

Status: Point in time view as at 29/04/1996.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1990, SCHEDULE 5. (See end of Document for details)

SCHEDULES

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—

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- (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;
 - (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.

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7 (1) The following sections shall be inserted immediately before section 481—

“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 ^{M1}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

M1 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.”

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