



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

PRINCIPAL PROVISIONS

Income tax charge, rates and reliefs

72 Charge and rates of income tax for 1996-97

- (1) Income tax shall be charged for the year 1996-97, and for that year—
 - (a) the lower rate shall be 20 per cent.;
 - (b) the basic rate shall be 24 per cent.; and
 - (c) the higher rate shall be 40 per cent.
- (2) For the year 1996-97 section 1(2) of the Taxes Act 1988 shall apply—
 - (a) as if the amount specified in paragraph (aa) (the lower rate limit) were £3,900; and
 - (b) as if the amount specified in paragraph (b) (the basic rate limit) were £25,500; and, accordingly, section 1(4) of that Act (indexation) shall not apply for the year 1996-97.
- (3) Section 559(4) of the Taxes Act 1988 (deductions from payments to sub-contractors in the construction industry) shall have effect—
 - (a) in relation to payments made on or after 1st July 1996 and before the appointed day (within the meaning of section 139 of the Finance Act 1995), with “24 per cent.” substituted for “25 per cent.”; and

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- (b) in relation to payments made on or after that appointed day, as if the substitution for which section 139(1) of the Finance Act 1995 provided were a substitution of “the relevant percentage” for “24 per cent.”

73 **Application of lower rate to income from savings**

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

“1A Application of lower rate to income from savings and distributions

- (1) Subject to sections 469(2) and 686, so much of any person’s total income for any year of assessment as—
- (a) comprises income to which this section applies, and
 - (b) in the case of an individual, is not income falling within section 1(2)(b),
- shall, by virtue of this section, be charged for that year at the lower rate, instead of at the rate otherwise applicable to it in accordance with section 1(2)(aa) and (a).
- (2) Subject to subsection (4) below, this section applies to the following income—
- (a) any income chargeable under Case III of Schedule D other than—
 - (i) relevant annuities and other annual payments that are not interest; and
 - (ii) amounts so chargeable by virtue of section 119 or 120;
 - (b) any income chargeable under Schedule F; and
 - (c) subject to subsection (4) below, any equivalent foreign income.
- (3) The income which is equivalent foreign income for the purposes of this section is any income chargeable under Case IV or V of Schedule D which—
- (a) is equivalent to a description of income falling within subsection (2)(a) above but arises from securities or other possessions out of the United Kingdom; or
 - (b) consists in any such dividend or other distribution of a company not resident in the United Kingdom as would be chargeable under Schedule F if the company were resident in the United Kingdom.
- (4) This section does not apply to—
- (a) any income chargeable to tax under Case IV or V of Schedule D which is such that section 65(5)(a) or (b) provides for the tax to be computed on the full amount of sums received in the United Kingdom; or
 - (b) any amounts deemed by virtue of section 695(4)(b) or 696(6) to be income chargeable under Case IV of Schedule D.
- (5) So much of any person’s income as comprises income to which this section applies shall be treated for the purposes of subsection (1)(b) above and any other provisions of the Income Tax Acts as the highest part of his income.
- (6) Subsection (5) above shall have effect subject to section 833(3) but shall otherwise have effect notwithstanding any provision requiring income of any description to be treated for the purposes of the Income Tax Acts (other than section 550) as the highest part of a person’s income.

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- (7) In this section “relevant annuity” means any annuity other than a purchased life annuity to which section 656 applies or to which that section would apply but for section 657(2)(a).”
- (2) In section 4 of that Act (construction of references to deduction of tax), after subsection (1) there shall be inserted the following subsection—
- “(1A) As respects deductions from, and tax treated as paid on, any such amounts as constitute or (but for the person whose income they are) would constitute income to which section 1A applies, subsection (1) above shall have effect with a reference to the lower rate in force for the relevant year of assessment substituted for the reference to the basic rate in force for that year.”
- (3) Subsection (1) above has effect in relation to the year 1996-97 and subsequent years of assessment and subsection (2) above has effect in relation to payments on or after 6th April 1996.
- (4) Schedule 6 to this Act (which makes further amendments in connection with the charge at the lower rate on income from savings etc.) shall have effect.
- (5) Where any subordinate legislation (within the meaning of the Interpretation Act 1978) falls to be construed in accordance with section 4 of the Taxes Act 1988, that legislation (whenever it was made) shall be construed, in relation to payments on or after 6th April 1996, subject to subsection (1A) of that section.

74 Personal allowances for 1996-97

- (1) For the year 1996-97 the amounts specified in the provisions mentioned in subsection (2) below shall be taken to be as set out in that subsection; and, accordingly, section 257C(1) of the Taxes Act 1988 (indexation), so far as it relates to the amounts so specified, shall not apply for the year 1996-97.
- (2) In section 257 of that Act (personal allowance)—
- (a) the amount in subsection (1) (basic allowance) shall be £3,765;
 - (b) the amount in subsection (2) (allowance for persons aged 65 or more but not aged 75 or more) shall be £4,910; and
 - (c) the amount in subsection (3) (allowance for persons aged 75 or more) shall be £5,090.

75 Blind person’s allowance

- (1) In section 265(1) of the Taxes Act 1988 (blind person’s allowance), for “£1,200” there shall be substituted “£1,250”.
- (2) This section shall apply for the year 1996-97 and subsequent years of assessment.

76 Limit on relief for interest

For the year 1996-97 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.

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Corporation tax charge and rate

77 Charge and rate of corporation tax for 1996

Corporation tax shall be charged for the financial year 1996 at the rate of 33 per cent.

78 Small companies

For the financial year 1996—

- (a) the small companies' rate shall be 24 per cent.; and
- (b) the fraction mentioned in section 13(2) of the Taxes Act 1988 (marginal relief for small companies) shall be nine four-hundredths.

Abolition of Schedule C charge etc.

79 Abolition of Schedule C charge etc

- (1) The charge to tax under Schedule C is abolished—
 - (a) for the purposes of income tax, for the year 1996-97 and subsequent years of assessment;
 - (b) for the purposes of corporation tax, for accounting periods ending after 31st March 1996.
- (2) Schedule 7 to this Act (which, together with Chapter II of this Part of this Act, makes provision for imposing a charge under Schedule D on descriptions of income previously charged under Schedule C, and makes connected amendments) shall have effect.