



# Finance (No. 2) Act 1992

## 1992 CHAPTER 48

### PART II

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER I

#### GENERAL

#### *Lower rate*

#### **19 Lower rate: further provisions**

- (1) In section 7(4) of the Taxes Management Act 1970 for “basic rate” there shall be substituted “the basic rate or the lower rate”.
- (2) In each of the provisions to which this subsection applies, after “basic rate” there shall be inserted “or the lower rate”; and this subsection applies to section 91(3)(c) of the Taxes Management Act 1970 and to sections 550(3) and 599A(7) of the Taxes Act 1988.
- (3) In each of the provisions to which this subsection applies, after “all income tax” there shall be inserted “not chargeable at the lower rate”; and this subsection applies to sections 167(2A), 233(2), 353(5), 369(3B), 549(2), 683(2), 684(2), 689(2), 699(2) and 819(2) of the Taxes Act 1988 and to the definition of “excess liability” in paragraph 19(1) of Schedule 7 to that Act.
- (4) In each of the provisions to which this subsection applies, after “shall be treated” there shall be inserted “as income which is not chargeable at the lower rate and”; and this subsection applies to sections 233(1)(c), 249(4)(c) and 547(5)(c) of the Taxes Act 1988.

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*Status: This is the original version (as it was originally enacted).*

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- (5) In section 369 of the Taxes Act 1988 at the beginning of subsection (3) there shall be inserted “Subject to subsection (5A) below”, and after subsection (5) there shall be inserted—
- “(5A) In any case where—
- (a) payments of relevant loan interest to which this section applies become due in any year, and
  - (b) the notional lower rate income of the borrower for that year exceeds the actual lower rate income of the borrower for that year,
- the borrower shall be charged with tax at the lower rate (rather than the basic rate) for that year on so much of the income on which he is chargeable to tax by virtue of subsection (3) above as is equal to the excess.
- (5B) For the purposes of subsection (5A) above—
- (a) the notional lower rate income of a borrower for a year is the amount of his total income for the year which would be chargeable at the lower rate if the relevant deduction were not made;
  - (b) the actual lower rate income of a borrower for a year is the amount of his total income for the year which is actually chargeable at the lower rate;
- and the relevant deduction is the deduction which, in computing the borrower’s total income otherwise than for the purposes of excess liability, falls to be made on account of the payments referred to in subsection (5A) (a) above.”
- (6) In section 421(1)(c) of the Taxes Act 1988 for “shall, notwithstanding that paragraph, be treated” there shall be substituted “shall be treated as income which is not chargeable at the lower rate and, notwithstanding that paragraph, shall be treated”.
- (7) This section shall apply for the year 1992-93 and subsequent years of assessment.