above.
- (3) In the application of sub-paragraph (2C)(b) of paragraph 12 of Schedule 8 to the <sup>M50</sup>Finance Act 1988 for the purposes of subsection (2)(c) above, for the words from “the company whose shares” to “that company” there shall be substituted “the person making the disposal or a person connected with him”.
- (4) Where this section applies to a disposal, there shall be determined for the purposes of this section the loss or gain which would accrue on the disposal on the following assumptions—



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- (a) that subsection (2) of section 96 of the Finance Act 1988 continues not to apply on the disposal; and
- (b) that, in calculating the indexation allowance on the disposal, subsection (4) of section 68 of the <sup>M51</sup>Finance Act 1985 (indexation based on 1982 values) does not apply;

and in the following provisions of this section the loss or gain (if any) on the disposal, determined on those assumptions, is referred to as the non-rebased loss or, as the case may be, the non-rebased gain.

- (5) If there is a non-rebased loss on a disposal to which this section applies and that loss is less than the loss which accrues on the disposal as mentioned in subsection (1)(c) above, it shall be assumed for the purposes of capital gains tax that the loss which accrues on the disposal is the non-rebased loss.
- (6) If there is a non-rebased gain on a disposal to which this section applies, it shall be assumed for the purposes of capital gains tax that the oil industry asset concerned was acquired by the person making the disposal for a consideration such that, on the disposal, neither a gain nor a loss accrues to him.
- (7) If, on the determination referred to in subsection (4) above, there is neither a non-rebased loss nor a non-rebased gain on a disposal, subsection (6) above shall apply in relation to the disposal as if there were a non-rebased gain on the disposal.

#### Marginal Citations

- M48** 1934 c. 36.
- M49** 1964 c. 28 (N.I.).
- M50** 1988 c. 39.
- M51** 1985 c. 54.

### *International*

#### **65 Dual resident companies: capital gains.**

- (1) In section 267 of the Taxes Act 1970 (company reconstructions etc.) after subsection (2) there shall be inserted—

“(2A) This section does not apply in relation to an asset if the company acquiring it, though resident in the United Kingdom,—

- (a) is regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 of the Taxes Act 1988 as resident in a territory outside the United Kingdom, and
- (b) by virtue of the arrangements would not be liable in the United Kingdom to tax on a gain arising on a disposal of the asset occurring immediately after the acquisition.”

- (2) In section 273 of the Taxes Act 1970 (transfers within a group) in subsection (2), after paragraph (d) there shall be inserted “or

- (e) a disposal to a company which, though resident in the United Kingdom,—
  - (i) is regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 of the

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Taxes Act 1988 as resident in a territory outside the United Kingdom, and

(ii) by virtue of the arrangements would not be liable in the United Kingdom to tax on a gain arising on a disposal of the asset occurring immediately after its acquisition.”

(3) In section 276 of the Taxes Act 1970 (replacement of business assets by members of a group) in subsection (1A) for the words following “a dual resident investing company” there shall be substituted the words “or a company which, though resident in the United Kingdom,—

(a) is regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 of the Taxes Act 1988 as resident in a territory outside the United Kingdom, and

(b) by virtue of the arrangements would not be liable in the United Kingdom to tax on a gain arising on a disposal of, or of the interest in, the new assets occurring immediately after the acquisition;

and in this subsection “the old assets” and “the new assets” have the same meanings as in section 115 of the Capital Gains Tax Act 1979, and “dual resident investing company” has the same meaning as in section 404 of the Taxes Act 1988. ”

(4) Subsections (1) and (2) above shall apply to disposals on or after 20th March 1990.

(5) Subject to subsection (6) below, subsection (3) above shall apply where the disposal of, or of the interest in, the old assets or the acquisition of, or of the interest in, the new assets (or both) takes place on or after 20th March 1990.

(6) Subsection (3) above shall not apply where the acquisition takes place before 20th March 1990 and the disposal takes place within the period of twelve months beginning with the date of the acquisition or such longer period as the Board may by notice in writing allow.

## **66 Dual resident companies: transfers of assets abroad.**

(1) In sections 742(8) and 745(4) of the Taxes Act 1988, after the words “incorporated outside the United Kingdom” there shall be inserted the words “, or regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 as resident in a territory outside the United Kingdom,”.

(2) Subject to subsection (3) below, this section shall apply in relation to transfers of assets and associated operations on or after 20th March 1990.

(3) In so far as the amendment of subsection (4) of section 745 relates to subsections (3) (b) and (5) of that section, it shall come into force on that date.

## **67 Dual resident companies: controlled foreign companies.**

(1) In section 749 of the Taxes Act 1988, after subsection (4) there shall be inserted—

“(4A) For the purposes of this Chapter, any company which, though resident in the United Kingdom, is regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 as resident in a territory outside the United Kingdom shall be treated as if it were resident outside the United Kingdom (and not resident in the United Kingdom).”

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- (2) In section 751(2) of that Act, after paragraph (b) there shall be inserted—
- “(bb) the company becomes, or ceases to be, a company in relation to which section 749(4A) has effect; or”.
- (3) In Schedule 25 to that Act—
- (a) paragraphs 2(1)(c) and 4(1)(c) shall be omitted,
- (b) after paragraph 2(1) there shall be inserted—
- “(1A) A payment of dividend to a company shall not fall within sub-paragraph (1)(d) above unless it is taken into account in computing the company’s income for corporation tax.”, and
- (c) after paragraph 4(1) there shall be inserted—
- “(1A) A payment to a company shall not be a subsequent dividend within the meaning of sub-paragraph (1)(b) above unless it is taken into account in computing the company’s income for corporation tax.”
- (4) Subsections (1) and (2) above shall apply on and after 20th March 1990 and subsection (3) above shall apply to dividends paid on or after that date.

## **68 Movements of capital between residents of member States.**

- (1) In section 765 of the Taxes Act 1988 (certain transactions unlawful unless carried out with Treasury consent), in subsection (1), after the words “Subject to the provisions of this section” there shall be inserted the words “ and section 765A ”.
- (2) After that section there shall be inserted—

### **“765A Movements of capital between residents of member States.**

- (1) 765(1) shall not apply to a transaction which is a movement of capital to which Article 1 of the Directive of the Council of the European Communities dated 24th June 1988 No.88/361/EEC applies.
- (2) Where if that Article did not apply to it a transaction would be unlawful under section 765(1), the body corporate in question (that is to say, the body corporate resident in the United Kingdom) shall—
- (a) give to the Board within six months of the carrying out of the transaction such information relating to the transaction, or to persons connected with the transaction, as regulations made by the Board may require, and
- (b) where notice is given to the body corporate by the Board, give to the Board within such period as is prescribed by regulations made by the Board (or such longer period as the Board may in the case allow) such further particulars relating to the transaction, to related transactions, or to persons connected with the transaction or related transactions, as the Board may require.”
- (3) In section 98 of the <sup>M52</sup>Taxes Management Act 1970 (penalties for failure to furnish information and for false information)—
- (a) in subsection (1), after the words “Subject to” there shall be inserted the words “ the provisions of this section and ”;
- (b) after subsection (4) there shall be inserted—

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- “(5) In the case of a failure to comply with section 765A(2)(a) or (b) of the principal Act, subsection (1) above shall have effect as if for “£300” there were substituted “ £3,000 ” and as if for “£60” there were substituted “ £600 ”.”;
- (c) in the first column of the Table, after “section 755” there shall be inserted “ section 765A(2)(b); ”; and
- (d) in the second column of the Table, after “section 639” there shall be inserted “ section 765A(2)(a); ”.
- (4) This section shall apply to transactions carried out on or after 1st July 1990.

**Marginal Citations**

M52 1970 c. 9.

**69 European Economic Interest Groupings.**

Schedule 11 to this Act (which makes provision about the taxation of income and gains in the case of European Economic Interest Groupings) shall have effect.

**70 Transfer of United Kingdom branch or agency.**

- (1) After section 273 of the Taxes Act 1970 there shall be inserted—

**“273A Transfer of United Kingdom branch or agency.**

- (1) Subject to subsections (3) and (4) below, subsection (2) below applies for the purposes of corporation tax on chargeable gains where—
- (a) there is a scheme for the transfer by a company (“company A”)—
- (i) which is not resident in the United Kingdom, but
- (ii) which carries on a trade in the United Kingdom through a branch or agency,
- of the whole or part of the trade to a company resident in the United Kingdom (“company B”),
- (b) company A disposes of an asset to company B in accordance with the scheme at a time when the two companies are members of the same group, and
- (c) a claim in relation to the asset is made by the two companies within two years after the end of the accounting period of company B during which the disposal is made.
- (2) Where this subsection applies—
- (a) company A and company B shall be treated as if the asset were acquired by company B for a consideration of such amount as would secure that neither a gain nor a loss would accrue to company A on the disposal, and
- (b) section 127(3) of the Finance Act 1989 shall not apply to the asset by reason of the transfer.
- (3) Subsection (2) above does not apply where—

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- (a) company B, though resident in the United Kingdom,—
    - (i) is regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 of the Taxes Act 1988 as resident in a territory outside the United Kingdom, and
    - (ii) by virtue of the arrangements would not be liable in the United Kingdom to tax on a gain arising on a disposal of the asset occurring immediately after its acquisition, or
  - (b) company B is—
    - (i) a dual resident investing company, within the meaning of section 404 of the Taxes Act 1988, or
    - (ii) an investment trust, within the meaning of section 842 of that Act.
- (4) Subsection (2) above shall not apply unless any gain accruing to company A—
- (a) on the disposal of the asset in accordance with the scheme, or
  - (b) where that disposal occurs after the transfer has taken place, on a disposal of the asset immediately before the transfer,
- would be a chargeable gain and would, by virtue of section 11(2)(b) of the Taxes Act 1988, form part of its profits for corporation tax purposes.
- (5) In this section “company” and “group” have the meanings which would be given by section 272 above if subsections (1)(a) and (2) of that section were omitted.”
- (2) In section 272(1) of the Taxes Act 1970—
- (a) for the word “For” there shall be substituted the words “Except as otherwise provided, for”, and
  - (b) the words “, subject to section 280(7) below,” shall be omitted.
- (3) In section 275 of that Act for subsection (1) there shall be substituted—
- “(1) Where there is a disposal of an asset acquired in relevant circumstances, section 34 of the Capital Gains Tax Act 1979 (restriction of losses by reference to capital allowances) shall apply in relation to capital allowances made to the person from which it was acquired (so far as not taken into account in relation to a disposal of the asset by that person), and so on as respects previous transfers of the asset in relevant circumstances.
- (1A) In subsection (1)
- above “relevant circumstances” means circumstances in which section 273 or 273A above applied or in which section 273 above would have applied but for subsection (2) of that section.
- (1B) Subsection (1)
- above shall not be taken as affecting the consideration for which an asset is deemed under section 273 or 273A to be acquired.”
- (4) In section 281(2) of that Act, after the words “section 273” there shall be inserted the words “or 273A”.

<sup>F10</sup>(5) . . . . .

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- (6) In paragraph 10(2)(c) of Schedule 13 to the <sup>M53</sup>Finance Act 1984, after the words “section 273(1)” there shall be inserted the words “or 273A”.
- (7) In—
- (a) section 68(7A)(b) of the <sup>M54</sup>Finance Act 1985, and
  - (b) paragraph 1(3)(b) of Schedule 8 to the <sup>M55</sup>Finance Act 1988, after “273,” there shall be inserted “273A,”.
- (8) In paragraph 5 of Schedule 11 to the Finance Act 1988—
- (a) for the words “of the Taxes Act 1970 (which treats” there shall be substituted the words “or 273A of the Taxes Act 1970 (which treat”, and
  - (b) for the words “section 273(1)”, in the second place where they occur, there shall be substituted the words “either of those sections”.
- (9) This section shall apply to disposals on or after 20th March 1990.

#### Textual Amendments

**F10** *S. 70(5) repealed (where trustees become neither resident nor ordinarily resident in the United Kingdom on or after 19.03.1991) by Finance Act 1991 (c. 31, SIF 63:2), ss. 92(5), 123, Sch. 19 Pt.VI Note 4.*

#### Marginal Citations

**M53** 1984 c. 43.  
**M54** 1985 c. 54.  
**M55** 1988 c. 39.

### Miscellaneous

#### 71 Relief for interest.

For the year 1990-91 the qualifying maximum defined in section 367(5) of the Taxes Act 1988 (limit on relief for interest on certain loans) shall be £30,000.

#### 72 Capital gains: annual exempt amount for 1990-91.

For the year 1990-91 section 5 of the <sup>M56</sup>Capital Gains Tax Act 1979 (annual exempt amount) shall have effect as if the amount specified in subsection (1A) were £5,000; and accordingly subsection (1B) of that section (indexation) shall not apply for that year.

#### Marginal Citations

**M56** 1979 c. 14.

#### 73 Business expansion scheme: abolition of “locality rule”.

- (1) In Schedule 4 to the <sup>M57</sup>Finance Act 1988 (business expansion scheme: private rented housing), in paragraph 13 (exclusion of expensive dwelling-houses)—

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- (a) in sub-paragraph (2) (assumptions to be made in arriving at value at the relevant date), for paragraph (a) there shall be substituted—
  - “(a) on the assumption that the dwelling-house was in the same state as at the valuation date;”;
- (b) sub-paragraph (3) (which includes the assumption that the locality was in the same state as at the valuation date) shall be omitted.

(2) This section shall apply where the valuation date is on or after 20th March 1990.

**Marginal Citations**

M57 1988 c. 39.

**74 Debts of overseas governments etc.**

After section 88 of the Taxes Act 1988 there shall be inserted—

**“88A Debts of overseas governments etc.**

- (1) For any period of account of a company ending on or after 20th March 1990, section 88B shall have effect for the purpose of restricting the extent to which a debt to which subsection (2) below applies may be estimated to be bad for the purposes of section 74(j); and—
  - (a) any deduction which may fall to be made in computing the company’s profits or gains for the period, and
  - (b) any addition which may fall to be so made (for example because the relevant percentage of the debt for the period is smaller than the amount estimated to be bad for an earlier period),shall be determined accordingly.
- (2) Subject to subsection (3) below, this subsection applies to any debt—
  - (a) which is owed by an overseas State authority, or
  - (b) payment of which is guaranteed by an overseas State authority, or
  - (c) which is estimated to be bad for the purposes of section 74(j) wholly or mainly because due payment is or may be prevented, restricted or subjected to conditions—
    - (i) by virtue of any law of a State or other territory outside the United Kingdom or any act of an overseas State authority, or
    - (ii) under any agreement entered into in consequence or anticipation of such a law or act.
- (3) Subsection (2) above does not apply to interest on a debt or to a debt which represents the consideration for the provision of goods or services.
- (4) In this section “overseas State authority” means—
  - (a) a State or other territory outside the United Kingdom,
  - (b) the government of such a State or territory,
  - (c) the central bank or other monetary authority of such a State or territory,
  - (d) a public or local authority in such a State or territory, or

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(e) a body controlled by such a State, territory, government, bank or authority;

and for this purpose “controlled” shall be construed in accordance with section 840.

**88B Section 88A debts: restriction on deductions under section 74(j).**

- (1) Where this section has effect in relation to a debt, no more than the relevant percentage of the debt shall be estimated to be bad for the purposes of section 74(j).
- (2) The relevant percentage of a debt for any period of account of the company is such percentage (which may be zero) as may be determined in accordance with regulations by reference to the position at the end of that period.
- (3) Subsection (2) above has effect subject to the following provisions of this section, and in those provisions—
  - (a) “the base period” means the last period of account of the company ending before 20th March 1990, and
  - (b) “the base percentage”, in relation to a debt, means such percentage (which may be zero) as may be determined in accordance with regulations by reference to the position at the end of the base period.
- (4) If for any period of account of the company which ends less than two years after the base period the percentage provided for in subsection (2) above in relation to a debt is greater than the base percentage, the base percentage shall be the relevant percentage for the first-mentioned period.
- (5) If for any later period of account of the company the percentage provided for in subsection (2) above in relation to a debt is greater than the base percentage increased by five percentage points for each complete year (except the first) that has elapsed between—
  - (a) the end of the base period, and
  - (b) the end of the later period in question,
 then the base percentage as so increased shall be the relevant percentage for the later period.
- (6) In relation to a company which had no periods of account ending before 20th March 1990, the relevant percentage in relation to a debt shall be the same as it would have been on the assumption that the company had had such periods of account (and that any notional periods of account before its first actual period of account had been of one year each).
- (7) In this section “regulations” means regulations made by the Treasury; but the Treasury shall not make any regulations under this section unless a draft of them has been laid before and approved by a resolution of the House of Commons.

**88C Section 88A debts: restriction on other deductions.**

- (1) Where—
  - (a) on or after 20th March 1990 a company incurs in respect of a debt a loss which would be allowed as a deduction in computing the amount of the company’s profits or gains under Case I or Case II of Schedule D,



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- (b) section 88A(2) applies to the debt,
  - (c) either—
    - (i) a deduction is made in respect of the debt in accordance with section 74(j) for any period of account of the company before that in which the loss is incurred, or
    - (ii) the debt was acquired by the company on or after 20th March 1990 for a consideration greater than the price which it might reasonably have been expected to fetch on a sale in the open market at the time of acquisition, and
  - (d) the amount of the loss is greater than 5 per cent. of the debt,
- then, subject to subsection (3) below, only such part of the loss as equals 5 per cent. of the debt shall be allowed as a deduction for the period of account in which the loss is incurred; but further parts calculated in accordance with subsection (2) below may be allowed for subsequent periods until the loss is exhausted.
- (2) The part of the loss allowed as a deduction for any period of account after that in which the loss is incurred shall not exceed such amount as, together with any parts allowed under this section for earlier periods, is equal to 5 per cent. of the debt for each complete year that has elapsed between—
    - (a) the beginning of the period in which the loss was incurred, and
    - (b) the end of the period in question.
  - (3) Subsections (1) and (2) above shall not apply to a loss incurred on a disposal of the debt to an overseas State authority if the State or territory by reference to which it is an overseas State authority is the same as that by reference to which section 88A(2) applies to the debt.
  - (4) References in subsections (1) and (2) above to the incurring of a loss in respect of a debt include references to the making of a deduction, otherwise than in accordance with section 74(j), in respect of a reduction in the value of a debt; and for the purposes of those subsections such a deduction shall be treated as made immediately before the end of the period of account for which it is made.”

## **75 Local enterprise agencies.**

In section 79(11) of the Taxes Act 1988 (contributions to local enterprise agencies made before 1st April 1992 to be deductible as expenses), for “1992” there shall be substituted “1995”.

## **76 Training and enterprise councils and local enterprise companies.**

After section 79 of the Taxes Act 1988 there shall be inserted—

### **“79A Contributions to training and enterprise councils and local enterprise companies.**

- (1) Notwithstanding anything in section 74, but subject to the provisions of this section, where a person carrying on a trade, profession or vocation makes any contribution (whether in cash or in kind) to a training and enterprise council or a local enterprise company, any expenditure incurred by him in making the contribution may be deducted as an expense in computing the profits or gains of

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the trade, profession or vocation for the purposes of tax if it would not otherwise be so deductible.

- (2) Where any such contribution is made by an investment company any expenditure allowable as a deduction under subsection (1) above shall for the purposes of section 75 be treated as expenses of management.
- (3) Subsection (1) above does not apply in relation to a contribution made by any person if either he or any person connected with him receives or is entitled to receive a benefit of any kind whatsoever for or in connection with the making of that contribution, whether from the council or company concerned or from any other person.
- (4) In any case where—
  - (a) relief has been given under subsection (1) above in respect of a contribution, and
  - (b) any benefit received in any chargeable period by the contributor or any person connected with him is in any way attributable to that contribution,
 the contributor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D, or if he is not chargeable to tax under either of those Cases for that period under Case VI of Schedule D, on an amount equal to the value of that benefit.
- (5) In this section—
  - (a) “training and enterprise council” means a body with which the Secretary of State has made an agreement (not being one which has terminated) under which it is agreed that the body shall carry out the functions of a training and enterprise council, and
  - (b) “local enterprise company” means a company with which an agreement (not being one which has terminated) under which it is agreed that the company shall carry out the functions of a local enterprise company has been made by the Scottish Development Agency, the Highlands and Islands Development Board, Scottish Enterprise or Highlands and Islands Enterprise.
- (6) Section 839 applies for the purposes of subsections (3) and (4) above.
- (7) This section applies to contributions made on or after 1st April 1990 and before 1st April 1995.”

## 77 Expenses of entertainers.

The following section shall be inserted after section 201 of the Taxes Act 1988—

### “201A Expenses of entertainers.

- (1) Where emoluments of an employment to which this section applies fall to be charged to tax for a year of assessment for which this section applies, there may be deducted from the emoluments of the employment to be charged to tax for the year—
  - (a) fees falling within subsection (2) below, and

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- (b) any additional amount paid by the employee in respect of value added tax charged by reference to those fees.
- (2) Fees fall within this subsection if—
- (a) they are paid by the employee to another person,
  - (b) they are paid under a contract made between the employee and the other person, who agrees under the contract to act as an agent of the employee in connection with the employment,
  - (c) at each time any of the fees are paid the other person carries on an employment agency with a view to profit and holds a current licence for the agency,
  - (d) they are calculated as a percentage of the emoluments of the employment or as a percentage of part of those emoluments, and
  - (e) they are defrayed out of the emoluments of the employment falling to be charged to tax for the year concerned.
- (3) For the purposes of subsection (2) above—
- (a) “employment agency” means an employment agency within the meaning given by section 13(2) of the Employment Agencies Act 1973, and
  - (b) a person holds a current licence for an employment agency if he holds a current licence under that Act authorising him to carry on the agency.
- (4) The amount which may be deducted by virtue of this section shall not exceed 175 per cent. of the emoluments of the employment falling to be charged to tax for the year concerned.
- (5) This section applies to employment as an actor, singer, musician, dancer or theatrical artist.
- (6) This section applies for the year 1990–91 and subsequent years of assessment.”

## **78 Waste disposal.**

The following sections shall be inserted after section 91 of the Taxes Act 1988—

### **“91A Waste disposal: restoration payments.**

- (1) This section applies where on or after 6th April 1989 a person makes a site restoration payment in the course of carrying on a trade.
- (2) Subject to subsection (3) below, for the purposes of income tax or corporation tax the payment shall be allowed as a deduction in computing the profits or gains of the trade for the period of account in which the payment is made.
- (3) Subsection (2) above shall not apply to so much of the payment as—
  - (a) represents expenditure which has been allowed as a deduction in computing the profits or gains of the trade for any period of account preceding the period of account in which the payment is made, or
  - (b) represents capital expenditure in respect of which an allowance has been, or may be, made under the enactments relating to capital allowances.

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- (4) For the purposes of this section a site restoration payment is a payment made—
  - (a) in connection with the restoration of a site or part of a site, and
  - (b) in order to comply with any condition of a relevant licence, or any condition imposed on the grant of planning permission to use the site for the carrying out of waste disposal activities, or any term of a relevant agreement.
- (5) For the purposes of this section waste disposal activities are the collection, treatment, conversion and final depositing of waste materials, or any of those activities.
- (6) For the purposes of this section a relevant licence is—
  - (a) a disposal licence under Part I of the Control of Pollution Act 1974 or Part II of the Pollution Control and Local Government (Northern Ireland) Order 1978, or
  - (b) a waste management licence under Part II of the Environmental Protection Act 1990 or any corresponding provision for the time being in force in Northern Ireland.
- (7) For the purposes of this section a relevant agreement is an agreement made under section 52 of the Town and Country Planning Act 1971, section 50 of the Town and Country Planning (Scotland) Act 1972 or section 106 of the Town and Country Planning Act 1990 (all of which relate to agreements regulating the development or use of land) or under any provision corresponding to section 106 of the Town and Country Planning Act 1990 and for the time being in force in Northern Ireland.
- (8) For the purposes of this section a period of account is a period for which an account is made up.

**91B Waste disposal: preparation expenditure.**

- (1) This section applies where a person—
  - (a) incurs, in the course of carrying on a trade, site preparation expenditure in relation to a waste disposal site (the site in question),
  - (b) holds, at the time the person first deposits waste materials on the site in question, a relevant licence which is then in force,
  - (c) makes a claim for relief under this section in such form as the Board may direct, and
  - (d) submits such plans and other documents (if any) as the Board may require;
 and it is immaterial whether the expenditure is incurred before or after the coming into force of this section.
- (2) In computing the profits or gains of the trade for a period of account ending after 5th April 1989, the allowable amount shall be allowed as a deduction for the purposes of income tax or corporation tax.
- (3) In relation to a period of account (the period in question) the allowable amount shall be determined in accordance with the formula—

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$$(A - B) \times \frac{C}{C + D}$$

- (4) A is the site preparation expenditure incurred by the person at any time before the beginning of, or during, the period in question—
- in relation to the site in question, and
  - in the course of carrying on the trade;
- but this subsection is subject to subsections (5) and (9) below.
- (5) A does not include any expenditure—
- which has been allowed as a deduction in computing the profits or gains of the trade for any period of account preceding the period in question, or
  - which constitutes capital expenditure in respect of which an allowance has been, or may be, made under the enactments relating to capital allowances.
- (6) B is an amount equal to any amount allowed as a deduction under this section, if allowed—
- in computing the profits or gains of the trade for any period of account preceding the period in question, and
  - as regards expenditure incurred in relation to the site in question;
- and if different amounts have been so allowed as regards different periods, B is the aggregate of them.
- (7) C is the volume of waste materials deposited on the site in question during the period in question; but if the period is one beginning before 6th April 1989 C shall be reduced by the volume of any waste materials deposited on the site during the period but before that date.
- (8) D is the capacity of the site in question not used up for the deposit of waste materials, looking at the state of affairs at the end of the period in question.
- (9) Where any of the expenditure which would be included in A (apart from this subsection) was incurred before 6th April 1989, A shall be reduced by an amount determined in accordance with the formula—

$$E \times \frac{F}{F + G}$$

- (10) For the purposes of subsection (9) above—
- E is so much of the initial expenditure (that is, the expenditure which would be included in A apart from subsection (9) above) as was incurred before 6th April 1989,
  - F is the volume of waste materials deposited on the site in question before 6th April 1989, and
  - G is the capacity of the site in question not used up for the deposit of waste materials, looking at the state of affairs immediately before 6th April 1989.
- (11) For the purposes of this section—
- a waste disposal site is a site used (or to be used) for the disposal of waste materials by their deposit on the site,

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- (b) in relation to such a site, site preparation expenditure is expenditure on preparing the site for the deposit of waste materials (and may include expenditure on earthworks),
- (c) in relation to such a site, “capacity” means capacity expressed in volume,
- (d) “relevant licence” has the same meaning as in section 91A, and
- (e) a period of account is a period for which an account is made up.”

## 79 Priority share allocations for employees etc.

- (1) In section 68 of the <sup>M58</sup>Finance Act 1988 (which provides for the benefits derived from priority rights in share offers to be disregarded in certain circumstances), after subsection (3) there shall be inserted—

“(3A) The fact that the allocations of shares in the company to which persons who are not directors or employees of the company are entitled are smaller than those to which directors or employees of the company are entitled shall not be regarded for the purposes of subsection (2)(b) above as meaning that they are not entitled on similar terms if—

- (a) each of the first-mentioned persons is also entitled, by reason of his office or employment and in priority to members of the public, to an allocation of shares in another company or companies which are offered to the public (at a fixed price or by tender) at the same time as the shares in the company, and
- (b) in the case of each of those persons the aggregate value (measured by reference to the fixed price or the lowest price successfully tendered) of all the shares included in the allocations to which he is entitled is the same, or as nearly the same as is reasonably practicable, as that of the shares in the company included in the entitlement of a comparable director or employee of the company.”

- (2) This section applies to offers made on or after the day on which this Act is passed.

### Marginal Citations

M58 1988 c. 39.

## 80 Broadcasting: transfer of undertakings of Independent Broadcasting Authority and Cable Authority.

Schedule 12 to this Act shall have effect.

## 81 Futures and options: exemptions.

- (1) The following section shall be inserted after section 468 of the Taxes Act 1988—

### “468AA Authorised unit trusts: futures and options.

- (1) Trustees shall be exempt from tax under Case I of Schedule D in respect of income if—

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- (a) the income is derived from transactions relating to futures contracts or options contracts, and
  - (b) the trustees are trustees of a unit trust scheme which is an authorised unit trust as respects the accounting period in which the income is derived.
- (2) For the purposes of subsection (1) above a contract is not prevented from being a futures contract or an options contract by the fact that any party is or may be entitled to receive or liable to make, or entitled to receive and liable to make, only a payment of a sum (as opposed to a transfer of assets other than money) in full settlement of all obligations.
- (3) In this section—
  - “authorised unit trust” has the same meaning as in section 468, and
  - “unit trust scheme” has the same meaning as in section 469.”
- (2) The following section shall be inserted at the end of Part XIV of the Taxes Act 1988 (pension schemes etc.)—

**“659A Futures and options.**

- (1) For the purposes of sections 592(2), 608(2)(a), 613(4), 614(3) and (4), 620(6) and 643(2)—
  - (a) “investments” (or “investment”)
    - includes futures contracts and options contracts, and
    - (b) income derived from transactions relating to such contracts shall be regarded as income derived from (or income from) such contracts, and paragraph 7(3)(a) of Schedule 22 to this Act shall be construed accordingly.
  - (2) For the purposes of subsection (1) above a contract is not prevented from being a futures contract or an options contract by the fact that any party is or may be entitled to receive or liable to make, or entitled to receive and liable to make, only a payment of a sum (as opposed to a transfer of assets other than money) in full settlement of all obligations.”
- (3) In section 149B of the <sup>M59</sup>Capital Gains Tax Act 1979 (miscellaneous exemptions) the following subsections shall be inserted after subsection (9)—
  - “(10) In subsections (1)(g) and (h) and (2) above “investments” includes futures contracts and options contracts; and paragraph 7(3)(d) of Schedule 22 to the Taxes Act 1988 shall be construed accordingly.
  - (11) For the purposes of subsection (10) above a contract is not prevented from being a futures contract or an options contract by the fact that any party is or may be entitled to receive or liable to make, or entitled to receive and liable to make, only a payment of a sum (as opposed to a transfer of assets other than money) in full settlement of all obligations.”
- (4) Section 659 of the Taxes Act 1988 (financial futures and traded options) shall cease to have effect.
- (5) Subsections (1) and (2) above apply in relation to income derived after the day on which this Act is passed.

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- (6) Subsection (3) above applies in relation to disposals made after the day on which this Act is passed.
- (7) Insofar as section 659 of the Taxes Act 1988 relates to provisions of that Act, subsection (4) above applies in relation to income derived after the day on which this Act is passed.
- (8) Insofar as section 659 of the Taxes Act 1988 relates to section 149B of the <sup>M60</sup>Capital Gains Tax Act 1979, subsection (4) above applies in relation to disposals made after the day on which this Act is passed.

**Marginal Citations**

**M59** 1979 c. 14.

**M60** 1979 c. 14.

**82 Settlements: child's income.**

- (1) In section 663 of the Taxes Act 1988 (child's income treated as settlor's) in subsection (4) (exception for income not exceeding £5) for "£5" there shall be substituted "£100".
- (2) This section shall have effect for the year 1991-92 and subsequent years of assessment.

**83 Loans to traders.**

- (1) Section 136 of the Capital Gains Tax Act 1979 (relief in respect of loans to traders) shall be amended as follows.
- (2) The following subsections shall be inserted after subsection (5)—

“(5A) Where—

- (a) an allowable loss has been treated under subsection (4) above as accruing to any person, and
- (b) the whole or any part of the amount of the payment mentioned in subsection (4)(b) is at any time recovered by him,

this Act shall have effect as if there had accrued to him at that time a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered.

(5B) Where—

- (a) an allowable loss has been treated under subsection (3) above as accruing to a company (the first company), and
- (b) the whole or any part of the outstanding amount mentioned in subsection (3)(a) is at any time recovered by a company (the second company) in the same group as the first company,

this Act shall have effect as if there had accrued to the second company at that time a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered.

(5C) Where—



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- (a) an allowable loss has been treated under subsection (4) above as accruing to a company (the first company), and
- (b) the whole or any part of the outstanding amount mentioned in subsection (4)(a), or the whole or any part of the amount of the payment mentioned in subsection (4)(b), is at any time recovered by a company (the second company) in the same group as the first company,

this Act shall have effect as if there had accrued to the second company at that time a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered.”

- (3) In subsection (6) for “subsection (5)” there shall be substituted “subsections (5) to (5C)”.
- (4) The following subsection shall be inserted after subsection (9)—
  - “(9A) For the purposes of subsections (5B)
  - and (5C) above two companies are in the same group if they were in the same group when the loan was made or have been in the same group at any subsequent time.”
- (5) This section applies where an amount is recovered on or after 20th March 1990.

#### **84 Qualifying corporate bonds: relief.**

The following sections shall be inserted after section 136 of the <sup>M61</sup>Capital Gains Tax Act 1979—

##### **“136A Relief for qualifying corporate bonds.**

- (1) In this section “a qualifying loan” means a loan in the case of which—
  - (a) the borrower’s debt is a debt on a security as defined in section 82 above,
  - (b) but for that fact, the loan would be a qualifying loan within the meaning of section 136 above, and
  - (c) the security is a qualifying corporate bond.
- (2) If, on a claim by a person who has made a qualifying loan, the inspector is satisfied that one of the following three conditions is fulfilled, this Act shall have effect as if an allowable loss equal to the allowable amount had accrued to the claimant when the claim was made.
- (3) The first condition is that—
  - (a) the value of the security has become negligible,
  - (b) the claimant has not assigned his right to recover any outstanding amount of the principal of the loan, and
  - (c) the claimant and the borrower are not companies which have been in the same group at any time after the loan was made.
- (4) The second condition is that—
  - (a) the security’s redemption date has passed,

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- (b) all the outstanding amount of the principal of the loan was irrecoverable (taking the facts existing on that date) or proved to be irrecoverable (taking the facts existing on a later date), and
  - (c) subsection (3)(b) and (c) above are fulfilled.
- (5) The third condition is that—
- (a) the security’s redemption date has passed,
  - (b) part of the outstanding amount of the principal of the loan was irrecoverable (taking the facts existing on that date) or proved to be irrecoverable (taking the facts existing on a later date), and
  - (c) subsection (3)(b) and (c) above are fulfilled.
- (6) In a case where the inspector is satisfied that the first or second condition is fulfilled, the allowable amount is the lesser of—
- (a) the outstanding amount of the principal of the loan;
  - (b) the amount of the security’s acquisition cost;
- and if any amount of the principal of the loan has been recovered the amount of the security’s acquisition cost shall for this purpose be treated as reduced (but not beyond nil) by the amount recovered.
- (7) In a case where the inspector is satisfied that the third condition is fulfilled, then—
- (a) if the security’s acquisition cost exceeds the relevant amount, the allowable amount is an amount equal to the excess;
  - (b) if the security’s acquisition cost is equal to or less than the relevant amount, the allowable amount is nil.
- (8) For the purposes of subsection (7) above the relevant amount is the aggregate of—
- (a) the amount (if any) of the principal of the loan which has been recovered, and
  - (b) the amount (if any) of the principal of the loan which has not been recovered but which in the inspector’s opinion is recoverable.
- (9) Where an allowable loss has been treated under subsection (2) above as accruing to any person and the whole or any part of the relevant outstanding amount is at any time recovered by him, this Act shall have effect as if there had accrued to him at that time a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered.
- (10) Where—
- (a) an allowable loss has been treated under subsection (2) above as accruing to a company (the first company), and
  - (b) the whole or any part of the relevant outstanding amount is at any time recovered by a company (the second company) in the same group as the first company,
- this Act shall have effect as if there had accrued to the second company at that time a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered.
- (11) In subsections (9) and (10) above “the relevant outstanding amount” means—

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- (a) the amount of the principal of the loan outstanding when the claim was allowed, in a case where the inspector was satisfied that the first or second condition was fulfilled;
  - (b) the amount of the part (or the greater or greatest part) arrived at by the inspector under subsection (5)(b) above, in a case where he was satisfied that the third condition was fulfilled.
- (12) This section applies if the security was—
- (a) issued on or after 15th March 1989, or
  - (b) issued before 15th March 1989 but held on 15th March 1989 by the person who made the loan.

### **136B Section 136A: supplementary.**

- (1) In section 136A above “qualifying corporate bond” has the same meaning as in section 64 of the Finance Act 1984.
- (2) For the purposes of section 136A above a security’s redemption date is the latest date on which, under the terms on which the security was issued, the company or body which issued it can be required to redeem it.
- (3) For the purposes of section 136A above a security’s acquisition cost is the amount or value of the consideration in money or money’s worth given, by or on behalf of the person who made the loan, wholly and exclusively for the acquisition of the security, together with the incidental costs to him of the acquisition.
- (4) For the purposes of section 136A(10) above two companies are in the same group if they have been in the same group at any time after the loan was made.
- (5) Section 136(6) above shall apply for the purposes of section 136A(6) and (8) to (10) above as it applies for the purposes of section 136(5) above.
- (6) Section 136(7), (9) and (10)(c) above shall apply for the purposes of section 136A above and of this section as they apply for the purposes of section 136, ignoring for this purpose the words following “lender” in section 136(9).”

#### **Marginal Citations**

**M61** 1979 c. 14.

## **85 Qualifying corporate bonds: reorganisations etc.**

- (1) In Part II of Schedule 13 to the <sup>M62</sup>Finance Act 1984 (qualifying corporate bonds: reorganisations etc.) the following paragraph shall be inserted after paragraph 11—

- “12 (1) This paragraph applies in a case where—
- (a) the new asset mentioned in paragraph 10 above is a qualifying corporate bond in respect of which an allowable loss is treated as accruing under section 136A(2) of the principal Act, and

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(b) the loss is treated as accruing at a time falling after the relevant transaction but before any actual disposal of the new asset subsequent to the relevant transaction.

(2) For the purposes of paragraph 10 above, a subsequent disposal of the new asset shall be treated as occurring at (and only at) the time the loss is treated as accruing.”

(2) This section applies whether the relevant transaction occurs before or on or after the day on which this Act is passed.

#### Marginal Citations

M62 1984 c. 43.

### 86 Groups of companies.

(1) In subsection (1F) of section 272 of the Taxes Act 1970 (application of Schedule 18 to Taxes Act 1988 for determining membership of groups for capital gains purposes), for the words “paragraph 7(1)(b) were omitted” there shall be substituted the words “paragraphs 5(3) and 7(1)(b) were omitted”.

(2) Subject to subsection (3) below, the amendment made by subsection (1) above shall be deemed always to have had effect.

(3) If a company which (apart from this subsection) is the principal company of a group (within the meaning of section 272) at any time during the period beginning with 14th March 1989 and ending with 25th January 1990 so elects, in determining whether a company is a member of the group at any time during that period subsection (1F) of that section shall apply as if the amendment made by subsection (1) above did not have effect.

(4) An election under subsection (3) above shall be irrevocable and shall be made by notice in writing to the inspector at any time within two years after the end of the first accounting period of the principal company ending after 31st January 1990.

(5) There may be made any such adjustment, whether by way of discharge or repayment of tax, the making of an assessment or otherwise, as is appropriate in consequence of an election under subsection (3) above.

### 87 Capital allowances: vehicles provided by employees.

(1) In section 27 of the <sup>M63</sup>Capital Allowances Act 1990 (professions, employments, vocations etc.) in subsection (1) for the words “and (3)” there shall be substituted the words “to (3)”.

(2) The following subsections shall be inserted after subsection (2) of that section—

(2A) In the case of machinery to which this subsection applies, subsection (2)(a) above shall have effect with the omission of the word “necessarily”.

(2B) Subsection (2A) above applies to machinery if—

(a) it consists of a mechanically propelled road vehicle, and

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- (b) capital expenditure incurred on its provision is incurred partly for the purposes of the office or employment and partly for other purposes.
- (2C) Section 24 in its application in accordance with this section to an office or employment shall have effect, where a person's qualifying expenditure consists of expenditure incurred on the provision of machinery to which subsection (2A) above applies, with the modifications set out in subsections (2D) and (2E) below.
- (2D) In subsection (2)(b) for the word "whole" there shall be substituted the words "appropriate fraction".
- (2E) The following subsection shall be inserted after subsection (2)—
- “(2A) For the purposes of subsection (2)(b) above the appropriate fraction is—

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

where—

- A is the number of chargeable periods in the case of which—
- (a) the person has carried on the trade,
  - (b) the machinery or plant has belonged to him, and
  - (c) he has claimed an allowance falling to be made to him under this section by reference to expenditure incurred on the provision of the machinery or plant; and
- B is the number of chargeable periods in the case of which—
- (a) the person has carried on the trade,
  - (b) the machinery or plant has belonged to him, and
  - (c) an allowance falls to be made to him under this section by reference to expenditure incurred on the provision of the machinery or plant.”
- (3) Where—
- (a) at the beginning of the year 1990-91 machinery consisting of a mechanically propelled road vehicle is provided by a person for use in the performance of the duties of an office or employment held by him, and

Part II of the <sup>M64</sup>Capital Allowances Act 1990 shall have effect as if he had incurred capital expenditure on the provision of the machinery for the purposes of the office or employment in the year 1990-91, the amount of that expenditure being taken as the price which the machinery would have fetched if sold in the open market on 6th April 1990, and the machinery being treated as belonging to him in consequence of his having incurred that expenditure.

- (4) This section shall apply for the year 1990-91 and subsequent years of assessment.

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**Marginal Citations**

**M63** 1990 c. 1.

**M64** 1990 c. 1.

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**88 Capital allowances: miscellaneous amendments.**

Schedule 13 to this Act shall have effect.

**89 Correction of errors in Taxes Act 1988.**

Schedule 14 to this Act shall have effect.

## CHAPTER II

### MANAGEMENT

#### *Returns and information*

**90 Income tax returns.**

- (1) The following sections shall be substituted for sections 8 and 9 of the <sup>M65</sup>Taxes Management Act 1970 (return of income)—

**“8 Personal return.**

- (1) For the purposes of assessing a person to income tax, he may be required by a notice given to him by an inspector—
- (a) to make and deliver to the inspector within the time limited by the notice a return containing such information as may be required in pursuance of the notice, and
  - (b) to deliver with the return such accounts and statements, relating to information contained in the return, as may be required in pursuance of the notice.
- (2) Every return under this section shall include a declaration by the person making the return to the effect that the return is to the best of his knowledge correct and complete.
- (3) A notice under this section may require different information, accounts and statements for different periods or in relation to different descriptions of source of income.
- (4) Notices under this section may require different information, accounts and statements in relation to different descriptions of person.

**8A Trustee’s return.**

- (1) For the purpose of assessing a trustee of a settlement, and the settlors and beneficiaries, to income tax an inspector may by a notice given to the trustee require the trustee—
- (a) to make and deliver to the inspector within the time limited by the notice a return containing such information as may be required in pursuance of the notice, and

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- (b) to deliver with the return such accounts and statements, relating to information contained in the return, as may be required in pursuance of the notice;

and a notice may be given to any one trustee or separate notices may be given to each trustee or to such trustees as the inspector thinks fit.

- (2) Every return under this section shall include a declaration by the person making the return to the effect that the return is to the best of his knowledge correct and complete.
- (3) A notice under this section may require different information, accounts and statements for different periods or in relation to different descriptions of source of income.
- (4) Notices under this section may require different information, accounts and statements in relation to different descriptions of settlement.

### **9 Partnership return.**

- (1) Where a trade or profession is carried on by two or more persons jointly, for the purposes of making an assessment to income tax in the partnership name an inspector may act under subsection (2) or (3) below (or both).
- (2) An inspector may by a notice given to the partners require such person as is identified in accordance with rules given with the notice—
  - (a) to make and deliver to the inspector within the time limited by the notice a return containing such information as may be required in pursuance of the notice, and
  - (b) to deliver with the return such accounts and statements as may be required in pursuance of the notice.
- (3) An inspector may by a notice given to any partner require the partner—
  - (a) to make and deliver to the inspector within the time limited by the notice a return containing such information as may be required in pursuance of the notice, and
  - (b) to deliver with the return such accounts and statements as may be required in pursuance of the notice;and a notice may be given to any one partner or separate notices may be given to each partner or to such partners as the inspector thinks fit.
- (4) Every return under this section shall include—
  - (a) a declaration of the names and residences of the partners;
  - (b) a declaration by the person making the return to the effect that the return is to the best of his knowledge correct and complete.
- (5) A notice under this section may require different information, accounts and statements for different periods or in relation to different descriptions of source of income.
- (6) Notices under this section may require different information, accounts and statements in relation to different descriptions of partnership.”

- (2) In section 12 of that Act (information about chargeable gains)—

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- (a) in subsection (1) for the words “Section 8” there shall be substituted the words “Sections 8 and 8A ” and for the words “it applies” there shall be substituted the words “they apply ”;
  - (b) in subsection (2) after the words “section 8” there shall be inserted the words “or section 8A ”;
  - (c) in subsection (4) the words “of income of a partnership” shall be omitted.
- (3) In section 93 of that Act (penalties) in subsection (1) for the words “9 of this Act (or either” there shall be substituted the words “8A or 9 of this Act (or any ”.
- (4) In section 95 of that Act (penalties) in subsection (1)(a) for the words “9 of this Act (or either” there shall be substituted the words “8A or 9 of this Act (or any ”.
- (5) This section applies where a notice to deliver a return was, or falls to be, given after 5th April 1990.

#### Marginal Citations

M65 1970 c. 9.

## 91 Corporation tax returns.

- (1) Section 11 of the <sup>M66</sup>Taxes Management Act 1970 (return of profits) shall be amended as follows.
- (2) In subsection (1), for the words from “the profits” to the end there shall be substituted the words “such information as may be required in pursuance of the notice together with such accounts, statements and reports as may be so required.
- (1A) The information which a company may be required to supply under this section is information which is relevant to the application of the Corporation Tax Acts to the company; and the accounts, statements and reports which a company may be so required to supply are accounts, statements and reports which are so relevant.”
- (3) In subsection (2), for the words “of profits and losses arising in” there shall be substituted the word “for”.
- (4) In subsection (3) (return to include declaration that return is correct and complete)—
- (a) after the word “declaration” there shall be inserted the words “by the person making the return”; and
  - (b) after the word “is” there shall be inserted the words “to the best of his knowledge”.
- (5) Subsection (7) shall cease to have effect.
- (6) In subsection (8), the words from “or different” to the end shall be omitted.
- (7) The following subsection shall be inserted after subsection (8)—
- “(8A) A return under this section shall be amended by the company delivering to the inspector a document in such form, containing such information and accompanied by such statements as the Board may require.”



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- (8) Subsection (4) above shall apply with respect to any notice served on or after the day on which this Act is passed.
- (9) Subsections (2), (3) and (5) to (7) above shall apply with respect to any notice served after the day appointed for the purposes of section 82 of the <sup>M67</sup>Finance (No.2) Act 1987.

#### Marginal Citations

**M66** 1970 c. 9.

**M67** 1987 c. 51.

## 92 Information powers relating to interest.

- (1) Section 17 of the <sup>M68</sup>Taxes Management Act 1970 (interest paid or credited by banks etc. without deduction of income tax) shall be amended as mentioned in subsections (2) and (3) below.
- (2) In subsection (1)—
- (a) after the words “without deduction of income tax” there shall be inserted the words “ or after deduction of income tax ”;
  - (b) after the words “the amount of the interest” there shall be inserted the words “ actually paid or credited and (where the interest was paid or credited after deduction of income tax) the amount of the interest from which the tax was deducted and the amount of the tax deducted ”;
  - (c) paragraph (a) of the proviso shall be omitted.
- (3) The following subsections shall be inserted after subsection (4)—
- “(5) The Board may by regulations provide as mentioned in all or any of the following paragraphs—
- (a) that a return under subsection (1) above shall contain such further information as is prescribed if the notice requiring the return specifies the information and requires it to be contained in the return;
  - (b) that a person required to make and deliver a return under subsection (1) above shall furnish with the return such further information as is prescribed if the notice requiring the return specifies the information and requires it to be so furnished;
  - (c) that if a person is required to furnish information under any provision made under paragraph (b) above, and the notice requiring the return specifies the form in which the information is to be furnished, the person shall furnish the information in that form;
  - (d) that a notice under subsection (1) above shall not require prescribed information;
- and in this subsection “prescribed” means prescribed by the regulations.
- (6) Regulations under subsection (5) above—
- (a) shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons,
  - (b) may make different provision in relation to different cases or descriptions of case, and

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- (c) may include such supplementary, incidental, consequential or transitional provisions as appear to the Board to be necessary or expedient.”
- (4) Section 18 of that Act (interest paid without deduction of income tax) shall be amended as mentioned in subsections (5) and (6) below.
- (5) In subsection (1)—
- (a) after the words “without deduction of income tax” there shall be inserted the words “ or after deduction of income tax ”;
  - (b) in paragraph (b) for the words “so paid or received” there shall be substituted the words “ actually paid or received and (where the interest has been paid or received after deduction of income tax) the amount of the interest from which the tax has been deducted and the amount of the tax deducted ”;
  - (c) for the words “its amount” there shall be substituted the words “ the amount actually received and (where the interest has been received after deduction of income tax) the amount of the interest from which the tax has been deducted and the amount of the tax deducted ”.
- (6) The following subsections shall be inserted after subsection (3A)—
- “(3B) The Board may by regulations provide as mentioned in all or any of the following paragraphs—
- (a) that a person required to furnish information under subsection (1) above shall furnish at the same time such further information as is prescribed if the notice concerned specifies the information and requires it to be so furnished;
  - (b) that if a person is required to furnish information under subsection (1) above or under any provision made under paragraph (a) above, and the notice concerned specifies the form in which the information is to be furnished, the person shall furnish the information in that form;
  - (c) that a notice under subsection (1) above shall not require prescribed information;
- and in this subsection “prescribed” means prescribed by the regulations.
- (3C) Regulations under subsection (3B) above—
- (a) shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons,
  - (b) may make different provision in relation to different cases or descriptions of case, and
  - (c) may include such supplementary, incidental, consequential or transitional provisions as appear to the Board to be necessary or expedient.”
- (7) Subsections (1) to (3) above shall have effect as regards a case where interest is paid or credited in the year 1991-92 or a subsequent year of assessment.
- (8) Subsections (4) to (6) above shall have effect as regards a case where interest is paid in the year 1991-92 or a subsequent year of assessment.

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**Marginal Citations**

M68 1970 c. 9.

**93 Restrictions on Board’s power to call for information.**

(1) In section 20 of the <sup>M69</sup>Taxes Management Act 1970 (powers to call for information), after subsection (7) there shall be inserted—

“(7A) A notice under subsection (2) above is not to be given unless the Board have reasonable grounds for believing—

- (a) that the person to whom it relates may have failed or may fail to comply with any provision of the Taxes Acts; and
- (b) that any such failure is likely to have led or to lead to serious prejudice to the proper assessment or collection of tax.”

(2) This section shall apply with respect to notices given on or after the day on which this Act is passed.

**Marginal Citations**

M69 1970 c. 9.

**94 Donations to charity: inspection powers.**

(1) The Board may require a charity to produce for inspection by an officer of the Board all such books, documents and other records in the possession, or under the control, of the charity as contain information relating to payments made on or after 1st October 1990 and in respect of which the charity has made a claim to repayment of tax by virtue of section 339 of the Taxes Act 1988 (donations to charity by companies) or section 25 of this Act.

(2) For the purposes of subsection (1) above “charity” has the same meaning as in section 506 of the Taxes Act 1988 and includes—

- (a) each of the bodies mentioned in section 507 of that Act, and
- (b) any Association of a description specified in section 508 of that Act (scientific research organisations).

(3) In the second column in the Table in section 98 of the Taxes Management Act 1970 (penalty for failure to furnish information etc.) there shall be added at the end—

“Section 94(1) of the Finance Act 1990.”

*Corporation tax determinations*

**95 Determinations.**

(1) The following sections shall be inserted after section 41 of the Taxes Management Act 1970—

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### *“ Corporation tax determinations*

#### **41A Determination procedure.**

- (1) If an inspector is satisfied that a return under section 11 of this Act affords correct and complete information concerning an amount which is—
  - (a) required to be given in the return, and
  - (b) determinable under this section,
 he shall determine the amount accordingly.
- (2) If an inspector is not satisfied that a return under section 11 of this Act affords correct and complete information concerning an amount which is—
  - (a) required to be given in the return, and
  - (b) determinable under this section,
 he may determine the amount to the best of his judgment.
- (3) If a company is required to deliver a return under section 11 of this Act and fails to deliver the return within the time limited by that section, an inspector may determine any amount which is—
  - (a) required to be given in the return, and
  - (b) determinable under this section,
 to the best of his judgment.
- (4) An amount shall be treated as determined under this section when the inspector gives notice in writing of the determination to the company which makes, or is required to make, the return.
- (5) After an amount has been determined under this section, the determination shall not be altered except in accordance with the express provisions of the Taxes Acts.
- (6) Section 31 of this Act (except subsection (3)) shall apply in relation to a determination under this section as it applies in relation to an assessment to tax.
- (7) A determination under this section which has become final shall be conclusive for the purposes of the Corporation Tax Acts, except sections 36(3), 41B and 43A of this Act.
- (8) The power conferred by subsection (2) or (3) above includes power to determine that an amount is nil.
- (9) In this section references to an amount which is determinable under this section are references to—
  - (a) the amount of losses incurred in a trade in an accounting period, computed in accordance with section 393(7) of the principal Act; or
  - (b) the amount for an accounting period which is available for surrender by way of group relief under section 403(3) (capital allowances), (4) (expenses of management) or (7) (charges on income) of the principal Act.

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#### **41B Reduction of determination.**

- (1) Where an inspector discovers that an amount determined under section 41A of this Act is or has become excessive, he may issue a direction that the amount determined shall be reduced by an amount specified in the direction.
- (2) A direction under this section in relation to a determination shall be treated as issued when the inspector gives notice in writing of the direction to the company given notice of the determination under section 41A of this Act.
- (3) Section 31 of this Act (except subsection (3)) shall apply in relation to a direction under this section as it applies in relation to an assessment to tax.
- (4) Section 41A(7) of this Act shall not apply to a determination at any time when a direction under this section has been issued in relation to the determination and has not become final.
- (5) After a direction under this section has become final, the determination to which it relates shall have effect as if the amount determined were reduced by the amount specified in the direction.
- (6) The power conferred by subsection (1) above includes power to issue a direction which would have the effect of reducing the amount determined to nil.
- (7) In its application to a determination in relation to which a direction under this section has already been issued, subsection (1) above shall have effect with the insertion after the word “Act” of the words, “ as reduced by the amount specified in any previous direction under this section in relation to the determination,”.

#### **41C Time limits.**

- (1) A determination of an amount may be made under section 41A of this Act at any time not later than 6 years from the end of the period to which the amount relates.
- (2) Subject to subsection (3) below, a direction in relation to a determination may be issued under section 41B of this Act at any time not later than 6 years from the end of the period to which the determination relates.
- (3) A direction in relation to a determination may be issued under section 41B of this Act at any time not later than 20 years from the end of the period to which the determination relates if the excess by virtue of which the power conferred by that section is exercisable is attributable to the fraudulent or negligent conduct of—
  - (a) the company given notice of the determination under section 41A of this Act, or
  - (b) a person acting on its behalf.
- (2) This section applies in relation to accounting periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).”

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## 96 Consequential group relief adjustments.

- (1) This section applies where—
  - (a) a determination of an amount for an accounting period of a company (“the surrendering company”) is made under section 41A of the <sup>M70</sup>Taxes Management Act 1970, and
  - (b) immediately after the determination, or a direction relating to it under section 41B of that Act, becomes final, the amount of relief of any description which the surrendering company consents to surrender by way of group relief for the period (“the surrendered amount”) exceeds the amount which, in relation to relief of that description, is the relevant amount for the period.
- (2) For the purposes of subsection (1) above, the amount which is, at any time, the relevant amount in relation to relief of any description for an accounting period of a company is—
  - (a) the amount of relief of that description available to the company for surrender by way of group relief for the period, less
  - (b) so much, if any, of that amount as represents relief given in an assessment on the surrendering company which has become final and conclusive.
- (3) The surrendering company shall make whatever adjustment of the surrendered amount is necessary in consequence of the determination or direction (“the necessary adjustment”) by reducing or withdrawing consent to surrender before the end of 30 days from the date on which the determination or direction becomes final.
- (4) If the surrendering company fails to make the necessary adjustment within the period mentioned in subsection (3) above, it shall be made—
  - (a) except where paragraph (b) below applies, in such manner as may be specified by the inspector by notice in writing to the surrendering company and to the company or, if more than one, each company whose claim for group relief is affected by the adjustment, or
  - (b) where the surrendering company gives notice in writing to the inspector within the relevant period, in such manner as may be specified in the notice given by the surrendering company.
- (5) For the purposes of subsection (4)(b) above the relevant period is the period of 30 days beginning with the day on which notice under subsection (4)(a) above is given to the surrendering company.
- (6) The power to make an assessment under section 412(3) of the Taxes Act 1988 (power to assess where inspector discovers that group relief which has been given is or has become excessive) shall also be exercisable where group relief which has been given becomes excessive in consequence of the making of the necessary adjustment.
- (7) Subsection (8) below applies where any tax to which a company (“the chargeable company”) becomes liable in consequence of the making of the necessary adjustment has been assessed on the company and is unpaid at the end of 6 months from the date on which the assessment becomes final and conclusive (“the relevant date”).
- (8) Any other company which has obtained group relief by virtue of a surrender by the surrendering company for the accounting period to which the necessary adjustment relates may, within 2 years from the relevant date, be assessed and charged (in the name of the chargeable company) to an amount not exceeding the lesser of—
  - (a) the amount of the unpaid tax, and

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- (b) the amount of tax which the other company saves by virtue of the surrender.
- (9) A company paying an amount of tax under subsection (8) above shall be entitled to recover from the chargeable company a sum equal to that amount together with any interest on that amount which it has paid under section 87A of the <sup>M71</sup>Taxes Management Act 1970.
- (10) An assessment by virtue of subsection (6) above shall not be out of time if made within one year from the date on which the determination or direction giving rise to the making of the necessary adjustment becomes final.
- (11) In subsection (1)(b) above, the reference to the amount of relief of any description which the surrendering company consents to surrender by way of group relief for the period includes a reference to the amount of relief of that description which the surrendering company consents to surrender for any assumed accounting period under section 409 of the Taxes Act 1988 (companies joining or leaving group or consortium) which is comprised in the period.
- (12) In section 87A of the <sup>M72</sup>Taxes Management Act 1970 (interest on overdue corporation tax etc.) in subsection (3) after the words “1970” there shall be inserted the words “, section 96(8) of the Finance Act 1990”.

#### Marginal Citations

- M70** 1970 c. 9.  
**M71** 1970 c. 9.  
**M72** 1970 c. 9.

### *Claims by companies*

#### **97 Payment of tax credits.**

- (1) Section 42 of the Taxes Management Act 1970 (claims) shall be amended as follows.
- (2) In subsection (5) (form of claims) there shall be inserted at the beginning the words “Subject to subsection (5A) below,”.
- (3) The following subsection shall be inserted after subsection (5)—
- “(5A) A claim by a company for payment of a tax credit shall be made by being included in a return under section 11 of this Act.”
- (4) The following subsection shall be inserted after subsection (10)—
- “(10A) In subsection (5A) above—
- (a) the reference to a claim for payment includes a reference to a claim resulting in payment; and
- (b) the reference to a claim being included in a return includes a reference to a claim being included by virtue of an amendment of the return.”
- (5) This section applies in relation to claims relating to income of accounting periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).

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## **98 Repayment of income tax deducted at source.**

- (1) The Taxes Act 1988 shall be amended as follows.
- (2) In section 7(2) (set off against corporation tax of income tax deducted from payments received by resident companies) the words from “and accordingly” to the end shall be omitted.
- (3) The following subsections shall be inserted after section 7(5)—
  - “(6) A claim for the purposes of subsection (5) above, so far as relating to subsection (2) above and section 11(3), shall be made by being included in a return under section 11 of the Management Act (corporation tax return) for the period to which the claim relates.
  - (7) In subsection (6) above the reference to a claim being included in a return includes a reference to a claim being included by virtue of an amendment of the return.”
- (4) In section 11(3) (set off against corporation tax of income tax deducted from payments received by non-resident companies) the words from “and accordingly” to the end shall be omitted.
- (5) This section applies in relation to income tax falling to be set off against corporation tax for accounting periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).

## **99 Loss relief.**

- (1) The Taxes Act 1988 shall be amended as follows.
- (2) In section 393 (relief for trading losses) in subsection (1) (carry forward of losses on the making of a claim)—
  - (a) for the words “the company may make a claim requiring that the loss” there shall be substituted the words “ the loss shall ”, and
  - (b) for the words “on that claim” there shall be substituted the words “ under this subsection ”;
 and in subsection (11) (time limit for claims) the words from the beginning to “of six years; and” shall be omitted.
- (3) In section 396 (relief for Case VI losses on the making of a claim)—
  - (a) in subsection (1) for the words “the company may make a claim requiring that the loss” there shall be substituted the words “ the loss shall ”, and
  - (b) subsection (3) (time limit for claims) shall cease to have effect.
- (4) This section applies in relation to accounting periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).

## **100 Group relief: general.**

- (1) The Taxes Act 1988 shall be amended as follows.
- (2) In section 412 (group relief: claims and adjustments) the following subsection shall be substituted for subsections (1) and (2)—



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“(1) Schedule 17A to this Act (which makes provision with respect to claims for group relief) shall have effect.”

- (3) The Schedule set out in Schedule 15 to this Act shall be inserted after Schedule 17.
- (4) This section has effect as respects claims for group relief for accounting periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).

## **101 Group relief: relieved losses**

- (1) The following section shall be inserted after section 411 of the Taxes Act 1988—

### **“411A Group relief by way of substitution for loss relief.**

- (1) Group relief may be given in respect of a loss notwithstanding that relief has been given in respect of it under section 393(1).
  - (2) Where group relief in respect of a loss is given by virtue of subsection (1) above, all such assessments or adjustments of assessments shall be made as may be necessary to withdraw the relief in respect of the loss given under section 393(1).
  - (3) An assessment under subsection (2) above shall not be out of time if it is made within one year from the date on which the surrendering company gave the inspector notice of consent to surrender relating to the loss.
  - (4) For the purposes of this section relief under section 393(1) shall be treated as given for losses incurred in earlier accounting periods before losses incurred in later accounting periods.”
- (2) This section has effect as respects claims for group relief for accounting periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).

## **102 Capital allowances: general.**

- (1) The <sup>M73</sup>Capital Allowances Act 1990 shall be amended as follows.
- (2) The following section shall be inserted after section 145—

### **“145A Corporation tax allowances: claims.**

Schedule A1 to this Act shall have effect.”

- (3) The Schedule set out in Schedule 16 to this Act shall be inserted before Schedule 1.
- (4) This section has effect as respects claims for allowances falling to be made for accounting periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).

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#### **Marginal Citations**

**M73** 1990 c. 1.

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### 103 Capital allowances: assimilation to claims by individuals.

- (1) Schedule 17 to this Act (which amends the Capital Allowances Act 1990 for the purpose of assimilating claims by companies to claims by individuals) shall have effect.
- (2) This section has effect as respects allowances and charges falling to be made for chargeable periods ending after the day appointed for the purposes of section 10 of the Taxes Act 1988 (pay and file).

#### *Miscellaneous*

### 104 Officers.

- (1) In section 1 of the <sup>M74</sup>Taxes Management Act 1970 (appointment of inspectors etc.) the following subsections shall be inserted after subsection (2)—
  - “(2A) The Board may appoint a person to be an inspector or collector for general purposes or for such specific purposes as the Board think fit.
  - (2B) Where in accordance with the Board’s administrative practices a person is authorised to act as an inspector or collector for specific purposes, he shall be deemed to have been appointed to be an inspector or collector for those purposes.”
- (2) In section 55 of that Act (recovery of tax not postponed)—
  - (a) in subsection (7) for the words “the inspector” there shall be substituted the words “an inspector”;
  - (b) in subsection (10) for the words “this section”, in the first place where they occur, there shall be substituted the words “subsection (3) above”.
- (3) The amendment made by subsection (1) above shall be deemed always to have had effect.
- (4) The amendments made by subsection (2) above shall apply where notice of appeal is given on or after the day on which this Act is passed.

#### **Marginal Citations**

**M74** 1970 c. 9.

### 105 Recovery of excessive repayments of tax.

- (1) In section 30 of the <sup>M75</sup>Taxes Management Act 1970 (recovery of excessive repayments of tax) the following subsection shall be inserted after subsection (1)—
  - “(1A) Subsection (1)
    - above shall not apply where the amount of tax which has been repaid is assessable under section 29 of this Act.”
- (2) This section applies in relation to amounts of tax repaid on or after the day on which this Act is passed.

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**Marginal Citations**

**M75** 1970 c. 9.

**106 Corporation tax: collection.**

In section 10 of the Taxes Act 1988 (time for payment of tax) the following subsection shall be substituted for subsection (2)—

“(2) Where by virtue of subsection (1)(a) above corporation tax for an accounting period of a company is due without the making of an assessment, the amount for the time being shown in a return by the company under section 11 of the Management Act (corporation tax return) as the corporation tax for the period shall be treated for the purposes of Part VI of the Management Act (collection and recovery) as tax charged and due and payable under an assessment on the company.”

**PART III**

STAMP DUTY AND STAMP DUTY RESERVE TAX

*Repeals*

**107 Bearers: abolition of stamp duty.**

- (1) Stamp duty shall not be chargeable under the heading “Bearer Instrument” in Schedule 1 to the <sup>M76</sup>Stamp Act 1891.
- (2) Subsection (1) above applies to an instrument which falls within section 60(1) of the <sup>M77</sup>Finance Act 1963 if it is issued on or after the abolition day.
- (3) Subsection (1) above applies to an instrument which falls within section 60(2) of that Act if the stock constituted by or transferable by means of it is transferred on or after the abolition day.
- (4) In subsection (2) above the reference to section 60(1) of the <sup>M78</sup>Finance Act 1963 includes a reference to section 9(1)(a) of the Finance Act (Northern Ireland) 1963 and in subsection (3) above the reference to section 60(2) of the former Act includes a reference to section 9(1)(b) of the latter.

**Marginal Citations**

**M76** 1891 c. 39.

**M77** 1963 c. 25.

**M78** 1963 c. 22 (N.I.).

**108 Transfer of securities: abolition of stamp duty.**

- (1) Where defined securities are transferred to or vested in a person by an instrument, stamp duty shall not be chargeable on the instrument.

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*Status: Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.*

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- (2) In this section “defined securities” means—
- (a) stocks, shares or loan capital,
  - (b) interests in, or in dividends or other rights arising out of, stocks, shares or loan capital,
  - (c) rights to allotments of or to subscribe for, or options to acquire or to dispose of, stocks, shares or loan capital, and
  - (d) units under a unit trust scheme.
- (3) In this section “loan capital” means—
- (a) any debenture stock, corporation stock or funded debt, by whatever name known, issued by a government or a body corporate or other body of persons (which here includes a local authority and any body whether formed or established in the United Kingdom or elsewhere);
  - (b) any capital raised by a government, or by such a body as is mentioned in paragraph (a) above, if the capital is borrowed or has the character of borrowed money, and whether it is in the form of stock or any other form;
  - (c) stock or marketable securities issued by a government.
- (4) In this section “unit” and “unit trust scheme” have the same meanings as they had in Part VII of the <sup>M79</sup>Finance Act 1946 immediately before the abolition day.
- (5) In this section references to a government include references to a government department, including a Northern Ireland department.
- (6) In this section “government” means the government of the United Kingdom or of Northern Ireland or of any country or territory outside the United Kingdom.
- (7) Subject to subsection (8) below, this section applies if the instrument is executed in pursuance of a contract made on or after the abolition day.
- (8) In the case of an instrument—
- (a) which falls within section 67(1) or (9) of the <sup>M80</sup>Finance Act 1986 (depository receipts) or section 70(1) or (9) of that Act (clearance services), or
  - (b) which does not fall within section 67(1) or (9) or section 70(1) or (9) of that Act and is not executed in pursuance of a contract,
- this section applies if the instrument is executed on or after the abolition day.

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**Marginal Citations**

**M79** 1946 c. 64.

**M80** 1986 c. 41.

**109 Stamp duty: other repeals.**

- (1) Section 83 of the <sup>M81</sup>Stamp Act 1891 (fine for certain acts relating to securities) shall not apply where an instrument of assignment or transfer is executed, or a transfer or negotiation of the stock constituted by or transferable by means of a bearer instrument takes place, on or after the abolition day.
- (2) The following provisions (which relate to the cancellation of certain instruments) shall not apply where the stock certificate or other instrument is entered on or after the abolition day—

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- (a) section 109(1) of the Stamp Act 1891,
  - (b) section 5(2) of the <sup>M82</sup>Finance Act 1899,
  - (c) section 56(2) of the Finance Act 1946, and
  - (d) section 27(2) of the <sup>M83</sup>Finance (No. 2) Act (Northern Ireland) 1946.
- (3) Section 67 of the <sup>M84</sup>Finance Act 1963 (prohibition of circulation of blank transfers) shall not apply where the sale is made on or after the abolition day; and section 16 of the <sup>M85</sup>Finance Act (Northern Ireland) 1963 (equivalent provision for Northern Ireland) shall not apply where the sale is made on or after the abolition day.
- (4) No person shall be required to notify the Commissioners under section 68(1) or (2) or 71(1) or (2) of the Finance Act 1986 (depository receipts and clearance services) if he first issues the receipts, provides the services or holds the securities as there mentioned on or after the abolition day.
- (5) No company shall be required to notify the Commissioners under section 68(3) or 71(3) of that Act if it first becomes aware as there mentioned on or after the abolition day.
- (6) The following provisions shall cease to have effect—
- (a) section 56(1), (3) and (4) and section 57(2) to (4) of the Finance Act 1946 (unit trusts),
  - (b) section 27(1), (3) and (4) and section 28(2) to (4) of the <sup>M86</sup>Finance (No. 2) Act (Northern Ireland) 1946 (unit trusts),
  - (c) section 33 of the <sup>M87</sup>Finance Act 1970 (composition by financial institutions in respect of stamp duty),
  - (d) section 127(7) of the <sup>M88</sup>Finance Act 1976 (extension of composition provisions to Northern Ireland), and
  - (e) section 85 of the <sup>M89</sup>Finance Act 1986 (provisions about stock, marketable securities, etc.).
- (7) The provisions mentioned in subsection (6) above shall cease to have effect as provided by the Treasury by order.
- (8) An order under subsection (7) above—
- (a) shall be made by statutory instrument;
  - (b) may make different provision for different provisions or different purposes;
  - (c) may include such supplementary, incidental, consequential or transitional provisions as appear to the Treasury to be necessary or expedient.
- (9) Nothing in this section shall affect the application of section 56 of the <sup>M90</sup>Finance Act 1946 or section 27 of the Finance (No. 2) Act (Northern Ireland) 1946 by section 259 of the <sup>M91</sup>Inheritance Tax Act 1984.

#### Marginal Citations

- M81** 1891 c. 39.  
**M82** 1899 c. 9.  
**M83** 1946 c. 17 (N.I.).  
**M84** 1963 c. 25.  
**M85** 1963 c. 22 (N.I.).  
**M86** 1946 c. 17 (N.I.).  
**M87** 1970 c. 24.

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**M88** 1976 c. 40.

**M89** 1986 c. 41.

**M90** 1946 c. 64.

**M91** 1984 c. 51.

## 110 Stamp duty reserve tax: abolition.

- (1) Stamp duty reserve tax shall cease to be chargeable.
- (2) In relation to the charge to tax under section 87 of the Finance Act 1986 subsection (1) above applies where—
  - (a) the agreement to transfer is conditional and the condition is satisfied on or after the abolition day, or
  - (b) the agreement is not conditional and is made on or after the abolition day.
- (3) In relation to the charge to tax under section 93(1) of that Act subsection (1) above applies where securities are transferred, issued or appropriated on or after the abolition day (whenever the arrangement was made).
- (4) In relation to the charge to tax under section 96(1) of that Act subsection (1) above applies where securities are transferred or issued on or after the abolition day (whenever the arrangement was made).
- (5) In relation to the charge to tax under section 93(10) of that Act subsection (1) above applies where securities are issued or transferred on sale, under terms there mentioned, on or after the abolition day.
- (6) In relation to the charge to tax under section 96(8) of that Act subsection (1) above applies where securities are issued or transferred on sale, under terms there mentioned, on or after the abolition day.
- (7) Where before the abolition day securities are issued or transferred on sale under terms mentioned in section 93(10) of that Act, in construing section 93(10) the effect of subsections (1) and (3) above shall be ignored.
- (8) Where before the abolition day securities are issued or transferred on sale under terms mentioned in section 96(8) of that Act, in construing section 96(8) the effect of subsections (1) and (4) above shall be ignored.

## 111 General.

- (1) In sections 107 to 110 above “the abolition day” means such day as may be appointed by the Treasury by order made by statutory instrument.
- (2) Sections 107 to 109 above shall be construed as one with the <sup>M92</sup>Stamp Act 1891.

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### Marginal Citations

**M92** 1891 c. 39.

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### Paired shares

#### 112 Stamp duty.

- (1) In section 143 of the <sup>M93</sup>Finance Act 1988 (paired shares) in subsection (1)(b) for the words “an equal number of” there shall be substituted the word “other”.
- (2) Subsection (1) above applies where—
  - (a) the offers referred to in section 143(1) are made, or are to be made, on or after the day on which this Act is passed, and
  - (b) before the offers are made, or are to be made, units comprising shares in the two companies concerned were offered (whether before or on or after the day on which this Act is passed) in circumstances where section 143 applied without the amendment made by subsection (1) above.

**Marginal Citations**  
**M93** 1988 c. 39.

#### 113 Stamp duty reserve tax.

- (1) Section 99 of the <sup>M94</sup>Finance Act 1986 (stamp duty reserve tax: interpretation) shall be amended as follows.
- (2) In subsection (6A) (paired shares) in paragraph (b) for the words “an equal number of” there shall be substituted the word “other”.
- (3) The following subsection shall be inserted after subsection (6A)—

“(6B) For the purposes of subsection (4) above, shares issued by a body corporate which is not incorporated in the United Kingdom (“the foreign company”) are paired with shares issued by a body corporate which is so incorporated (“the UK company”) where—

  - (a) the articles of association of the UK company and the equivalent instruments governing the foreign company each provide that no share in the company to which they relate may be transferred otherwise than as part of a unit comprising one share in that company and one share in the other, and
  - (b) the shares issued by the foreign company, and the shares issued by the UK company, are issued to give effect to an allotment of the shares (as part of such units) as fully or partly paid bonus shares.”
- (4) In subsection (9) for the words “subsection (6A)” there shall be substituted the words “subsections (6A) and (6B)”.
- (5) Subsection (2) above applies where—
  - (a) the offers referred to in section 99(6A) are made on or after the day on which this Act is passed, and
  - (b) before the offers are made, units comprising shares in the two companies concerned were offered (whether before or on or after the day on which this Act is passed) in circumstances where section 99(6A) applied without the amendment made by subsection (2) above.

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- (6) Subsections (3) and (4) above apply where—
- (a) the shares referred to in section 99(6B) are issued on or after the day on which this Act is passed, and
  - (b) before they are issued, units comprising shares in the two companies concerned were offered (whether before or on or after the day on which this Act is passed) in circumstances where section 99(6A) applied without the amendment made by subsection (2) above.

**Marginal Citations**

**M94** 1986 c. 41.

*International organisations*

**114 International organisations.**

- (1) In section 126 of the <sup>M95</sup>Finance Act 1984 (tax exemptions in relation to designated international organisations) in subsection (3) the following paragraph shall be inserted after paragraph (c)—
  - “(d) no stamp duty reserve tax shall be chargeable under section 93 (depository receipts) or 96 (clearance services) of the Finance Act 1986 in respect of the issue of securities by the organisation.”
- (2) Where an organisation or body is designated under section 126(1) or (4) before the day on which this Act is passed, subsection (1) above applies in relation to the issue of securities by the organisation or body on or after that day.
- (3) Where an organisation or body is designated under section 126(1) or (4) on or after the day on which this Act is passed, subsection (1) above applies in relation to the issue of securities by the organisation or body after the designation.

**Marginal Citations**

**M95** 1984 c. 43.

**PART IV**

MISCELLANEOUS AND GENERAL

*Ports levy*

**115 Levy on privatisation of certain ports.**

- (1) A levy shall be chargeable on the disposal of securities of a company which is, or has control of, a successor company to a relevant port authority if the disposal is made by—
  - (a) the relevant port authority,
  - (b) a company under the control of the relevant port authority, or



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- (c) a person constituted under a private Act, the Bill for which was promoted by the relevant port authority.
- (2) For the purposes of this section and sections 116 to 120 below—
- (a) “securities”, in relation to a company, includes shares, debentures, bonds and other securities of the company, whether or not constituting a charge on the assets of the company;
  - (b) “control” shall be construed in accordance with section 416 of the Taxes Act 1988;
  - (c) a company is a successor company to a relevant port authority if the whole or any part of the authority’s undertaking is transferred to it in accordance with the provisions of a private Act, the Bill for which was promoted by the authority;
  - (d) a relevant port authority is an authority which is a harbour authority within the meaning of the <sup>M96</sup>Harbours Act 1964 or the <sup>M97</sup>Harbours Act (Northern Ireland) 1970 but not a company having a share capital or a local authority (within the meaning of section 842A of the Taxes Act 1988); and
  - (e) “shares” include stock;
- and in sections 116 to 120 below “levy” means levy under subsection (1) above.

**Marginal Citations**

**M96** 1964 c. 40.

**M97** 1970 c. 1(N.1).

**116 Amount of levy.**

- (1) Subject to subsection (2) below, levy shall be charged at the rate of 50 per cent. on the consideration given for the securities disposed of.
- (2) Where no consideration is given for the securities disposed of, or their market value at the time of the disposal is greater than the consideration given, levy shall be charged at the rate of 50 per cent. on that market value.
- (3) There shall be allowed as a deduction from the amount on which levy would otherwise be chargeable any expenditure wholly and exclusively incurred for the purposes of the disposal by the person making the disposal, being—
  - (a) fees, commissions or remuneration paid for professional services,
  - (b) costs of transfer,
  - (c) costs of advertising, or
  - (d) expenses reasonably incurred in ascertaining the market value of the securities disposed of.
- (4) Where—
  - (a) a scheme has been effected or arrangements have been made (whether before or after a disposal) whereby the value of securities disposed of has been materially reduced, and
  - (b) the aim or one of the aims of the scheme or arrangements is decreasing liability to levy,

the amount on which levy would be chargeable apart from this subsection shall be increased by such amount as appears to the Secretary of State to be appropriate.

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- (5) The market value of securities shall be determined for the purposes of this section as it would fall to be determined in accordance with sections 150(1) to (3) and 152 of the <sup>M98</sup>Capital Gains Tax Act 1979 for the purposes of tax on chargeable gains (but subject to section 117 below).
- (6) The Treasury may substitute for the percentage for the time being specified in subsections (1) and (2) above such other percentage as they may prescribe by order made by statutory instrument.
- (7) An order under subsection (6) above shall not be made unless a draft of the order has been laid before and approved by a resolution of the House of Commons.

#### Marginal Citations

**M98** 1979 c. 14.

### 117 Levy on employee securities.

- (1) This section applies where securities of a company are disposed of for no consideration, or for a consideration less than their market value, to—
  - (a) directors or employees of the company or of another company which is a wholly-owned subsidiary of the company,
  - (b) the trustees of a share option scheme or profit sharing scheme approved under Schedule 9 to the Taxes Act 1988, or
  - (c) the trustees of trusts to which section 86 of the <sup>M99</sup>Inheritance Tax Act 1984 applies and which do not permit any of the settled property to be applied otherwise than for the benefit of—
    - (i) persons of a class defined by reference to employment by, or the holding of office with, the company or another company which is a wholly-owned subsidiary of the company, or
    - (ii) persons of a class defined by reference to marriage or relationship to, or dependence on, persons of that class;
 and in this subsection “wholly-owned subsidiary” shall be construed in accordance with section 736 of the <sup>M100</sup>Companies Act 1985.
- (2) Where this section applies, the market value of the securities shall for the purposes of section 116 above be taken to be reduced—
  - (a) if no consideration is given for the securities, to nil, or
  - (b) otherwise, to the amount of the consideration given for the securities, or as nearly to nil, or that amount, as is permitted under subsection (3) below.
- (3) A reduction under subsection (2) above shall not exceed the difference between—
  - (a) three per cent. of the aggregate of the amounts on which levy is chargeable (ignoring any reduction under subsection (2) above) in the case of the disposal in question and any other disposals of securities of the company made on or before the day of that disposal, and
  - (b) the amount of any reductions under subsection (2) above in the case of the other disposals.

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**Marginal Citations**

M99 1984 c. 51.  
M100 1985 c. 6.

**118 Payment of levy.**

- (1) Levy chargeable on a disposal shall be paid to the Secretary of State by the person by whom the disposal was made.
- (2) The amount of the levy shall be assessed by the Secretary of State who shall serve a notice of assessment on the person by whom the disposal was made stating the date of issue of the notice of assessment and the effect of subsection (3) below.
- (3) The amount assessed shall be payable within the period of three months beginning with the day on which the disposal was made or within the period of 30 days beginning with the date of the issue of the notice of assessment, if that period ends later.
- (4) Where any levy payable by the person by whom the disposal was made is not paid within the period of six months beginning with the first day after the period within which it is payable, the Secretary of State may, within the period of three years beginning with that day, serve on the company whose securities were disposed of a notice stating—
  - (a) particulars of the levy assessed and the amount remaining unpaid,
  - (b) the date of issue of the notice, and
  - (c) the effect of subsection (5) below.
- (5) The amount unpaid shall be payable to the Secretary of State by the company within the period of 30 days beginning with the date of issue of the notice under subsection (4) above.
- (6) Any amount paid in accordance with subsection (5) above shall cease to be payable to the Secretary of State by the person who made the disposal but the company may recover it from that person.
- (7) A person who is liable to make a payment of levy but does not make payment of the amount due during the period within which it is payable shall also pay to the Secretary of State interest on the unpaid levy at the rate applicable under section 178 of the <sup>M101</sup>Finance Act 1989 from the first day after the end of that period until payment of the levy is made; and the interest shall be paid without deduction of tax.
- (8) In subsection (2) of that section, after paragraph (m) there shall be inserted “and
  - (n) section 118(7) of the Finance Act 1990.”

**Marginal Citations**

M101 1989 c. 26.

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## 119 Information for purposes of levy.

- (1) A person who makes a disposal of securities on which levy is chargeable shall give to the Secretary of State, not later than 30 days after the day on which the disposal is made, written notification that he has made the disposal.
- (2) The Secretary of State may by notice in writing require—
  - (a) a person who is or may be liable to levy,
  - (b) a person to whom there has been made a disposal of securities on which levy is chargeable, or
  - (c) a company whose securities have been the subject of such a disposal,
 to deliver to him documents, or to furnish to him particulars, to which subsection (3) below applies within such time, not less than 30 days after the date of the notice, as may be specified in the notice.
- (3) This subsection applies to—
  - (a) documents specified or described in the notice under subsection (2) above which are in the possession or power of the person to whom the notice is given and which (in the opinion of the Secretary of State) contain, or may contain, information relevant to a liability to levy or to the amount of such a liability, and
  - (b) particulars specified or described in the notice which the Secretary of State may reasonably require as being relevant to, or to the amount of, such a liability.
- (4) Where any person fails to give notification in accordance with subsection (1) above or to comply with a notice under subsection (2) above, he shall be liable—
  - (a) to a penalty not exceeding £300, and
  - (b) if the failure continues after a penalty is imposed under paragraph (a) above, to a further penalty or penalties not exceeding £60 for each day on which the failure continues after the day on which the penalty under paragraph (a) above was imposed (but excluding any day for which a penalty under this paragraph has already been imposed).
- (5) Where a person fraudulently or negligently furnishes any incorrect particulars in response to a notice under subsection (2) above he shall be liable to a penalty not exceeding £3,000.
- (6) Proceedings for a penalty under this section shall be instituted by the Secretary of State before the High Court or, in Scotland, before the Court of Session, the Court of Exchequer in Scotland, and any penalty imposed by the court shall be paid to the Secretary of State.
- (7) Proceedings within subsection (6) above may not be instituted later than six years after the date on which the penalty was incurred or began to be incurred.
- (8) Any proceedings within subsection (6) above instituted in England and Wales shall be deemed to be civil proceedings by the Crown within the meaning of Part II of the <sup>M102</sup>Crown Proceedings Act 1947 and any such proceedings instituted in Northern Ireland shall be deemed to be civil proceedings within the meaning of that Part of that Act as for the time being in force in Northern Ireland.

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**Marginal Citations**

M102 1947 c. 44.

**120 Supplementary provisions relating to levy.**

- (1) The time when a disposal of securities is made shall be determined for the purposes of sections 115 to 119 above as it would fall to be determined in accordance with section 27 of the <sup>M103</sup>Capital Gains Tax Act 1979 for the purposes of tax on chargeable gains.
- (2) A payment of levy by the person by whom a disposal is made shall be allowable as a deduction from the consideration in the computation under that Act of the gain accruing to the person on the disposal; but, subject to that, no payment of levy, interest on unpaid levy or penalty under section 119 above shall be allowed as a deduction in computing any income, profits or losses for any tax purposes.
- (3) There shall be paid into the Consolidated Fund—
  - (a) all payments of levy received by the Secretary of State,
  - (b) all interest paid to the Secretary of State on unpaid levy, and
  - (c) all penalties paid to the Secretary of State under section 119 above.
- (4) Any expenses of the Secretary of State incurred in consequence of any of sections 115 to 119 above or of this section shall be defrayed out of money provided by Parliament.

**Marginal Citations**

M103 1979 c. 14.

*Petroleum revenue tax*

**121 Limit on PRT repayment interest where loss carried back.**

- (1) Schedule 2 to the <sup>M104</sup>Oil Taxation Act 1975 (management and collection of PRT) shall be amended as follows.
- (2) At the beginning of paragraph 16 (interest on repayments)  
there shall be inserted the words “ Subject to paragraph 17 below ”.
- (3) After that paragraph there shall be inserted the following paragraph—

“17

- (1) This paragraph applies where—
  - (a) an assessment made on a participator for a chargeable period or an amendment of such an assessment (in this paragraph referred to as “the relevant assessment or amendment”) gives effect to relief under subsection (2) or subsection (3) of section 7 of this Act for one or more allowable losses accruing in a later chargeable period (in this paragraph referred to, in relation to the relevant assessment or amendment, as “the relief for losses carried back”); and

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- (b) the later chargeable period referred to in paragraph (a) above ends after 30th June 1991; and
  - (c) an amount of tax becomes repayable to the participator by virtue of the relevant assessment or amendment (whether wholly or partly by reason of giving effect to the relief for losses carried back).
- (2) In the following provisions of this paragraph, so much of the repayment of tax referred to in sub-paragraph (1)(c) above as is attributable to giving effect to the relief for losses carried back is referred to as “the appropriate repayment”.
- (3) For the purpose of determining the amount of the appropriate repayment in a case where the relevant assessment or amendment not only gives effect to the relief for losses carried back but also takes account of any other matter (whether a relief or not) which goes to reduce the assessable profit of the period in question or otherwise to reduce the tax payable for that period, the amount of the repayment which is attributable to the relief for losses carried back is the difference between—
- (a) the total amount of tax repayable by virtue of the relevant assessment or amendment; and
  - (b) the amount of tax (if any) which would have been so repayable if no account had been taken of the relief for losses carried back.
- (4) Where this paragraph applies, the amount of interest which, by virtue of paragraph 16 above, is carried by the appropriate repayment shall not exceed the difference between—
- (a) 85 per cent. of the allowable loss or losses referred to in sub-paragraph (1)(a) above; and
  - (b) the amount of the appropriate repayment.”

#### **Marginal Citations**

**M104** 1975 c. 22.

## **122 Variation, on account of fraudulent or negligent conduct, of decision on expenditure claim etc.**

- (1) In the <sup>M105</sup>Oil Taxation Act 1975, in Schedule 5 (allowance of certain expenditure on a claim by the responsible person) paragraph 9 (variation of decision on a claim where the amount of expenditure allowed etc. was incorrectly stated in the notice of the decision) shall be amended in accordance with subsections (2) to (4) below.
- (2) After sub-paragraph (1) there shall be inserted the following sub-paragraphs—
- “(1A) In any case falling within sub-paragraph (1B)
- below, sub-paragraph (1) above shall have effect—
- (a) with the substitution for the words “within the period of three years commencing with” of the words “at any time after”; and
  - (b) with the omission of the words “before the expiry of that period”.
- (1B) The cases referred to in sub-paragraph (1A)
- above are those where—

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*Status: Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.*

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- (a) the incorrect statement of the relevant amount in the notice of the decision mentioned in sub-paragraph (1) above was an over-statement of that amount; and
- (b) that over-statement was, in whole or in part, referable to an error in a statement or declaration made in connection with the claim; and
- (c) at least one of the conditions in sub-paragraph (1C) below is fulfilled with respect to that error.

(1C) The conditions referred to in sub-paragraph (1B)(c)

above are—

- (a) that the error was attributable, in whole or in part, to the fraudulent or negligent conduct of the responsible person or a person acting on his behalf;
- (b) that paragraph (a) above does not apply but, on the error coming to the notice of the person by whom the statement or declaration was made or a person acting on his behalf, the error was not remedied without unreasonable delay; and
- (c) that paragraph (a) above does not apply but, on the error coming to the notice of any person who subsequently becomes the responsible person, the error was not remedied without unreasonable delay.”

(3) After sub-paragraph (2) there shall be inserted the following sub-paragraph—

“(2A) In any case where—

- (a) the relevant amount which was incorrectly stated is a part of any expenditure falling within paragraph (c) of sub-paragraph (2) above (in this sub-paragraph referred to as a “paragraph (c) amount”), and
- (b) under sub-paragraph (1B)(a) above the question arises whether the incorrect statement was an over-statement,

that question shall be determined by comparing the total amount which, in accordance with the notice of decision containing the incorrect statement, was brought into account under section 2(9)(b)(ii) of this Act with the total amount which would have been so brought into account if the paragraph (c) amounts stated in that notice had been correct”.

(4) For sub-paragraph (11) there shall be substituted the following sub-paragraph—

“(11) In a case falling within sub-paragraph (1B) above, this paragraph has effect in relation to notices of decisions of the Board under paragraph 3 above whenever given; and, in any other case, this paragraph has effect in relation to such notices given after 15th March 1983.”

(5) In the Table set out in paragraph 2 of Schedule 6 to the <sup>M106</sup>Oil Taxation Act 1975 (which modifies Schedule 5 in its application to a claim under Schedule 6) in the second column relating to paragraph 9 of Schedule 5 there shall be inserted— “Omit sub-paragraph (1C)(c).”

(6) In the Table set out in paragraph 1(3) of Schedule 7 to the <sup>M107</sup>Oil Taxation Act 1975 (which modifies Schedule 5 in its application to Schedules 7 and 8), in the entry in the second column relating to paragraph 9 of Schedule 5,—

- (a) at the beginning insert “In sub-paragraph (1C) omit paragraph (c)”; and
- (b) after “(b) and (c)” insert “omit sub-paragraph (2A)”.

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**Marginal Citations**

M105 1975 c. 22.

M106 1975 c. 22.

M107 1975 c. 22.

*Miscellaneous*

**123 Gas levy.**

- (1) Gas levy shall not be payable by any person in respect of any gas unless—
  - (a) the gas is purchased by that person under a tax-exempt contract or under terms comprised in an excluded oil document; or
  - (b) the gas is won by that person, and not sold by him under such a contract or under terms so comprised, and is gas to which subsection (2) below applies.
- (2) This subsection applies to gas which the British Gas Corporation was on 23rd August 1986 obliged or entitled to purchase (whether immediately or at some future date) under a tax-exempt contract or under terms comprised in an excluded oil document.
- (3) In determining whether any gas which is won at any time is gas to which subsection (2) above applies, no account shall be taken of—
  - (a) any future variation of rights and liabilities under a tax-exempt contract, or under terms comprised in an excluded oil document, other than one effected by the exercise of an existing option; or
  - (b) any future termination of such rights and liabilities other than one occurring before 5th March 1990.
- (4) In this section—
 

“excluded oil document” means a document which on 1st April 1980 was treated for the purposes of paragraph (a) of subsection (1) of section 10 of the Oil Taxation Act 1975 as containing the whole or part of a contract for the sale of excluded oil as defined in that subsection;

“existing option” means an option granted before the commencement of this section;

“future”, in relation to a variation or termination, means effected or occurring after that commencement;

“tax-exempt contract” has the same meaning as the <sup>M108</sup>Gas Levy Act 1981;

“termination” means any termination, whether occurring by effluxion of time, by the exercise of an existing option or otherwise.
- (5) This section shall be deemed to have come into force on 24th August 1986.

**Marginal Citations**

M108 1981 c. 3.



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## **124 Inheritance tax: restriction on power to require information.**

- (1) In section 219 of the <sup>M109</sup>Inheritance Tax Act 1984 (power to require information), after subsection (1) there shall be inserted—

“(1A) A notice under this section is not to be given except with the consent of a Special Commissioner and the Commissioner is to give his consent only on being satisfied that in all the circumstances the Board are justified in proceeding under this section.”

- (2) This section shall apply with respect to notices given on or after the day on which this Act is passed.

### **Marginal Citations**

**M109** 1984 c. 51.

## **125 Information for tax authorities in other member States.**

- (1) Subsections (1) to (8) and (8C) to (9) of section 20 of the <sup>M110</sup>Taxes Management Act 1970 (powers to call for information relevant to liability to income tax, corporation tax or capital gains tax) shall have effect as if the references in those provisions to tax liability included a reference to liability to a tax of a member State other than the United Kingdom which is a tax on income or on capital for the purposes of the <sup>M111</sup>Directive of the Council of the European Communities dated 19th December 1977 No. [77/799/EEC](#).
- (2) In their application by virtue of subsection (1) above those provisions shall have effect as if—
- the reference in section 20(7A) to any provision of the Taxes Acts were a reference to any provision of the law of the member State in accordance with which the tax in question is charged,
  - the references in subsection (2) of section 20B to an appeal relating to tax were references to an appeal, review or similar proceedings under the law of the member State relating to the tax in question, and
  - the reference in subsection (6) of that section to believing that tax has or may have been lost to the Crown were a reference to believing that the tax in question has or may have been lost to the member State.
- (3) Section 219 of the Inheritance Tax Act 1984 (power to require information for purposes of that Act) shall have effect as if the reference to that Act in subsection (1) of that section included a reference to any provision of the law of a member State other than the United Kingdom in accordance with which there is charged any tax—
- which is of a character similar to that of inheritance tax or is chargeable on or by reference to death or gifts inter vivos, and
  - in relation to which the Directive mentioned in subsection (1) above has effect by virtue of any other Directive of the Council (whether adopted before or after the passing of this Act) extending that Directive.
- (4) In its application by virtue of subsection (3) above section 219 shall have effect as if the reference to income tax in subsection (2) of that section included a reference to any tax of a member State other than the United Kingdom such as is mentioned in subsection (1) above.

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- (5) In section 77 of the <sup>M112</sup>Finance Act 1978 (disclosure of information to tax authorities of member States: obligation of secrecy) references to the Directive mentioned in subsection (1) above shall include a reference to that Directive as extended by any other Directive of the Council (whether adopted before or after the passing of this Act) to any taxes of a character similar to that of inheritance tax or chargeable on or by reference to death or gifts inter vivos.
- (6) Subsections (1) and (2) above shall apply with respect to notices given on or after the day on which this Act is passed, subsections (3) and (4) above shall apply with respect to notices given on or after such day as the Treasury may by order made by statutory instrument appoint and subsection (5) above shall come into force on that day.

**Marginal Citations**

**M110** 1970 c. 9.

**M111** O.J. No. L366/15.

**M112** 1978 c. 42.

**126 Pools payments for football ground improvements.**

- (1) This section applies to any payment (including a payment made before the passing of this Act) which, in consequence of the reduction in pool betting duty effected by section 4 above, is made by a person liable to pay that duty in order to meet, directly or indirectly, capital expenditure incurred (whether by the person to whom it is made or any other person) in improving the safety or comfort of spectators at a ground to be used for the playing of association football.
- (2) Where a person carrying on a trade makes a payment to which this section applies, the payment may be deducted in computing for tax purposes the profits or gains of the trade.
- (3) A payment to which this section applies shall not be regarded as an annual payment.
- (4) Section 153 of the <sup>M113</sup>Capital Allowances Act 1990 shall not apply to expenditure of the kind mentioned in subsection (1) above in so far as it has been or is to be met, directly or indirectly, out of a payment to which this section applies.
- (5) Where a payment to which this section applies is made to trustees, the sum received by them and any assets representing it (but not any income or gains arising from them) shall not be relevant property for the purposes of Chapter III of Part III of the <sup>M114</sup>Inheritance Tax Act 1984.

**Marginal Citations**

**M113** 1990 c. 1.

**M114** 1984 c. 51.

**127 Definition of “local authority” for certain tax purposes.**

- (1) In the Taxes Act 1988 the following section shall be inserted after section 842—

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#### **“842A Local authorities.**

- (1) Except so far as the context otherwise requires, in the Tax Acts “local authority” means—
    - (a) in relation to England and Wales, an authority of a description specified for the purposes of this paragraph,
    - (b) in relation to Scotland, an authority of a description specified for the purposes of this paragraph, and
    - (c) in relation to Northern Ireland, an authority of a description specified for the purposes of this paragraph.
  - (2) The following are the descriptions of authority specified for the purposes of paragraph (a) of subsection (1) above—
    - (a) a charging authority for the purposes of the Local Government Finance Act 1988;
    - (b) a precepting authority for the purposes of that Act;
    - (c) a body having power by virtue of regulations under section 74 of that Act to issue a levy;
    - (d) a body having power by virtue of regulations under section 75 of that Act to issue a special levy;
    - (e) a combined police authority established by an amalgamation scheme under the Police Act 1964;
    - (f) a fire authority constituted by a combination scheme under the Fire Services Act 1947;
    - (g) an authority having power to make or determine a rate.
  - (3) The following are the descriptions of authority specified for the purposes of paragraph (b) of subsection (1) above—
    - (a) a regional council;
    - (b) an islands council;
    - (c) a district council;
    - (d) a joint board or committee within the meaning of the Local Government (Scotland) Act 1973;
    - (e) an authority having power to requisition any sum from an authority falling within any of paragraphs (a) to (c) above.
  - (4) The following are the descriptions of authority specified for the purposes of paragraph (c) of subsection (1) above—
    - (a) an authority having power to make or determine a rate;
    - (b) an authority having power to issue a precept, requisition or other demand for the payment of money to be raised out of a rate.
  - (5) In this section “rate” means a rate the proceeds of which are applicable for public local purposes and which is leviable by reference to the value of land or other property.”
- (2) In the <sup>M115</sup>Capital Gains Tax Act 1979, in section 155(1) (interpretation) the following definition shall be inserted after the definition of “land”—
- ““local authority” has the meaning given by section 842A of the Taxes Act 1988.”.

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- (3) Schedule 18 to this Act (consequential amendments) shall have effect.
- (4) This section shall be deemed to have come into force on 1st April 1990.

#### Marginal Citations

M115 1979 c. 14.

### 128 Repayment of fees and charges.

- (1) This section applies where at the beginning of the day on which this Act is passed—
  - (a) an enactment confers power to make provision for payment of a fee or charge (however described), and
  - (b) sums paid in pursuance of provision made in exercise of the power are payable into the Consolidated Fund.
- (2) Subject to subsection (3) below, the enactment shall be treated as also conferring power to make provision about repayment of sums paid, or purported to be paid, in pursuance of provision made in exercise of the power.
- (3) Subsection (2) above shall not apply if the fee or charge is one—
  - (a) repayment of which is prohibited or regulated by an enactment, or
  - (b) power to make provision about repayment of which is expressly conferred, or expressly negated, to any extent.
- (4) Without prejudice to the generality of the power conferred by virtue of subsection (2) above, the provision which may be made by virtue of that subsection includes provision—
  - (a) that repayment shall be made only if a specified person is satisfied that specified conditions are met or in other specified circumstances;
  - (b) that repayment shall be made in part only;
  - (c) that, in the case of partial repayment, the amount repaid shall be a specified sum or determined in a specified manner; and
  - (d) for repayment of different amounts in different circumstances.
- (5) In subsection (4) above “specified” means specified in the instrument exercising the power.
- (6) In determining for the purposes of this section whether sums are payable into the Consolidated Fund, section 3 of the <sup>M116</sup>Government Trading Funds Act 1973 (payments into a trading fund) shall be disregarded.
- (7) In this section “enactment” includes Northern Ireland legislation as defined in section 24(5) of the <sup>M117</sup>Interpretation Act 1978.
- (8) An Order in Council under paragraph 1(1)(b) of Schedule 1 to the <sup>M118</sup>Northern Ireland Act 1974 (legislation for Northern Ireland in the interim period) which states that it is made only for purposes corresponding to those of this section—
  - (a) shall not be subject to sub-paragraphs (4) and (5) of paragraph 1 of that Schedule (affirmative resolution of both Houses of Parliament); but
  - (b) shall be subject to annulment in pursuance of a resolution of either House.

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

- C3** S. 128 extended (16.7.1992) by Finance (No. 2) Act 1992 (c. 48), s. 13(3)  
S. 128 extended (3.5.1994) by 1994 c. 9, s. 5, Sch. 2 para. 28  
S. 128 amended (1.9.1994) by 1994 c. 22, ss. 58(2), 66(1) (with s. 57(4))

**Marginal Citations**

- M116** 1973 c. 63.  
**M117** 1978 c. 30.  
**M118** 1974 c. 28.

**129 Settlement of stock disputes by deputy registrars.**

In section 5 of the <sup>M119</sup>National Debt Act 1972 (settlement by Chief Registrar of friendly societies of disputes as to holdings on National Savings Stock Register)—

- (a) in subsection (1), after the words “Chief Registrar of friendly societies” there shall be inserted the words “ or a deputy appointed by him ”,
- (b) in subsection (2), after the words “Chief Registrar” there shall be inserted the words “ or deputy ”,
- (c) in subsection (3)(a), after the words “Chief Registrar of friendly societies” there shall be inserted the words “ or a deputy appointed by him ”, and
- (d) subsection (3)(b) shall cease to have effect.

**Marginal Citations**

- M119** 1972 c. 65.

**130 Limit for local loans.**

In section 4(1) of the <sup>M120</sup>National Loans Act 1968 (which provides that the aggregate of any commitments of the Public Works Loan Commissioners in respect of undertakings to grant local loans and any amount outstanding in respect of the principal of such loans shall not exceed £42,000 million or such other sum not exceeding £50,000 million as the Treasury may specify by order) for the words “£42,000 million” and “£50,000 million” there shall be substituted respectively “£55,000 million” and “£70,000 million”.

**Marginal Citations**

- M120** 1968 c. 13.

*General*

**131 Interpretation etc.**

- (1) In this Act “the Taxes Act 1970” means the <sup>M121</sup>Income and Corporation Taxes Act 1970 and “the Taxes Act 1988” means the <sup>M122</sup>Income and Corporation Taxes Act 1988.

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- (2) Chapter II of Part I of this Act shall be construed as one with the <sup>M123</sup>Value Added Tax Act 1983.
- (3) Part II of this Act, so far as it relates to capital gains tax, shall be construed as one with the <sup>M124</sup>Capital Gains Tax Act 1979.

**Marginal Citations**

**M121** 1970 c. 10.

**M122** 1988 c. 1.

**M123** 1983 c. 55.

**M124** 1979 c. 14.

**132 Repeals.**

The enactments specified in Schedule 19 to this Act (which include spent or unnecessary enactments) are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.

**133 Short title.**

This Act may be cited as the Finance Act 1990.

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## SCHEDULES

### SCHEDULE 1

Section 1.

#### TABLE OF RATES OF DUTY ON WINE AND MADE-WINE

| <i>Description of wine or made-wine</i>  | <i>Rates of duty per hectolitre</i>   |
|--|---|
|  | £   |
| Wine or made-wine of a strength not exceeding 2 per cent.  | 11.03   |
| Wine or made-wine of a strength exceeding 2 per cent. but not exceeding 3 per cent.                            | 18.38   |
| Wine or made-wine of a strength exceeding 3 per cent. but not exceeding 4 per cent.                            | 25.73   |
| Wine or made-wine of a strength exceeding 4 per cent. but not exceeding 5 per cent.                            | 33.09   |
| Wine or made-wine of a strength exceeding 5 per cent. but not exceeding 5.5 per cent.                          | 40.44   |
| Wine or made-wine of a strength exceeding 5.5 per cent. but not exceeding 15 per cent. and not being sparkling | 110.28  |
| Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent. but not exceeding 15 per cent.     | 182.10  |
| Wine or made-wine of a strength exceeding 15 per cent. but not exceeding 18 per cent.                          | 190.20  |
| Wine or made-wine of a strength exceeding 18 per cent. but not exceeding 22 per cent.                          | 219.40  |
| Wine or made-wine of a strength exceeding 22 per cent.   | 219.40 plus £17.35 for every 1 per cent. or part of 1 per cent. in excess of 22 per cent. |

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## SCHEDULE 2

Section 5.

## VEHICLES EXCISE DUTY: RATES

## PART I

TABLE SUBSTITUTED IN PART II OF SCHEDULE 3 TO THE 1971 ACT AND THE 1972 ACT

| Description of vehicle                            | Rate of duty<br>£ |
|---|-------------------|
| 1. Special machines                               | 16.00             |
| 2. Haulage vehicles, being show- men's vehicles   | 90.00             |
| 3. Haulage vehicles, not being showmen's vehicles | 330.00            |
| 4. Recovery vehicles                              | 50.00             |

## PART II

AMENDMENTS OF PART I OF SCHEDULE 4 TO THE 1971 ACT

- 1 Part I of Schedule 4 to the 1971 Act (annual rates of duty on goods vehicles: general provisions) shall be amended as follows.
- 2
  - (1) Paragraph 1 (vehicles chargeable at the basic rate of duty) shall be amended as follows.
  - (2) In sub-paragraph (1)(a) for the words “does not exceed 7.5 tonnes” there shall be substituted the words “exceeds 3,500 kilograms but does not exceed 7,500 kilograms”.
  - (3) In sub-paragraph (1)(b) for the words “an unladen weight which exceeds 1,525 kilograms” there shall be substituted the words “a design weight which exceeds 3,500 kilograms”.
  - (4) In sub-paragraph (1)(c) for the words “an unladen weight which exceeds 1,525 kilograms” there shall be substituted the words “a plated gross weight exceeding 3,500 kilograms or, in the case of a vehicle which has no such weight, a design weight exceeding 3,500 kilograms”.
- 3 In paragraph 2 for the words “7.5 tonnes” there shall be substituted the words “7,500 kilograms” and for the words “12 tonnes” there shall be substituted the words “12,000 kilograms”.
- 4 In paragraph 3—



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- (a) in sub-paragraph (1) for the words “12 tonnes” there shall be substituted the words “12,000 kilograms”; and
  - (b) in sub-paragraph (2)(a) for the words “4 tonnes” there shall be substituted the words “4,000 kilograms”.
- 5 In paragraph 4(1) for the words “12 tonnes” there shall be substituted the words “12,000 kilograms”.
- 6 (1) Paragraph 5 (special types of vehicle) shall be amended as follows.
- (2) In sub-paragraph (1) for the words from “an unladen” to “plated train” there shall be substituted the words “a plated gross weight or plated train weight exceeding 3,500 kilograms or, in the case of a vehicle which has neither a plated gross weight nor a plated train weight, a design weight exceeding 3,500 kilograms; and
- (a) which, in the case of a vehicle having a plated gross weight or plated train weight, has such a”.
- (3) In sub-paragraph (1)(b) for the words “42 of that Act” there shall be substituted the words “44 of the <sup>M125</sup>Road Traffic Act 1988”.
- (4) In sub-paragraph (3)—
- (a) in paragraph (a), for the words “30 tonnes” there shall be substituted the words “30,000 kilograms” and for the words “30.49 tonnes” there shall be substituted the words “30,490 kilograms”; and
  - (b) in paragraph (b), for the words “37 tonnes” there shall be substituted the words “37,000 kilograms” and for the words “38 tonnes” there shall be substituted the words “38,000 kilograms”.

#### Marginal Citations

M125 1988 c. 52.

- 7 (1) Paragraph 6 (farmers’ goods vehicles and showmen’s goods vehicles) shall be amended as follows.
- (2) In sub-paragraph (1)—
- (a) for the word “unladen” there shall be substituted the word “design”; and
  - (b) for the words “1,525” there shall be substituted the words “3,500”.
- (3) In sub-paragraph (2) for the words “7.5 tonnes”, in both places where they occur, there shall be substituted the words “7,500 kilograms” and for the words “12 tonnes”, in both places where they occur, there shall be substituted the words “12,000 kilograms”.
- 8 Paragraph 7 shall cease to have effect.

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- 9 In paragraph 15(1) (interpretation) the following definition shall be inserted after the definition of “business”—
- ““design weight” means the weight which a vehicle is designed or adapted not to exceed when in normal use and travelling on a road laden;”.

**F11 PART III**

**Textual Amendments**

**F11** Sch. 2 Pt. III (paras. 10-11) repealed(1.10.1991) by Finance Act 1991 (c. 31, SIF 107:2), ss. 10, 123, Sch. 19 Pt.IV; S.I. 1991/2021, art.2.

F12<sub>10</sub> .....

**Textual Amendments**

**F12** Sch. 2 Pt. III (paras. 10-11) repealed(1.10.1991) by Finance Act 1991 (c. 31, SIF 107:2), ss. 10, 123, Sch. 19 Pt.IV; S.I. 1991/2021, art.2.

F13<sub>11</sub> .....

**Textual Amendments**

**F13** Sch. 2 Pt. III (paras. 10-11) repealed(1.10.1991) by Finance Act 1991 (c. 31, SIF 107:2), ss. 10, 123, Sch. 19 Pt.IV; S.I. 1991/2021, art.2.

**PART IV**

TABLES SUBSTITUTED IN PART II OF SCHEDULE 4 TO THE 1971 ACT AND THE 1972 ACT

| PROSPECTIVE   |                      |                         |                           |                                  |
|---|----------------------|-------------------------|---------------------------|----------------------------------|
| TABLE A<br>RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12,000 KILOGRAMS<br>PLATED GROSS WEIGHT<br>GENERAL RATES |                      |                         |                           |                                  |
| Plated gross weight of vehicle  |                      | Rate of duty            |                           |                                  |
| (1)<br>Exceeding  | (2)<br>Not Exceeding | (3)<br>Two axle vehicle | (4)<br>Three axle vehicle | (5)<br>Four or more axle vehicle |
| kgs   | kgs                  | £                       | £                         | £                                |
| 12,000  | 13,000               | 450.00                  | 470.00                    | 340.00                           |
| 13,000  | 14,000               | 650.00                  | 470.00                    | 340.00                           |
| 14,000  | 15,000               | 810.00                  | 470.00                    | 340.00                           |
| 15,000  | 17,000               | 1,280.00                | 470.00                    | 340.00                           |
| 17,000  | 19,000               | —                       | 820.00                    | 340.00                           |
| 19,000  | 21,000               | —                       | 990.00                    | 340.00                           |
| 21,000  | 23,000               | —                       | 1,420.00                  | 490.00                           |
| 23,000  | 25,000               | —                       | 2,160.00                  | 800.00                           |
| 25,000  | 27,000               | —                       | —                         | 1,420.00                         |
| 27,000  | 29,000               | —                       | —                         | 2,240.00                         |
| 29,000  | 30,490               | —                       | —                         | 3,250.00                         |

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

**TABLE A(1)**  
**RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12,000 KILOGRAMS PLATED GROSS WEIGHT**  
**RATES FOR FARMERS' GOODS VEHICLES**

| Plated gross weight of vehicle |               | Rate of duty     |                    |                           |
|--------------------------------|---------------|------------------|--------------------|---------------------------|
| (1)                            | (2)           | (3)              | (4)                | (5)                       |
| Exceeding                      | Not Exceeding | Two axle vehicle | Three axle vehicle | Four or more axle vehicle |
| kg                             | kg            | £                | £                  | £                         |
| 12,000                         | 13,000        | 270.00           | 280.00             | 205.00                    |
| 13,000                         | 14,000        | 380.00           | 280.00             | 205.00                    |
| 14,000                         | 15,000        | 490.00           | 280.00             | 205.00                    |
| 15,000                         | 17,000        | 770.00           | 280.00             | 205.00                    |
| 17,000                         | 19,000        | —                | 490.00             | 205.00                    |
| 19,000                         | 21,000        | —                | 595.00             | 205.00                    |
| 21,000                         | 23,000        | —                | 850.00             | 295.00                    |
| 23,000                         | 25,000        | —                | 1,295.00           | 480.00                    |
| 25,000                         | 27,000        | —                | —                  | 850.00                    |
| 27,000                         | 29,000        | —                | —                  | 1,345.00                  |
| 29,000                         | 30,490        | —                | —                  | 1,950.00                  |

**TABLE A(2)**  
**RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12,000 KILOGRAMS PLATED GROSS WEIGHT**  
**RATES FOR SHOWMEN'S GOODS VEHICLES**

| Plated gross weight of vehicle |               | Rate of duty     |                    |                           |
|--------------------------------|---------------|------------------|--------------------|---------------------------|
| (1)                            | (2)           | (3)              | (4)                | (5)                       |
| Exceeding                      | Not Exceeding | Two axle vehicle | Three axle vehicle | Four or more axle vehicle |
| kg                             | kg            | £                | £                  | £                         |
| 12,000                         | 13,000        | 115.00           | 120.00             | 90.00                     |
| 13,000                         | 14,000        | 160.00           | 120.00             | 90.00                     |
| 14,000                         | 15,000        | 205.00           | 120.00             | 90.00                     |
| 15,000                         | 17,000        | 320.00           | 120.00             | 90.00                     |
| 17,000                         | 19,000        | —                | 205.00             | 90.00                     |
| 19,000                         | 21,000        | —                | 250.00             | 90.00                     |
| 21,000                         | 23,000        | —                | 355.00             | 125.00                    |
| 23,000                         | 25,000        | —                | 540.00             | 200.00                    |
| 25,000                         | 27,000        | —                | —                  | 355.00                    |
| 27,000                         | 29,000        | —                | —                  | 540.00                    |
| 29,000                         | 30,490        | —                | —                  | 815.00                    |

**TABLE B**  
**SUPPLEMENTARY RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12,000 KILOGRAMS PLATED GROSS WEIGHT USED FOR DRAWING TRAILERS EXCEEDING 4,000 KILOGRAMS PLATED GROSS WEIGHT**  
**GENERAL RATES**

| Plated gross weight of trailer |               | Duty supplement |
|--------------------------------|---------------|-----------------|
| Exceeding                      | Not exceeding | £               |
| 4,000                          | 8,000         | 130.00          |
| 8,000                          | 10,000        | 130.00          |
| 10,000                         | 12,000        | 130.00          |
| 12,000                         | 14,000        | 360.00          |
| 14,000                         | —             | 360.00          |

**TABLE B(1)**  
**SUPPLEMENTARY RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12,000 KILOGRAMS PLATED GROSS WEIGHT USED FOR DRAWING TRAILERS EXCEEDING 4,000 KILOGRAMS PLATED GROSS WEIGHT**  
**RATES FOR FARMERS' GOODS VEHICLES**

| Plated gross weight of trailer |               | Duty supplement |
|--------------------------------|---------------|-----------------|
| Exceeding                      | Not exceeding | £               |
| 4,000                          | 8,000         | 130.00          |
| 8,000                          | 10,000        | 130.00          |
| 10,000                         | 12,000        | 130.00          |
| 12,000                         | 14,000        | 360.00          |
| 14,000                         | —             | 360.00          |

**TABLE B(2)**  
**SUPPLEMENTARY RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12,000 KILOGRAMS PLATED GROSS WEIGHT USED FOR DRAWING TRAILERS EXCEEDING 4,000 KILOGRAMS PLATED GROSS WEIGHT**  
**RATES FOR SHOWMEN'S GOODS VEHICLES**

| Plated gross weight of trailer |               | Duty supplement |
|--------------------------------|---------------|-----------------|
| Exceeding                      | Not exceeding | £               |
| —                              | —             | 80.00           |

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**TABLE C**  
**RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12,000 KILOGRAMS PLATED TRAIN WEIGHT AND HAVING ONLY 2 AXLES**  
**GENERAL RATES**

| Plated train weight of tractor unit |               | Rate of duty  |  |  |
|-------------------------------------|---------------|---|--|--|
| (1)                                 | (2)           | (3)   | (4)  | (5)  |
| Exceeding                           | Not exceeding | For a tractor unit to be used with semi-trailers with any number of axles | For a tractor unit to be used only with semi-trailers with not less than two axles | For a tractor unit to be used only with semi-trailers with not less than three axles |
| kgs                                 | kgs           | £   | £  | £  |
| 12,000                              | 14,000        | 440.00  | 440.00   | 440.00   |
| 14,000                              | 16,000        | 440.00  | 440.00   | 440.00   |
| 16,000                              | 18,000        | 500.00  | 440.00   | 440.00   |
| 18,000                              | 20,000        | 500.00  | 440.00   | 440.00   |
| 20,000                              | 22,000        | 780.00  | 440.00   | 440.00   |
| 22,000                              | 23,000        | 780.00  | 440.00   | 440.00   |
| 23,000                              | 25,000        | 1,150.00  | 570.00   | 440.00   |
| 25,000                              | 26,000        | 1,150.00  | 570.00   | 440.00   |
| 26,000                              | 28,000        | 1,150.00  | 1,090.00   | 440.00   |
| 28,000                              | 29,000        | 1,680.00  | 1,680.00   | 1,050.00   |
| 29,000                              | 31,000        | 1,680.00  | 1,680.00   | 1,050.00   |
| 31,000                              | 33,000        | 2,450.00  | 2,450.00   | 1,680.00   |
| 33,000                              | 34,000        | 2,450.00  | 2,450.00   | 1,680.00   |
| 34,000                              | 36,000        | 2,750.00  | 2,750.00   | 2,750.00   |
| 36,000                              | 38,000        | 3,100.00  | 3,100.00   | 3,100.00   |

**TABLE C(1)**  
**RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12,000 KILOGRAMS PLATED TRAIN WEIGHT AND HAVING ONLY 2 AXLES**  
**RATES FOR FARMERS' GOODS VEHICLES**

| Plated train weight of tractor unit |               | Rate of duty  |  |  |
|-------------------------------------|---------------|---|--|--|
| (1)                                 | (2)           | (3)   | (4)  | (5)  |
| Exceeding                           | Not exceeding | For a tractor unit to be used with semi-trailers with any number of axles | For a tractor unit to be used only with semi-trailers with not less than two axles | For a tractor unit to be used only with semi-trailers with not less than three axles |
| kgs                                 | kgs           | £   | £  | £  |
| 12,000                              | 14,000        | 265.00  | 265.00   | 265.00   |
| 14,000                              | 16,000        | 265.00  | 265.00   | 265.00   |
| 16,000                              | 18,000        | 300.00  | 265.00   | 265.00   |
| 18,000                              | 20,000        | 300.00  | 265.00   | 265.00   |
| 20,000                              | 22,000        | 470.00  | 265.00   | 265.00   |
| 22,000                              | 23,000        | 470.00  | 265.00   | 265.00   |
| 23,000                              | 25,000        | 690.00  | 340.00   | 265.00   |
| 25,000                              | 26,000        | 690.00  | 340.00   | 265.00   |
| 26,000                              | 28,000        | 690.00  | 655.00   | 265.00   |
| 28,000                              | 29,000        | 1,010.00  | 1,010.00   | 630.00   |
| 29,000                              | 31,000        | 1,010.00  | 1,010.00   | 630.00   |
| 31,000                              | 33,000        | 1,470.00  | 1,470.00   | 1,010.00   |
| 33,000                              | 34,000        | 1,470.00  | 1,470.00   | 1,010.00   |
| 34,000                              | 36,000        | 1,650.00  | 1,650.00   | 1,650.00   |
| 36,000                              | 38,000        | 1,860.00  | 1,860.00   | 1,860.00   |

**TABLE C(2)**  
**RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12,000 KILOGRAMS PLATED TRAIN WEIGHT AND HAVING ONLY 2 AXLES**  
**RATES FOR SHOWMEN'S GOODS VEHICLES**

| Plated train weight of tractor unit |               | Rate of duty  |  |  |
|-------------------------------------|---------------|---|--|--|
| (1)                                 | (2)           | (3)   | (4)  | (5)  |
| Exceeding                           | Not exceeding | For a tractor unit to be used with semi-trailers with any number of axles | For a tractor unit to be used only with semi-trailers with not less than two axles | For a tractor unit to be used only with semi-trailers with not less than three axles |
| kgs                                 | kgs           | £   | £  | £  |
| 12,000                              | 14,000        | 110.00  | 110.00   | 110.00   |
| 14,000                              | 16,000        | 110.00  | 110.00   | 110.00   |
| 16,000                              | 18,000        | 125.00  | 110.00   | 110.00   |
| 18,000                              | 20,000        | 125.00  | 110.00   | 110.00   |
| 20,000                              | 22,000        | 195.00  | 110.00   | 110.00   |
| 22,000                              | 23,000        | 195.00  | 110.00   | 110.00   |
| 23,000                              | 25,000        | 290.00  | 145.00   | 110.00   |
| 25,000                              | 26,000        | 290.00  | 145.00   | 110.00   |
| 26,000                              | 28,000        | 290.00  | 275.00   | 110.00   |
| 28,000                              | 29,000        | 420.00  | 420.00   | 265.00   |
| 29,000                              | 31,000        | 420.00  | 420.00   | 265.00   |
| 31,000                              | 33,000        | 615.00  | 615.00   | 420.00   |
| 33,000                              | 34,000        | 615.00  | 615.00   | 420.00   |
| 34,000                              | 36,000        | 690.00  | 690.00   | 690.00   |
| 36,000                              | 38,000        | 775.00  | 775.00   | 775.00   |

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

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**TABLE D**  
 RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12,000 KILOGRAMS PLATED  
 TRAIN WEIGHT AND HAVING 3 OR MORE AXLES  
 GENERAL RATES

| Plated train weight of tractor unit |               | Rate of duty   |  |  |
|-------------------------------------|---------------|--|--|--|
| (1)                                 | (2)           | (3)  | (4)  | (5)  |
| Exceeding                           | Not exceeding | For a tractor unit to be used only with semi-trailers with any number of axles | For a tractor unit to be used only with semi-trailers with not less than two axles | For a tractor unit to be used only with semi-trailers with not less than three axles |
| kgs                                 | kgs           | £  | £  | £  |
| 12,000                              | 14,000        | 440.00   | 440.00   | 440.00   |
| 14,000                              | 16,000        | 440.00   | 440.00   | 440.00   |
| 16,000                              | 18,000        | 440.00   | 440.00   | 440.00   |
| 18,000                              | 20,000        | 440.00   | 440.00   | 440.00   |
| 20,000                              | 22,000        | 440.00   | 440.00   | 440.00   |
| 22,000                              | 23,000        | 440.00   | 440.00   | 440.00   |
| 23,000                              | 25,000        | 570.00   | 440.00   | 440.00   |
| 25,000                              | 26,000        | 570.00   | 440.00   | 440.00   |
| 26,000                              | 28,000        | 1,090.00   | 440.00   | 440.00   |
| 28,000                              | 29,000        | 1,680.00   | 640.00   | 440.00   |
| 29,000                              | 31,000        | 1,680.00   | 640.00   | 440.00   |
| 31,000                              | 33,000        | 2,450.00   | 970.00   | 440.00   |
| 33,000                              | 34,000        | 2,450.00   | 1,420.00   | 550.00   |
| 34,000                              | 36,000        | 2,450.00   | 2,030.00   | 830.00   |
| 36,000                              | 38,000        | 2,730.00   | 2,730.00   | 1,240.00   |

**TABLE D(1)**  
 RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12,000 KILOGRAMS PLATED  
 TRAIN WEIGHT AND HAVING 3 OR MORE AXLES  
 RATES FOR FARMERS' GOODS VEHICLES

| Plated train weight of tractor unit |               | Rate of duty   |  |  |
|-------------------------------------|---------------|--|--|--|
| (1)                                 | (2)           | (3)  | (4)  | (5)  |
| Exceeding                           | Not exceeding | For a tractor unit to be used only with semi-trailers with any number of axles | For a tractor unit to be used only with semi-trailers with not less than two axles | For a tractor unit to be used only with semi-trailers with not less than three axles |
| kgs                                 | kgs           | £  | £  | £  |
| 12,000                              | 14,000        | 265.00   | 265.00   | 265.00   |
| 14,000                              | 16,000        | 265.00   | 265.00   | 265.00   |
| 16,000                              | 18,000        | 265.00   | 265.00   | 265.00   |
| 18,000                              | 20,000        | 265.00   | 265.00   | 265.00   |
| 20,000                              | 22,000        | 265.00   | 265.00   | 265.00   |
| 22,000                              | 23,000        | 265.00   | 265.00   | 265.00   |
| 23,000                              | 25,000        | 340.00   | 265.00   | 265.00   |
| 25,000                              | 26,000        | 340.00   | 265.00   | 265.00   |
| 26,000                              | 28,000        | 655.00   | 265.00   | 265.00   |
| 28,000                              | 29,000        | 1,010.00   | 385.00   | 265.00   |
| 29,000                              | 31,000        | 1,010.00   | 385.00   | 265.00   |
| 31,000                              | 33,000        | 1,470.00   | 580.00   | 265.00   |
| 33,000                              | 34,000        | 1,470.00   | 850.00   | 330.00   |
| 34,000                              | 36,000        | 1,470.00   | 1,220.00   | 500.00   |
| 36,000                              | 38,000        | 1,640.00   | 1,640.00   | 745.00   |

**TABLE D(2)**  
 RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12,000 KILOGRAMS PLATED  
 TRAIN WEIGHT AND HAVING 3 OR MORE AXLES  
 RATES FOR SHOWMEN'S GOODS VEHICLES

| Plated train weight of tractor unit |               | Rate of duty   |  |  |
|-------------------------------------|---------------|--|--|--|
| (1)                                 | (2)           | (3)  | (4)  | (5)  |
| Exceeding                           | Not exceeding | For a tractor unit to be used only with semi-trailers with any number of axles | For a tractor unit to be used only with semi-trailers with not less than two axles | For a tractor unit to be used only with semi-trailers with not less than three axles |
| kgs                                 | kgs           | £  | £  | £  |
| 12,000                              | 14,000        | 110.00   | 110.00   | 110.00   |
| 14,000                              | 16,000        | 110.00   | 110.00   | 110.00   |
| 16,000                              | 18,000        | 110.00   | 110.00   | 110.00   |
| 18,000                              | 20,000        | 110.00   | 110.00   | 110.00   |
| 20,000                              | 22,000        | 110.00   | 110.00   | 110.00   |
| 22,000                              | 23,000        | 110.00   | 110.00   | 110.00   |
| 23,000                              | 25,000        | 145.00   | 110.00   | 110.00   |
| 25,000                              | 26,000        | 145.00   | 110.00   | 110.00   |
| 26,000                              | 28,000        | 275.00   | 110.00   | 110.00   |
| 28,000                              | 29,000        | 420.00   | 160.00   | 110.00   |
| 29,000                              | 31,000        | 420.00   | 160.00   | 110.00   |
| 31,000                              | 33,000        | 615.00   | 245.00   | 110.00   |
| 33,000                              | 34,000        | 615.00   | 355.00   | 140.00   |
| 34,000                              | 36,000        | 615.00   | 510.00   | 210.00   |
| 36,000                              | 38,000        | 685.00   | 685.00   | 310.00   |

SCHEDULE 3

Section 7.

ENTRY OF GOODS ON IMPORTATION

1 The <sup>M126</sup>Customs and Excise Management Act 1979 shall be amended as follows.

*Status: Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.*

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#### Marginal Citations

M126 1979 c. 2.

- 2 (1) Section 37A (initial and supplementary entries) shall be amended as follows.
- (2) In subsection (1)(b), the word “may” shall be omitted.
- (3) The following subsection shall be inserted after subsection (1)—
- “(1A) Without prejudice to section 37 above, a direction under that section may—
- (a) provide that where the importer is not authorised for the purposes of this section but a person who is so authorised is appointed as his agent for the purpose of entering the goods, the entry may consist of an initial entry made by the person so appointed and a supplementary entry so made; and
  - (b) make such supplementary provision in connection with entries consisting of initial and supplementary entries made as mentioned in paragraph (a) above as the Commissioners think fit.”
- (4) In subsection (2), for the words from the beginning to “unpaid duty,” there shall be substituted the words—
- “(2) Where—
- (a) an initial entry made under subsection (1) above has been accepted and the importer has given security by deposit of money or otherwise to the satisfaction of the Commissioners for payment of the unpaid duty, or
  - (b) an initial entry made under subsection (1A) above has been accepted and the person making the entry on the importer’s behalf has given such security as is mentioned in paragraph (a) above,
- the goods may”.
- (5) In subsection (3) after the words “initial entry” there shall be inserted the words “under subsection (1) above”.
- (6) The following subsection shall be inserted after subsection (3)—
- “(3A) A person who makes an initial entry under subsection (1A)
- above on behalf of an importer shall complete the entry by delivering the supplementary entry within such time as the Commissioners may direct.”
- 3 (1) Section 37B (postponed entry) shall be amended as follows.
- (2) The following subsection shall be inserted after subsection (1)—
- “(1A) The Commissioners may, if they think fit, direct that where—
- (a) such goods as may be specified in the direction are imported by an importer who is not authorised for the purposes of this subsection;
  - (b) a person who is authorised for the purposes of this subsection is appointed as his agent for the purpose of entering the goods;
  - (c) the person so appointed has delivered a document relating to the goods to the proper officer, in such form and manner, containing

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such particulars and accompanied by such documents as the Commissioners may direct; and

(d) the document has been accepted by the proper officer,

the goods may be delivered before an entry of them has been delivered or any duty chargeable in respect of them has been paid.”

(3) The following subsections shall be inserted after subsection (3)—

“(3A) The Commissioners may, if they think fit, direct that where—

(a) such goods as may be specified in the direction are imported by an importer who is not authorised for the purposes of this subsection;

(b) a person who is authorised for the purposes of this subsection is appointed as his agent for the purpose of entering the goods;

(c) the goods have been removed from the place of importation to a place approved by the Commissioners for the clearance out of charge of such goods; and

(d) the conditions mentioned in subsection (3B) below have been satisfied,

the goods may be delivered before an entry of them has been delivered or any duty chargeable in respect of them has been paid.

(3B) The conditions are that—

(a) on the arrival of the goods at the approved place the person appointed as the agent of the importer for the purpose of entering the goods delivers to the proper officer a notice of the arrival of the goods in such form and containing such particulars as may be required by the directions;

(b) within such time as may be so required the person appointed as the agent of the importer for the purpose of entering the goods enters such particulars of the goods and such other information as may be so required in a record maintained by him at such place as the proper officer may require; and

(c) the goods are kept secure in the approved place for such period as may be required by the directions.”

(4) In subsection (4), after “(3)(a)” there shall be inserted “ or (3B)(a) ”.

(5) In subsection (5), for the words “this section” there shall be substituted the words “ subsection (1) or (2) above ”.

(6) The following subsection shall be inserted after subsection (5)—

“(5A) No goods shall be delivered under subsection (1A)

or (3A) above unless the person appointed as the agent of the importer for the purpose of entering the goods gives security by deposit of money or otherwise to the satisfaction of the Commissioners for the payment of any duty chargeable in respect of the goods which is unpaid.”

(7) In subsection (6), for the words “this section” there shall be substituted the words “ subsection (1) or (2) above ”.

(8) The following subsection shall be inserted after subsection (6)—

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“(6A) Where goods of which no entry has been made have been delivered under subsection (1A) or (3A) above, the person appointed as the agent of the importer for the purpose of entering the goods shall deliver an entry of the goods under section 37(1) above within such time as the Commissioners may direct.”

(9) In subsection (7)—

- (a) in paragraph (a), after “(1)” there shall be inserted “ or (1A) ”; and
- (b) after paragraph (b) there shall be inserted the words “and
- (c) in the case of goods delivered by virtue of a direction under subsection (3A) above, on the date on which particulars of the goods were entered as mentioned in subsection (3B)(b) above.”

4 (1) Section 37C (provisions supplementary to sections 37A and 37B) shall be amended as follows.

(2) In subsection (1)(a)—

- (a) for the word “importer” there shall be substituted the word “ person ”; and
- (b) for the words “or (2)” there shall be substituted the words “ , (1A), (2) or (3A) ”.

(3) In subsection (1)(b), for the word “importer” there shall be substituted the word “ person ”.

(4) In subsection (2)(a), for the word “importer” there shall be substituted the word “ person ”.

#### SCHEDULE 4

Section 23.

#### LIMIT ON CHARGEABLE MILEAGE PROFIT

The following shall be inserted after section 197A of the Taxes Act 1988—

#### “ Mileage allowances

#### **197B Limit on chargeable mileage profit.**

(1) In a case where—

- (a) in the year 1989-90 (the base year) sums paid to a person by reason of an employment held by him are paid in respect of expenses incurred by him in travelling, in the course of the duties of the employment, in a motor vehicle provided by him,
- (b) in a subsequent year of assessment (the year concerned) he makes a mileage profit as respects an employment,
- (c) the amount of the mileage profit he makes in the year concerned or, where he makes a mileage profit in that year as respects more than one employment, the aggregate of the mileage profits he makes in that year would (apart from this section) be greater than the maximum amount for the year,
- (d) section 197E does not prevent this section from applying, and



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- (e) a claim is made for relief under this section,  
the amount of the mileage profit he makes in the year concerned or, as the case may be, the aggregate of the mileage profits he makes in that year shall be treated as being equal to the maximum amount for the year.
- (2) In a case where the employee's relevant mileage for the year concerned is more than his relevant mileage for the base year, the maximum amount for the year concerned shall be found by applying the formula—

$$\left(A \times \frac{B}{C}\right) + D$$

- (3) In any other case, the maximum amount for the year concerned shall be found by applying the formula—

$$A + D$$

- (4) A is the taxed mileage profit for the base year.
- (5) B is the employee's relevant mileage for the year concerned.
- (6) C is the employee's relevant mileage for the base year.
- (7) D is—
- (a) nil if the year concerned is 1990-91;
  - (b) an amount found by multiplying £1,000 by E if the year concerned is 1991-92 or a subsequent year of assessment.
- (8) E is 1 if the year concerned is 1991-92, 2 if it is 1992-93, 3 if it is 1993-94, and so on (adding 1 for each succeeding year of assessment).

### **197C Definition of mileage profit.**

- (1) This section applies for the purposes of section 197B.
- (2) The employee makes a mileage profit in the year concerned as respects an employment if—
- (a) by reason of the employment sums are paid to him in the year in respect of expenses incurred by him in travelling, in the course of the duties of the employment, in a motor vehicle provided by him, and
  - (b) subsection (3), (4) or (6) below applies.
- (3) This subsection applies if all or part of the sums mentioned in subsection (2)(a) above fall to be treated as emoluments of the employment for the year in accordance with an administrative scheme (such as a fixed profit car scheme).
- (4) This subsection applies if—
- (a) subsection (3) above does not apply,
  - (b) the employment is employment to which Chapter II of this Part applies, and
  - (c) the amount of the sums mentioned in subsection (2)(a) above exceeds the aggregate deductible amount for the year concerned in relation to the employment.

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- (5) For the purposes of subsection (4) above the aggregate deductible amount for the year concerned in relation to the employment is the aggregate of the following—
- (a) any expenses of travelling in a vehicle provided by the employee which fall to be deducted from the emoluments of the employment for the year under section 198(1), and
  - (b) the amount of any allowance which, by virtue of Part II of the 1990 Act, falls to be made to the employee for the year in respect of expenditure incurred on the provision of a vehicle for use in the performance of the duties of the employment.
- (6) This subsection applies if—
- (a) neither subsection (3) nor subsection (4) above applies, and
  - (b) all or part of the sums mentioned in subsection (2)(a) above fall to be treated as emoluments of the employment for the year.
- (7) If subsection (3) or (6) above applies, the amount of the mileage profit made by the employee in the year concerned as respects the employment is the amount of the sums mentioned in subsection (2)(a) above which fall to be treated as emoluments of the employment for the year.
- (8) If subsection (4) above applies, the amount of the mileage profit made by the employee in the year concerned as respects the employment is the amount of the excess mentioned in subsection (4)(c).

#### **197D Definition of taxed mileage profit.**

- (1) This section applies for the purposes of section 197B.
- (2) Where in the base year the employee holds one employment to which this section applies, the taxed mileage profit for the year is the relevant amount for that employment determined in accordance with subsection (5) or (6) below.
- (3) Where in the base year the employee holds more than one employment to which this section applies, the taxed mileage profit for the year shall be determined by—
  - (a) finding the relevant amount for each of those employments in accordance with subsection (5) or (6) below, and
  - (b) aggregating the amounts so found.
- (4) In subsections (2) and (3) above the references to employment to which this section applies are to employment by reason of which in the base year the employee is paid sums (relevant sums) in respect of expenses incurred by him in travelling, in the course of the duties of the employment, in a motor vehicle provided by him.
- (5) If—
  - (a) the employment is not employment to which Chapter II of this Part applies, or
  - (b) the relevant sums paid to the employee in the base year by reason of the employment are sums in respect of which his liability to tax is determined by reference to an administrative scheme (such as a fixed profit car scheme),
 the relevant amount for the employment is the amount of such (if any) of the relevant sums paid to him in the base year by reason of the employment as are in fact treated as emoluments of the employment for that year.
- (6) If—

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- (a) the employment is employment to which Chapter II of this Part applies, and
  - (b) the relevant sums paid to the employee in the base year by reason of the employment are not sums in respect of which his liability to tax is determined by reference to an administrative scheme (such as a fixed profit car scheme),
- the relevant amount for the employment is an amount found by deducting G from F, except that it can never be less than nil.
- (7) For the purposes of subsection (6) above F is the amount of such (if any) of the relevant sums paid to the employee in the base year by reason of the employment as are by virtue of section 153 in fact treated as emoluments of the employment for that year.
- (8) For the purposes of subsection (6) above G is the aggregate of the following—
- (a) any expenses of travelling in a vehicle provided by the employee in fact deducted from the emoluments of the employment for the base year under section 198(1), and
  - (b) the amount of any allowance in fact made to the employee for the year, by virtue of Chapter I of Part III of the Finance Act 1971, in respect of expenditure incurred on the provision of a vehicle for use in the performance of the duties of the employment.

#### **197E Exception from section 197B.**

- (1) If the sums paid to the employee in the year concerned in respect of expenses incurred by him in travelling, in the course of the duties of his employment or employments, in any motor vehicle provided by him exceed the sums paid to him in the base year in respect of expenses so incurred by him, section 197B shall not apply for the year concerned unless the whole of the excess can be justified by reference to allowable factors.
- (2) For the purposes of this section the following are allowable factors—
- (a) an increase in motoring costs,
  - (b) a change by any employer of his practices so as more fully to reimburse motoring costs;
  - (c) any change of vehicle;
  - (d) a change in the employee's relevant mileage.

#### **197F Other interpretative provisions.**

- (1) This section applies for the purposes of sections 197B to 197E.
- (2) The employee's relevant mileage for a year of assessment is the number of miles by reference to which in that year he is paid sums in respect of expenses incurred by him in travelling, in the course of the duties of his employment or employments, in any motor vehicle provided by him.
- (3) "Employment" means an office or employment the emoluments of which fall to be assessed under Schedule E; and related expressions shall be construed accordingly."

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## SCHEDULE 5

Section 30.

## BUILDING SOCIETIES AND DEPOSIT-TAKERS

*Introduction*

1 The Taxes Act 1988 shall be amended as mentioned in paragraphs 2 to 14 below.

*Building societies*

2 (1) Section 476 (building societies: regulations for payment of tax) shall cease to have effect.

(2) This paragraph shall apply as regards the year 1991-92 and subsequent years of assessment.

3 (1) Section 477 (investments becoming or ceasing to be relevant building society investments) shall cease to have effect.

(2) This paragraph shall apply as regards any time falling on or after 6th April 1991.

4 (1) The following section shall be inserted immediately before section 478—

**“477A Building societies: regulations for deduction of tax.**

(1) The Board may by regulations make provision with respect to any year of assessment requiring any building society—

(a) in such cases as may be prescribed by the regulations to deduct out of any dividend or interest paid or credited in the year in respect of shares in, or deposits with or loans to, the society a sum representing the amount of income tax on it, and

(b) to account for and pay any amount required to be deducted by the society by virtue of this subsection.

(2) Regulations under subsection (1) above may—

(a) make provision with respect to the furnishing of information by building societies or their investors, including, in the case of societies, the inspection of books, documents and other records on behalf of the Board;

(b) contain such incidental and consequential provisions as appear to the Board to be appropriate, including provisions requiring the making of returns.

(3) For any year of assessment to which regulations under subsection (1) above apply, dividends or interest payable in respect of shares in, or deposits with or loans to, a building society shall be dealt with for the purposes of corporation tax as follows—

(a) in computing for any accounting period ending in the year of assessment the income of the society from the trade carried on by it, there shall be allowed as a deduction the actual amount paid or credited in the accounting period of any such dividends or interest, together with any amount of income tax accounted for and paid by the society in respect thereof;

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- (b) no part of any such dividends or interest paid or credited in the year of assessment shall be treated as a distribution of the society or as franked investment income of any company resident in the United Kingdom.
  - (4) Subsection (3)(a) above shall apply to any terminal bonus paid by the society under a certified contractual savings scheme as if it were a dividend on a share in the society.
  - (5) Notwithstanding anything in sections 64, 66 and 67, for any year of assessment to which regulations under subsection (1) above apply income tax chargeable under Case III of Schedule D shall, in the case of any relevant sum, be computed on the full amount of the income arising in the year of assessment.
  - (6) For the purposes of subsection (5) above a sum is relevant if it is a sum in respect of which a liability to deduct income tax—
    - (a) is imposed by regulations under subsection (1) above, or
    - (b) would be so imposed if a certificate were not supplied, in accordance with the regulations, to the effect that the person beneficially entitled to the sum is unlikely to be liable to pay any amount by way of income tax for the year of assessment in which the sum is paid.
  - (7) Notwithstanding anything in sections 348 to 350, for any year of assessment to which regulations under subsection (1) above apply income tax shall not be deducted upon payment to the society of any interest on advances, being interest payable in that year.
  - (8) Subsection (7) above shall not apply to any payment of relevant loan interest to which section 369 applies.
  - (9) In this section “dividend” has the meaning given by regulations under subsection (1) above, but any sum which is paid by a building society by way of dividend and which is not paid under deduction of income tax shall be treated for the purposes of Schedule D as paid by way of interest.”
- (2) This paragraph shall apply as regards the year 1991-92 and subsequent years of assessment.

#### *Deposit-takers*

- 5 (1) Section 479 (interest paid on deposits with banks etc.) shall cease to have effect.
- (2) This paragraph shall apply as regards interest paid or credited on or after 6th April 1991.
- 6 (1) Section 480 (deposits becoming or ceasing to be composite rate deposits) shall cease to have effect.
- (2) This paragraph shall apply as regards any time falling on or after 6th April 1991.
- 7 (1) The following sections shall be inserted immediately before section 481—

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**“480A Relevant deposits: deduction of tax from interest payments.**

- (1) Any deposit-taker making a payment of interest in respect of a relevant deposit shall, on making the payment, deduct out of it a sum representing the amount of income tax on it for the year of assessment in which the payment is made.
- (2) Any payment of interest out of which an amount is deductible under subsection (1) above shall be a relevant payment for the purposes of Schedule 16 whether or not the deposit-taker making the payment is resident in the United Kingdom.
- (3) Schedule 16 shall apply in relation to any payment which is a relevant payment by virtue of subsection (2) above—
  - (a) with the substitution for any reference to a company of a reference to a deposit-taker,
  - (b) as if paragraph 5 applied only in relation to payments received by the deposit-taker and falling to be taken into account in computing his income chargeable to corporation tax, and
  - (c) as if in paragraph 7 the reference to section 7(2) included a reference to sections 11(3) and 349(1).
- (4) In relation to any deposit-taker who is not a company, Schedule 16 shall have effect as if—
  - (a) paragraph 5 were omitted, and
  - (b) references to accounting periods were references to periods for which the deposit-taker makes up his accounts.
- (5) For the purposes of this section, crediting interest shall be treated as paying it.

**480B Relevant deposits: exception from section 480A.**

- (1) The Board may by regulations provide that section 480A(1) shall not apply as regards a payment of interest if such conditions as may be prescribed by the regulations are fulfilled.
- (2) In particular, the regulations may include—
  - (a) provision for a certificate to be supplied to the effect that the person beneficially entitled to a payment is unlikely to be liable to pay any amount by way of income tax for the year of assessment in which the payment is made;
  - (b) provision for the certificate to be supplied by that person or such other person as may be prescribed by the regulations;
  - (c) provision about the time when, and the manner in which, a certificate is to be supplied;
  - (d) provision about the form and contents of a certificate.
- (3) Any provision included under subsection (2)(d) above may allow the Board to make requirements, in such manner as they see fit, as to the matters there mentioned.
- (4) For the purposes of this section, crediting interest shall be treated as paying it.

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#### **480C Relevant deposits: computation of tax on interest.**

Notwithstanding anything in sections 64, 66 and 67, income tax chargeable under Case III of Schedule D on interest in respect of a relevant deposit shall be computed on the full amount of the income arising in the year of assessment.”

- (2) This paragraph shall apply as regards interest paid or credited on or after 6th April 1991.
- 8 (1) Section 481 (definitions of relevant deposit etc.) shall be amended as follows.
- (2) The following subsection shall be inserted after subsection (1)—
- “(1A) In this section “the relevant provisions” also means sections 480A and 480C.”
- (3) In subsection (2) the following shall be inserted after paragraph (c)—
- “(ca) any local authority;” and paragraphs (d) and (e) shall be omitted.
- (4) In subsection (6) after the word “sections” there shall be inserted the words “ 480A, 480C ”.
- (5) Sub-paragraph (3) above shall apply as regards interest paid or credited on or after 6th April 1991.
- 9 (1) Section 482 (supplementary provisions) shall be amended as follows.
- (2) In subsection (6), in paragraph (b) of the definition of “qualifying certificate of deposit” for the words “less than seven days” there shall be substituted the words “ more than five years ”.
- (3) In subsection (6), the following paragraph shall be substituted for paragraph (a) of the definition of “qualifying time deposit”—
- “(a) require repayment of the deposit at a specified time falling before the end of the period of five years beginning with the date on which the deposit is made;”.
- (4) In subsection (11) the following shall be inserted after paragraph (a)—
- “(aa) with respect to the furnishing of information by depositors or deposit-takers, including, in the case of deposit-takers, the inspection of books, documents and other records on behalf of the Board; and”.
- (5) The following subsection shall be inserted after subsection (11)—
- “(11A) In subsection (11)(aa) above the reference to depositors is to persons who are appropriate persons (within the meaning given by subsection (6) above) in relation to deposits.”
- (6) Sub-paragraphs (2) and (3) above shall apply as regards interest paid or credited on or after 6th April 1991.

#### *General*

- 10 (1) Section 349 (annual interest etc.) shall be amended as follows.
- (2) In subsection (3) after paragraph (d) there shall be inserted “or

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- (e) to any dividend or interest paid or credited in a relevant year of assessment in respect of shares in, or deposits with or loans to, a building society; or
- (f) to any payment in respect of which a liability to deduct income tax is imposed by section 480A(1); or
- (g) to any payment in respect of which a liability to deduct income tax would be imposed by section 480A(1) if conditions prescribed by regulations under section 480B were not fulfilled.”

(3) The following subsection shall be inserted at the end—

“(4) In subsection (3)(e) above—

“dividend” has the same meaning as in section 477A, and  
“relevant year of assessment” means a year of assessment to which regulations under subsection (1) of that section apply.”

(4) This paragraph shall apply as regards a payment made on or after 6th April 1991.

11 (1) In section 352(1) (certificates of deduction of tax) for the words “or 687” there shall be substituted the words “, 480A or 687 or by virtue of regulations under section 477A(1) ”.

(2) This paragraph shall apply as regards a payment made on or after 6th April 1991.

12 (1) In section 483 (determination of reduced rate for building societies and composite rate for banks etc.) subsections (1) to (3) and (5) shall cease to have effect.

(2) This paragraph shall apply where the first year of assessment mentioned in section 483(1) is 1990-91 or a subsequent year of assessment.

13 (1) In section 686 (liability to additional rate tax of certain income of discretionary trusts) subsection (5) shall cease to have effect.

(2) This paragraph shall apply as regards a sum paid or credited on or after 6th April 1991.

14 (1) In section 687 (payments under discretionary trusts) in subsection (3) the words following paragraph (i) shall cease to have effect.

(2) This paragraph shall apply as regards an amount paid or credited on or after 6th April 1991.

#### *Management*

15 In the Table in section 98 of the <sup>M127</sup>Taxes Management Act 1970 (penalties for failure to comply with notices etc.) there shall be inserted in the first and second columns, after the entry relating to regulations under section 476(1) of the Taxes Act 1988— “ regulations under section 477A(1); ”.

#### **Marginal Citations**

M127 1970 c. 9.



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*Transitional provision*

- 16 (1) In its application to the year 1991-92, section 477A of the Taxes Act 1988 shall have effect with the following modifications.
- (2) Regulations under subsection (1) may also require any building society to account for and pay, on transitional sums, an amount representing income tax calculated in part at the basic rate for the year 1990-91 and in part at the reduced rate determined for that year under section 483(1)(a) of the Taxes Act 1988.
- (3) In sub-paragraph (2) above the reference to transitional sums is to such sums paid or credited after 28th February 1991 and before 6th April 1991 as may be determined in accordance with the regulations.
- (4) In subsection (3)(a) for the words from “actual” to the end of the paragraph there shall be substituted the words “appropriate amount”.
- (5) The following subsection shall be inserted after subsection (3)—
- “(3A) In subsection (3)(a) above the reference to the appropriate amount is to the actual amount paid or credited in the accounting period of any such dividends or interest together with—
- (a) in the case of dividends or interest paid or credited in the year 1990-91, any amount accounted for and paid by the society in respect thereof as representing income tax, and
- (b) in the case of dividends or interest paid or credited in the year 1991-92, any amount of income tax accounted for and paid by the society in respect thereof.”

SCHEDULE 6

Section 41.

LIFE ASSURANCE: APPORTIONMENT OF INCOME ETC.

- 1 (1) Section 431 of the Taxes Act 1988 shall be amended as follows.
- (2) In subsection (2)—
- (a) in the definition of “general annuity business”, after the words “pension business” there shall be inserted the words “or overseas life assurance business”; and
- (b) there shall be inserted in the appropriate places in alphabetical order—
- ““basic life assurance business” means life assurance business other than general annuity business, pension business and overseas life assurance business;”
- ““closing” and “opening”, in relation to a period of account, refer respectively to the position at the end and at the beginning of the period and, in relation to an accounting period, refer respectively to the position at the end and at the beginning of the period of account in which the accounting period falls;”

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““closing liabilities” includes liabilities assumed at the end of the period of account concerned in consequence of the declaration of reversionary bonuses or a reduction in premiums;”

““industrial assurance business” has the same meaning as in the Insurance Companies Act 1982;”

““investment reserve”, in relation to an insurance company, means the excess of the value of the assets of the company’s long term business fund over the liabilities of the long term business;”

““liabilities”, in relation to an insurance company, means the liabilities of the company estimated as for the purposes of its periodical return (excluding any that have fallen due or been reinsured and any not arising under or in connection with policies or contracts effected as part of the company’s insurance business);”

““linked assets” means assets of an insurance company which are identified in its records as assets by reference to the value of which benefits provided for under a policy or contract are to be determined;”

““long term business” has the meaning given by section 1(1) of the Insurance Companies Act 1982;”

““long term business fund” means the fund maintained by an insurance company in respect of its long term business or, where the company carries on both ordinary long term business and industrial assurance business, either or both (as the context may require) of the two funds so maintained;”

““ordinary long term business” and “ordinary life assurance business” mean respectively long term business and life assurance business that is not industrial assurance business;”

““overseas life assurance business”—

- (a) in the case of life assurance business other than reinsurance business, means business with a policy holder or annuitant not residing in the United Kingdom the policy or contract for which was effected at or through a branch or agency outside the United Kingdom where life assurance business is carried on; and
- (b) in the case of reinsurance business, means business the contract for which was effected at or through a branch or agency outside the United Kingdom where none, or no significant part, of the reinsurance business carried on relates to life assurance business with policy holders or annuitants residing in the United Kingdom;”

““overseas life assurance fund” shall be construed in accordance with Schedule 19AA;”

““value”, in relation to assets of an insurance company, means the value of the assets as taken into account for the purposes of the company’s periodical return;”

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““with-profits liabilities” means liabilities in respect of policies or contracts under which the policy holders or annuitants are eligible to participate in surplus;”.

(3) After subsection (2) there shall be inserted—

“(2A) Linked assets shall be taken to be linked solely to long term business of a particular category if, and only if, all (or all but an insignificant proportion) of the policies or contracts providing for the benefits concerned are policies or contracts the effecting of which constitutes the carrying on of business of that category.”

(4) In subsection (3)(b), after the words “other annuity business” there shall be inserted the words “that is not overseas life assurance business”.

2 After section 431 of the Taxes Act 1988 there shall be inserted—

**“431A Amendment of Chapter etc.**

Where it is expedient to do so in consequence of the exercise of any power under the Insurance Companies Act 1982, the Treasury may by order amend the provisions of this Chapter and any other provision of the Tax Acts so far as relating to insurance companies.”

3 In section 432(2) of the Taxes Act 1988—

- (a) for the words “industrial life assurance” there shall be substituted the words “industrial assurance”; and
- (b) after the words “section 76” there shall be inserted the words “and where appropriate the provisions of this Chapter”.

4 After section 432 of that Act there shall be inserted—

**“432A Apportionment of income and gains.**

(1) This section has effect where—

- (a) an insurance company carries on in any period both ordinary long term business and industrial assurance business, or life assurance business and other long term business, or more than one class of life assurance business, and
- (b) it is necessary for the purposes of the Corporation Tax Acts to determine in relation to the period what parts of—
  - (i) income arising from the assets of the company’s long term business fund, or
  - (ii) gains or losses accruing on the disposal of such assets, are referable to any of the categories of business in question.

(2) The classes of life assurance business referred to in subsection (1) above are—

- (a) pension business;
- (b) general annuity business;
- (c) overseas life assurance business; and
- (d) basic life assurance business.

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- (3) Income arising from, and gains or losses accruing on the disposal of, assets linked solely to ordinary long term business, industrial assurance business, life assurance business, long term business other than life assurance business, pension business or basic life assurance business shall be referable to the category of business concerned.
- (4) Income arising from, and gains or losses accruing on the disposal of, assets of the overseas life assurance fund (and no other assets) shall be referable to overseas life assurance business.
- (5) There shall be referable to any category of business (apart from overseas life assurance business) the relevant fraction of any income, gains or losses not directly referable to any of the appropriate categories of business.
- (6) For the purposes of subsection (5) above “the relevant fraction”, in relation to a category of business, is the fraction of which—
- (a) the numerator is the aggregate of—
    - (i) the mean of the opening and closing liabilities of the category, reduced by the mean of the opening and closing values of any assets directly referable to the category, and
    - (ii) the mean of the appropriate parts of the opening and closing amounts of the investment reserve; and
  - (b) the denominator is the aggregate of—
    - (i) the mean of the opening and closing liabilities of the long term business, reduced by the mean of the opening and closing values of any assets directly referable to any of the appropriate categories of business, and
    - (ii) the mean of the opening and closing amounts of the investment reserve.
- (7) For the purposes of subsections (5) and (6) above—
- (a) references to appropriate categories of business—
    - (i) where the category of business in question is ordinary long term business or industrial assurance business, are references to those categories of business;
    - (ii) where the category of business in question is life assurance business or long term business other than life assurance business, are references to those categories of business; and
    - (iii) where the category of business in question is pension business, general annuity business or basic life assurance business, are references to pension business and basic life assurance business; and
  - (b) income, gains or losses are directly referable to a category of business if referable to the category by virtue of subsection (3) above and assets are directly referable to a category of business if income arising from the assets is, and gains or losses accruing on the disposal of the assets are, so referable.
- (8) In subsection (6) above “appropriate part”, in relation to the investment reserve, means—
- (a) where all of the liabilities of the long term business are linked liabilities, the part of that reserve which bears to the whole the same

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proportion as the amount of the liabilities of the category of business in question bears to the whole amount of the liabilities of the long term business,

- (b) where any of the liabilities of the long term business are not linked liabilities but none (or none but an insignificant proportion) are with-profits liabilities, the part of that reserve which bears to the whole the same proportion as the amount of the liabilities of the category of business in question which are not linked liabilities bears to the whole amount of the liabilities of the long term business which are not linked liabilities, and
- (c) in any other case, the part of that reserve which bears to the whole the same proportion as the amount of the with-profits liabilities of the category of business in question bears to the whole amount of the with-profits liabilities of the long term business;

and in this subsection “linked liabilities” means liabilities in respect of benefits to be determined by reference to the value of linked assets.

- (9) Where the category of business in question is a class of life assurance business, for the purposes of this section—
  - (a) “liabilities” does not include liabilities of the overseas life assurance business; and
  - (b) assets of the overseas life assurance fund and liabilities of the overseas life assurance business shall be left out of account in determining the investment reserve.
- (10) Subsection (5) above shall not apply in relation to gains or losses accruing on disposals deemed to have been made by virtue of section 46 of the Finance Act 1990 except where it is necessary to determine what parts are referable to different categories of business within subsection (3)(b) of that section (and shall apply in that case subject to appropriate modifications).

#### **432B Apportionment of receipts brought into account.**

- (1) This section and sections 432C to 432E have effect where it is necessary in accordance with section 83 of the Finance Act 1989 to determine what parts of any items brought into account in the revenue account prepared for the purposes of the Insurance Companies Act 1982 are referable to life assurance business or any class of life assurance business.
- (2) Where in addition to the revenue account prepared for the purposes of the Insurance Companies Act 1982 in respect of the whole of any business carried on by a company there are prepared for the purposes of that Act revenue accounts relating to parts of the business, amounts referred to in sections 432C to 432E shall, so far as they relate to those parts, be ascertained by reference to the latter accounts rather than by reference to the former.
- (3) Sections 432C and 432D apply where the business with which an account is concerned (“the relevant business”) relates exclusively to policies or contracts under which the policy holders or annuitants are not eligible to participate in surplus; and section 432E applies where the relevant business relates wholly or partly to other policies or contracts.

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### **432C Section 432B apportionment: income of non-participating funds.**

- (1) To the extent that the amount brought into account as income is attributable to assets linked solely to life assurance business, pension business or basic life assurance business, it shall be referable to the category of business concerned.
- (2) To the extent that that amount is attributable to assets of the overseas life assurance fund, it shall be referable to overseas life assurance business.
- (3) There shall be referable to any category of business (apart from overseas life assurance business) the relevant fraction of so much of the amount brought into account as income as is not directly referable to any of the appropriate categories of business.
- (4) For the purposes of subsection (3) above “the relevant fraction”, in relation to a category of business, is the fraction of which—
  - (a) the numerator is the mean of the opening and closing liabilities of the relevant business so far as referable to the category, reduced by the mean of the opening and closing values of any assets of the relevant business directly referable to the category; and
  - (b) the denominator is the mean of the opening and closing liabilities of the relevant business, reduced by the mean of the opening and closing values of any assets of the relevant business directly referable to any of the appropriate categories of business.
- (5) For the purposes of subsections (3) and (4) above—
  - (a) references to appropriate categories of business—
    - (i) where the category of business in question is life assurance business, are references to that category of business and long term business other than life assurance business; and
    - (ii) where the category of business in question is pension business, general annuity business or basic life assurance business, are references to pension business and basic life assurance business; and
  - (b) the part of the amount brought into account as income which is directly referable to a category of business is the part referable to the category by virtue of subsection (1) above and assets are directly referable to a category of business if such part of the amount brought into account as income as is attributable to them is so referable.
- (6) Where the category of business in question is a class of life assurance business, for the purposes of this section “liabilities” does not include liabilities of the overseas life assurance business.

### **432D Section 432B apportionment: value of non-participating funds.**

- (1) To the extent that the amount brought into account as the increase or decrease in the value of assets is attributable to assets linked solely to life assurance business, pension business or basic life assurance business, or to assets of the overseas life assurance fund which are linked solely to overseas

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life assurance business, it shall be referable to the category of business concerned.

- (2) There shall be referable to any category of business the relevant fraction of the amount brought into account as the increase or decrease in the value of assets except so far as the amount is attributable to assets which are directly referable to any of the appropriate categories of business.
- (3) Subsections (4) and (5) (but not (6)) of section 432C shall apply for the purposes of this section as if—
  - (a) each of the references to a subsection of that section were a reference to the corresponding subsection of this section, and
  - (b) in subsection (5)—
    - (i) a reference to overseas life assurance business were included after each of the references to pension business in paragraph (a)(ii), and
    - (ii) each of the references in paragraph (b) to income were a reference to the increase or decrease in the value of assets.

#### **432E Section 432B apportionment: participating funds.**

- (1) The part of the net amount of the items referred to in subsection (1) of section 83 of the Finance Act 1989 (that is to say the income referred to in paragraph (a) of that subsection increased or reduced by the increase or reduction in the value referred to in paragraph (b)) which is referable to a particular category of business shall be—
  - (a) the amount determined in accordance with subsection (2) below, or
  - (b) the amount determined in accordance with subsection (3) below, whichever is the greater.
- (2) For the purposes of subsection (1) above there shall be determined the amount which is such as to secure—
  - (a) in a case where the relevant business is mutual business, that

$$CAS = CS, \text{ and}$$

- (b) in any other case, that

$$CS - CAS = (S - AS) \times \frac{CAS}{AS}$$

where—

S is the surplus of the relevant business;

AS is so much of that surplus as is allocated to persons entitled to the benefits provided for by the policies or contracts to which the relevant business relates;

CAS is so much of the surplus so allocated as is attributable to policies or contracts of the category of business concerned; and

CS is so much of the surplus of the relevant business as would remain if the relevant business were confined to business of the category concerned.

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- (3) For the purposes of subsection (1) above there shall also be determined the aggregate of—
- (a) the applicable percentage of what is left of the mean of the opening and closing liabilities of the relevant business so far as referable to the category of business concerned after deducting from it the mean of the opening and closing values of any assets of the relevant business linked solely to that category of business, and
  - (b) the part of the net amount mentioned in subsection (1) above that is attributable to assets linked solely to that category of business.
- (4) For the purposes of subsection (3) above “the applicable percentage”, in any case, is such percentage as may be determined for that case by or in accordance with an order made by the Treasury.
- (5) Where the part of the net amount referable to a particular category or categories of business (“the subsection (3) category or categories”) is the amount determined in accordance with subsection (3) above, the amount determined in accordance with subsection (2) above in relation to any other category (“the relevant category”) shall be reduced by—

$$\frac{XY}{Z}$$

where—

X is the excess of the amount determined in accordance with subsection (3) above in the case of the subsection (3) category (or each of them) over the amount determined in its case (or the case of each of them) in accordance with subsection (2) above;

Y is so much of the surplus of the relevant business as is allocated to persons entitled to the benefits provided for by policies or contracts of the relevant category; and

Z is so much of the surplus of the relevant business as is allocated to persons entitled to the benefits provided for by policies or contracts of the category (or each of the categories) which is not a subsection (3) category.

- (6) Where the category of business concerned is overseas life assurance business—
- (a) if the part of the income brought into account that is attributable to assets of the overseas life assurance fund not linked solely to overseas life assurance business is greater than the amount arrived at under subsection (3)(a) above, this section shall have effect as if that part of that income were the amount so arrived at; and
  - (b) the amount which, apart from this paragraph, would be the part of the net amount referable to that category of business shall be—
    - (i) reduced by the part of the net amount attributable to distributions of companies resident in the United Kingdom relating to assets of the company’s overseas life assurance fund, and
    - (ii) increased by the amount which is income of the relevant business by virtue of section 441A.”



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- 5 In section 436 of the Taxes Act 1988, in subsection (3) for sub-paragraph (i) of paragraph (d) there shall be substituted—  
“(i) group income so far as referable to pension business shall be deducted from the receipts to be taken into account.”
- 6 In section 437 of that Act, in subsection (2) for paragraph (a) there shall be substituted—  
“(a) taxed income, group income and income attributable to offshore income gains, so far as referable to general annuity business, shall be deducted from the receipts to be taken into account;”
- 7 In section 439 of that Act, for the words from the beginning to “1982;” in subsection (5) there shall be substituted—  
“(1) For the purposes of this Chapter restricted government securities shall be treated as linked solely to pension business.  
(2) In this section”.
- 8 For section 440 of that Act there shall be substituted—

**“440 Transfers of assets etc.**

- (1) If at any time an asset (or a part of an asset) held by an insurance company ceases to be within one of the categories set out in subsection (4) below and comes within another of those categories, the company shall for the purposes of corporation tax be deemed to have disposed of and immediately re-acquired the asset (or part) for a consideration equal to its market value at that time.
- (2) Where—  
(a) an asset is acquired by a company as part of the transfer to it of the whole or part of the business of an insurance company (“the transferor”) in accordance with a scheme sanctioned by a court under section 49 of the Insurance Companies Act 1982, and  
(b) the asset (or part of it) is within one of the categories set out in subsection (4) below immediately before the acquisition and is within another of those categories immediately afterwards,  
the transferor shall for the purposes of corporation tax be deemed to have disposed of and immediately re-acquired the asset (or part) immediately before the acquisition for a consideration equal to its market value at that time.
- (3) Where, apart from this subsection, section 273 or 274 of the 1970 Act (transfers within a group) would apply to a disposal or acquisition by an insurance company of an asset (or part of an asset) which, immediately before the disposal or (as the case may be) immediately after the acquisition, is within one of the categories set out in paragraphs (a) to (d) of subsection (4) below, that section shall not apply to the disposal or acquisition.
- (4) The categories referred to in subsections (1) to (3) above are—  
(a) assets linked solely to basic life assurance business;  
(b) assets linked solely to pension business;

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- (c) assets of the overseas life assurance fund;
- (d) assets of the long term business fund not within any of the preceding paragraphs;
- (e) other assets.

(5) In this section “market value” has the same meaning as in the 1979 Act.

#### **440A Securities.**

- (1) Subsection (2) below applies where the assets of an insurance company include securities of a class all of which would apart from this section be regarded for the purposes of corporation tax on chargeable gains as one holding.
- (2) Where this subsection applies—
  - (a) so many of the securities as are identified in the company’s records as securities by reference to the value of which there are to be determined benefits provided for under policies the effecting of all (or all but an insignificant proportion) of which constitutes the carrying on of basic life assurance business shall be treated for the purposes of corporation tax as a separate holding linked solely to that business,
  - (b) so many of the securities as are identified in the company’s records as securities by reference to the value of which there are to be determined benefits provided for under contracts the effecting of all (or all but an insignificant proportion) of which constitutes the carrying on of pension business shall be treated for those purposes as a separate holding linked solely to that business,
  - (c) so many of the securities as are included in the overseas life assurance fund shall be treated for those purposes as a separate holding which is an asset of that fund,
  - (d) so many of the securities as are included in the company’s long term business fund but do not fall within any of the preceding paragraphs shall be treated for those purposes as a separate holding which is an asset of that fund (but not of any of the descriptions mentioned in those paragraphs), and
  - (e) any remaining securities shall be treated for those purposes as a separate holding which is not of any of the descriptions mentioned in the preceding paragraphs.
- (3) Subsection (2) above also applies where the assets of an insurance company include securities of a class and apart from this section some of them would be regarded as a 1982 holding, and the rest as a new holding, for the purposes of corporation tax on chargeable gains.
- (4) In a case within subsection (3) above—
  - (a) the reference in any paragraph of subsection (2) above to a separate holding shall be construed, where necessary, as a reference to a separate 1982 holding and a separate new holding, and
  - (b) the questions whether such a construction is necessary in the case of any paragraph and, if it is, how many securities falling within the paragraph constitute each of the two holdings shall be determined in

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accordance with paragraph 12 of Schedule 6 to the Finance Act 1990 and the identification rules applying on any subsequent acquisitions and disposals.

(5) Section 66 of the 1979 Act shall have effect where subsection (2) above applies as if securities regarded as included in different holdings by virtue of that subsection were securities of different kinds.

(6) In this section—

“1982 holding” has the meaning given by Part II of Schedule 19 to the Finance Act 1985;

“new holding” has the meaning given by Part III of that Schedule; and

“securities” has the same meaning as in section 65 of the 1979 Act.”

9 (1) In section 724 of the Taxes Act 1988, after subsection (1) there shall be inserted—

“(1A) If at any time securities held by an insurance company cease to be within one of the categories set out in section 440(4) and come within another of those categories, the company shall be treated for the purposes of sections 710 to 728 as transferring the securities to itself at that time.”

(2) In section 711(6) of that Act, for the words “or 722(1) or (2)” there shall be substituted the words “, 722(1) or (2) or 724(1A) ”.

(3) In section 712(4) of that Act, for the words “and 722” there shall be substituted the words “, 722 and 724(1A) ”.

10 In section 58(10) of the <sup>M128</sup>Finance (No.2) Act 1975, the definition of “trading stock” shall cease to have effect.

#### Marginal Citations

[M128 1975 c. 45.](#)

11 (1) Paragraph 9 above shall be deemed to have come into force on 24th May 1990 but, subject to that,—

(a) in so far as it relates to determinations of profits in accordance with section 83 of the <sup>M129</sup>Finance Act 1989, this Schedule shall apply in relation to any period for which such a determination falls to be made, other than a period for which it falls to be made only by virtue of an election under section 83(5) of the Finance Act 1989, and

(b) in so far as it relates to section 432A of the Taxes Act 1988, this Schedule shall apply to income arising, and disposals occurring, on or after 1st January 1990.

(2) Subject to sub-paragraph (1) above, this Schedule shall be deemed to have come into force on 1st January 1990.

(3) The preceding provisions of this paragraph shall have effect subject to paragraph 12 below.

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M129 1989 c. 26.

- 12 (1) Where at the end of 1989 the assets of an insurance company include securities of a class some of which are regarded as a single 1982 holding, and the rest of which are regarded as a single new holding, for the purposes of corporation tax on chargeable gains—
- (a) at the beginning of 1990 there shall be both a 1982 holding and a new holding of the description mentioned in any paragraph of section 440A(2) of the Taxes Act 1988 within which any of the securities fall at that time (whether or not there would be apart from this sub-paragraph), and
  - (b) the 1982 holding and the new holding of the description mentioned in any such paragraph shall at that time bear to one another the same proportions as the single 1982 holding and the single new holding at the end of 1989.
- (2) For the period beginning with 1st January 1990 and ending with 19th March 1990, section 440(4) of the Taxes Act 1988 (as substituted by paragraph 8 of this Schedule) and section 440A(2) of that Act shall have effect with the omission of paragraph (d) (so that all assets not within paragraphs (a) to (c) fall within paragraph (e)).
- (3) Sub-paragraph (4) below applies where—
- (a) at the end of 19th March 1990 the assets of an insurance company include securities of a class some of which are regarded as a relevant 1982 holding, and others of which are regarded as a relevant new holding, for the purposes of corporation tax on chargeable gains, and
  - (b) some of the securities are included in the company’s long term business fund but others are not;
- and for the purposes of this sub-paragraph a holding is a “relevant” holding if it is not linked to pension business or basic life assurance business and is not an asset of the overseas life assurance fund.
- (4) Where this sub-paragraph applies—
- (a) at the beginning of 20th March 1990 there shall be both a 1982 holding and a new holding of each of the descriptions mentioned in paragraphs (d) and (e) of section 440A(2) of the Taxes Act 1988 (whether or not there would be apart from this sub-paragraph), and
  - (b) the 1982 holding and the new holding of each of those descriptions shall at that time bear to one another the same proportions as the 1982 holding and the new holding mentioned in sub-paragraph (3)(a) above at the end of 19th March 1990.
- (5) Except for the purposes of determining the assets of a company which are linked solely to basic life assurance business, the amendments made by this Schedule shall have effect in relation to a company with the omission of references to overseas life assurance business as respects any time before the provisions of Schedule 7 to this Act have effect in relation to the company.
- (6) Sub-paragraph (7) below applies where—
- (a) the first accounting period of an insurance company beginning on or after 1st January 1990 begins after 20th March 1990,

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- (b) at some time during the accounting period the company carries on overseas life assurance business, and
  - (c) immediately before the beginning of the accounting period the assets of the long term business fund of the company include both a relevant 1982 holding and a relevant new holding of securities of the same class;
- and for the purposes of this sub-paragraph a holding is a “relevant” holding if it is not linked to pension business or basic life assurance business.
- (7) Where this sub-paragraph applies—
- (a) at the beginning of the accounting period there shall be both a 1982 holding and a new holding of each of the descriptions mentioned in paragraphs (c) and (d) of section 440A(2) of the Taxes Act 1988 (whether or not there would be apart from this sub-paragraph), and
  - (b) the 1982 holding and the new holding of each of those descriptions shall at that time bear to one another the same proportions as the 1982 holding and the new holding mentioned in sub-paragraph (6)(c) above immediately before the beginning of the period.
- (8) No disposal or re-acquisition shall be deemed to occur by virtue of section 440 of the Taxes Act 1988 (as substituted by paragraph 8 of this Schedule) by reason only of the coming into force (in accordance with the provisions of paragraph 11 of this Schedule and this paragraph) of any provision of section 440A of that Act.
- (9) The substitution made by paragraph 8 of this Schedule shall not affect—
- (a) the operation of section 440 of the Taxes Act 1988 (as it has effect before the substitution) before 20th March 1990, or
  - (b) the operation of subsections (6) and (7) of that section (as they have effect before the substitution) in relation to the disposal of an asset which has not been deemed to be disposed of by virtue of section 440 (as it has effect after the substitution) before the time of the disposal.
- (10) In this paragraph—
- “1982 holding” has the meaning given by Part II of Schedule 19 to the <sup>M130</sup>Finance Act 1985;
  - “new holding” has the meaning given by Part III of that Schedule; and
  - “securities” has the same meaning as in section 65 of the <sup>M131</sup>Capital Gains Tax Act 1979.

**Marginal Citations**

**M130** 1985 c. 54.

**M131** 1979 c. 14.

SCHEDULE 7

Section 42.

OVERSEAS LIFE ASSURANCE BUSINESS

- 1 In section 76(1)(d) of the Taxes Act 1988, for the words “or pension business” there shall be substituted the words “, pension business or overseas life assurance business”.

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- 2 In section 231(1) of that Act, for the words “and 247” there shall be substituted the words “, 247 and 441A ”.
- 3 For section 441 of that Act there shall be substituted—

**“441 Overseas life assurance business.**

- (1) This section and section 441A shall apply for an accounting period of an insurance company resident in the United Kingdom if during the period the company carries on overseas life assurance business.
- (2) Subject to the provisions of this section and section 441A, profits arising to the company from the overseas life assurance business shall be treated as income within Schedule D, and be chargeable under Case VI of that Schedule, and for that purpose—
  - (a) that business shall be treated separately, and
  - (b) subject to paragraph (a) above, the profits from it shall be computed in accordance with the provisions of this Act applicable to Case I of Schedule D.
- (3) Subsection (2) above shall not apply if the company is charged to corporation tax in accordance with the provisions applicable to Case I of Schedule D in respect of the profits of its life assurance business.
- (4) In making the computation referred to in subsection (2) above—
  - (a) sections 82(1), (2) and (4) and 83 of the Finance Act 1989 shall apply with the necessary modifications and in particular with the omission of the words “tax or” in section 82(1)(a), and
  - (b) there may be set off against the profits any loss, to be computed on the same basis as the profits, which has arisen from overseas life assurance business in any previous accounting period beginning on or after 1st January 1990.
- (5) Section 396 shall not be taken to apply to a loss incurred by a company on overseas life assurance business.
- (6) Nothing in section 128 or 399(1) shall affect the operation of this section.
- (7) Notwithstanding section 337(2), there shall be deductible in computing the profits arising to a company from overseas life assurance business—
  - (a) interest payable by the company under a liability of the long term business, so far as referable to overseas life assurance business, and
  - (b) annuities payable by the company, so far as so referable.
- (8) Gains accruing on the disposal by a company of assets of its overseas life assurance fund shall not be chargeable gains.

**441A Section 441: distributions.**

- (1) Section 208 shall not apply to a distribution in respect of any asset of an insurance company’s overseas life assurance fund.
- (2) Subject to subsection (3) below, an insurance company shall not be entitled under section 231 to a tax credit in respect of such a distribution.

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- (3) A company shall be entitled to such a tax credit if and to the extent that, were the recipient an individual resident in the territory in which the relevant branch or agency is situated, he would be entitled to the credit under arrangements having effect by virtue of section 788.
- (4) For the purposes of subsection (3) above the relevant branch or agency, in the case of a tax credit in respect of a distribution, is—
- (a) where the relevant asset is linked solely to overseas life assurance business—
    - (i) the branch or agency at or through which the company has effected policies or contracts the benefits under which are to be determined by reference to the value of the asset, or
    - (ii) in a case where there is more than one such branch or agency, the branches to which different parts of it are allocated by the company in accordance with subsection (5) below;
  - (b) subject to paragraph (a) above, where the management of the relevant asset is under the control of a person whose normal place of work is at a branch or agency, that branch or agency; and
  - (c) in any other case, the branch or agency to which it is allocated by the company.
- (5) Where policies or contracts the benefits under which are to be determined by reference to the value of an asset within subsection (4)(a) above have been effected at or through more than one branch or agency, different parts of the asset shall be allocated to them so as to secure as far as practicable that the part allocated to each is proportionate to the part of the liabilities in respect of those benefits represented by liabilities under policies or contracts effected at or through it.
- (6) Where the overseas life assurance business carried on at or through a branch or agency in a territory includes—
- (a) reinsurance business which consists of the reinsurance of liabilities of a person resident in another territory, or
  - (b) retrocession business,
- the amount of any tax credit in relation to which the branch or agency is the relevant branch or agency shall be reduced by the proportion which the liabilities of that reinsurance business bear to all the liabilities of the overseas life assurance business carried on at or through the branch or agency.
- (7) Where a company is entitled to an amount of tax credit by virtue of this section the company may claim to have that amount paid to it.
- (8) No franked investment income shall be used under Chapter V of Part VI of this Act to frank a company's distributions if the tax credit (or any part of the tax credit) comprised in it is payable to the company under subsection (7) above."

4 In section 724 of that Act—

- (a) in subsection (3), for the words after "insurance company" there shall be substituted the words " to the extent that the securities transferred are immediately before the transfer referable to a business the profits of which are computed in accordance with section 436 or 441. ", and

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- (b) in subsection (4), for the words after “apply”, in the first place where it occurs, there shall be substituted the words “if the transferee is an insurance company to the extent that the securities transferred are immediately after the transfer referable to a business the profits of which are computed in accordance with section 436 or 441.”

5 After section 804 of that Act there shall be inserted—

**“804A Overseas life assurance business: restriction of credit.**

- (1) Subsection (2) below applies where credit for tax which is payable under the laws of a territory outside the United Kingdom and computed otherwise than wholly by reference to profits arising in that territory is to be allowed (in accordance with this Part) against corporation tax charged by virtue of section 441 in respect of the profits of a company’s overseas life assurance business for an accounting period.
- (2) Where this subsection applies, the amount of the credit shall not exceed the greater of—
- (a) any such part of the tax payable under the laws of the territory outside the United Kingdom as is charged by reference to profits arising in that territory, and
  - (b) the shareholders’ share of the tax so payable.
- (3) For the purposes of subsection (2) above the shareholders’ share of tax payable under the laws of a territory outside the United Kingdom is so much of that tax as is represented by the fraction

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

where—

A is an amount equal to the profits of the company for the period which are chargeable to tax under section 441; and

B is an amount equal to the excess of—

- (a) the amount taken into account as receipts of the company in computing those profits, apart from premiums and sums received by virtue of a claim under a reinsurance contract, over
  - (b) the amounts taken into account as expenses and interest in computing those profits.
- (4) Where there is no such excess as is mentioned in subsection (3) above, or where the profits are greater than any excess, the whole of the tax payable under the laws of the territory outside the United Kingdom shall be the shareholders’ share; and (subject to that) where there are no profits, none of it shall be the shareholders’ share.
- (5) Where, by virtue of this section, the credit for any tax payable under the laws of a territory outside the United Kingdom is less than it otherwise would be, section 795(2)(a) shall not prevent a deduction being made for the difference in computing the profits of the overseas life assurance business.”



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6 After Schedule 19 to the Taxes Act 1988 there shall be inserted—

“SCHEDULE 19AA

Section 431.

OVERSEAS LIFE ASSURANCE FUND

- 1 (1) This Schedule shall have effect for determining for the purposes of this Chapter the assets of a company which are the assets of its overseas life assurance fund.
- (2) The Treasury may by order amend any of the following provisions of this Schedule.
- 2 (1) Assets of a company at the end of a period of account which—
  - (a) were assets of the overseas life assurance fund at the end of the immediately preceding period of account, and
  - (b) are assets of the long term business fund of the company throughout the period,shall be assets of the overseas life assurance fund throughout the period.
- (2) Where in a period of account assets of a company which were assets of the overseas life assurance fund at the end of the immediately preceding period of account are disposed of by the company, or otherwise cease to be assets of the long term business fund of the company, they shall be assets of the overseas life assurance fund from the beginning of the period until they are disposed of or, as the case may be, they cease to be assets of the long term business fund.
- (3) Where—
  - (a) in any period of account assets are acquired by a company as assets of the long term business fund, or otherwise become assets of that fund,
  - (b) the assets are disposed of by the company, or otherwise cease to be assets of that fund, later in the same period,
  - (c) throughout the part of the period during which the assets are assets of the long term business fund they are either—
    - (i) linked solely to the overseas life assurance business of the company, or
    - (ii) assets within paragraph 5(5)(c) below, and
  - (d) it is appropriate having regard to all the circumstances (including a comparison between the relationship of the value of the assets of the overseas life assurance fund and the liabilities of the overseas life assurance business and that of the value of the assets of the long term business fund and the liabilities of the company’s long term business) that they be assets of the overseas life assurance fund,they shall be assets of the overseas life assurance fund for the part of the period during which they are assets of the long term business fund.
- 3 (1) Where the value of the assets mentioned in paragraph 2(1) above at the end of the period is less than the amount mentioned in paragraph 4 below (or where there are no assets within paragraph 2(1)), assets which—
  - (a) are assets of the long term business fund of the company at the end of the period,

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- (b) have a value at that time equal to the difference (or to that amount), and
  - (c) are designated in accordance with paragraph 5 below,

shall become assets of the overseas life assurance fund at the relevant time.
- (2) In sub-paragraph (1) above “the relevant time” means—
  - (a) where the asset is not an asset of the long term business fund of the company throughout the period, the time when it became such an asset, and
  - (b) in any other case, the end of the period.
- (3) Where the value of the assets mentioned in paragraph 2(1) above at the end of the period is greater than the amount mentioned in paragraph 4 below, assets which—
  - (a) are assets of the long term business fund of the company at the end of the period,
  - (b) have a value at that time equal to the difference, and
  - (c) are designated in accordance with paragraph 5 below,

shall cease to be assets of the overseas life assurance fund at the end of the period.
- 4 (1) The amount referred to in paragraph 3 above is the aggregate of—
  - (a) the liabilities of the company’s overseas life assurance business at the end of the period of account, and
  - (b) the appropriate part of the investment reserve at that time.
- (2) In sub-paragraph (1)(b) above the “appropriate part”, in relation to the investment reserve, means—
  - (a) where all of the liabilities of the long term business are linked liabilities, the part of that reserve which bears to the whole the same proportion as the amount of the liabilities of the overseas life assurance business bears to the whole amount of the liabilities of the long term business,
  - (b) where any of the liabilities of the long term business are not linked liabilities but none (or none but an insignificant proportion) are with-profits liabilities, the part of that reserve which bears to the whole the same proportion as the amount of the liabilities of the overseas life assurance business which are not linked liabilities bears to the whole amount of the liabilities of the long term business which are not linked liabilities, and
  - (c) in any other case, the part of that reserve which bears to the whole the same proportion as the amount of the with-profits liabilities of the overseas life assurance business bears to the whole amount of the with-profits liabilities of the long term business;

and in this sub-paragraph “linked liabilities” means liabilities in respect of benefits to be determined by reference to the value of linked assets.
- 5 (1) Any designation of assets required for the purposes of paragraph 3 above shall be made by a company in accordance with the following provisions of this paragraph.

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- (2) When designating assets for the purposes of paragraph 3(1) above, a company shall not designate an asset falling within any paragraph of sub-paragraph (5) below unless it designates all assets falling within each of the preceding paragraphs of that sub-paragraph.
- (3) When designating assets for the purposes of paragraph 3(3) above, a company shall not designate an asset falling within any paragraph of sub-paragraph (5) below unless it designates all assets falling within each of the succeeding paragraphs of that sub-paragraph.
- (4) When an asset falls within more than one paragraph of sub-paragraph (5) below, it shall be taken for the purposes of this paragraph to fall only within the first of them.
- (5) The categories of assets referred to in sub-paragraphs (2) and (3) above are—
  - (a) assets linked solely to overseas life assurance business;
  - (b) so many of any assets denominated in an overseas currency, other than any non-overseas linked assets, as have a value at the end of the period not exceeding the amount of the company's liabilities in respect of benefits expressed in that currency so far as referable to overseas life assurance business;
  - (c) assets the management of which is under the control of a person whose normal place of work is at a branch or agency at or through which the company carries on overseas life assurance business;
  - (d) securities issued by the Treasury with a FOTRA condition and securities to which section 581 of this Act applies;
  - (e) assets not within paragraph (f) below;
  - (f) shares in companies resident in the United Kingdom;but assets linked solely to pension business or basic life assurance business are not within any paragraph of this sub-paragraph (and may not be designated for the purposes of paragraph 3 above).
- (6) For the purposes of sub-paragraph (5)(b) above assets are “non-overseas linked assets” if they are linked assets and none of the policies or contracts providing for the benefits concerned are policies or contracts the effecting of which constitutes the carrying on of overseas life assurance business.
- (7) For the purposes of sub-paragraph (5)(d) above securities are issued with a FOTRA condition if—
  - (a) they are issued with the condition that the interest on the securities shall not be liable to income tax so long as it is shown, in a manner directed by the Treasury, that the securities are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom, or
  - (b) they are issued with the condition mentioned in section 22(1) of the Finance (No.2) Act 1931 whether or not modified by virtue of section 60(1) of the Finance Act 1940.”

7 In paragraph 3(4) of Schedule 28 to the Taxes Act 1988, for the words from “life assurance business,” to “the unindexed gain,” there shall be substituted the words “life assurance business,—

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- (a) a profit arising from general annuity business and attributable to a material disposal falls (or would but for the reference to offshore income gains in section 437(2) fall) to be taken into account in the computation under section 436, or
- (b) a profit arising from overseas life assurance business and attributable to a material disposal falls to be taken into account in the computation under section 441,

the unindexed gain,”.

- 8 In section 84(1) of the <sup>M132</sup>Finance Act 1989, for the words “and pension business” there shall be substituted the words “, pension business and overseas life assurance business”.

**Marginal Citations**

[M132 1989 c. 26.](#)

- 9 In section 28 of the <sup>M133</sup>Capital Allowances Act 1990—
- (a) in subsection (1), after the words “subsection (2)” there shall be inserted the words “or (2A)”,
  - (b) in subsection (2), the words “Subject to subsection (2A) below,” shall be inserted at the beginning,
  - (c) after subsection (2) there shall be inserted—
    - “(2A) Where a company carrying on the business of life assurance is charged to tax under section 441 of the principal Act in respect of the profits of the overseas life assurance business for an accounting period—
    - (a) any allowance in respect of expenditure on the provision of machinery or plant for use for the management of the overseas life assurance business which falls to be made for the period by virtue of this section shall be given effect by treating it as an expense of that business for that period, and
    - (b) any charge in respect of such expenditure which falls to be so made shall be given effect by treating it as a receipt of that business for that period;

and sections 73, 144 and 145, and section 75(4) of the principal Act, shall not apply.”, and
  - (d) in subsection (5), after the words “subsection (2)” there shall be inserted the words “or (2A)”.

**Marginal Citations**

[M133 1990 c. 1.](#)

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- 10 (1) This Schedule shall apply for accounting periods beginning on or after 1st January 1990; and paragraph 9 above shall apply for accounting periods beginning on or after that date and ending on or before 5th April 1990 as well as for later accounting periods.
- (2) In relation to the first period of account of an insurance company beginning on or after 1st January 1990, the assets of the company which—
- (a) are assets of the long term business fund of the company at the beginning of the period,
  - (b) have a value at that time equal to the amount mentioned in paragraph 4 of Schedule 19AA to the Taxes Act 1988, and
  - (c) are designated in accordance with paragraph 5 of that Schedule (on the same basis as a designation required for the purposes of paragraph 3(1) of that Schedule),

shall be treated for the purposes of sub-paragraphs (1) and (2) of paragraph 2 of that Schedule as if they were the assets of the overseas life assurance fund at the end of the immediately preceding period of account.

## SCHEDULE 8

Section 46.

### INSURANCE COMPANIES: HOLDINGS OF UNIT TRUSTS ETC.

#### *General*

- 1 In this Schedule—<sup>[F14]</sup>(1)
- (a) “section 46 assets” means rights under authorised unit trusts and relevant interests in offshore funds which are assets of a company’s long term business fund;
  - (b) “linked section 46 assets” means section 46 assets which are linked assets;
  - (c) “relevant linked liabilities”, in relation to a company, means such of the liabilities of its <sup>[F15]</sup>basic life assurance and general annuity business] as are liabilities in respect of benefits under pre-commencement policies <sup>[F16]</sup>or contracts] , being benefits to be determined by reference to the value of linked assets;
  - <sup>[F17]</sup>(d) “pre-commencement policies or contracts” means—
    - (i) policies issued in respect of insurances made before 1st April 1990, and
    - (ii) annuity contracts made before that date,but excluding policies or annuity contracts varied on or after that date so as to increase the benefits secured or to extend the term of the insurance or annuity (any exercise of rights conferred by a policy or annuity contract being regarded for this purpose as a variation);
  - <sup>[F17]</sup>(e) “basic life assurance and general annuity business” means life assurance business, other than pension business and overseas life assurance business.]

- <sup>[F18]</sup>(2) The assets which are to be regarded for the purposes of this Schedule as linked solely to an insurance company’s basic life assurance and general annuity business at any

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time before the first accounting period of the company which begins on or after 1st January 1992 are all the assets which at that time—

- (a) are or were linked solely to the company's basic life assurance business or general annuity business, or
- (b) although not falling within paragraph (a) above, would be, or would have been, regarded as linked solely to the company's basic life assurance business, were its general annuity business treated as forming, or having at all times formed, part of its basic life assurance business and as not being a separate category of business.]

#### Textual Amendments

- F14** Sch. 8 para. 1: "(1)" inserted(*retrospectively*) by Finance Act 1991 (c. 31, SIF 63:1), s. 48, **Sch. 7 para. 15(1)(2)**.
- F15** Words in Sch. 8 para. 1(c) substituted(*retrospectively*) by Finance Act 1991 (c. 31, SIF 63:1), s. 48, **Sch. 7 para. 15(1)(2)(a)**.
- F16** Words in Sch. 8 para. 1(c) inserted(*retrospectively*) by Finance Act 1991 (c. 31, SIF 63:1), s. 48, **Sch. 7 para. 15(1)(2)(b)**.
- F17** Sch. 8 para. 1(1)(d)(e) substituted(*retrospectively*) for para. (d) by Finance Act 1991 (c. 31, SIF 63:1), s. 48, **Sch. 7 para. 15(1)(3)**.
- F18** Sch. 8 para. 1(2) added(*retrospectively*) by Finance Act 1991 (c. 31, SIF 63:1), s. 48, **Sch. 7 para. 15(1)(4)**.

#### *Exemption for certain linked assets*

- 2 (1) Where within two years after the end of an accounting period an insurance company makes a claim for the purpose in relation to the period, section 46(1) of this Act shall not apply at the end of the period to so much of any class of linked assets as it would otherwise apply to and as represents relevant linked liabilities.
- (2) For the purposes of sub-paragraph (1) above assets of any class shall be taken to represent relevant linked liabilities only to the extent that their value does not exceed the fraction set out in sub-paragraph (3) below of such of the company's relevant linked liabilities as are liabilities in respect of benefits to be determined by reference to the value of assets of that class.
- (3) The fraction referred to in sub-paragraph (2) above is—

$$\frac{AxCx110}{BxDx100}$$

where—

A is the amount at the end of 1989 of such of the company's relevant linked liabilities as are liabilities in respect of benefits to be determined by reference to the value of linked section 46 assets;

B is the amount of the company's relevant linked liabilities at that time;

C is the amount of the company's relevant linked liabilities at the end of the accounting period for which the claim is made;

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D is the amount at the end of that period of such of the company's relevant linked liabilities as are liabilities in respect of benefits to be determined by reference to the value of linked section 46 assets.

### *Replacement of assets*

- 3 (1) Subject to sub-paragraph (2) below, paragraph 4 below applies where—
- (a) after the end of 1989 an insurance company exchanges section 46 assets (“the old assets”) for other assets (“the new assets”) to be held as assets of the long term business fund,
  - (b) the new assets are not section 46 assets but are assets on the disposal of which any gains accruing would be chargeable gains,
  - (c) both the old assets and the new assets are linked solely to [F19]basic life assurance and general annuity business], or both are neither linked solely to [F19]basic life assurance and general annuity business] or pension business nor assets of the overseas life assurance fund, and
  - (d) the company makes a claim for the purpose within two years after the end of the accounting period in which the exchange occurs.
- (2) Sub-paragraph (1) above shall have effect in relation to old assets only to the extent that their amount, when added to the amount of any assets to which paragraph 4 below has already applied and which are assets of the same class, does not exceed the aggregate of—
- (a) the amount of the assets of the same class included in the long term business fund at the beginning of 1990, other than assets linked solely to pension business and assets of the overseas life assurance fund, and
  - (b) 110 per cent. of the amount of the assets of that class which represents any subsequent increases in the company's relevant linked liabilities in respect of benefits to be determined by reference to the value of assets of that class.
- (3) The reference in sub-paragraph (2)(b) above to a subsequent increase in liabilities is a reference to any amount by which the liabilities at the end of an accounting period ending after 31st December 1989 exceed those at the beginning of the period (or at the end of 1989 if that is later); and for the purposes of that provision the amount of assets which represents an increase in liabilities is the excess of—
- (a) the amount of assets whose value at the later time is equivalent to the liabilities at that time, over
  - (b) the amount of assets whose value at the earlier time is equivalent to the liabilities at that time.

#### **Textual Amendments**

**F19** Words in [Sch. 8 para. 3\(1\)\(c\)](#) substituted(*retrospectively*) by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), s. 48, [Sch. 7 para. 15\(1\)\(5\)](#).

- 4 Where this paragraph applies, the insurance company (but not any other party to the exchange) shall be treated for the purposes of corporation tax on capital gains as if the exchange had not involved a disposal of the old assets or an acquisition

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of the new, but as if the old and the new assets were the same assets acquired as the old assets were acquired.

- 5           References in paragraphs 3 and 4 above to the exchange of assets include references to the case where the consideration obtained for the disposal of assets (otherwise than by way of an exchange within paragraph 3(1)) is applied in acquiring other assets within six months after the disposal; and for the purposes of those paragraphs the time when an exchange occurs shall be taken to be the time when the old assets are disposed of.

### *Supplementary*

- 6           (1) This paragraph applies where at any time after the end of 1989 there is a transfer of long term business of an insurance company (“the transferor”) to another company (“the transferee”) in accordance with a scheme sanctioned by a court under section 49 of the <sup>M134</sup>Insurance Companies Act 1982.
- (2) Where the transfer is of the whole of the long term business of the transferor, the preceding provisions of this Schedule shall have effect in relation to the assets of the transferee as if that business had at all material times been carried on by him.
- (3) Where the transfer is of part of the long term business of the transferor, those provisions shall have effect in relation to assets of the transferor and the transferee to such extent as is appropriate.
- (4) Any question arising as to the operation of sub-paragraph (3) above shall be determined by the Special Commissioners who shall determine the question in the same manner as they determine appeals; but both the transferor and the transferee shall be entitled to appear and be heard or to make representations in writing.

#### **Marginal Citations**

**M134** 1982 c. 50.

## SCHEDULE 9

Section 48.

### INSURANCE COMPANIES: TRANSFERS OF LONG TERM BUSINESS

#### *Capital gains*

- 1           After section 267 of the Taxes Act 1970 there shall be inserted—

**“267A Insurance companies: transfers of business.**

- (1) This section applies where there is a transfer of the whole or part of the long term business of an insurance company (“the transferor”) to another



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company (“the transferee”) in accordance with a scheme sanctioned by a court under section 49 of the Insurance Companies Act 1982.

(2) Subject to subsection (3) below, where this section applies section 267 above shall not be prevented from having effect in relation to any asset included in the transfer by reason that—

- (a) the transfer is not part of a scheme of reconstruction or amalgamation,
- (b) the condition in paragraph (c) of subsection (1) of that section is not satisfied, or
- (c) the asset is within subsection (2) of that section;

and where section 267 above applies by virtue of paragraph (a) above the references in subsection (3A) of that section to the reconstruction or amalgamation shall be construed as references to the transfer.

(3) Section 267 above shall not have effect in relation to an asset by virtue of subsection (2) above unless—

- (a) any gain accruing to the transferor—
  - (i) on the disposal of the asset in accordance with the scheme, or
  - (ii) where that disposal occurs after the transfer of business has taken place, on a disposal of the asset immediately before that transfer, and
- (b) any gain accruing to the transferee on a disposal of the asset immediately after its acquisition in accordance with the scheme,

would be a chargeable gain which would form part of its profits for corporation tax purposes (and would not be a gain on which, under any double taxation arrangements having effect by virtue of section 788 of the Taxes Act 1988, it would not be liable to tax).”

2 In section 127 of the <sup>M135</sup>Finance Act 1989, after subsection (3) (deemed disposal and reacquisition where a person ceases to carry on trade in United Kingdom through branch or agency) there shall be inserted—

“(3A) Subsection (3)

above shall not apply to an asset by reason of a transfer of the whole or part of the long term business of an insurance company to another company if section 267 of the Taxes Act 1970 has effect in relation to the asset by virtue of section 267A of that Act.”

#### Marginal Citations

M135 1989 c. 26.

#### Accounting periods

3 In section 12 of the Taxes Act 1988, after subsection (7) there shall be inserted—

“(7A) Notwithstanding anything in subsections (1) to (7) above, where there is a transfer of the whole or part of the long term business of an insurance

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company to another company in accordance with a scheme sanctioned by a court under section 49 of the Insurance Companies Act 1982, an accounting period of the company from which the business is transferred shall end with the day of the transfer.”

*Expenses of management and losses*

4 The following section shall be inserted after section 444 of the Taxes Act 1988—

**“444A Transfers of business.**

- (1) Subject to the following provisions of this section, this section applies where there is a transfer of the whole or part of the long term business of an insurance company (“the transferor”) to another company (“the transferee”) in accordance with a scheme sanctioned by a court under section 49 of the Insurance Companies Act 1982.
- (2) Any expenses of management which (assuming the transferor had continued to carry on the business transferred after the transfer) would have been deductible by the transferor under sections 75 and 76 in computing profits for an accounting period following the period which ends with the day on which the transfer takes place shall, instead, be treated as expenses of management of the transferee (and deductible in accordance with those sections, as modified in the case of acquisition expenses by section 86(6) to (9) of the Finance Act 1989 and in the case of expenses to which subsection (6) or (7) of section 87 of that Act applies by that subsection).
- (3) Any loss which (assuming the transferor had continued to carry on the business transferred after the transfer)—
  - (a) would have been available under section 436(3)(c) to be set off against profits of the transferor for the accounting period following that which ends with the day on which transfer takes place, or
  - (b) where in connection with the transfer the transferor also transfers the whole or part of any overseas life assurance business, would have been so available under section 441(4)(b),
 shall, instead, be treated as a loss of the transferee (and available to be set off against profits of the same class of business as that in which it arose).
- (4) Where acquisition expenses are treated as expenses of management of the transferee by virtue of subsection (2) above, the amount deductible for the first accounting period of the transferee ending after the transfer takes place shall be calculated as if that accounting period began with the day after the transfer.
- (5) Where the transfer is of part only of the transferor’s long term business, subsection (2) or (3) above shall apply only to such part of any amount to which it would otherwise apply as is appropriate.
- (6) Any question arising as to the operation of subsection (5) above shall be determined by the Special Commissioners who shall determine the question in the same manner as they determine appeals; but both the transferor and transferee shall be entitled to appear and be heard or to make representations in writing.

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- (7) Subject to subsection (8) below, this section shall not apply unless the transfer is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to corporation tax.
- (8) Subsection (7) above shall not affect the operation of this section in any case where, before the transfer, the Board have, on the application of the transferee, notified the transferee that the Board are satisfied that the transfer will be effected for bona fide commercial reasons and will not form part of any scheme or arrangements such as are mentioned in that subsection; and subsections (2) to (5) of section 88 of the 1979 Act shall have effect in relation to this subsection as they have effect in relation to subsection (1) of that section.”

### *Capital allowances*

5 After section 152 of the <sup>M136</sup>Capital Allowances Act 1990 there shall be inserted—

#### **“152A Insurance companies: transfers of business.**

- (1) This section applies where assets are transferred as part of, or in connection with, a transfer of the whole or part of the long term business of an insurance company (“the transferor”) to another company (“the transferee”) in accordance with a scheme sanctioned by a court under section 49 of the Insurance Companies Act 1982.
- (2) Where this section applies—
- (a) there shall be made, in accordance with this Act, to or on the transferee (instead of the transferor) any such allowances and charges as would have fallen to be made to or on the transferor; and
  - (b) the amount of any such allowance or charge shall be computed as if everything done to or by the transferor had been done to or by the transferee (but so that no sale or transfer of assets which is made to the transferee by the transferor shall be treated as giving rise to any such allowance or charge).”

#### **Marginal Citations**

M136 1990 c. 1.

### *Transfer to friendly society*

6 In section 460 of the Taxes Act 1988, after subsection (10) there shall be inserted—

- “(10A) Where at any time there is a transfer of the whole or part of the long term business of an insurance company to a friendly society in accordance with a scheme sanctioned by a court under section 49 of the Insurance Companies Act 1982, any life or endowment business which relates to contracts included in the transfer shall not thereafter be tax exempt life or endowment business for the purposes of this Chapter.”

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### *Commencement*

- 7 This Schedule shall apply to transfers of business taking place on or after 1st January 1990; and (subject to that) the amendment made by paragraph 5 of this Schedule shall apply in relation to accounting periods ending on or before 5th April 1990 as well as in relation to later accounting periods.

## SCHEDULE 10

Section 56.

### CONVERTIBLE SECURITIES

#### PART I

#### INTRODUCTION

#### *Qualifying provision for redemption*

- 1 For the purposes of this Schedule a qualifying provision for redemption, in relation to a security, is a provision which—
- (a) provides for redemption before maturity only at the option of the person holding the security for the time being,
  - (b) provides for such redemption on one occasion only,
  - (c) provides for such redemption to occur on the last day of an income period, and
  - (d) is such that the amount payable on redemption on exercise of the option is fixed (as opposed to variable), is determined at the time the security becomes subject to the provision, and constitutes a deep gain.

#### *Qualifying convertible securities*

- 2 (1) For the purposes of this Schedule a security is a qualifying convertible security at the time of its issue if—
- (a) it fulfils each of the first eight conditions mentioned below, and
  - (b) it fulfils the ninth condition mentioned below (where it applies) or it fulfils the ninth and tenth conditions mentioned below (where they apply).
- (2) The first condition is that the security was issued by a company on or after 9th June 1989.
- (3) The second condition is that the security—
- (a) is not a share in a company,
  - (b) is redeemable, and
  - (c) was not issued in circumstances such that, by virtue of section 209(2)(c) of the Taxes Act 1988, it (or part of it) constituted or fell within a distribution of a company.

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- (4) The third condition is that at the time the security was issued it was quoted in the official list of a recognised stock exchange.
- (5) The fourth condition is that under the terms of issue—
  - (a) the security can be converted into ordinary share capital in the company which issued it,
  - (b) the security either carries no right to interest, or carries a right to interest at a rate which is fixed (as opposed to variable) and determined at the time of issue, and
  - (c) any amount payable on redemption (at any time), and any amount payable by way of interest, is payable in the currency in which the issue price is denominated.
- (6) The fifth condition is that at the time of issue of the security it is subject to one (and one only) qualifying provision for redemption.
- (7) The sixth condition is that the yield to redemption for the relevant redemption period represents no more than a reasonable commercial return; and the relevant redemption period is the redemption period which ends with the day on which the occasion for redemption under the qualifying provision for redemption falls.
- (8) The seventh condition is that the security—
  - (a) is a deep discount security but would not be one if it were not for the qualifying provision for redemption, or
  - (b) is a deep gain security but would not be one if it were not for the qualifying provision for redemption;and paragraph 21 of Schedule 4 to the Taxes Act 1988, and paragraph 22B(1) of Schedule 11 to the <sup>M137</sup>Finance Act 1989, shall be ignored in construing paragraphs (a) and (b) above.
- (9) The eighth condition is that the obtaining of a tax advantage by any person was not the main benefit, or one of the main benefits, that might be expected to accrue from issuing the security.
- (10) The ninth condition applies where the security carries a right to interest, and is that—
  - (a) the first (or only) interest payment day falls on a day which bears the same date in the month as the day of issue bears, but which occurs in the sixth month after the month in which that day falls, or
  - (b) the first (or only) interest payment day falls on the first anniversary of the day of issue.
- (11) The tenth condition applies where there is more than one interest payment day, and is that—
  - (a) if sub-paragraph (10)(a) above applies, each interest payment day (other than the first) falls on a day which bears the same date in the month as the interest payment day immediately preceding it bears, but which occurs in the sixth month after the month in which that day falls;
  - (b) if sub-paragraph (10)(b) above applies, each interest payment day (other than the first) falls on the first anniversary of the interest payment day immediately preceding it.
- (12) If a security is quoted in the official list of a recognised stock exchange at a time after it was issued but before the end of the qualifying period, for the purposes of sub-

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paragraph (4) above it shall be deemed to have been quoted in that list at the time it was issued; and the qualifying period is the period of one month beginning with the day on which the security was issued.

#### Marginal Citations

M137 1989 c. 26.

#### *Events after issue*

- 3 (1) A security which was a qualifying convertible security at the time of its issue shall continue to be a qualifying convertible security for the purposes of this Schedule.
- (2) But sub-paragraph (1) above shall have effect subject to paragraphs 4(2) and 5(2) below.

#### *Securities becoming subject to later options*

- 4 (1) This paragraph applies where—
- (a) a security becomes at any time (the time in question) subject to a qualifying provision for redemption (the new provision), and
  - (b) immediately before that time it was a qualifying convertible security.
- (2) If the relevant requirement is not satisfied, the security shall cease to be a qualifying convertible security for the purposes of this Schedule at the time in question.
- (3) For the purposes of this paragraph the relevant requirement is satisfied if—
- (a) the security becomes subject to the new provision on or after the relevant day but not after the day on which the occasion for redemption under the old provision falls,
  - (b) the person who issued the security did not indicate, at any time falling before the relevant day, that the security might become subject to a qualifying provision for redemption (in addition to any other such provision or provisions),
  - (c) the day on which the occasion for redemption under the new provision falls is not less than one year after the day on which the occasion for redemption under the old provision falls,
  - (d) the amount payable on redemption on exercise of the option for which the new provision provides is not less than the amount payable on redemption on exercise of the option for which the old provision provides,
  - (e) the yield to redemption for the relevant redemption period represents no more than a reasonable commercial return, and
  - (f) the obtaining of a tax advantage by any person is not the main benefit, or one of the main benefits, that might be expected to accrue from the new provision.
- (4) For the purposes of this paragraph the relevant day is the day falling 30 days before the day on which the occasion for redemption under the old provision falls.

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- (5) For the purposes of this paragraph the old provision is—
- (a) if the security became subject to one other qualifying provision for redemption before the time in question, that provision, or
  - (b) if the security became subject to more than one qualifying provision for redemption before the time in question, the one to which it last became subject.
- (6) For the purposes of this paragraph the relevant redemption period is the redemption period which ends with the day on which the occasion for redemption under the new provision falls.

*Other later events in relation to securities*

- 5 (1) This paragraph applies where—
- (a) a prohibited event occurs in relation to a security at any time (the time in question), and
  - (b) immediately before that time it was a qualifying convertible security.
- (2) The security shall cease to be a qualifying convertible security for the purposes of this Schedule at the time in question.
- (3) For the purposes of this paragraph, a prohibited event occurs in relation to a security if—
- (a) it ceases to be quoted in the official list of a recognised stock exchange,
  - (b) it becomes subject to a provision under which it carries a right to interest at a rate which is variable or falls to be determined at a time other than issue (or both),
  - (c) it becomes subject to a provision under which any amount payable on redemption (at any time) is payable in a currency different from that in which the issue price is denominated,
  - (d) it becomes subject to a provision under which any amount payable by way of interest is payable in a currency different from that in which the issue price is denominated,
  - (e) it becomes subject to a provision which would be a qualifying provision for redemption but for the fact that one or more of sub-paragraphs (b) to (d) of paragraph 1 above is (or are) not fulfilled as regards the provision, or
  - (f) there is a time when more than 10 per cent. of the securities issued under the relevant prospectus are held by companies which are linked companies at that time.
- (4) For the purposes of sub-paragraph (3)(f) above the relevant prospectus is the prospectus under which the security concerned was issued.
- (5) For the purposes of sub-paragraph (3)(f) above, the question whether companies are linked companies at a particular time shall be determined in accordance with paragraph 4 of Schedule 11 to the <sup>M138</sup>Finance Act 1988.

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### *Deep gain*

- 6 (1) For the purposes of this Schedule the amount payable on redemption, on exercise of the option under a provision for redemption (the provision concerned), constitutes a deep gain if it constitutes such a gain by virtue of sub-paragraph (2) or (4) below (or both).
- (2) The amount payable on redemption (on exercise of the option under the provision concerned) constitutes a deep gain if the issue price of the security is less than the amount so payable, and the amount by which it is less represents more than—
- (a) 15 per cent. of the amount so payable, or
  - (b) half Y per cent. of the amount so payable, where Y is the number of complete years between the day of issue and the day on which the occasion for redemption under the provision concerned falls.
- (3) Sub-paragraph (4) below applies where the security became subject to—
- (a) a qualifying provision for redemption (the prior provision), or
  - (b) qualifying provisions for redemption (the prior provisions),
- before it became subject to the provision concerned.
- (4) The amount payable on redemption (on exercise of the option under the provision concerned) constitutes a deep gain if the base amount is less than the amount so payable, and the amount by which it is less represents more than—
- (a) 15 per cent. of the amount so payable, or
  - (b) half Y per cent. of the amount so payable, where Y is the number of complete years between the base day and the day on which the occasion for redemption under the provision concerned falls.
- (5) For the purposes of sub-paragraph (4) above—
- (a) the base amount is the amount payable on redemption on exercise of the option provided for by the prior provision (if there is only one) or the last of the prior provisions (if there are two or more), and
  - (b) the base day is the day on which the occasion for redemption falls under the prior provision (if there is only one) or the last of the prior provisions (if there are two or more).
- (6) For the purposes of sub-paragraph (5) above the last of the prior provisions is the one to which the security last became subject.

### *Income period*

- 7 (1) This paragraph applies for the purposes of this Schedule.
- (2) In relation to a security which carries a right to interest each of the following is an income period—
- (a) the period beginning with the day of issue and ending with the first (or only) interest payment day, and
  - (b) any period beginning with the day after one interest payment day and ending with the next interest payment day.



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- (3) In relation to a security which does not carry a right to interest each of the following is an income period—
- (a) the period beginning with the day of issue and ending with the first relevant day, and
  - (b) the period beginning with the day after one relevant day and ending with the next relevant day.
- (4) For the purposes of sub-paragraph (3) above each day on which an anniversary of the day of issue falls is a relevant day.

#### *Redemption period*

- 8 (1) For the purposes of this Schedule each of the following is a redemption period in relation to a security—
- (a) the period beginning with the day of issue and ending with the day on which the first (or only) relevant redemption occasion falls, and
  - (b) any period beginning with the day after the day on which one relevant redemption occasion falls and ending with the day on which the next relevant redemption occasion falls.
- (2) For the purposes of sub-paragraph (1) above a relevant redemption occasion is an occasion for redemption under a qualifying provision for redemption.

#### *Yield to redemption*

- 9 (1) For the purposes of this Schedule the yield to redemption for a redemption period is a rate (expressed as a percentage) such that if a sum equal to the relevant amount were to be invested at that rate on the assumption that—
- (a) the rate would be applied on a compounding basis at the end of each relevant income period, and
  - (b) the amount of any interest payable in respect of a relevant income period would be deducted after applying the rate,
- the value of that sum on the relevant redemption day would be equal to the amount payable on redemption of the security on that day under the relevant redemption provision.
- (2) For the purposes of this paragraph the relevant amount is the issue price, in a case where the redemption period concerned is the period falling within paragraph 8(1)(a) above.
- (3) For the purposes of this paragraph the relevant amount is the amount payable on redemption on the last relevant occasion, in a case where the redemption period concerned is one falling within paragraph 8(1)(b) above; and the last relevant occasion is the occasion for redemption, under a qualifying provision for redemption, last occurring before the redemption period begins.
- (4) For the purposes of this paragraph—
- (a) a relevant income period is any income period which consists of or falls within the redemption period,

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- (b) the relevant redemption day is the last day of the redemption period, and
- (c) the relevant redemption provision is the qualifying provision for redemption providing for redemption on that day.

*Transfer etc.*

- 10 (1) This paragraph applies for the purposes of this Schedule.
- (2) “Transfer”, in relation to a security, means transfer by way of sale, exchange, gift or otherwise.
- (3) But (notwithstanding sub-paragraph (2) above) “transfer” does not include a transfer made on a conversion of a security into ordinary share capital in a company.
- (4) Where an agreement for the transfer of a security is made, it is transferred, and the person to whom it is agreed to be transferred becomes entitled to it, when the agreement is made and not on a later transfer made pursuant to the agreement; and “entitled”, “transfer” and cognate expressions shall be construed accordingly.
- (5) A person holds a security at a particular time if he is entitled to it at the time.
- (6) A person acquires a security when he becomes entitled to it.
- (7) If an agreement is conditional (whether on the exercise of an option or otherwise) for the purposes of sub-paragraph (4) above it is made when the condition is satisfied.

*Miscellaneous*

- 11 (1) This paragraph applies for the purposes of this Schedule.
- (2) In relation to a security—
- (a) the amount payable (or paid) on redemption does not include any amount payable (or paid) by way of interest,
  - (b) the day of issue is the day on which the security is issued, and
  - (c) an interest payment day is a day on which interest is payable under the security.
- (3) A deep discount security is a security which is a deep discount security for the purposes of Schedule 4 to the Taxes Act 1988.
- (4) A deep gain security is a security which is a deep gain security for the purposes of Schedule 11 to the <sup>M139</sup>Finance Act 1989.
- (5) Ordinary share capital, in relation to a company, means any share capital (by whatever name called) of the company, other than capital the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company.
- (6) “Tax advantage” has the meaning given by section 709(1) of the Taxes Act 1988.

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### Marginal Citations

M139 1989 c. 26.

## PART II

### CHARGE TO TAX

#### *The charge*

- 12 (1) For the purposes of this Part of this Schedule a chargeable event occurs if, on or after 9th June 1989, there is a transfer of a security and at the time of the transfer the security—
- (a) is a qualifying convertible security, and
  - (b) is subject to at least one qualifying provision for redemption under which the occasion for redemption has not arrived.
- (2) For the purposes of this Part of this Schedule a chargeable event also occurs if—
- (a) a person holding a security redeems it on or after 9th June 1989,
  - (b) immediately before the redemption the security is a qualifying convertible security, and
  - (c) the redemption is made in exercise of the option for redemption under a qualifying provision for redemption to which the security is subject.
- (3) For the purposes of this Part of this Schedule the chargeable person is the person making the transfer or exercising the option (as the case may be).
- (4) Where a chargeable event occurs—
- (a) the chargeable amount shall be treated as income of the chargeable person,
  - (b) the income shall be chargeable to tax under Case III or Case IV (as the case may be) of Schedule D,
  - (c) the income shall be treated as arising in the year of assessment in which the chargeable event occurs, and
  - (d) notwithstanding anything in sections 64 to 67 of the Taxes Act 1988, the tax shall be computed on the income arising in the year of assessment for which the computation is made.

#### *Chargeable amount*

- 13 (1) For the purposes of paragraph 12 above the chargeable amount is—
- (a) the amount obtained on transfer or redemption, in a case where that amount is equal to or less than the total income element;
  - (b) so much of the amount obtained on transfer or redemption as is equal to the total income element, in a case where that amount is greater than that element.

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- (2) For the purposes of this paragraph the amount obtained on transfer or redemption is the amount obtained, in respect of the transfer or redemption, by the person making the transfer or (as the case may be) the person who was entitled to the security immediately before redemption.
- (3) For the purposes of sub-paragraph (2) above the person concerned shall be treated as obtaining in respect of the transfer or redemption—
- (a) any amount he actually obtains in respect of it, and
  - (b) any amount he is entitled to obtain, but does not obtain, in respect of it.
- (4) Sub-paragraph (3) above shall not apply where paragraph 16, 17 or 18(2) below applies.

*Total income element*

- 14 (1) The total income element for the purposes of paragraph 13 above shall be determined by—
- (a) finding the income element for each income period (if any) the whole of which consists of or falls within the ownership period, and
  - (b) finding the partial income element for each income period (if any) a part of which consists of or falls within the ownership period.
- (2) The aggregate of the income elements and the partial income elements so found is the total income element.
- (3) The ownership period is the period which—
- (a) begins with the day on which the chargeable person acquired the security, and
  - (b) ends with the day on which the chargeable event occurs.

*Income elements*

- 15 (1) This paragraph has effect for the purposes of paragraph 14 above.
- (2) The income element for an income period shall be determined in accordance with the formula—

$$\frac{A \times B}{100} - C$$

- (3) For the purposes of sub-paragraph (2) above—
- (a) A is the adjusted issue price of the security,
  - (b) B is the figure included in the percentage representing the yield to redemption for the redemption period which consists of the income period or in which the income period falls, and
  - (c) C is the amount of interest (if any) payable in respect of the income period.
- (4) The partial income element for an income period a part of which consists of or falls within the ownership period shall be determined in accordance with the formula—

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$$D \times \frac{E}{F}$$

- (5) For the purposes of sub-paragraph (4) above—
- (a) D is the income element for the income period (determined in accordance with the formula mentioned in sub-paragraph (2) above),
  - (b) E is the number of days in the income period which consist of or fall within the ownership period, and
  - (c) F is the number of days in the income period.
- (6) The adjusted issue price of a security, in relation to a particular income period, is the aggregate of the issue price of the security and the income elements for all previous income periods of the security (determined in accordance with the formula mentioned in sub-paragraph (2) above).

#### *Death*

- 16 (1) Where an individual who is entitled to a security dies, for the purposes of this Part of this Schedule he shall be treated as—
- (a) transferring it immediately before his death, and
  - (b) obtaining in respect of the transfer an amount equal to the market value of the security at the time of the transfer.
- (2) Where a security is transferred by personal representatives to a legatee, for the purposes of paragraph 13 above they shall be treated as obtaining in respect of the transfer an amount equal to the market value of the security at the time of the transfer.
- (3) In sub-paragraph (2) above “legatee” includes any person taking (whether beneficially or as trustee) under a testamentary disposition or on an intestacy or partial intestacy, including any person taking by virtue of an appropriation by the personal representatives in or towards satisfaction of a legacy or other interest or share in the deceased’s property.

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

- C4** Sch. 10 para. 16(1) excluded (27.07.1993 with effect for the year 1992-93 and subsequent years of assessment) by 1993 c. 34, ss. 176(3)(d), 184(3).

#### *Market value*

- 17 (1) This paragraph applies where a security is transferred from one person to another and—
- (a) they are connected with each other,
  - (b) the transfer is made for a consideration which consists of or includes consideration not in money or money’s worth, or
  - (c) the transfer is made otherwise than by way of a bargain made at arm’s length.

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- (2) For the purposes of paragraph 13 above the person making the transfer shall be treated as obtaining in respect of it an amount equal to the market value of the security at the time of the transfer.
- (3) Section 839 of the Taxes Act 1988 (connected persons) shall apply for the purposes of this paragraph.

#### *Underwriters*

- 18 (1) An underwriting member of Lloyd's shall be treated for the purposes of this Part of this Schedule as absolutely entitled as against the trustees to the securities forming part of his premiums trust fund, his special reserve fund (if any) and any other trust fund required or authorised by the rules of Lloyd's, or required by the underwriting agent through whom his business or any part of it is carried on, to be kept in connection with the business.
- (2) Where a security forms part of a premiums trust fund at the end of 31st December of any relevant year, for the purposes of this Part of this Schedule—
  - (a) the trustees of the fund shall be treated as transferring the security at that time, and
  - (b) they shall be treated as obtaining in respect of the transfer an amount equal to the market value of the security at the time of the transfer;
 and for this purpose relevant years are 1989 and subsequent years.
- (3) Where a security forms part of a premiums trust fund at the beginning of 1st January of any relevant year, for the purposes of this Part of this Schedule the trustees of the fund shall be treated as acquiring the security at that time; and for this purpose relevant years are 1990 and subsequent years.
- (4) Sub-paragraph (5) below applies where the following state of affairs exists at the beginning of 1st January of any year or the end of 31st December of any year—
  - (a) securities have been transferred by the trustees of a premiums trust fund in pursuance of an arrangement mentioned in section 129(1) or (2) of the Taxes Act 1988,
  - (b) the transfer was made to enable another person to fulfil a contract or to make a transfer,
  - (c) securities have not been transferred in return, and
  - (d) section 129(3) of that Act applies to the transfer made by the trustees.
- (5) The securities transferred by the trustees shall be treated for the purposes of sub-paragraphs (2) and (3) above as if they formed part of the premiums trust fund at the beginning of 1st January concerned or the end of 31st December concerned (as the case may be).
- (6) Paragraph 16(1) above shall not apply where—
  - (a) the individual concerned is an underwriting member of Lloyd's, and
  - (b) the security concerned forms part of a premiums trust fund, a special reserve fund or any other trust fund required or authorised by the rules of Lloyd's, or required by the underwriting agent through whom the individual's business or any part of it is carried on, to be kept in connection with the business.

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- (7) In a case where an amount treated as income chargeable to tax by virtue of paragraph 12 above constitutes profits or gains mentioned in section 450(1) of the Taxes Act 1988—
- (a) section 450(1)(b) shall apply, and
  - (b) paragraph 12(4)(c) above shall not apply.
- (8) For the purpose of computing income tax for the year 1987-88 sub-paragraph (7) above shall have effect as if—
- (a) the reference to section 450(1) of the Taxes Act 1988 were to paragraph 2 of Schedule 16 to the <sup>M140</sup>Finance Act 1973, and
  - (b) the reference to section 450(1)(b) were to paragraph 2(b) of that Schedule.
- (9) In this paragraph “business” and “premiums trust fund” have the meanings given by section 457 of the Taxes Act 1988.

**Marginal Citations**  
M140 1973 c. 51.

*Trustees*

- 19 (1) Where on a transfer or redemption of a security by trustees an amount is treated as income chargeable to tax by virtue of paragraph 12 above, the rate at which it is chargeable shall be a rate equal to the sum of the basic rate and the additional rate for the year of assessment in which the transfer or redemption is made.
- (2) Where the trustees are trustees of a scheme to which section 469 of the Taxes Act 1988 applies, sub-paragraph (1) above shall not apply if or to the extent that the amount is treated as income in the accounts of the scheme.

*Receipts in United Kingdom*

- 20 (1) Sub-paragraph (2) below applies where—
- (a) by virtue of paragraph 12(4) above an amount is treated as income of a person and as chargeable to tax under Case IV of Schedule D, and
  - (b) the person satisfies the Board, on a claim in that behalf, that he is not domiciled in the United Kingdom, or that (being a Commonwealth citizen or a citizen of the Republic of Ireland) he is not ordinarily resident in the United Kingdom.
- (2) In such a case—
- (a) any amounts received in the United Kingdom in respect of the amount treated as income shall be treated as income arising in the year of assessment in which they are so received, and
  - (b) paragraph 12(4) above shall have effect with the substitution of paragraph (a) above for paragraph 12(4)(c).
- (3) For the purposes of sub-paragraph (2) above—

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- (a) there shall be treated as received in the United Kingdom all amounts paid, used or enjoyed in, or in any manner or form transmitted or brought to, the United Kingdom, and
- (b) subsections (6) to (9) of section 65 of the Taxes Act 1988 shall apply as they apply for the purposes of subsection (5) of that section.

#### *Charities*

- 21 (1) In a case where—
- (a) paragraph 12 above would apply (apart from this paragraph) in the case of a transfer or redemption of a security,
  - (b) immediately before the transfer or redemption was made the security was held by a charity, and
  - (c) the amount which would (apart from this paragraph) be treated as income by virtue of paragraph 12 above is applicable and applied for charitable purposes,
- that paragraph shall not apply in the case of the transfer or redemption.
- (2) In this paragraph “charity” has the same meaning as in section 506 of the Taxes Act 1988.

#### *Retirement benefit schemes*

- 22 In a case where—
- (a) paragraph 12 above would apply (apart from this paragraph) in the case of a transfer or redemption of a security, and
  - (b) immediately before the transfer or redemption was made the security was held for the purposes of an exempt approved scheme (within the meaning of Chapter I of Part XIV of the Taxes Act 1988),
- that paragraph shall not apply in the case of the transfer or redemption.

#### *Stock lending*

- 23 In a case where—
- (a) a security is the subject of a transfer which falls within section 129(3) of the Taxes Act 1988, and
  - (b) paragraph 12 above would apply in the case of the transfer (apart from this paragraph),
- that paragraph shall not apply in the case of the transfer.

#### *Identification of securities*

- 24 Section 88 of the <sup>M141</sup>Finance Act 1982 shall apply to the identification, for the purposes of this Part of this Schedule, of qualifying convertible securities



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transferred or redeemed as it applies to the identification, for the purposes of capital gains tax, of deep discount securities disposed of.

**Marginal Citations**

M141 1982 c. 39.

**PART III**

THE ISSUING COMPANY

- 25 (1) In a case where—
- (a) a qualifying convertible security is redeemed, and
  - (b) the circumstances are such that paragraph 12 above applies in the case of the redemption,
- sub-paragraph (2) below shall apply in relation to the company which issued the security.
- (2) For the purposes of sections 338 and 494 of the Taxes Act 1988 (allowance of charges on income) the relevant amount shall be treated as if it were interest—
- (a) falling within section 338(3)(b), and
  - (b) paid by the company in the accounting period in which the redemption occurs (and not as mentioned in the words of section 338(3) which follow paragraph (b)).
- (3) In this paragraph “the relevant amount” means so much of the amount paid on the redemption as exceeds the issue price of the security.

**PART IV**

AMENDMENTS

*(1) Deep discount securities*

- 26 (1) Schedule 4 to the Taxes Act 1988 (deep discount securities) shall be amended as follows.
- (2) In paragraph 1 (interpretation) the following sub-paragraph shall be inserted after sub-paragraph (1)—
- “(1A) Notwithstanding anything in sub-paragraph (1) above, for the purposes of this Schedule a security is not a deep discount security if—
- (a) it was issued by a company on or after 1st August 1990, and
  - (b) under the terms of issue it can be converted into share capital in a company (whether or not the company is the one which issued the security).”
- (3) The following shall be inserted after paragraph 20—

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### **Convertible securities: special rules**

“21 In a case where—

- (a) a security is a qualifying convertible security, for the purposes of Schedule 10 to the Finance Act 1990, at the time of its issue, and
- (b) apart from this paragraph it would be a deep discount security at that time,

the security shall be treated, at the time of its issue and at all subsequent times, as not being a deep discount security.”

#### *(2) Deep gain securities*

27 (1) Schedule 11 to the <sup>M142</sup> Finance Act 1989 (deep gain securities) shall be amended as follows.

(2) In paragraph 4 (meaning of transfer etc.) the following sub-paragraph shall be inserted after sub-paragraph (2)—

“(2A) But (notwithstanding sub-paragraph (2) above) “transfer” does not include a transfer made on a conversion of a security into share capital in a company.”

(3) The following shall be inserted after paragraph 22—

### **Convertible securities: special rules (1)**

“22A(1) Sub-paragraph (2) below applies where—

- (a) a security is a qualifying convertible security, for the purposes of Schedule 10 to the Finance Act 1990, at the time of its issue,
- (b) apart from paragraph 21 of Schedule 4 to the Taxes Act 1988, it would be a deep discount security at that time, and
- (c) at a later time it ceases to be a qualifying convertible security for the purposes of Schedule 10 to the Finance Act 1990.

(2) As regards any event occurring in relation to the security after the time mentioned in sub-paragraph (1)(c) above, paragraphs 5 to 19 above shall have effect as if—

- (a) the security were a deep gain security, and
- (b) it had been acquired as such (whatever the time it was acquired).

(3) For the purposes of sub-paragraph (2) above events, in relation to a security, include anything constituting a transfer or acquisition for the purposes of this Schedule.

### **Convertible securities: special rules (2)**

22B (1) In a case where—

- (a) a security is a qualifying convertible security, for the purposes of Schedule 10 to the Finance Act 1990, at the time of its issue, and
- (b) apart from this sub-paragraph it would be a deep gain security at that time,

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then (subject to sub-paragraph (3) below) the security shall be treated, at the time of its issue and at all subsequent times, as not being a deep gain security.

- (2) Sub-paragraph (3) below applies where—
- (a) sub-paragraph (1) above applies in the case of a security, and
  - (b) at a time after its issue it ceases to be a qualifying convertible security for the purposes of Schedule 10 to the Finance Act 1990.
- (3) As regards any event occurring in relation to the security after the time mentioned in sub-paragraph (2)(b) above, paragraphs 5 to 19 above shall have effect as if—
- (a) the security were a deep gain security, and
  - (b) it had been acquired as such (whatever the time it was acquired).
- (4) For the purposes of sub-paragraph (3) above events, in relation to a security, include anything constituting a transfer or acquisition for the purposes of this Schedule.”

**Marginal Citations**

M142 1989 c. 26.

*(3) Corporate bonds*

28 (1) The <sup>M143</sup> Finance Act 1984 (qualifying corporate bonds) shall be amended as follows.

(2) The following subsection shall be inserted after subsection (3C)—

“(3D) For the purposes of this section “corporate bond” also includes a security—

- (a) which is not included in the definition in subsection (2) above, and
- (b) which, by virtue of paragraph 22A(2) or 22B(3) of Schedule 11 to the Finance Act 1989, falls to be treated as a deep gain security as mentioned in the paragraph concerned.”

(3) The following subsection shall be inserted after subsection (5C)—

“(5D) Subject to subsection (6)

below, for the purposes of this section and Schedule 13 to this Act a corporate bond which falls within subsection (3D) above is a qualifying corporate bond as regards a disposal made after the time mentioned in paragraph 22A(1)(c) or 22B(2)(b) (as the case may be) of Schedule 11 to the Finance Act 1989.”

**Marginal Citations**

M143 1984 c. 43.

*Status: Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.*

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## PART V

### APPLICATION OF SCHEDULE

- 29 (1) The amendment made by paragraph 27(2) above shall be deemed always to have had effect.
- (2) Paragraph 28 above shall have effect in relation to disposals after the relevant time (and, in relation to such disposals, shall be regarded as always having had effect).
- (3) In sub-paragraph (2) above “the relevant time” means the time referred to, as regards the security concerned, in section 64(5D) of the <sup>M144</sup>Finance Act 1984.
- (4) Subject to sub-paragraphs (1) to (3) above, this Schedule shall be deemed to have come into force on 9th June 1989.

#### Marginal Citations

M144 1984 c. 43.

## SCHEDULE 11

Section 69.

### EUROPEAN ECONOMIC INTEREST GROUPINGS

#### Taxation

- 1 After section 510 of the Taxes Act 1988 there shall be inserted—

#### “510A European Economic Interest Groupings.

- (1) In this section “grouping” means a European Economic Interest Grouping formed in pursuance of Council Regulation (EEC) No. 2137/85 of 25th July 1985, whether registered in Great Britain, in Northern Ireland, or elsewhere.
- (2) Subject to the following provisions of this section, for the purposes of charging tax in respect of income and gains a grouping shall be regarded as acting as the agent of its members.
- (3) In accordance with subsection (2) above—
- for the purposes mentioned in that subsection the activities of the grouping shall be regarded as those of its members acting jointly and each member shall be regarded as having a share of its property, rights and liabilities; and
  - for the purposes of charging tax in respect of gains a person shall be regarded as acquiring or disposing of a share of the assets of the grouping not only where there is an acquisition or disposal of assets by the grouping while he is a member of it, but also where he becomes or ceases to be a member of a grouping or there is a change in his share of the property of the grouping.

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- (4) Subject to subsection (5) below, for the purposes of this section a member's share of any property, rights or liabilities of a grouping shall be determined in accordance with the contract under which the grouping is established.
- (5) Where the contract does not make provision as to the shares of members in the property, rights or liabilities in question a member's share shall be determined by reference to the share of the profits of the grouping to which he is entitled under the contract (and if the contract makes no provision as to that, the members shall be regarded as having equal shares).
- (6) Subject to subsection (7) below, where any trade or profession is carried on by a grouping it shall be regarded for the purposes of charging tax in respect of income and gains as carried on in partnership by the members of the grouping.
- (7) Sections 111 and 114(4) shall not apply to the members of a grouping and section 112 shall have effect in relation to the members of a grouping as if the second reference in subsection (2) to the firm were a reference to the members and subsection (3) were omitted.
- (8) Notwithstanding subsection (7) above, where a trade or profession is carried on by a grouping, the amount on which the members are chargeable to income tax in respect of it shall be computed (but not assessed) jointly."

#### *Management*

2 After section 12 of the <sup>M145</sup>Taxes Management Act 1970 there shall be inserted—

#### *“ European Economic Interest Groupings*

### **12A European Economic Interest Groupings.**

- (1) In this section “grouping” means a European Economic Interest Grouping formed in pursuance of Council Regulation (EEC) No. 2137/85 of 25th July 1985 (“the Council Regulation”), whether registered in Great Britain, in Northern Ireland, or elsewhere.
- (2) For the purposes of making assessments to income tax, corporation tax and capital gains tax on members of a grouping, an inspector may act under subsection (3) or (4) below.
- (3) In the case of a grouping which is registered in Great Britain or Northern Ireland or has an establishment registered in Great Britain or Northern Ireland, an inspector may by a notice given to the grouping require the grouping—
  - (a) to make and deliver to the inspector within the time limited by the notice a return containing such information as may be required in pursuance of the notice, and
  - (b) to deliver with the return such accounts and statements as may be required in pursuance of the notice.
- (4) In the case of any other grouping, an inspector may by a notice given to any member of the grouping resident in the United Kingdom, or if none is to any member of the grouping, require the member—

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- (a) to make and deliver to the inspector within the time limited by the notice a return containing such information as may be required in pursuance of the notice, and
  - (b) to deliver with the return such accounts and statements as may be required in pursuance of the notice,
- and a notice may be given to any one of the members concerned or separate notices may be given to each of them or to such of them as the inspector thinks fit.
- (5) Every return under this section shall include a declaration by the grouping or member making the return to the effect that the return is to the best of the maker's knowledge correct and complete.
  - (6) A notice under this section may require different information, accounts and statements for different periods, in relation to different descriptions of income or gains or in relation to different descriptions of member.
  - (7) Notices under this section may require different information, accounts and statements in relation to different descriptions of grouping.
  - (8) Subject to subsection (9) below, where a notice is given under subsection (3) above, everything required to be done shall be done by the grouping acting through its manager or, where there is more than one, any of them; but where the manager of a grouping (or each of them) is a person other than an individual, the grouping shall act through the individual, or any of the individuals, designated in accordance with the Council Regulation as the representative of the manager (or any of them).
  - (9) Where the contract for the formation of a grouping provides that the grouping shall be validly bound only by two or more managers acting jointly, any declaration required by subsection (5) above to be included in a return made by a grouping shall be given by the appropriate number of managers."

#### Marginal Citations

M145 1970 c. 9.

- 3 (1) After section 98A of the <sup>M146</sup>Taxes Management Act 1970 there shall be inserted—

#### “98B European Economic Interest Groupings.

- (1) In this section “grouping” means a European Economic Interest Grouping formed in pursuance of Council Regulation (EEC) No. 2137/85 of 25th July 1985, whether registered in Great Britain, in Northern Ireland, or elsewhere.
- (2) Subject to subsections (3) and (4) below, where a grouping or member of a grouping required by a notice given under section 12A above to deliver a return or other document fails to comply with the notice, the grouping or member shall be liable—
  - (a) to a penalty not exceeding £300; and
  - (b) if the failure continues after a penalty is imposed under paragraph (a) above, to a further penalty or penalties not exceeding £60 for each day on which the failure continues after the day on which the penalty

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under paragraph (a) above was imposed (but excluding any day for which a penalty under this paragraph has already been imposed).

- (3) No penalty shall be imposed under subsection (2) above in respect of a failure at any time after the failure has been remedied.
- (4) If a grouping to which, or member to whom, a notice is given proves that there was no income or chargeable gain to be included in the return, the penalty under subsection (2) above shall not exceed £100.
- (5) Where a grouping or member fraudulently or negligently delivers an incorrect return, accounts or statement, or makes an incorrect declaration in a return delivered, under section 12A above, the grouping or member shall be liable to a penalty not exceeding £3000 multiplied by the number of members of the grouping at the time of delivery.”
- (2) In section 100(2) of that Act (penalties which are imposed by Commissioners), after paragraph (d) there shall be inserted “or  
(e) section 98B(2)(a) above.”

#### Marginal Citations

M146 1970 c. 9.

- 4 (1) At the end of section 36 of the Taxes Management Act 1970 (extension of time for assessment in case of fraudulent or negligent conduct), there shall be added—
- “(4) Any act or omission such as is mentioned in section 98B below on the part of a grouping (as defined in that section) or member of a grouping shall be deemed for the purposes of subsection (1) above to be the act or omission of each member of the grouping.”
- (2) At the end of section 40 of that Act (extension of time for assessment in case of fraudulent or negligent conduct of person who has died), there shall be added—
- “(4) Any act or omission such as is mentioned in section 98B below on the part of a grouping (as defined in that section) or member of a grouping shall be deemed for the purposes of subsection (2) above to be the act or omission of each member of the grouping.”

#### Commencement

- 5 This Schedule shall be deemed to have come into force on 1st July 1989.

## SCHEDULE 12

Section 80.

### BROADCASTING: TRANSFER OF UNDERTAKINGS OF INDEPENDENT BROADCASTING AUTHORITY AND CABLE AUTHORITY

#### *Transfer of IBA's transmission activities to nominated company: corporation tax*

- 1 (1) Subject to sub-paragraph (2), the following provisions shall apply for the purposes of the Corporation Tax Acts, namely—

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- (a) the part of the trade carried on by the IBA which is transferred to the nominated company under the Broadcasting Act 1990 (“the principal Act”) shall be treated as having been, at the time when it began to be carried on by the IBA and at all times since that time, a separate trade carried on by that company;
  - (b) the trade carried on by that company after the transfer date shall be treated as the same trade as that which, by virtue of paragraph (a) above, it is treated as having carried on before that date;
  - (c) all property, rights and liabilities of the IBA which are transferred under the principal Act to that company shall be treated as having been, at the time when they became vested in the IBA and at all times since that time, property, rights and liabilities of that company; and
  - (d) anything done by the IBA in relation to any such property, rights and liabilities as are mentioned in paragraph (c) above shall be deemed to have been done by that company.
- (2) There shall be apportioned between the IBA and the nominated company—
- (a) the unallowed tax losses of the IBA, and
  - (b) any expenditure which they have incurred before the transfer date and by reference to which capital allowances may be made,
- in such manner as is just and reasonable having regard—
- (i) to the extent to which such losses and expenditure are attributable to the part of the trade carried on by them which is transferred to that company under the principal Act, and
  - (ii) as respects the apportionment of such expenditure, to the division of their assets between the relevant transferees which is effected under that Act.
- (3) In this paragraph—
- “the IBA’s final accounting period” means the last complete accounting period of the IBA ending before the transfer date;
- “unallowed tax losses” means losses, allowances or amounts which, as at the end of the IBA’s final accounting period, are tax losses within the meaning given by section 400(2) of the Taxes Act 1988, excluding losses which are allowable capital losses within the meaning of paragraph 6 below.
- (4) This paragraph shall have effect in relation to accounting periods beginning after the IBA’s final accounting period.

*Transfer of IBA’s assets to Commission and Radio Authority: chargeable gains*

- 2 (1) For the purposes of the <sup>M147</sup>Capital Gains Tax Act 1979 (“the 1979 Act”) the transfer under the principal Act of any asset from the IBA to the Commission or the Radio Authority shall be deemed to be for a consideration such that no gain or loss accrues to the IBA; and Schedule 5 to that Act (assets held on 6th April 1965) shall have effect in relation to an asset so transferred as if the acquisition or provision of it by the IBA had been the acquisition or provision of it by the Commission or (as the case may be) by the Authority.
- (2) In paragraph 1(3) of Schedule 8 to the <sup>M148</sup>Finance Act 1988 (capital gains: assets held on 31st March 1982), there shall be added after paragraph (g) “; and



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(h) paragraph 2(1) of Schedule 12 to the Finance Act 1990.”

- (3) Where the benefit of any debt in relation to which the IBA are, for the purposes of section 134 of the 1979 Act (debts), the original creditor is transferred under the principal Act to the Commission or the Radio Authority, the Commission or (as the case may be) the Radio Authority shall be treated for those purposes as the original creditor in relation to the debt in place of the IBA.

#### Marginal Citations

M147 1979 c. 14.

M148 1988 c. 39.

#### *Disposal by IBA of DBS assets to DBS programme contractor: chargeable gains*

- 3 (1) For the purposes of the 1979 Act the disposal under the principal Act of any relevant asset by the IBA to a DBS programme contractor shall be deemed to be for a consideration such that no gain or loss accrues to the IBA.
- (2) In this paragraph—
- (a) “relevant asset” means any equipment or other asset (of whatever description) which has been used or held by the IBA in connection with the transmission of DBS services; and
- (b) “DBS programme contractor” and “DBS service” have the meaning given by section 37(3) of the <sup>M149</sup>Cable and Broadcasting Act 1984.

#### Marginal Citations

M149 1984 c. 46.

#### *Transfer of Cable Authority’s assets to Commission: chargeable gains*

- 4 For the purposes of the 1979 Act the transfer by the principal Act of any asset from the Cable Authority to the Commission shall be deemed to be for a consideration such that no gain or loss accrues to that Authority.

#### *Transfer of shares from Commission to Channel 4 company: chargeable gains*

- 5 (1) For the purposes of the 1979 Act the transfer by the principal Act of shares in the Channel 4 company from the Commission to the Channel Four Television Corporation shall be deemed to be for a consideration such that no gain or loss accrues to the Commission.
- (2) In sub-paragraph (1) “the Channel 4 company” means the body corporate referred to in section 12(2) of the <sup>M150</sup>Broadcasting Act 1981.

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### Marginal Citations

M150 1981 c. 68.

### *Apportionment of unallowed capital losses between relevant transferees*

- 6 (1) The unallowed capital losses of the IBA shall be apportioned between the relevant transferees in such manner as is just and reasonable having regard to the purposes, or principal purposes, for which the relevant assets were respectively used or held by the IBA and the activities which are to be carried on by those transferees respectively as from the transfer date.
- (2) Any unallowed capital losses of the IBA which are apportioned to one of the relevant transferees under sub-paragraph (1) shall be treated as allowable capital losses accruing to that transferee on the disposal of an asset on the transfer date.
- (3) In this paragraph—
- “allowable capital losses” means losses which are allowable for the purposes of the 1979 Act;
- “relevant assets”, in relation to unallowed capital losses of the IBA, means the assets on whose disposal by the IBA those losses accrued;
- “unallowed capital losses”, in relation to the IBA, means allowable capital losses which have accrued to the IBA before the transfer date, in so far as they have not been allowed as deductions from chargeable gains.

### *Roll-over relief in connection with nominated company*

- 7 Where the IBA have before the transfer date disposed of (or of their interest in) any assets used, throughout the period of ownership, wholly or partly for the purposes of the part of their trade transferred to the nominated company under the principal Act, sections 115 to 119 of the 1979 Act (roll-over relief on replacement of business assets) shall have effect in relation to that disposal as if the IBA and the nominated company were the same person.

### *Disputes as to apportionments etc.*

- 8 (1) This paragraph applies where any apportionment or other matter arising under the foregoing provisions of this Schedule appears to be material as respects the liability to tax (for whatever period) of two or more relevant transferees.
- (2) Any question which arises as to the manner in which the apportionment is to be made or the matter is to be dealt with shall be determined, for the purposes of the tax of both or all of the relevant transferees concerned—
- (a) in a case where the same body of General Commissioners have jurisdiction with respect to both or all of those transferees, by those Commissioners, unless those transferees agree that it shall be determined by the Special Commissioners;
- (b) in a case where different bodies of Commissioners have jurisdiction with respect to those transferees, by such of those bodies as the Board may direct,

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unless those transferees agree that it shall be determined by the Special Commissioners; and

(c) in any other case, by the Special Commissioners.

- (3) The Commissioners by whom the question falls to be determined shall make the determination in like manner as if it were an appeal except that both or all of the relevant transferees concerned shall be entitled to appear and be heard by the Commissioners or to make representations to them in writing.

#### *Securities of nominated company*

- 9 (1) Any share issued by the nominated company to the Secretary of State in pursuance of the principal Act shall be treated for the purposes of the Corporation Tax Acts as if it had been issued wholly in consideration of a subscription paid to that company of an amount equal to the nominal value of the share.
- (2) Any debenture issued by the nominated company to the Secretary of State in pursuance of the principal Act shall be treated for the purposes of the Corporation Tax Acts as if it had been issued—
- (a) wholly in consideration of a loan made to that company of an amount equal to the principal sum payable under the debenture; and
  - (b) wholly and exclusively for the purposes of the trade carried on by that company.

#### *Interpretation*

- 10 (1) In this Schedule—
- “the 1979 Act” means the <sup>M151</sup>Capital Gains Tax Act 1979;
  - “the Commission” means the Independent Television Commission;
  - “the IBA” means the Independent Broadcasting Authority;
  - “the nominated company” and “the transfer date” have the same meaning as in the provisions of the principal Act relating to the transfer of the undertakings of the IBA and the Cable Authority;
  - “the principal Act” means the Broadcasting Act 1990;
  - “the relevant transferees” means the Commission, the Radio Authority and the nominated company.
- (2) References in this Schedule to things transferred under the principal Act are references to things transferred in accordance with a scheme made under that Act.

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#### **Marginal Citations**

M151 1979 c. 14.

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## SCHEDULE 13

Section 88.

## CAPITAL ALLOWANCES: MISCELLANEOUS AMENDMENTS

*Hotels in enterprise zones: initial allowances*

- 1 (1) In section 1(2) of the <sup>M152</sup>Capital Allowances Act 1990, after the words “shall include a reference to” there shall be inserted the words “a qualifying hotel and to”.
- (2) In section 7(1) of that Act, for the words “this Part, except Chapter I,” there shall be substituted the words “this Chapter and Chapter III as it applies for the purposes of this Chapter”.
- (3) This paragraph shall apply in relation to any chargeable period or its basis period ending on or after 6th April 1990.

**Marginal Citations**

M152 1990 c. 1.

*Scientific research allowance: writing off of expenditure*

- 2 (1) In section 8(5)(b) of that Act, for the words “ceases to be used by the person in question for scientific research connected with the trade” there shall be substituted the words “ceases to belong to the person in question”.
- (2) This paragraph shall apply where an asset ceases to belong to a person on or after 6th April 1990.

*Disposal value of machinery or plant after succession to trade*

- 3 (1) In section 78 of that Act, after subsection (2) there shall be inserted—
- “(2A) Where the disposal value of any machinery or plant in relation to which an election under subsection (2) above has effect falls to be ascertained in accordance with section 26, that section shall apply as if the person mentioned in subsection (2) of that section were the deceased.”
- (2) This paragraph shall apply to machinery or plant in relation to which an election under section 78(2) is made on or after 6th April 1990.

*Non-resident companies: use of allowances*

- 4 (1) In section 149 of that Act, subsection (2) shall be omitted.
- (2) This paragraph shall apply in relation to chargeable periods beginning on or after 6th April 1990.

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### *Contributions: machinery and plant*

- 5 (1) In section 154(2) of that Act, for the words from “as if” to “and for” there shall be substituted the words “as if—
- (a) the reference to expenditure in respect of which an allowance would have been made under Part I included a reference to expenditure in respect of which a first-year allowance would have been made under Part II or which would have been taken into account in determining qualifying expenditure for the purpose of any allowance or charge under section 24; and
  - (b) the reference to the making to the contributor to expenditure on the provision of an asset of such initial and writing-down allowances as would have been made to him if his contribution had been expenditure on the provision of a similar asset included a reference to his being treated under Part II as if his contribution had been expenditure on the provision of that asset;
- and for ”.
- (2) This paragraph shall apply to contributions made on or after 6th April 1990.

### *Sale of machinery or plant*

- 6 (1) In section 161(10) of that Act, the words “and of subsection (8)” shall be omitted.
- (2) This paragraph shall apply in relation to a sale of an asset when both the time of completion and the time when possession of the asset is given are on or after 6th April 1990.

### *Assured tenancies allowance*

- 7 (1) In section 832(1) of the Taxes Act 1988, in the definition of “the Capital Allowances Acts”, the words “, but excluding Part III of that Act” shall be omitted.
- (2) This paragraph shall apply for chargeable periods beginning on or after 6th April 1990.

## SCHEDULE 14

Section 89.

### AMENDMENTS CORRECTING ERRORS IN THE TAXES ACT 1988

#### PART I

##### AMENDMENTS OF THE TAXES ACT 1988

- 1 The Taxes Act 1988 shall have effect, and shall be deemed always to have had effect, subject to the amendments made by this Part of this Schedule.

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- 2 In section 37(1)—
  - (a) for the words “subsection (2) below” there shall be substituted the words “subsection (2) or (3) below”;
  - (b) for the words “this subsection” there shall be substituted the words “subsection (2) or (3) below”; and
  - (c) for the words “the amount of that tax” there shall be substituted the words “that amount”.
- 3 In section 213(6), for “(3)(1)(a)” there shall be substituted “ (3)(a) ”.
- 4 (1) In sections 322(1)(a) and (2) and 323(1), after the words “a British Dependent Territories citizen” there shall be inserted the words “ , a British National (Overseas) ”.
- (2) In section 323(7), after the words “British Dependent Territories citizens” there shall be inserted the words “ , British Nationals (Overseas) ”.
- 5 In section 326(2)(a), for the words from “12” to “1969” there shall be substituted the words “ 11 of the <sup>M153</sup>National Debt Act 1972 ”.

**Marginal Citations**  
 M153 1972 c. 65.

- 6 In section 377(1)(b), for “(5)” there shall be substituted “(8)”.
- F207 .....

**Textual Amendments**  
 F20 Sch. 14 para. 7 repealed(for losses incurred in accounting periods ending on or after 01.04.1991) by Finance Act 1991 (c. 31, SIF 63:1), s. 123, Sch. 19 Pt.V Note 4.

- 8 In section 478(3), for the words “section (2)” there shall be substituted the words “ subsection (2) ”.
- 9 In section 751(1)(a), for the words “the persons” there shall be substituted the word “ persons ”.
- 10 In section 757(7), before the words “the earliest date” there shall be inserted the words “ any time on or after ”.
- 11 In section 761(1), for the words “and Schedule” there shall be substituted the words “ or Schedule ”.
- 12 In section 773(2), for the words “this section” there shall be substituted the words “section 770”.
- 13 In paragraph 4(1) of Schedule 16, for “(4)” there shall be substituted “(3)”.

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## PART II

### AMENDMENTS OF OTHER ENACTMENTS

#### *The Taxes Management Act 1970 (c. 9)*

- 14 In section 31(3) of the Taxes Management Act 1970, for the words “Part XV or XVI” there shall be substituted the words “any of sections 660 to 685 and 695 to 702”.
- 15 In section 98 of that Act, in the first column of the Table, in the entry relating to Schedule 9 to the Taxes Act 1988, for the words “paragraphs 6 and 25” there shall be substituted the words “paragraph 6”.

#### *The Oil Taxation Act 1975 (c. 22)*

- 16 In paragraph 5(2) of Schedule 3 to the Oil Taxation Act 1975, for the words “section 17 of this Act” and the words “the said section 17” there shall be substituted the words “section 500 of the Taxes Act”.

#### *The Capital Gains Tax Act 1979 (c. 14)*

- 17 In section 149C of the Capital Gains Tax Act 1979—
- (a) in subsection (2), after the word “given” there shall be inserted the words “to him”; and
  - (b) in subsection (7), after the words “shares” there shall be inserted the words “issued after 18th March 1986”.

#### *The Finance Act 1981 (c. 35)*

- 18 In section 83(3) of the Finance Act 1981, for the words “section 45(2)(b) above” there shall be substituted the words “section 740(2)(b) of the Taxes Act”.

#### *Commencement*

- 19 (1) Subject to the following provisions of this paragraph, the amendments made by this Part of this Schedule shall be treated for the purposes of their commencement as if they had been made by the Taxes Act 1988.
- (2) An individual may elect that in relation to him the amendment made by paragraph 17(b) of this Schedule shall not have effect with respect to exchanges (and similar events) taking place before 1st January 1990.
- (3) An election under sub-paragraph (2) above shall be irrevocable and shall be made by notice in writing to the inspector at any time before 6th April 1991.
- (4) There may be made any such adjustment, whether by way of discharge or repayment of tax, the making of an assessment or otherwise, as is appropriate in consequence

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of the amendment made by paragraph 17(b) of this Schedule or an election under sub-paragraph (2) above.

## SCHEDULE 15

Section 100.

### CLAIMS FOR GROUP RELIEF

#### “SCHEDULE 17A

Section 412.

#### GROUP RELIEF: CLAIMS

##### *Introductory*

- 1 (1) This Schedule has effect as respects claims for group relief.
- (2) Section 42 of the Management Act (procedure for making claims) shall not apply to such claims.

##### *Time limits*

- 2 (1) No claim for an accounting period of a company may be made if—
  - (a) the company has been assessed to corporation tax for the period, and
  - (b) the assessment has become final and conclusive.
- (2) Sub-paragraph (1) above shall not apply in the case of a claim made before the end of 2 years from the end of the period.
- (3) This paragraph applies to the withdrawal of a claim as it applies to the making of a claim.
- 3 (1) No claim for an accounting period of a company may be made after the end of 6 years from the end of the period, except under paragraph 5 below.
- (2) This paragraph applies to the withdrawal of a claim as it applies to the making of a claim.
- 4 Where under paragraph 2 or 3 above a claim may not be made after a certain time, it may be made within such further time as the Board may allow.
- 5 (1) A claim for an accounting period of a company may be made after the end of 6 years from the end of the period if—
  - (a) the company has been assessed to corporation tax for the period before the end of 6 years from the end of the period,
  - (b) the company has appealed against the assessment, and
  - (c) the assessment has not become final and conclusive.
- (2) No claim for an accounting period of a company may be made under this paragraph after the end of 6 years and 3 months from the end of the period.

##### *Method of making claim*

- 6 (1) A claim shall be made by being included in a return under section 11 of the Management Act (corporation tax return) for the period for which the claim is made.



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- (2) In sub-paragraph (1) above the reference to a claim being included in a return includes a reference to a claim being included by virtue of an amendment of the return.
- (3) This paragraph applies to the withdrawal of a claim as it applies to the making of a claim.

#### *Nature of claim*

- 7 A claim may be made for less than the full amount available.
- 8 A claim, other than one under paragraph 5 above, shall be for an amount which is quantified at the time the claim is made.
- 9 (1) A claim under paragraph 5 above shall be expressed to be conditional, as to the amount claimed, on, and only on, the outcome of one or more relevant matters specified in the claim.  
(2) For the purposes of this paragraph a matter is relevant if it is relevant to the determination of the assessment of the claimant company to corporation tax for the period for which the claim is made.

#### *Consent to surrender*

- 10 (1) A claim shall require the consent of the surrendering company.  
(2) A consortium claim shall require the consent of each member of the consortium in addition to the consent of the surrendering company.  
(3) Consent to surrender shall be of no effect unless, at or before the time the claim is made, notice of consent is given by the consenting company to the inspector to whom the surrendering company makes its returns under section 11 of the Management Act.  
(4) Notice of consent to surrender, in the case of consent by the surrendering company, shall be of no effect unless it contains the following particulars—
  - (a) the name of the surrendering company;
  - (b) the name of the company to which relief is being surrendered;
  - (c) the amount of relief being surrendered;
  - (d) the accounting period of the surrendering company to which the surrender relates;
  - (e) the tax district references of the surrendering company and the company to which relief is being surrendered.
- (5) Where notice of the surrendering company's consent to surrender is given to the inspector after the surrendering company has made a return under section 11 of the Management Act for the period to which the relief being surrendered relates, the notice shall be of no effect unless the surrendering company at the same time amends the return.
- (6) Where consent to surrender relates to a loss in respect of which relief has been given under section 393(1), notice of consent to surrender, in the case of the surrendering company, shall be of no effect unless, at the same time as giving the notice to the inspector, the company amends its return under section 11 of the Management Act for the period, or, if more than one, each of the periods, in which relief for the loss has been given under section 393(1).

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- (7) For the purposes of sub-paragraph (6) above relief under section 393(1) shall be treated as given for losses incurred in earlier accounting periods before losses incurred in later accounting periods.
- (8) A claim shall require to be accompanied by a copy of the notice of consent to surrender given for the purposes of this paragraph by the surrendering company.
- (9) A consortium claim shall in addition require to be accompanied by a copy of the notice of consent to surrender given for the purposes of this paragraph by each member of the consortium.
- 11 (1) This paragraph applies in relation to claims under paragraph 5 above.
- (2) In the case of consent to surrender by the surrendering company, consent which relates to relief which is the subject of more than one claim under paragraph 5 above shall be of no effect unless it specifies an order of priority in relation to the claims.

#### *Adjustments*

- 12 (1) All such assessments or adjustments of assessments shall be made as may be necessary to give effect to a claim or the withdrawal of a claim.
- (2) An assessment under this paragraph shall not be out of time if it is made—
- (a) in the case of a claim, within one year from the date on which an assessment of the claimant company to corporation tax for the period for which the claim is made becomes final and conclusive, and
  - (b) in the case of the withdrawal of a claim, within one year from the date on which the claim is withdrawn.”

### SCHEDULE 16

Section 102.

#### CAPITAL ALLOWANCES: CLAIMS BY COMPANIES

#### “SCHEDULE A1

Section 145A.

#### CORPORATION TAX ALLOWANCES: CLAIMS

#### *Introductory*

- 1 (1) This Schedule has effect as respects claims for allowances which fall to be made under the provisions of this Act as they apply for the purposes of corporation tax.
- (2) Section 42 of the Taxes Management Act 1970 (procedure for making claims) shall not apply to such claims.

#### *Time limits*

- 2 (1) No claim for an accounting period of a company may be made if—
- (a) the claim affects an amount for the period which is determinable under section 41A of the Taxes Management Act 1970, and
  - (b) a determination of the amount under that section has become final.

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- (2) Sub-paragraph (1) above shall not apply in the case of a claim made before the end of 2 years from the end of the period.
- (3) Sub-paragraph (1) above shall not apply where—
- (a) the company has been assessed to corporation tax for the period, and
  - (b) the assessment has not become final and conclusive.
- (4) This paragraph applies to the withdrawal of a claim as it applies to the making of a claim.
- 3 (1) No claim for an accounting period of a company may be made if—
- (a) the company has been assessed to corporation tax for the period, and
  - (b) the assessment has become final and conclusive.
- (2) Sub-paragraph (1) above shall not apply in the case of a claim made before the end of 2 years from the end of the period.
- (3) Sub-paragraph (1) above shall not apply where—
- (a) the claim affects an amount for the period which is determinable under section 41A of the Taxes Management Act 1970, and
  - (b) a determination of the amount under that section has either not been made or, if made, has not become final.
- (4) This paragraph applies to the withdrawal of a claim as it applies to the making of a claim.
- 4 (1) No claim for an accounting period of a company may be made after the end of 6 years from the end of the period, except under paragraph 6 below.
- (2) This paragraph applies to the withdrawal of a claim as it applies to the making of a claim.
- 5 Where under paragraph 2, 3 or 4 above a claim may not be made after a certain time, it may be made within such further time as the Board may allow.
- 6 (1) A claim for an accounting period of a company may be made after the end of 6 years from the end of the period if—
- (a) the company has been assessed to corporation tax for the period before the end of 6 years from the end of the period,
  - (b) the company has appealed against the assessment, and
  - (c) the assessment has not become final and conclusive.
- (2) No claim for an accounting period of a company may be made under this paragraph after the end of 6 years and 3 months from the end of the period.

#### *Method of making claim*

- 7 (1) A claim shall be made by being included in a return under section 11 of the Taxes Management Act 1970 (corporation tax return) for the period for which the claim is made.
- (2) In sub-paragraph (1) above the reference to a claim being included in a return includes a reference to a claim being included by virtue of an amendment of the return.
- (3) This paragraph applies to the withdrawal of a claim as it applies to the making of a claim.

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### *Nature of claim*

- 8 A claim, other than one under paragraph 6 above, shall be for an amount which is quantified at the time the claim is made.
- 9 (1) A claim under paragraph 6 above shall be expressed to be conditional, as to the amount claimed, on, and only on, the outcome of one or more relevant matters specified in the claim.
- (2) For the purposes of this paragraph a matter is relevant if it is relevant to the determination of the assessment of the claimant company to corporation tax for the period for which the claim is made.

### *Adjustments*

- 10 (1) All such assessments or adjustments of assessments shall be made as may be necessary to give effect to a claim or the withdrawal of a claim.
- (2) An assessment under this paragraph shall not be out of time if it is made—
- (a) in the case of a claim, within one year from the date mentioned in subparagraph (3) below, and
  - (b) in the case of the withdrawal of a claim, within one year from the date on which the claim is withdrawn.
- (3) The date referred to above is—
- (a) in a case where the claim affects an amount for the period for which the claim is made which is determinable under section 41A of the Taxes Management Act 1970, the date on which a determination of the amount under that section becomes final;
  - (b) in any other case, the date on which an assessment of the claimant company to corporation tax for the period for which the claim is made becomes final and conclusive.
- 11 Where a claim affecting an amount determinable under section 41A of the Taxes Management Act 1970 is made or withdrawn after a determination of the amount under that section has become final, the determination shall be adjusted accordingly.”

## SCHEDULE 17

Section 103.

### CAPITAL ALLOWANCES: ASSIMILATION OF CLAIMS BY COMPANIES TO CLAIMS BY INDIVIDUALS

#### *Introductory*

- 1 The <sup>M154</sup>Capital Allowances Act 1990 shall be amended as follows.

#### **Marginal Citations**

**M154** 1990 c. 1.

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### *Industrial buildings and structures*

- 2 In section 1 (initial allowances: enterprise zones) in subsection (5) the words “as it applies for income tax purposes” and the words from “and” to the end shall be omitted.

### *Machinery and plant: general*

- 3 (1) Section 22 (first-year allowances: transitional relief for regional projects) shall be amended as follows.
- (2) The following subsection shall be substituted for subsection (7)—
- “(7) A claim for one or more first-year allowances to be made for any chargeable period may require that the amount of the allowance, or aggregate amount of the allowances, be reduced to an amount specified in that behalf in the claim.”
- (3) In subsection (8) the words “disclaimer or” shall be omitted.
- (4) Subsection (9) shall cease to have effect.
- 4 (1) Section 23 (information relating to first-year allowances) shall be amended as follows.
- (2) In subsection (1) the words “by a person other than a company”, the words from “, and a” to “an allowance,” and, in paragraphs (b) and (c), the words “or deduction” shall be omitted.
- (3) In subsection (2) the words “other than a company” and the words from “, or a” to “company,” shall be omitted.
- 5 (1) Section 24 (writing-down allowances and balancing adjustments) shall be amended as follows.
- (2) In subsection (3) the words “in connection with a trade carried on by a person other than a company” shall be omitted.
- (3) Subsection (4) shall cease to have effect.
- 6 (1) Section 25 (qualifying expenditure) shall be amended as follows.
- (2) In subsection (1)(a)(ii) the words from “in the case of a person” to “of a company” shall be omitted.
- (3) Subsection (2) shall be omitted.
- (4) In subsection (3) the words “, but not being a company,” shall be omitted.
- (5) In subsection (4)—

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- (a) in paragraph (a) the words “(whether a company or not)” shall be omitted; and
- (b) in paragraph (b) the words “, in the case of a person other than a company,” shall be omitted.

*Machinery and plant: ships*

7 In section 30 (first-year allowances) in subsection (1)(a) the words “or, in the case of a company, disclaim it” shall be omitted.

8 In section 31 (writing-down allowances) the following subsection shall be substituted for subsection (6)—

“(6) For any chargeable period of the single ship trade for which the amount of a writing-down allowance is reduced by virtue of a requirement in a claim made by virtue of section 24(3), any reference in subsections (3) to (5) above to the writing-down allowance is a reference to the reduced amount of the allowance, as specified in the claim.”

*Machinery and plant: leased assets and inexpensive cars*

9 In section 41 (writing-down allowances) in subsection (3) the words “or is disclaimed under subsection (4) of that section”, the words “or under subsection (4)” and the words “or as disclaimed” shall be omitted.

10 In section 46 (recovery of excess relief: new expenditure) in subsection (6) the words “or was disclaimed” shall be omitted.

11 In section 47 (recovery of excess relief: old expenditure) in subsection (6)(a) the words “or was disclaimed” shall be omitted.

12 In section 48 (information relating to allowances made in respect of new expenditure) in subsection (1) the words “by a person other than a company” and the words from “and a” to “allowance” shall be omitted.

13 In section 49 (information relating to allowances made in respect of old expenditure) in subsection (2) the words “other than a company” and the words from “, or a” to “company,” shall be omitted.

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*Machinery and plant: supplementary*

- 14 In section 79 (effect of use partly for trade etc. and partly for other purposes) in subsection (6) the words “or is disclaimed under subsection (4) of that section”, the words “or (4)” and the words “or as disclaimed” shall be omitted.
- 15 In section 80 (effect of subsidies towards wear and tear) in subsection (6) the words “or is disclaimed under subsection (4) of that section”, the words “or (4)” and the words “or as disclaimed” shall be omitted.

SCHEDULE 18

Section 127.

DEFINITION OF “LOCAL AUTHORITY”

- 1 In section 74(4) of the <sup>M155</sup>Finance Act 1952 for “519” there shall be substituted “842A”.

**Marginal Citations**

**M155** 1952 c. 33.

- 2 Section 52 of the <sup>M156</sup>Finance Act 1974 shall cease to have effect.

**Marginal Citations**

**M156** 1974 c. 30.

- 3 In section 149B of the <sup>M157</sup>Capital Gains Tax Act 1979 the following subsections shall be substituted for subsection (3)—

“(3) A local authority, a local authority association and a health service body shall be exempt from capital gains tax.

(3A) In subsection (3) above—

- (a) “local authority association” has the meaning given by section 519 of the Taxes Act 1988, and
- (b) “health service body” has the meaning given by section 519A of that Act.”.

**Marginal Citations**

**M157** 1979 c. 14.

- 4 In section 272 of the <sup>M158</sup>Inheritance Tax Act 1984, in the definition of “local authority”, for “519” there shall be substituted “842A”.

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### Marginal Citations

M158 1984 c. 51.

- 5 (1) The Taxes Act 1988 shall be amended as follows.  
(2) Section 519(4) shall cease to have effect.

## SCHEDULE 19

Section 132.

### REPEALS

#### PART I

#### CUSTOMS AND EXCISE

| Chapter    | Short title                                 | Extent of repeal                      |
|------------|---|---------------------------------------|
| 1979 c. 2. | The Customs and Excise Management Act 1979. | In section 37A(1)(b), the word "may". |
| 1979 c. 4. | The Alcoholic Liquor Duties Act 1979.       | Section 12(6) to (9).                 |

| Chapter     | Short title                             | Extent of repeal   |
|-------------|---|--|
| 1979 c. 5.  | The Hydrocarbon Oil Duties Act 1979.    | In section 6, in subsection (1), "(2A)" and subsection (2A).   |
| 1981 c. 63. | The Betting and Gaming Duties Act 1981. | In section 7, in subsection (1) the words "in the case of pool competitions bets to 33½ per cent. and in any other case" and subsection (2). |
| 1982 c. 39. | The Finance Act 1982.                   | Section 8(1)(a).<br>Section 9(1) and (2).<br>In Schedule 6, paragraph 2.   |
| 1986 c. 41. | The Finance Act 1986.                   | In Schedule 5, paragraph 3(4) and (5).   |
| 1988 c. 39. | The Finance Act 1988.                   | Section 6(3).  |
| 1989 c. 26. | The Finance Act 1989.                   | Section 1(1) and (3).  |

The repeals in the Hydrocarbon Oil Duties Act 1979 and the Finance Act 1989 have effect in accordance with section 3(6) of this Act.



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## PART II

### VEHICLES EXCISE DUTY

| Chapter            | Short title  | Extent of repeal   |
|--------------------|--|--|
| 1971 c. 10.        | The Vehicles (Excise) Act 1971.                    | In Schedule 1, in the first column of Part II, the words from "tricycles", in the second place where it occurs, to "passenger".<br>In Schedule 4, paragraph 7. |
| 1972 c. 10 (N.I.). | The Vehicles (Excise) Act (Northern Ireland) 1972. | In Schedule 1, in column 1 of Part II, the words from "tricycles", in the second place where it occurs, to "passenger".<br>In Schedule 4, paragraph 7.         |
| 1983 c. 28.        | The Finance Act 1983.                              | In Schedule 3, paragraph 8(4).   |
| 1985 c. 54.        | The Finance Act 1985.                              | In Schedule 2, paragraphs 3, 4 and 9.  |
| 1987 c. 16.        | The Finance Act 1987.                              | Section 2(2)(b).<br>In Schedule 1, Part I and, in Part II, paragraph 3.  |
| 1989 c. 26.        | The Finance Act 1989.                              | Section 6(3) and (4).<br>In Schedule 1, Part II.<br>In Schedule 2, paragraph 3.  |

1. The repeals in Schedule 1 to each of the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972 are deemed to have come into force on 21st March 1990.

2. The repeals in Schedule 4 to each of the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972, the repeal in the Finance Act 1983 and the repeal of paragraph 9 of Schedule 2 to the Finance Act 1985 have effect in relation to licences taken out after 30th September 1990.

3. The remaining repeals have effect in relation to licences taken out after 20th March 1990.

## PART III

### VALUE ADDED TAX

| Chapter     | Short title                   | Extent of repeal   |
|-------------|-------------------------------|--|
| 1983 c. 55. | The Value Added Tax Act 1983. | Section 22.<br>Section 33(1A).<br>In Schedule 6, in Group 4, Note (3).                                 |
| 1985 c. 54. | The Finance Act 1985.         | In section 13(2), the word "and" at the end of paragraph (b).<br>Section 18(4) and (5).<br>Section 32. |
| 1987 c. 16. | The Finance Act 1987.         | Section 14(4) and (5).<br>In Schedule 2, paragraph 3.  |

1. The repeals of section 22 of the Value Added Tax Act 1983 and section 32 of the Finance Act 1985 have effect in relation to supplies made after the day on which this Act is passed.

2. The repeal of section 18(4) and (5) of that Act has effect in relation to assessments made on or after the day on which this Act is passed.

3. The repeals of section 33(1A) of the Value Added Tax Act 1983 and the repeals in the Finance Act 1987 have effect in relation to persons who become liable to be registered after 20th March 1990.

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

## PART IV

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

| Chapter     | Short title                                | Extent of repeal   |
|-------------|--|--|
| 1969 c. 32. | The Finance Act 1969.                      | Section 52.  |
| 1970 c. 10. | The Income and Corporation Taxes Act 1970. | In section 272(1)(a), the words “, subject to section 280(7) below.”.  |
| 1974 c. 30. | The Finance Act 1974.                      | Section 52.  |
| 1975 c. 45. | The Finance (No.2) Act 1975.               | In section 58(10), the definition of “trading stock”.  |
| 1988 c. 1.  | The Income and Corporation Taxes Act 1988. | Section 257C(4).<br>In section 339, in subsection (2) the words “and is not a close company” and subsection (5).<br>In section 349(3)(d), the words “or 479(1)”. |

| Chapter     | Short title           | Extent of repeal   |
|-------------|-----------------------|--|
|             |                       | In section 431(2), the definitions of “policy holders’ fraction” and “shareholders’ fraction”.<br>In section 439, in subsection (7)(b), the words “(subject to subsection (8) below)” and subsection (8).<br>Section 445(6).<br>Section 446(4).<br>Section 468(5).<br>Sections 468A to 468D.<br>Sections 476 and 477.<br>Sections 479 and 480.<br>In section 481, in subsection (1) the words “sections 479 and 480”, in subsection (2) paragraphs (d) and (e), and in subsection (6) the words “479(2) to (7), 480”.<br>In section 482, in subsection (1) the words “479, 480 and” and in subsection (6) the words from “In relation” to the end.<br>In section 483, subsections (1) to (3) and (5).<br>Section 519(4).<br>Section 659.<br>Section 686(5).<br>In section 687(3) the words following paragraph (i).<br>Section 724(2).<br>In section 772(8), the words “or, in Northern Ireland, to a county court”.<br>In section 832(1), in the definition of “the Capital Allowances Acts”, the words “, but excluding Part III of that Act”.<br>In Schedule 25, paragraph 2(1)(c) and the word “and” immediately following it and paragraph 4(1)(c) and the word “and” immediately following it. |
| 1988 c. 39. | The Finance Act 1988. | In Schedule 4, paragraph 13(3).<br>In Schedule 8, in paragraph 1(3), the word “and” at the end of paragraph (f).   |
| 1989 c. 26. | The Finance Act 1989. | Sections 78 and 79.<br>In Schedule 8, paragraphs 1, 3(3) and 7.  |

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

| Chapter     | Short title  | Extent of repeal  |
|-------------|--|---|
| 1990 c. 1.  | The Capital Allowances Act 1990.                         | In Schedule 11, in paragraph 2(13)(d), the words "before 9th June 1989".<br>Section 149(2).<br>In section 161(10), the words "and of subsection (8)". |
| 1990 c. 19. | The National Health Service and Community Care Act 1990. | Section 61(2).  |

1. The repeal in the Income and Corporation Taxes Act 1970 applies to disposals on or after 20th March 1990.

2. The repeals of section 52 of the Finance Act 1974 and section 519(4) of the Income and Corporation Taxes Act 1988 are deemed to have come into force on 1st April 1990.

3. The repeals in the Finance (No.2) Act 1975 and in sections 439, 445 and 446 of the Income and Corporation Taxes Act 1988 have effect in accordance with Schedule 6 to this Act.

4. The repeal in section 339(2) of the Income and Corporation Taxes Act 1988 has effect in relation to payments made on or after 1st October 1990.

5. The repeal of section 339(5) of the Income and Corporation Taxes Act 1988 has effect in relation to accounting periods ending on or after 1st October 1990.

6. The repeal in section 431(2) of that Act and the repeal of paragraphs 1 and 3(3) of Schedule 8 to the Finance Act 1989 are deemed always to have had effect.

7. The repeal of sections 468(5) and 468A to 468D of the Income and Corporation Taxes Act 1988, and of sections 78 and 79 of the Finance Act 1989, have effect in accordance with section 52 of this Act.

8. The repeals of section 476 (apart from the repeal in subsection (4) of the words from the beginning to "affecting" and the words "and that paragraph") and sections 477, 479 and 480 of the Income and Corporation Taxes Act 1988, and the repeals in sections 349, 481, 482, 483, 686 and 687 of that Act, have effect in accordance with Schedule 5 to this Act.

9. The repeal of section 659 of the Income and Corporation Taxes Act 1988 has effect in accordance with section 81 of this Act.

10. The repeal in section 772 of that Act does not affect any proceedings instituted before 3rd April 1989.

11. The repeals in section 832 of that Act and section 149 of the Capital Allowances Act 1990 apply for chargeable periods beginning on or after 6th April 1990.

12. The repeals in Schedule 25 to the Income and Corporation Taxes Act 1988 apply to dividends paid on or after 20th March 1990.

13. The repeal in Schedule 4 to the Finance Act 1988 applies where the valuation date is on or after 20th March 1990.

14. The repeal of paragraph 7 of Schedule 8 to the Finance Act 1989 applies for accounting periods beginning on or after 1st January 1990.

15. The repeal in Schedule 11 to that Act has effect in accordance with section 58 of this Act.

16. The repeal in section 161(10) of the Capital Allowances Act 1990 applies in relation to a sale of an asset when both the time of completion and the time when possession of the asset is given are on or after 6th April 1990.

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

## PART V

### MANAGEMENT

| Chapter     | Short title                                | Extent of repeal   |
|-------------|--|--|
| 1970 c. 9.  | The Taxes Management Act 1970.             | In section 11, subsection (7) and, in subsection (8), the words from "or different" to the end.<br>In section 12(4), the words "of income of a partnership".<br>In section 17(1), paragraph (a) of the proviso.  |
| 1971 c. 68. | The Finance Act 1971.                      | In Schedule 6, paragraph 82.   |
| 1972 c. 41. | The Finance Act 1972.                      | In Schedule 24, paragraph 4.   |
| 1988 c. 1.  | The Income and Corporation Taxes Act 1988. | In section 7(2), the words from "and accordingly" to the end.<br>In section 11(3), the words from "and accordingly" to the end.<br>In section 393(11), the words from the beginning to "of six years; and".<br>Section 396(3).<br>In Schedule 29, paragraph 4, and in the Table in paragraph 32 the entries relating to sections 8(8) and (9) and 9(4) of the Taxes Management Act 1970.   |
| 1990 c. 1.  | The Capital Allowances Act 1990.           | In section 1(5), the words "as it applies for income tax purposes" and the words from "and" to the end.<br>In section 22, in subsection (8) the words "disclaimer or" and subsection (9).<br>In section 23, in subsection (1) the words "by a person other than a company", the words from ", and a" to "an allowance," and, in paragraphs (b) and (c), the words "or deduction" and in subsection (2) the words "other than a company" and the words from ", or a" to "company,". |

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

| Chapter | Short title | Extent of repeal  |
|---------|-------------|---|
|         |             | <p>In section 24, in subsection (3) the words "in connection with a trade carried on by a person other than a company" and subsection (4).</p> <p>In section 25, in subsection (1)(a)(ii) the words from "in the case of a person" to "of a company", subsection (2), in subsection (3) the words " but not being a company," and in subsection (4), in paragraph (a), the words "(whether a company or not)" and, in paragraph (b), the words " in the case of a person other than a company,".</p> <p>In section 30(1)(a), the words "or, in the case of a company, disclaim it".</p> <p>In section 41(3), the words "or is disclaimed under subsection (4) of that section", the words "or under subsection (4)" and the words "or as disclaimed".</p> <p>In section 46(6), the words "or was disclaimed".</p> <p>In section 47(6)(a), the words "or was disclaimed".</p> <p>In section 48(1), the words "by a person other than a company" and the words from "and a" to "allowance".</p> <p>In section 49(2), the words "other than a company" and the words from " or a" to "company,".</p> <p>In section 79(6), the words "or is disclaimed under subsection (4) of that section", the words "or (4)" and the words "or as disclaimed".</p> <p>In section 80(6), the words "or is disclaimed under subsection (4) of that section", the words "or (4)" and the words "or as disclaimed".</p> |

1. The repeals in section 11 of the Taxes Management Act 1970 have effect in accordance with section 91 of this Act.

2. The repeals in section 12 of the Taxes Management Act 1970, the Finance Act 1971, the Finance Act 1972 and Schedule 29 to the Income and Corporation Taxes Act 1988 have effect in accordance with section 90 of this Act.

3. The repeal in section 17 of the Taxes Management Act 1970 has effect as regards a case where interest is paid or credited in the year 1991–92 or a subsequent year of assessment.

4. The repeals in sections 7 and 11 of the Income and Corporation Taxes Act 1988 have effect in relation to income tax falling to be set off against corporation tax for accounting periods ending after the day appointed for the purposes of section 10 of that Act.

5. The repeals in sections 393 and 396 of that Act apply in relation to accounting periods ending after that day.

6. The remaining repeals have effect in relation to allowances and charges falling to be made for chargeable periods ending after that day.

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

## PART VI

### STAMP DUTY

| Chapter            | Short title                                     | Extent of repeal  |
|--------------------|---|---|
| 1891 c. 39.        | The Stamp Act 1891.                             | In section 59(1), the words "or stock, or marketable securities."<br>Section 83.<br>Section 109(1).<br>In Schedule 1, the whole of the heading beginning "Bearer Instrument", and paragraph (1) of the general exemptions at the end of the Schedule. |
| 1899 c. 9.         | The Finance Act 1899.                           | Section 5(2).   |
| 1946 c. 64.        | The Finance Act 1946.                           | Section 54(3) and (4).<br>Section 56.<br>Section 57(2) to (4).  |
| 1946 c. 17 (N.I.). | The Finance (No.2) Act (Northern Ireland) 1946. | Section 25(3) and (4).<br>Section 27.<br>Section 28(2) to (4).  |
| 1947 c. 35.        | The Finance Act 1947.                           | Section 57.   |
| 1948 c. 49.        | The Finance Act 1948.                           | Section 74.   |
| 1950 c. 32 (N.I.). | The Finance (No.2) Act (Northern Ireland) 1950. | Section 3(1).   |
| 1951 c. 43.        | The Finance Act 1951.                           | Section 42.   |
| 1963 c. 18.        | The Stock Transfer Act 1963.                    | In section 2(3), in paragraph (a) the words "and section 56(4) of the Finance Act 1946", and paragraph (c) and the word "and" immediately preceding it.   |
| 1963 c. 25.        | The Finance Act 1963.                           | Section 55(1A).   |

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

| Chapter            | Short title                                     | Extent of repeal   |
|--------------------|---|--|
| 1963 c. 22 (N.I.). | The Finance Act (Northern Ireland) 1963.        | In section 59, subsections (1) to (4).<br>Section 60.<br>Section 61.<br>In section 62, in subsection (1) the words from “and any” to the end, and subsection (4).<br>Section 65(1).<br>Section 67.                 |
| 1963 c. 24 (N.I.). | The Stock Transfer Act (Northern Ireland) 1963. | Section 4(1A).<br>In section 8, subsections (1) to (4).<br>Section 9.<br>Section 10.<br>In section 11, in subsection (1) the words from “and any” to the end, and subsection (3).<br>Section 14(1).<br>Section 16. |
| 1967 c. 54.        | The Finance Act 1967.                           | Section 30.  |
| 1967 c. 20 (N.I.). | The Finance Act (Northern Ireland) 1967.        | Section 7.   |
| 1970 c. 24.        | The Finance Act 1970.                           | Section 33.<br>In Schedule 7, paragraph 6.   |
| 1970 c. 21 (N.I.). | The Finance Act (Northern Ireland) 1970.        | In Schedule 2, paragraph 6.  |
| 1974 c. 30.        | The Finance Act 1974.                           | In Schedule 11, paragraphs 2 and 12.   |
| 1975 c. 80.        | The OECD Support Fund Act 1975.                 | Section 4(2).  |
| 1976 c. 40.        | The Finance Act 1976.                           | In section 127, subsections (1) and (4) to (7).<br>Section 131(3).   |
| 1980 c. 48.        | The Finance Act 1980.                           | Section 101.   |
| 1984 c. 43.        | The Finance Act 1984.                           | Section 126(3)(c) and (5).   |
| 1985 c. 6.         | The Companies Act 1985.                         | In Schedule 14, in paragraph 8 the words from “and, unless” to the end.  |
| 1985 c. 54.        | The Finance Act 1985.                           | Section 81.  |
| 1986 c. 41.        | The Finance Act 1986.                           | Section 64(1).<br>Sections 65 to 72.<br>Section 77.  |

**Status:** Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:** Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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)

| Chapter                 | Short title                                  | Extent of repeal  |
|-------------------------|--|---|
| S.I. 1986/1032 (N.I.6). | The Companies (Northern Ireland) Order 1986. | In section 79, subsections (2) to (8), and in subsection (12) the words "(7), (9),". Sections 80 to 85. |
| 1987 c. 16.             | The Finance Act 1987.                        | In Schedule 14, in paragraph 7 the words from "and unless" to the end.                                  |
| 1987 c. 51.             | The Finance (No.2) Act 1987.                 | Sections 50 to 53.  |
| 1988 c. 39.             | The Finance Act 1988.                        | Section 99.   |
| 1989 c. 26.             | The Finance Act 1989.                        | Section 143.<br>In Schedule 13, paragraph 19.<br>Sections 174 and 175.                                  |

1. So far as these repeals relate to bearer instruments, they have effect in accordance with section 107 of this Act.

2. So far as these repeals relate to instruments other than bearer instruments, they have effect in accordance with section 108 of this Act.

3. So far as these repeals relate to—

(a) any provision mentioned in subsection (1), (2), (3), (4) or (5) of section 109 of this Act, or

(b) any other provision to the extent that it is ancillary to or dependent on any provision so mentioned,

the repeals have effect in accordance with the subsection concerned.

4. So far as these repeals relate to—

(a) any provision mentioned in section 109(6) of this Act, or

(b) any other provision to the extent that it is ancillary to or dependent on any provision so mentioned,

the repeals have effect in accordance with any order under section 109(7) of this Act.

5. Paragraphs 1 and 2 above have effect subject to paragraphs 3 and 4 above.

## PART VII

### STAMP DUTY RESERVE TAX

| Chapter     | Short title                   | Extent of repeal                              |
|-------------|-------------------------------|---|
| 1986 c. 41. | The Finance Act 1986.         | Part IV.                                      |
| 1987 c. 16. | The Finance Act 1987.         | Section 56.<br>Schedule 7.                    |
| 1987 c. 51. | The Finance (No. 2) Act 1987. | Section 100.                                  |
| 1988 c. 39. | The Finance Act 1988.         | Section 144.<br>In Schedule 13, paragraph 23. |
| 1989 c. 26. | The Finance Act 1989.         | Sections 176 and 177.                         |

These repeals have effect in accordance with section 110 of this Act.

## PART VIII

### NATIONAL SAVINGS

| Chapter     | Short title                 | Extent of repeal |
|-------------|-----------------------------|------------------|
| 1972 c. 65. | The National Debt Act 1972. | Section 5(3)(b). |



**Status:**

Point in time view as at 01/10/1991. This version of this Act contains provisions that are prospective.

**Changes to legislation:**

Finance Act 1990 is up to date with all changes known to be in force on or before 25 May 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.