



# Finance Act 1996

## 1996 CHAPTER 8

### PART IV

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

### CHAPTER VI

#### MISCELLANEOUS PROVISIONS

#### *Reliefs*

**<sup>F1</sup>143 Annual payments under certain insurance policies.**

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**Textual Amendments**

**F1** S. 143 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

**[<sup>F2</sup>144 Vocational training.**

- (1) Section 32 of the <sup>M1</sup>Finance Act 1991 (vocational training relief) shall be amended in accordance with the following provisions of this section.
- (2) In subsection (1) (application of section) for paragraph (ca) (individual has attained school leaving age etc at time of paying for the course) there shall be substituted—
  - “(ca) at the time the payment is made, the individual—
    - (i) in a case where the qualifying course of vocational training is such a course by virtue only of paragraph (b) of subsection (10) below, has attained the age of thirty, or

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- (ii) in any other case, has attained school-leaving age and, if under the age of nineteen, is not a person who is being provided with full-time education at a school.”.
- (3) For subsection (10) (meaning of “qualifying course of vocational training”) there shall be substituted—
- “**(10)** In this section “qualifying course of vocational training” means—
- (a) any programme of activity capable of counting towards a qualification—
- (i) accredited as a National Vocational Qualification by the National Council for Vocational Qualifications; or
- (ii) accredited as a Scottish Vocational Qualification by the Scottish Vocational Education Council; or
- (b) any course of training which—
- (i) satisfies the conditions set out in the paragraphs of section 589(1) of the Taxes Act 1988 (qualifying courses of training etc),
- (ii) requires participation on a full-time or substantially full-time basis, and
- (iii) extends for a period which consists of or includes four consecutive weeks,
- but treating any time devoted to study in connection with the course as time devoted to the practical application of skills or knowledge.”
- (4) This section applies to payments made on or after 6th May 1996.]

#### **Textual Amendments**

**F2** S. 144 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(15), Note of the amending Act) by 1999 c. 16, s. 139, **Sch. 20 Pt. III(15)**

#### **Marginal Citations**

**M1** 1991 c. 31.

### **145 Personal reliefs for non-resident EEA nationals.**

- (1) In section 278(2)(a) of the Taxes Act 1988 (exclusion of non-residents from entitlement to personal reliefs not to apply to Commonwealth citizens or citizens of the Republic of Ireland), for “a citizen of the Republic of Ireland” there shall be substituted “an EEA national”.
- (2) After subsection (8) of that section (claims to be made to the Board) there shall be added the following subsection—
- “(9) In this section “EEA national” means a national of any State, other than the United Kingdom, which is a Contracting Party to the Agreement on the European Economic Area signed at Oporto on 2nd May 1992, as adjusted by the Protocol signed at Brussels on 17th March 1993.”
- (3) This section has effect for the year 1996-97 and subsequent years of assessment.

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## 146 Exemptions for charities.

- (1) Section 505(1) of the Taxes Act 1988 (exemptions for charities) shall be amended as follows.
- (2) For paragraph (a) (rents etc.) there shall be substituted the following paragraph—
  - “(a) exemption from tax under Schedules A and D in respect of any profits or gains arising in respect of rents or other receipts from an estate, interest or right in or over any land (whether situated in the United Kingdom or elsewhere) to the extent that the profits or gains—
    - (i) arise in respect of rents or receipts from an estate, interest or right vested in any person for charitable purposes; and
    - (ii) are applied to charitable purposes only;”.
- (3) For sub-paragraph (ii) of paragraph (c) (yearly interest and annual payments) there shall be substituted the following sub-paragraphs—
  - “(ii) from tax under Case III of Schedule D,
  - (iia) from tax under Case IV or V of Schedule D in respect of income equivalent to income chargeable under Case III of that Schedule but arising from securities or other possessions outside the United Kingdom,
  - (iib) from tax under Case V of Schedule D in respect of income consisting in any such dividend or other distribution of a company not resident in the United Kingdom as would be chargeable to tax under Schedule F if the company were so resident, and”.
- (4) In paragraph (e) (trading profits), after “by a charity” there shall be inserted “ (whether in the United Kingdom or elsewhere) ”.
- (5) This section has effect—
  - (a) for the purposes of income tax, for the year 1996-97 and subsequent years of assessment; and
  - (b) for the purposes of corporation tax, in relation to accounting periods ending after 31st March 1996.

## 147 Withdrawal of relief for Class 4 contributions.

- (1) In section 617 of the Taxes Act 1988 (social security benefits and contributions), subsection (5) (relief for Class 4 contributions) shall cease to have effect.
- (2) In consequence of the provision made by subsection (1) above, in paragraph 3(2) of Schedule 2 to—
  - (a) the <sup>M2</sup>Social Security Contributions and Benefits Act 1992, and
  - (b) the <sup>M3</sup>Social Security Contributions and Benefits (Northern Ireland) Act 1992,the words “ (e) section 617(5) (relief for Class 4 contributions); ” shall be omitted.
- (3) This section shall have effect in relation to the year 1996-97 and subsequent years of assessment.

### Marginal Citations

M2 1992 c. 4.

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**M3** 1992 c. 7.

## **148 Mis-sold personal pensions etc.**

- (1) Income tax shall not be chargeable on any payment falling within subsection (3) or (5) below.
- (2) Receipt of a payment falling within subsection (3) below shall not be regarded for the purposes of capital gains tax as the disposal of an asset.
- (3) A payment falls within this subsection if it is a capital sum by way of compensation for loss suffered, or reasonably likely to be suffered, by a person in a case where that person, or some other person, acting in reliance on bad investment advice at least some of which was given during the period beginning with 29th April 1988 and ending with 30th June 1994,—
  - (a) has, while eligible, or reasonably likely to become eligible, to be a member of an occupational pension scheme, instead become a member of a personal pension scheme or entered into a retirement annuity contract;
  - (b) has ceased to be a member of, or to pay contributions to, an occupational pension scheme and has instead become a member of a personal pension scheme or entered into a retirement annuity contract;
  - (c) has transferred to a personal pension scheme accrued rights of his under an occupational pension scheme; or
  - (d) has ceased to be a member of an occupational pension scheme and has instead (by virtue of such a provision as is mentioned in section 591(2)(g) of the Taxes Act 1988) entered into arrangements for securing relevant benefits by means of an annuity contract.
- (4) A payment chargeable to income tax apart from subsection (1) above may nevertheless be regarded as a capital sum for the purpose of determining whether it falls within subsection (3) above.
- (5) A payment falls within this subsection if and to the extent that it is a payment of interest, on the whole or any part of a capital sum such as is mentioned in subsection (3) above, for a period ending on or before the earliest date on which a determination (whether or not subsequently varied on an appeal or in any other proceedings) of the amount of the particular capital sum in question is made, whether by agreement or by a decision of—
  - (a) a court, tribunal or commissioner,
  - (b) an arbitrator or (in Scotland) arbiter, or
  - (c) any other person appointed for the purpose.
- (6) In this section—
 

“bad investment advice” means investment advice in respect of which an action against the person who gave it has been, or may be, brought—

  - (a) in or for negligence;
  - (b) for breach of contract;
  - (c) by reason of a breach of a fiduciary obligation; or
  - (d) [<sup>F3</sup>by reason of a contravention which is actionable—
    - (i) under section 62 of the Financial Services Act 1986; or

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(ii) under section 150 of the Financial Services and Markets Act 2000;]

[<sup>F4</sup>“investment advice”—

(a) in relation to a time before 1st December 2001, means advice such as is mentioned in paragraph 15 of Schedule 1 to the Financial Services Act 1986; and

(b) in relation to a time on or after that date, means advice such as is mentioned in Article 53 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;]

“occupational pension scheme” means—

(a) a scheme approved, or being considered for approval, under Chapter I of Part XIV of the Taxes Act 1988 (retirement benefit schemes);

(b) a relevant statutory scheme, as defined in section 611A(1) of that Act; or

(c) a fund to which section 608 of that Act applies (superannuation funds approved before 6th April 1980 etc);

“personal pension scheme” has the meaning given by section 630(1) of the Taxes Act 1988;

“relevant benefits” has the meaning given by section 612(1) of the Taxes Act 1988;

“retirement annuity contract” means a contract made before 1st July 1988 and approved by the Board under or by virtue of any provision of Chapter III of Part XIV of the Taxes Act 1988.

(7) This section shall have effect, and be taken always to have had effect, in relation to any payment falling within subsection (3) or (5) above, whether made before or after the passing of this Act.

#### Textual Amendments

**F3** S. 148(6): para. (d) in the definition of “bad investment advice” substituted (1.12.2001) by [S.I. 2001/3629, art. 93\(2\)](#)

**F4** S. 148(6): definition of “investment advice” substituted (1.12.2001) by [S.I. 2001/3629, art. 93\(3\)](#)

#### [<sup>F5</sup>149 Annual payments in residuary cases.

(1) Section 347A of the Taxes Act 1988 (annual payments not a charge on the income of a payer) shall apply to any payment made on or after 6th April 1996—

(a) in pursuance of any obligation which falls within section 36(4)(a) of the <sup>M4</sup>Finance Act 1988 (existing obligations under certain court orders), and

(b) for the benefit, maintenance or education of a person (whether or not the person to whom the payment is made) who attained the age of 21 before 6th April 1994,

as if that obligation were not an existing obligation within the definition contained in section 36(4) of the Finance Act 1988.

(2) Subsection (1) above does not apply to any payment to which section 38 of the Finance Act 1988 (treatment of certain maintenance payments under existing obligations) applies.]

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**Textual Amendments**

**F5** S. 149 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(6), Note of the amending Act) by 1999 c. 16, s. 139, **Sch. 20 Pt. III(6)**

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**Marginal Citations**

**M4** 1988 c. 39.

<sup>F6</sup>**150** **Income tax exemption for periodical payments of damages and compensation for personal injury.**

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**Textual Amendments**

**F6** S. 150 repealed (6.4.2005) by **Income Tax (Trading and Other Income) Act 2005 (c. 5)**, s. 883(1), **Sch. 3** (with Sch. 2)

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