



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER III

PROVISIONS RELATING TO THE SCHEDULE E CHARGE

106 Living accommodation provided for employees

- (1) In subsection (1) of section 145 of the Taxes Act 1988 (living accommodation provided for employees), the words “and is not otherwise made the subject of any charge to him by way of income tax” shall be omitted.
- (2) After section 146 of that Act there shall be inserted the following section—

“146A Priority of rules applying to living accommodation

- (1) This section applies where, within the meaning of section 145, living accommodation is provided in any period for any person by reason of his employment.
- (2) The question whether the employee is to be treated under section 145 or 146 as in receipt of emoluments in respect of the provision of the accommodation shall be determined before any other question whether there is an amount falling to be treated in respect of the provision of that accommodation as emoluments.
- (3) Tax under Schedule E in respect of the provision of the accommodation shall be chargeable on the employee otherwise than in pursuance of sections 145 and 146 to the extent only that the amount on which it is chargeable by virtue of those sections is exceeded by the amount on which it would be chargeable apart from those sections.”

Status: This is the original version (as it was originally enacted).

(3) This section applies for the year 1996-97 and subsequent years of assessment.

107 Beneficial loans

(1) For section 160(1B) of the Taxes Act 1988 (aggregation of loans) there shall be substituted the following subsections—

“(1B) Where, in relation to any year—

- (a) there are loans between the same lender and borrower which are aggregable with each other,
- (b) the lender elects, by notice given to the inspector, for aggregation to apply in the case of that borrower, and
- (c) that notice is given before the end of the period of 92 days after the end of that year,

all the loans between that lender and that borrower which are aggregable with each other shall be treated for the purposes of subsections (1) and (1A) above and Part II of Schedule 7 as a single loan.

(1BA) For the purposes of subsection (1B) above loans are aggregable with each other for any year where—

- (a) in the case of each of the loans, there is a time in that year, while the loan is outstanding as to any amount, when the lender is a close company and the borrower a director of that company;
- (b) the benefit of each of the loans is obtained by reason of the borrower’s employment;
- (c) in the case of each of the loans, there is no time in that year when a rate of interest is applied to the loan which is equal to or more than whatever is the official rate at that time;
- (d) the loans are loans made in the same currency; and
- (e) none of the loans is a qualifying loan.”

(2) In paragraph 5 of Schedule 7 to that Act (alternative method of calculation)—

- (a) in sub-paragraph (1)(a), for the words from “for the purpose” to “appeal” there shall be substituted “at a time allowed by sub-paragraph (2) below”; and
- (b) in sub-paragraph (1)(b), for “within the time allowed by sub-paragraph (2) below” there shall be substituted “at such a time”.

(3) For sub-paragraph (2) of that paragraph there shall be substituted the following sub-paragraph—

“(2) A notice containing a requirement or election for the purposes of sub-paragraph (1) above is allowed to be given at any time before the end of the period of 12 months beginning with the 31st January next following the relevant year.”

(4) This section has effect for the year 1996-97 and subsequent years of assessment and applies to loans whenever made.

108 Incidental benefits for holders of certain offices etc

(1) After section 200 of the Taxes Act 1988 (expenses of Members of Parliament) there shall be inserted the following section—

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

“200AA Incidental benefits for holders of certain offices etc

- (1) A person holding any of the offices mentioned in subsection (2) below shall not be charged to tax under Schedule E in respect of—
 - (a) any transport or subsistence provided or made available by or on behalf of the Crown to the office-holder or any member of his family or household; or
 - (b) the payment or reimbursement by or on behalf of the Crown of any expenses incurred in connection with the provision of transport or subsistence to the office-holder or any member of his family or household.
 - (2) Those offices are—
 - (a) any office in Her Majesty’s Government in the United Kingdom, and
 - (b) any other office which is one of the offices and positions in respect of which salaries are payable under section 1 of the Ministerial and other Salaries Act 1975 (whether or not the person holding it is a person to whom a salary is paid or payable under the Act).
 - (3) Nothing in this section shall prevent a person from being chargeable to tax under Schedule E in respect of the benefit of a mobile telephone (within the meaning of section 159A).
 - (4) References in this section to a member of the family or household of an office-holder shall be construed in accordance with section 168(4).
 - (5) References in this section to the provision of transport to any person include references to the following—
 - (a) the provision or making available to that person of any car (whether with or without a driver);
 - (b) the provision of any fuel for a car provided or made available to that person;
 - (c) the provision of any other benefit in connection with a car provided or made available to that person.
 - (6) In this section—

“car” means any mechanically propelled road vehicle; and
“subsistence” includes food and drink and temporary living accommodation.”
- (2) This section has effect for the year 1996–97 and subsequent years of assessment.

109 Charitable donations: payroll deduction schemes

- (1) In section 202(7) of the Taxes Act 1988 (which limits to £900 the deductions attracting relief), for “£900” there shall be substituted “£1,200”.
- (2) This section has effect for the year 1996-97 and subsequent years of assessment.

110 PAYE settlement agreements

After section 206 of the Taxes Act 1988 there shall be inserted the following section—

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

“206A PAYE settlement agreements

- (1) PAYE regulations may make provision falling within subsection (2) below about the sums which, as sums in respect of income tax under Schedule E on emoluments of a person’s employees, are to be the sums for which the employer is to be accountable to the Board from time to time.
- (2) That provision is provision under which the accountability of the employer, and the sums for which he is to be accountable, are to be determined, to such extent as may be prescribed, in accordance with an agreement between the Board and the employer (“a PAYE settlement agreement”), instead of under PAYE regulations made otherwise than by virtue of this section.
- (3) PAYE regulations may provide for a PAYE settlement agreement to allow sums for which an employer is to be accountable to the Board in accordance with the agreement—
 - (a) to be computed, in cases where there are two or more persons holding employments to which the agreement relates, by reference to a number of those persons all taken together;
 - (b) to include sums representing income tax on an estimated amount taken, in accordance with the agreement, to be the aggregate of the cash equivalents and other amounts chargeable to tax in respect of—
 - (i) taxable benefits provided or made available by reason of the employments to which the agreement relates; and
 - (ii) expenses paid to the persons holding those employments;and
 - (c) to be computed in a manner under which the sums for which the employer is accountable do not necessarily represent an amount of income tax payable in respect of income which (apart from the regulations) is assessable under Schedule E on persons holding employments to which the agreement relates.
- (4) PAYE regulations may provide—
 - (a) for an employer who is accountable to the Board under a PAYE settlement agreement for any sum to be so accountable without that sum, or any other sum, being treated for any prescribed purpose as tax deducted from emoluments;
 - (b) for an employee to have no right to be treated as having paid tax in respect of sums for which his employer is accountable under such an agreement;
 - (c) for an employee to be treated, except—
 - (i) for the purposes of the obligations imposed on his employer by such an agreement, and
 - (ii) to such further extent as may be prescribed,as relieved from any prescribed obligations of his under the Income Tax Acts in respect of emoluments from an employment to which the agreement relates; and
 - (d) for such emoluments to be treated as excluded from the employee’s income for such further purposes of the Income Tax Acts, and to such extent, as may be prescribed.

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

- (5) For the purposes of any PAYE regulations made by virtue of this section it shall be immaterial that any agreement to which they relate was entered into before the coming into force of the regulations.
- (6) PAYE regulations made by virtue of this section may—
- (a) make different provision for different cases; and
 - (b) contain such incidental, supplemental, consequential and transitional provision as the Board may think fit.
- (7) Without prejudice to the generality of subsection (6) above, the transitional provision that may be made by virtue of that subsection includes transitional provision for any year of assessment which—
- (a) for the purposes of the regulations, treats sums accounted for in that year before the coming into force of the regulations as accounted for in accordance with an agreement as respects which the regulations have effect after they come into force; and
 - (b) provides, by reference to any provision made by virtue of paragraph (a) above, for income arising in that year before the coming into force of the regulations to be treated as income in relation to which modifications of the Income Tax Acts contained in the regulations apply.
- (8) Without prejudice to the generality of subsection (6) above, any power of the Board to make PAYE regulations with respect to sums falling to be accounted for under such regulations shall include power to make the corresponding provision with respect to sums falling, by virtue of this section, to be accounted for in accordance with a PAYE settlement agreement.
- (9) In this section—
- “employment” means any office or employment the emoluments from which are (or, apart from any regulations made by virtue of this section, would be) assessable to tax under Schedule E, and cognate expressions shall be construed accordingly;
 - “PAYE regulations” means regulations under section 203;
 - “prescribed” means prescribed by PAYE regulations;
 - “taxable benefit”, in relation to an employee, means any benefit provided or made available, otherwise than in the form of a payment of money, to the employee or to a person who is, for the purposes of Chapter II of this Part, a member of his family or household;
- and references in this section to a time before the coming into force of any regulations include references to a time before the commencement of section 110 of the Finance Act 1996 (by virtue of which this section was inserted in this Act).”