

*Status: Point in time view as at 06/04/2006.*

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## SCHEDULES

### SCHEDULE 1

Section 6.

#### MIXING OF REBATED OIL

The following is the Schedule which shall be inserted after Schedule 2 to the <sup>M1</sup>Misuse of rebated kerosene Hydrocarbon Oil Duties Act 1979—

#### “SCHEDULE 2A

#### MIXING OF REBATED OIL

##### PART I

##### LIGHT OIL

###### *Converting unleaded petrol into leaded petrol*

- 1 (1) A mixture which is leaded petrol is produced in contravention of this paragraph if such a mixture is produced by—
  - (a) adding lead to unleaded petrol in respect of which a rebate has been allowed under subsection (1) of section 13A of this Act at the rate given by subsection (1A)(a) of that section;
  - (b) adding lead to unleaded petrol in respect of which a rebate has been allowed under subsection (1) of that section at the rate given by subsection (1A)(b) of that section; or
  - (c) adding lead to a mixture of unleaded petrol of a description mentioned in paragraph (a) above and unleaded petrol of a description mentioned in paragraph (b) above.
- (2) In sub-paragraph (1) above the reference to adding lead to unleaded petrol includes a reference to adding leaded petrol to unleaded petrol.
- (3) This paragraph is subject to any direction given under paragraph 3 below.

###### *Adding octane enhancers to low octane unleaded petrol*

- 2 (1) A mixture which is super-unleaded petrol is produced in contravention of this paragraph if such a mixture is produced by adding an octane enhancer to unleaded petrol in respect of which a rebate has been allowed under subsection (1) of section 13A of this Act at the rate given by subsection (1A)(b) of that section.
- (2) For the purposes of sub-paragraph (1) above “super-unleaded petrol” means unleaded petrol—
  - (a) whose research octane number is not less than 96; and
  - (b) whose motor octane number is not less than 86.

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- (3) Subsection (1C) of section 13A applies for the purposes of this paragraph as it applies for the purposes of that section.
- (4) This paragraph is subject to any direction given under paragraph 3 below.

*Power to create exceptions*

- 3 The Commissioners may give a direction that, in such description of circumstances as may be specified in the direction, a mixture is not produced in contravention of paragraph 1 above or (as the case may be) paragraph 2 above.

**PART II**

HEAVY OIL

*Mixing partially rebated heavy oil with unrebated heavy oil*

- 4 A mixture of heavy oils is produced in contravention of this paragraph if such a mixture is produced by mixing—
- (a) gas oil in respect of which a rebate has been allowed under section 11(1)(b) of this Act; and
  - (b) heavy oil in respect of which, on its delivery for home use, a declaration was made that it was intended for use as fuel for a road vehicle.

*Mixing fully rebated heavy oil with unrebated heavy oil*

- 5 A mixture of heavy oils is produced in contravention of this paragraph if such a mixture is produced by mixing—
- (a) heavy oil which is neither fuel oil nor gas oil and in respect of which a rebate has been allowed under section 11(1)(c) of this Act; and
  - (b) heavy oil in respect of which, on its delivery for home use, a declaration was made that it was intended for use as fuel for a road vehicle.

*Mixing fully rebated heavy oil with partially rebated heavy oil*

- 6 A mixture of heavy oils is produced in contravention of this paragraph if such a mixture is produced by mixing—
- (a) heavy oil which is neither fuel oil nor gas oil and in respect of which a rebate has been allowed under section 11(1)(c) of this Act; and
  - (b) gas oil in respect of which a rebate has been allowed under section 11(1)(b) of this Act.

*Complex mixtures of heavy oils*

- 7 A mixture of heavy oils is produced in contravention of this paragraph if such a mixture is produced in contravention of more than one paragraph of paragraphs 4 to 6 above.

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### PART III

#### RATES OF DUTY, ETC.

##### *Rate for mixtures of light oil*

- 8 (1) Subject to paragraph 10 below, duty under section 20AAA(1) of this Act shall be charged at the following rates.
- (2) In the case of a mixture produced in contravention of paragraph 1 above, the rate is the rate for light oil in force at the time that the mixture is produced.
- (3) In the case of a mixture produced in contravention of paragraph 2 above, the rate is the rate produced by deducting from the rate for light oil in force at the time the mixture is produced the rate of rebate which at that time is in force under section 13A(1A)(a) of this Act.
- (4) In this paragraph “the rate for light oil” means the rate given in the case of light oil by section 6(1) of this Act.

##### *Rate for mixtures of heavy oil*

- 9 (1) Subject to paragraph 10 below, duty charged under subsection (2) of section 20AAA of this Act shall be charged at the rate for heavy oil in force at the time when the mixture is supplied as mentioned in that subsection.
- (2) In this paragraph “the rate for heavy oil” means the rate given in the case of heavy oil by section 6(1) of this Act.

##### *Credit for duty paid on ingredients of mixture*

- 10 Where duty is charged under section 20AAA of this Act in respect of any mixture, the amount of duty produced by applying paragraph 8 or 9 above shall be reduced by the amount of any duty under section 6 of this Act which the Commissioners are satisfied has been paid in respect of any ingredient of the mixture.

##### *Interpretation*

- 11 In this Schedule—  
“fuel oil” and “gas oil” have the same meanings as in section 11 of this Act;  
“leaded petrol” and “unleaded petrol” shall be construed in accordance with section 13A of this Act.”

#### Marginal Citations

M1 1979 c. 5.

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## SCHEDULE 2

Section 23.

### VEHICLE LICENSING AND REGISTRATION

- 1 In this Schedule “the 1994 Act” means the <sup>M2</sup>Vehicle Excise and Registration Act 1994.

#### **Marginal Citations**

**M2** 1994 c. 22.

#### *Vehicle licences*

- 2 (1) Section 7 of the 1994 Act (issue of vehicle licences) shall be amended in accordance with this paragraph.
- (2) After subsection (3) there shall be inserted the following subsections—
- “(3A) A person applying for a licence shall not be required to make a declaration specified for the purposes of subsection (1)(a) if he agrees to comply with such conditions as may be specified in relation to him by the Secretary of State.
- (3B) The conditions which may be specified under subsection (3A) include a condition that particulars for the time being specified for the purposes of subsection (1)(b) are furnished by being transmitted to the Secretary of State by such electronic means as he may specify.”
- (3) Sub-paragraph (2) above applies to applications made on or after the day on which this Act is passed.
- (4) In subsection (6)—
- (a) after “may provide for—” there shall be inserted the following paragraph—
- “(aa) the return of any vehicle licence which is damaged or contains any particulars which have become illegible or inaccurate.”;
- (b) in paragraph (a), after “or damaged”, there shall be inserted “ or which contains any particulars which have become illegible or inaccurate ”; and
- (c) at the end of paragraph (b) there shall be inserted “ in any of those circumstances ”.

#### *Trade licences*

- 3 In section 11 of the 1994 Act (trade licences), after subsection (1) there shall be inserted the following subsection—
- “(1A) The power to prescribe conditions under subsection (1) includes, in particular, the power to prescribe conditions which are to be complied with after the licence is issued.”

#### *Registration regulations*

- 4 (1) Subsection (1) of section 22 of the 1994 Act (registration regulations) shall be amended in accordance with this paragraph.



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- (2) In paragraph (d), after “a person by”, there shall be inserted “, through”.
  - (3) In paragraph (dd), after “a person by”, there shall be inserted “ or through”.
  - (4) At the end of paragraph (h) there shall be inserted “ or which contain any particulars which have become illegible or inaccurate”.
  - (5) After paragraph (h) there shall be inserted the following paragraph—
    - “(i) provide for a fee of such amount as appears to the Secretary of State to be reasonable to be paid on the issue of new registration documents in any of the circumstances mentioned in paragraph (h).”
- 5 In subsection (1B)(a) of section 22 of the 1994 Act, for “the other person there mentioned or to the Secretary of State or to both;” there shall be substituted “another person there mentioned or to the Secretary of State or to another such person and to the Secretary of State;”.
- 6 After subsection (1B) of section 22 of the 1994 Act there shall be inserted the following subsection—

“(1C) Regulations under subsection (1)(e) may, in particular, provide that registration documents need not be issued in respect of the registration of a vehicle until the vehicle has been inspected by a person specified by the Secretary of State.”
- 7 After subsection (1C) of section 22 of the 1994 Act there shall be inserted the following subsections—

“(1D) The Secretary of State may by regulations require a person—
  - (a) who surrenders a vehicle licence under section 10(2),
  - (b) who does not renew a vehicle licence for a vehicle kept by him, or
  - (c) who keeps an unlicensed vehicle at any place in the United Kingdom,to furnish such particulars and make such declarations as may be prescribed by the regulations, and to do so at such times and in such manner as may be so prescribed.

(1E) For the purposes of subsection (1D)(b) a person shall be regarded as not renewing a vehicle licence for a vehicle kept by him if—
  - (a) he keeps a vehicle for which a vehicle licence is in force, and
  - (b) he does not, at such time as may be prescribed by the regulations or within such period as may be so prescribed, take out a vehicle licence to have effect from the expiry of the vehicle licence mentioned in paragraph (a).

(1F) For the purposes of subsection (1D)(c) a vehicle is unlicensed if no vehicle licence is in force for the vehicle.

(1G) Regulations under subsection (1D) may make such transitional provision as appears to the Secretary of State to be appropriate.”

*Surrender of licences: repayments*

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### Textual Amendments

**F1** Sch. 2 para. 8 repealed (11.5.2001) by 2001 c. 9, s. 110, Sch. 33 Pt. 1(3), Note 1(b)

### Offences

- 9 (1) In section 29 of the 1994 Act (penalty for using or keeping unlicensed vehicle), at the beginning of subsection (3) there shall be inserted “ Subject to subsection (3A) ”, and after subsection (3) there shall be inserted the following subsection—
- “(3A) In the case of a person who—
- (a) has provided the Secretary of State with a declaration or statement (in pursuance of regulations under section 22) that the vehicle will not during a period specified in the declaration or statement be used or kept on a public road, and
  - (b) commits an offence under subsection (1) within a period prescribed by regulations,
- subsection (3) applies as if the reference in paragraph (a) to level 3 were a reference to level 4.”
- (2) This paragraph applies in relation to offences committed on or after the day on which this Act is passed.
- 10 In section 33 of the 1994 Act (not exhibiting licence), after subsection (3) there shall be inserted the following subsection—
- “(4) The Secretary of State may make regulations prohibiting a person from exhibiting on a vehicle in respect of which excise duty is chargeable anything—
- (a) which is intended to be, or
  - (b) which could reasonably be,
- mistaken for a licence which is for, or in respect of, the vehicle and which is for the time being in force.”
- 11 (1) Section 45 of the 1994 Act (false or misleading declarations and information) shall be amended in accordance with this paragraph.
- (2) After subsection (2) there shall be inserted the following subsection—
- “(2A) A person who makes a declaration or statement which—
- (a) is required to be made in respect of a vehicle by regulations under section 22, and
  - (b) to his knowledge is either false or in any material respect misleading,
- is guilty of an offence.”
- (3) In subsection (3) (offence of furnishing false or misleading particulars), in paragraph (a), after “required by” there shall be inserted “ virtue of ”.

### Offences: information and admissions

- 12 After section 46 of the 1994 Act there shall be inserted the following section—

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**“46A Duty to give information: offences under regulations.**

- (1) Subsection (2) applies where it appears to the Secretary of State—
  - (a) that a person is a person by, through or to whom a vehicle has been sold or disposed of and that he has failed to comply with regulations made by virtue of section 22(1)(d) requiring him to furnish particulars prescribed by the regulations;
  - (b) that a person is a person by or through whom a vehicle has been sold or disposed of and that he has failed to comply with regulations made by virtue of section 22(1)(dd) requiring him to furnish a document prescribed by the regulations; or
  - (c) that a person is a person who is surrendering a vehicle licence, or who is not renewing a vehicle licence for a vehicle kept by him or who is keeping an unlicensed vehicle and that he has failed to comply with regulations made by virtue of section 22(1D) requiring him to furnish particulars or make a declaration prescribed by the regulations.
- (2) The Secretary of State may serve a notice on the person in question requiring him to give the Secretary of State such information as it in his power to give—
  - (a) as to the identity of any person who is keeping a specified vehicle or who has kept it at a specified time or during a specified period;
  - (b) as to the identity of any person by, through or to whom a specified vehicle has been sold or disposed of at a specified time or during a specified period; or
  - (c) which may lead to the identification of a person falling within paragraph (a) or (b).
- (3) A person who fails to comply with a notice under subsection (2) is guilty of an offence.
- (4) A person guilty of an offence under subsection (3) is liable on summary conviction to a fine not exceeding level 3 on the standard scale.
- (5) In this section “specified” means specified in a notice under subsection (2).”

13 After section 51 of the 1994 Act there shall be inserted the following section—

**“51A Admissions: offences under regulations.**

- (1) Subsection (2) applies in relation to any proceedings in England, Wales or Northern Ireland against a person for an offence on the grounds that—
  - (a) a vehicle has been sold or disposed of by, through or to him and he has failed to furnish particulars prescribed by regulations made by virtue of section 22(1)(d);
  - (b) a vehicle has been sold or disposed of by or through him and he has failed to furnish a document prescribed by regulations made by virtue of section 22(1)(dd); or
  - (c) he has surrendered, or not renewed, a vehicle licence, or is keeping an unlicensed vehicle, and has failed to furnish any particulars or

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make a declaration prescribed by regulations made by virtue of section 22(1D).

(2) If—

- (a) it is appropriately proved that there has been served on the accused by post a requirement under section 46A to give information as to the identity of the person keeping the vehicle at a particular time, and
  - (b) a statement in writing is produced to the court purporting to be signed by the accused that he was keeping the vehicle at that time,
- the court may accept the statement as evidence that the accused was keeping the vehicle at that time.

(3) In subsection (2) “appropriately proved” has the same meaning as in section 51.”

*Proceedings in respect of offences*

14 (1) In—

- (a) section 47(1) and (2) of the 1994 Act (institution and conduct of proceedings in England and Wales or Northern Ireland), and
  - (b) section 48(3) of the 1994 Act (proceedings in Scotland),
- after “section 29, 34” there shall in each case be inserted “, 35A ”.
- (2) In section 55(1) of the 1994 Act (guilty plea by absent accused), for paragraphs (a) and (b) there shall be substituted “ an offence under section 29 or 35A ”.
- (3) This paragraph applies in relation to proceedings commenced on or after the day on which this Act is passed.

*Compounding of offences*

15 In section 59 of the 1994 Act (regulations: offences), after subsection (5), there shall be inserted the following subsection—

- “(6) The Secretary of State may, if he sees fit, compound any proceedings for an offence—
- (a) under subsection (1), or
  - (b) under regulations under section 24 or 28.”

*Regulations*

16 In section 57(1) of the 1994 Act (regulations generally), the words “ (other than sections 7(2) and (3), 8, 26, 27, 52 and 54) ” shall be omitted.

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## SCHEDULE 3

Section 26.

### VALUE ADDED TAX: FISCAL AND OTHER WAREHOUSING

#### Commencement Information

- I1** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

- 1 In subsection (1) of section 6 of the <sup>M3</sup>Value Added Tax Act 1994, for the words “section 18” there shall be substituted the words “sections 18, 18B and 18C”.

#### Commencement Information

- I2** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

#### Marginal Citations

- M3** 1994 c. 23.

- 2 In subsection (1) of section 7 of the Value Added Tax Act 1994, for the words “sections 14 and 18” there shall be substituted the words “sections 14, 18 and 18B”.

#### Commencement Information

- I3** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

- 3 In subsection (1) of section 12 of the Value Added Tax Act 1994, for the words “section 18” there shall be substituted “sections 18 and 18B”.

#### Commencement Information

- I4** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

- 4 In subsection (1) of section 13 of the Value Added Tax Act 1994, for the words “section 18” there shall be substituted “sections 18 and 18B”.

#### Commencement Information

- I5** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

- 5 The following sections shall be inserted in the Value Added Tax Act 1994 after section 18.

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### **“18A Fiscal warehousing.**

- (1) The Commissioners may, if it appears to them proper, upon application approve any registered person as a fiscal warehousekeeper; and such approval shall be subject to such conditions as they shall impose.
- (2) Subject to those conditions and to regulations made under section 18F such a person shall be entitled to keep a fiscal warehouse.
- (3) “Fiscal warehouse” means such place in the United Kingdom in the occupation or under the control of the fiscal warehousekeeper, not being retail premises, as he shall notify to the Commissioners in writing; and such a place shall become a fiscal warehouse on receipt by the Commissioners of that notification or on the date stated in it as the date from which it is to have effect, whichever is the later, and, subject to subsection (6) below, shall remain a fiscal warehouse so long as it is in the occupation or under the control of the fiscal warehousekeeper or until he shall notify the Commissioners in writing that it is to cease to be a fiscal warehouse.
- (4) The Commissioners may in considering an application by a person to be a fiscal warehousekeeper take into account any matter which they consider relevant, and may without prejudice to the generality of that provision take into account all or any one or more of the following—
  - (a) his record of compliance and ability to comply with the requirements of this Act and regulations made hereunder;
  - (b) his record of compliance and ability to comply with the requirements of the customs and excise Acts (as defined in the Management Act) and regulations made thereunder;
  - (c) his record of compliance and ability to comply with Community customs provisions;
  - (d) his record of compliance and ability to comply with the requirements of other member States relating to VAT and duties equivalent to duties of excise;
  - (e) if the applicant is a company the records of compliance and ability to comply with the matters set out at (a) to (d) above of its directors, persons connected with its directors, its managing officers, any shadow directors or any of those persons, and, if it is a close company, the records of compliance and ability to comply with the matters set out at (a) to (d) above of the beneficial owners of the shares of the company or any of them; and
  - (f) if the applicant is an individual the records of compliance and ability to comply with the matters set out at (a) to (d) above of any company of which he is or has been a director, managing officer or shadow director or, in the case of a close company, a shareholder or the beneficial owner of shares,

and for the purposes of paragraphs (e) and (f) “connected” shall have the meaning given by section 24(7), “managing officer” the meaning given by section 61(6), “shadow director” the meaning given by section 741(2) of the <sup>M4</sup>Companies Act 1985 and “close company” the meaning given by the Taxes Act.

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- (5) Subject to subsection (6) below, a person approved under subsection (1) shall remain a fiscal warehousekeeper until he ceases to be a registered person or until he shall notify the Commissioners in writing that he is to cease to be a fiscal warehousekeeper.
- (6) The Commissioners may if they consider it appropriate from time to time—
  - (a) impose conditions on a fiscal warehousekeeper in addition to those conditions, if any, which they imposed under subsection (1), and vary or revoke any conditions previously imposed;
  - (b) withdraw approval of any person as a fiscal warehousekeeper, and
  - (c) withdraw fiscal warehouse status from any premises.
- (7) Any application by or on behalf of a person to be a fiscal warehousekeeper shall be in writing in such form as the Commissioners may direct and shall be accompanied by such information as they shall require.
- (8) Any approval by the Commissioners under subsection (1) above, and any withdrawal of approval or other act by them under subsection (6) above, shall be notified by them to the fiscal warehousekeeper in writing and shall take effect on such notification being made or on any later date specified for the purpose in the notification.
- (9) Without prejudice to the provisions of section 43 concerning liability for VAT, in subsections (1) and (2) above “registered person” includes any body corporate which under that section is for the time being treated as a member of a group.

### **18B Fiscally warehoused goods: relief.**

- (1) Subsections (3) and (4) below apply where—
  - (a) there is an acquisition of goods from another member State;
  - (b) those goods are eligible goods;
  - (c) either—
    - (i) the acquisition takes place while the goods are subject to a fiscal warehousing regime; or
    - (ii) after the acquisition but before the supply, if any, of those goods which next occurs, the acquirer causes the goods to be placed in a fiscal warehousing regime; and
  - (d) the acquirer, not later than the time of the acquisition, prepares and keeps a certificate that the goods are subject to a fiscal warehousing regime, or (as the case may be) that he will cause paragraph (c)(ii) above to be satisfied; and the certificate shall be in such form and be kept for such period as the Commissioners may by regulations specify.
- (2) Subsections (3) and (4) below also apply where—
  - (a) there is a supply of goods;
  - (b) those goods are eligible goods;
  - (c) either—
    - (i) that supply takes place while the goods are subject to a fiscal warehousing regime; or

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- (ii) after that supply but before the supply, if any, of those goods which next occurs, the person to whom the former supply is made causes the goods to be placed in a fiscal warehousing regime;
  - (d) in a case falling within paragraph (c)(ii) above, the person to whom the supply is made gives the supplier, not later than the time of the supply, a certificate in such form as the Commissioners may by regulations specify that he will cause paragraph (c)(ii) to be satisfied; and
  - (e) the supply is not a retail transaction.
- (3) The acquisition or supply in question shall be treated for the purposes of this Act as taking place outside the United Kingdom if any subsequent supply of those goods is while they are subject to the fiscal warehousing regime.
- (4) Where subsection (3) does not apply and the acquisition or supply in question falls, for the purposes of this Act, to be treated as taking place in the United Kingdom, that acquisition or supply shall be treated for the purposes of this Act as taking place when the goods are removed from the fiscal warehousing regime.
- (5) Where—
- (a) subsection (4) above applies to an acquisition or a supply,
  - (b) the acquisition or supply is taxable and not zero-rated, and
  - (c) the acquirer or supplier is not a taxable person but would be were it not for paragraph 1(9) of Schedule 1, paragraph 1(7) of Schedule 2 and paragraph 1(6) of Schedule 3, or any of those provisions,
- VAT shall be chargeable on that acquisition or supply notwithstanding that the acquirer or the supplier is not a taxable person.
- (6) In this section “eligible goods” means goods—
- (a) of a description falling within Schedule 5A;
  - (b) upon which any import duties, as defined in article 4(10) of the Community Customs Code of 12th October 1992 (Council Regulation (EEC) No.2913/92), either have been paid or have been deferred under article 224 of that Code or regulations made under section 45 of the Management Act;
  - (c) (in the case of goods imported from a place outside the member States) upon which any VAT chargeable under section 1(1)(c) has been either paid or deferred in accordance with Community customs provisions, and
  - (d) (in the case of goods subject to a duty of excise) upon which that duty has been either paid or deferred under section 127A of the Management Act.
- (7) For the purposes of this section, apart from subsection (4), an acquisition or supply shall be treated as taking place at the material time for the acquisition or supply.
- (8) The Treasury may by order vary Schedule 5A by adding to or deleting from it any goods or varying any description of any goods.



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### **18C Warehouses and fiscal warehouses: services.**

- (1) Where—
- (a) a taxable person makes a supply of specified services;
  - (b) those services are wholly performed on or in relation to goods while those goods are subject to a warehousing or fiscal warehousing regime;
  - (c) (except where the services are the supply by an occupier of a warehouse or a fiscal warehousekeeper of warehousing or fiscally warehousing the goods) the person to whom the supply is made gives the supplier a certificate, in such a form as the Commissioners may by regulations specify, that the services are so performed;
  - (d) the supply of services would (apart from this section) be taxable and not zero-rated; and
  - (e) the supplier issues to the person to whom the supply is made an invoice of such a description as the Commissioners may by regulations prescribe,
- his supply shall be zero-rated.
- (2) If a supply of services is zero-rated under subsection (1) above (“the zero-rated supply of services”) then, unless there is a supply of the goods in question the material time for which is—
- (a) while the goods are subject to a warehousing or fiscal warehousing regime, and
  - (b) after the material time for the zero-rated supply of services,
- subsection (3) below shall apply.
- (3) Where this subsection applies—
- (a) a supply of services identical to the zero-rated supply of services shall be treated for the purposes of this Act as being, at the time the goods are removed from the warehousing or fiscal warehousing regime or (if earlier) at the duty point, both made (for the purposes of his business) to the person to whom the zero-rated supply of services was actually made and made by him in the course or furtherance of his business,
  - (b) that supply shall have the same value as the zero-rated supply of services,
  - (c) that supply shall be a taxable (and not a zero-rated) supply, and
  - (d) VAT shall be charged on that supply even if the person treated as making it is not a taxable person.
- (4) In this section “specified services” means—
- (a) services of an occupier of a warehouse or a fiscal warehousekeeper of keeping the goods in question in a warehousing or fiscal warehousing regime;
  - (b) in relation to goods subject to a warehousing regime, services of carrying out on the goods operations which are permitted to be carried out under Community customs provisions or warehousing regulations as the case may be; and

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- (c) in relation to goods subject to a fiscal warehousing regime, services of carrying out on the goods any physical operations (other than any prohibited by regulations made under section 18F), for example, and without prejudice to the generality of the foregoing words, preservation and repacking operations.

#### **18D Removal from warehousing: accountability.**

- (1) This section applies to any supply to which section 18B(4) or section 18C(3) applies (supply treated as taking place on removal or duty point) and any acquisition to which section 18B(5) applies (acquisition treated as taking place on removal where acquirer not a taxable person).
- (2) Any VAT payable on the supply or acquisition shall (subject to any regulations under subsection (3) below) be paid—
  - (a) at the time when the supply or acquisition is treated as taking place under the section in question; and
  - (b) by the person by whom the goods are removed or, as the case may be, together with the excise duty, by the person who is required to pay that duty.
- (3) The Commissioners may by regulations make provision for enabling a taxable person to pay the VAT he is required to pay by virtue of subsection (2) above at a time later than that provided by that subsection; and they may make different provisions for different descriptions of taxable persons and for different descriptions of goods and services.

#### **18E Deficiency in fiscally warehoused goods.**

- (1) This section applies where goods have been subject to a fiscal warehousing regime and, before being lawfully removed from the fiscal warehouse, they are found to be missing or deficient.
- (2) In any case where this section applies, unless it is shown to the satisfaction of the Commissioners that the absence of or deficiency in the goods can be accounted for by natural waste or other legitimate cause, the Commissioners may require the fiscal warehousekeeper to pay immediately in respect of the missing goods or of the whole or any part of the deficiency, as they see fit, the VAT that would have been chargeable.
- (3) In subsection (2) “VAT that would have been chargeable” means VAT that would have been chargeable on a supply of the missing goods, or the amount of goods by which the goods are deficient, taking place at the time immediately before the absence arose or the deficiency occurred, if the value of that supply were the open market value; but where that time cannot be ascertained to the Commissioners’ satisfaction, that VAT shall be the greater of the amounts of VAT which would have been chargeable on a supply of those goods—
  - (a) if the value of that supply were the highest open market value during the period (the relevant period) commencing when the goods were placed in the fiscal warehousing regime and ending when the absence or deficiency came to the notice of the Commissioners, or

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- (b) if the rate of VAT chargeable on that supply were the highest rate chargeable on a supply of such goods during the relevant period and the value of that supply were the highest open market value while that rate prevailed.
- (4) This section has effect without prejudice to any penalty incurred under any other provision of this Act or regulations made under it.

### **18F Sections 18A to 18E: supplementary.**

- (1) In sections 18A to 18E and this section—
- “duty point” has the meaning given by section 18(6);
  - “eligible goods” has the meaning given by section 18B(6);
  - “fiscal warehouse” means a place notified to the Commissioners under section 18A(3) and from which such status has not been withdrawn;
  - “fiscal warehousekeeper” means a person approved under section 18A(1);
  - “material time”—
    - (a) in relation to any acquisition or supply the time of which is determined in accordance with regulations under section 6(14) or 12(3), means such time as may be prescribed for the purpose of this section by those regulations;
    - (b) in relation to any other acquisition, means the time when the goods reach the destination to which they are despatched from the member State in question;
    - (c) in relation to any other supply of goods, means the time when the supply would be treated as taking place in accordance with subsection (2) of section 6 if paragraph (c) of that subsection were omitted; and
    - (d) in relation to any other supply of services, means the time when the services are performed;
  - “warehouse”, except in the expression “fiscal warehouse”, has the meaning given by section 18(6);
  - “warehousing regulations” has the same meaning as in the Management Act.
- (2) Any reference in sections 18A to 18E or this section to goods being subject to a fiscal warehousing regime is, subject to any regulations made under subsection (8)(e) below, a reference to eligible goods being kept in a fiscal warehouse or being transferred between fiscal warehouses in accordance with such regulations; and any reference to the removal of goods from a fiscal warehousing regime shall be construed accordingly.
- (3) Subject to subsection (2) above, any reference in sections 18C and 18D to goods being subject to a warehousing regime or to the removal of goods from a warehousing regime shall have the same meaning as in section 18(7).
- (4) Where as a result of an operation on eligible goods subject to a fiscal warehousing regime they change their nature but the resulting goods are also eligible goods, the provisions of sections 18B to 18E and this section shall apply as if the resulting goods were the original goods.

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- (5) Where as a result of an operation on eligible goods subject to a fiscal warehousing regime they cease to be eligible goods, on their ceasing to be so sections 18B to 18E shall apply as if they had at that time been removed from the fiscal warehousing regime; and for that purpose the proprietor of the goods shall be treated as if he were the person removing them.
- (6) Where—
- (a) any person ceases to be a fiscal warehousekeeper; or
  - (b) any premises cease to have fiscal warehouse status,
- sections 18B to 18E and this section shall apply as if the goods of which he is the fiscal warehousekeeper, or the goods in the fiscal warehouse, as the case may be, had at that time been removed from the fiscal warehousing regime; and for that purpose the proprietor of the goods shall be treated as if he were the person removing them.
- (7) The Commissioners may make regulations governing the deposit, keeping, securing and treatment of goods in a fiscal warehouse, and the removal of goods from a fiscal warehouse.
- (8) Regulations may, without prejudice to the generality of subsection (7) above, include provisions—
- (a) in relation to—
    - (i) goods which are, have been or are to be subject to a fiscal warehousing regime,
    - (ii) other goods which are, have been or are to be kept in fiscal warehouses,
    - (iii) fiscal warehouse premises, and
    - (iv) fiscal warehousekeepers and their businesses,

as to the keeping, preservation and production of records and the furnishing of returns and information by fiscal warehousekeepers and any other persons;
  - (b) requiring goods deposited in a fiscal warehouse to be produced to or made available for inspection by an authorised person on request by him;
  - (c) prohibiting the carrying out on fiscally warehoused goods of such operations as they may prescribe;
  - (d) regulating the transfer of goods from one fiscal warehouse to another;
  - (e) concerning goods which, though kept in a fiscal warehouse, are not eligible goods or are not intended by a relevant person to be goods in respect of which reliefs are to be enjoyed under sections 18A to 18E and this section;
  - (f) prohibiting the fiscal warehousekeeper from allowing goods to be removed from the fiscal warehousing regime without payment of any VAT payable under section 18D on or by reference to that removal and, if in breach of that prohibition he allows goods to be so removed, making him liable for the VAT jointly and severally with the remover,
- and may contain such incidental or supplementary provisions as the Commissioners think necessary or expedient.

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- (9) Regulations may make different provision for different cases, including different provision for different fiscal warehousekeepers or descriptions of fiscal warehousekeeper, for fiscal warehouses of different descriptions or for goods of different classes or descriptions or of the same class or description in different circumstances.”

**Commencement Information**

**I6** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

**Marginal Citations**

**M4** 1985 c. 6.

- 6 In subsection (1) of section 20 of the <sup>M5</sup>Value Added Tax Act 1994, there shall be inserted at the beginning the words “ Subject to section 18C, ”.

**Commencement Information**

**I7** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

**Marginal Citations**

**M5** 1994 c. 23.

- 7 In section 30 of the Value Added Tax Act 1994 the following subsection shall be added after subsection (8)—

“(8A) Regulations may provide for the zero-rating of supplies of goods, or of such goods as may be specified in regulations, in cases where—

(a) the Commissioners are satisfied that the supply in question involves both—

(i) the removal of the goods from a fiscal warehousing regime within the meaning of section 18F(2); and

(ii) their being placed in a warehousing regime in another member State, or in such member State or States as may be prescribed, where that regime is established by provisions of the law of that member State corresponding, in relation to that member State, to the provisions of sections 18A and 18B; and

(b) such other conditions, if any, as may be specified in the regulations or the Commissioners may impose are fulfilled.”

and in subsection (10) for the words “subsection (8) or (9)” there shall be substituted the words “ subsection (8), (8A) or (9) ” and for the words “subsection (6), (8) or (9)”, there shall be substituted the words “ subsection (6), (8), (8A) or (9) ”.

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#### Commencement Information

**I8** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

- 8 (1) Section 62 of the Value Added Tax Act 1994 shall be amended as follows.
- (2) In paragraph (a) of subsection (1), after the words “a person” there shall be inserted the words “ by whom one or more acquisitions or ”, the words “or” at the end of sub-paragraph (i) and “and” at the end of sub-paragraph (ii) shall be omitted and the following additional sub-paragraphs shall be inserted—
- “(iii) prepares a certificate in accordance with section 18B(1) (d) or gives a supplier a certificate in accordance with section 18B(2)(d); or
- (iv) gives the supplier a certificate in accordance with section 18C(1)(c); and”.
- (3) In the passage following paragraph (b) of subsection (1) and in subsections (3) and (4), after the word “giving” wherever it appears there shall be inserted the words “ or preparing ”.
- (4) In subsection (3) after the words “gave” and “given” there shall be inserted in each case the words “ or prepared ”.

#### Commencement Information

**I9** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

- 9 In subsection (1) of section 69 of the <sup>M6</sup>Value Added Tax Act 1994 after paragraph (f) the following shall be added—
- “; or
- (g) section 18A in the form of a condition imposed by the Commissioners under subsection (1) or (6) of that section,”.

#### Commencement Information

**I10** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

#### Marginal Citations

**M6** 1994 c. 23.

- 10 In section 73 of the Value Added Tax Act 1994 the following subsections shall be added after subsection (7)—
- “(7A) Where a fiscal warehousekeeper has failed to pay VAT required by the Commissioners under section 18E(2), the Commissioners may assess to the best of their judgment the amount of that VAT due from him and notify it to him.

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(7B) Where it appears to the Commissioners that goods have been removed from a warehouse or fiscal warehouse without payment of the VAT payable under section 18(4) or section 18D on that removal, they may assess to the best of their judgment the amount of VAT due from the person removing the goods or other person liable and notify it to him.”

**Commencement Information**

**I11** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

11 In sections 73(9) and 76(5) of the Value Added Tax Act 1994 for the words “or (7)” there shall be substituted “, (7), (7A) or (7B)”.

**Commencement Information**

**I12** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

12 In section 83 of the Value Added Tax Act 1994 the following paragraph shall be added after paragraph (d)—

“(da) a decision of the Commissioners under section 18A—

- (i) as to whether or not a person is to be approved as a fiscal warehousekeeper or the conditions from time to time subject to which he is so approved;
- (ii) for the withdrawal of any such approval; or
- (iii) for the withdrawal of fiscal warehouse status from any premises;”

and in paragraph (p)(ii) for “subsection (7)” there shall be substituted “ subsections (7), (7A) or (7B)”.

**Commencement Information**

**I13** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

13 In paragraph 1 of Schedule 1 to the Value Added Tax Act 1994, the following sub-paragraph shall be added after sub-paragraph (8)—

“(9) In determining the value of a person’s supplies for the purposes of sub-paragraph (1) or (2) above, supplies to which section 18B(4) (last acquisition or supply of goods before removal from fiscal warehousing) applies and supplies treated as made by him under section 18C(3) (self-supply of services on removal of goods from warehousing) shall be disregarded.”

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#### Commencement Information

**I14** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

14 In paragraph 1 of Schedule 2 to the Value Added Tax Act 1994, the following sub-paragraph shall be added after sub-paragraph (6)—

“(7) For the purposes of sub-paragraphs (1) and (2) above supplies to which section 18B(4) (last acquisition or supply of goods before removal from fiscal warehousing) applies shall be disregarded.”

#### Commencement Information

**I15** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

15 In paragraph 1 of Schedule 3 to the <sup>M7</sup>Value Added Tax Act 1994, the following sub-paragraph shall be added after sub-paragraph (5)—

“(6) In determining the value of a person’s acquisitions for the purposes of sub-paragraph (1) or (2) above, acquisitions to which section 18(B)(4) (last acquisition or supply of goods before removal from fiscal warehousing) applies shall be disregarded.”

#### Commencement Information

**I16** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

#### Marginal Citations

**M7** 1994 c. 23.

16 In paragraph 8(1) of Schedule 11 to the Value Added Tax Act 1994 after the words “another member State” there shall be inserted the words “, or in the possession of a fiscal warehousekeeper, ”.

#### Commencement Information

**I17** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)

17 In paragraph 10(2) of Schedule 11 to the Value Added Tax Act 1994, after the words “on those premises” there shall be inserted the words “, or that any premises are used as a fiscal warehouse, ”.

#### Commencement Information

**I18** [Sch. 3](#) (paras. 1-18) wholly in force at 1.6.1996; [Sch. 3](#) (paras. 1-18) partly in force at Royal Assent see [s. 26\(3\)](#); [Sch. 3](#) (paras. 1-18) in force insofar as not already in force at 1.6.1996 by [S.I. 1996/1249](#), [art. 2](#)



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18 The following Schedule shall be added to the Value Added Tax Act 1994.

“SCHEDULE  
5A

Section 18B.

GOODS ELIGIBLE TO BE FISCALLY WAREHOUSED

| <b>Description of goods</b>                            | <b>Combined nomenclature code of the European Communities</b> |
|--|---|
| Tin  | 8001  |
| Copper   | 7402  |
|  | 7403  |
|  | 7405  |
|  | 7408  |
| Zinc   | 7901  |
| Nickel   | 7502  |
| Aluminium  | 7601  |
| Lead   | 7801  |
| Indium   | ex 811291   |
|  | ex 811299   |
| Cereals  | 1001 to 1005  |
|  | 1006: unprocessed rice only                                   |
|  | 1007 to 1008  |
| Oil seeds and oleaginous fruit                         | 1201 to 1207  |
| Coconuts, Brazil nuts and cashew nuts                  | 0801  |
| Other nuts   | 0502  |
| Olives   | 071120  |
| Grains and seeds (including soya beans)                | 1201 to 1207  |
| Coffee, not roasted                                    | 0901 11 00  |
|  | 0901 12 00  |
| Tea  | 0902  |
| Cocoa beans, whole or broken, raw or roasted           | 1801  |
| Raw sugar  | 1701 11   |
|  | 1701 12   |
| Rubber, in primary forms or in plates, sheets or strip | 4001  |
|  | 4002  |

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|  |                    |
|--|--------------------|
| Wool   | 5101               |
| Chemicals in bulk  | Chapters 28 and 29 |
| Mineral oils (including propane and butane; also including crude petroleum oils)                 | 2709               |
|  | 2710               |
|  | 2711 12            |
|  | 2711 13            |
| Silver   | 7106               |
| Platinum (palladium, rhodium)  | 7110 11 00         |
|  | 7110 21 00         |
|  | 7110 31 00         |
| Potatoes   | 0701               |
| Vegetable oils and fats and their fractions, whether or not refined, but not chemically modified | 1507 to 1515”      |

#### Commencement Information

**I19** Sch. 3 (paras. 1-18) wholly in force at 1.6.1996; Sch. 3 (paras. 1-18) partly in force at Royal Assent see s. 26(3); Sch. 3 (paras. 1-18) in force insofar as not already in force at 1.6.1996 by S.I. 1996/1249, art. 2

## SCHEDULE 4

Section 31.

### VALUE ADDED TAX: ANTI-AVOIDANCE PROVISIONS

The following is the Schedule which shall be inserted after Schedule 9 to the <sup>M8</sup>Value Added Tax Act 1994—

#### “SCHEDULE 9A

#### ANTI-AVOIDANCE PROVISIONS: GROUPS

##### *Power to give directions*

- 1 (1) Subject to paragraph 2 below, the Commissioners may give a direction under this Schedule if, in any case—
  - (a) a relevant event has occurred;
  - (b) the condition specified in sub-paragraph (3) below is fulfilled;
  - (c) that condition would not be fulfilled apart from the occurrence of that event; and
  - (d) in the case of an event falling within sub-paragraph (2)(b) below, the transaction in question is not a supply which is the only supply by reference to which the case falls within paragraphs (a) to (c) above.

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- (2) For the purposes of this Schedule, a relevant event occurs when a body corporate—
- begins to be, or ceases to be, treated as a member of a group; or
  - enters into any transaction.
- (3) The condition mentioned in sub-paragraph (1) above is that—
- there has been, or will or may be, a taxable supply on which VAT has been, or will or may be, charged otherwise than by reference to the supply's full value;
  - there is at least a part of the supply which is not or, as the case may be, would not be zero-rated; and
  - the charging of VAT on the supply otherwise than by reference to its full value gives rise or, as the case may be, would give rise to a tax advantage.
- (4) For the purposes of this paragraph the charging of VAT on a supply ("the undercharged supply") otherwise than by reference to its full value shall be taken to give rise to a tax advantage if, and only if, a person has become entitled—
- to credit for input tax allowable as attributable to that supply or any part of it, or
  - in accordance with regulations under section 39, to any repayment in respect of that supply or any part of it.
- (5) The cases where a person shall be taken for the purposes of sub-paragraph (4) above to have become entitled to a credit for input tax allowable as attributable to the undercharged supply, or to a part of it, shall include any case where—
- a person has become entitled to a credit for any input tax on the supply to him, or the acquisition or importation by him, of any goods or services; and
  - whatever the supplies to which the credit was treated as attributable when the entitlement to it arose, those goods or services are used by him in making the undercharged supply, or a part of it.
- (6) For the purposes of sub-paragraphs (4) and (5) above where—
- there is a supply of any of the assets of a business of a person ("the transferor") to a person to whom the whole or any part of that business is transferred as a going concern ("the transferee"), and
  - that supply is treated, in accordance with an order under section 5(3), as being neither a supply of goods nor a supply of services,
- the question, so far as it falls to be determined by reference to those assets, whether a credit for input tax to which any person has become entitled is one allowable as attributable to the whole or any part of a supply shall be determined as if the transferor and the transferee were the same person.
- (7) Where, in a case to which sub-paragraph (6) above applies, the transferor himself acquired any of the assets in question by way of a supply falling within paragraphs (a) and (b) of that sub-paragraph, that sub-paragraph shall have the effect, as respects the assets so acquired, of requiring the person from whom those assets were acquired to be treated for the purposes of sub-paragraphs (4) and (5) above as the same person as the transferor and the transferee, and so on in the case of any number of successive supplies falling within those paragraphs.
- (8) For the purposes of this paragraph any question—
- whether any credit for input tax to which a person has become entitled was, or is to be taken to have been, a credit allowable as attributable to the whole or any part of a supply, or

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- (b) whether any repayment is a repayment in respect of the whole or any part of a supply,

shall be determined, in relation to a supply of a right to goods or services or to a supply of goods or services by virtue of such a right, as if the supply of the right and supplies made by virtue of the right were a single supply of which the supply of the right and each of those supplies constituted different parts.

- (9) References in this paragraph to the full value of a supply are references to the amount which (having regard to any direction under paragraph 1 of Schedule 6) would be the full value of that supply for the purposes of the charge to VAT if that supply were not a supply falling to be disregarded, to any extent, in pursuance of section 43(1)(a).
- (10) References in this paragraph to the supply of a right to goods or services include references to the supply of any right, option or priority with respect to the supply of goods or services, and to the supply of an interest deriving from any right to goods or services.

*Restrictions on giving directions*

- 2 The Commissioners shall not give a direction under this Schedule by reference to a relevant event if they are satisfied that—
- (a) the change in the treatment of the body corporate, or
- (b) the transaction in question,
- had as its main purpose or, as the case may be, as each of its main purposes a genuine commercial purpose unconnected with the fulfilment of the condition specified in paragraph 1(3) above.

*Form of directions under Schedule*

- 3 (1) The directions that may be given by the Commissioners under this Schedule are either—
- (a) a direction relating to any supply of goods or services that has been made, in whole or in part, by one body corporate to another; or
- (b) a direction relating to a particular body corporate.
- (2) A direction under this Schedule relating to a supply shall require it to be assumed (where it would not otherwise be the case) that, to the extent described in the direction, the supply was not a supply falling to be disregarded in pursuance of section 43(1)(a).
- (3) A direction under this Schedule relating to a body corporate shall require it to be assumed (where it would not otherwise be the case) that, for such period (comprising times before the giving of the direction or times afterwards or both) as may be described in the direction, the body corporate—
- (a) did not fall to be treated, or is not to be treated, as a member of a group, or of a particular group so described; or
- (b) fell to be treated, or is to be treated, as a member of any group so described of which, for that period, it was or is eligible to be a member.
- (4) Where a direction under this Schedule requires any assumptions to be made, then—
- (a) so far as the assumptions relate to times on or after the day on which the direction is given, this Act shall have effect in relation to such times in accordance with those assumptions; and

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- (b) paragraph 6 below shall apply for giving effect to those assumptions in so far as they relate to earlier times.
- (5) A direction falling within sub-paragraph (3)(b) above may identify in relation to any times or period the body corporate which is to be assumed to have been, or to be, the representative member of the group at those times or for that period.
- (6) A direction under this Schedule may vary the effect of a previous direction under this Schedule.
- (7) The Commissioners may at any time, by notice in writing to the person to whom it was given, withdraw a direction under this Schedule.
- (8) The refusal or non-refusal by the Commissioners of an application under section 43 shall not prejudice the power of the Commissioners to give a direction under this Schedule requiring any case to be assumed to be what it would have been had the application not been refused or, as the case may be, had it been refused.

#### *Time limit on directions*

- 4 (1) A direction under this Schedule shall not be given more than six years after whichever is the later of—
- (a) the occurrence of the relevant event by reference to which it is given; and
  - (b) the time when the relevant entitlement arose.
- (2) A direction under this Schedule shall not be given by reference to a relevant event occurring on or before 28th November 1995.
- (3) Subject to sub-paragraphs (1) and (2) above, a direction under this Schedule—
- (a) may be given by reference to a relevant event occurring before the coming into force of this Schedule; and
  - (b) may require assumptions to be made in relation to times (including times before 29th November 1995) falling before the occurrence of the relevant event by reference to which the direction is given, or before the relevant entitlement arose.
- (4) For the purposes of this paragraph the reference, in relation to the giving of a direction, to the relevant entitlement is a reference to the entitlement by reference to which the requirements of paragraph 1(4) above are taken to be satisfied for the purposes of that direction.

#### *Manner of giving directions*

- 5 (1) A direction under this Schedule relating to a supply may be given to—
- (a) the person who made the supply to which the direction relates; or
  - (b) any body corporate which, at the time when the direction is given, is the representative member of a group of which that person was treated as being a member at the time of the supply.
- (2) A direction under this Schedule relating to a body corporate (“the relevant body”) may be given to that body or to any body corporate which at the time when the direction is given is, or in pursuance of the direction is to be treated as, the representative member of a group of which the relevant body—
- (a) is treated as being a member;

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- (b) was treated as being a member at a time to which the direction relates; or
  - (c) is to be treated as being, or having been, a member at any such time.
- (3) A direction given to any person under this Schedule shall be given to him by notice in writing.
- (4) A direction under this Schedule must specify the relevant event by reference to which it is given.

*Assessment in consequence of a direction*

- 6 (1) Subject to sub-paragraph (3) below, where—
- (a) a direction is given under this Schedule, and
  - (b) there is an amount of VAT (“the unpaid tax”) for which a relevant person would have been liable before the giving of the direction if the facts had accorded with the assumptions specified in the direction,
- the Commissioners may, to the best of their judgement, assess the amount of unpaid tax as tax due from the person to whom the direction was given or another relevant person and notify their assessment to that person.
- (2) In sub-paragraph (1) above the reference to an amount of VAT for which a person would, on particular assumptions, have been liable before the giving of a direction under this Schedule is a reference to the aggregate of the following—
- (a) any amount of output tax which, on those assumptions but not otherwise, would have been due from a relevant person at the end of a prescribed accounting period ending before the giving of the direction;
  - (b) the amount of any credit for input tax to which a relevant person is treated as having been entitled at the end of such an accounting period but to which he would not have been entitled on those assumptions; and
  - (c) the amount of any repayment of tax made to a relevant person in accordance with regulations under section 39 but to which he would not have been entitled on those assumptions.
- (3) Where any assessment falls to be made under this paragraph in a case in which the Commissioners are satisfied that the actual revenue loss is less than the unpaid tax, the total amount to be assessed under this paragraph shall not exceed what appears to them, to the best of their judgement, to be the amount of that loss.
- (4) For the purposes of the making of an assessment under this paragraph in relation to any direction, the actual revenue loss shall be taken to be equal to the amount of the unpaid tax less the amount given by aggregating the amounts of every entitlement—
- (a) to credit for input tax, or
  - (b) to a repayment in accordance with regulations under section 39,
- which (whether as an entitlement of the person in relation to whom the assessment is made or as an entitlement of any other person) would have arisen on the assumptions contained in the direction, but not otherwise.
- (5) An assessment under this paragraph relating to a direction may be notified to the person to whom that direction is given by being incorporated in the same notice as that direction.
- (6) An assessment under this paragraph shall not be made—

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- (a) more than one year after the day on which the direction to which it relates was given, or
  - (b) in the case of any direction that has been withdrawn.
- (7) Where an amount has been assessed on any person under this paragraph and notified to him—
- (a) that amount shall be deemed (subject to the provisions of this Act as to appeals) to be an amount of VAT due from him;
  - (b) that amount may be recovered accordingly, either from that person or, in the case of a body corporate that is for the time being treated as a member of a group, from the representative member of that group; and
  - (c) to the extent that more than one person is liable by virtue of any assessment under this paragraph in respect of the same amount of unpaid tax, those persons shall be treated as jointly and severally liable for that amount.
- (8) Sub-paragraph (7) above does not have effect if or to the extent that the assessment in question has been withdrawn or reduced.
- (9) Sections 74 and 77(6) apply in relation to assessments under this paragraph as they apply in relation to assessments under section 73 but as if the reference in subsection (1) of section 74 to the reckonable date were a reference to the date on which the assessment is notified.
- (10) Where by virtue of sub-paragraph (9) above any person is liable to interest under section 74—
- (a) section 76 shall have effect in relation to that liability with the omission of subsections (2) to (6); and
  - (b) section 77, except subsection (6), shall not apply to an assessment of the amount due by way of interest;
- and (without prejudice to the power to make assessments for interest for later periods) the interest to which any assessment made under section 76 by virtue of paragraph (a) above may relate shall be confined to interest for a period of no more than two years ending with the time when the assessment to interest is made.
- (11) In this paragraph “a relevant person”, in relation to a direction, means—
- (a) the person to whom the direction is given;
  - (b) the body corporate which was the representative member of any group of which that person was treated as being, or in pursuance of the direction is to be treated as having been, a member at a time to which the assumption specified in the direction relates; or
  - (c) any body corporate which, in pursuance of the direction, is to be treated as having been the representative member of such a group.

*Interpretation of Schedule etc.*

- 7 (1) References in this Schedule to being treated as a member of a group and to being eligible to be treated as a member of a group shall be construed in accordance with section 43.
- (2) For the purposes of this Schedule the giving of any notice or notification to any receiver, liquidator or person otherwise acting in a representative capacity in relation to another shall be treated as the giving of a notice or, as the case may be, notification to the person in relation to whom he so acts.”

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#### Marginal Citations

M8 1994 c. 23.

## SCHEDULE 5

### LANDFILL TAX

#### Modifications etc. (not altering text)

C1 Sch. 5 extended (19.3.1997) by 1997 c. 16, s. 50(1), Sch. 5 Pt. I para. 4(3)

## PART I

### INFORMATION

#### *General*

- 1 (1) Every person who is concerned (in whatever capacity) with any landfill disposal shall furnish to the Commissioners such information relating to the disposal as the Commissioners may reasonably require.
- (2) The information mentioned in sub-paragraph (1) above shall be furnished within such time and in such form as the Commissioners may reasonably require.

#### *Records*

- 2 (1) Regulations may require registrable persons to make records.
- (2) Regulations under sub-paragraph (1) above may be framed by reference to such records as may be stipulated in any notice published by the Commissioners in pursuance of the regulations and not withdrawn by a further notice.
- (3) Regulations may—
- (a) require registrable persons to preserve records of a prescribed description (whether or not the records are required to be made in pursuance of regulations) for such period not exceeding six years as may be specified in the regulations;
  - (b) authorise the Commissioners to direct that any such records need only be preserved for a shorter period than that specified in the regulations;
  - (c) authorise a direction to be made so as to apply generally or in such cases as the Commissioners may stipulate.
- (4) Any duty under regulations to preserve records may be discharged by the preservation of the information contained in them by such means as the Commissioners may approve; and where that information is so preserved a copy of any document forming part of the records shall (subject to the following provisions of this paragraph) be admissible in evidence in any proceedings, whether civil or criminal, to the same extent as the records themselves.



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- (5) The Commissioners may, as a condition of approving under sub-paragraph (4) above any means of preserving information contained in any records, impose such reasonable requirements as appear to them necessary for securing that the information will be as readily available to them as if the records themselves had been preserved.
- (6) A statement contained in a document produced by a computer shall not by virtue of sub-paragraph (4) above be admissible in evidence—
- <sup>F2</sup>(a) . . . . .
  - (b) in civil proceedings in Scotland, except in accordance with sections 5 and 6 of the <sup>M9</sup>Civil Evidence (Scotland) Act 1988;
  - (c) in criminal proceedings in Scotland, except in accordance with Schedule 8 to the <sup>M10</sup>Criminal Procedure (Scotland) Act 1995;
  - <sup>F3</sup>(d) . . . . .
  - <sup>F4</sup>(e) . . . . .
- (7) In the case of civil proceedings in England and Wales to which sections 5 and 6 of the <sup>M11</sup>Civil Evidence Act 1968 apply, a statement contained in a document produced by a computer shall not be admissible in evidence by virtue of sub-paragraph (4) above except in accordance with those sections.

**Textual Amendments**

- F2** Sch. 5 para. 2(6)(a) repealed (4.4.2005) by [Criminal Justice Act 2003 \(c. 44\)](#), s. 336(3)(4), [Sch. 37 Pt. 6](#); [S.I. 2005/950](#), art. 2(1), [Sch. 1 para. 44\(3\)](#) (with [Sch. 2](#)) (as explained (29.7.2005) by [S.I. 2005/2122](#), art. 2; and as amended: (14.7.2008) by [2008 c. 4](#), Sch. 26 para. 78, Sch. 28 Pt. 2; [S.I. 2008/1586](#), Sch. 1 paras. 48(s), 50(2)(d); (30.11.2009) by [S.I. 2009/3111](#), art. 2; (3.12.2012) by [S.I. 2012/2905](#), art. 4; (3.12.2012) by [2012 c. 10](#), Sch. 14 para. 17; [S.I. 2012/2906](#), art. 2(1))
- F3** Sch. 5 para. 2(6)(d) repealed (N.I.) (6.9.1999) by [S.I. 1997/2983 \(N.I. 21\)](#), art. 13(2), [Sch. 2](#); [S.R. 1999/339](#), [art. 2](#)
- F4** Sch. 5 para. 2(6)(e) repealed (N.I.) (3.4.2006) by [The Criminal Justice \(Evidence\) \(Northern Ireland\) Order 2004 \(S.I. 2004/1501\)](#), art. 1(3), [Sch. 2](#) (with art. 43); [S.R. 2006/63](#), art. 2

**Marginal Citations**

- M9** 1988 c. 32.  
**M10** 1995 c. 46.  
**M11** 1968 c. 64.

*Documents*

- 3 (1) Every person who is concerned (in whatever capacity) with any landfill disposal shall upon demand made by an authorised person produce or cause to be produced for inspection by that person any documents relating to the disposal.
- (2) Where, by virtue of sub-paragraph (1) above, an authorised person has power to require the production of any documents from any person, he shall have the like power to require production of the documents concerned from any other person who appears to the authorised person to be in possession of them; but where any such other person claims a lien on any document produced by him, the production shall be without prejudice to the lien.

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- (3) The documents mentioned in sub-paragraphs (1) and (2) above shall be produced—
- (a) at such place as the authorised person may reasonably require, and
  - (b) at such time as the authorised person may reasonably require.
- (4) An authorised person may take copies of, or make extracts from, any document produced under sub-paragraph (1) or (2) above.
- (5) If it appears to him to be necessary to do so, an authorised person may, at a reasonable time and for a reasonable period, remove any document produced under sub-paragraph (1) or (2) above and shall, on request, provide a receipt for any document so removed; and where a lien is claimed on a document produced under sub-paragraph (2) above the removal of the document under this sub-paragraph shall not be regarded as breaking the lien.
- (6) Where a document removed by an authorised person under sub-paragraph (5) above is reasonably required for any purpose he shall, as soon as practicable, provide a copy of the document, free of charge, to the person by whom it was produced or caused to be produced.
- (7) Where any documents removed under the powers conferred by this paragraph are lost or damaged the Commissioners shall be liable to compensate their owner for any expenses reasonably incurred by him in replacing or repairing the documents.

## PART II

### POWERS

#### *Entry and inspection*

- 4 For the purpose of exercising any powers under this Part of this Act an authorised person may at any reasonable time enter and inspect premises used in connection with the carrying on of a business.

#### *Entry and search*

- 5 (1) Where—
- (a) a justice of the peace is satisfied on information on oath that there is reasonable ground for suspecting that a fraud offence which appears to be of a serious nature is being, has been or is about to be committed on any premises or that evidence of the commission of such an offence is to be found there, or
  - (b) in Scotland a justice, within the meaning of section 307 of the <sup>M12</sup>Criminal Procedure (Scotland) Act 1995, is satisfied by evidence on oath as mentioned in paragraph (a) above,
- he may issue a warrant in writing authorising any authorised person to enter those premises, if necessary by force, at any time within one month from the time of the issue of the warrant and search them.
- (2) A person who enters the premises under the authority of the warrant may—
- (a) take with him such other persons as appear to him to be necessary;

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- (b) seize and remove any documents or other things whatsoever found on the premises which he has reasonable cause to believe may be required as evidence for the purposes of proceedings in respect of a fraud offence which appears to him to be of a serious nature;
- (c) search or cause to be searched any person found on the premises whom he has reasonable cause to believe to be in possession of any such documents or other things;

but no woman or girl shall be searched except by a woman.

- (3) The powers conferred by a warrant under this paragraph shall not be exercisable—
  - (a) by more than such number of authorised persons as may be specified in the warrant,
  - (b) outside such times of day as may be so specified, or
  - (c) if the warrant so provides, otherwise than in the presence of a constable in uniform.
- (4) An authorised person seeking to exercise the powers conferred by a warrant under this paragraph or, if there is more than one such authorised person, that one of them who is in charge of the search shall provide a copy of the warrant endorsed with his name as follows—
  - (a) if the occupier of the premises concerned is present at the time the search is to begin, the copy shall be supplied to the occupier;
  - (b) if at that time the occupier is not present but a person who appears to the authorised person to be in charge of the premises is present, the copy shall be supplied to that person;
  - (c) if neither paragraph (a) nor paragraph (b) above applies, the copy shall be left in a prominent place on the premises.
- (5) In this paragraph “a fraud offence” means an offence under any provision of paragraph 15(1) to (5) below.

**Modifications etc. (not altering text)**

**C2** Sch. 5 para. 5(2) powers of seizure extended (1.4.2003) by [Criminal Justice and Police Act 2001 \(c. 16\)](#), ss. 50, 138(2), **Sch. 1 para. 61** (with ss. 52-54, 68); S.I. 2003/708, art. 2(a)

**Marginal Citations**

**M12** 1995 c. 46.

*Arrest*

- 6 (1) Where an authorised person has reasonable grounds for suspecting that a fraud offence has been committed he may arrest anyone whom he has reasonable grounds for suspecting to be guilty of the offence.
- (2) In this paragraph “a fraud offence” means an offence under any provision of paragraph 15(1) to (5) below.

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*Order for access to recorded information etc.*

- 7 (1) Where, on an application by an authorised person, a justice of the peace or, in Scotland, a justice (within the meaning of section 307 of the <sup>M13</sup>Criminal Procedure (Scotland) Act 1995) is satisfied that there are reasonable grounds for believing—
- (a) that an offence in connection with tax is being, has been or is about to be committed, and
  - (b) that any recorded information (including any document of any nature whatsoever) which may be required as evidence for the purpose of any proceedings in respect of such an offence is in the possession of any person, he may make an order under this paragraph.
- (2) An order under this paragraph is an order that the person who appears to the justice to be in possession of the recorded information to which the application relates shall—
- (a) give an authorised person access to it, and
  - (b) permit an authorised person to remove and take away any of it which he reasonably considers necessary,
- not later than the end of the period of 7 days beginning with the date of the order or the end of such longer period as the order may specify.
- (3) The reference in sub-paragraph (2)(a) above to giving an authorised person access to the recorded information to which the application relates includes a reference to permitting the authorised person to take copies of it or to make extracts from it.
- (4) Where the recorded information consists of information [<sup>F5</sup>stored in any electronic form] , an order under this paragraph shall have effect as an order to produce the information in a form in which it is visible and legible [<sup>F6</sup>or from which it can readily be produced in a visible and legible form] and, if the authorised person wishes to remove it, in a form in which it can be removed.
- (5) This paragraph is without prejudice to paragraphs 3 to 5 above.

**Textual Amendments**

**F5** Words in Sch. 5 para. 7(4) substituted (1.4.2003) by [Criminal Justice and Police Act 2001 \(c. 16\), s. 138\(2\), Sch. 2 para. 13\(1\)\(a\)\(2\)\(h\)](#); S.I. 2003/708, art. 2(k)

**F6** Words in Sch. 5 para. 7(4) inserted (1.4.2003) by [Criminal Justice and Police Act 2001 \(c. 16\), s. 138\(2\), Sch. 2 para. 13\(1\)\(b\)\(2\)\(h\)](#); S.I. 2003/708, art. 2(k)

**Marginal Citations**

**M13** 1995 c. 46.

*Removal of documents etc.*

- 8 (1) An authorised person who removes anything in the exercise of a power conferred by or under paragraph 5 or 7 above shall, if so requested by a person showing himself—
- (a) to be the occupier of premises from which it was removed, or
  - (b) to have had custody or control of it immediately before the removal,
- provide that person with a record of what he removed.
- (2) The authorised person shall provide the record within a reasonable time from the making of the request for it.

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- (3) Subject to sub-paragraph (7) below, if a request for permission to be allowed access to anything which—
- (a) has been removed by an authorised person, and
  - (b) is retained by the Commissioners for the purposes of investigating an offence,
- is made to the officer in overall charge of the investigation by a person who had custody or control of the thing immediately before it was so removed or by someone acting on behalf of such a person, the officer shall allow the person who made the request access to it under the supervision of an authorised person.
- (4) Subject to sub-paragraph (7) below, if a request for a photograph or copy of any such thing is made to the officer in overall charge of the investigation by a person who had custody or control of the thing immediately before it was so removed, or by someone acting on behalf of such a person, the officer shall—
- (a) allow the person who made the request access to it under the supervision of an authorised person for the purpose of photographing it or copying it, or
  - (b) photograph or copy it, or cause it to be photographed or copied.
- (5) Subject to sub-paragraph (7) below, where anything is photographed or copied under sub-paragraph (4)(b) above the officer shall supply the photograph or copy, or cause it to be supplied, to the person who made the request.
- (6) The photograph or copy shall be supplied within a reasonable time from the making of the request.
- (7) There is no duty under this paragraph to allow access to, or to supply a photograph or copy of, anything if the officer in overall charge of the investigation for the purposes of which it was removed has reasonable grounds for believing that to do so would prejudice—
- (a) that investigation,
  - (b) the investigation of an offence other than the offence for the purposes of the investigation of which the thing was removed, or
  - (c) any criminal proceedings which may be brought as a result of the investigation of which he is in charge or any such investigation as is mentioned in paragraph (b) above.
- (8) Any reference in this paragraph to the officer in overall charge of the investigation is a reference to the person whose name and address are endorsed on the warrant concerned as being the officer so in charge.
- 9 (1) Where, on an application made as mentioned in sub-paragraph (2) below, the appropriate judicial authority is satisfied that a person has failed to comply with a requirement imposed by paragraph 8 above, the authority may order that person to comply with the requirement within such time and in such manner as may be specified in the order.
- (2) An application under sub-paragraph (1) above shall be made—
- (a) in the case of a failure to comply with any of the requirements imposed by sub-paragraphs (1) and (2) of paragraph 8 above, by the occupier of the premises from which the thing in question was removed or by the person who had custody or control of it immediately before it was so removed, and
  - (b) in any other case, by the person who had such custody or control.

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- (3) In this paragraph “the appropriate judicial authority” means—
  - (a) in England and Wales, a magistrates’ court;
  - (b) in Scotland, the sheriff;
  - (c) in Northern Ireland, a court of summary jurisdiction, as defined in Article 2(2)(a) of the <sup>M14</sup>Magistrates’ Court (Northern Ireland) Order 1981.
- (4) In England and Wales and Northern Ireland, an application for an order under this paragraph shall be made by way of complaint; and sections 21 and 42(2) of the <sup>M15</sup>Interpretation Act (Northern Ireland) 1954 shall apply as if any reference in those provisions to any enactment included a reference to this paragraph.

**Marginal Citations**

**M14** S.I. 1981/1675 (N.I.26).

**M15** 1954 c. 33 (N.I.).

*Power to take samples*

- 10 (1) An authorised person, if it appears to him necessary for the protection of the revenue against mistake or fraud, may at any time take, from material which he has reasonable cause to believe is intended to be, is being, or has been disposed of as waste by way of landfill, such samples as he may require with a view to determining how the material ought to be or to have been treated for the purposes of tax.
- (2) Any sample taken under this paragraph shall be disposed of in such manner as the Commissioners may direct.

**PART III**

RECOVERY

*General*

- 11 Tax due from any person shall be recoverable as a debt due to the Crown.

*Preferential and preferred debts*

- 12 <sup>F7</sup>(1) .....
- <sup>F7</sup>(2) .....
- (3) In paragraph 2 the following sub-paragraph shall be inserted after sub-paragraph (1A)—
  - “(1B) Any landfill tax which is referable to the period of six months next before the relevant date.”
- (4) The following shall be inserted after paragraph 8A—

*Status: Point in time view as at 06/04/2006.*

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*“ Periods to which landfill tax referable*

- 8B (1) For the purpose of paragraph 2(1B) of Part I of this Schedule—
- (a) where the whole of the accounting period to which any landfill tax is attributable falls within the period of six months next before the relevant date (“the relevant period”), the whole amount of that tax shall be referable to the relevant period; and
  - (b) in any other case the amount of any landfill tax which shall be referable to the relevant period shall be the proportion of the tax which is equal to such proportion (if any) of the accounting period in question as falls within the relevant period.
- (2) In sub-paragraph (1) above “accounting period” shall be construed in accordance with Part III of the Finance Act 1996.”

<sup>F8</sup>(5) .....

**Textual Amendments**

- F7** Sch. 5 para. 12(1)(2) repealed (15.9.2003) by [Enterprise Act 2002 \(c. 40\), s. 279, Sch. 26; S.I. 2003/2093, art. 2\(1\), Sch. 2 \(with art. 4\)](#)
- F8** Sch. 5 para. 12(5) repealed (N.I.) (27.3.2006) by [The Insolvency \(Northern Ireland\) Order 2005 \(S.I. 2005/1455 \(N.I. 10\)\), art. 1\(3\), Sch. 9; S.R. 2006/21, art. 2 \(subject to S.R. 2006/22, arts. 2-7\)](#)

*Distress and diligence*

<sup>F9</sup>13 .....

**Textual Amendments**

- F9** Sch. 5 para. 13 repealed (1.7.1997) by [1997 c. 16, s. 113, Sch. 18 Pt. V\(2\); S.I. 1997/1433, art. 2](#)

*Recovery of overpaid tax*

- 14 (1) Where a person has paid an amount to the Commissioners by way of tax which was not tax due to them, they shall be liable to repay the amount to him.
- (2) The Commissioners shall only be liable to repay an amount under this paragraph on a claim being made for the purpose.
- (3) It shall be a defence, in relation to a claim under this paragraph, that repayment of an amount would unjustly enrich the claimant.
- [<sup>F10</sup>(4) The Commissioners shall not be liable, on a claim made under this paragraph, to repay any amount paid to them more than three years before the making of the claim.]
- (5) A claim under this paragraph shall be made in such form and manner and shall be supported by such documentary evidence as may be prescribed by regulations.
- (6) Except as provided by this paragraph, the Commissioners shall not be liable to repay an amount paid to them by way of tax by virtue of the fact that it was not tax due to them.

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#### Textual Amendments

**F10** Sch. 5 para. 14(4) substituted (19.3.1997) by 1997 c. 16, s. 50(1), **Sch. 5 Pt. II para. 5(3)**

#### Modifications etc. (not altering text)

**C3** Sch. 5 para. 14(3) amended (19.3.1997) by 1997 c. 16, s. 50(1), **Sch. 5 Pt. I para. 1(1)(c)**  
Sch. 5 para. 14(3): power to modify conferred (19.3.1997) by 1997 c. 16, s. 50(1), **Sch. 5 Pt. I para. 1(1)(c)**

## PART IV

### CRIMINAL PENALTIES

#### *Criminal offences*

- 15 (1) A person is guilty of an offence if—
- (a) being a registrable person, he is knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion of tax by him or another registrable person, or
  - (b) not being a registrable person, he is knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion of tax by a registrable person.
- (2) Any reference in sub-paragraph (1) above to the evasion of tax includes a reference to the obtaining of a payment under regulations under section 51(2)(c) or (d) or (f) of this Act.
- (3) A person is guilty of an offence if with the requisite intent—
- (a) he produces, furnishes or sends, or causes to be produced, furnished or sent, for the purposes of this Part of this Act any document which is false in a material particular, or
  - (b) he otherwise makes use for those purposes of such a document;
- and the requisite intent is intent to deceive or to secure that a machine will respond to the document as if it were a true document.
- (4) A person is guilty of an offence if in furnishing any information for the purposes of this Part of this Act he makes a statement which he knows to be false in a material particular or recklessly makes a statement which is false in a material particular.
- (5) A person is guilty of an offence by virtue of this sub-paragraph if his conduct during any specified period must have involved the commission by him of one or more offences under the preceding provisions of this paragraph; and the preceding provisions of this sub-paragraph apply whether or not the particulars of that offence or those offences are known.
- (6) A person is guilty of an offence if—
- (a) he enters into a taxable landfill contract, or
  - (b) he makes arrangements for other persons to enter into such a contract, with reason to believe that tax in respect of the disposal concerned will be evaded.
- (7) A person is guilty of an offence if he carries out taxable activities without giving security (or further security) he has been required to give under paragraph 31 below.



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- (8) For the purposes of this paragraph a taxable landfill contract is a contract under which there is to be a taxable disposal.

*Criminal penalties*

- 16 (1) A person guilty of an offence under paragraph 15(1) above is liable—
- (a) on summary conviction, to a penalty of the statutory maximum or of three times the amount of the tax, whichever is the greater, or to imprisonment for a term not exceeding six months or to both;
  - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding seven years or to both.
- (2) The reference in sub-paragraph (1) above to the amount of the tax shall be construed, in relation to tax itself or a payment falling within paragraph 15(2) above, as a reference to the aggregate of—
- (a) the amount (if any) falsely claimed by way of credit, and
  - (b) the amount (if any) by which the gross amount of tax was falsely understated.
- (3) A person guilty of an offence under paragraph 15(3) or (4) above is liable—
- (a) on summary conviction, to a penalty of the statutory maximum (or, where sub-paragraph (4) below applies, to the alternative penalty there specified if it is greater) or to imprisonment for a term not exceeding six months or to both;
  - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding seven years or to both.
- (4) Where—
- (a) the document referred to in paragraph 15(3) above is a return required under this Part of this Act, or
  - (b) the information referred to in paragraph 15(4) above is contained in or otherwise relevant to such a return,
- the alternative penalty is a penalty equal to three times the aggregate of the amount (if any) falsely claimed by way of credit and the amount (if any) by which the gross amount of tax was understated.
- (5) A person guilty of an offence under paragraph 15(5) above is liable—
- (a) on summary conviction, to a penalty of the statutory maximum (or, if greater, three times the amount of any tax that was or was intended to be evaded by his conduct) or to imprisonment for a term not exceeding six months or to both;
  - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding seven years or to both;
- and paragraph 15(2) and sub-paragraph (2) above shall apply for the purposes of this sub-paragraph as they apply respectively for the purposes of paragraph 15(1) and sub-paragraph (1) above.
- (6) A person guilty of an offence under paragraph 15(6) above is liable on summary conviction to a penalty of level 5 on the standard scale or three times the amount of the tax, whichever is the greater.
- (7) A person guilty of an offence under paragraph 15(7) above is liable on summary conviction to a penalty of level 5 on the standard scale.

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(8) In this paragraph—

- (a) “credit” means credit for which provision is made by regulations under section 51 of this Act;
- (b) “the gross amount of tax” means the total amount of tax due before taking into account any deduction for which provision is made by regulations under section 51(2) of this Act.

*Criminal proceedings etc.*

- 17 Sections 145 to 155 of the <sup>M16</sup>Customs and Excise Management Act 1979 (proceedings for offences, mitigation of penalties and certain other matters) shall apply in relation to offences under paragraph 15 above and penalties imposed under paragraph 16 above as they apply in relation to offences and penalties under the customs and excise Acts as defined in that Act.

**Marginal Citations**

**M16** 1979 c. 2.

**PART V**

**CIVIL PENALTIES**

*Evasion*

- 18 (1) Where—
- (a) for the purpose of evading tax, a registrable person does any act or omits to take any action, and
  - (b) his conduct involves dishonesty (whether or not it is such as to give rise to criminal liability),
- he is liable to a penalty equal to the amount of tax evaded, or (as the case may be) sought to be evaded, by his conduct; but this is subject to sub-paragraph (7) below.
- (2) The reference in sub-paragraph (1)(a) above to evading tax includes a reference to obtaining a payment under regulations under section 51(2)(c) or (d) or (f) of this Act in circumstances where the person concerned is not entitled to the sum.
- (3) The reference in sub-paragraph (1) above to the amount of tax evaded or sought to be evaded is a reference to the aggregate of—
- (a) the amount (if any) falsely claimed by way of credit, and
  - (b) the amount (if any) by which the gross amount of tax was falsely understated.
- (4) In this paragraph—
- (a) “credit” means credit for which provision is made by regulations under section 51 of this Act;
  - (b) “the gross amount of tax” means the total amount of tax due before taking into account any deduction for which provision is made by regulations under section 51(2) of this Act.

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- (5) Statements made or documents produced by or on behalf of a person shall not be inadmissible in any such proceedings as are mentioned in sub-paragraph (6) below by reason only that it has been drawn to his attention—
- (a) that, in relation to tax, the Commissioners may assess an amount due by way of a civil penalty instead of instituting criminal proceedings and, though no undertaking can be given as to whether the Commissioners will make such an assessment in the case of any person, it is their practice to be influenced by the fact that a person has made a full confession of any dishonest conduct to which he has been a party and has given full facilities for investigation, and
  - (b) that the Commissioners or, on appeal, an appeal tribunal have power under paragraph 25 below to reduce a penalty under this paragraph,
- and that he was or may have been induced thereby to make the statements or produce the documents.
- (6) The proceedings referred to in sub-paragraph (5) above are—
- (a) any criminal proceedings against the person concerned in respect of any offence in connection with or in relation to tax, and
  - (b) any proceedings against him for the recovery of any sum due from him in connection with or in relation to tax.
- (7) Where, by reason of conduct falling within sub-paragraph (1) above, a person is convicted of an offence (whether under this Part of this Act or otherwise) that conduct shall not also give rise to liability to a penalty under this paragraph.
- 19 (1) Where it appears to the Commissioners—
- (a) that a body corporate is liable to a penalty under paragraph 18 above, and
  - (b) that the conduct giving rise to that penalty is, in whole or in part, attributable to the dishonesty of a person who is, or at the material time was, a director or managing officer of the body corporate (a named officer),
- the Commissioners may serve a notice under this paragraph on the body corporate and on the named officer.
- (2) A notice under this paragraph shall state—
- (a) the amount of the penalty referred to in sub-paragraph (1)(a) above (the basic penalty), and
  - (b) that the Commissioners propose, in accordance with this paragraph, to recover from the named officer such portion (which may be the whole) of the basic penalty as is specified in the notice.
- (3) Where a notice is served under this paragraph, the portion of the basic penalty specified in the notice shall be recoverable from the named officer as if he were personally liable under paragraph 18 above to a penalty which corresponds to that portion; and the amount of that penalty may be assessed and notified to him accordingly under paragraph 32 below.
- (4) Where a notice is served under this paragraph—
- (a) the amount which, under paragraph 32 below, may be assessed as the amount due by way of penalty from the body corporate shall be only so much (if any) of the basic penalty as is not assessed on and notified to a named officer by virtue of sub-paragraph (3) above, and
  - (b) the body corporate shall be treated as discharged from liability for so much of the basic penalty as is so assessed and notified.

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- (5) No appeal shall lie against a notice under this paragraph as such but—
- (a) where a body corporate is assessed as mentioned in sub-paragraph (4)(a) above, the body corporate may require a review of the Commissioners' decision as to its liability to a penalty and as to the amount of the basic penalty as if it were specified in the assessment;
  - (b) where an assessment is made on a named officer by virtue of sub-paragraph (3) above, the named officer may require a review of the Commissioners' decision that the conduct of the body corporate referred to in sub-paragraph (1)(b) above is, in whole or in part, attributable to his dishonesty and of their decision as to the portion of the penalty which the Commissioners propose to recover from him;
  - (c) sections 55 and 56 of this Act shall apply accordingly.
- (6) In this paragraph a “managing officer”, in relation to a body corporate, means any manager, secretary or other similar officer of the body corporate or any person purporting to act in any such capacity or as a director; and where the affairs of a body corporate are managed by its members, this paragraph shall apply in relation to the conduct of a member in connection with his functions of management as if he were a director of the body corporate.

*Misdeclaration or neglect*

- 20 (1) Where, for an accounting period—
- (a) a return is made which understates a person's liability to tax or overstates his entitlement to credit, or
  - (b) an assessment is made which understates a person's liability to tax and, at the end of the period of 30 days beginning on the date of the assessment, he has not taken all such steps as are reasonable to draw the understatement to the attention of the Commissioners,
- the person concerned is liable, subject to sub-paragraphs (3) and (4) below, to a penalty equal to 5 per cent. of the amount of the understatement of liability or (as the case may be) overstatement of entitlement.
- (2) Where—
- (a) a return for an accounting period overstates or understates to any extent a person's liability to tax or his entitlement to credit, and
  - (b) that return is corrected, in such circumstances and in accordance with such conditions as may be prescribed by regulations, by a return for a later accounting period which understates or overstates, to the corresponding extent, that liability or entitlement,
- it shall be assumed for the purposes of this paragraph that the statement made by each such return is a correct statement for the accounting period to which the return relates.
- (3) Conduct falling within sub-paragraph (1) above shall not give rise to liability to a penalty under this paragraph if the person concerned furnishes full information with respect to the inaccuracy concerned to the Commissioners—
- (a) at a time when he has no reason to believe that enquiries are being made by the Commissioners into his affairs, so far as they relate to tax, and
  - (b) in such form and manner as may be prescribed by regulations or specified by the Commissioners in accordance with provision made by regulations.

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- (4) Where, by reason of conduct falling within sub-paragraph (1) above—
- (a) a person is convicted of an offence (whether under this Part of this Act or otherwise), or
  - (b) a person is assessed to a penalty under paragraph 18 above,
- that conduct shall not also give rise to liability to a penalty under this paragraph.
- (5) In this paragraph “credit” means credit for which provision is made by regulations under section 51 of this Act.

#### *Registration*

- 21 (1) A person who fails to comply with section 47(3) of this Act is liable to a penalty equal to 5 per cent. of the relevant tax or, if it is greater or the circumstances are such that there is no relevant tax, to a penalty of £250; but this is subject to sub-paragraph (4) below.
- (2) In sub-paragraph (1) above “relevant tax” means the tax (if any) for which the person concerned is liable for the period which—
- (a) begins on the date with effect from which he is, in accordance with section 47 of this Act, required to be registered, and
  - (b) ends on the date on which the Commissioners received notification of, or otherwise became aware of, his liability to be registered.
- (3) A person who fails to comply with section 47(4) of this Act is liable to a penalty of £250.
- (4) Where, by reason of conduct falling within sub-paragraph (1) above—
- (a) a person is convicted of an offence (whether under this Part of this Act or otherwise), or
  - (b) a person is assessed to a penalty under paragraph 18 above,
- that conduct shall not also give rise to liability to a penalty under this paragraph.

#### *Information*

- 22 (1) If a person—
- (a) fails to comply with any provision of paragraph 1 or 3 above, or
  - (b) fails to make records as required by any provision of regulations made under paragraph 2 above,
- he is liable to a penalty of £250; but this is subject to sub-paragraph (4) below.
- (2) Where—
- (a) a penalty (an initial penalty) is imposed on a person under sub-paragraph (1) above, and
  - (b) the failure which led to the initial penalty continues after its imposition,
- he is (subject to sub-paragraph (4) below) liable to a further penalty of £20 for each day during which (or any part of which) the failure continues after the day on which the initial penalty was imposed.
- (3) A person who fails to preserve records in compliance with any provision of regulations made under paragraph 2 above (read with that paragraph and any

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direction given under the regulations) is liable to a penalty of £250; but this is subject to sub-paragraph (4) below.

- (4) Where by reason of a failure falling within sub-paragraph (1) or (3) above—
- (a) a person is convicted of an offence (whether under this Part of this Act or otherwise), or
  - (b) a person is assessed to a penalty under paragraph 18 above,
- that failure shall not also give rise to liability to a penalty under this paragraph.

*Breach of regulations*

- 23 (1) Where regulations made under this Part of this Act impose a requirement on any person, they may provide that if the person fails to comply with the requirement he shall be liable to a penalty of £250; but this is subject to sub-paragraphs (2) and (3) below.
- (2) Where by reason of any conduct—
- (a) a person is convicted of an offence (whether under this Part of this Act or otherwise), or
  - (b) a person is assessed to a penalty under paragraph 18 above,
- that conduct shall not also give rise to liability to a penalty under the regulations.
- (3) Sub-paragraph (1) above does not apply to any failure mentioned in paragraph 22 above.

**Modifications etc. (not altering text)**

**C4** Sch. 5 para. 23 extended (19.3.1997) by 1997 c. 16, s. 50(1), Sch. 5 Pt. I para. 4(3)

*Walking possession agreements*

- 24 (1) This paragraph applies where—
- (a) in accordance with regulations under <sup>[F11]</sup>section 51 of the Finance Act 1997 (enforcement by distress) a distress is authorised to be levied on the goods and chattels of a person (a person in default) who has refused or neglected to pay any tax due from him or any amount recoverable as if it were tax due from him, and
  - (b) the person levying the distress and the person in default have entered into a walking possession agreement.
- (2) For the purposes of this paragraph a walking possession agreement is an agreement under which, in consideration of the property distrained upon being allowed to remain in the custody of the person in default and of the delaying of its sale, the person in default—
- (a) acknowledges that the property specified in the agreement is under distraint and held in walking possession, and
  - (b) undertakes that, except with the consent of the Commissioners and subject to such conditions as they may impose, he will not remove or allow the removal of any of the specified property from the premises named in the agreement.

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- (3) If the person in default is in breach of the undertaking contained in a walking possession agreement, he is liable to a penalty equal to half of the tax or other amount referred to in sub-paragraph (1)(a) above.
- (4) This paragraph does not extend to Scotland.

#### **Textual Amendments**

**F11** Words in Sch. 5 para. 24(1)(a) substituted (1.7.1997) by 1997 c. 16, s. 53(8); S.I. 1997/1432, art. 2

#### *Mitigation of penalties*

- 25 (1) Where a person is liable to a penalty under this Part of this Schedule the Commissioners or, on appeal, an appeal tribunal may reduce the penalty to such amount (including nil) as they think proper.
- (2) Where the person concerned satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for any breach, failure or other conduct, that is a factor which (among other things) may be taken into account under sub-paragraph (1) above.
- (3) In the case of a penalty reduced by the Commissioners under sub-paragraph (1) above an appeal tribunal, on an appeal relating to the penalty, may cancel the whole or any part of the reduction made by the Commissioners.

## **PART VI**

### **INTEREST**

#### *Interest on under-declared tax*

- 26 (1) Sub-paragraph (2) below applies where—
  - (a) under section 50(1) of this Act the Commissioners assess an amount of tax due from a registrable person for an accounting period and notify it to him, and
  - (b) the assessment is made on the basis that the amount (the additional amount) is due from him in addition to any amount shown in a return made in relation to the accounting period.
- (2) The additional amount shall carry interest for the period which—
  - (a) begins with the day after that on which the person is required by provision made under section 49 of this Act to pay tax due from him for the accounting period, and
  - (b) ends with the day before the relevant day.
- (3) For the purposes of sub-paragraph (2) above the relevant day is the earlier of—
  - (a) the day on which the assessment is notified to the person;
  - (b) the day on which the additional amount is paid.

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- (4) Sub-paragraph (5) below applies where under section 50(2) of this Act the Commissioners assess an amount as being tax due from a registrable person for an accounting period and notify it to him.
- (5) The amount shall carry interest for the period which—
- (a) begins with the day after that on which the person is required by provision made under section 49 of this Act to pay tax due from him for the accounting period, and
  - (b) ends with the day before the relevant day.
- (6) For the purposes of sub-paragraph (5) above the relevant day is the earlier of—
- (a) the day on which the assessment is notified to the person;
  - (b) the day on which the amount is paid.
- (7) Interest under this paragraph shall be payable at the rate applicable under section 197 of this Act.
- (8) Interest under this paragraph shall be paid without any deduction of income tax.
- (9) Sub-paragraph (10) below applies where—
- (a) an amount carries interest under this paragraph (or would do so apart from that sub-paragraph), and
  - (b) all or part of the amount turns out not to be due.
- (10) In such a case—
- (a) the amount or part (as the case may be) shall not carry interest under this paragraph and shall be treated as never having done so, and
  - (b) all such adjustments as are reasonable shall be made, including adjustments by way of repayment by the Commissioners where appropriate.

*Interest on unpaid tax etc.*

- 27 (1) Sub-paragraph (2) below applies where—
- (a) a registrable person makes a return under provision made under section 49 of this Act (whether or not he makes it at the time required by such provision), and
  - (b) the return shows that an amount of tax is due from him for the accounting period in relation to which the return is made.
- (2) The amount shall carry interest for the period which—
- (a) begins with the day after that on which the person is required by provision made under section 49 of this Act to pay tax due from him for the accounting period, and
  - (b) ends with the day before that on which the amount is paid.
- (3) Sub-paragraph (4) below applies where—
- (a) under section 50(1) of this Act the Commissioners assess an amount of tax due from a registrable person for an accounting period and notify it to him, and
  - (b) the assessment is made on the basis that no return required by provision made under section 49 of this Act has been made by the person in relation to the accounting period.



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- (4) The amount shall carry interest for the period which—
  - (a) begins with the day after that on which the person is required by provision made under section 49 of this Act to pay tax due from him for the accounting period, and
  - (b) ends with the day before that on which the amount is paid.
- (5) Sub-paragraph (6) below applies where—
  - (a) under section 50(1) of this Act the Commissioners assess an amount of tax due from a registrable person for an accounting period and notify it to him, and
  - (b) the assessment (the supplementary assessment) is made on the basis that the amount (the additional amount) is due from him in addition to any amount shown in a return, or in any previous assessment, made in relation to the accounting period.
- (6) The additional amount shall carry interest for the period which—
  - (a) begins with the day on which the supplementary assessment is notified to the person, and
  - (b) ends with the day before that on which the additional amount is paid.
- (7) Sub-paragraph (8) below applies where under section 50(2) of this Act the Commissioners assess an amount as being tax due from a registrable person for an accounting period and notify it to him.
- (8) The amount shall carry interest for the period which—
  - (a) begins with the day on which the assessment is notified to the person, and
  - (b) ends with the day before that on which the amount is paid.
- (9) Sub-paragraph (10) below applies where under paragraph 32 below the Commissioners—
  - (a) assess an amount due from a person by way of penalty under Part V of this Schedule and notify it to him, or
  - (b) assess an amount due from a person by way of interest under paragraph 26 above and notify it to him.
- (10) The amount shall carry interest for the period which—
  - (a) begins with the day on which the assessment is notified to the person, and
  - (b) ends with the day before that on which the amount is paid.
- (11) Interest under this paragraph shall be compound interest calculated—
  - (a) at the penalty rate, and
  - (b) with monthly rests;and the penalty rate is the rate found by taking the rate at which interest is payable under paragraph 26 above and adding 10 percentage points to that rate.
- (12) Interest under this paragraph shall be paid without any deduction of income tax.
- (13) Where—
  - (a) the Commissioners assess and notify an amount as mentioned in sub-paragraph (5)(a) or (7) or (9)(a) or (b) above,
  - (b) they also specify a date for the purposes of this sub-paragraph, and
  - (c) the amount concerned is paid on or before that date,

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the amount shall not carry interest by virtue of sub-paragraph (6) or (8) or (10) above (as the case may be).

- (14) Sub-paragraph (15) below applies where—
- (a) an amount carries interest under this paragraph (or would do so apart from that sub-paragraph), and
  - (b) all or part of the amount turns out not to be due.
- (15) In such a case—
- (a) the amount or part (as the case may be) shall not carry interest under this paragraph and shall be treated as never having done so, and
  - (b) all such adjustments as are reasonable shall be made, including adjustments by way of repayment by the Commissioners where appropriate.
- 28 (1) Where a person is liable to pay interest under paragraph 27 above the Commissioners or, on appeal, an appeal tribunal may reduce the amount payable to such amount (including nil) as they think proper.
- (2) Where the person concerned satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for the conduct giving rise to the liability to pay interest, that is a factor which (among other things) may be taken into account under sub-paragraph (1) above.
- (3) In the case of interest reduced by the Commissioners under sub-paragraph (1) above an appeal tribunal, on an appeal relating to the interest, may cancel the whole or any part of the reduction made by the Commissioners.

*Interest payable by Commissioners*

- 29 (1) Where, due to an error on the part of the Commissioners, a person—
- (a) has paid to them by way of tax an amount which was not tax due and which they are in consequence liable to repay to him,
  - (b) has failed to claim payment of an amount to the payment of which he was entitled in pursuance of provision made under section 51(2)(c) or (d) or (f) of this Act, or
  - (c) has suffered delay in receiving payment of an amount due to him from them in connection with tax,

then, if and to the extent that they would not be liable to do so apart from this paragraph, they shall (subject to the following provisions of this paragraph) pay interest to him on that amount for the applicable period.

[<sup>F12</sup>(1A) In sub-paragraph (1) above—

- (a) the reference in paragraph (a) to an amount which the Commissioners are liable to repay in consequence of the making of a payment that was not due is a reference to only so much of that amount as is the subject of a claim that the Commissioners are required to satisfy or have satisfied; and
  - (b) the amounts referred to in paragraph (c) do not include any amount payable under this paragraph.]
- (2) The applicable period, in a case falling within sub-paragraph (1)(a) above, is the period—
- (a) beginning with the date on which the payment is received by the Commissioners, and

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- (b) ending with the date on which they authorise payment of the amount on which the interest is payable.
- (3) The applicable period, in a case falling within sub-paragraph (1)(b) or (c) above, is the period—
  - (a) beginning with the date on which, apart from the error, the Commissioners might reasonably have been expected to authorise payment of the amount on which the interest is payable, and
  - (b) ending with the date on which they in fact authorise payment of that amount.
- [<sup>F13</sup>(4) In determining the applicable period for the purposes of this paragraph there shall be left out of account any period by which the Commissioners' authorisation of the payment of interest is delayed by the conduct of the person who claims the interest.
- <sup>F13</sup>(4A) The reference in sub-paragraph (4) above to a period by which the Commissioners' authorisation of the payment of interest is delayed by the conduct of the person who claims it includes, in particular, any period which is referable to—
  - (a) any unreasonable delay in the making of the claim for interest or in the making of any claim for the payment or repayment of the amount on which interest is claimed;
  - (b) any failure by that person or a person acting on his behalf or under his influence to provide the Commissioners—
    - (i) at or before the time of the making of a claim, or
    - (ii) subsequently in response to a request for information by the Commissioners,with all the information required by them to enable the existence and amount of the claimant's entitlement to a payment or repayment, and to interest on that payment or repayment, to be determined; and
  - (c) the making, as part of or in association with either—
    - (i) the claim for interest, or
    - (ii) any claim for the payment or repayment of the amount on which interest is claimed,of a claim to anything to which the claimant was not entitled.
- <sup>F13</sup>(5) In determining for the purposes of sub-paragraph (4A) above whether any period of delay is referable to a failure by any person to provide information in response to a request by the Commissioners, there shall be taken to be so referable, except so far as may be provided for by regulations, any period which—
  - (a) begins with the date on which the Commissioners require that person to provide information which they reasonably consider relevant to the matter to be determined; and
  - (b) ends with the earliest date on which it would be reasonable for the Commissioners to conclude—
    - (i) that they have received a complete answer to their request for information;
    - (ii) that they have received all that they need in answer to that request; or
    - (iii) that it is unnecessary for them to be provided with any information in answer to that request.]
- (7) The commissioners shall only be liable to pay interest under under this paragraph on a claim made in writing for that purpose.

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[<sup>F14</sup>(8) A claim under this paragraph shall not be made more than three years after the end of the applicable period to which it relates.]

[<sup>F15</sup>(9) References in this paragraph—

- (a) to receiving payment of any amount from the Commissioners, or
  - (b) to the authorisation by the Commissioners of the payment of any amount,
- include references to the discharge by way of set-off (whether in accordance with regulations under paragraph 42 or 43 below or otherwise) of the Commissioners' liability to pay that amount.]

(10) Interest under this paragraph shall be payable at the rate applicable under section 197 of this Act.

#### Textual Amendments

- F12** Sch. 5 para. 29(1A) inserted (*retrospective to 29.4.1996*) by 1997 c. 16, s. 50(1), **Sch. 5 Pt. III para. 11(2)**
- F13** Sch. 5 para. 29(4)(4A)(5) substituted (19.3.1997 with effect as mentioned in Sch. 5 Pt. III para. 12(2) of the amending Act) for para. 29(4)-(6) by 1997 c. 16, s. 50(1), **Sch. 5 Pt. III para. 12(1)**
- F14** Sch. 5 para. 29(8) substituted (*retrospective to 29.4.1996*) by 1997 c. 16, s. 50(1), **Sch. 5 Pt. III para. 11(3)**
- F15** Sch. 5 para. 29(9) substituted (*retrospective to 29.4.1996*) by 1997 c. 16, s. 50(1), **Sch. 5 Pt. III para. 1(4)**

30 (1) Where—

- (a) any interest is payable by the Commissioners to a person on a sum due to him under this Part of this Act, and
  - (b) he is a person to whom regulations under section 51 of this Act apply,
- the interest shall be treated as an amount to which he is entitled by way of credit in pursuance of the regulations.

(2) Sub-paragraph (1) above shall be disregarded for the purpose of determining a person's entitlement to interest or the amount of interest to which he is entitled.

## PART VII

### MISCELLANEOUS

#### *Security for tax*

31 Where it appears to the Commissioners requisite to do so for the protection of the revenue they may require a registrable person, as a condition of his carrying out taxable activities, to give security (or further security) of such amount and in such manner as they may determine for the payment of any tax which is or may become due from him.

#### *Assessments to penalties etc.*

32 (1) Where a person is liable—

- (a) to a penalty under Part V of this Schedule, or
- (b) for interest under paragraph 26 or 27 above,

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the Commissioners may, subject to sub-paragraph (2) below, assess the amount due by way of penalty or interest (as the case may be) and notify it to him accordingly; and the fact that any conduct giving rise to a penalty under Part V of this Schedule may have ceased before an assessment is made under this paragraph shall not affect the power of the Commissioners to make such an assessment.

- (2) In the case of the penalties and interest referred to in the following paragraphs of this sub-paragraph, the assessment under this paragraph shall be of an amount due in respect of the accounting period which in the paragraph concerned is referred to as the relevant period—
  - (a) in the case of a penalty under paragraph 18 above relating to the evasion of tax, and in the case of interest under paragraph 27 above on an amount due by way of such a penalty, the relevant period is the accounting period for which the tax evaded was due;
  - (b) in the case of a penalty under paragraph 18 above relating to the obtaining of a payment under regulations under section 51(2)(c) or (d) or (f) of this Act, and in the case of interest under paragraph 27 above on an amount due by way of such a penalty, the relevant period is the accounting period in respect of which the payment was obtained;
  - (c) in the case of interest under paragraph 26 above, and in the case of interest under paragraph 27 above on an amount due by way of interest under paragraph 26 above, the relevant period is the accounting period in respect of which the tax was due;
  - (d) in the case of interest under paragraph 27 above on an amount of tax, the relevant period is the accounting period in respect of which the tax was due.
- (3) In a case where the amount of any penalty or interest falls to be calculated by reference to tax which was not paid at the time it should have been and that tax cannot be readily attributed to any one or more accounting periods, it shall be treated for the purposes of this Part of this Act as tax due for such period or periods as the Commissioners may determine to the best of their judgment and notify to the person liable for the tax and penalty or interest.
- (4) Where a person is assessed under this paragraph to an amount due by way of any penalty or interest falling within sub-paragraph (2) above and is also assessed under subsection (1) or (2) of section 50 of this Act for the accounting period which is the relevant period under sub-paragraph (2) above, the assessments may be combined and notified to him as one assessment, but the amount of the penalty or interest shall be separately identified in the notice.
- (5) Sub-paragraph (6) below applies in the case of an amount due by way of interest under paragraph 27 above.
- (6) Where this sub-paragraph applies in the case of an amount—
  - (a) a notice of assessment under this paragraph shall specify a date, being not later than the date of the notice, to which the amount of interest which is assessed is calculated, and
  - (b) if the interest continues to accrue after that date, a further assessment or further assessments may be made under this paragraph in respect of amounts which so accrue.
- (7) If, within such period as may be notified by the Commissioners to the person liable for the interest under paragraph 27 above, the amount referred to in paragraph 27(2), (4), (6), (8) or (10) above (as the case may be) is paid, it shall be treated for the

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purposes of paragraph 27 above as paid on the date specified as mentioned in sub-paragraph (6)(a) above.

- (8) Where an amount has been assessed and notified to any person under this paragraph it shall be recoverable as if it were tax due from him unless, or except to the extent that, the assessment has subsequently been withdrawn or reduced.
- (9) Subsection (8) of section 50 of this Act shall apply for the purposes of this paragraph as it applies for the purposes of that section.

*Assessments: time limits*

- 33 (1) Subject to the following provisions of this paragraph, an assessment under—
- (a) any provision of section 50 of this Act, or
  - (b) paragraph 32 above,
- shall not be made more than [<sup>F16</sup>three years] after the end of the accounting period concerned or, in the case of an assessment under paragraph 32 above of an amount due by way of a penalty which is not a penalty referred to in sub-paragraph (2) of that paragraph, [<sup>F16</sup>three years] after the event giving rise to the penalty.
- (2) Subject to sub-paragraph (5) below, an assessment under paragraph 32 above of—
- (a) an amount due by way of any penalty referred to in sub-paragraph (2) of that paragraph, or
  - (b) an amount due by way of interest,
- may be made at any time before the expiry of the period of two years beginning with the time when the amount of tax due for the accounting period concerned has been finally determined.
- (3) In relation to an assessment under paragraph 32 above, any reference in sub-paragraph (1) or (2) above to the accounting period concerned is a reference to that period which, in the case of the penalty or interest concerned, is the relevant period referred to in sub-paragraph (2) of that paragraph.
- (4) Subject to sub-paragraph (5) below, if tax has been lost—
- (a) as a result of conduct falling within paragraph 18(1) above or for which a person has been convicted of fraud, or
  - (b) in circumstances giving rise to liability to a penalty under paragraph 21 above,
- an assessment may be made as if, in sub-paragraph (1) above, each reference to [<sup>F16</sup>three years] were a reference to twenty years.
- (5) Where after a person's death the Commissioners propose to assess an amount as due by reason of some conduct of the deceased—
- (a) the assessment shall not be made more than three years after the death, and
  - (b) if the circumstances are as set out in sub-paragraph (4) above, the modification of sub-paragraph (1) above contained in that sub-paragraph shall not apply but any assessment which (from the point of view of time limits) could have been made immediately after the death may be made at any time within three years after it.

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### Textual Amendments

**F16** Words in Sch. 5 para. 33(1)(4) substituted (19.3.1997) by 1997 c. 16, s. 50(1), Sch. 5 Pt. II para. 6(2)(c)

### *Supplementary assessments*

- 34 If, otherwise than in circumstances falling within subsection (5)(b) of section 50 of this Act, it appears to the Commissioners that the amount which ought to have been assessed in an assessment under any provision of that section or under paragraph 32 above exceeds the amount which was so assessed, then—
- (a) under the like provision as that assessment was made, and
  - (b) on or before the last day on which that assessment could have been made,
- the Commissioners may make a supplementary assessment of the amount of the excess and shall notify the person concerned accordingly.

### *Disclosure of information*

- 35 (1) Notwithstanding any obligation not to disclose information that would otherwise apply, the Commissioners may disclose information to—
- (a) the Secretary of State,
  - (b) the Environment Agency,
  - (c) the Scottish Environment Protection Agency,
  - (d) the Department of the Environment for Northern Ireland,
  - (e) a district council in Northern Ireland, or
  - (f) an authorised officer of any person (a principal) mentioned in paragraphs (a) to (e) above,
- for the purpose of assisting the principal concerned in the performance of the principal's duties.
- (2) Notwithstanding any such obligation as is mentioned in sub-paragraph (1) above, any person mentioned in sub-paragraph (1)(a) to (f) above may disclose information to the Commissioners or to an authorised officer of the Commissioners for the purpose of assisting the Commissioners in the performance of duties in relation to tax.
- (3) Information that has been disclosed to a person by virtue of this paragraph shall not be disclosed by him except—
- (a) to another person to whom (instead of him) disclosure could by virtue of this paragraph have been made, or
  - (b) for the purpose of any proceedings connected with the operation of any provision of, or made under, any enactment in relation to the environment or to tax.
- (4) References in the preceding provisions of this paragraph to an authorised officer of any person (the principal) are to any person who has been designated by the principal as a person to and by whom information may be disclosed by virtue of this paragraph.
- (5) The Secretary of State shall notify the Commissioners in writing of the name of any person designated by the Secretary of State under sub-paragraph (4) above.
- (6) No charge may be made for a disclosure made by virtue of this paragraph.

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*The register: publication*

- 36 (1) The Commissioners may publish, by such means as they think fit, information which—
- (a) is derived from the register kept under section 47 of this Act, and
  - (b) falls within any of the descriptions set out below.
- (2) The descriptions are—
- (a) the names of registered persons;
  - (b) the addresses of any sites or other premises at which they carry on business;
  - (c) the registration numbers assigned to them in the register;
  - (d) the fact (where it is the case) that the registered person is a body corporate which under section 59 of this Act is treated as a member of a group;
  - (e) the names of the other bodies corporate treated under that section as members of the group;
  - (f) the addresses of any sites or other premises at which those other bodies carry on business.
- (3) Information may be published in accordance with this paragraph notwithstanding any obligation not to disclose the information that would otherwise apply.

*Evidence by certificate etc.*

- 37 (1) A certificate of the Commissioners—
- (a) that a person was or was not at any time registered under section 47 of this Act,
  - (b) that any return required by regulations made under section 49 of this Act has not been made or had not been made at any time, or
  - (c) that any tax shown as due in a return made in pursuance of regulations made under section 49 of this Act, or in an assessment made under section 50 of this Act, has not been paid,
- shall be sufficient evidence of that fact until the contrary is proved.
- (2) A photograph of any document furnished to the Commissioners for the purposes of this Part of this Act and certified by them to be such a photograph shall be admissible in any proceedings, whether civil or criminal, to the same extent as the document itself.
- (3) Any document purporting to be a certificate under sub-paragraph (1) or (2) above shall be taken to be such a certificate until the contrary is proved.

*Service of notices etc.*

- 38 Any notice, notification or requirement to be served on, given to or made of any person for the purposes of this Part of this Act may be served, given or made by sending it by post in a letter addressed to that person at his last or usual residence or place of business.
- 39 (1) This paragraph applies to directions, specifications and conditions which the Commissioners or an authorised person may give or impose under any provision of this Part.



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- (2) A direction, specification or condition given or imposed by the Commissioners may be withdrawn or varied by them.
- (3) A direction, specification or condition given or imposed by an authorised person may be withdrawn or varied by him or by another authorised person.
- (4) No direction, specification or condition shall have effect as regards any person it is intended to affect unless—
  - (a) a notice containing it is served on him, or
  - (b) other reasonable steps are taken with a view to bringing it to his attention.
- (5) No withdrawal or variation of a direction, specification or condition shall have effect as regards any person the withdrawal or variation is intended to affect unless—
  - (a) a notice containing the withdrawal or variation is served on him, or
  - (b) other reasonable steps are taken with a view to bringing the withdrawal or variation to his attention.

*No deduction of penalties or interest*

40 In section 827 of the Taxes Act 1988 (no deduction for penalties etc.) the following subsection shall be inserted after subsection (1B)—

- “(1C) Where a person is liable to make a payment by way of—
- (a) penalty under Part V of Schedule 5 to the Finance Act 1996 (landfill tax), or
  - (b) interest under paragraph 26 or 27 of that Schedule,
- the payment shall not be allowed as a deduction in computing any income, profits or losses for any tax purposes.”

*Destination of receipts*

F1741 .....

**Textual Amendments**

**F17** Sch. 5 para. 41 repealed (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), Sch. 4 para. 65, [Sch. 5](#); S.I. 2005/1126, art. 2(2)(h)(i)

*Set-off of amounts*

- 42 (1) Regulations may make provision in relation to any case where—
- (a) a person is under a duty to pay to the Commissioners at any time an amount or amounts in respect of landfill tax, and
  - (b) the Commissioners are under a duty to pay to that person at the same time an amount or amounts in respect of any tax (or taxes) under their care and management.
- (2) The regulations may provide that if the total of the amount or amounts mentioned in sub-paragraph (1)(a) above exceeds the total of the amount or amounts mentioned in sub-paragraph (1)(b) above, the latter shall be set off against the former.

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- (3) The regulations may provide that if the total of the amount or amounts mentioned in sub-paragraph (1)(b) above exceeds the total of the amount or amounts mentioned in sub-paragraph (1)(a) above, the Commissioners may set off the latter in paying the former.
- (4) The regulations may provide that if the total of the amount or amounts mentioned in sub-paragraph (1)(a) above is the same as the total of the amount or amounts mentioned in sub-paragraph (1)(b) above no payment need be made in respect of the former or the latter.
- [<sup>F18</sup>(4A) The regulations may provide for any limitation on the time within which the Commissioners are entitled to take steps for recovering any amount due to them in respect of landfill tax to be disregarded, in such cases as may be described in the regulations, in determining whether any person is under such a duty to pay as is mentioned in sub-paragraph (1)(a) above.]
- (5) The regulations may include provision treating any duty to pay mentioned in sub-paragraph (1) above as discharged accordingly.
- (6) References in sub-paragraph (1) above to an amount in respect of a particular tax include references not only to an amount of tax itself but also to other amounts such as interest and penalty.
- (7) In this paragraph “tax” includes “duty”.

#### Textual Amendments

**F18** Sch. 5 para. 42(4A) inserted (19.3.1997) by 1997 c. 16, s. 50(1), Sch. 5 Pt. IV para. 13(1)

- 43 (1) Regulations may make provision in relation to any case where—
- (a) a person is under a duty to pay to the Commissioners at any time an amount or amounts in respect of any tax (or taxes) under their care and management, and
  - (b) the Commissioners are under a duty to pay to that person at the same time an amount or amounts in respect of landfill tax.
- (2) The regulations may provide that if the total of the amount or amounts mentioned in sub-paragraph (1)(a) above exceeds the total of the amount or amounts mentioned in sub-paragraph (1)(b) above, the latter shall be set off against the former.
- (3) The regulations may provide that if the total of the amount or amounts mentioned in sub-paragraph (1)(b) above exceeds the total of the amount or amounts mentioned in sub-paragraph (1)(a) above, the Commissioners may set off the latter in paying the former.
- (4) The regulations may provide that if the total of the amount or amounts mentioned in sub-paragraph (1)(a) above is the same as the total of the amount or amounts mentioned in sub-paragraph (1)(b) above no payment need be made in respect of the former or the latter.
- [<sup>F19</sup>(4A) The regulations may provide for any limitation on the time within which the Commissioners are entitled to take steps for recovering any amount due to them in respect of any of the taxes under their care and management to be disregarded, in

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such cases as may be described in the regulations, in determining whether any person is under such a duty to pay as is mentioned in sub-paragraph (1)(a) above.]

- (5) The regulations may include provision treating any duty to pay mentioned in sub-paragraph (1) above as discharged accordingly.
- (6) References in sub-paragraph (1) above to an amount in respect of a particular tax include references not only to an amount of tax itself but also to other amounts such as interest and penalty.
- (7) In this paragraph “tax” includes “duty”.

#### Textual Amendments

**F19** Sch. 5 para. 43(4A) inserted (19.3.1997) by 1997 c. 16, s. 50(1), Sch. 5 Pt. IV para. 13(2)

#### *Amounts shown as tax on invoices*

- 44 (1) Where—
- (a) a registrable person issues an invoice showing an amount as tax chargeable on an event, and
  - (b) no tax is in fact chargeable on the event,
- an amount equal to the amount shown as tax shall be recoverable from the person as a debt due to the Crown.
- (2) Where—
- (a) a registrable person issues an invoice showing an amount as tax chargeable on a taxable disposal, and
  - (b) the amount shown as tax exceeds the amount of tax in fact chargeable on the disposal,
- an amount equal to the excess shall be recoverable from the person as a debt due to the Crown.
- (3) References in this paragraph to an invoice are to any invoice, whether or not it is a landfill invoice within the meaning of section 61 of this Act.

#### *Adjustment of contracts*

- 45 (1) This paragraph applies where—
- (a) material undergoes a landfill disposal,
  - (b) a payment falls to be made under a disposal contract relating to the material, and
  - (c) after the making of the contract there is a change in the tax chargeable on the landfill disposal.
- (2) In such a case the amount of any payment mentioned in sub-paragraph (1)(b) above shall be adjusted, unless the disposal contract otherwise provides, so as to reflect the tax chargeable on the landfill disposal.
- (3) For the purposes of this paragraph a disposal contract relating to material is a contract providing for the disposal of the material, and it is immaterial—
- (a) when the contract was made;

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- (b) whether the contract also provides for other matters;
  - (c) whether the contract provides for a method of disposal and (if it does) what method it provides for.
- (4) The reference in sub-paragraph (1) above to a change in the tax chargeable is a reference to a change—
- (a) to or from no tax being chargeable, or
  - (b) in the amount of tax chargeable.
- 46 (1) This paragraph applies where—
- (a) work is carried out under a construction contract,
  - (b) as a result of the work, material undergoes a landfill disposal,
  - (c) the contract makes no provision as to the disposal of such material, and
  - (d) the contract was made on or before 29th November 1994 (when the proposal to create tax was announced).
- (2) In such a case the amount of any payment which falls to be made—
- (a) under the construction contract, and
  - (b) in respect of the work,
- shall be adjusted, unless the contract otherwise provides, so as to reflect the tax (if any) chargeable on the disposal.
- (3) For the purposes of this paragraph a construction contract is a contract under which all or any of the following work is to be carried out—
- (a) the preparation of a site;
  - (b) demolition;
  - (c) building;
  - (d) civil engineering.

*Adjustment of rent etc.*

- 47 (1) This paragraph applies where—
- (a) an agreement with regard to any sum payable in respect of the use of land (whether the sum is called rent or royalty or otherwise) provides that the amount of the sum is to be calculated by reference to the turnover of a business,
  - (b) the agreement was made on or before 29th November 1994 (when the proposal to create tax was announced), and
  - (c) the circumstances are such that (had the agreement been made after that date) it can reasonably be expected that it would have provided that tax be ignored in calculating the turnover.
- (2) In such a case the agreement shall be taken to provide that tax be ignored in calculating the turnover.

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## [<sup>F20</sup>PART VIII

### SECONDARY LIABILITY: CONTROLLERS OF LANDFILL SITES

#### Textual Amendments

**F20** Sch. 5 Pt. VIII paras. 48-61 added (28.7.2000 with effect in relation to taxable disposals made on or after 28.7.2000) by 2000 c. 17, s. 142(3)(4), Sch. 37

#### *Meaning of controller*

- 48 (1) For the purposes of this Part of this Schedule a person is the controller of the whole, or a part, of a landfill site at a given time if he determines, or is entitled to determine, what disposals of material, if any, may be made—
- (a) at every part of the site at that time, or
  - (b) at that part of the site at that time,
- as the case may be.
- (2) But a person who, because he is an employee or agent of another, determines or is entitled to determine what disposals may be made at a landfill site or any part of a landfill site is not the controller of that site or, as the case may be, that part of that site.
- (3) Where a person is the controller of the whole or a part of a landfill site, that site or, as the case may be, that part of the site is referred to in this Part of this Schedule as being under his control.
- (4) Any reference in this Part of this Schedule to a controller (without more) is a reference to a controller of the whole or a part of a landfill site.

#### *Secondary liability*

- 49 (1) Where—
- (a) a taxable disposal is made at a landfill site,
  - (b) at the time when that disposal is made a person is the operator of the landfill site by virtue of section 67(a), (c) or (e) of this Act, and
  - (c) at that time a person other than the operator mentioned in paragraph (b) above is the controller of the whole or a part of the landfill site,
- the controller shall be liable to pay to the Commissioners an amount of the landfill tax chargeable on the disposal.
- (2) The amount which the controller is liable to pay shall be determined in accordance with the following provisions of this paragraph.
- (3) In a case where the whole of the landfill site is under the control of the controller, he shall be liable to pay the whole of the landfill tax chargeable.
- (4) In a case where a part of the landfill site is under the control of the controller, he shall be liable to pay an amount of the landfill tax calculated in accordance with subparagraphs (5) and (6) below.
- (5) The amount of landfill tax which the controller is liable to pay is the amount which would have been chargeable had a separate taxable disposal consisting of the amount

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of material referred to in sub-paragraph (6) below been made at the time of the disposal mentioned in sub-paragraph (1)(a) above.

- (6) That amount of material is the amount by weight of the material comprised in the disposal mentioned in sub-paragraph (1)(a) above which was disposed of on the part of the landfill site under the control of the controller.
- (7) If the amount mentioned in sub-paragraph (6) above is nil, the controller shall have no liability under sub-paragraph (1) above in relation to landfill tax chargeable on the disposal.
- (8) For the purposes of sub-paragraph (1)(b) and (c) above—
- (a) section 61 of this Act, and
  - (b) any regulations made under section 62 of this Act,
- shall not apply for determining the time when the disposal in question is made.

*Operator entitled to credit*

- 50 (1) This paragraph applies where—
- (a) the operator of a landfill site is liable to pay landfill tax on a taxable disposal by reference to a particular accounting period,
  - (b) a controller of the whole or a part of that site is (apart from this paragraph) liable under paragraph 49 above to pay an amount of that tax, and
  - (c) for the accounting period in question the operator is entitled to credit under regulations made under section 51 of this Act.
- (2) The amount of the tax which the controller is (apart from this sub-paragraph) liable to pay shall be reduced by the amount calculated in accordance with the following formula—

$$\frac{A \times C}{G}$$

where—

A is the amount of tax mentioned in sub-paragraph (1)(b) above;

C is the amount of credit mentioned in sub-paragraph (1)(c) above; and

G is the operator's gross tax liability for the accounting period in question.

- (3) For the purposes of sub-paragraph (2) above, the operator's gross tax liability for the accounting period in question is the gross amount of landfill tax—
- (a) which is chargeable on disposals made at all landfill sites of which he is the operator, and
  - (b) for which he is required to account by reference to that accounting period.
- (4) In sub-paragraph (3) above, the gross amount of landfill tax means the amount of tax before any credit or any other adjustment is taken into account in the period in question.
- (5) If the amount calculated in accordance with the formula in sub-paragraph (2) above is greater than the amount of tax mentioned in sub-paragraph (1)(b) above, the amount of the tax which the controller is liable to pay shall be reduced to nil.

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### *Payment of secondary liability*

- 51 (1) This paragraph applies where a controller is liable under paragraph 49 above (after taking account of any reduction under paragraph 50 above) to pay an amount of landfill tax (“the relevant amount”).
- (2) The controller is required to pay the relevant amount to the Commissioners only if—
- (a) a notice containing the required information is served on him, or
  - (b) other reasonable steps are taken with a view to bringing the required information to his attention,
- before the end of the period of two years beginning with the day immediately following the relevant accounting day.
- (3) The relevant accounting day is the last day of the accounting period by reference to which the landfill site operator liable to pay the landfill tax in question is required to account for that tax.
- (4) If the controller is required to pay the relevant amount by virtue of this paragraph, the amount shall be paid before the end of the period of thirty days beginning with the day immediately following the notification day.
- (5) The notification day is—
- (a) in a case where notice is served on a controller as mentioned in sub-paragraph (2)(a) above, the day on which the notice is served, or
  - (b) in a case where other reasonable steps are taken as mentioned in sub-paragraph (2)(b) above, the day on which the last of those steps is taken.
- (6) For the purposes of sub-paragraph (2) above the required information is the relevant amount and, if that amount is one reduced in accordance with paragraph 50 above, also—
- (a) the amount of the controller’s liability under paragraph 49 above apart from the reduction,
  - (b) the amount of credit to which the operator is entitled, and
  - (c) the operator’s gross tax liability.

### *Assessments*

- 52 (1) Where an amount of landfill tax is—
- (a) assessed under section 50 of this Act, and
  - (b) notified to a licensed operator,
- the Commissioners may also determine that a controller of the whole or a part of any landfill site operated by the licensed operator shall be liable to pay so much of the amount assessed as they consider just and equitable.
- (2) A controller is required to pay an amount determined under sub-paragraph (1) above only if—
- (a) a notice stating the amount is served on him, or
  - (b) other reasonable steps are taken with a view to bringing the amount of the liability to his attention,
- before the expiry of the period of two years beginning with the day immediately following the assessment day.

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- (3) The assessment day is the day on which the assessment in question is notified to the licensed operator.
- (4) If a controller is required to pay an amount by virtue of this paragraph, it shall be paid before the end of the period of thirty days beginning with the day immediately following the notification day.
- (5) The notification day is—
  - (a) in a case where notice is served on a controller as mentioned in sub-paragraph (2)(a) above, the day on which the notice is served, or
  - (b) in a case where other reasonable steps are taken as mentioned in sub-paragraph (2)(b) above, the day on which the last of those steps is taken.
- (6) For the purposes of this paragraph a licensed operator is a person who is the operator of a landfill site by virtue of section 67(a), (c) or (e) of this Act.

*Assessment withdrawn or reduced*

- 53 (1) Where—
  - (a) a controller is liable to pay an amount determined under paragraph 52 above, and
  - (b) the assessment notified to the licensed operator is withdrawn or reduced, the Commissioners may determine that the controller's liability is to be cancelled or to be reduced to such an amount as they consider just and equitable.
- (2) Sub-paragraphs (3) to (5) below apply where the Commissioners make a determination under sub-paragraph (1) above that the controller's liability is to be reduced (but not cancelled).
- (3) In such a case they shall—
  - (a) serve the controller with notice stating the amount of the reduced liability, or
  - (b) take other reasonable steps with a view to bringing the reduced amount to the controller's attention.
- (4) If the controller has already been served with notice of the amount determined under paragraph 52 above, or if other steps have already been taken to bring that amount to his attention—
  - (a) the Commissioners shall serve the notice mentioned in sub-paragraph (3)(a) above, or take the steps mentioned in sub-paragraph (3)(b) above, before the end of the period of thirty days beginning with the day immediately following that on which they make the determination under sub-paragraph (1) above, and
  - (b) the reduced amount shall be payable, or treated as having been payable, on or before the day on which the amount referred to in sub-paragraph (1)(a) above would have been payable apart from this paragraph.
- (5) In a case where the controller has not been served with notice of the amount determined under paragraph 52 above, or no other steps have been taken to bring that amount to his attention, he shall be liable to pay the reduced amount only if—
  - (a) the notice mentioned in sub-paragraph (3)(a) above is served, or
  - (b) the other steps mentioned in sub-paragraph (3)(b) above are taken,



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before the expiry of the period of two years beginning with the day immediately following that on which the Commissioners make the determination under sub-paragraph (1) above.

- (6) Sub-paragraph (7) below applies where—
- (a) the Commissioners make a determination under sub-paragraph (1) above that the controller's liability is to be cancelled, and
  - (b) the controller has already been served with notice of the amount determined under paragraph 52 above, or other steps have already been taken to bring that amount to his attention.
- (7) In such a case the Commissioners shall—
- (a) serve the controller with notice stating that the liability has been cancelled, or
  - (b) take other reasonable steps with a view to bringing the cancellation to the controller's attention,

before the end of the period of thirty days beginning with the day immediately following that on which they make the determination that the liability is to be cancelled.

#### *Adjustments*

- 54 (1) This paragraph applies in any case where the liability of a licensed operator to pay landfill tax is adjusted otherwise than by—
- (a) his being entitled to credit under regulations made under section 51 of this Act,
  - (b) his being notified of an amount assessed under section 50 of this Act, or
  - (c) the withdrawal or reduction of an assessment under section 50 of this Act which was notified to him.
- (2) In such a case the Commissioners may determine that a controller of the whole or any part of a landfill site operated by the licensed operator—
- (a) shall be liable to pay to the Commissioners such an amount as they consider just and equitable, or
  - (b) shall be entitled to an allowance of such an amount as they consider just and equitable.
- (3) A controller is required to pay an amount determined under sub-paragraph (2)(a) above only if—
- (a) a notice stating the amount is served on him, or
  - (b) other reasonable steps are taken with a view to bringing the amount of the liability to his attention,
- before the end of the period of two years beginning with the day immediately following the relevant accounting day.
- (4) The relevant accounting day is the last day of the accounting period of the operator within which the adjustment in question was taken into account.
- (5) If a controller is required to pay an amount by virtue of sub-paragraph (3) above, it shall be paid before the end of the period of thirty days beginning with the day immediately following the notification day.
- (6) The notification day is—

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- (a) in a case where notice is served on a controller as mentioned in sub-paragraph (3)(a) above, the day on which the notice is served, or
  - (b) in a case where other reasonable steps are taken as mentioned in sub-paragraph (3)(b) above, the day on which the last of those steps is taken.
- (7) The Commissioners may determine in what manner a controller is to benefit from an allowance determined under sub-paragraph (2)(b) above.
- (8) For the purposes of this paragraph a licensed operator is a person who is the operator of a landfill site by virtue of section 67(a), (c) or (e) of this Act.

*Amounts payable to be treated as tax*

- 55 An amount which a controller is required to pay under paragraph 52, 53 or 54(2)(a) above or under paragraph 58 below shall be deemed to be an amount of tax due from him and shall be recoverable accordingly.

*Controller not carrying out taxable activity*

- 56 A controller is not to be treated for the purposes of this Act as carrying out a taxable activity by reason only of any liability under this Part of this Schedule.

*Joint and several liability*

- 57 (1) In any case where the condition in sub-paragraph (4), (5) or (6) below is satisfied, the controller and the operator shall be jointly and severally liable for the principal liability.
- (2) But the amount which may be recovered from the controller in consequence of such liability shall not exceed the amount of the secondary liability.
- (3) For the purposes of this paragraph—
- (a) the principal liability is the amount referred to in sub-paragraph (4)(a), (5)(a) or (6)(a) below, as the case may be, and
  - (b) the secondary liability is the amount referred to in sub-paragraph (4)(b), (5)(b) or (6)(b) below, as the case may be.
- (4) The condition in this sub-paragraph is satisfied if—
- (a) the operator of a landfill site is liable under section 41 of this Act for landfill tax, and
  - (b) a controller is liable under paragraph 49 above, after taking account of any reduction under paragraph 50 above, to pay an amount of that tax.
- (5) The condition in this sub-paragraph is satisfied if—
- (a) the operator of a landfill site is notified of the amount of an assessment made under section 50 of this Act, and
  - (b) in consequence of a determination made under paragraph 52 above by the Commissioners in connection with the assessment, a controller is liable to pay an amount (after taking account of any reduction under paragraph 53 above).
- (6) The condition in this sub-paragraph is satisfied if—
- (a) the liability of the operator of a landfill site to pay landfill tax is adjusted in such a way that paragraph 54 above applies, and

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- (b) in consequence of a determination made under paragraph 54(2)(a) above by the Commissioners in connection with the adjustment, a controller is liable to pay an amount.

*Interest payable by a controller*

- 58 (1) This paragraph applies where—
- (a) the operator of a landfill site and the controller of the whole or a part of that site are by virtue of paragraph 57 above jointly and severally liable for an amount, and
  - (b) that amount carries interest by virtue of any provision of this Schedule.
- (2) The controller and the operator shall be jointly and severally liable to pay the interest.
- (3) But the amount which may be recovered from the controller in consequence of such liability shall not exceed the amount calculated in accordance with the following formula—

$$\frac{(I-[A+B]) \times S}{P}$$

where—

I is the total amount of interest in question;

A is the amount of interest carried for the period which—

- (a) begins with the first day of the period for which interest is carried, and
- (b) ends with the day on which the controller becomes liable to pay the secondary liability;

B is the amount of interest carried for any day falling after that on which the secondary liability is met in full;

S is the amount of the secondary liability;

P is the amount of the principal liability.

In this paragraph secondary liability and principal liability have the same meaning as in paragraph 57 above.

- (4) The controller is liable for an amount of interest only if—
- (a) a notice stating the amount is served on him, or
  - (b) other reasonable steps are taken with a view to bringing the amount of the liability to his attention,
- before the end of the period of two years beginning with the day immediately following the final day.
- (5) The final day is the last day of the period for which the interest in question is carried.
- (6) If the controller is required to pay an amount in accordance with this paragraph, it shall be paid before the end of the period of thirty days beginning with the day immediately following the notification day.
- (7) The notification day is—

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- (a) in a case where notice is served on a controller as mentioned in sub-paragraph (4)(a) above, the day on which the notice is served, or
  - (b) in a case where other reasonable steps are taken as mentioned in sub-paragraph (4)(b) above, the day on which the last of those steps is taken.
- (8) Where by virtue of sub-paragraph (2) above a controller is liable to pay interest which arises under paragraph 27 above, paragraph 28 above shall apply in relation to that interest as it applies to interest which a person is liable under paragraph 27 above to pay.

#### *Reviews*

- 59 Section 54 of this Act shall apply to a decision of the Commissioners under this Part of this Schedule—
- (a) that a person is a controller,
  - (b) that a person is liable under this Part of this Schedule to pay any amount (including a penalty under paragraph 60 below),
  - (c) that a person is not entitled under this Part of this Schedule to an allowance, or
  - (d) as to the amount of any liability or any allowance under this Part of this Schedule,
- as it applies to the other decisions of the Commissioners specified in subsection (1) of that section.

#### *Notice that person is, or is no longer, a controller*

- 60 (1) This paragraph applies where—
- (a) on the date when this paragraph comes into force, a person is a controller of the whole or a part of a landfill site, or
  - (b) after that date, a person becomes or ceases to be a controller of the whole or a part of a landfill site.
- (2) The controller, and the operator of the landfill site in question, shall be under a duty to secure that notice which complies with the requirements of sub-paragraph (3) below appropriate to the case in question is given to the Commissioners.
- (3) The requirements of this sub-paragraph are that the notice—
- (a) states that a person is, has become or has ceased to be a controller,
  - (b) identifies that person and the site under his control or formerly under his control,
  - (c) states the date when he became or ceased to be the controller, and
  - (d) is given within the period of thirty days beginning with the day immediately following—
    - (i) the day when this paragraph comes into force, in a case falling within sub-paragraph (1)(a) above, or
    - (ii) the day when the person in question becomes or ceases to be the controller, in a case falling within sub-paragraph (1)(b) above.
- (4) If a person fails to comply with sub-paragraph (2) above, he is liable to a penalty of £250.

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- (5) Paragraph 25 above applies to a penalty under sub-paragraph (4) above as it applies to a penalty under Part V of this Schedule.

*Extension of time limits where notice not served*

- 61 (1) This paragraph applies where—
- (a) a person is liable under paragraph 49 above to pay an amount of landfill tax or liable under paragraph 58 above to pay interest, or
  - (b) the Commissioners are entitled under paragraph 52, 53 or 54 above to determine an amount which a person is liable to pay.
- (2) The reference to two years in paragraph 51(2), 52(2), 53(5), 54(3) or 58(4) above (as the case may be) shall be treated as a reference to twenty years if the requirement of paragraph 60(2) above to give notice to the Commissioners in relation to the person mentioned in sub-paragraph (1) above being or becoming a controller has not been complied with.]

SCHEDULE 6

Section 73.

TAXATION OF SAVINGS AT THE LOWER RATE

*The Taxes Management Act 1970 (c. 9)*

- 1 In section 86 of the Taxes Management Act 1970 (interest on tax assessed in addition to deducted tax etc.), so far as it has effect without the substitutions made by paragraph 23 of Schedule 19 to the <sup>M17</sup>Finance Act 1994 and section 110 of the <sup>M18</sup>Finance Act 1995, in subsection (2)(b) after “the basic rate” there shall be inserted “ or the lower rate ”.

**Marginal Citations**

**M17** 1994 c. 9.

**M18** 1995 c. 4.

*The Taxes Act 1988*

- 2 In section 4(2) of the Taxes Act 1988 (meaning of “relevant year of assessment” for the purposes of deductions etc.), for “subsection (1) above” there shall be substituted “ this section ”.
- 3 In section 5(4) of that Act (time when tax in addition to deducted tax etc. becomes due), after “basic rate” there shall be inserted “ or the lower rate ”.
- [<sup>F214</sup> (1) Subject to sub-paragraph (2) below, in subsection (1)(b) of section 51B of that Act (periodic returns of tax on gilts), for “basic rate” there shall be substituted “ lower rate ”.
- (2) Sub-paragraph (1) above has effect for the purposes only of the exercise on or after the day on which this Act is passed of the Treasury’s power to make regulations under that section; but that power may be exercised on or after that day for the purpose of

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making provision, with retrospective effect, on the basis that the assumption to be applied in relation to all payments made on or after 6th April 1996 was an assumption that such payments bear tax at the lower rate.]

**Textual Amendments**

**F21** Sch. 6 para. 4 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(3), Note) by 1998 c. 36, s. 165, Sch. 27 Pt. III(3)

[<sup>F225</sup> In paragraph (c) of section 246D(2) of that Act (application of section 207A to certain foreign income dividends), for the words from “as income” to the end of the paragraph there shall be substituted “ (without prejudice to paragraph (a) above) as if it were income to which section 1A applies; ”.]

**Textual Amendments**

**F22** Sch. 6 para. 5 repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(11), Note) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11)

<sup>F23</sup>6 .....

**Textual Amendments**

**F23** Sch. 6 para. 6 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 3 (with Sch. 2)

<sup>F24</sup>7 .....

**Textual Amendments**

**F24** Sch. 6 para. 7 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 3 (with Sch. 2)

8 In section 350 of that Act (charge to tax where payments made subject to deduction), in subsection (1) for “basic rate” there shall be substituted “ applicable rate ”; and after that subsection there shall be inserted the following subsection—  
“(1A) In subsection (1) above “the applicable rate” means the rate which is applicable to the payment under section 4.”

<sup>F25</sup>9 .....

**Textual Amendments**

**F25** Sch. 6 para. 9 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 3 (with Sch. 2)

10 (1) In section 468 of that Act (authorised unit trusts to be subject to corporation tax), the following subsection shall be inserted after subsection (1)—  
“(1A) In relation to any authorised unit trust the rate of corporation tax for the financial year 1996 and subsequent financial years shall be deemed to be

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- the rate at which income tax at the lower rate is charged for the year of assessment which begins on 6th April in the financial year concerned.”
- (2) Sub-paragraph (1) above has effect in relation to any accounting period ending after 31st March 1996.
- (3) Sections 468E and 468EE of that Act (rate of corporation tax on authorised unit trusts) shall not apply in relation to any accounting period ending after 31st March 1996 except so far as those sections relate to the financial year 1995.
- 11 (1) In section 468L of that Act (interest distributions), after subsection (1) there shall be inserted the following subsection—
- “(1A) For the purposes of this Chapter no amount shall be shown as so available unless the authorised unit trust in question satisfies the qualifying investments test throughout the distribution period.”
- (2) After subsection (7) of that section there shall be inserted the following subsections—
- “(8) For the purposes of this section an authorised unit trust satisfies the qualifying investments test throughout a distribution period (“the relevant period”) if at all times in that period, the market value of the qualifying investments exceeds 60 per cent. of the market value of all the investments of that trust.
- (9) Subject to subsection (13) below, in this section “qualifying investments”, in relation to an authorised unit trust, means the investments of that trust which are of any of the following descriptions—
- (a) money placed at interest;
- (b) securities;
- (c) shares in a building society;
- (d) qualifying entitlements to a share in the investments of another authorised unit trust.
- (10) For the purposes of subsection (9) above an entitlement to a share in the investments of another authorised unit trust is a qualifying entitlement at any time in the relevant period if, and only if, the other authorised unit trust would itself (on the relevant assumption) satisfy the qualifying investments test throughout that period.
- (11) For the purposes of subsection (10) above the relevant assumption is that the only investments of the other authorised unit trust which are to be regarded as qualifying investments are those falling within paragraphs (a) to (c) of subsection (9) above.
- (12) In this section “security” does not include shares in a company; and references in this section to investments of an authorised unit trust are references to investments subject to the trusts of that authorised unit trust but do not include references to cash awaiting investment.
- (13) The Treasury may by order amend subsection (9) above so as to extend or restrict the descriptions of investments of an authorised unit trust that are qualifying investments.
- (14) An order made by the Treasury under subsection (13) above may—
- (a) make different provision for different cases; and

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- (b) contain such incidental, supplemental, consequential and transitional provision as the Treasury may think fit;  
and, without prejudice to the generality of paragraph (b) above, such an order may make such incidental modifications of subsection (11) above as the Treasury may think fit.”
- (3) This paragraph has effect in relation to distribution periods ending on or after 1st April 1996.
- 12 In section 469(2) of that Act (taxation of income of unauthorised unit trusts), after the words “unit holders”, in the first place where they occur, there shall be inserted “ and, in the case of income to which section 1A applies, chargeable to income tax at the basic rate, instead of at the lower rate ”.
- 13 In sections <sup>F26</sup>... 686(1), <sup>F26</sup>... and 819(2) of that Act (which refer to income tax being chargeable at the lower rate in accordance with section 207A), for “section 207A” there shall be substituted “ section 1A ”.

#### Textual Amendments

**F26** Words in [Sch. 6 para. 13](#) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

- 14 (1) In paragraph (a)(i) of subsection (2) of section 582 of that Act (funding bonds), for “basic” there shall be substituted “ applicable ”.
- (2) After that subsection there shall be inserted the following subsection—
- “(2A) In subsection (2) above “the applicable rate”, in relation to a year of assessment, means whichever of the basic rate and the lower rate for that year is the rate at which the person by or through whom the bonds are issued would have had to deduct income tax from the amount of interest in question if that amount had been actually paid by or through him.”
- 15 In section 686 of that Act (liability to additional rate in the case of trustees of discretionary trusts), after subsection (2A) there shall be inserted the following subsection—
- “(2B) For the purposes of subsection (2A) above where the income tax borne by any income arising to trustees is limited in accordance with section 128 of the <sup>M19</sup>Finance Act 1995 (limit on income chargeable on non-residents), the income arising to the trustees which shall be taken not to bear tax by reason wholly or partly of their not having been resident in the United Kingdom shall include so much of any income arising to them as—
- (a) is excluded income within the meaning of that section; and
- (b) is not income which is treated for the purposes of subsection (1)(b) of that section as income the tax on which is deducted at source.”

#### Marginal Citations

**M19** 1995 c. 4.

- 16 In Part XV of that Act (settlements), at the end of Chapter IC there shall be inserted the following Chapter—



*Status: Point in time view as at 06/04/2006.*

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## “CHAPTER ID

### TRUST MANAGEMENT EXPENSES

#### **Disregard of expenses where beneficiary non-resident.**

689A(1) This section applies where—

- (a) there is income (“the distributed income”) arising to trustees in any year of assessment which (before being distributed) is income of a person (“the beneficiary”) other than the trustees;
  - (b) the trustees have any expenses in that year (“the management expenses”) which are properly chargeable to that income or would be so chargeable but for any express provisions of the trust; and
  - (c) the beneficiary is not liable to income tax on an amount of the distributed income (“the untaxed income”) by reason wholly or partly of—
    - (i) his not having been resident in the United Kingdom, or
    - (ii) his being deemed under any arrangements under section 788, or any arrangements having effect by virtue of that section, to have been resident in a territory outside the United Kingdom.
- (2) Where this section applies, there shall be disregarded in computing the income of the beneficiary for the purposes of the Income Tax Acts such part of the management expenses as bears the same proportion to all those expenses as the untaxed income bears to the distributed income.
- (3) For the purpose of computing the proportion mentioned in subsection (2) above, the amounts of the distributed income and of the untaxed income shall not, in either case, include so much (if any) of the income as is equal to the amount of income tax, or of any foreign tax, chargeable on the trustees (by way of deduction or otherwise) in respect of that income.
- (4) In subsection (3) above, “foreign tax” means any tax which is—
- (a) of a similar character to income tax; and
  - (b) imposed by the laws of a territory outside the United Kingdom.
- (5) For the purposes of this section, where the income tax chargeable on any person is limited in accordance with section 128 of the <sup>M20</sup>Finance Act 1995 (limit on income chargeable on non-residents), the income of that person on which he is not liable to tax by reason of not having been resident in the United Kingdom shall be taken to include so much of any income of his as—
- (a) is excluded income within the meaning of that section; and
  - (b) is not income which is treated for the purposes of subsection (1)(b) of that section as income the tax on which is deducted at source.

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### Order in which expenses to be set against income.

- 689B) The expenses of any trustees in any year of assessment, so far as they are properly chargeable to income (or would be so chargeable but for any express provisions of the trust), shall be treated—
- (a) as set against so much (if any) of any income as is income falling within subsection (2) or (3) below before being set against other income; and
  - (b) as set against so much (if any) of any income as is income falling within subsection (2) below before being set against income falling within subsection (3) below.
- (2) Income falls within this subsection if it is—
- (a) so much of the income of the trustees as is income the amount or value of which is determined in accordance with section 233(1A);
  - (b) income which is treated as having arisen to the trustees by virtue of section 246D(4) or 249(6); or
  - (c) income which is treated as received by the trustees by virtue of section 421(1)(a).
- (3) Income falls within this subsection if it is income to which section 1A applies but which does not fall within subsection (2) above.
- (4) This section has effect—
- (a) subject to sections 686(2A) and 689A, but
  - (b) notwithstanding anything in section 1A(5) and (6)."

#### Marginal Citations

M20 1995 c. 4.

17 In section 698A of that Act (taxation at the lower rate of the income of beneficiaries)

- (a) in subsection (1), for the words from “section 207A” to the end there shall be substituted “ section 1A shall have effect as if that income were income to which that section applies. ”; and
- (b) in subsection (2), for the words from “section 207A” to the end there shall be substituted “ section 1A shall have effect as if the payment made to the trustee were income of the trustee to which that section applies. ”

[<sup>F27</sup>18 (1) In subsection (1) of section 737 of that Act (deductions from manufactured payments), after “shall apply” there shall be inserted “ (subject to subsection (1A) below) ”, and for subsection (1A) of that section there shall be substituted the following subsection—

- “(1A) The deduction of tax which is deemed to have been made under subsection (1) above shall be taken to have been made at the lower rate as if the deemed annual payment were income to which section 1A applied; and—
- (a) the reference to the applicable rate in subsection (1) of section 350, so far as it has effect by virtue of subsection (1) above, and

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(b) Schedule 16, so far as it so has effect,  
shall be construed accordingly.”

(2) This paragraph has effect in relation to payments on or after 6th April 1996.]

#### Textual Amendments

**F27** Sch. 6 para. 18 repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(10), Note 1) by 1997 c. 16, s. 113, Sch. 18 Pt. VI(10); S.I. 1997/991, art. 2

[<sup>F28</sup>19 In section 737C(6) of that Act (computation of amount of deemed manufactured interest), for “basic” there shall be substituted “ lower ”.]

#### Textual Amendments

**F28** Sch. 6 para. 19 repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(10), Note 1) by 1997 c. 16, s. 113, Sch. 18 Pt. VI(10); S.I. 1997/991, art. 2

20 In section 743(1) of that Act (supplemental provisions relating to transfers of assets abroad)—

- (a) after the words “the basic rate”, in the first place where they occur, there shall be inserted “ or the lower rate ”; and
- (b) for “income that has borne tax at the basic rate”, there shall be substituted “ any income to the extent that it has borne tax at that rate ”.

21 In section 789(2) of that Act (old double taxation relief agreements), for “to bear income tax at the basic rate and” there shall be substituted “—

- (a) to bear income tax at the basic rate or, where that income is income to which section 1A applies, at the lower rate; and
- (b)”.

22 In paragraph (a) of section 821(1) of that Act (under-deductions from payments made before passing of annual Act to be charged under Case VI of Schedule D), for the words from “under Schedule D in respect” to the end of the paragraph there shall be substituted “ under Case III of Schedule D in respect of those payments; and ”.

23 In section 822(1) of that Act (over-deductions from interest on loan capital etc. made before the passing of annual Act where basic rate for the year is lower than in the previous year), for “basic rate lower” there shall be substituted “ lower rate less ”.

24 In section 835(6)(a) of that Act (estimating total income), after “basic rate” there shall be inserted “ or the lower rate ”.

25 (1) In Schedule 3 to that Act (public revenue dividends etc.)—

- (a) in paragraph 1(c), for “basic” there shall be substituted “ lower ”;
- (b) in paragraph 6A—
  - (i) in sub-paragraph (1), for “applicable” there shall be substituted “ lower ”; and
  - (ii) sub-paragraph (4) shall cease to have effect.

(2) This paragraph has effect in relation to payments made on or after 6th April 1996 and before the day on which this Act is passed.

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*The Finance Act 1989 (c. 26)*

F29 26 .....

**Textual Amendments**

**F29** Sch. 6 para. 26 repealed (with effect in accordance with Sch. 43 Pt. 3(12) Note 3 of the amending Act) by Finance Act 2003 (c. 14), Sch. 43 Pt. 3(12)

*The Taxation of Chargeable Gains Act 1992 (c. 12)*

[F30 27 In section 4(3A) of the Taxation of Chargeable Gains Act 1992 (disregard of income chargeable at lower rate in accordance with section 207A of the Taxes Act 1988), for “section 207A” there shall be substituted “ section 1A ”.]

**Textual Amendments**

**F30** Sch. 6 para. 27 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(1), Note of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(1)

*Commencement of Schedule*

28 Subject to any express provisions as to commencement that are contained in the preceding provisions of this Schedule, this Schedule has effect for the year 1996-97 and subsequent years of assessment.

SCHEDULE 7

Section 79.

TRANSFER OF CHARGE UNDER SCHEDULE C TO SCHEDULE D

*Amendments of the Taxes Act 1988*

- 1 The Taxes Act 1988 shall be amended in accordance with paragraphs 2 to 28 below.
- 2 In section 1(1) (the charge to income tax), for “Schedules A, C, D, E and F” there shall be substituted “ Schedules A, D, E and F ”.
- 3 Section 17 (Schedule C) shall be omitted.
- 4 (1) In section 18 (Schedule D), in subsection (1), in paragraph (b) of Schedule D, for “not charged under Schedule A, C or E” there shall be substituted “ not charged under Schedule A or E ”.
- (2) In subsection (3) of that section—
  - (a) in Case III, in paragraph (c) for the words from “except income charged under Schedule C” to the end of the paragraph there shall be substituted “ from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland ”;
  - (b) in Case IV, the words “except such income as is charged under Schedule C” shall be omitted; and

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(c) in Case VI, for “Schedule A, C or E” there shall be substituted “ Schedule A or E ”.

(3) Immediately before subsection (4) of section 18, there shall be inserted the following subsections—

“(3B) The references in Case IV of Schedule D to income arising from securities out of the United Kingdom, and in Case V of Schedule D to income arising from possessions out of the United Kingdom, shall be taken, in the case of relevant foreign holdings, to include references to the following—

- (a) any proceeds of such a sale or other realisation of coupons for foreign dividends as is effected by a bank in the United Kingdom which pays the proceeds over or carries them into an account;
- (b) any proceeds of a sale of such coupons to a dealer in coupons in the United Kingdom by a person who is not a bank or another dealer in coupons.

(3C) In this section “relevant foreign holdings” means—

- (a) any securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom; or
- (b) any shares or securities issued by or on behalf of a body of persons not resident in the United Kingdom;

and “securities” here includes loan stock and similar securities.

(3D) In this section “foreign dividends” means—

- (a) in relation to relevant foreign holdings falling within subsection (3C)(a) above, interest or annual payments payable out of the revenue of the government or authority in question; and
- (b) in relation to relevant foreign holdings falling within subsection (3C)(b) above, any dividends, interest or annual payments payable in respect of the holdings in question.

(3E) In this section—

- (a) “bank” has the meaning given by section 840A; and
- (b) references to coupons include, in relation to any foreign dividends, warrants for and bills of exchange purporting to be drawn or made in payment of those dividends.”

(4) In subsection (5) of that section, for “Part IV contains” there shall be substituted “ Parts III and IV contain ”.

F315 .....

**Textual Amendments**

**F31** Sch. 7 para. 5 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 8 Pt. 1](#) (with [Sch. 7](#))

6 For the heading to Part III there shall be substituted the following heading— “ Government Securities ”

7 Section 44 (mode of charge of tax under Schedule C) shall be omitted.

8 Section 45 (interpretation of Part III) shall be omitted.

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- 9 Section 48 (securities of foreign states) shall be omitted.
- 10 In section 49 (stock and dividends in name of Treasury etc.), after subsection (2) there shall be inserted the following subsection—
- “(3) In this section “dividends” means any interest, public annuities, dividends or shares of annuities.”
- 11 In sections 50(1) and 51A(1) (which provide for interest on certain securities to be paid without deduction of tax), the words “but shall be chargeable to tax under Case III of Schedule D” shall in each case be omitted.
- 12 Section 52 (taxation of interest on converted securities and interest which becomes subject to deduction) shall be omitted.
- 13 Section 123 (foreign dividends) shall be omitted.
- 14 In section 124—
- (a) in subsection (6) (definitions in connection with quoted Eurobonds), the definitions of “recognised clearing system” and “relevant foreign securities”, and the word “and” immediately preceding those definitions, and
- (b) subsection (7),
- shall be omitted.

<sup>F32</sup>15 .....

#### Textual Amendments

**F32** Sch. 7 para. 15 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

- 16 In section 398 (transactions in deposits with and without certificates or in debts), in paragraph (b), the words “C or” shall be omitted.

<sup>F33</sup>17 .....

#### Textual Amendments

**F33** Sch. 7 para. 17 repealed (with effect in accordance with Sch. 43 Pt. 5(3) Note of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 43 Pt. 5\(3\)](#)

- 18 In section 474 (treatment of tax-free income), subsections (1) and (3) shall be omitted.
- 19 (1) In section 505 (exemptions for charities), in subsection (1), in paragraph (c), subparagraph (i) shall be omitted.
- (2) For paragraph (d) of that subsection there shall be substituted the following paragraph—
- “(d) exemption from tax under Schedule D in respect of public revenue dividends on securities which are in the name of trustees, to the extent that the dividends are applicable and applied only for the repair of—
- (i) any cathedral, college, church or chapel, or

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- (ii) any building used only for the purposes of divine worship;”.
- (3) After that subsection there shall be inserted the following subsection—
- “(1A) In subsection (1)(d) above “public revenue dividends” means—
- (a) income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland;
  - (b) income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.”
- 20 (1) In section 512 (exemption from income tax for Atomic Energy Authority and National Radiological Protection Board)—
- (a) in subsection (1)(a), for “Schedules A and C” there shall be substituted “Schedule A ”; and
  - (b) in subsection (1)(b), after “annual payment” there shall be inserted “ or in respect of public revenue dividends ”.
- (2) After subsection (2) of that section there shall be inserted the following subsection—
- “(3) In subsection (1) above “public revenue dividends” means—
- (a) income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland;
  - (b) income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.”
- 21 (1) In section 516 (government securities held by non-resident central banks), in subsection (1), for “dividends (within the meaning of Schedule C) paid out of the public revenue of the United Kingdom where they are” there shall be substituted “ income from securities which is payable out of the public revenue of the United Kingdom and which is ”.
- (2) In subsection (2) of that section, for “such dividends” there shall be substituted “ such income ”.
- 22 In section 582A (designated international organisations), subsection (3) shall be omitted.
- 23 In section 730 (transfers of income arising from securities)—
- (a) in subsections (2)<sup>F34</sup>... and (6), for “under Schedule C or under section 123(3)”, and
  - (b) in subsection (8), for “under Schedule C or section 123(3)”,
- there shall in each case be substituted “ by virtue of section 18(3B) ”.

#### Textual Amendments

**F34** Words in [Sch. 7 para. 23\(a\)](#) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

- 24 In section 828(2) (orders and regulations not required to be made by statutory instrument), for “section 124(6) or 841(1)(b) or paragraph 15(4) of Schedule 3” there shall be substituted “ section 841(1)(b) or 841A ”.
- 25 In section 832(1) (interpretation of the Tax Acts), the definition of “recognised clearing system” shall be omitted.

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26 After section 841 there shall be inserted the following section—

**“841A Recognised clearing systems.**

(1) In the Tax Acts, “recognised clearing system” means any system for clearing—

- (a) quoted Eurobonds (as defined by section 124), or
- (b) relevant foreign holdings (as defined by section 18(3C)),

which is for the time being designated for the purposes of this section as a recognised clearing system by an order made by the Board.

(2) An order under this section—

- (a) may contain such transitional and other supplemental provision as appears to the Board to be necessary or expedient; and
- (b) may be varied or revoked by a subsequent order.”

27 Schedule 3 (machinery for payment of income tax under Schedule C and, in certain cases, Schedule D) shall be omitted.

<sup>F35</sup>28 .....

**Textual Amendments**

**F35** Sch. 7 para. 28 repealed (28.7.2000) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

*Other amendments*

29 In the Table in section 98 of the <sup>M21</sup>Taxes Management Act 1970 (penalties in respect of certain information provisions)—

- (a) in the first column, the entry relating to paragraph 13(1) of Schedule 3 to the Taxes Act 1988, and
- (b) in the second column, the entry relating to paragraph 6C of that Schedule, shall be omitted.

**Marginal Citations**

**M21** 1970 c. 9.

30 In section 178(2)(m) of the <sup>M22</sup>Finance Act 1989 (provisions to which power to set rates of interest applies), the words “and paragraph 6B of Schedule 3 to” shall be omitted.

**Marginal Citations**

**M22** 1989 c. 26.

31 In section 128 of the <sup>M23</sup>Finance Act 1995 (limit on income chargeable on non-residents: income tax), in subsection (3)(a), the words “Schedule C,” shall be omitted.



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**Marginal Citations**

**M23** 1995 c. 4.

*Commencement, etc.*

- 32 Subject to paragraphs 33 and 34 below, this Schedule has effect—
- (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.

*Position of paying and collecting agents*

- 33 (1) Subject to the following provisions of this paragraph and paragraph 34 below—
- (a) nothing in section 79 of this Act or this Schedule shall affect the obligations of any person under Schedule 3, in relation to times to which this paragraph applies, to set apart, retain or pay any amount of tax; and
  - (b) Schedule 3 shall have effect accordingly in relation to amounts set apart, retained or paid in pursuance of those obligations.
- (2) The repeal of Schedule 3 shall not affect the operation of paragraph 6B of that Schedule in relation to any amount—
- (a) which became due and payable in relation to a transaction occurring before the day on which this Act was passed; but
  - (b) which remains unpaid at any time on or after that day.
- (3) The Board may by regulations make provision with respect to returns to be made for the quarter which includes both times before the day on which this Act was passed and times on and after that day.
- (4) Regulations under sub-paragraph (3) above may, in particular, provide that section 98 of the <sup>M24</sup>Taxes Management Act 1970 shall have effect as if it included a reference in the second column of the Table to any specified provision of the regulations.
- (5) In this paragraph “Schedule 3” means Schedule 3 to the Taxes Act 1988.

**Marginal Citations**

**M24** 1970 c. 9.

*Position of taxpayers*

- 34 (1) Transitional payments of tax made on a person’s behalf in relation to times to which this paragraph applies shall be treated as made only for the purpose of being applied in the discharge of that person’s liability to tax charged under Schedule D.
- (2) If a transitional payment of tax has been made on a person’s behalf, but it appears to the Board that—
- (a) that person was not liable to tax, or
  - (b) the sum paid exceeded his liability,

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the Board shall make or allow such repayments, adjustments or set-offs against unpaid tax as they think appropriate.

- (3) In this paragraph “transitional payment of tax” means a payment to which paragraph 33 above applies.

*Times to which paragraphs 33 and 34 apply*

- 35 Paragraphs 33 and 34 above apply in relation to times falling—
- (a) within a year of assessment or an accounting period mentioned in paragraph 32 above, but
  - (b) before the day on which this Act was passed.

SCHEDULE 8

Section 83.

LOAN RELATIONSHIPS: [<sup>F36</sup>CLAIMS ETC] RELATING TO DEFICITS

**Textual Amendments**

- F36** Words in [Sch. 8](#) title substituted (24.7.2002 with effect as mentioned in [s. 82\(2\)](#) of the amending Act) by virtue of [Finance Act 2002 \(c. 23\)](#), [s. 82\(1\)](#), [Sch. 25 Pt. 1 para. 19\(5\)\(b\)](#)

*Claim to set off deficit against other profits for the deficit period*

- 1 (1) This paragraph applies where a claim is made under section 83(2)(a) of this Act for the whole or any part of the deficit to be set off against profits of any description for the deficit period.
- (2) Subject to the following provisions of this paragraph—
- (a) the amount to which the claim relates shall be set off against the profits of the company for the deficit period that are identified in the claim; and
  - (b) those profits shall be treated as reduced accordingly.
- (3) Any reduction by virtue of sub-paragraph (2) above shall be made—
- (a) after relief has been given for any loss incurred in a trade in an earlier accounting period; and
  - (b) before any relief is given against profits for that period either—
    - <sup>F37</sup>(i) under section 392A(1) or 393A(1) of the Taxes Act 1988 (losses set against profits for the same or preceding accounting periods); or]
    - (ii) by virtue of any claim made, in respect of a deficit for a subsequent period, under section 83(2)(c) of this Act.
- (4) Relief shall not be given by virtue of a claim under section 83(2)(a) of this Act against any ring fence profits of the company within the meaning of Chapter V of Part XII of the Taxes Act 1988 (petroleum extraction activities).

*Status: Point in time view as at 06/04/2006.*

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**Textual Amendments**

**F37** Sch. 8 para. 1(3)(b)(i) substituted (31.7.1998) by 1998 c. 36, s. 38, **Sch. 5 Pt. III para. 64(3)** (with Sch. 5 Pt. IV para. 73)

*Claim to treat deficit as eligible for group relief*

2 **F38** .....

**Textual Amendments**

**F38** Sch. 8 para. 2 repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by **Finance Act 2002 (c. 23), ss. 82(1), 141, Sch. 25 Pt. 1 para. 17, Sch. 40 Pt. 3(12)**

*Claim to carry back deficit to previous accounting periods*

- 3 (1) This paragraph applies where a claim is made under section 83(2)(c) of this Act for the whole or any part of the deficit to be carried back to be set off against profits for earlier accounting periods.
- (2) The claim shall have effect only if it relates to an amount that is equal to whichever is smaller of the following amounts, that is to say—
- (a) so much of that deficit as is neither—
    - (i) an amount in relation to which a claim is made [<sup>F39</sup>under subsection (2)(a)] of section 83 of this Act, nor
    - (ii) an amount excluded by virtue of subsection (4) of that section from the amounts in relation to which claims may be made under subsection (2) of that section;
- and
- (b) the total amount of the profits available for relief under this paragraph.
- (3) Where the claim has effect, the amount to which the claim relates shall be set off against the profits available for relief under this paragraph—
- (a) by treating those profits as reduced accordingly; and
  - (b) to the extent that those profits are profits for more than one accounting period, by applying the relief to profits for a later period before setting off any remainder of the amount to which the claim relates against profits for an earlier period.
- (4) Subject to sub-paragraph (5) below, the profits available for relief under this paragraph are the amounts which, for accounting periods ending within the permitted period, would be taken—
- (a) apart from any relief under this paragraph, and
  - (b) after the giving of every relief which under sub-paragraph (6) below falls to be given in priority to relief under this paragraph,
- to be chargeable under Case III of Schedule D as profits and gains arising from the company's loan relationships.
- (5) Where any accounting period begins before the beginning of the permitted period but ends in the course of it—

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- (a) any amount chargeable in respect of that accounting period under Case III of Schedule D as profits and gains of the company's loan relationships shall be apportioned according to the proportions of the accounting period falling before and after the beginning of the permitted period; and
  - (b) the amount attributable, on that apportionment, to before the beginning of the permitted period shall not be available for relief under this paragraph.
- (6) The reliefs which fall to be given in priority to relief under this paragraph in respect of any loss are—
- (a) any relief in respect of a loss or deficit incurred or treated as incurred in an accounting period before the deficit period;
  - (b) any relief under section 338 of the Taxes Act 1988 (charges on income) in respect of payments made wholly and exclusively for the purposes of a trade;
  - (c) where the company is [<sup>F40</sup>a company with investment business] for the purposes of Part IV of that Act—
    - (i) any allowance under [<sup>F41</sup>Part 2 of the Capital Allowances Act (plant and machinery allowances)];
    - (ii) any deduction in respect of management expenses under section 75 of the Taxes Act 1988; and
    - (iii) any relief under section 338 of the Taxes Act 1988 in respect of payments made wholly and exclusively for the purposes of its business;
  - (d) any relief under section 393A of the Taxes Act 1988 (trading losses set against profits of the same or any preceding accounting periods); and
  - (e) any relief in pursuance of a claim [<sup>F42</sup>under section 83(2)(a)] of this Act.
- (7) In this paragraph “the permitted period” means the period of [<sup>F43</sup>twelve months] immediately preceding the beginning of the deficit period so far as that [<sup>F43</sup>twelve months] period falls after 31st March 1996.

#### Textual Amendments

- F39** Words in Sch. 8 para. 3(2)(a)(i) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), **Sch. 25 Pt. 1 para. 18(2)**
- F40** Words in Sch. 8 para. 3(6)(c) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendment of Enactments) Order 2004 (S.I. 2004/2310), art. 1(2), **Sch. para. 50(2)**
- F41** Words in Sch. 8 para. 3(6)(c)(i) substituted (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 578, **Sch. 2 para. 96**
- F42** Words in Sch. 8 para. 3(6)(e) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), **Sch. 25 Pt. 1 para. 18(3)**
- F43** Words in Sch. 8 para. 3(7) substituted (31.7.1997 with effect as mentioned in S. 40(7)(8) of the amending Act) by 1997 c. 58, s. 40(2)

#### Modifications etc. (not altering text)

- C5** Sch. 8 para. 3 modified (31.7.1997 with effect as mentioned in s. 40(7) of the amending Act) by 1997 c. 58, s. 40(8)

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*[<sup>F44</sup>Carry forward of deficit to succeeding accounting periods]*

**Textual Amendments**

**F44** Sch. 8 para. 4 heading substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by virtue of Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 19(5)(a)

- 4 [<sup>F45</sup>(1) This paragraph applies where, pursuant to section 83(3A) of this Act, any of the deficit for a deficit period is to be carried forward and set against non-trading profits for succeeding accounting periods.]
- (2) [<sup>F46</sup>The amount carried forward from the deficit period, reduced by any amount claimed under sub-paragraph (3) below,] shall be set off against the non-trading profits of the company for the accounting period immediately following the deficit period, and those profits shall be treated as reduced accordingly.
- [<sup>F47</sup>(3) The company may make a claim for so much of the amount carried forward from the deficit period as may be specified in the claim to be excepted from being set against non-trading profits of the accounting period immediately following the deficit period.
- (4) Any claim under sub-paragraph (3) above must be made before the expiration of the period of 2 years following the end of that accounting period.
- (5) So much of the amount carried forward from the deficit period as—
- (a) cannot be relieved under sub-paragraph (2) above against non-trading profits of the accounting period immediately following the deficit period, or
  - (b) is the subject of a claim under sub-paragraph (3) above in respect of that accounting period,
- shall be treated for the purposes of this Chapter as if it were an amount of non-trading deficit on the company's loan relationships for that accounting period which, pursuant to section 83(3A) of this Act, falls to be carried forward and set against non-trading profits of succeeding accounting periods (and this paragraph shall apply accordingly).]
- [<sup>F48</sup>(6) In this paragraph “non-trading profits”, in relation to a company, means so much of any profits of the company (of whatever description) as do not consist in trading income for the purposes of section 393A of the Taxes Act 1988 (setting-off of trading losses against profits of the same or an earlier period).

**Textual Amendments**

- F45** Sch. 8 para. 4(1) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 19(2)
- F46** Words in Sch. 8 para. 4(2) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 19(3)
- F47** Sch. 8 para. 4(3)-(5) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 19(4)
- F48** Sch. 8 para. 4(3) renumbered (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) as Sch. 8 para. 4(6) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 19(4)

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*Construction of Schedule*

- 5 In this Schedule “the deficit” and “the deficit period” shall be construed by reference to section 83(1) of this Act.

SCHEDULE 9

Section 84.

LOAN RELATIONSHIPS: SPECIAL COMPUTATIONAL PROVISIONS

*Distributions*

- 1 <sup>F49</sup>(1) The credits and debits to be brought into account for the purposes of this Chapter shall not include any credits or debits relating to any amount falling, when paid, to be treated as a distribution.
- <sup>F50</sup>(2) Nothing in section 80(5) of this Act prevents an amount which, by virtue of subparagraph (1) above, is not brought into account for the purposes of this Chapter from being brought into account for the purposes of corporation tax apart from this Chapter.]

**Textual Amendments**

- F49** Word in Sch. 9 para. 1 inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 20
- F50** Sch. 9 para. 1(2) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 20

*<sup>F51</sup>Life assurance policies and capital redemption policies*

**Textual Amendments**

- F51** Sch. 9 para. 1A and cross-heading inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 21

- 1A (1) The credits and debits to be brought into account for the purposes of this Chapter shall not include any credits or debits relating to—
  - (a) a policy of life assurance; <sup>F52</sup>...
  - <sup>F53</sup>(b) .....
- (2) Nothing in section 80(5) of this Act prevents an amount which, by virtue of subparagraph (1) above, is not brought into account for the purposes of this Chapter from being brought into account for the purposes of corporation tax apart from this Chapter.]

**Textual Amendments**

- F52** Word in Sch. 9 para. 1A(1) repealed (with effect in accordance with Sch. 11 Pt. 2(8) Note of the amending Act) by Finance (No. 2) Act 2005 (c. 22), Sch. 11 Pt. 2(8)

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**F53** Sch. 9 para. 1A(1)(b) repealed (with effect in accordance with Sch. 7 para. 14(3) of the amending Act) by Finance (No. 2) Act 2005 (c. 22), Sch. 7 para. 14(2), **Sch. 11 Pt. 2(8)**

### *Late interest*

2 (1) This paragraph applies for the purpose of bringing debits into account for the purposes of this Chapter in respect of a debtor relationship of a company [<sup>F54</sup> (“the debtor company”) in a case falling within any of sub-paragraphs (1A) to (1D) below.]

[<sup>F55</sup>(1A) The first case is where there is, for the relevant accounting period, a connection (within the meaning of section 87 of this Act) between the debtor company and a person standing in the position of creditor as respects the loan relationship.

(1B) The second case is where there is a time in the relevant accounting period when the debtor company is a close company <sup>F56</sup> ... and a person standing in the position of a creditor as respects the loan relationship is—

(a) a participator in the debtor company [<sup>F57</sup> or a person who controls a company which is such a participator],

(b) the associate of a person who is [<sup>F58</sup>, or who controls a company which is,] such a participator at that time, <sup>F59</sup> ...

[<sup>F60</sup>(c) a company controlled by such a participator or by a person who controls a company which is such a participator, or

(d) a company in which such a participator has a major interest.]

[<sup>F61</sup>This is subject to sub-paragraph (1E).]

<sup>F56</sup> ...

(1C) The third case is where—

(a) a person standing in the position of a creditor as respects the loan relationship is a company (“the creditor company”); and

(b) there is a time in the relevant accounting period when the debtor company has a major interest in the creditor company or the creditor company has a major interest in the debtor company.

(1D) The fourth case is where the loan is one made by trustees of [<sup>F62</sup>an occupational pension scheme (within the meaning of section 150(5) of the Finance Act 2004)] and—

(a) there is a time in the relevant accounting period when the debtor company is the employer of employees to whom the scheme relates; or

(b) there is for the relevant accounting period a connection, within the meaning of section 87 of this Act, between the debtor company and such an employer; or

(c) a company is such an employer and there is a time in the relevant accounting period when the debtor company has a major interest in that company or that company has a major interest in the debtor company.]

[<sup>F63</sup>(1E) A case does not fall within sub-paragraph (1B) above if either of the following exceptions applies.

(1F) The first exception applies where—

(a) the debtor company is a CIS-based close company at all such times as are mentioned in sub-paragraph (1B) above;



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- (b) the person standing in the position of a creditor as respects the loan relationship is not resident in a non-qualifying territory at any such time; and
- (c) the debtor company is a small or medium-sized enterprise for the relevant accounting period.

(1G) The second exception applies where—

- (a) the debt is one that is owed to, or to persons acting for, a CIS limited partnership;
- (b) no member of that partnership is resident in a non-qualifying territory at any time in the relevant accounting period;
- (c) the debtor company has received written notice from the partnership containing information from which it appears that the condition in paragraph (b) above is satisfied; and
- (d) the debtor company is a small or medium-sized enterprise for the relevant accounting period.]

(2) If—

- (a) interest payable under that relationship is not paid within the period of twelve months following the end of the accounting period in which it would (apart from this paragraph) be treated as accruing, and
- (b) credits representing the full amount of the interest are not for any accounting period brought into account for the purposes of this Chapter in respect of the corresponding creditor relationship,

then debits relating to that interest shall be brought into account on the assumption that the interest does not accrue until it is paid.

[<sup>F64</sup>(3) References in this paragraph to a person who stands in the position of a creditor as respects a loan relationship include references to a person who indirectly stands in that position by reference to a series of loan relationships or money debts which would be loan relationships if a company directly stood in the position of creditor or debtor.

(4) Where this paragraph applies in relation to a debtor relationship by virtue of subparagraph (3) above, the reference to the corresponding creditor relationship in subparagraph (2)(b) above is a reference to the creditor relationship of the person who indirectly stands in the position of a creditor as respects the debtor relationship.

(5) For the purposes of this section, section 414 of the Taxes Act 1988 (meaning of “close company” in the Tax Acts) shall have effect with the omission of subsection (1)(a) (exclusion of companies not resident in the United Kingdom).

[ A person who is a participator in a company which controls another company shall <sup>F65</sup>(5A) be treated for the purposes of this paragraph as also being a participator in that other company.]

(6) In this paragraph—

“associate” has the meaning given by section 417(3) and (4) of the Taxes Act 1988;

[<sup>F66</sup>“CIS-based close company” means a company that would not be a close company apart from the attribution, under section 416(6) of the Taxes Act 1988 by virtue of section 417(3)(a) of that Act, of the rights and powers of one or more partners in a CIS limited partnership to another of the partners;]



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[<sup>F66</sup>“ CIS limited partnership ” means a limited partnership—  
(a) which is a collective investment scheme, or  
(b) which would be a collective investment scheme if it were not a body corporate;]

[<sup>F66</sup>“ collective investment scheme ” means a collective investment scheme within the meaning of section 235 of the Financial Services and Markets Act 2000;]

“control” has the same meaning as in section 87 of this Act (see section 87A);

[<sup>F67</sup>“non-qualifying territory” has the meaning given by paragraph 5E of Schedule 28AA to the Taxes Act 1988;]

“participator”, in relation to a <sup>F68</sup>... company, means a person who, by virtue of section 417 of the Taxes Act 1988, is a participator in the company for the purposes of Part 11 of that Act, other than a person who is a participator for those purposes by virtue only of being a loan creditor of the company;

“the relevant accounting period” means the accounting period mentioned in sub-paragraph (2)(a) above.

[<sup>F67</sup>“resident” has the meaning given by paragraph 5B(6) of Schedule 28AA to the Taxes Act 1988;]

[<sup>F67</sup>“small or medium-sized enterprise” has the meaning given by paragraph 5D of that Schedule.]

(7) Paragraph 20 below (major interests) applies for the purposes of this paragraph.]

#### Textual Amendments

- F54** Words in Sch. 9 para. 2(1) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 22\(2\)](#)
- F55** Sch. 9 para. 2(1A)-(1D) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 22\(3\)](#)
- F56** Words in Sch. 9 para. 2(1B) repealed (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 8 para. 2\(2\)\(a\)](#), [Sch. 11 Pt. 2\(9\)](#)
- F57** Words in Sch. 9 para. 2(1B)(a) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 8 para. 2\(2\)\(b\)](#)
- F58** Words in Sch. 9 para. 2(1B)(b) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 8 para. 2\(2\)\(c\)](#)
- F59** Word in Sch. 9 para. 2(1B) repealed (with effect in accordance with Sch. 11 Pt. 2(9) Note of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 11 Pt. 2\(9\)](#)
- F60** Sch. 9 para. 2(1B)(c)(d) substituted for Sch. 9 para. 2(1B)(c) (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 8 para. 2\(2\)\(d\)](#)
- F61** Words in Sch. 9 para. 2(1B) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 8 para. 2\(2\)\(e\)](#)
- F62** Words in Sch. 9 para. 2(1D) substituted (6.4.2006) by virtue of [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 35 para. 45](#) (with [Sch. 36](#))
- F63** Sch. 9 para. 2(1E)-(1G) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 8 para. 2\(3\)](#)
- F64** Sch. 9 para. 2(3)-(7) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 22\(4\)](#)
- F65** Sch. 9 para. 2(5A) inserted (with effect in accordance with Sch. 37 para. 2(4) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 37 para. 2\(2\)](#)

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- F66** Words in Sch. 9 para. 2(6) inserted (with effect in accordance with Sch. 8 para. 2(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 8 para. 2\(3\)](#)
- F67** Words in Sch. 9 para. 2(6) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 8 para. 2\(4\)](#)
- F68** Word in Sch. 9 para. 2(6) repealed (with effect in accordance with Sch. 37 para. 2(4) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 37 para. 2\(3\)](#), [Sch. 43 Pt. 3\(13\)](#)

*Options etc.*

- 3 (1) This paragraph applies for determining the credits and debits to be brought into account for any accounting period in accordance with [<sup>F69</sup>an amortised cost basis of accounting] , where—
- (a) the answer to the question whether any amount will become due under a loan relationship after the end of that period,
  - (b) the amount which will become due under a loan relationship after the end of that period, or
  - (c) the time after the end of that period when an amount will become due under a loan relationship,
- depends on the exercise of an option by a party to the relationship or an associate of his, or is otherwise under the control of such a party or an associate of his.
- (2) It shall be assumed that the party or his associate will exercise his power to determine whether and on what date any amount will become due in the manner which (apart from taxation) appears, as at the end of the accounting period in question, to be the most advantageous to that party.
- (3) In this paragraph “associate” has the meaning given for the purposes of Part XI of the Taxes Act 1988 by section 417(3) and (4) of that Act.

**Textual Amendments**

**F69** Words in Sch. 9 para. 3(1) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 19](#)

*Foreign exchange gains and losses*

4 <sup>F70</sup> .....

**Textual Amendments**

**F70** Sch. 9 para. 4 repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), [ss. 79\(1\)\(a\)](#), 141, [Sch. 40 Pt. 3\(10\)](#)

*[<sup>F71</sup>Deemed release of liability on impaired debt becoming held by connected company]*

**Textual Amendments**

**F71** Sch. 9 para. 4A and cross-heading substituted (with effect in accordance with Sch. 6 para. 5(2) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 6 para. 5\(1\)](#)

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- [<sup>F71</sup>4A (1) This paragraph applies—
- (a) in the case specified in sub-paragraph (2), subject to the exception in sub-paragraph (3), and
  - (b) in the case specified in sub-paragraph (4).
- (2) The first case is where—
- (a) a company (“the debtor company”) is party as debtor to a loan relationship,
  - (b) another company (“the creditor company”) becomes party as creditor to the loan relationship,
  - (c) the debtor company and the creditor company are connected immediately after the latter becomes party to the loan relationship,
  - (d) there is no connection between the creditor company and the person from whom it acquires its rights under the loan relationship in the period of account in which it does so, and
  - (e) the carrying value of the liability under the loan relationship in the accounts of the debtor company exceeds the amount or value of any consideration given by the creditor company for its rights under the loan relationship.
- The carrying value referred to in paragraph (e) is the amount that would have been the carrying value of the liability under the loan relationship in the accounts of the debtor company if a period of account had ended immediately before the creditor company became party to the loan relationship.
- (3) The exception to the first case is where—
- (a) the creditor company acquires its rights under the loan relationship under an arm's length transaction, and
  - (b) there has been no connection between the creditor company and the debtor company at any time in the period—
    - (i) beginning four years before the date on which the creditor company acquired those rights, and
    - (ii) ending twelve months before that date.
- (4) The second case is where—
- (a) a company (“the debtor company”) is party as debtor to a loan relationship,
  - (b) another company (“the creditor company”) that—
    - (i) is party to the loan relationship as creditor, and
    - (ii) is not connected with the debtor company,becomes connected with the debtor company, and
  - (c) the amount that would have been the carrying value of the asset representing the loan relationship in the accounts of the creditor company if a period of account had ended immediately before the companies became connected would have been adjusted for impairment.
- (5) Where this paragraph applies there is deemed to be a release by the creditor company of its rights under the loan relationship.
- (6) In the first case the release is deemed to be of the amount of the excess referred to in sub-paragraph (2)(e) and to take place when the creditor company acquires its rights under the loan relationship.

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- (7) In the second case the release is deemed to be of the amount of the impairment adjustment referred to in sub-paragraph (4)(c) and to take place when the creditor company becomes connected with the debtor company.
- (8) For the purposes of this paragraph there is a connection between a company and another person at any time (subject to sub-paragraph (9)) if at that time—
  - (a) the other person is a company and one of the companies has control of the other, or
  - (b) the other person is a company and both companies are under the control of the same person,
 and there is a connection between a company and another person in a period of account if there is a connection (within paragraph (a) or (b) above) between the company and the person at any time in that period.  
  
 “Control” here has the meaning given for the purposes of section 87 of this Act by section 87A.
- (9) The provisions of—
  - (a) section 87(4) (companies not regarded as connected by virtue of control by government etc), and
  - (b) section 88 (connection between companies to be disregarded in certain circumstances),
 apply for the purposes of this paragraph as they apply for the purposes of section 87.
- (10) In determining for the purposes of this paragraph the carrying value of the liability under a loan relationship, or of an asset representing a loan relationship, no account shall be taken of—
  - (a) accrued amounts,
  - (b) amounts paid or received in advance, or
  - (c) impairment losses.]

*[<sup>F72</sup>Release of liability under debtor relationship][<sup>F73</sup> : cases in which credit need not be brought into account]*

**Textual Amendments**

- F72** Sch. 9 para. 5 heading substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 20\(2\)](#)
- F73** Words in Sch. 9 para. 5 cross-heading added (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 11\(2\)](#)

- 5 <sup>F74</sup>(1) . . . . .
- <sup>F74</sup>(1A) . . . . .
- <sup>F74</sup>(2) . . . . .
- <sup>F74</sup>(2A) . . . . .

- (3) Where—
  - (a) a liability to pay any amount under a debtor relationship of a company is released, and

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- (b) the release takes place in an accounting period for which <sup>F75</sup>an amortised cost basis of accounting] is used as respects that relationship, <sup>F76</sup>no credit in respect of the release shall be required to be brought into account in the case of that company if any of the <sup>F77</sup>five] conditions set out below is satisfied.]
- <sup>F78</sup>(4) Condition 1 is that the release is part of a <sup>F79</sup>statutory insolvency arrangement].
- (5) Condition 2 is that the debtor relationship is one as respects which section 87 of this Act (accounting method where parties have a connection) <sup>F80</sup>applies]. <sup>F81</sup>This condition does not apply in the case of a credit required to be brought into account by virtue of paragraph 4A (deemed release on impaired debt becoming held by connected company).]
- (6) Condition 3 is that—
- (a) in the case of the company releasing the amount, the circumstances are as described in any of paragraphs (a) to (d) of paragraph 6A(1) below (insolvent liquidation etc),
  - (b) immediately before the time at which those circumstances arose in the case of that company, the relationship was one as respects which section 87 of this Act <sup>F82</sup>applies], and
  - (c) immediately after that time, the relationship was not one as respects which section 87 of this Act <sup>F83</sup>applies].

In the application of paragraphs (a) to (d) of paragraph 6A(1) below for the purposes of paragraph (a) above, references in those paragraphs to the company which has the creditor relationship are to be taken as references to the company releasing the amount.

- (7) Condition 4 is that—
- (a) the relationship is not one as respects which section 87 of this Act <sup>F84</sup>applies], and
  - (b) in the case of the company which has the debtor relationship, the circumstances are as described in any of paragraphs (a) to (d) of paragraph 6A(1) below.

In the application of paragraphs (a) to (d) of paragraph 6A(1) below for the purposes of paragraph (b) above, references in those paragraphs to the company which has the creditor relationship are to be taken as references to the company which has the debtor relationship.]

- <sup>F85</sup>(8) Condition 5 is that the release is in consideration of, or of any entitlement to, shares forming part of the ordinary share capital of the debtor company.]

#### Textual Amendments

- F74** Sch. 9 para. 5(1)-(2A) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 20\(3\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F75** Words in Sch. 9 para. 5(3)(b) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 20\(4\)](#)
- F76** Words in Sch. 9 para. 5(3) substituted (with effect in accordance with Sch. 8 para. 3(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 8 para. 3\(2\)](#)
- F77** Word in Sch. 9 para. 5(3) substituted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 11\(3\)](#)

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- F78** Sch. 9 para. 5(4)-(7) inserted (with effect in accordance with Sch. 8 para. 3(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 8 para. 3\(3\)](#)
- F79** Words in Sch. 9 para. 5(4) substituted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 11\(4\)](#)
- F80** Word in Sch. 9 para. 5(5) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 20\(5\)](#)
- F81** Words in Sch. 9 para. 5(5) added (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 11\(5\)](#)
- F82** Word in Sch. 9 para. 5(6)(b) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 20\(5\)](#)
- F83** Word in Sch. 9 para. 5(6)(c) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 20\(5\)](#)
- F84** Word in Sch. 9 para. 5(7)(a) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 20\(5\)](#)
- F85** Sch. 9 para. 5(8) inserted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 11\(6\)](#)

*[<sup>F86</sup>Release of liability under creditor relationship:  
 application of provisions relating to impairment losses*

#### Textual Amendments

- F86** Sch. 9 para. 5ZA and cross-heading inserted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 12](#)

- 5ZA The provisions of—
- (a) paragraph 5A (impairment losses and consortium relief), and
  - (b) paragraphs 6, 6A and 6C (restrictions on bringing impairment losses into account),
- apply in relation to a debit in respect of a release by a company of liability under a creditor relationship of the company as they apply in relation to an impairment loss.]

*[<sup>F87</sup>[<sup>F88</sup>Impairment losses] and consortium relief*

#### Textual Amendments

- F87** Sch. 9 para. 5A and cross-heading inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 23](#)
- F88** Words in Sch. 9 para. 5A heading substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(2\)](#)

- 5A (1) This paragraph applies where the conditions in sub-paragraphs (2) and (3) below are satisfied.
- (2) The first condition is that [<sup>F89</sup>an impairment loss] is or has been brought into account for the purposes of this Chapter for any group accounting period by—
- (a) a company (“the member company”) which is a member of a consortium by which a consortium company is owned; or
  - (b) a company (a “group member”) which is a member of the same group of companies as the member company but is not itself a member of the consortium.
- (3) The second condition is that the debit is or was in respect of a creditor relationship of the member company or group member and—

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- (a) the consortium company, or
  - (b) if that company is a holding company, a consortium company which is a subsidiary of that company,
- is or, as the case may be, was the debtor (“the debtor consortium company”).
- (4) Any reference in this paragraph to a “relevant creditor relationship” is a reference to a creditor relationship (whether of the member company or a group member) which falls within sub-paragraph (3) above.
- (5) For the purposes of this paragraph there is for any group accounting period a “relevant net debit” in relation to the relevant creditor relationships if—
- (a) the total of the [<sup>F90</sup>impairment losses brought into account for that period] in respect of those relationships by—
    - (i) the member company, and
    - (ii) every group member,exceeds
  - (b) the total of any related debt recovery credits so brought into account by those companies for that period in respect of those relationships,
- and the amount of the relevant net debit is the amount of that excess.
- (6) Where there is for any group accounting period a relevant net debit in relation to the relevant creditor relationships, the amount of the relevant net debit shall be reduced by so much of any amount which—
- (a) may be surrendered as group relief by the debtor consortium company, and
  - (b) is claimed as group relief for that accounting period by the member company or any group member,
- as does not exceed the amount of the relevant net debit.
- (7) Where a relevant net debit falls to be reduced under sub-paragraph (6) above by any amount (“the relevant reduction”), each of the debits brought into account in determining the relevant net debit shall be reduced by an amount found by apportioning between those debits, in proportion to their respective amounts, the amount of the relevant reduction.
- (8) For the purposes of this paragraph there is for any group accounting period a “surplus of related debt recovery credits” in relation to the relevant creditor relationships if—
- (a) the total amount of any related debt recovery credits brought into account under paragraph 5 above for the period in respect of those relationships by—
    - (i) the member company, and
    - (ii) every group member,exceeds
  - (b) the total of the [<sup>F91</sup>impairment losses brought into account for that period] in respect of those relationships by those companies.
- (9) Where there is for any group accounting period a surplus of related debt recovery credits in relation to the relevant creditor relationships, each of the related debt recovery credits falling to be brought into account <sup>F92</sup>... in respect of those relationships shall be reduced (but not below nil) by the appropriate amount.

For the purposes of this sub-paragraph “the appropriate amount” is the amount found by apportioning between those related debt recovery credits, in proportion to their

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respective amounts, the cumulative net sub-paragraph (6) reduction for earlier group accounting periods in respect of the relevant creditor relationships.

- (10) In this paragraph, for any group accounting period the cumulative net sub-paragraph (6) reduction for earlier group accounting periods in respect of the relevant creditor relationships is—
- (a) the total amount by which the relevant net debits in respect of those relationships for any previous group accounting periods have been reduced by virtue of sub-paragraph (6) above; less
  - (b) so much of that total amount as has been previously apportioned under sub-paragraph (9) above.
- (11) Any reference in this paragraph to a “relevant claim for group relief” is a reference to a claim by the member company or a group member for group relief in respect of an amount which may be surrendered as group relief by the debtor consortium company.
- (12) Any relevant claim for group relief for a group accounting period shall be reduced by so much of the cumulative net amount of relevant net debits for earlier group accounting periods in respect of the relevant creditor relationships as does not exceed the total amount of the claim.

Where there are two or more such claims for the same group accounting period which in total exceed that cumulative net amount, each of them shall be reduced by an amount found by apportioning that cumulative net amount between them in proportion to their respective amounts.

- (13) In this paragraph, for any group accounting period the cumulative net amount of relevant net debits for earlier group accounting periods in respect of the relevant creditor relationships is the total amount of the relevant net debits for those earlier periods in respect of those relationships, after any reductions falling to be made under this paragraph in the amounts of those relevant net debits.
- (14) If there is for any group accounting period—
- (a) a relevant claim for group relief (as reduced by virtue of sub-paragraph (12) above, where applicable), and
  - (b) no relevant net debit in respect of the relevant creditor relationships,
- the claim (as so reduced) shall be carried forward and treated for the purposes of [F93 sub-paragraph (6)] above as increasing any relevant claim for group relief made by the claimant company for its next accounting period (or, if there is no other relevant claim for group relief made by that company for that period, as the relevant claim for group relief by that company for that period).
- (15) Where—
- [F94](a) the debtor consortium company has, in accordance with an amortised cost basis of accounting, brought into account for an accounting period an amount in respect of a release of any liability under a debtor relationship, and]
  - (b) the corresponding creditor relationship is a relevant creditor relationship,
- an equal amount shall be treated for the purposes of this paragraph as not being a debit brought into account for that period [F95... in relation to the creditor relationship.
- (16) Where section 403C of the Taxes Act 1988 (amount of relief in consortium cases) applies, effect shall be given to that section before effect is given to this paragraph.
- (17) In this paragraph “group accounting period” means—



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- (a) any accounting period of the member company beginning on or after 1st October 2002, or
  - (b) any accounting period of a group member which begins on or after that date and corresponds to such an accounting period of the member company,
- and any such accounting period of the member company and any such corresponding accounting periods of one or more group members shall be regarded for the purposes of this paragraph as being the same accounting period.
- (18) For the purposes of this paragraph an accounting period of a group member corresponds to an accounting period of the member company if—
- (a) the two accounting periods coincide;
  - (b) the accounting period of the member company includes more than half of the accounting period of the group member; or
  - (c) the accounting period of the member company includes part of the accounting period of the group member, but the remainder of that period does not fall within any accounting period of the member company.
- (19) In this paragraph—
- “consortium claim” means a claim for group relief made by virtue of section 402(3) of the Taxes Act 1988;
  - “consortium company” means a company falling within any of paragraphs (a) to (c) of section 402(3) of the Taxes Act 1988 (surrender of relief between members of consortia);
  - “cumulative net amount of relevant net debits” shall be construed in accordance with sub-paragraph (13) above;
  - “cumulative net sub-paragraph (6) reduction” shall be construed in accordance with sub-paragraph (10) above;
  - “debtor consortium company” shall be construed in accordance with sub-paragraph (3) above;
  - “group accounting period” shall be construed in accordance with sub-paragraphs (17) and (18) above;
  - “group member” shall be construed in accordance with sub-paragraph (2) (b) above;
  - “group relief” has the meaning given by section 402(1) of the Taxes Act 1988;
  - “holding company” means a company falling within section 402(3)(c) of the Taxes Act 1988;
  - “member”, in relation to a consortium, has the same meaning as in Chapter 4 of Part 10 of the Taxes Act 1988 (group relief);
  - “member company” shall be construed in accordance with sub-paragraph (2)(a) above;
  - “related debt recovery credit”, in relation to a group accounting period, means a credit falling to be brought into account for the purposes of this Chapter for that period by the member company or a group member [<sup>F96</sup>in connection with a debt] owed by the debtor consortium company;
  - “relevant claim for group relief” shall be construed in accordance with sub-paragraph (11) above;
  - “relevant creditor relationship” shall be construed in accordance with sub-paragraph (4) above;

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“relevant net debit” shall be construed in accordance with sub-paragraph (5) above;

“subsidiary”, in relation to a company which is a holding company, means a company falling within section 402(3)(b) of the Taxes Act 1988 by reference to that holding company;

“surplus of related debt recovery credits” shall be construed in accordance with sub-paragraph (9) above;

“surrendering company” has the meaning given by section 402(1) of the Taxes Act 1988.

(20) Any reference in this paragraph to two companies being members of the same group of companies is a reference to their being members of the same group of companies for the purposes of Chapter 4 of Part 10 of this Act (group relief).

(21) Any reference in this paragraph to a company being owned by a consortium shall be construed in accordance with section 413(6) of the Taxes Act 1988.]

#### Textual Amendments

**F89** Words in Sch. 9 para. 5A(2) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(3\)](#)

**F90** Words in Sch. 9 para. 5A(5)(a) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(4\)](#)

**F91** Words in Sch. 9 para. 5A(8)(b) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(4\)](#)

**F92** Words in Sch. 9 para. 5A(9) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(5\)](#), [Sch. 42 Pt. 2\(6\)](#)

**F93** Words in Sch. 9 para. 5A(14) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(6\)](#)

**F94** Sch. 9 para. 5A(15)(a) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(7\)](#)

**F95** Words in Sch. 9 para. 5A(15) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(8\)](#), [Sch. 42 Pt. 2\(6\)](#)

**F96** Words in Sch. 9 para. 5A(19) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 21\(9\)](#)

*[<sup>F97</sup>Impairment losses] where parties have a connection*

#### Textual Amendments

**F97** Words in Sch. 9 para. 6 heading substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 22\(2\)](#)

6 (1) This paragraph applies where for any accounting period section 87 of this Act [<sup>F98</sup>(accounting method where parties have a connection) applies] as respects a creditor relationship of a company.

(2) The credits and debits which for that period are to be brought into account for the purposes of this Chapter <sup>F99</sup>... shall be computed subject to [<sup>F100</sup>sub-paragraph (3) (and the provisions mentioned there) and sub-paragraph (6)] below.

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- [<sup>F101</sup>(3) An impairment loss may be brought into account for the purposes of this Chapter only in accordance with—
- [<sup>F102</sup>(a) sub-paragraph (4) below, or
  - (b) paragraph 6A.]
- [<sup>F103</sup>(3A) Where an impairment loss is excluded by sub-paragraph (3), no credit in respect of any reversal of the impairment shall be brought into account for the purposes of this Chapter.]
- (4) [<sup>F104</sup>An impairment loss is not excluded by sub-paragraph (3)] in relation to a liability to pay any amount to the company (“the creditor company”) under the creditor relationship where—
- (a) in consideration of, or of any entitlement to, any shares forming part of the ordinary share capital of the company on whom the liability would otherwise have fallen, the creditor company treats the liability as discharged; and
  - (b) the condition specified in sub-paragraph (5) below is satisfied.
- (5) That condition is that there would be no connection between the two companies for the accounting period in which that consideration is given if the question whether there is such a connection for that period fell to be determined, in accordance with section 87 of this Act, by reference only to times before the creditor company acquired possession of, or any entitlement to, the shares in question.
- [<sup>F105</sup>(6) Where in any period a related transaction takes place in relation to the loan relationship—
- (a) the debits brought into account for that period in respect of the relationship must not be more than they would have been if the transaction had not taken place, and
  - (b) the credits brought into account for that period in respect of the relationship must not be less than they would have been if the transaction had not taken place.
- (7) In determining for the purposes of sub-paragraph (6) the debits and credits that would have been brought into account if the related transaction had not taken place, no account shall be taken of any amounts that would have accrued at times after the transaction took place.]
- [<sup>F106</sup>(8) Nothing in this paragraph affects the debits or credits to be brought into account for the purposes of this Chapter in respect of exchange gains or losses arising from a debt.]]

#### Textual Amendments

- F98** Words in Sch. 9 para. 6(1) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 22\(3\)](#)
- F99** Words in Sch. 9 para. 6(2) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 22\(4\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F100** Words in Sch. 9 para. 6(2) substituted (with effect in accordance with Sch. 4 para. 13(5) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 13\(2\)](#)
- F101** Sch. 9 para. 6(3) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 22\(5\)](#)
- F102** Sch. 9 para. 6(3)(a)(b) substituted for Sch. 9 para. 6(3)(a)-(c) (with effect in accordance with Sch. 4 para. 13(5) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 13\(3\)](#)

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- F103** Sch. 9 para. 6(3A) inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 22\(6\)](#)
- F104** Words in Sch. 9 para. 6(4) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 22\(7\)](#)
- F105** Sch. 9 para. 6(6)(7) substituted (with effect in accordance with Sch. 4 para. 13(5) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 13\(4\)](#)
- F106** Sch. 9 para. 6(8) added (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), [Sch. 23 Pt. 1 para. 9\(3\)](#) (with [Sch. 23 Pt. 3 para. 25](#))

*[<sup>F107</sup>[<sup>F108</sup>Impairment losses] : parties having connection and creditor in insolvent liquidation etc*

#### Textual Amendments

- F107** Sch. 9 para. 6A and cross-heading inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 25](#)
- F108** Words in Sch. 9 para. 6A heading substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 23\(2\)](#)

- 6A (1) This paragraph applies in any case falling within paragraph 6(1) above where—
- (a) the company which has the creditor relationship (“the creditor company”) [<sup>F109</sup>is in] insolvent liquidation;
  - <sup>F110</sup>(b) [<sup>F111</sup>that company has entered administration or] that company is in insolvent administration;]
  - <sup>F112</sup>(bb) [ the company is in insolvent administrative receivership;]
  - (c) an appointment of a provisional liquidator is in force in relation to that company under section 135 of that Act or Article 115 of that Order; or
  - (d) under the law of a country or territory outside the United Kingdom, [<sup>F113</sup>circumstances exist] corresponding to any of those described in paragraphs (a) to (c) above.
- (2) Where this paragraph applies, [<sup>F114</sup>an impairment loss is not excluded by paragraph 6(3)] in relation to any amount accruing to the creditor company under the relationship—
- (a) in a case falling within paragraph (a) of sub-paragraph (1) above, at a time [<sup>F115</sup>in the course] of the winding up;
  - (b) in a case falling within paragraph (b) of that sub-paragraph, at a time [<sup>F116</sup>in the course of the administration] ;
  - <sup>F117</sup>(bb) [ in a case falling within paragraph (bb) of that sub-paragraph, at a time when the appointment of the administrative receiver is in force;]
  - (c) in a case falling within paragraph (c) of that sub-paragraph, at a time when [<sup>F118</sup>the company is in administration or] the appointment of the provisional liquidator is in force; or
  - (d) in a case falling within paragraph (d) of that sub-paragraph, at a time corresponding to that described in paragraph (a), (b) [<sup>F119</sup>, (bb)] or (c) above (as the case may be).

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- [<sup>F120</sup>(3) For the purposes of this paragraph a company is in insolvent liquidation during the period which—
- (a) begins when it goes into liquidation, as defined in section 247(2) of the Insolvency Act 1986 or Article 6(2) of the Insolvency (Northern Ireland) Order 1989, at a time when its assets are insufficient for the payment of its debts and other liabilities and the expenses of the winding up, and
  - (b) ends when the winding up is completed or otherwise brought to an end (whether under paragraph 37 or 38 of Schedule B1 to the Insolvency Act 1986 or otherwise).]
- (4) For the purposes of this paragraph a company in administration is in insolvent administration if—
- (a) in the case of an administration under Schedule B1 to the Insolvency Act 1986, it entered administration at a time when its assets were insufficient for the payment of its debts and other liabilities and the expenses of the administration, or
  - (b) in a case where an administration order has effect under Part 3 of the Insolvency (Northern Ireland) Order 1989, the order was made at such a time.]
- [<sup>F121</sup>(5) For the purposes of this paragraph a company is in insolvent administrative receivership if—
- (a) there is in force in relation to that company an appointment of an administrative receiver, within the meaning of Chapter 1 or 2 of Part 3 of the Insolvency Act 1986 or Part 4 of the Insolvency (Northern Ireland) Order 1989, and
  - (b) the company was put into administrative receivership at a time when its assets were insufficient for the payment of its debts and other liabilities and the expenses of administrative receivership.]

#### Textual Amendments

- F109** Words in Sch. 9 para. 6A(1)(a) substituted (with effect in accordance with Sch. 41 para. 5(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 41 para. 4\(2\)\(a\)](#)
- F110** Sch. 9 para. 6A(1)(b) substituted (with effect in accordance with Sch. 41 para. 5(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 41 para. 4\(2\)\(b\)](#)
- F111** Words in Sch. 9 para. 6A(1)(b) inserted (15.9.2003) by [The Enterprise Act 2002 \(Insolvency\) Order 2003 \(S.I. 2003/2096\)](#), [art. 1\(1\)](#), [Sch. para. 29\(a\)\(i\)](#) (with [art. 6](#))
- F112** Sch. 9 para. 6A(1)(bb) inserted (with effect in accordance with Sch. 8 para. 4(7) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 8 para. 4\(3\)](#)
- F113** Words in Sch. 9 para. 6A(1)(d) substituted (with effect in accordance with Sch. 41 para. 5(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 41 para. 4\(2\)\(c\)](#)
- F114** Words in Sch. 9 para. 6A(2) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 23\(3\)](#)
- F115** Words in Sch. 9 para. 6A(2)(a) substituted (with effect in accordance with Sch. 41 para. 5(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 41 para. 4\(3\)\(a\)](#)
- F116** Words in Sch. 9 para. 6A(2)(b) substituted (with effect in accordance with Sch. 41 para. 5(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 41 para. 4\(3\)\(b\)](#)
- F117** Sch. 9 para. 6A(2)(bb) inserted (with effect in accordance with Sch. 8 para. 4(7) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 8 para. 4\(4\)](#)
- F118** Words in Sch. 9 para. 6A(2)(b) inserted (15.9.2003) by virtue of [The Enterprise Act 2002 \(Insolvency\) Order 2003 \(S.I. 2003/2096\)](#), [art. 1\(1\)](#), [Sch. para. 29\(b\)](#) (with [art. 6](#))

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- F119** Word in Sch. 9 para. 6A(2)(d) inserted (with effect in accordance with Sch. 8 para. 4(7) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 8 para. 4(5)**
- F120** Sch. 9 para. 6A(3)(4) substituted for Sch. 9 para. 6A(3) (with effect in accordance with Sch. 41 para. 5(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 41 para. 4(4)**
- F121** Sch. 9 para. 6A(5) inserted (with effect in accordance with Sch. 8 para. 4(7) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 8 para. 4(6)**

*[<sup>F122</sup><sup>F123</sup>Impairment losses]: companies becoming connected]*

- Textual Amendments**
- F122** Sch. 9 para. 6B and cross-heading inserted (24.7.2002 with effect as mentioned in [s. 82\(2\)](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [s. 82\(1\)](#), **Sch. 25 Pt. 1 para. 26**
  - F123** Words in Sch. 9 para. 6B heading substituted (with effect in accordance with [s. 52\(3\)](#) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 10 para. 24(2)**

<sup>F124</sup>6B .....

- Textual Amendments**
- F124** Sch. 9 para. 6B repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 14](#), **Sch. 11 Pt. 2(5)**

*[<sup>F125</sup><sup>F126</sup>Impairment losses:] cessation of connection*

- Textual Amendments**
- F125** Sch. 9 para. 6C and cross-heading inserted (24.7.2002 with effect as mentioned in [s. 82\(2\)](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [s. 82\(1\)](#), **Sch. 25 Pt. 1 para. 27**
  - F126** Words in Sch. 9 para. 6C heading substituted (with effect in accordance with [s. 52\(3\)](#) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 10 para. 25(2)**

6C (1) Where, in the case of a creditor relationship of a company,—

- <sup>F127</sup>(a) an impairment loss is excluded by paragraph 6(3) in any accounting period, and]
- (b) there is a subsequent accounting period for which there is, within the meaning of section 87 of this Act, no connection between the company and any person standing in the position of a debtor as respects the debt,

<sup>F128</sup>sub-paragraph (3) applies].

<sup>F129</sup>(2) .....

(3) Where this sub-paragraph applies, no debit shall be brought into account in respect of an amount—

- (a) for the first accounting period falling within sub-paragraph (1)(b) above, or
- (b) for any subsequent such accounting period,

to the extent that the amount in question represents the amount mentioned in sub-paragraph (1)(a) above.]

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#### Textual Amendments

- F127** Sch. 9 para. 6C(1)(a) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 25\(3\)](#)
- F128** Words in Sch. 9 para. 6C(1) substituted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 15\(a\)](#)
- F129** Sch. 9 para. 6C(2) repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 15\(b\)](#), [Sch. 11 Pt. 2\(5\)](#)

#### *F<sup>130</sup> Restriction on bringing into account debits resulting from revaluation*

#### Textual Amendments

- F130** Sch. 9 para. 6D and cross-heading inserted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 16](#)

- 6D (1) No debit shall be brought into account for the purposes of this Chapter as a result of the revaluation of an asset representing a creditor relationship of a company, except—
- (a) an impairment loss, or
  - (b) a debit resulting from a release by the company of any liability under the relationship.
- (2) No credit may be brought into account for the purposes of this Chapter in respect of the reversal of—
- (a) a debit disallowed by sub-paragraph (1),
  - (b) a debit that in a period of account beginning before 1st January 2005 was disallowed for tax purposes—
    - (i) because of the assumption required by paragraph 5(1) above, or
    - (ii) because the exceptions in section 74(1)(j) of the Taxes Act 1988 did not apply.
- (3) The reference in sub-paragraph (1) to revaluation of an asset includes any case where a provision or allowance is made by the company reducing the carrying value of the asset or of a group of assets including the asset in question.
- (4) This paragraph does not affect the debits to be brought into account in respect of exchange gains or losses.
- (5) This paragraph does not apply if fair value accounting is used.]

#### *Writing-off of government investments*

- 7 (1) Where any government investment in a company is written off by the release of a liability to pay any amount under a debtor relationship of the company, no credit shall be required, in the case of that company, to be brought into account for the purposes of this Chapter in respect of that release.
- (2) Subsections (7) and (8) of section 400 of the Taxes Act 1988 shall apply, as they apply for the purposes of that section, for construing the reference in sub-paragraph (1) above to the writing-off of a government investment.

#### *Restriction on writing off overseas sovereign debt etc.*



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**Textual Amendments**

**F131** Sch. 9 para. 8 repealed (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 17\(1\)\(a\)](#), [Sch. 11 Pt. 2\(5\)](#)

*Further restriction on bringing into account losses on overseas sovereign debt etc.*

**F132g** .....

**Textual Amendments**

**F132** Sch. 9 para. 9 repealed (with effect in accordance with Sch. 4 para. 17(3) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 17\(1\)\(b\)](#), [Sch. 11 Pt. 2\(5\)](#)

*Imported losses etc.*

- 10<sup>[F133]</sup>(1) This paragraph applies in the case of a company (“the chargeable company”) for an accounting period (“the loss period”) where—
- (a) there is a loss arising in connection with a loan relationship of the company which apart from this paragraph would fall to be brought into account for the purposes of this Chapter, and
  - (b) that loss is referable in whole or in part to a time when the relationship was not subject to United Kingdom taxation.

This paragraph does not apply where fair value accounting is used.]

- (2) The amounts brought into account for the purposes of this Chapter in the loss period shall be such as to secure that no part of the loss that is referable to a time when the relationship was not subject to United Kingdom taxation shall be treated for the purposes of this Chapter as arising in the loss period or any other accounting period of the chargeable company.
- (3) For the purposes of this paragraph a loss is referable to a time when a relationship is not subject to United Kingdom taxation to the extent that, at the time to which the loss is referable, the chargeable company would not have been chargeable to tax in the United Kingdom on any profits or gains arising from the relationship.
- (4) Sub-paragraph (3) above shall have effect where the chargeable company was not a party to the relationship at the time to which the loss is referable as if the reference to that company were a reference to the person who at that time was in the same position as respects the relationship as is subsequently held by the chargeable company.
- <sup>[F134]</sup>(5) Amounts which, by virtue of this paragraph, are not brought into account for the purposes of this Chapter as respects any matter are in consequence also amounts which, in accordance with section 80(5) of this Act, are not to be brought into account for the purposes of corporation tax as respects that matter apart from this Chapter.]

**Textual Amendments**

**F133** Sch. 9 para. 10(1) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 28](#)



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**F134** Sch. 9 para. 10(5) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), **Sch. 25 Pt. 1 para. 28**

<sup>F135</sup>*Deemed assignment of assets and liabilities on company ceasing to be resident in UK etc*

#### Textual Amendments

**F135** Sch. 9 para. 10A and cross-heading inserted (with effect in accordance with Sch. 8 para. 5(2) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 8 para. 5(1)**

10A (1) This paragraph applies if at any time (“the relevant time”)—

- (a) a company ceases to be resident in the United Kingdom, or
- (b) in the case of a company that is not resident in the United Kingdom, an asset or liability representing a loan relationship of the company ceases to be held for the purposes of a permanent establishment of the company in the United Kingdom in any circumstances not involving a related transaction.

[ But this paragraph does not apply if—

<sup>F136</sup>(1A) (a) paragraph 12A below (transferee company leaving group) applies in relation to the company, and

- (b) the cessation in sub-paragraph (1)(a) or (b) above occurs at the same time as the cessation in sub-paragraph (1)(b) of that paragraph.]

(2) In a case falling within sub-paragraph (1)(a) above, this Chapter shall have effect as if the company had—

- (a) immediately before the relevant time, assigned the assets and liabilities that represent its loan relationships for a consideration of an amount equal to their fair value at that time, and
- (b) immediately reacquired them for a consideration of the same amount.

(3) Sub-paragraph (2) above does not apply in relation to an asset or a liability to the extent that, immediately after the relevant time, it is held or owed for the purposes of a permanent establishment of the company in the United Kingdom.

(4) In a case falling within sub-paragraph (1)(b) above, this Chapter shall have effect as if the company had—

- (a) immediately before the relevant time, assigned the asset or liability, so far as ceasing to be held or owed for the purposes of the permanent establishment, for a consideration of an amount equal to its fair value at that time, and
- (b) immediately reacquired it for a consideration of the same amount.

<sup>F137</sup>(5) . . . . .]

#### Textual Amendments

**F136** Sch. 9 para. 10A(1A) inserted (with effect in accordance with Sch. 7 para. 15(4) of the amending Act) by Finance (No. 2) Act 2005 (c. 22), **Sch. 7 para. 15(2)**

**F137** Sch. 9 para. 10A(5) repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 29, **Sch. 42 Pt. 2(6)**

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*Transactions not at arm's length*

11 <sup>F138</sup>(1) Where—

(a) debits or credits in respect of a loan relationship of a company fall to be brought into account for the purposes of this Chapter in respect of a related transaction, and

(b) that transaction is not a transaction at arm's length,

the debits or credits to be brought into account shall be determined on the assumption that the transaction was entered into on the terms on which it would have been entered into between independent persons.

This is subject to the exceptions in sub-paragraphs (1A), (2), (3) and (3A).]

<sup>F139</sup>(1A) Notwithstanding section 80(5) of this Act, sub-paragraph (1) above shall not apply to debits or credits in respect of amounts which—

(a) fall to be adjusted for tax purposes under Schedule 28AA to the Taxes Act 1988 (provision not at arm's length), or

(b) fall within that Schedule without falling to be so adjusted.

(1B) For the purposes of sub-paragraph (1A) above, an amount falls within Schedule 28AA to the Taxes Act 1988 without falling to be adjusted under that Schedule in a case where—

(a) the conditions in paragraph 1(1) of that Schedule are met, and

(b) the actual provision does not differ from the arm's length provision.]

(2) Sub-paragraph (1) above shall not apply to debits arising from the acquisition of rights under a loan relationship where those rights are acquired for less than market value.

<sup>F140</sup>(3) Sub-paragraph (1) above does not apply if the related transaction—

(a) is a transaction as a result of which paragraph 12 below (groups)—

(i) applies by virtue of sub-paragraph (1)(a) of it, or

(ii) would so apply, apart from sub-paragraph (2A) of it (transferor using fair value accounting), or

(b) is part of a series of transactions as a result of which that paragraph—

(i) applies by virtue of sub-paragraph (1)(b) of it, or

(ii) would so apply, apart from sub-paragraph (2A) of it.]

<sup>F141</sup>(3A) Sub-paragraph (1) above shall not apply to any exchange gains or losses.]

<sup>F142</sup>(4) .....

<sup>F143</sup>(5) .....

**Textual Amendments**

**F138** Sch. 9 para. 11(1) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 30](#)

**F139** Sch. 9 para. 11(1A), (1B) inserted (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 5 para. 6\(3\)](#)

**F140** Sch. 9 para. 11(3) substituted (with effect in accordance with Sch. 7 para. 16(4) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 7 para. 16\(2\)](#)

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- F141** Sch. 9 para. 11(3A) inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by Finance Act 2002 (c. 23), s. 79(2), **Sch. 23 Pt. 1 para. 10(3)** (with Sch. 23 Pt. 3 para. 25)
- F142** Sch. 9 para. 11(4) repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, **Sch. 40 Pt. 3(10)**
- F143** Sch. 9 para. 11(5) repealed (with effect in accordance with Sch. 7 para. 16(4) of the amending Act) by Finance (No. 2) Act 2005 (c. 22), Sch. 7 para. 16(3), **Sch. 11 Pt. 2(8)**

**Modifications etc. (not altering text)**

- C6** Sch. 9 para. 11 excluded (15.1.2001) by 2000 c. 38, s. 250, **Sch. 26 para. 35(1)**; S.I. 2000/3376, **art. 2**
- C7** Sch. 9 para. 11 restricted (E.W.S.) (24.7.2005) by Railways Act 2005 (c. 14), s. 60(2), **Sch. 10 para. 28**; S.I. 2005/1909, **art. 2**

*[<sup>F144</sup>Exchange gains and losses where loan not on arm's length terms*

**Textual Amendments**

- F144** Sch. 9 para. 11A and cross-heading inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by Finance Act 2002 (c. 23), s. 79(2), **Sch. 23 Pt. 1 para. 11** (with Sch. 23 Pt. 3 para. 25)

11A (1) Where a company has a debtor relationship in an accounting period and in the case of that accounting period—

- (a) the whole of any interest or other distribution out of the assets of the company in respect of securities of the company that represent the relationship falls by virtue of [<sup>F145</sup>section 209(2)(e)(vii)] of the Taxes Act 1988 to be regarded as a distribution for the purposes of the Corporation Tax Acts, or
- (b) the profits and losses of the company fall by virtue of [<sup>F146</sup>paragraph 1 of] Schedule 28AA to that Act (provision not at arm's length) to be computed for tax purposes as if the loan had not been made,

any exchange gains or losses which arise in that accounting period in respect of a liability representing the debtor relationship shall be left out of account in determining the debits or credits to be brought into account for the purposes of this Chapter.

(2) Where a company has a debtor relationship in an accounting period and in the case of that accounting period—

- <sup>F147</sup>(a) .....
- (b) the profits and losses of the company fall by virtue of [<sup>F148</sup>paragraph 1 of] Schedule 28AA to that Act to be computed for tax purposes as if the loan had in part not been made,

the proportionate part of any exchange gains or losses which arise in that accounting period in respect of a liability representing the debtor relationship shall be left out of account in determining the debits or credits to be brought into account for the purposes of this Chapter.

(3) In sub-paragraph (2) above, the “proportionate part” of an exchange gain or loss is that part which bears to the whole the proportion which—

- <sup>F149</sup>(a) .....
- (b) <sup>F150</sup>... the part of the loan that falls to be treated as if it had not been made bears to the whole of the loan.

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- (4) Where—
- (a) a company has a creditor relationship in an accounting period,
  - (b) the transaction giving rise to the loan is such that it would not have been entered into at all if the parties had been dealing at arm's length, and
  - (c) there is no corresponding debtor relationship such that there would, or would apart from section 84A(2) to (10) of this Act, fall to be brought into account for the purposes of this Chapter, in respect of exchange gains or losses from that debtor relationship, debits or (as the case may be) credits corresponding to, and of the same amount as, the credits or debits that would (apart from this paragraph) fall to be brought into account for the purposes of this Chapter in respect of exchange gains or losses from the creditor relationship,
- any exchange gains or losses which arise in that accounting period in respect of an asset representing the creditor relationship shall be left out of account in determining the debits or credits to be brought into account for the purposes of this Chapter.
- (5) Where—
- (a) a company has a creditor relationship in an accounting period,
  - (b) the circumstances are such that, had the parties to the transaction giving rise to the loan been dealing at arm's length,<sup>F151</sup> ... the amount of the loan would have been an amount (referred to in sub-paragraph (6) below as “the adjusted amount”) greater than nil but less than its actual amount, and
  - (c) there is no such corresponding debtor relationship as satisfies, in relation to that creditor relationship, the condition set out in sub-paragraph (4)(c) above,
- sub-paragraph (4) above shall not apply, but the excess portion of any exchange gain or loss which arises in the accounting period in respect of an asset representing the creditor relationship shall be left out of account in determining the debits or credits to be brought into account for the purposes of this Chapter.
- (6) In sub-paragraph (5) above, the “excess portion” of an exchange gain or loss is so much of the gain or loss as remains after subtracting that part which bears to the whole the proportion which the adjusted amount bears to the amount of the loan.]

#### Textual Amendments

- F145** Words in Sch. 9 para. 11A(1)(a) substituted (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\), s. 34\(4\)\(a\)](#)
- F146** Words in Sch. 9 para. 11A(1)(b) inserted (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\), s. 34\(4\)\(b\)](#)
- F147** Sch. 9 para. 11A(2)(a) repealed (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\), s. 34\(4\)\(c\), Sch. 42 Pt. 2\(2\)](#)
- F148** Words in Sch. 9 para. 11A(2)(b) inserted (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\), s. 34\(4\)\(d\)](#)
- F149** Sch. 9 para. 11A(3)(a) repealed (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\), s. 34\(4\)\(e\), Sch. 42 Pt. 2\(2\)](#)
- F150** Words in Sch. 9 para. 11A(3)(b) repealed (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\), s. 34\(4\)\(f\), Sch. 42 Pt. 2\(2\)](#)
- F151** Words in Sch. 9 para. 11A(5)(b) repealed (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\), s. 34\(4\)\(g\), Sch. 42 Pt. 2\(2\)](#)

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*Continuity of treatment: groups etc.*

- 12 (1) Subject to paragraph 15 below, this paragraph applies where, as a result of—
- [<sup>F152</sup>(a) a related transaction between two companies that are—
    - (i) members of the same group, and
    - (ii) within the charge to corporation tax in respect of that transaction,
  - (b) a series of transactions having the same effect as a related transaction between two companies each of which—
    - (i) has been a member of the same group at any time in the course of that series of transactions, and
    - (ii) is within the charge to corporation tax in respect of the related transaction,]
    - [<sup>F153</sup>(c) a transfer between two companies of business consisting of the effecting or carrying out of contracts of long-term insurance which has effect under an insurance business transfer scheme;]
    - (d) any transfer between two companies which is a qualifying overseas transfer within the meaning [<sup>F154</sup>given by the definition treated as inserted into section 431(2) of the Taxes Act 1988 by paragraph 6(9) of Schedule 19AC to that Act] (transfer of business of overseas life insurance company), one of those companies (“the transferee company”) directly or indirectly replaces the other (“the transferor company”) as a party to a loan relationship.

[<sup>F155</sup>(2) For the purpose of determining the credits and debits to be brought into account for the purposes of this Chapter in respect of the loan relationship—

    - (a) for the accounting period in which the transaction or, as the case may be, the first of the series of transactions takes place, the transferor company shall be treated as having entered into that transaction for a consideration equal to the notional carrying value of the asset or liability representing the relationship; and
    - (b) for any accounting period in which it is a party to the relationship, the transferee company shall be treated as if it had acquired the asset or liability representing the relationship for a consideration equal to the notional carrying value of the asset or liability.

For the purposes of this sub-paragraph, the notional carrying value is the amount that would have been the carrying value of the asset or liability in the accounts of the transferor company if a period of account had ended immediately before the date when the company ceased to be party to the loan relationship.]

- [<sup>F156</sup>(2ZA) Where the debits or credits to be brought into account for the purposes of this Chapter in respect of any amounts fall to be determined in accordance with sub-paragraph (2) above, Schedule 28AA to the Taxes Act 1988 (provision not at arm’s length) does not apply in relation to those amounts.]

- [<sup>F157</sup>(2A) This paragraph does not apply where the transferor company uses [<sup>F158</sup>fair value accounting] as respects the loan relationship, but in any such case—

- [<sup>F159</sup>(a) the amount to be brought into account by the transferor company in respect of the transaction, the result of the series of transactions, or the transfer must be—
  - (i) where an asset is to be brought into account, the fair value of the asset, or of the rights under or interest in the asset, and

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- (ii) where a liability is to be brought into account, the fair value of the liability,
- as at the date on which the transferee company becomes party to the loan relationship<sup>[F160]</sup>; and]
- [<sup>F161</sup>(aa) paragraph (b) of sub-paragraph (2) above shall have effect in relation to the transferee company.]]
- <sup>F162</sup>(b) . . . . .]
- (3) This paragraph does not apply by virtue of sub-paragraph (1)(a) or (b) above in relation to any transfer of an asset, or of any rights under or interest in an asset, where the asset was within one of the categories set out in section 440(4)(a) to (e) of the Taxes Act 1988 (assets held for certain categories of <sup>[F163]</sup>long-term] business) either immediately before the transfer or immediately afterwards.
- (4) This paragraph does not apply by virtue of sub-paragraph (1)(c) or (d) above in relation to any transfer of an asset, or of any rights under or interest in an asset, where—
- (a) the asset was within one of the categories set out in section 440(4) of the Taxes Act 1988 immediately before the transfer; and
  - (b) is not within that category immediately afterwards.
- (5) For the purposes of sub-paragraph (4) above, where one of the companies is an overseas life insurance company an asset shall be taken to be within the same category both immediately before the transfer and immediately afterwards if it—
- (a) was within one category immediately before the transfer; and
  - (b) is within the corresponding category immediately afterwards.
- (6) References in this paragraph to one company replacing another as a party to a loan relationship shall include references to a company becoming a party to any loan relationship under which its rights <sup>[F164]</sup>, or (as the case may be) its obligations,] are equivalent to those of the other company under a loan relationship of which that other company has previously ceased to be a party.
- (7) For the purposes of sub-paragraph (6) above a person's rights under a loan relationship are equivalent to rights under another such relationship if they entitle the holder of an asset representing the relationship—
- (a) to the same rights against the same persons as to capital, interest and dividends, and
  - (b) to the same remedies for the enforcement of those rights,
- notwithstanding any difference in the total nominal amounts of the assets, in the form in which they are held or in the manner in which they can be transferred.
- [<sup>F165</sup>(7A) For the purposes of sub-paragraph (6) above a person's obligations under a debtor relationship are equivalent to obligations under another such relationship if they subject the holder of the liability representing the relationship—
- (a) to the same obligations to the same persons as to capital, interest and dividends, and
  - (b) to the same remedies for the enforcement of those obligations,
- notwithstanding any difference in the total nominal amounts of the assets representing the corresponding creditor relationships, in the form in which those assets are held or in the manner in which they can be transferred.]

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[<sup>F166</sup>(8) In this paragraph references to a company which is a member of a group of companies shall be construed in accordance with section 170 of the Taxation of Chargeable Gains Act 1992.]

[<sup>F167</sup>(9) In this paragraph—

[<sup>F168</sup>“carrying value” has the same meaning as it has for the purposes of paragraph 19A below;]

“contracts of long-term insurance” means contracts which fall within Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

“insurance business transfer scheme” means a scheme falling within section 105 of the Financial Services and Markets Act 2000, including an excluded scheme falling within Case 2, 3 or 4 of subsection (3) of that section;

“overseas life insurance company” has the same meaning as in Chapter 1 of Part 12 of the Taxes Act 1988.]

#### Textual Amendments

- F152** Sch. 9 para. 12(1)(a)(b) substituted (28.7.2000 with effect in relation to transactions entered into, or series of transactions begun, on or after 1.4.2000) by 2000 c. 17, s. 102, **Sch. 29 Pt. II para. 44(4)(5)**
- F153** Sch. 9 para. 12(1)(c) substituted (1.12.2001 with effect as mentioned in art. 94(4) of the amending S.I.) by S.I. 2001/3629, **art. 94(2)**
- F154** Words in Sch. 9 para. 12(1)(d) substituted (with effect in accordance with reg. 1 of the amending S.I.) by [The Overseas Life Insurance Companies Regulations 2004 \(S.I. 2004/2200\)](#), regs. 1(1), **9(2)**
- F155** Sch. 9 para. 12(2) substituted (with effect in accordance with Sch. 7 para. 17(6)-(8) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 17(2)**
- F156** Sch. 9 para. 12(2ZA) inserted (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 5 para. 7(2)**
- F157** Sch. 9 para. 12(2A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 29**
- F158** Words in Sch. 9 para. 12(2A) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 10 para. 31(a)**
- F159** Sch. 9 para. 12(2A)(a)(aa) substituted for Sch. 9 para. 12(2A)(a) (with effect in accordance with Sch. 37 para. 3(7) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 37 para. 3(4)**
- F160** Word and semicolon in Sch. 9 para. 12(2A)(a) inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 10 para. 31(b)**
- F161** Sch. 9 para. 12(2A)(aa) substituted (with effect in accordance with Sch. 7 para. 17(7)(8) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 17(3)**
- F162** Sch. 9 para. 12(2A)(b) and word repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 10 para. 31(c)**, **Sch. 42 Pt. 2(6)**
- F163** Words in Sch. 9 para. 12(3) substituted (1.12.2001) by S.I. 2001/3629, **art. 96(1)(a)**
- F164** Words in Sch. 9 para. 12(6) inserted (with effect in accordance with Sch. 37 para. 3(7) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 37 para. 3(5)**
- F165** Sch. 9 para. 12(7A) inserted (with effect in accordance with Sch. 37 para. 3(7) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 37 para. 3(6)**
- F166** Sch. 9 para. 12(8) substituted (with effect in accordance with Sch. 7 para. 17(7)(8) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 17(4)**
- F167** Sch. 9 para. 12(9) substituted (1.12.2001 with effect as mentioned in art. 94(4) of the amending S.I.) by S.I. 2001/3629, **art. 94(3)**
- F168** Words in Sch. 9 para. 12(9) inserted (with effect in accordance with Sch. 7 para. 17(7)(8) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 17(5)**



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#### Modifications etc. (not altering text)

- C8** Sch. 9 para. 12 modified (*retrospective to 1.4.1996*) by [S.I. 1997/473](#), [reg. 52](#) (as amended (1.12.2001) by [S.I. 2001/3629](#), [art. 163](#), as amended (8.4.2004) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 2004](#) (S.I. 2004/822), [regs. 1, 40](#))

#### <sup>F169</sup>Transferee leaving group after replacing transferor as party to loan relationship

#### Textual Amendments

- F169** Sch. 9 para. 12A and cross-heading inserted (with effect in accordance with Sch. 7 para. 18(2) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 7 para. 18\(1\)](#)

- 12A (1) This paragraph applies in any case where—
- (a) paragraph 12 above applies—
    - (i) by virtue of sub-paragraph (1)(a) of that paragraph (“case A”), or
    - (ii) by virtue of sub-paragraph (1)(b) of that paragraph (“case B”), but
  - (b) before the end of the relevant 6 year period, the transferee company ceases to be a member of the relevant group.
- (2) In any such case, this Chapter shall have effect as if the transferee company had—
- (a) immediately before that cessation, assigned the asset or liability representing the relevant loan relationship for a consideration of an amount equal to its fair value at that time, and
  - (b) immediately reacquired it for a consideration of the same amount,
- but only if Condition 1 or 2 below is satisfied and sub-paragraph (5) below does not apply.
- (3) Condition 1 is that if sub-paragraph (2) above has effect, a credit would in consequence of paragraph (a) of that sub-paragraph fall to be brought into account for the purposes of this Chapter by the transferee company.
- (4) Condition 2 is that—
- (a) Condition 1 is not satisfied,
  - (b) the loan relationship is a creditor relationship,
  - (c) the company has a hedging relationship between a derivative contract and the creditor relationship, and
  - (d) in consequence of paragraph 30A(2)(a) of Schedule 26 to the Finance Act 2002, a credit falls to be brought into account by the transferee company for the purposes of that Schedule in respect of the derivative contract.
- (5) Where the transferee company ceases to be a member of the relevant group by reason only of an exempt distribution (see sub-paragraph (8))—
- (a) sub-paragraph (2) above does not have effect, but
  - (b) if there is chargeable payment within 5 years after the making of the exempt distribution, sub-paragraph (6) below applies.
- (6) Where this sub-paragraph applies, this Chapter shall have effect as if—
- (a) the transferee company had, immediately before the making of the chargeable payment, assigned the asset or liability representing the relevant loan relationship,



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- (b) the assignment had been for a consideration of an amount equal to the fair value of the asset or liability immediately before the transferee company ceased to be a member of the relevant group, and
- (c) the transferee company had immediately reacquired the asset or liability for a consideration of the same amount,

but only if Condition 1 or 2 above, as modified by sub-paragraph (7) below, is satisfied.

(7) The modifications are that—

- (a) in Condition 1, the references to sub-paragraph (2) above, and paragraph (a) of that sub-paragraph, are to be taken respectively as references to sub-paragraph (6) above and paragraphs (a) and (b) of that sub-paragraph, and
- (b) in Condition 2, the reference to paragraph 30A(2)(a) of Schedule 26 to the Finance Act 2002 is to be taken as a reference to paragraph 30A(6)(a) and (b) of that Schedule.

(8) In this paragraph—

“assignment”, in relation to Scotland, means an assignation;

“chargeable payment” has the meaning given by section 214(2) of the Taxes Act 1988;

“exempt distribution” means a distribution which is exempt by virtue of section 213(2) of the Taxes Act 1988;

“the relevant 6 year period” means the period of 6 years following—

- (a) in case A, the transaction mentioned in paragraph 12(1)(a) above, or
- (b) in case B, the last of the series of transactions mentioned in paragraph 12(1)(b) above;

“the relevant group” means—

- (a) in case A, the group mentioned in paragraph 12(1)(a) above, or
- (b) in case B, the group mentioned in paragraph 12(1)(b) above;

“the relevant loan relationship” means the loan relationship mentioned in paragraph 12(1) above;

“the transferee company” means the company referred to as such in paragraph 12(1) above.

(9) Paragraph 12(14) of Schedule 26 to the Finance Act 2002 (hedging relationships) has effect for the purposes of this paragraph.]

### *Formation of SE by merger*

[<sup>F170</sup>12B] This paragraph applies where—

- (a) an SE is formed by the merger of two or more companies in accordance with Articles 2(1) and 17(2)(a) or (b) of Council Regulation (EC) 2157/2001 on the Statute for a European Company (Societas Europaea),
- (b) each merging company is resident in a member State,
- (c) the merging companies are not all resident in the same State, and
- (d) either—
  - (i) immediately after formation the SE is resident in the United Kingdom and within the charge to corporation tax in accordance with section 6 of the Taxes Act 1988, or

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- (ii) immediately after formation the SE is not resident in the United Kingdom but is within the charge to corporation tax in accordance with section 11 of the Taxes Act 1988.
- (2) Where this paragraph applies, the transfer in the course of the merger of an asset or liability which represents a loan relationship shall be disregarded except—
- (a) for the purpose of determining the debits or credits to be brought into account in respect of exchange gains or losses and identifying the company which is to bring them into account, and
  - (b) for the purpose of identifying the company in whose case a debit or credit which does not relate to the transfer is to be brought into account.
- (3) Where this paragraph applies, the transferor and the transferee companies of an asset or liability which represents a loan relationship shall be deemed, except for the purposes specified in sub-paragraph (2)(a) and (b), to be the same company.
- (4) Paragraph 12(2A) shall have effect (with any necessary modifications) in relation to this paragraph as in relation to paragraph 12.
- (5) Sub-paragraphs (2) and (3) shall apply in relation to the formation of an SE by merger only if—
- (a) it is effected for bona fide commercial reasons, and
  - (b) it does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoiding liability to corporation tax, capital gains tax or income tax.
- (6) But sub-paragraph (5) shall not have the effect of preventing sub-paragraphs (2) and (3) from applying if before the merger Her Majesty's Revenue and Customs have on the application of the merging companies notified them that Her Majesty's Revenue and Customs are satisfied that sub-paragraph (5) will not have that effect.
- (7) For the purposes of this paragraph a company is resident in a member State if—
- (a) it is within a charge to tax under the law of the State as being resident for that purpose, and
  - (b) it is not regarded, for the purposes of any double taxation relief arrangements to which the State is a party, as resident in a territory not within a member State.]

#### **Textual Amendments**

**F170** Sch. 9 para. 12B inserted (with effect in accordance with s. 54(2) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\), s. 54\(1\)](#)

#### *Loan relationships for unallowable purposes*

- 13 (1) Where in any accounting period a loan relationship of a company has an unallowable purpose,
- [<sup>F171</sup>(a) the debits, and
  - (b) the credits in respect of exchange gains,]
- which, for that period fall, in the case of that company, to be brought into account for the purposes of this Chapter shall not include so much of the debits [<sup>F172</sup>or credits (as

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the case may be)]<sup>F173</sup> ... used as respects that relationship as, on a just and reasonable apportionment, is attributable to the unallowable purpose.

[<sup>F174</sup>(1A) Amounts which, by virtue of this paragraph, are not brought into account for the purposes of this Chapter as respects any matter are in consequence also amounts which, in accordance with section 80(5) of this Act, are not to be brought into account for the purposes of corporation tax as respects that matter apart from this Chapter.]

(2) For the purposes of this paragraph a loan relationship of a company shall be taken to have an unallowable purpose in an accounting period where the purposes for which, at times during that period, the company—

- (a) is a party to the relationship, or
- (b) enters into transactions which are related transactions by reference to that relationship,

include a purpose (“the unallowable purpose”) which is not amongst the business or other commercial purposes of the company.

(3) For the purposes of this paragraph the business and other commercial purposes of a company do not include the purposes of any part of its activities in respect of which it is not within the charge to corporation tax.

(4) For the purposes of this paragraph, where one of the purposes for which a company—

- (a) is a party to a loan relationship at any time, or
- (b) enters into a transaction which is a related transaction by reference to any loan relationship of the company,

is a tax avoidance purpose, that purpose shall be taken to be a business or other commercial purpose of the company only where it is not the main purpose, or one of the main purposes, for which the company is a party to the relationship at that time or, as the case may be, for which the company enters into that transaction.

(5) The reference in sub-paragraph (4) above to a tax avoidance purpose is a reference to any purpose that consists in securing a tax advantage (whether for the company or any other person).

(6) In this paragraph—

<sup>F175</sup> .....

“tax advantage” has the same meaning as in Chapter I of Part XVII of the Taxes Act 1988 (tax avoidance).

#### Textual Amendments

**F171** Sch. 9 para. 13(1)(a)(b) substituted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) for words by Finance Act 2002 (c. 23), s. 79(2), Sch. 23 Pt. 1 para. 13(a) (with Sch. 23 Pt. 3 para. 25)

**F172** Words in Sch. 9 para. 13(1) inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by Finance Act 2002 (c. 23), s. 79(2), Sch. 23 Pt. 1 para. 13(b) (with Sch. 23 Pt. 3 para. 25)

**F173** Words in Sch. 9 para. 13(1) repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 32, Sch. 42 Pt. 2(6)

**F174** Sch. 9 para. 13(1A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 30

**F175** In Sch. 9 para. 13(6) definition of "related transaction" repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(10)

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*Debits and credits treated as relating to capital expenditure*

- 14 (1) This paragraph applies where any debit or credit <sup>F176</sup>... for any accounting period in respect of a loan relationship of a company is allowed by [<sup>F177</sup>generally accepted accounting practice] to be treated, in the accounts of the company, as an amount brought into account in determining the value of a fixed capital asset or project.
- (2) Notwithstanding the application to it of the treatment allowed by [<sup>F177</sup>generally accepted accounting practice], the debit or credit shall be brought into account for the purposes of corporation tax, for the accounting period for which it is given, in the same way as a debit or credit which, in accordance with [<sup>F177</sup>generally accepted accounting practice], is brought into account in determining the company's profit or loss for that period.
- [<sup>F178</sup>(3) No debit may be brought into account by virtue of this paragraph if it is taken into account in arriving at the amount of expenditure in relation to which a debit may be given by Schedule 29 to the Finance Act 2002 (gains and losses of a company from intangible fixed assets).]
- [<sup>F179</sup>(4) Where a debit is brought into account by a company in accordance with subparagraph (1), no debit shall be brought into account in respect of—
- (a) the writing down of so much of the value of the fixed capital asset or project as is attributable to that debit, or
  - (b) so much of any amortisation or depreciation as represents a writing off of the interest component of the asset.]

**Textual Amendments**

- F176** Words in Sch. 9 para. 14(1) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 33\(2\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F177** Words in Sch. 9 para. 14 substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), [103\(4\)\(d\)](#), [Sch. 25 Pt. 1 para. 31\(2\)](#)
- F178** Sch. 9 para. 14(3) added (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 25 Pt. 1 para. 31\(3\)](#)
- F179** Sch. 9 para. 14(4) added (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 33\(3\)](#)

*<sup>F180</sup>Debits and credits recognised in equity or shareholders' funds*

**Textual Amendments**

- F180** Sch. 9 para. 14A and cross-heading inserted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 30](#)

- 14A Where in accordance with generally accepted accounting practice a debit or credit for a period in respect of a loan relationship of a company—
- (a) is recognised in equity or shareholders' funds, and
  - (b) is not recognised in any of the statements mentioned in section 85B(1),
- the debit or credit shall be brought into account for that period for the purposes of this Chapter in the same way as a debit or credit that, in accordance with generally accepted accounting practice, is brought into account in determining the company's profit or loss for that period.]

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*Repo transactions and stock-lending*

- 15 (1) In determining the debits and credits to be brought into account for the purposes of this Chapter in respect of any loan relationship, it shall be assumed that a disposal or acquisition to which this paragraph applies is not a related transaction <sup>F181</sup> . . . .
- (2) This paragraph applies to any such disposal or acquisition of rights or liabilities under the relationship as is made in pursuance of any repo or stock-lending arrangements <sup>F182</sup> and as is, in the case of those arrangements, the disposal or acquisition effected by—
- (a) the transfer by A to B mentioned in sub-paragraph (3)(a) below, or
  - (b) any transfer to A that gives effect to the entitlement or requirement described in sub-paragraph (3)(b) below.]
- (3) In this paragraph “repo or stock-lending arrangements” means <sup>F183</sup> (subject to sub-paragraph (3A)) any arrangements consisting in or involving an agreement or series of agreements under which provision is made—
- (a) for the transfer from one person <sup>F184</sup> (“A”) to another <sup>F184</sup> (“B”) of any rights under that relationship; and
  - (b) for <sup>F185</sup> A <sup>F186</sup> . . . subsequently to be or become entitled, or required—
    - (i) to have the same or equivalent rights transferred to him; or
    - (ii) to have rights in respect of benefits accruing in respect of that relationship on redemption.
- <sup>F187</sup> (3A) Arrangements are not repo or stock-lending arrangements if they are excluded from section 730A of the Taxes Act 1988 by subsection (8) of that section.]
- (4) For the purposes of sub-paragraph (3) above rights under a loan relationship are equivalent to rights under another such relationship if they entitle the holder of an asset representing the relationship—
- (a) to the same rights against the same persons as to capital, interest and dividends, and
  - (b) to the same remedies for the enforcement of those rights,
- notwithstanding any difference in the total nominal amounts of the assets, in the form in which they are held or in the manner in which they can be transferred.
- <sup>F188</sup> (4A) In consequence of sub-paragraph (1) above—
- (a) the person transferring the rights mentioned in sub-paragraph (3)(a) above does not, as a result of the transfer, fall to be regarded for the purposes of this Chapter as ceasing to be party to the loan relationship; <sup>F189</sup> . . .
  - <sup>F189</sup> (b) . . . . .
- <sup>F190</sup> [but nothing in sub-paragraph (1) above prevents the person to whom those rights are transferred from being regarded for the purposes of this Chapter as being party to the loan relationship as a result of the transfer.]
- (5) Nothing in this paragraph shall prevent any redemption or discharge of rights or liabilities under a loan relationship to which any repo or stock-lending arrangements relate from being treated for the purposes of this Chapter as a related transaction (within the meaning of section 84 of this Act).

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- (6) This paragraph is without prejudice to section 730A(2) and (6) of the Taxes Act 1988 (deemed payments of loan interest in the case of the sale and re-purchase of securities).
- [<sup>F191</sup>(6A) Nothing in this paragraph affects section 807A(2A) of the Taxes Act 1988 (double taxation relief in the case of repo or stock lending agreement).]
- (7) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of this paragraph.

#### Textual Amendments

- F181** Words in Sch. 9 para. 15(1) repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**
- F182** Words in Sch. 9 para. 15(2) added (with effect in accordance with Sch. 7 para. 19(5)(6) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 19(2)**
- F183** Words in Sch. 9 para. 15(3) inserted (with effect in accordance with Sch. 38 para. 21(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 38 para. 18(2)**
- F184** Words in Sch. 9 para. 15(3)(a) inserted (with effect in accordance with Sch. 7 para. 19(5)(6) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 19(3)(a)**
- F185** Word in Sch. 9 para. 15(3)(b) substituted (with effect in accordance with Sch. 7 para. 19(5)(6) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 19(3)(b)**
- F186** Words in Sch. 9 para. 15(3)(b) repealed (with effect in accordance with Sch. 38 para. 21(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 38 para. 19**, **Sch. 43 Pt. 3(15)**
- F187** Sch. 9 para. 15(3A) inserted (with effect in accordance with Sch. 38 para. 21(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 38 para. 18(3)**
- F188** Sch. 9 para. 15(4A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 32(2)**
- F189** Sch. 9 para. 15(4A)(b) and the preceding word repealed (with effect in accordance with Sch. 7 para. 19(5)(6) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 19(4)**, **Sch. 11 Pt. 2(8)**
- F190** Words in Sch. 9 para. 15(4A) substituted (with effect in accordance with Sch. 7 para. 19(5)(6) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 19(4)**
- F191** Sch. 9 para. 15(6A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 32(3)**

#### Modifications etc. (not altering text)

- C9** Sch. 9 para. 15: definition of “repo or stock-lending arrangements” modified (1.1.1999) by [S.I. 1998/3177](#), **reg. 19(1)**

### <sup>F192</sup> Amounts imputed under Schedule 28AA to the Taxes Act 1988

#### Textual Amendments

- F192** Sch. 9 para. 16 and crossheading substituted (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 5 para. 8**

- 16 (1) This paragraph applies where, in pursuance of Schedule 28AA to the Taxes Act 1988 (provision not at arm’s length), an amount falls to be treated as any of the following—

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- (a) an amount of profits, gains or losses (whether or not of a capital nature) arising to a company from any of its loan relationships or related transactions;
  - (b) interest payable under any of a company's loan relationships;
  - (c) charges or expenses incurred by a company under or for the purposes of any of its loan relationships or related transactions.
- (2) That Schedule shall have effect<sup>F193</sup> ... so as to require credits or debits relating to the amount so treated to be brought into account for the purposes of this Chapter to the same extent as they would be in the case of an actual amount of—
- (a) profits, gains or losses (whether or not of a capital nature) arising to the company from the loan relationship or related transaction,
  - (b) interest accruing or becoming due and payable under the loan relationship, or
  - (c) charges or expenses incurred under or for the purposes of the loan relationship or related transaction,
- as the case may be.]

#### Textual Amendments

**F193** Words in Sch. 9 para. 16(2) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 34](#), [Sch. 42 Pt. 2\(6\)](#)

*[<sup>F194</sup>Deeply discounted] securities where companies have a connection*

#### Textual Amendments

**F194** Words in Sch. 9 para. 17 cross-heading substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 489\(2\)](#) (with [Sch. 2](#))

- 17 (1) This paragraph applies as respects any accounting period (“the relevant period”) where—
- (a) a debtor relationship of a company (“the issuing company”) is represented by a [<sup>F195</sup>deeply] discounted security issued by that company;
  - <sup>F196</sup>(b) at any time in that period another company stands in the position of a creditor as respects that security;]
  - (c) for that period there is a connection between the issuing company and the other company; and
  - (d) credits representing the full amount of the discount that is referable to that period are not for any accounting period brought into account for the purposes of this Chapter in respect of the corresponding creditor relationship.
- (2) The debits falling in the case of the issuing company to be brought into account for the purposes of this Chapter in respect of the loan relationship shall be adjusted so that every debit relating to the amount of the discount that is referable to the relevant period is brought into account for the accounting period in which the security is redeemed, instead of for the relevant period.
- (3) References in this paragraph to the amount of the discount that is referable to the relevant period are references to the amount relating to the difference between—
- (a) the issue price of the security, and



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- (b) the amount payable on redemption,  
 which (apart from this paragraph) would for the relevant period be brought into account for the purposes of this Chapter in the case of the issuing company.
- [<sup>F197</sup>(4) In this paragraph “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430); and the provisions of that Chapter shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of section 430 of that Act.]
- (5) For the purposes of this paragraph there is a connection between one company and another for the relevant period if (subject to the following provisions of this paragraph)—
- (a) there is a time in that period <sup>F198</sup> . . . when one of the companies has had control of [<sup>F199</sup>, or a major interest in,] the other; or
- (b) there is a time in that period <sup>F200</sup> . . . when both the companies have been under the control of the same person.
- (6) <sup>F201</sup> . . . . .
- (7) <sup>F201</sup> . . . . .
- [<sup>F202</sup>[<sup>F203</sup>(8) Any reference in this paragraph to a company which stands in the position of a creditor as respects a [<sup>F204</sup>deeply] discounted security includes a reference to a company which indirectly stands in that position by reference to a series of loan relationships or money debts which would be loan relationships if a company directly stood in the position of creditor or debtor.]
- (8A) Where this paragraph applies by virtue of sub-paragraph (8) above, the reference to the corresponding creditor relationship in sub-paragraph (1)(d) above is a reference to the creditor relationship of the company which indirectly stands in the position of a creditor as respects the [<sup>F205</sup>deeply] discounted security.]
- [<sup>F206</sup>(9) For the purposes of this paragraph “control”, in relation to a company, has the same meaning as in section 87 of this Act (see section 87A).
- (10) Paragraph 20 below (major interests) applies for the purposes of this paragraph.]

#### Textual Amendments

- F195** Word in Sch. 9 para. 17(1)(a) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 489\(3\)](#) (with Sch. 2)
- F196** Sch. 9 para. 17(1)(b) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 82\(1\), Sch. 25 Pt. 1 para. 33\(2\)](#) (with Sch. 25 Pt. 3 para. 62)
- F197** Sch. 9 para. 17(4) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 489\(4\)](#) (with Sch. 2)
- F198** Words in Sch. 9 para. 17(5)(a) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\), ss. 82\(1\), 141, Sch. 25 Pt. 1 para. 33\(3\)\(a\), Sch. 40 Pt. 3\(12\)](#) (with Sch. 25 Pt. 3 para. 62)
- F199** Words in Sch. 9 para. 17(5)(a) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 82\(1\), Sch. 25 Pt. 1 para. 33\(3\)\(b\)](#) (with Sch. 25 Pt. 3 para. 62)



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- F200** Words in Sch. 9 para. 17(5)(b) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by Finance Act 2002 (c. 23), ss. 82(1), 141, **Sch. 25 Pt. 1 para. 33(4)**, **Sch. 40 Pt. 3(12)** (with Sch. 25 Pt. 3 para. 62)
- F201** Sch. 9 para. 17(6)(7) repealed (24.7.2002 with effect in accordance with s. 82(2) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, **Sch. 40 Pt. 3(12)**
- F202** Sch. 9 para. 17(8)(8A) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) for Sch. 9 para. 17(8) by Finance Act 2002 (c. 23), s. 82(1), **Sch. 25 Pt. 1 para. 33(5)** (with Sch. 25 Pt. 3 para. 62)
- F203** Sch. 9 para. 17(8) substituted (with effect in accordance with Sch. 37 para. 4(2)(3) of the amending Act) by Finance Act 2003 (c. 14), **Sch. 37 para. 4(1)**
- F204** Word in Sch. 9 para. 17(8) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 489(5)** (with Sch. 2)
- F205** Word in Sch. 9 para. 17(8A) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 489(5)** (with Sch. 2)
- F206** Sch. 9 para. 17(9)(10) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) for Sch. 9 para. 17(9) by Finance Act 2002 (c. 23), s. 82(1), **Sch. 25 Pt. 1 para. 33(6)** (with Sch. 25 Pt. 3 para. 62)

**Modifications etc. (not altering text)**

- C10** Sch. 9 para. 17 modified (27.7.1999) by 1999 c. 16, **s. 81(10)**

*[<sup>F207</sup>Deeply discounted] securities of close companies*

**Textual Amendments**

- F207** Words in Sch. 9 para. 18 cross-heading substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 489(6)** (with Sch. 2)

- 18 (1) This paragraph applies for any accounting period [<sup>F208</sup> (“the relevant period”)] where—
- (a) a debtor relationship of a close company [<sup>F209</sup> (“the issuing company”)] is represented by a [<sup>F210</sup>deeply] discounted security issued by the company;  
F211 ...
  - F212(aa) .....
  - [<sup>F213</sup>(b) at any time in that period there is a person who stands in the position of a creditor as respects that security and who at that time is—
    - (i) a participator in the company [<sup>F214</sup>or a person who controls a company which is such a participator];
    - (ii) an associate of [<sup>F215</sup>a person who is, or who controls a company which is,] such a participator; or
    - [<sup>F216</sup>(iii) a company controlled by such a participator or by a person who controls a company which is such a participator.]<sup>F217</sup> ...
  - F218(c) .....

[<sup>F219</sup>(1ZA) But for any such accounting period this paragraph shall not apply in relation to that debtor relationship if any of the following exceptions applies.]

[<sup>F220</sup>(1A) [<sup>F221</sup>The first exception applies where—]

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- (a) at all times in the period when there is such a person as is described in sub-paragraph (1)(b) above, that person is a company; and
- (b) credits representing the full amount of the discount that is referable to the period are brought into account for the purposes of this Chapter in respect of the corresponding creditor relationship.]

[<sup>F222</sup>(1B) The second exception applies where—

- (a) the issuing company is a CIS-based close company;
- (b) at all times in the period when there is such a person as is described in sub-paragraph (1)(b) above, that person is not resident in a non-qualifying territory; and
- (c) the issuing company is a small or medium-sized enterprise for the period.

(1C) The third exception applies where—

- (a) the debt is one that is owed to, or to persons acting for, a CIS limited partnership;
- (b) no member of that partnership is resident in a non-qualifying territory at any time in the period when there is such a person as is described in sub-paragraph (1)(b) above;
- (c) the debtor company has received written notice from the partnership containing information from which it appears that the condition in paragraph (b) above is satisfied; and
- (d) the issuing company is a small or medium-sized enterprise for the period.]

[<sup>F223</sup>(2) The debits falling in the case of the issuing company to be brought into account for the purposes of this Chapter in respect of the loan relationship shall be adjusted so that every debit relating to the amount of the discount that is referable to the relevant period (“the relevant debits”) is brought into account for the accounting period in which the security is redeemed, instead of for the relevant period.

This sub-paragraph does not apply where the relevant period is the accounting period in which the security is redeemed.

(2A) Where at some (but not all) times in the relevant period there is such a person as is described in sub-paragraph (1)(b) above—

- (a) part only of the relevant debits shall be brought into account in accordance with sub-paragraph (2) above; and
- (b) that part is the part which bears to the whole of the relevant debits the proportion which the part of the relevant period for which there is such a person bears to the whole of that period.]

[<sup>F224</sup>(2B) References in this paragraph to the amount of the discount that is referable to an accounting period are references to the amount relating to the difference between—

- (a) the issue price of the security, and
- (b) the amount payable on redemption,

which (apart from sub-paragraphs (2) and (2A) above) would for that accounting period be brought into account for the purposes of this Chapter in the case of the issuing company.]

[<sup>F225</sup>(2C) Any reference in this paragraph to a person who stands in the position of a creditor as respects a [<sup>F226</sup>deeply] discounted security [<sup>F227</sup>includes a reference to a person who indirectly stands in that position by reference to a series of loan relationships or

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money debts which would be loan relationships if a company directly stood in the position of creditor or debtor].

(2D) Where this paragraph applies by virtue of sub-paragraph (2C) above, the reference to the corresponding creditor relationship in sub-paragraph (1A)(c) above is a reference to the creditor relationship of the person who indirectly stands in the position of a creditor as respects the [<sup>F228</sup>deeply] discounted security.]

[<sup>F229</sup>(3) In this paragraph “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430); and the provisions of that Chapter shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of section 430 of that Act.]

<sup>F230</sup>[<sup>F231</sup>(3A) . . . . .]

(3B) In this paragraph “control”, in relation to a company, has the same meaning as in section 87 of this Act (see section 87A).]

[<sup>F232</sup>(3C) A person who is a participator in a company which controls another company shall be treated for the purposes of this paragraph as also being a participator in that other company.]

(4) In this paragraph—

“associate” has the meaning given in section 417(3) and (4) of the Taxes Act 1988;

[<sup>F233</sup>“CIS-based close company” and “CIS limited partnership” have the meaning given by paragraph 2(6) above;]

[<sup>F233</sup>“non-qualifying territory” has the meaning given by paragraph 5E of Schedule 28AA to the Taxes Act 1988;]

<sup>F234</sup> . . . <sup>F235</sup> . . .

“participator” [<sup>F236</sup>, in relation to a company,] means a person who, by virtue of section 417 of that Act, is a participator in the company for the purposes of Part XI of that Act, other than a person who is a participator for those purposes [<sup>F237</sup>by reason only that he is a loan creditor of the company.]

[<sup>F233</sup>“resident” has the meaning given by paragraph 5B(6) of Schedule 28AA to that Act;]

[<sup>F233</sup>“small or medium-sized enterprise” has the meaning given by paragraph 5D of that Schedule.]

(5) In determining whether a person who carries on a business of banking is a participator in a company for the purposes of this paragraph, there shall be disregarded any securities of the company acquired by him in the ordinary course of his business.

#### Textual Amendments

**F208** Words in Sch. 9 para. 18(1) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 34(2)(a)

**F209** Words in Sch. 9 para. 18(1)(a) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 34(2)(b)

**F210** Word in Sch. 9 para. 18(1)(a) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 489(7) (with Sch. 2)

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- F211** Word in Sch. 9 para. 18(1) repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, **Sch. 25 Pt. 1 para. 34(2)(c)**, **Sch. 40 Pt. 3(12)**
- F212** Sch. 9 para. 18(1)(aa) repealed (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), Sch. 8 para. 3(2), **Sch. 11 Pt. 2(9)**
- F213** Words in Sch. 9 para. 18(1)(b) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(3)**
- F214** Words in Sch. 9 para. 18(1)(b)(i) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 8 para. 3(3)(a)**
- F215** Words in Sch. 9 para. 18(1)(b)(ii) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 8 para. 3(3)(b)**
- F216** Sch. 9 para. 18(1)(b)(iii) substituted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 8 para. 3(3)(c)**
- F217** Word in Sch. 9 para. 18(1) repealed (with effect in accordance with Sch. 11 Pt. 2(9) Note of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 11 Pt. 2(9)**
- F218** Sch. 9 para. 18(1)(c) repealed (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), Sch. 8 para. 3(2), **Sch. 11 Pt. 2(9)**
- F219** Sch. 9 para. 18(1ZA) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 8 para. 3(4)**
- F220** Sch. 9 para. 18(1A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(5)**
- F221** Words in Sch. 9 para. 18(1A) substituted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 8 para. 3(5)**
- F222** Sch. 9 para. 18(1B)(1C) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 8 para. 3(6)**
- F223** Sch. 9 para. 18(2)(2A) substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) for Sch. 9 para. 18(2) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(6)** (with Sch. 25 Pt. 3 para. 63)
- F224** Sch. 9 para. 18(2B) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(7)**
- F225** Sch. 9 para. 18(2C)(2D) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(8)**
- F226** Word in Sch. 9 para. 18(2C) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 489(7)** (with Sch. 2)
- F227** Words in Sch. 9 para. 18(2C) substituted (with effect in accordance with Sch. 37 para. 5(4)(5) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 37 para. 5(2)**
- F228** Word in Sch. 9 para. 18(2D) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 489(7)** (with Sch. 2)
- F229** Sch. 9 para. 18(3) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 489(8)** (with Sch. 2)
- F230** Sch. 9 para. 18(3A) repealed (with effect in accordance with Sch. 8 para. 6(5) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), Sch. 8 para. 6(4), **Sch. 42 Pt. 2(4)**
- F231** Sch. 9 para. 18(3A)(3B) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(9)**
- F232** Sch. 9 para. 18(3C) inserted (with effect in accordance with Sch. 37 para. 5(4)(5) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 37 para. 5(3)**
- F233** Words in Sch. 9 para. 18(4) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 8 para. 3(7)**
- F234** In Sch. 9 para. 18(4) definition of "control" repealed (24.7.2002 with effect as mentioned in s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 82(1), 141, **Sch. 25 Pt. 1 para. 34(10)**, **Sch. 40 Pt. 3(12)**
- F235** Word in Sch. 9 para. 18(4) repealed (with effect in accordance with Sch. 11 Pt. 2(9) Note of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 11 Pt. 2(9)**
- F236** In Sch. 9 para. 18(4) words in definition of "participator" inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(11)(a)**
- F237** In Sch. 9 para. 18(4) words in definition of "participator" substituted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 34(11)(b)**

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**Modifications etc. (not altering text)**

**C11** Sch. 9 para. 18 modified (27.7.1999) by 1999 c. 16, s. 81(10)

*f<sup>F238</sup> Partnerships involving companies*

**Textual Amendments**

**F238** Sch. 9 para. 19 and cross-heading inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 35

- 19 (1) This paragraph applies where—
- (a) a trade, profession or business is carried on by persons in partnership (“the firm”);
  - (b) any of those persons is a company (a “company partner”); and
  - (c) a money debt is owed by or to the firm.
- (2) In any such case—
- (a) in computing the profits and losses of the trade, profession or business for the purposes of corporation tax in accordance with section 114(1) of the Taxes Act 1988 (computation as if the partnership were a company) no debits or credits shall be brought into account under this Chapter in relation to the money debt or any loan relationship that would fall to be treated for the purposes of the computation as arising from the money debt; but
  - (b) debits and credits shall be brought into account under this Chapter in relation to the money debt (and any loan relationship treated as arising from it) in accordance with the following provisions of this paragraph by each company partner for each of its accounting periods in which the conditions in sub-paragraph (1) above are satisfied.
- (3) The debits and credits to be brought into account as mentioned in sub-paragraph (2) (b) above shall be determined separately in the case of each company partner.
- (4) For the purpose of determining those debits and credits in the case of any particular company partner—
- (a) the money debt owed by or to the firm shall be treated as if it were instead owed by or, as the case may be, to that company partner, for the purposes of the trade, profession or business which that company partner carries on,
  - (b) the money debt shall continue to be regarded as arising from a transaction for the lending of money if that is in fact the case (so that the company partner is treated as having a loan relationship), and
  - (c) anything done by or in relation to the firm in connection with the money debt shall be treated as done by or in relation to the company partner,
- and debits and credits (the “gross debits and credits”) shall be determined accordingly.
- (5) The debits and credits to be brought into account under this Chapter pursuant to sub-paragraph (2)(b) above in the case of any particular company partner shall be that company partner’s appropriate share of the gross debits and credits determined in accordance with sub-paragraph (4) above in the case of that company partner.

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- (6) For the purposes of sub-paragraph (5) above, the “appropriate share”, in the case of a company partner, is the share that would be apportioned to that company partner if—
  - (a) the gross debits and credits determined in accordance with sub-paragraph (4) above in the case of that company partner fell to be apportioned between the partners; and
  - (b) the apportionment fell to be made in the shares in which any profit or loss computed in accordance with subsection (1) of section 114 of the Taxes Act 1988 would be apportioned between them under subsection (2) of that section.

(7) If, in a case where the money debt owed by or to the firm arises from a transaction for the lending of money, there is a time in an accounting period of any company at which—

- (a) a person who is a company partner stands in relation to the debt in the position of a creditor (if it is owed by the firm) or a debtor (if it is owed to the firm) and accordingly has a creditor relationship or debtor relationship (as the case may be),
- (b) that company partner, whether alone or taken together with one or more other company partners connected with it, controls the partnership, and
- (c) that or any other company partner falls to be treated in accordance with sub-paragraph (4) above as if it had the debtor relationship or creditor relationship that corresponds to the creditor relationship or debtor relationship mentioned in paragraph (a) above,

sub-paragraph (8) below shall apply with respect to that accounting period, if it is an accounting period of a company partner mentioned in paragraph (a) or (c) above.

(8) Where this sub-paragraph applies, there shall be taken for the purposes of this Chapter to be a connection by virtue of section 87(3)(a) of this Act for the accounting period of the company partner mentioned in paragraph (a) of sub-paragraph (7) above, between that company partner and each company partner (including that company partner) that falls within paragraph (c) of that sub-paragraph.

(9) For the purposes of sub-paragraph (7) above, one company partner is connected with another at any time in an accounting period if at that or any other time in the accounting period one controls the other or both are under the control of the same person.

<sup>F239</sup>(10) .....

<sup>F240</sup>(11) Where the company partner uses fair value accounting in relation to its interest in the partnership, the debits and credits to be brought into account under this paragraph by that company must be determined on the basis of fair value accounting.]

(12) Subsection (3) of section 84A of this Act does not apply in relation to a company partner as respects the debits and credits to be brought into account by virtue of this paragraph except to the extent that, in the accounts of the firm, exchange gains and losses are [<sup>F241</sup>recognised in the firm’s statement of recognised gains and losses or statement of changes in equity] .

(13) Where the firm holds a [<sup>F242</sup>deeply] discounted security, within the meaning of paragraph 17 above, each of the partners shall be treated for the purposes of this paragraph as beneficially entitled to that share of the security to which he would be

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entitled if all the partners were companies and such an apportionment as is described in sub-paragraph (6)(b) above were made.

- (14) In this paragraph “control”—
- (a) in relation to a company, has the same meaning as in section 87 of this Act (see section 87A); and
  - (b) in relation to a partnership, has the meaning given by section 840 of the Taxes Act 1988.]

#### Textual Amendments

- F239** Sch. 9 para. 19(10) repealed (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 35\(2\)](#), [Sch. 42 Pt. 2\(6\)](#)
- F240** Sch. 9 para. 19(11) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 35\(3\)](#)
- F241** Words in Sch. 9 para. 19(12) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 35\(4\)](#)
- F242** Word in Sch. 9 para. 19(13) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 489\(9\)](#) (with Sch. 2)

#### *[<sup>F243</sup> Adjustment on change of accounting policy*

#### Textual Amendments

- F243** Sch. 9 paras 19A, 19B and cross-heading inserted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 36](#)

- 19A (1) This paragraph applies where—
- (a) there is a change of accounting policy in drawing up a company’s accounts from one period of account (the “earlier period”) to the next (the “later period”), and
  - (b) the approach in each of those periods accorded with the law and practice applicable in relation to that period.
- (2) This paragraph applies, in particular, where—
- (a) the company prepares accounts for the earlier period in accordance with UK generally accepted accounting practice and for the later period in accordance with international accounting standards, or
  - (b) the company prepares accounts for the earlier period in accordance with international accounting standards and for the later period in accordance with UK generally accepted accounting practice.
- (3) If there is a difference between—
- (a) the accounting value of an asset or liability representing a loan relationship of the company at the end of the earlier period, and
  - (b) the accounting value of that asset or liability at the beginning of the later period,
- a corresponding debit or credit (as the case may be) shall be brought into account for the purposes of this Chapter in the later period.



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(4) In sub-paragraph (3) “accounting value” means [<sup>F244</sup>, subject to sub-paragraph (4B),] the carrying value of the asset or liability recognised for accounting purposes.

[ For the purposes of this paragraph the “carrying value” of an asset or liability includes  
<sup>F245</sup>(4A) amounts recognised for accounting purposes in relation to the loan relationship in respect of—

- (a) accrued amounts;
- (b) amounts paid or received in advance;
- (c) impairment losses (including provisions for bad or doubtful debts).

(4B) In determining the profits, gains and losses to be recognised in determining the carrying value of the asset or liability for the purposes of this paragraph, the following provisions—

- (a) section 87(2) (accounting method where parties have a connection),
- (b) section 88A(4) (accounting method where rate of interest is reset),
- (c) section 94 (loan relationships: treatment of indexed gilt-edged securities),
- (d) section 94A(2) (loan relationships with embedded derivatives),
- (e) section 96(2) (special rules for certain gilts),
- (f) section 154(6) (FOTRA securities: certain amounts not to be brought into account), and
- (g) paragraphs 1, 1A, 2, [<sup>F246</sup>4A,] 6, 12 and 18 of this Schedule (special computational provisions),

apply as they apply for the purposes of determining the credits and debits to be brought into account under this Chapter.

[ In determining the accounting value of an asset of the company at the end of the  
<sup>F247</sup>(4BA) earlier period, no account shall be taken of a debit that in a period of account beginning before 1st January 2005 was disallowed for tax purposes—

- (a) because of the assumption required by paragraph 5(1) above, or
- (b) because the exceptions in section 74(1)(j) of the Taxes Act 1988 did not apply.]

(4C) Where—

- (a) a company has ceased to be a party to a loan relationship,
- (b) section 103(6) (credits and debits to be brought into account in respect of profits, gains and losses arising in the cessation period) applied to the cessation, and
- (c) there is a difference between—
  - (i) the amount outstanding in respect of the loan relationship at the end of the earlier period, and
  - (ii) the amount outstanding in respect of the loan relationship at the beginning of the later period,

a debit or credit (as the case may be) corresponding to that difference shall be brought into account for the purposes of this Chapter at the beginning of the later period.

(4D) In sub-paragraph (4C), “the amount outstanding”, in respect of a loan relationship, means so much of the amount recognised as deferred income or deferred loss in the company's balance sheet, in accordance with generally accepted accounting practice, in respect of the profits, gains or losses that arose from that relationship or a related



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transaction in the cessation period (within the meaning of section 103(6)) as has not been represented by credits or debits brought into account under this Chapter.]

- (5) This paragraph does not apply if or to the extent that such a debit or credit as is mentioned in sub-paragraph (3) [<sup>F248</sup>or (4C)] falls to be brought into account apart from this paragraph.

<sup>F249</sup>(6) . . . . .

**Textual Amendments**

- F244** Words in Sch. 9 para. 19A(4) inserted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 31\(2\)](#)  
**F245** Sch. 9 paras. 19A(4A)-(4D) inserted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 31\(3\)](#)  
**F246** Word in Sch. 9 para. 19A(4B)(g) inserted (retrospective to 7.4.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 6 para. 4\(2\)\(6\)](#)  
**F247** Sch. 9 para. 19A(4BA) inserted (with effect in accordance with Sch. 6 para. 6(2) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 6 para. 6\(1\)](#)  
**F248** Words in Sch. 9 para. 19A(5) inserted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 31\(4\)](#)  
**F249** Sch. 9 para. 19A(6) repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 31\(5\)](#), [Sch. 11 Pt. 2\(7\)](#)

**Modifications etc. (not altering text)**

- C12** Sch. 9 para. 19A applied (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 6 para. 7\(6\)](#)

*Power to make further provision by regulations*

- 19B (1) The Treasury may by regulations make provision for cases where there is a change of accounting policy in drawing up a company's accounts from one period of account to the next affecting the amounts to be brought into account for accounting purposes in respect of the company's loan relationships.
- (2) The regulations may provide for any debits or credits that would otherwise be brought into account for the purposes of this Chapter—
- (a) not to be brought into account,
  - (b) to be brought into account only to a prescribed extent, or
  - (c) to be brought into account over a prescribed period or in prescribed circumstances.
- (3) Regulations under this paragraph may, in particular, modify the operation of paragraph 19A.
- (4) The power to make regulations under this paragraph includes power—
- (a) to make different provision for different cases, and
  - (b) to make such consequential, supplementary, incidental or transitional provision, or savings, as appear to the Treasury to be necessary or expedient.]

<sup>F250</sup>*Interpretation of references to major interests*

**Textual Amendments**

- F250** Sch. 9 para. 20 and cross-heading inserted (24.7.2002 with effect as mentioned in [s. 82\(2\)](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [s. 82\(1\)](#), [Sch. 25 Pt. 1 para. 36](#)

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- 20 (1) For the purposes of any provision which applies this paragraph, the cases where a company (“company A”) has a major interest in another company (“company B”) at any time are those cases where at that time—
- (a) company A and one other person, taken together, have control of company B;
  - (b) company A and the other person each have interests, rights and powers representing at least 40 per cent of the holdings, rights and powers in respect of which company A and the other person fall to be taken as having control of company B; <sup>F251</sup> ...
- <sup>F252</sup>(c) .....
- <sup>F253</sup>(2) .....
- (3) The reference in sub-paragraph (1)(b) above to interests, rights and powers does not include interests, rights or powers arising from shares held by a company if—
- (a) a profit on a sale of the shares would be treated as a trading receipt of a trade carried on by the company; and
  - (b) the shares are not, within the meaning of Chapter 1 of Part 12 of the Taxes Act 1988, assets of an insurance company’s long-term insurance fund (see section 431(2) of that Act).
- (4) For the purposes of sub-paragraph (1) above, any question—
- (a) whether two persons taken together have control of a company at any time, or
  - (b) whether a person has at any time interests, rights and powers representing at least 40 per cent of the holdings, rights and powers in respect of a company,
- shall be determined after attributing to any person which is a company all the interests, rights and powers of any company connected with it.
- (5) Where section 114 of the Taxes Act 1988 (partnerships involving companies: special rules for computing profits and losses) applies in relation to a partnership, any property, rights or powers held or exercisable for the purposes of the partnership shall be treated for the purposes of this paragraph, as respects any time in an accounting period of the partnership, as if—
- (a) the property, rights or powers had been apportioned between, and were held or exercisable by, the partners severally, and
  - (b) the apportionment had been in the shares in which the profit or loss of the accounting period of the partnership would be apportioned between the partners under subsection (2) of that section,
- but taking the references in paragraphs (a) and (b) above to partners as not including a reference to the general partner of a limited partnership which is a collective investment scheme within the meaning of section 235 of the Financial Services and Markets Act 2000.
- (6) Where a trade, profession or business is carried on by two or more persons in partnership (“the firm”) and the firm stands in the position of a creditor or debtor as respects a money debt, any question—
- (a) whether a company has a major interest (within the meaning of this paragraph) in another company for an accounting period in the case of a loan relationship, or
  - (b) to what extent any amount is to be treated under this Chapter in any particular way as a result of a company having, or (as the case may be) not having, such a major interest in another company,

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shall be determined as if to the extent of his appropriate share each of the partners separately, instead of the firm, stood in the position of a creditor or, as the case may be, debtor as respects the money debt.

The reference in the words following paragraph (b) above to partners does not include a reference to the general partner of a limited partnership which is a collective investment scheme within the meaning of section 235 of the Financial Services and Markets Act 2000.

- (7) For the purposes of sub-paragraph (6) above, a partner's "appropriate share" is the share that would be apportioned to him if an apportionment were made in the shares in which any profit or loss computed in accordance with subsection (1) of section 114 of the Taxes Act 1988 for the accounting period in question would be apportioned between the partners under subsection (2) of that section.
- (8) For the purposes of this paragraph, a company is connected with another company if one controls the other or both are controlled by the same company.
- (9) For the purposes of this paragraph, "control", in relation to a company, has the same meaning as in section 87 of this Act (see section 87A).
- (10) Where two or more persons taken together have the power mentioned in subsection (1) of section 87A of this Act (as read with the other provisions of that section) they shall be taken for the purposes of sub-paragraph (1)(a) above to have control of the company in question.]

#### Textual Amendments

- F251** Word in Sch. 9 para. 20(1) repealed (with effect in accordance with Sch. 8 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(4\)](#)
- F252** Sch. 9 para. 20(1)(c) repealed (with effect in accordance with Sch. 8 para. 7(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 8 para. 7\(2\)](#), [Sch. 42 Pt. 2\(4\)](#)
- F253** Sch. 9 para. 20(2) repealed (with effect in accordance with Sch. 8 para. 7(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 8 para. 7\(3\)](#), [Sch. 42 Pt. 2\(4\)](#)

## SCHEDULE 10

Section 98.

### LOAN RELATIONSHIPS: COLLECTIVE INVESTMENT SCHEMES

#### Modifications etc. (not altering text)

- C13** Sch. 10 modified (28.4.1997) by [S.I. 1997/1154](#), [reg.19\(1\)-\(10\)](#)

*[<sup>F254</sup>Investment trusts: capital profits, gains or losses]*

#### Textual Amendments

- F254** Sch. 10 paras. 1A, 1B and cross-headings substituted for Sch. 10 para. 1A and cross-heading (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 38](#)

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F255 1

#### Textual Amendments

**F255** Sch. 10 para. 1A and cross-heading substituted (with effect in relation to accounting periods beginning on or after 1.10.2002) for Sch. 10 para. 1 and heading by [Finance Act 2002 \(c. 23\)](#), s. 82, [Sch. 25 Pt. 1 para. 37](#)

[<sup>F254</sup>1A(1) Capital profits, gains or losses arising to an investment trust from a creditor relationship must not be brought into account as credits or debits for the purposes of this Chapter.

- (2) For the purposes of this paragraph “capital profits, gains or losses”—
- (a) in the case of an investment trust that prepares accounts in accordance with UK generally accepted accounting practice, has the meaning given by sub-paragraphs (3) and (4), and
  - (b) in the case of an investment trust that prepares accounts in accordance with international accounting standards, has the meaning given by order made by the Treasury.
- (3) In the cases mentioned in sub-paragraph (2)(a) capital profits, gains or losses arising from a creditor relationship in an accounting period are profits, gains or losses that are carried to or sustained by a capital reserve in accordance with the Statement of Recommended Practice.
- (4) For the purposes of this paragraph the Statement of Recommended Practice is, for an accounting period for which it is required or permitted to be used—
- (a) the Statement of Recommended Practice relating to Investment Trust Companies, issued by the Association of Investment Trust Companies in January 2003, as from time to time modified, amended or revised, or
  - (b) any subsequent Statement of Recommended Practice relating to investment trusts, as from time to time modified, amended or revised.

#### *Venture capital trusts: capital profits, gains or losses*

1B (1) Capital profits, gains or losses arising to a venture capital trust from a creditor relationship must not be brought into account as credits or debits for the purposes of this Chapter.

- (2) For the purposes of this paragraph “capital profits, gains or losses”—
- (a) in the case of a venture capital trust that prepares accounts in accordance with UK generally accepted accounting practice, has the meaning given by sub-paragraphs (3) and (4), and
  - (b) in the case of a venture capital trust that prepares accounts in accordance with international accounting standards, has the meaning given by order made by the Treasury.
- (3) In the cases mentioned in sub-paragraph (2)(a) capital profits, gains or losses arising from a creditor relationship in an accounting period are profits, gains or losses that—
- (a) are carried to or sustained by a capital reserve in accordance with the Statement of Recommended Practice as if the venture capital trust were an investment trust, or

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- (b) would be so carried to or sustained by a capital reserve if the venture capital trust were an investment trust and were using the Statement of Recommended Practice.
- (4) For the purposes of this paragraph the Statement of Recommended Practice is, in relation to an accounting period for which it is required or permitted to be used—
  - (a) the Statement of Recommended Practice relating to Investment Trust Companies, issued by the Association of Investment Trust Companies in January 2003, as from time to time modified, amended or revised, or
  - (b) any subsequent Statement of Recommended Practice relating to investment trusts, as from time to time modified, amended or revised.]

*[<sup>F256</sup> Authorised unit trusts][<sup>F257</sup>: capital profits, gains or losses]*

#### Textual Amendments

- F256** Sch. 10 paras. 2A, 2B and cross-headings substituted (with effect in relation to accounting periods beginning on or after 1.10.2002) for Sch. 10 para. 2 and heading by [Finance Act 2002 \(c. 23\), s. 82, Sch. 25 Pt. 1 para. 38](#)
- F257** Words in Sch. 10 para. 2A heading added (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 10 para. 39\(2\)](#)

<sup>F256</sup>2 .....

2A<sup>F258</sup>(1) Where any profits, gains or losses arising to an authorised unit trust from a creditor relationship in an accounting period are capital profits, gains or losses, those profits, gains or losses must not be brought into account as credits or debits for the purposes of this Chapter<sup>F259</sup> ....

- <sup>F260</sup>(1A) For the purposes of this paragraph “capital profits, gains or losses”—
- (a) in the case of an authorised unit trust that prepares accounts in accordance with UK generally accepted accounting practice, has the meaning given by sub-paragraphs (2) to (4), and
  - (b) in the case of an authorised unit trust that prepares accounts in accordance with international accounting standards, has the meaning given by order made by the Treasury.]
- (2) [<sup>F261</sup>In the cases mentioned in sub-paragraph (1A)(a)], capital profits, gains or losses arising from a creditor relationship in an accounting period are such profits, gains or losses arising from a creditor relationship as fall to be dealt with under—
- (a) the heading “net gains/losses on investments during the period”, or
  - (b) the heading “other gains/losses”,
- in the statement of total return for the accounting period.
- (3) For the purposes of sub-paragraph (2) above, the statement of total return for an accounting period is the statement of total return which, in accordance with the Statement of Recommended Practice used for the accounting period, must be included in the accounts contained in the annual report of the authorised unit trust which deals with the accounting period.

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- (4) For the purposes of sub-paragraph (3) above, “Statement of Recommended Practice” means—
- (a) in relation to any accounting period for which it is required or permitted to be used, the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by the Investment Management Regulatory Organisation Limited in January 1997, as from time to time modified, amended or revised; or
  - (b) in relation to any accounting period for which it is required or permitted to be used, any subsequent Statement of Recommended Practice relating to authorised unit trust schemes, as from time to time modified, amended or revised.
- (5) The Treasury may by order amend this paragraph so as to alter the definition of capital profits, gains or losses [<sup>F262</sup>in sub-paragraphs (2) to (4)] in consequence of the modification, amendment, revision or replacement of a Statement of Recommended Practice.
- (6) The power to make an order under this paragraph includes power—
- (a) to make different provision for different cases; and
  - (b) to make such consequential, supplementary, incidental or transitional provision, or savings, as appear to the Treasury to be necessary or expedient (including provision amending any enactment or any instrument made under any enactment).]

#### Textual Amendments

- F258** Sch. 10 para. 2A repealed (for the purposes of corporation tax and income tax, with effect as specified in art. 2(3) of the commencing S.I.) by Finance (No. 2) Act 2005 (c. 22), ss. 17(1)(b), 19(1), **Sch. 11 Pt. 2(3)**; S.I. 2006/982, art. 2
- F259** Words in Sch. 10 para. 2A(1) repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 39(3), **Sch. 42 Pt. 2(6)**
- F260** Sch. 10 para. 2A(1A) inserted (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 10 para. 39(4)**
- F261** Words in Sch. 10 para. 2A(2) substituted (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 10 para. 39(5)**
- F262** Words in Sch. 10 para. 2A(5) inserted (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 10 para. 39(6)**

*[<sup>F263</sup>Open-ended investment companies [<sup>F264</sup>: capital profits, gains or losses]*

#### Textual Amendments

- F263** Sch. 10 paras. 2A, 2B and headings substituted (with effect in relation to accounting periods beginning on or after 1.10.2002) for Sch. 10 para. 2 and heading by Finance Act 2002 (c. 23), s. 82, **Sch. 25 Pt. 1 para. 38**
- F264** Words in Sch. 10 para. 2B heading added (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 10 para. 40(2)**

- 2B<sup>F265</sup>(1) Where any profits, gains or losses arising to an open-ended investment company from a creditor relationship in an accounting period are capital profits, gains or losses,

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those profits, gains or losses must not be brought into account as credits or debits for the purposes of this Chapter<sup>F266</sup> ....

- [<sup>F267</sup>(1A) For the purposes of this paragraph “capital profits, gains or losses”—
- (a) in the case of a company that prepares accounts in accordance with UK generally accepted accounting practice, has the meaning given by sub-paragraphs (2) to (4), and
  - (b) in the case of a company that prepares accounts in accordance with international accounting standards, has the meaning given by order made by the Treasury.]
- (2) [<sup>F268</sup>In the cases mentioned in sub-paragraph (1A)(a)], capital profits, gains or losses arising from a creditor relationship in an accounting period are such profits, gains or losses arising from a creditor relationship as fall to be dealt with under—
- (a) the heading “net gains/losses on investments during the period”, or
  - (b) the heading “other gains/losses”,
- in the statement of total return for the accounting period.
- (3) For the purposes of sub-paragraph (2) above, the statement of total return for an accounting period is the statement of total return which, in accordance with the Statement of Recommended Practice used for the accounting period, must be included in the accounts contained in the annual report of the open-ended investment company which deals with the accounting period.
- (4) For the purposes of sub-paragraph (3) above, “Statement of Recommended Practice” means—
- (a) in relation to any accounting period for which it is required or permitted to be used, the Statement of Recommended Practice relating to Open-Ended Investment Companies issued by the Financial Services Authority in November 2000, as from time to time modified, amended or revised; or
  - (b) in relation to any accounting period for which it is required or permitted to be used, any subsequent Statement of Recommended Practice relating to open-ended investment companies, as from time to time modified, amended or revised.
- (5) The Treasury may by order amend this paragraph so as to alter the definition of capital profits, gains or losses [<sup>F269</sup>in sub-paragraphs (2) to (4)] in consequence of the modification, amendment, revision or replacement of a Statement of Recommended Practice.
- (6) The power to make an order under this paragraph includes power—
- (a) to make different provision for different cases; and
  - (b) to make such consequential, supplementary, incidental or transitional provision, or savings, as appear to the Treasury to be necessary or expedient (including provision amending any enactment or any instrument made under any enactment).]]

#### Textual Amendments

**F265** Sch. 10 para. 2B repealed (for the purposes of corporation tax and income tax, with effect as specified in art. 2(3) of the commencing S.I.) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), ss. 17(1)(b), 19(1), [Sch. 11 Pt. 2\(3\)](#); S.I. 2006/982, art. 2



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- F266** Words in Sch. 10 para. 2B(1) repealed (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), Sch. 10 para. 40(3), **Sch. 42 Pt. 2(6)**
- F267** Sch. 10 para. 2B(1A) inserted (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 10 para. 40(4)**
- F268** Words in Sch. 10 para. 2B(2) substituted (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 10 para. 40(5)**
- F269** Words in Sch. 10 para. 2B(5) inserted (with effect in accordance with s. 52(3) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 10 para. 40(6)**

### *Distributing offshore funds*

F270<sup>3</sup> .....

#### **Textual Amendments**

- F270** Sch. 10 para. 3 repealed (with effect in accordance with Sch. 26 para. 1(3)-(6) of the amending Act) by Finance Act 2004 (c. 12), Sch. 26 para. 1(2), **Sch. 42 Pt. 2(18)** (with Sch. 26 para. 17)

#### **Modifications etc. (not altering text)**

- C14** Sch. 10 para. 3 savings for effects of 2004 c. 12, Sch. 26 para. 1(2) (with effect in accordance with reg. 1(2) of the amending S.I.) by **The Offshore Funds Regulations 2004 (S.I. 2004/2572)**, regs. 1(1), **7(3)(a)**
- C15** Sch. 10 para. 3 savings for effects of 2004 c. 12, Sch. 26 para. 1(2) (with effect in accordance with reg. 1(2) of the amending S.I.) by **The Offshore Funds Regulations 2004 (S.I. 2004/2572)**, regs. 1(1), **6(3)(a)**

### *Company holdings in unit trusts and offshore funds*

- 4 (1) This paragraph applies for the purposes of corporation tax in relation to any company where—
- (a) at any time in an accounting period that company holds any of the following (“a relevant holding”), that is to say, any rights under a unit trust scheme or any relevant interests in an offshore fund; and
  - (b) there is a time in that period when that scheme or fund fails to satisfy the non-qualifying investments test.
- (2) The Corporation Tax Acts shall have effect for that accounting period in accordance with sub-paragraphs (3) and (4) below as if the relevant holding were rights under a creditor relationship of the company.
- [<sup>F271</sup>(3) The debits and credits to be brought into account for the purposes of this Chapter as respects the company’s relevant holdings must be determined on the basis of fair value accounting.]
- (4) [<sup>F272</sup>Sub-paragraph (3) shall not be taken, as respects any accounting period,] to require the bringing into account of any credit relating to any distributions of an authorised unit trust which become due and payable in that period other than interest distributions within the meaning of [<sup>F273</sup>regulations made under section 17(3) of the Finance (No. 2) Act 2005 (as at 1st April 2006, see regulation 18(3) of the Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964))].



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#### Textual Amendments

- F271** Sch. 10 para. 4(3) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 41\(2\)](#)
- F272** Words in Sch. 10 para. 4(4) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 10 para. 41\(3\)](#)
- F273** Words in Sch. 10 para. 4(4) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Authorised Investment Funds (Tax) Regulations 2006 ([S.I. 2006/964](#)), [reg. 90\(2\)](#)

#### Modifications etc. (not altering text)

- C16** Sch. 10 para. 4 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Authorised Investment Funds \(Tax\) Regulations 2006 \(S.I. 2006/964\)](#), [reg. 95](#)

#### *Holding becoming or ceasing to be paragraph 4 holding*

- 5 (1) Section 116 of the 1992 Act (reorganisations etc. involving qualifying corporate bonds) shall have effect in accordance with the assumptions for which this paragraph provides if—
- (a) a relevant holding is held by a company both at the end of one accounting period and at the beginning of the next; and
  - (b) paragraph 4 above applies to that holding for one of those periods but not for the other.
- (2) Where—
- (a) the accounting period for which paragraph 4 above applies to the relevant holding is the second of the periods mentioned in sub-paragraph (1) above, and
  - (b) the first of those periods is not a period ending on 31st March 1996 or a period at the end of which there is deemed under section 212 of the 1992 Act to have been a disposal of the relevant holding,
- the holding shall be assumed to have become a holding to which paragraph 4 above applies for the second of those periods in consequence of the occurrence, at the end of the first period, of a transaction such as is mentioned in section 116(1) of that Act.
- (3) In relation to the transaction that is deemed to have occurred as mentioned in sub-paragraph (2) above—
- (a) the relevant holding immediately before the beginning of the second accounting period shall be assumed to be the old asset for the purposes of section 116 of the 1992 Act; and
  - (b) the relevant holding immediately after the beginning of that period shall be assumed for those purposes to be the new asset.
- (4) Where the accounting period for which paragraph 4 above applies to the relevant holding is the first of the periods mentioned in sub-paragraph (1) above, then, for the purposes of the 1992 Act—
- (a) the holding shall be assumed to have become a holding to which paragraph 4 above does not apply for the second of those periods in consequence of the occurrence at the beginning of the second of those periods of a transaction such as is mentioned in section 116(1) of that Act;

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- (b) the relevant holding immediately before the beginning of that second period shall be assumed, in relation to that transaction, to be the old asset for the purposes of section 116 of the 1992 Act; and
- (c) the relevant holding immediately after the beginning of that period shall be assumed, in relation to that transaction, to be the new asset for those purposes.

(5) In this paragraph “the 1992 Act” means the <sup>M25</sup>Taxation of Chargeable Gains Act 1992.

#### Marginal Citations

M25 1992 c. 12.

#### *Opening valuation of paragraph 4 holding*

- 6 Where—
- (a) paragraph 5(2) above applies in the case of any relevant holding of a company, and
  - (b) for the purpose of bringing amounts into account for the purposes of this Chapter on the mark to market basis used for that period in pursuance of paragraph 4 above, an opening valuation of the holding falls to be made as at the beginning of that period,
- the value of that asset at the beginning of that period shall be taken for the purpose of the opening valuation to be equal to whatever, in relation to a disposal immediately before the end of the previous accounting period, would have been taken to be the market value of the holding for the purposes of the Taxation of Chargeable Gains Act 1992.

#### *Meaning of offshore funds*

- 7 (1) For the purposes of paragraph 4 above an interest is a relevant interest in an offshore fund if—
- (a) it is a material interest in an offshore fund for the purposes of Chapter V of Part XVII of the Taxes Act 1988; or
  - (b) it would be such an interest if the assumption mentioned in sub-paragraph (2) below were made.
- (2) That assumption is that the unit trust schemes and arrangements referred to in <sup>F274</sup>paragraphs (b) and (c) of subsection (1) of section 756A] of the Taxes Act 1988 are not limited to those which are also collective investment schemes.

#### Textual Amendments

**F274** Words in Sch. 10 para. 7 substituted (with effect in accordance with s. 145(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 26 para. 12\(2\)](#) (with [Sch. 26 para. 17](#))

#### Modifications etc. (not altering text)

**C17** Sch. 10 para. 7 applied (29.4.1996) by [1992 c. 12](#), [s. 117B\(8\)](#) (as inserted (29.4.1996) by [1996 c. 8](#), [s. 104](#), [Sch. 14 para. 62](#) (with savings in [Pt. IV Ch. II](#)))

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*Non-qualifying investments test*

- 8 (1) For the purposes of paragraph 4 above a unit trust scheme or offshore fund fails to satisfy the non-qualifying investments test at any time when the market value of the qualifying investments exceeds 60 per cent. of the market value of all the investments of the scheme or fund.
- (2) Subject to sub-paragraph (8) below, in this paragraph “qualifying investments”, in relation to a unit trust scheme or offshore fund, means investments of the scheme or fund which are of any of the following descriptions—
- (a) money placed at interest;
  - (b) securities;
  - (c) shares in a building society;
  - (d) qualifying holdings in a unit trust scheme or an offshore fund [<sup>F275</sup>or an open-ended investment company].
  - [<sup>F276</sup>(e) derivative contracts whose underlying subject matter consists wholly of any one or more of the matters referred to in paragraphs (a) to (d) above;
  - (f) contracts for differences whose underlying subject matter consists wholly of interest rates or creditworthiness or both of those matters.]
- (3) For the purposes of sub-paragraph (2) above a holding in a unit trust scheme or offshore fund [<sup>F277</sup>or open-ended investment company] is a qualifying holding at any time if—
- (a) at that time, or
  - (b) at any other time in the same accounting period,
- that scheme or fund [<sup>F278</sup>or company] would itself fail (even on the relevant assumption) to satisfy the non-qualifying investments test.
- [<sup>F279</sup>(3A) For the purposes of sub-paragraph (3) above an open-ended investment company fails to satisfy the non-qualifying investments test at any time when the market value of the investments of the company which are qualifying investments exceeds 60 per cent. of the market value of all its investments.]
- (4) For the purposes of [<sup>F280</sup>sub-paragraphs (3) and (3A)] above the relevant assumption is that investments of the scheme or fund [<sup>F281</sup>or company] are qualifying investments in relation to that scheme or fund [<sup>F281</sup>or company] only if they fall within paragraphs (a) to (c) [<sup>F282</sup>, (e) and (f)] of sub-paragraph (2) above.
- (5) References in this paragraph to investments of a unit trust scheme or offshore fund are references, as the case may be—
- (a) to investments subject to the trusts of the scheme, or
  - (b) to assets of the fund,
- but in neither case do they include references to cash awaiting investment.
- [<sup>F283</sup>(5A) References in this paragraph to investments of an open-ended investment company are references to investments comprised in the scheme property of that company, but do not include references to cash awaiting investment.]
- (6) References in this paragraph to a holding—
- (a) in relation to a unit trust scheme, are references to an entitlement to a share in the investments of the scheme; and

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- (b) in relation to an offshore fund, are references to shares in any company by which that fund is constituted or any entitlement to a share in the investments of the fund.

[<sup>F284</sup>and

- <sup>F284</sup>(c) in relation to an open-ended investment company, are references to shares in that company.]

[<sup>F285</sup>(6A) For the purposes of sub-paragraph (6)(c) above, where in respect of a given class of shares of an open-ended investment company—

- (a) shares issued of that class consist of both smaller denomination shares and larger denomination shares, and  
 (b) a person owns both smaller denomination shares and larger denomination shares of that class,

those shares owned by him shall be treated as being securities of the same class for the purposes of the provisions of the Tax Acts and the 1992 Act relating to ownership of shares in a company.

<sup>F285</sup>(6B) In sub-paragraph (6A) above, “smaller denomination shares” means shares to which are attached rights specified in the open-ended investment company’s instrument of incorporation that are expressed in the smaller of two denominations, and “larger denomination shares” means shares to which are attached rights so specified that are expressed in the larger of two denominations.]

(7) In this paragraph “security” does not include shares in a company.

[<sup>F286</sup>(7A) In this paragraph—

- (a) “collective investment scheme” has the meaning given by [<sup>F287</sup>235 of the Financial Services and Markets Act 2000];  
 (b) “open-ended investment company” means, subject to sub-paragraph (7B) below, an open-ended investment company within the meaning given by [<sup>F287</sup>236 of the Financial Services and Markets Act 2000] which is incorporated in the United Kingdom;  
 (c) “scheme property” of an open-ended investment company means, subject to sub-paragraph (7C)(b) below, the property subject to the collective investment scheme constituted by the company;  
 (d) references to a person owning shares in an open-ended investment company are references to—  
     (i) the beneficial owner of the shares,  
     (ii) where the shares are held on trust (other than a bare trust), the trustees of the trust, or  
     (iii) where the shares are comprised in the estate of a deceased person, the deceased’s personal representatives.

<sup>F286</sup>(7B) Each of the parts of an umbrella company shall be regarded for the purposes of this paragraph as an open-ended investment company and the umbrella company as a whole shall not be so regarded and shall not be regarded as a company.

<sup>F286</sup>(7C) In relation to a part of an umbrella company—

- (a) references in this paragraph to investments of an open-ended investment company shall have effect as references to such of the investments as under

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the arrangements referred to in sub-paragraph (7D) below form part of the separate pool to which that part of the umbrella company relates;

- (b) references in this paragraph to the scheme property of an open-ended investment company shall have effect as if they were references to such property subject to the collective investment scheme constituted by the umbrella company as is comprised in the separate pool to which that part of the umbrella company relates;
- (c) a person for the time being having rights in that part shall be regarded as the owner of shares in the open-ended investment company which that part is deemed to be by virtue of sub-paragraph (7B) above, and not as the owner of shares in the umbrella company itself.

<sup>F286</sup>(7D) In sub-paragraphs (7B) and (7C) above “umbrella company” means a company—

- (a) which falls within the definition of “open-ended investment company” in [<sup>F287</sup>236 of the Financial Services and Markets Act 2000],
- (b) which is incorporated in the United Kingdom,
- (c) whose instrument of incorporation provides for arrangements for such pooling as is mentioned in section [<sup>F288</sup>235(3)(a)] of that Act in relation to separate parts of the scheme property of the company, and
- (d) the owners of shares in which are entitled to exchange rights in one part for rights in another;

and any reference to a part of an umbrella company is a reference to such of the arrangements as relate to a separate pool.]

[<sup>F289</sup>(7E) For the purposes of this paragraph—

“contract for differences” has the same meaning as in paragraph 12 of Schedule 26 to the Finance Act 2002;

“derivative contract” means—

- (a) a contract which is a derivative contract within the meaning of that Schedule, or
- (b) a contract which is, in the accounting period in question, treated as if it were a derivative contract by virtue of paragraph 36 of that Schedule (contracts relating to holdings in unit trust schemes, open-ended investment companies and offshore funds);

“underlying subject matter” has the same meaning as in paragraph 11 of that Schedule.]

[<sup>F290</sup>(7F) In this paragraph “offshore fund” has the same meaning as in Chapter 5 of Part 17 of the Taxes Act 1988 and references to the assets of an offshore fund shall be construed in accordance with that Chapter.]

- (8) The Treasury may by order amend this paragraph so as to extend or restrict the descriptions of investments of a unit trust scheme or offshore fund that are qualifying investments for the purposes of this paragraph.

#### Textual Amendments

**F275** Words in Sch. 10 para. 8(2)(d) added (25.2.1997) by [S.I. 1997/213](#), [art. 2](#)

**F276** Sch. 10 para. 8(2)(e)(f) inserted (with effect in relation to accounting periods beginning on or after 1.10.2002 subject to [Sch. 28](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 83, [Sch. 27 para. 20\(2\)](#)

**F277** Words in Sch. 10 para. 8(3) inserted (25.2.1997) by [S.I. 1997/213](#), [art. 4\(a\)](#)

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- F278** Words in Sch. 10 para. 8(3) inserted (25.2.1997) by S.I. 1997/213, **art. 4(b)**
- F279** Sch. 10 para. 8(3A) inserted (25.2.1997) by S.I. 1997/213, **art. 5**
- F280** Words in Sch. 10 para. 8(4) substituted (25.2.1997) by S.I. 1997/213, **art. 6(a)**
- F281** Words in Sch. 10 para. 8(4) inserted (25.2.1997) by S.I. 1997/213, **art. 6(b)**
- F282** Words in Sch. 10 para. 8(4) inserted (with effect in relation to accounting periods beginning on or after 1.10.2002 subject to **Sch. 28** of the amending Act) by **Finance Act 2002 (c. 23)**, s. 83, **Sch. 27 para. 20(3)**
- F283** Sch. 10 para. 8(5A) inserted (25.2.1997) by S.I. 1997/213, **art. 7**
- F284** Sch. 10 para. 8(6)(c) and the preceding word “and” added (25.2.1997) by S.I. 1997/213, **art. 8**
- F285** Sch. 10 para. 8(6A)(6B) inserted (25.2.1997) by S.I. 1997/213, **art. 9**
- F286** Sch. 10 para. 8(7A)-(7D) inserted (25.2.1997) by S.I. 1997/213, **art. 10**
- F287** Words in Sch. 10 para. 8(7A)(a)(b)(7D)(a) substituted (1.12.2001) by S.I. 2001/3629, **art. 95(2)(a)(b)(3)(a)**
- F288** Words in Sch. 10 para. 8(7D)(c) substituted (1.12.2001) by S.I. 2001/3629, **art. 95(3)(b)**
- F289** Sch. 10 para. 8(7E) inserted (with effect in relation to accounting periods beginning on or after 1.10.2002 subject to **Sch. 28** of the amending Act) by **Finance Act 2002 (c. 23)**, s. 83, **Sch. 27 para. 20(4)**
- F290** Sch. 10 para. 8(7F) inserted (with effect in accordance with s. 145(2) of the amending Act) by **Finance Act 2004 (c. 12)**, **Sch. 26 para. 12(3)** (with Sch. 26 para. 17)

**Modifications etc. (not altering text)**

- C18** Sch. 10 para. 8(2)(a) modified (7.4.2005) by **Finance Act 2005 (c. 7)**, **Sch. 2 para. 9**

*Powers to make orders*

- 9 (1) An order made by the Treasury under any provision of this Schedule may—
- (a) make different provision for different cases; and
  - (b) contain such incidental, supplemental, consequential and transitional provision as the Treasury may think fit.
- (2) Without prejudice to the generality of sub-paragraph (1) above, an order under paragraph 8(8) above may make such incidental modifications of paragraph 8(4) above as the Treasury may think fit.

SCHEDULE 11

Section 99.

LOAN RELATIONSHIPS: SPECIAL PROVISIONS FOR INSURERS

**Modifications etc. (not altering text)**

- C19** Sch. 11 modified (*retrospective* to 1.1.1995) by S.I. 1997/473, **reg. 53**  
Sch. 11 modified (13.10.1999) by S.I. 1997/473, **reg. 53ZA** (as inserted (13.10.1999) by S.I. 1999/2636, **reg. 6**)
- C20** Sch. 11 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by **The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 2005 (S.I. 2005/2014)**, regs. 1(1), **40**
- C21** Sch. 11 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by **The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 2005 (S.I. 2005/2014)**, regs. 1(1), **41**

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## PART I

### INSURANCE COMPANIES

#### Modifications etc. (not altering text)

- C22** Sch. 11 Pt. I applied (with modifications) (29.4.1996) by 1994 c. 9, s.169, **Sch. 18 para. 1** (as substituted (29.4.1996) by 1996 c. 8, s.104, **Sch. 14 para. 79** (with saving in Pt. IV Ch. II))  
Sch. 11 Pt. I applied (with modifications) (24.7.2002 with effect as mentioned in s. 83(3)(4) of the amending Act) by Finance Act 2002 (c. 23), s. 83(1), **Sch. 26 Pt. 8 para. 42**

#### *I minus E basis*

- 1 (1) Nothing in this Chapter shall be construed as preventing profits and gains arising from loan relationships of an insurance company from being included, where—
- the relationship is referable to any life assurance business or capital redemption business carried on by the company, and
  - that business is business in respect of which the I minus E basis is applied, in profits and gains on which the company is chargeable to tax in accordance with that basis.

[<sup>F291</sup>(1A) Where—

- the I minus E basis is applied for any accounting period in respect of any life assurance business carried on by an insurance company, and
- in that accounting period the insurance company is a party to a loan relationship which is to any extent referable to that business,

then, in applying the I minus E basis to that business, [<sup>F292</sup>section 96(1)(b)] of this Act shall be disregarded in relation to that loan relationship to that extent.]

[<sup>F293</sup>(1B) In applying the I minus E basis for any accounting period in respect of any life assurance business carried on by an insurance company, no exchange gains or losses shall be taken to arise for the purposes of section 100 of this Act except to the extent that the money debt for the purposes of that section—

- arises as a result of an amount of income or expenses which falls to be taken into account in applying the I minus E basis not being paid when it is due and payable; or
- is one that is treated as a money debt for the purposes of that section by virtue of subsection (11)(a) of that section in accordance with subsection (12) of that section by reference to a Schedule A business or an overseas property business.

This sub-paragraph has effect notwithstanding sub-paragraph (1) above.]

[<sup>F294</sup>(1C) In applying the I minus E basis for any accounting period in respect of any life assurance business carried on by an insurance company, no credits or debits shall be brought into account in respect of any debtor relationship that represents a capital redemption policy, within the meaning of Chapter 2 of Part 13 of the Taxes Act 1988.]

- (2) Where, for any accounting period, the I minus E basis is applied in respect of any life assurance business or capital redemption business carried on by an insurance company, the effect of applying that basis shall be—



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- (a) that none of the credits or debits falling for the purposes of this Chapter to be brought into account in respect of loan relationships of the company that are referable to that business shall be brought into account as mentioned in section 82(2) of this Act; but
- (b) that (subject to the following provisions of this Schedule) all those credits and debits shall, instead, be brought into account, in applying that basis to that business, as non-trading credits or, as the case may be, non-trading debits;

and the reference in paragraph 2(1) below to non-trading credits and non-trading debits shall be construed accordingly.

#### Textual Amendments

- F291** Sch. 11 para. 1(1A) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), **Sch. 25 Pt. 1 para. 40(2)**
- F292** Words in Sch. 11 para. 1(1A) substituted (with effect in accordance with s. 52(3) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 10 para. 42**
- F293** Sch. 11 para. 1(1B) inserted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), **Sch. 23 Pt. 1 para. 14(2)** (with [Sch. 23 Pt. 3 para. 25](#))
- F294** Sch. 11 para. 1(1C) inserted (with effect in accordance with Sch. 7 para. 20(3) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 20(2)**

#### Modifications etc. (not altering text)

- C23** Sch. 11 para. 1(1)(a)(2) modified (23.3.1999) by [S.I. 1999/498](#), **reg. 15(2)**

#### *Rules for different categories of business*

- 2 (1) Where an insurance company carries on basic life assurance and general annuity business or capital redemption business or both of them, a separate computation, using only the non-trading credits and non-trading debits referable to the business in question, shall be made for the purposes of this Chapter in relation to that business or, as the case may be, in relation to each of them.
- (2) References in any enactment to the computation of any profits of an insurance company in accordance with the provisions of the Taxes Act 1988 applicable to Case I of Schedule D shall have effect as if those provisions included the provisions of this Chapter but, in accordance with sub-paragraph (3) below, only to the extent that they relate to the bringing into account in accordance with section 82(2) of this Act of credits and debits in respect of a company's debtor relationships.
- [<sup>F295</sup>(2A) Where an insurance company stands in the position of a debtor as respects a debt under a contingent loan made to the company (within the meaning of section 83ZA(1) of the Finance Act 1989), the debt is to be regarded for the purposes of this Chapter as not arising from a transaction for the lending of money.]
- (3) Where an insurance company carries on—
- (a) life assurance business or any category of life assurance business, or
  - (b) capital redemption business,
- the credits and debits referable to that business, or category of business, that are given by this Chapter in respect of creditor relationships of the company shall be disregarded for the purposes of any computations falling to be made, in relation to



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that business or category of business, in accordance with provisions applicable to Case I of Schedule D.

- (4) Accordingly (and notwithstanding section 80(5) of this Act), the amounts which are to be brought into account in any computations such as are mentioned in sub-paragraph (3) above shall be determined under the provisions applicable apart from this Chapter.
- (5) To the extent that any profits of an insurance company in respect of any business or category of business fall to be computed in accordance with provisions applicable to Case I of Schedule D the credits and debits referable to that business or category of business that fall to be disregarded under sub-paragraph (3) above shall also be disregarded in any computations falling to be made for the purposes of this Chapter otherwise than in accordance with sub-paragraph (1) above.

#### Textual Amendments

**F295** Sch. 11 para. 2(2A) inserted (with effect in accordance with Sch. 33 para. 3(3) of the amending Act) by Finance Act 2003 (c. 14), **Sch. 33 para. 3(2)**

#### Modifications etc. (not altering text)

**C24** Sch. 11 para. 2(1)(3) modified (23.3.1999) by S.I. 1999/498, **reg. 15(3)(a)(b)**

### Apportionments

- 3 Where—
- (a) any creditor relationship of an insurance company is represented by an asset which is an asset of a fund of the company or is linked to any category of insurance business, and
- (b) any question arises for the purposes of the Corporation Tax Acts as to the extent to which credits or debits given for the purposes of this Chapter in respect of that relationship are referable to any category of the company's [<sup>F296</sup>long-term] business,
- section 432A of the Taxes Act 1988 (apportionment of insurance companies' income) shall have effect in relation to the credits and debits so given in respect of that relationship as it has effect in relation to the income arising from an asset.

#### Textual Amendments

**F296** Words in Sch. 11 para. 3(b) substituted (1.12.2001) by S.I. 2001/3629, **art. 96(1)(b)(i)**

- [<sup>F297</sup>3A(1)] This paragraph applies where—
- (a) any [<sup>F298</sup>loan relationship] of an insurance company is represented by a liability which is a liability of the [<sup>F299</sup>long-term insurance] fund of the company; and
- (b) any question arises for the purposes of the Corporation Tax Acts as to the extent to which any debits or credits given for the purposes of this Chapter in respect of that [<sup>F300</sup> . . . liability] are referable to any category of the company's [<sup>F301</sup>long-term] business.

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- (2) If any debits relate to interest payable in respect of the late payment of any benefits, they are referable to the category of [<sup>F301</sup>long-term] business which comprises the effecting and carrying out of the policies or contracts under which the benefits are payable.
- (3) If the liability is a liability of an internal linked fund of the company, any debits or credits are referable—
- (a) to the category of [<sup>F301</sup>long-term] business to which the fund relates; or
  - (b) where the fund relates to two or more categories of such business, to those categories in the same proportion as the linked assets in the fund are apportioned to them under section 432ZA(4) of the Taxes Act 1988 (linked assets).
- (4) In any case not falling within sub-paragraph (2) or (3) above, there shall be referable to any category of [<sup>F301</sup>long-term] business the relevant fraction of any debits or credits.
- (5) For the purpose of determining that fraction, [<sup>F302</sup>subsections (6), (6A) and (8)] of section 432A of the Taxes Act 1988 (apportionment of income and gains) shall have effect as if—
- (a) the debits or credits were income not directly referable to any category of business;
  - (b) [<sup>F303</sup>the references in subsections (6)(a) and (6A)(a)] to assets directly referable to a category of business were a reference to assets linked to that category of business; and
  - (c) subsection (9) of that section were omitted.
- (6) In this paragraph “internal linked fund” has the same meaning as in section 432ZA of the Taxes Act 1988 (linked assets).]

#### Textual Amendments

- F297** Sch. 11 para. 3A inserted (28.7.2000 with effect in relation to accounting periods beginning on or after 1.1.2000 and ending on or after 21.3.2000) by 2000 c. 17, s. 109(8)(10)
- F298** Words in Sch. 11 Pt. 1 para. 3A(1)(a) substituted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by Finance Act 2002 (c. 23), s. 79(2), Sch. 23 Pt. 1 para. 15(a) (with Sch. 23 Pt. 3 para. 25)
- F299** Words in Sch. 11 para. 3A(1)(a) substituted (1.12.2001) by S.I. 2001/3629, art. 96(2)
- F300** Words in Sch. 11 Pt. 1 para. 3A(1)(b) repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), ss. 79(2), 141, Sch. 23 Pt. 1 para. 15(b), Sch. 40 Pt. 3(10) (with Sch. 23 Pt. 3 para. 25)
- F301** Words in Sch. 11 para. 3A(1)(b)(2)(3)(a)(4) substituted (1.12.2001) by S.I. 2001/3629, art. 95(1)(b)(ii)
- F302** Words in Sch. 11 para. 3A(5) substituted (with effect in accordance with art. 1 of the amending S.I.) by The Insurance Companies (Corporation Tax Acts) (Amendment) Order 2005 (S.I. 2005/3465), arts. 1, 9(2)(a)
- F303** Words in Sch. 11 para. 3A(5)(b) substituted (with effect in accordance with art. 1 of the amending S.I.) by The Insurance Companies (Corporation Tax Acts) (Amendment) Order 2005 (S.I. 2005/3465), arts. 1, 9(2)(b)

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### *Treatment of deficit*

- 4 (1) Where, in the case of any insurance company, a non-trading deficit on its loan relationships is produced for any accounting period (“the deficit period”) by any separate computation made under paragraph 2 above for—
- (a) basic life assurance and general annuity business, or
  - (b) capital redemption business,
- the following provisions of this paragraph shall apply in relation to that deficit, instead of section 83 of, and Schedule 8 to, this Act.
- (2) On a claim made by the company in relation to the whole or any part of the deficit—
- (a) the amount to which the claim relates shall be set off against any <sup>F304</sup>... income and gains of the deficit period referable to the relevant category of business and arising or accruing otherwise than in respect of loan relationships; and
  - (b) the amount of the <sup>F304</sup>... income and gains against which it is set off shall be treated as reduced accordingly;
- and any such reductions shall be made before [<sup>F305</sup>any expenses deduction under section 76 of the Taxes Act 1988] .
- (3) Subject to the following provisions of this paragraph, on a claim made by the company in relation to the whole or any part of so much (if any) of the deficit as exceeds the amount of the <sup>F306</sup>... income and gains for the deficit period that are referred to in sub-paragraph (2)(a) above, the amount to which the claim relates shall be—
- <sup>F307</sup>(a) carried back to accounting periods falling wholly or partly within the period of twelve months immediately preceding the deficit period; and]
  - (b) in accordance with sub-paragraph (5) below, set against the eligible profits of the company for [<sup>F308</sup>up to three such periods].
- (4) If the whole or any amount of the deficit is not set off under sub-paragraph (2) or (3) above, so much of it as is not set off shall be—
- (a) carried forward to the accounting period immediately following the deficit period; and
  - (b) treated for the purposes of the Corporation Tax Acts (including the following provisions of this paragraph) as [<sup>F309</sup>expenses payable which are referable to the period following the deficit period and are to be brought into account at Step 3 in section 76(7) of the Taxes Act 1988] .
- (5) Subject to sub-paragraph (6) below, where, in pursuance of a claim under sub-paragraph (3) above, any amount falls to be carried back to be set off against the eligible profits of the company for [<sup>F310</sup>accounting periods falling wholly or partly within the period of twelve months mentioned in sub-paragraph (3)(a) above], that amount shall be set off against those profits as follows, that is to say—
- (a) the amount shall be applied, up to the limit for the first set-off period, in reducing the company’s eligible profit for that period;
  - (b) any remainder of that amount after the limit for the first set-off period is reached shall be applied, up to the limit for the second set-off period, in reducing the company’s eligible profit for the second set-off period; and

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- (c) any remainder of that amount after the limit for the second set-off period has been reached shall be applied, up to the limit for the third set-off period, in reducing the company's eligible profit for the third set-off period.
- (6) No reduction shall be made in pursuance of any such claim in a company's eligible profit for any accounting period ending before 1st April 1996.
- (7) For the purposes of this paragraph the eligible profit of the company for an accounting period is the amount (if any) which, in pursuance of any separate computation made for that period for the relevant category of business, is chargeable to tax for that period under Case III of Schedule D as profits and gains arising from the company's loan relationships.
- (8) For the purposes of this paragraph—
- (a) the first set-off period is the accounting period immediately preceding the deficit period,
  - (b) the second set-off period is the accounting period [<sup>F311</sup>(if any) which falls wholly or partly within the period of twelve months mentioned in sub-paragraph (3)(a) above and immediately precedes] the first set-off period,
  - (c) the third set-off period is the accounting period [<sup>F311</sup>(if any) which falls wholly or partly within the period of twelve months mentioned in sub-paragraph (3)(a) above and immediately precedes] the second set-off period, and
  - (d) the limit for a set-off period is the amount equal to the adjusted amount of the company's eligible profit for that period.
- (9) In sub-paragraph (8) above, the reference to the adjusted amount of a company's eligible profit for a set-off period is [<sup>F312</sup>(subject to sub-paragraph (9A) below)] a reference to so much (if any) of the company's eligible profit for that period as remains after reducing it by an amount equal to the unused part of the relevant deductions for that period.
- [<sup>F313</sup>(9A) Where a set-off period falls only partly within the period of twelve months mentioned in sub-paragraph (3)(a) above, the adjusted amount of a company's eligible profit for that period shall be taken to be confined to the part of the amount computed under sub-paragraph (9) above which is proportionate to the part of the set-off period that falls within that period of twelve months.]
- (10) For the purposes of sub-paragraph (9) above the unused part of the relevant deductions for any set-off period is the amount (if any) by which the aggregate of—
- (a) so much of the amount of any deductions for the set-off period by virtue of section 76 of the Taxes Act 1988 as is referable to the relevant category of business, and
  - (b) so much of the aggregate of the deductions made in the case of the company in respect of charges on income for that period as is so referable,
- exceeds the aggregate of the amounts referable to the relevant category of business that could for that period be applied in making deductions by virtue of that section, or in respect of charges on income, if the eligible profit of the company for that period were disregarded.
- (11) In sub-paragraph (10) above, the references, in relation to a claim under sub-paragraph (3) above ("the relevant claim"), to deductions by virtue of section 76 of

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the Taxes Act 1988 for a set-off period are references to [<sup>F314</sup>the expenses deduction] that would have fallen to be made by virtue of that section for that period if—

- (a) no account were taken of either—
  - (i) the relevant claim; or
  - (ii) any claim under sub-paragraph (3) above relating to a deficit for an accounting period after the deficit period;

but

- (b) there were made all such adjustments required by virtue of any sum having been carried back to that set-off period—
  - (i) under the Corporation Tax Acts, but
  - (ii) otherwise than in pursuance of the relevant claim or of any other such claim as is mentioned in paragraph (a) above.

(12) Where—

- (a) in pursuance of a claim under sub-paragraph (3) above any amount is set-off against the eligible profit of a company for any set-off period, and
- (b) there is a [<sup>F315</sup>section 76(13) amount] for that period which is attributable to that claim,

that [<sup>F315</sup>section 76(13) amount] shall not be carried forward by virtue of [<sup>F316</sup>section 76(13)] of the Taxes Act 1988 but, if that set-off period is the first or second set-off period, sub-paragraph (13) below shall apply to that amount instead.

(13) Where this sub-paragraph applies to a [<sup>F317</sup>section 76(13) amount] for any set-off period, the amount available in accordance with sub-paragraph (5) above to be carried back from that set-off period to be set off against eligible profits of previous set-off periods (or, as the case may be, against the eligible profit of the previous set-off period) shall be treated as increased by an amount equal to the amount to which this sub-paragraph applies.

(14) In relation to any claim under sub-paragraph (3) above, the amount which for any set-off period is, for the purposes of this paragraph, to be taken to be the [<sup>F318</sup>section 76(13) amount] attributable to that claim is the amount (if any) by which the amount specified in paragraph (a) below is exceeded by the amount specified in paragraph (b) below, that is to say—

- (a) the amount that would have fallen to be carried forward by virtue of [<sup>F319</sup>section 76(13)] of the Taxes Act 1988 if the claim had not been made; and
- (b) the amount which, after the making of the claim, would have fallen to be carried forward to a subsequent period by virtue of [<sup>F320</sup>section 76(13)] of that Act if sub-paragraphs (12) and (13) above, so far as they relate to that claim, were to be disregarded.

(15) A claim for the purposes of sub-paragraph (2) or (3) above must be made within the period of two years immediately following the end of the deficit period or within such further period as the Board may allow.

(16) In this paragraph—

<sup>F321</sup>  
...

“the relevant category of business”, in relation to a deficit, means the category of business in relation to which the deficit was produced.

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### Textual Amendments

- F304** Word in Sch. 11 para. 4(2) repealed (with effect in accordance with Sch. 33 para.8(4) of the amending Act) by Finance Act 2003 (c. 14), Sch. 33 para. 8(3)(a), **Sch. 43 Pt. 3(12)**
- F305** Words in Sch. 11 para. 4(2) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(2)**
- F306** Word in Sch. 11 para. 4(3) repealed (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), Sch. 6 para. 9(3), **Sch. 42 Pt. 2(3)**
- F307** Sch. 11 para. 4(3)(a) substituted (31.7.1997 with effect as mentioned in s.40(7) of the amending Act) by 1997 c. 58, **s. 40(3)(a)**
- F308** Words in Sch. 11 para. 4(3)(b) substituted (31.7.1997 with effect as mentioned in s.40(7) of the amending Act) by 1997 c. 58, **s. 40(3)(b)**
- F309** Words in Sch. 11 para. 4(4) substituted (with effect in accordance with ss. 42-44, Sch. 6 para. 9(9) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(4)**
- F310** Words in Sch. 11 para. 4(5) substituted (31.7.1997 with effect as mentioned in s.40(7) of the amending Act) by 1997 c. 58, **s. 40(4)**
- F311** Words in Sch. 11 para. 4(8)(b)(c) substituted (31.7.1997 with effect as mentioned in s.40(7) of the amending Act) by 1997 c. 58, **s. 40(5)**
- F312** Words in Sch. 11 para. 4(9) inserted (31.7.1997 with effect as mentioned in s.40(7) of the amending Act) by 1997 c. 58, **s. 40(6)**
- F313** Sch. 11 para. 4(9A) inserted (31.7.1997 with effect as mentioned in s.40(7) of the amending Act) by 1997 c. 58, **s. 40(6)**
- F314** Words in Sch. 11 para. 4(11) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(5)**
- F315** Words in Sch. 11 para. 4(12) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(6)(a)**
- F316** Words in Sch. 11 para. 4(12) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(6)(b)**
- F317** Words in Sch. 11 para. 4(13) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(7)**
- F318** Words in Sch. 11 para. 4(14) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(8)(a)**
- F319** Words in Sch. 11 para. 4(14)(a) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(8)(b)**
- F320** Words in Sch. 11 para. 4(14)(b) substituted (with effect in accordance with ss. 42-44 of the amending Act) by Finance Act 2004 (c. 12), **Sch. 6 para. 9(8)(b)**
- F321** Words in Sch. 11 para. 4(16) repealed (with effect in accordance with Sch. 33 para.8(4) of the amending Act) by Finance Act 2003 (c. 14), Sch. 33 para. 8(3)(b), **Sch. 43 Pt. 3(12)**

### Modifications etc. (not altering text)

- C25** Sch. 11 para. 4(1)(2)(a)(7)(10)(16) modified (23.3.1999) by S.I. 1999/498, **reg. 15(4)(a)-(e)**

### *Election for accruals basis for long term business assets*

- 5 (1) Subject to sub-paragraphs (3) to (6) below, sub-paragraph (2) below applies for any accounting period to so much of any creditor relationship of an insurance company as—
- (a) for the whole or any part of that period is an asset within one of the categories set out in section 440(4)(d) and (e) of the Taxes Act 1988 (assets held for certain categories of [<sup>F322</sup>long-term] business); and

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- (b) is an asset in relation to which an election under this paragraph is made by the company for that period.
- (2) Where—
- (a) this sub-paragraph applies for any accounting period to any asset, and
- (b) apart from this paragraph, a mark to market basis of accounting would have had to be used for the purposes of this Chapter as respects that asset for the whole or any part of that period,
- this Chapter shall have effect as if an authorised accruals basis of accounting had to be used for the purposes of this Chapter as respects that asset for that period or part.
- (3) Sub-paragraph (2) above shall not apply to any holding to which paragraph 4(3) of Schedule 10 to this Act applies.
- (4) An election under this paragraph shall not be made except by notice in writing given to an officer of the Board not more than three months after the end of the accounting period to which the election relates.
- (5) An election under this paragraph shall be irrevocable, and shall not be varied, once it has been made.
- (6) An election shall not be made under this paragraph for any accounting period ending after [F323 31st March 2000].
- (7) The Treasury may, if they think fit, by order—
- (a) amend sub-paragraph (6) above to substitute a later date for the date for the time being specified in that sub-paragraph; or
- (b) repeal that sub-paragraph.

#### Textual Amendments

**F322** Words in *Sch. 11 para. 5(1)(a)* substituted (1.12.2001) by *S.I. 2001/3629, art. 96(1)(b)(iii)*

**F323** Words in *Sch. 11 para. 5(6)* substituted (2.7.1999) by *S.I. 1999/1643, art. 2*

#### *Interpretation of Part I*

- 6 In this Part of this Schedule—
- “basic life assurance and general annuity business” and “[F324 long-term] business” have the same meanings as in Chapter I of Part XII of the Taxes Act 1988;
- “capital redemption business” means any capital redemption business, within the meaning of section 458 of that Act, which is business to which that section applies;
- “the I minus E basis” means the basis commonly so called (under which a company carrying on life assurance business or capital redemption business is charged to tax on that business otherwise than under Case I of Schedule D);
- “life assurance business” includes any annuity business within the meaning of Chapter I of Part XII of that Act.

#### Textual Amendments

**F324** Words in *Sch. 11 para. 6* substituted (1.12.2001) by *S.I. 2001/3629, art. 96(1)(b)(iv)*

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**Modifications etc. (not altering text)**

**C26** Sch. 11 para. 6 modified (23.3.1999) by S.I. 1999/498, reg. 15(5)

**PART II**

CORPORATE MEMBERS OF LLOYD’S

- 7 (1) This Chapter does not apply as respects any loan relationship of a corporate member of Lloyd’s in so far as rights or liabilities making up that relationship, or any securities representing them, are—
  - (a) assets forming part of that member’s premiums trust fund; or
  - (b) liabilities attached to that fund.
- (2) Section 230 of the <sup>M26</sup>Finance Act 1994 (interpretation of provisions applying to corporate members of Lloyd’s) shall apply for the purposes of this paragraph as it applies for the purposes of Chapter V of Part IV of that Act.

**Marginal Citations**

**M26** 1994 c. 9.

<sup>F325</sup>F325 SCHEDULE 12

**Textual Amendments**

**F325** Sch. 12 repealed (24.7.2002 with effect as mentioned in s. 83(3)(4) of the repealing Act) by Finance Act 2002 (c. 23), ss. 83(1), 141, Sch. 27 para. 21, Sch. 40 Pt. 3(13)

F325

<sup>F326</sup>F326 SCHEDULE 13

Section 102.

**Textual Amendments**

**F326** Sch. 13 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 490, Sch. 3 (with Sch. 2)



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## SCHEDULE 14

Section 104.

### LOAN RELATIONSHIPS: MINOR AND CONSEQUENTIAL AMENDMENTS

#### *The Taxes Management Act 1970 (c. 9)*

- 1 (1) In subsection (4A) of section 87A of the Taxes Management Act 1970 (interest on overdue corporation tax)—
- (a) in paragraph (a), for the words from “a relievable amount” to the end of the paragraph there shall be substituted “a non-trading deficit on the company’s loan relationships,”; and
  - (b) in paragraph (b), for the words from “subsection (5)” to “subsection (10) of that section” there shall be substituted “section 83(2)(c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act the whole or part of the deficit for the later period is set off against profits”.
- [<sup>F327</sup>(2) In subsection (4B) of that section, for the words “section 131(5) or (6) of the Finance Act 1993”, in each place where they occur, there shall be substituted “section 83(2) (c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act”.]

#### **Textual Amendments**

**F327** Sch. 14 para 1(2) repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(2), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2)

#### *The Inheritance Tax Act 1984 (c. 51)*

- 2 (1) In section 174(1)(b) of the Inheritance Tax Act 1984 (unpaid tax relating to deep discount securities deemed to be transferred on death), for the words from “paragraph 4” onwards there shall be substituted “Schedule 13 to the Finance Act 1996 (discounted securities) on a transfer which is treated as taking place by virtue of paragraph 4(2) of that Schedule.”
- (2) This paragraph applies in relation to deaths on or after 6th April 1996.

#### *The Airports Act 1986 (c. 31)*

- 3 In section 77 of the Airports Act 1986 (taxation provisions), for subsection (3) there shall be substituted the following subsection—
- “(3) For the purposes of Part VI of the <sup>M27</sup>Income and Corporation Taxes Act 1988 (company distributions) and Chapter II of Part IV of the Finance Act 1996 (loan relationships), any debentures of the company issued in pursuance of section 4 shall be treated as having been issued for new consideration equal to the principal sum payable under the debenture.”

#### **Marginal Citations**

**M27** 1988 c. 1.

*Status: Point in time view as at 06/04/2006.*

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*The Gas Act 1986 (c. 44)*

- 4 In section 60 of the Gas Act 1986 (taxation provisions), for subsection (3) there shall be substituted the following subsection—

“(3) For the purposes of Part VI of the <sup>M28</sup>Income and Corporation Taxes Act 1988 (company distributions) and Chapter II of Part IV of the Finance Act 1996 (loan relationships), any debentures issued in pursuance of section 51 above shall be treated as having been issued for new consideration equal to the principal sum payable under the debenture.”

**Marginal Citations**

**M28** 1988 c. 1.

*The Taxes Act 1988*

- 5 In section 18 of the Taxes Act 1988 (Schedule D), the following subsection shall be inserted after subsection (3)—

“(3A) For the purposes of corporation tax subsection (3) above shall have effect as if the following Case were substituted for Cases III and IV, that is to say—

|           |   |
|-----------|---|
| Case III: | tax in respect of—<br>(a) profits and gains which, as profits and gains arising from loan relationships, are to be treated as chargeable under this Case by virtue of Chapter II of Part IV of the Finance Act 1996;<br>(b) any annuity or other annual payment which—<br>(i) is payable (whether inside or outside the United Kingdom and whether annually or at shorter or longer intervals) in respect of anything other than a loan relationship; and<br>(ii) is not a payment chargeable under Schedule A;<br>(c) any discount arising otherwise than in respect of a loan relationship; |
|-----------|---|

and as if Case V did not include tax in respect of any income falling within paragraph (a) of the substituted Case III.”

- 6 In section 56 of that Act (transactions in deposits with or without certificates or in debts), after subsection (4) there shall be inserted the following subsections—

“(4A) This section and section 56A shall not apply for the purposes of corporation tax except in relation to rights in existence before 1st April 1996.

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(4B) For the purposes of corporation tax, where any profits or gains arising from the disposal or exercise of a right in existence before 1st April 1996 are, or (if there were any) would be, chargeable under this section, nothing in Chapter II of Part IV of the Finance Act 1996 (loan relationships) shall require any amount relating to that disposal, or to the exercise of that right, to be brought into account for the purposes of that Chapter.”

7 In section 70(3) of that Act (extension of Cases IV and V of Schedule D to non-resident companies), for “Cases IV and V” there shall be substituted “ Cases III and V ”.

F328g .....

**Textual Amendments**

**F328** Sch. 14 para. 8 repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)

F329g .....

**Textual Amendments**

**F329** Sch. 14 para. 9 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

10 (1) Section 78 of that Act (discounted bills of exchange) shall cease to have effect except in relation to bills of exchange drawn before 1st April 1996.

- (2) Where any bill so drawn is paid on or after 1st April 1996—
- (a) the amount which subsection (2) of that section provides to be treated as a deduction against total profits and as a charge on income shall (instead of being so treated) be brought into account for the purposes of this Chapter as a non-trading debit; and
  - (b) that amount shall be the only amount brought into account for the purposes of this Chapter in respect of the discount in question.

11 (1) In section 209 of that Act (meaning of “distribution”), after subsection (3) there shall be inserted the following subsection—

“(3A) Where any security of a company is issued at a premium representing new consideration—

- (a) the references in subsection (2)(d), (da) and (e) above to so much of any distribution as represents, or is an amount representing, the principal secured by a security shall be construed, in relation to a distribution in respect of the security issued at a premium, as references to the aggregate of—
  - (i) so much of the distribution as represents, or is an amount representing, that principal, and
  - (ii) so much of it as represents, or is an amount representing, the premium;

and

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- (b) the reference in subsection (2)(d) above to so much of any distribution as represents a reasonable commercial return for the use of the principal secured by a security shall be construed, in relation to a distribution in respect of the security issued at a premium, as a reference to the aggregate of—
  - (i) so much of the distribution as represents a reasonable commercial return for the use of that principal, and
  - (ii) so much of it as (when regard is had to the extent to which distributions represent the premium) represents a reasonable commercial return for the use of the premium.”

(2) Sub-paragraph (1) above does not apply to distributions made before 1st April 1996.

[<sup>F330</sup>12(1) In subsection (2) of section 242 of that Act (set off of losses against surplus franked investment income), for paragraph (f) there shall be substituted—

“(f) the setting of amounts against profits in pursuance of a claim under section 83 of the Finance Act 1996 (non-trading deficits on loan relationships) or paragraph 4 of Schedule 11 to that Act (deficits of insurance companies).”

(2) In subsection (8) of that section, for paragraph (e) there shall be substituted the following paragraph—

“(e) if and so far as the purpose for which the claim is made is the setting of an amount against profits in pursuance of a claim under—

- (i) section 83 of the Finance Act 1996 (non-trading deficits on loan relationships), or
- (ii) paragraph 4 of Schedule 11 to that Act (deficits of insurance companies),

the time limit that by virtue of subsection (6) of that section or sub-paragraph (15) of that paragraph would be applicable to such a claim.”]

**Textual Amendments**  
**F330** Sch. 14 para. 12 repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(4), Note of the amending Act) by 1997 c. 58, s. 52, **Sch. 8 Pt. II(4)**

<sup>F331</sup>13 . . . . .

**Textual Amendments**  
**F331** Sch. 14 para. 13 repealed (11.5.2001) by 2001 c. 9, s. 110, **Sch. 33 Pt. 2(10)**, Note

14 (1) In subsection (2)(b) of section 337 of that Act (deduction of yearly interest etc. in computing income), for “yearly interest, annuity or other annual payment” there shall be substituted “ annuity or other annual payment which is not interest ”.

(2) Subsection (3) of that section (deduction of yearly interest payable to a bank) shall cease to have effect.

15 After section 337 of that Act there shall be inserted the following section—

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### **“337A Interest payable by companies.**

No deduction shall be made in respect of interest in computing a company’s income from any source except in accordance with Chapter II of Part IV of the Finance Act 1996 (loan relationships).”

- 16 (1) Section 338 of that Act (charges on income) shall be amended as follows.
  - (2) In subsection (3)—
    - (a) in paragraph (a), for the words from “any yearly interest” to “annual payment” there shall be substituted “ any annuity or annual payment payable otherwise than in respect of any of the company’s loan relationships ”; and
    - (b) the words from “and” at the end of paragraph (a) to the end of the subsection shall be omitted.
  - (3) In subsection (4), paragraphs (b) and (c) shall be omitted.
  - (4) In subsection (5)(a), the words “, not being interest,” shall be omitted.
  - (5) Subsection (6) shall cease to have effect.
- 17 Sections 338A, 340 and 341 of that Act (charges on income to include certain loans to buy land, provisions relating to interest payable to non-residents and provisions relating to payments between related companies) shall cease to have effect.
- 18 In section 349(2) of that Act (deductions from interest payments), after “Schedule D” there shall be inserted “ (as that Schedule has effect apart from the modification made for the purposes of corporation tax by section 18(3A)) ”.
- 19 In section 400 of that Act (writing-off of government investment), after subsection (9) of that section there shall be inserted the following subsection—

“(9A) Nothing in section 80(5) of the Finance Act 1996 (matters to be brought into account in the case of loan relationships only under Chapter II of Part IV of that Act) shall be construed as preventing this section from applying where a government investment in a body corporate is written off by the extinguishment, in whole or in part, of any liability under a loan relationship.”
- 20 (1) In section 401 of that Act (relief for pre-trading expenditure), after subsection (1) there shall be inserted the following subsections—

“(1AA) Subsection (1) above shall not apply to any expenditure in relation to which any debit falls, or (but for subsection (1AB) below) would fall, to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships).

(1AB) Where, in the case of any company—

  - (a) a non-trading debit is given for any accounting period for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships), and
  - (b) an election for the purposes of this section is made by that company with respect to that debit within the period of 2 years beginning with the end of that accounting period,

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that debit shall not be brought into account for the purposes of that Chapter as a non-trading debit for that period, but subsection (1AC) below shall apply instead.

(1AC) If a company—

- (a) begins to carry on a trade within the period of seven years after the end of the accounting period for which a non-trading debit is given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships),
- (b) that debit is such that, if it had been given for the accounting period in which the company begins to carry on that trade, it would have been brought into account by reference to that trade in accordance with section 82(2) of that Act (trading debits and credits), and
- (c) an election is or has been made with respect to that debit under subsection (1AB) above,

that debit shall be treated for the purposes of that Chapter as if it were a debit for the accounting period in which the company begins to carry on the trade and shall be brought into account for that period in accordance with section 82(2) of that Act.”

(2) Subsection (1A) of that section shall cease to have effect.

21 (1) In subsection (6) of section 404 of that Act (dual resident trading companies treated as investing companies)—

- (a) in paragraph (a), after sub-paragraph (i) there shall be inserted the following sub-paragraph—
  - “(ia) making payments in relation to which, being payments under loan relationships, any debits fall to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996;”
- (b) in paragraph (c)(i), for “amount” there shall be substituted “ aggregate of the debits relating to interest on the company’s debtor relationships that fall to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 and the amounts ”;
- (c) in paragraph (c)(ii), for “those charges include” there shall be substituted “ that aggregate includes ”; and
- (d) in paragraph (c)(iii), for “the paying of those charges” there shall be substituted “ the payment by the company of interest under its debtor relationships and of amounts treated as charges on income ”.

(2) After that subsection there shall be inserted the following subsection—

“(7) In this section “debtor relationship” has the same meaning as in Chapter II of Part IV of the Finance Act 1996.”

22 (1) In subsection (1)(b) of section 407 of that Act (relationship between group relief and other relief), after “338(1)” there shall be inserted “ of this Act or by virtue of section 83 of, or paragraph 4 of Schedule 11 to, the Finance Act 1996 (non-trading deficits) ”.

(2) In subsection (2) of that section, for paragraph (c) and the words after that paragraph there shall be substituted the following paragraph—

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- “(c) relief in pursuance of a claim under section 83(2) of, or paragraph 4 of Schedule 11 to, the Finance Act 1996 (non-trading deficits) in respect of any deficit for a deficit period after the accounting period the profits of which are being computed.”
- 23 (1) Where this Chapter has effect in relation to any accounting period in relation to which section 434A of that Act (computation of losses and limitation on relief) has effect without any of the amendments made by paragraph 2 of Schedule 31 to this Act, subsection (2) of that section of that Act shall have effect in relation to that period with the following amendments, that is to say—
- (a) in paragraph (b), for “amount of interest and annuities treated as charges” there shall be substituted “aggregate amount treated as a charge”, and at the end there shall be inserted “and”; and
- (b) after that paragraph there shall be inserted the following paragraph—
- “(c) any relevant non-trading deficit for that period on the company’s debtor relationships.”
- (2) After that subsection there shall be inserted the following subsection—
- “(2A) The reference in subsection (2)(c) above to a relevant non-trading deficit for any period on a company’s debtor relationships is a reference to the non-trading deficit on the company’s loan relationships which would be produced by any separate computation made under paragraph 2 of Schedule 11 to the Finance Act 1996 for the company’s basic life assurance and general annuity business if credits and debits given in respect of the company’s creditor relationships (within the meaning of Chapter II of Part IV of that Act) were disregarded.”
- (3) In subsection (3) of that section (losses not allowable against policy holders’ share of relevant profits), for the words from “under” to the end of paragraph (b) there shall be substituted—
- “(a) under Chapter II (loss relief) or Chapter IV (group relief) of Part X, or
- (b) in respect of any amount representing a non-trading deficit on the company’s loan relationships that has been computed otherwise than by reference to debits and credits referable to that business.”
- 24 Where this Chapter has effect in relation to any accounting period in relation to which section 434B of that Act (treatment of interest and annuities in the case of insurance companies) has effect without the amendments made by section 165 of this Act, that section of that Act shall have effect in relation to that period as if the words “interest or”, in each place where they occur, were omitted.
- 25 In section 440 of that Act (transfer of assets between categories of business of insurance companies), after subsection (2) there shall be inserted the following subsection—
- “(2A) Where under subsection (1) or (2) above there is a deemed disposal and re-acquisition of any asset representing a loan relationship of a company, any authorised accounting method used as respects that asset for the purposes of Chapter II of Part IV of the Finance Act 1996 shall be applied as respects that asset as if the asset that is deemed to be disposed of and the asset that is deemed to be re-acquired were different assets.”

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- 26 In section 468L(5) of that Act (interest distributions), for the words from the beginning to “complied with” there shall be substituted “ Nothing in subsection (2) above or Chapter II of Part IV of the Finance Act 1996 (loan relationships) shall require any amount relating to an interest distribution to be brought into account for the purposes of that Chapter otherwise than by virtue of paragraph 4(4) of Schedule 10 to that Act; but the interest distributions of an authorised unit trust for a distribution period ”.
- 27 (1) In subsection (2) of section 475 of that Act (relief in relation to tax free Treasury securities in respect of borrowed money), for paragraph (b) there shall be substituted the following paragraph—  
“ (b) shall not be brought into account by way of any debit given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships). ”
- (2) In subsection (4) of that section, for the words from “and is not” onwards there shall be substituted “ or to be brought into account by way of a debit given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships). ”
- 28 (1) In subsection (3) of section 477A of that Act (building societies: regulations for deducting tax), for paragraph (a) there shall be substituted the following paragraphs—  
“ (a) liability to pay the dividends or interest shall be treated for the purposes of Chapter II of Part IV of the Finance Act 1996 as a liability arising under a loan relationship of the building society;  
(aa) if the dividends or interest are payable to a company, they shall be treated for those purposes as payable to that company in pursuance of a right arising under a loan relationship of that company; ”.
- (2) Subsections (3A) to (3C) of that section shall cease to have effect.
- 29 Sections 484 and 485 of that Act (savings banks: exemption from tax) shall cease to have effect.
- 30 In section 486 of that Act (industrial and provident societies)—  
(a) in subsection (1), for the words from “and, subject to subsection (7)” onwards there shall be substituted “ but interest payable by such a society (whether as share interest or loan interest) shall be treated for the purposes of corporation tax as interest under a loan relationship of the society. ”; and  
(b) in subsection (7), for the words from “not be deductible” onwards there shall be substituted “ not be brought into account in that period for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships). ”
- 31 (1) In subsection (1) of section 487 of that Act (credit unions), for paragraph (b) there shall be substituted the following paragraph—  
“ (b) no credits shall be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in respect of any loan relationship of a credit union as respects which a member of the union stands in the position of a debtor as respects the debt in question. ”
- (2) In subsection (3) of that section—



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- (a) for “No share interest, loan interest or annuity or other annual payment” there shall be substituted “ An annuity or other annual payment (not being a payment of share interest or loan interest) which is ”; and
  - (b) after “shall” there shall be inserted “ not ”.
- (3) After that subsection there shall be inserted the following subsection—
  - “(3A) No debits shall be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in respect of any loan relationship of a credit union as respects which a member of the union stands in the position of a creditor as respects the debt in question.”
- 32 (1) In subsection (1) of section 494 of that Act (charges on income and ring fence profits), after “Section 338” there shall be inserted “ of this Act and Chapter II of Part IV of the Finance Act 1996 (loan relationships) ”.
- (2) For the first sentence of subsection (2) of that section there shall be substituted the following—
  - “(2) Debits shall not be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in respect of any loan relationship of a company in any manner that results in a reduction of what would otherwise be the company’s ring fence profits except—
    - (a) to the extent that the loan relationship is in respect of money borrowed by the company which has been—
      - (i) used to meet expenditure incurred by the company in carrying on oil extraction activities or in acquiring oil rights otherwise than from a connected person; or
      - (ii) appropriated to meeting expenditure to be so incurred by the company;
    - (b) in the case of debits falling to be brought into account by virtue of subsection (4) of section 84 of that Act in respect of a loan relationship that has not been entered into, to the extent that the relationship would have been one entered into for the purpose of borrowing money to be used or appropriated as mentioned in paragraph (a) above;
    - (c) in the case of debits in respect of a loan relationship deemed to exist for the purposes of section 100 of that Act, to the extent that the payment of interest under that relationship is expenditure incurred as mentioned in sub-paragraph (i) of paragraph (a) above; and
    - (d) in the case of debits in respect of a debtor relationship of the company which is a creditor relationship of a company associated with the company, to the extent that (subject always to paragraph (a) above) the debit does not exceed what, having regard to—
      - (i) all the terms on which the money was borrowed, and
      - (ii) the standing of the borrower,would be the debit representing a reasonable commercial rate of return on the money borrowed.

In this subsection “debtor relationship” and “creditor relationship” have the same meanings as in Chapter II of Part IV of the Finance Act 1996, and references to a loan relationship, in relation to the borrowing of money,

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do not include references to any loan relationship deemed to exist for the purposes of section 100 of that Act.”

(3) After subsection (2) of that section there shall be inserted the following subsection—

“(2A) Where any debit—

- (a) falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in respect of any loan relationship of a company, but
- (b) in accordance with subsection (2) above cannot be brought into account in a manner that results in any reduction of what would otherwise be the company’s ring fence profits,

then (notwithstanding anything in section 82(2) of that Act) that debit shall be brought into account for those purposes as a non-trading debit.”

[<sup>F332</sup>(4) For subsection (4) of that section (charges on income), there shall be substituted the following subsections—

“(4) Subsection (7) of section 403 shall have effect as if the reference in that subsection to the profits of the surrendering company for an accounting period did not include the relevant part of the company’s ring fence profits for that period.

(5) For the purposes of subsection (4) above the relevant part of a company’s ring fence profits for an accounting period are—

- (a) if for that period—
  - (i) there are no charges on income paid by the company that are allowable under section 338, or
  - (ii) the only charges on income so allowable are charges to which subsection (3) above applies,
 all the company’s ring fence profits; and
- (b) in any other case, so much of its ring fence profits as exceeds the amount of the charges on income paid by the company as are so allowable for that period and are not charges to which subsection (3) above applies.”]

#### Textual Amendments

**F332** Sch. 14 para. 32(4) repealed (31.7.1998 with effect as mentioned in s. 38(2)(3) of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(4), Note

33 In section 587A of that Act (extra return on new issues of securities), in subsection (1), after paragraph (e) there shall be inserted the following—

“but this section shall not apply for the purposes of corporation tax, except where the issue of the new securities was before 1st April 1996.”

34 In section 614 of that Act (exemptions and reliefs in respect of income from certain pension funds etc.), after subsection (2) of that section there shall be inserted the following subsection—

“(2A) The reference in subsection (2) above to interest on sums forming part of a fund include references to any amount which is treated as income by virtue

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- of paragraph 1 of Schedule 13 to the Finance Act 1996 (relevant discounted securities) and derives from any investment forming part of that fund.”
- 35 In section 687(3) of that Act (payments under discretionary trusts), after paragraph (j) there shall be inserted the following paragraph—
- “(k) the amount of any tax on an amount which is treated as income of the trustees by virtue of paragraph 1 of Schedule 13 to the Finance Act 1996 and is charged to tax at the rate applicable to trusts by virtue of paragraph 6 of that Schedule.”
- 36 In section 710 of that Act (interpretation of sections 711 to 728), after subsection (1) there shall be inserted the following subsection—
- “(1A) Sections 711 to 728 shall not apply for the purposes of corporation tax except as respects transfers of securities taking place before 1st April 1996.”
- 37 In section 730A of that Act (treatment of price differential on repos) the following subsections shall be substituted for subsection (6)—
- “(6) For the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships)—
- (a) interest deemed by virtue of subsection (2) above to be paid or received by any company shall be deemed to be interest under a loan relationship; and
- (b) the debits and credits falling to be brought into account for the purposes of that Chapter so far as they relate to the deemed interest shall be those given by the use in relation to the deemed interest of an authorised accruals basis of accounting.
- (6A) Any question whether debits or credits brought into account in accordance with subsection (6) above in relation to any company—
- (a) are to be brought into account under section 82(2) of the Finance Act 1996 (trading loan relationships), or
- (b) are to be treated as non-trading debits or credits,
- shall be determined (subject to Schedule 11 to that Act (insurance companies)) according to the extent (if any) to which the company is a party to the repurchase in the course of activities forming an integral part of a trade carried on by the company.”
- [<sup>F333</sup>38 In section 737(5A) of that Act (relief in respect of manufactured dividends), after “a manufactured dividend” there shall be inserted “ that is not manufactured interest to which section 97 of the Finance Act 1996 applies ”.]

#### Textual Amendments

**F333** Sch. 14 para. 38 repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(10), Note 1 of the amending Act) by 1997 c. 16, ss. 76, 113, Sch. 10 Pt. I para. 7(1), Sch. 18 Pt. VI(10)

- 39 (1) For subsections (10) and (11) of section 768B of that Act (change in ownership of investment companies), there shall be substituted the following subsection—
- “(10) Part IV of Schedule 28A shall have effect for the purpose of restricting, in a case where this section applies, the debits to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in respect of the company’s loan relationships.”

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- (2) In subsection (13) of that section (modified application of section 768(6)), after “company’s total profits” there shall be inserted “, or the debits to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in the case of a company in respect of its loan relationships,”.
- 40 For subsections (9) and (10) of section 768C of that Act there shall be substituted the following subsection—
- “(9) Part IV of Schedule 28A shall have effect for the purpose of restricting, in a case where this section applies, the debits to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in respect of the relevant company’s loan relationships.”
- 41 In section 795 of that Act (computation of income subject to foreign tax), after subsection (3) there shall be inserted the following subsection—
- “(4) Subsections (2) and (3) above have effect for the purposes of corporation tax notwithstanding anything in section 80(5) of the Finance Act 1996 (matters to be brought into account in the case of loan relationships only under Chapter II of Part IV of that Act).”
- 42 (1) In section 797 of that Act (limits on credit for foreign tax in the case of corporation tax), after subsection (3) there shall be inserted the following subsections—
- “(3A) Where, in a case to which section 797A does not apply, a company has a non-trading deficit on its loan relationships for the relevant accounting period, then for the purposes of subsection (3) above that deficit shall be treated, to the extent that it is an amount to which a claim under—
- (a) subsection (2)(a) of section 83 of the Finance Act 1996 (deficit set against current year profits), or
- (b) paragraph 4(2) of Schedule 11 to that Act (set-off of deficits in the case of insurance companies),
- relates, as an amount that can in that period be set against profits of any description but can be allocated in accordance with subsection (3) above only to the profits against which it is set off in pursuance of the claim.
- (3B) For the purposes of subsection (3) above, where—
- (a) section 797A does not apply in the case of any company, and
- (b) any amount is carried forward to the relevant accounting period in pursuance of a claim under subsection (2)(d) of section 83 of the Finance Act 1996 or in accordance with subsection (3) of that section,
- then that amount must be allocated to non-trading profits of the company for that period (so far as they are sufficient for the purpose) and cannot be allocated to any other profits.”
- (2) After subsection (5) of that section there shall be inserted the following subsection—
- “(6) In this section “non-trading profits” has the same meaning as in paragraph 4 of Schedule 8 to the Finance Act 1996.”
- 43 After section 797 of that Act there shall be inserted the following section—

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**“797A Foreign tax on interest brought into account as a non-trading credit.**

- (1) This section applies for the purposes of any arrangements where, in the case of any company—
  - (a) any non-trading credit relating to an amount of interest is brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) for any accounting period (“the applicable accounting period”); and
  - (b) there is in respect of that amount an amount of foreign tax for which, under the arrangements, credit is allowable against United Kingdom tax computed by reference to that interest.
- (2) It shall be assumed that tax chargeable under paragraph (a) of Case III of Schedule D on the profits and gains arising for the applicable accounting period from the company’s loan relationships falls to be computed on the actual amount of its non-trading credits for that period, and without any deduction in respect of non-trading debits.
- (3) Section 797(3) shall have effect (subject to subsection (7) below) as if—
  - (a) there were for the applicable accounting period an amount equal to the adjusted amount of the non-trading debits falling to be brought into account by being set against profits of the company for that period of any description; and
  - (b) different parts of that amount might be set against different profits.
- (4) For the purposes of this section, the adjusted amount of a company’s non-trading debits for any accounting period is the amount equal, in the case of that company, to the aggregate of the non-trading debits given for that period for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) less the aggregate of the amounts specified in subsection (5) below.
- (5) Those amounts are—
  - (a) so much of any non-trading deficit for the applicable accounting period as is an amount to which a claim under subsection (2)(b), (c) or (d) of section 83 of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act (group relief and transfer to previous or subsequent period of deficits) relates;
  - (b) so much of any non-trading deficit for that period as falls to be carried forward to a subsequent period in accordance with subsection (3) of that section or paragraph 4(4) of that Schedule; and
  - (c) any amount carried forward to the applicable accounting period in pursuance of a claim under section 83(2)(d) of that Act.
- (6) Section 797(3) shall have effect as if any amount specified in subsection (5) (c) above were an amount capable of being allocated only to any non-trading profits of the company.
- (7) Where—
  - (a) the company has a non-trading deficit for the applicable accounting period,

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- (b) the amount of that deficit exceeds the aggregate of the amounts specified in subsection (5) above, and
- (c) in pursuance of a claim under—
- (i) subsection (2)(a) of section 83 of the Finance Act 1996 (deficit set against current year profits), or
- (ii) paragraph 4(2) of Schedule 11 to that Act (set-off of deficits in the case of insurance companies),
- the excess falls to be set off against profits of any description, section 797(3) shall have effect as if non-trading debits of the company which in aggregate are equal to the amount of the excess were required to be allocated to the profits against which they are set off in pursuance of the claim.
- (8) In this section “non-trading profits” has the same meaning as in paragraph 4 of Schedule 8 to the Finance Act 1996.”
- 44 (1) In section 798 of that Act (interest on certain overseas loans), after subsection (2) there shall be inserted the following subsection—
- “(2A) For the purposes of corporation tax, this section shall apply only where the expenditure referred to in subsection (1)(b) above falls, in the case of the lender, to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in accordance with section 82(2) of that Act (trading debits and credits).”
- (2) After subsection (3) of that section (deemed increase of interest) there shall be inserted the following subsection—
- “(3A) Subsection (3) above has effect for the purposes of corporation tax notwithstanding anything in section 80(5) of the Finance Act 1996 (matters to be brought into account in the case of loan relationships only under Chapter II of Part IV of that Act).”
- 45 In section 807 of that Act (sale of securities with or without accrued interest), after subsection (5) there shall be inserted the following subsection—
- “(6) This section does not apply for the purposes of corporation tax.”
- 46 After section 807 of that Act there shall be inserted the following section—

**“807A Disposals and acquisitions of company loan relationships with or without interest.**

- (1) This Part shall have effect for the purposes of corporation tax in relation to any company as if tax falling within subsection (2) below were to be disregarded.
- (2) Tax falls within this subsection in relation to a company to the extent that it is—
- (a) tax under the law of a territory outside the United Kingdom; and
- (b) is attributable, on a just and reasonable apportionment, to interest accruing under a loan relationship at a time when the company is not a party to the relationship.
- (3) Subject to subsections (1), (4) and (5) of this section, where—

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- (a) any non-trading credit relating to an amount of interest under a loan relationship is brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in the case of any company,
- (b) that amount falls, as a result of any related transaction, to be paid to a person other than the company, and
- (c) had the company been entitled, at the time of that transaction, to receive a payment of an amount of interest equal to the amount of interest to which the non-trading credit relates, the company would have been liable in respect of the amount of interest received to an amount of tax under the law of a territory outside the United Kingdom,

credit for that amount of tax shall be allowable under section 790(4) as if that amount of tax were an amount of tax paid under the law of that territory in respect of the amount of interest to which the non-trading credit relates.

- (4) Subsection (3) above does not apply in the case of a credit brought into account in accordance with paragraph 1(2) of Schedule 11 to the Finance Act 1996 (the I minus E basis).
- (5) The Treasury may by regulations provide for subsection (3) above to apply—
  - (a) in the case of trading credits, as well as in the case of non-trading credits;
  - (b) in the case of any credit (“an insurance credit”) in the case of which, by virtue of subsection (4) above, it would not otherwise apply.
- (6) Regulations under subsection (5) above may—
  - (a) provide for subsection (3) above to apply in the case of a trading credit or an insurance credit only if the circumstances are such as may be described in the regulations;
  - (b) provide for subsection (3) above to apply, in cases where it applies by virtue of any such regulations, subject to such exceptions, adaptations or other modifications as may be specified in the regulations;
  - (c) make different provision for different cases; and
  - (d) contain such incidental, supplemental, consequential and transitional provision as the Treasury think fit.

- (7) In this section—

“related transaction” has the same meaning as in section 84 of the Finance Act 1996; and

“trading credit” means any credit falling to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in accordance with section 82(2) of that Act.”

47 In section 811 of that Act (deduction of foreign tax where no credit available), after subsection (2) there shall be inserted the following subsection—

“(3) This section has effect for the purposes of corporation tax notwithstanding anything in section 80(5) of the Finance Act 1996 (matters to be brought into account in the case of loan relationships only under Chapter II of Part IV of that Act).”

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- 48 (1) In subsection (7C) of section 826 of that Act (interest on tax overpaid)—
- (a) in paragraph (a), for the words from “a relievable amount” to the end of the paragraph there shall be substituted “a non-trading deficit on the company’s loan relationships,”;
  - (b) in paragraph (b), for the words from “subsection (5)” to “subsection (10) of that section” there shall be substituted “section 83(2)(c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act the whole or part of the deficit for the later period is set off against profits”; and
  - (c) in the words after paragraph (c), for “subsection (5) or (6) (as the case may be) of that section” there shall be substituted “section 83(2)(c) of that Act or, as the case may be, paragraph 4(3) of Schedule 11 to that Act”.
- [<sup>F334</sup>(2) In subsection (7CA) of that section, for the words “section 131(5) or (6) of the Finance Act 1993”, in each place where they occur, there shall be substituted “section 83(2)(c) of the Finance Act 1996 or paragraph 4(3) of Schedule 11 to that Act”.]

#### Textual Amendments

**F334** Sch. 14 para. 48(2) repealed (31.7.1998 with effect as mentioned in Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

- 49 In subsection (1) of section 834 of that Act (definitions for the purposes of the Corporation Tax Acts), after the definition of “group relief” there shall be inserted the following definitions—
- ““loan relationship” has the same meaning as it has for the purposes of Chapter II of Part IV of the Finance Act 1996;
- “non-trading deficit”, in relation to a company’s loan relationships, shall be construed in accordance with section 82 of the Finance Act 1996.”
- 50 Schedule 4 to that Act (deep discount securities) shall cease to have effect.
- [<sup>F335</sup>51 In paragraph 5B(2) of Schedule 19AC to that Act (overseas life companies), the following paragraph shall be inserted after paragraph (d)—
- “(e) the setting of amounts against profits under, or in pursuance of a claim under, paragraph 4 of Schedule 11 to the Finance Act 1996 (loan relationships of insurance companies).”]

#### Textual Amendments

**F335** Sch. 14 para. 51 repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(6), Note of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(6)

- 52 (1) Schedule 23A to that Act (manufactured payments) shall be amended as follows.
- [<sup>F336</sup>(2) In paragraph 3 (manufactured interest on UK securities), after sub-paragraph (4) there shall be inserted the following sub-paragraph—
- “(5) Without prejudice to section 97 of the Finance Act 1996 (manufactured interest), the references in this paragraph to all the purposes of the Tax Acts do not include the purposes of Chapter II of Part IV of that Act (loan relationships).”]



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- [<sup>F336</sup>(3) In paragraph 3A(3) (gilt-edged securities)—
- (a) for “Sub-paragraph (4)” there shall be substituted “ Sub-paragraphs (4) and (5) ”; and
  - (b) for “it applies” there shall be substituted “ they apply ”.]
- (4) In paragraph 4 (manufactured interest on overseas dividends), after sub-paragraph (8) there shall be inserted the following sub-paragraph—
- “(9) Without prejudice to section 97 of the Finance Act 1996 (manufactured interest), the references in this paragraph to all the purposes of the Tax Acts do not include the purposes of Chapter II of Part IV of that Act (loan relationships).”
- [<sup>F336</sup>(5) In paragraph 5 (dividends and interest passing through the market), in sub-paragraphs (2)(b) and (4)(b), at the end there shall be inserted, in each case, “and shall also be treated, in the case of interest the recipient of which is a company, as if for the purposes of Chapter II of Part IV of the Finance Act 1996 it were interest under a loan relationship to which the company is a party”.]
- [<sup>F336</sup>(6) In paragraph 6 (unapproved manufactured payments), sub-paragraphs (3), (4), (6) and (7) shall cease to have effect.]
- (7) In paragraph 7 (irregular manufactured payments), after sub-paragraph (1) there shall be inserted the following sub-paragraph—
- “(1A) Sub-paragraph (1) above does not apply in the case of the amount of any manufactured interest or manufactured overseas dividend which falls in accordance with section 97 of the Finance Act 1996 to be treated for the purposes of Chapter II of Part IV of that Act as interest under a loan relationship.”

#### Textual Amendments

**F336** Sch. 14 para. 52(2)(3)(5)(6) repealed (19.3.1997 with effect as mentioned in Sch. 18 Pt. VI(10), Note 1 of the amending Act) by 1997 c. 16, ss. 76, 113, Sch. 10 Pt. VI para. 7(1), Sch. 18 Pt. VI(10)

- 53 In Schedule 26 to that Act (controlled foreign companies), in paragraph 1(3), the word “and” shall be inserted at the end of paragraph (e), and after that paragraph there shall be inserted the following paragraph—
- “(f) any non-trading deficit on its loan relationships.”
- 54 (1) In paragraph 6 of Schedule 28A to that Act (amounts in issue for the purposes of section 768B of that Act), after sub-paragraph (d) there shall be inserted the following sub-paragraphs—
- “(da) the amount (if any) of the adjusted Case III profits and gains or non-trading deficit of the company for that accounting period;
  - (db) the amount of any non-trading debit (other than one within sub-paragraph (dc) or (dd) below) that falls to be brought into account for that accounting period for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in respect of any debtor relationship of the company;

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- (dc) the amount of any non-trading debit given for that accounting period by section 83(3) of the Finance Act 1996 (carried forward deficit not set off against profits);
  - (dd) the amount of any non-trading debit given for that accounting period by paragraph 13 of Schedule 15 to the Finance Act 1996 (transitional adjustment for past interest) in respect of any debtor relationship of the company;”.
- (2) In Part II of that Schedule, after paragraph 6 there shall be inserted the following paragraph—
- “6A For the purposes of paragraph 6(da) above, the amount for any accounting period of the adjusted Case III profits and gains or non-trading deficit of a company is the amount which, as the case may be, would be—
- (a) the amount of the profits and gains chargeable under Case III of Schedule D as profits and gains arising from the company’s loan relationships, or
  - (b) the amount of the company’s non-trading deficit on those relationships for that period,
- if, in computing that amount, amounts for that period falling within paragraph 6(db) to (dd) above were disregarded.”
- (3) In paragraph 7(1) of that Schedule (apportionment for the purposes of section 768B)
- (a) in paragraph (b), after “in paragraph 6(c) above,” there shall be inserted “ or in the case of the non-trading debit mentioned in paragraph 6(dc) above, ”;
  - (b) in paragraph (c), after “6(d)” there shall be inserted “ , (da) ”; and
  - (c) after paragraph (c) there shall be inserted the following paragraphs—
    - “(d) in the case of any such debit as—
      - (i) is mentioned in paragraph 6(db) above,
      - (ii) falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in accordance with an authorised accruals basis of accounting, and
      - (iii) so falls to be brought into account otherwise than on the assumption, specified in paragraph 2(2) of Schedule 9 to that Act, that the interest to which it relates does not accrue until it is paid,
 by reference to the time of accrual of the amount to which the debit relates;
  - (e) in the case of any such debit as—
    - (i) is mentioned in paragraph 6(db) above,
    - (ii) falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in accordance with an authorised accruals basis of accounting, and
    - (iii) so falls to be brought into account on the assumption mentioned in paragraph (d)(iii) above,
 by apportioning the whole amount of the debit to the first part of the accounting period being divided;

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- (f) in the case of any such debit as is mentioned in paragraph 6(dd) above, by apportioning the whole amount of the debit to the first part of the accounting period being divided.”

- (4) For Part IV of that Schedule (excess overdue interest) there shall be substituted the following Part—

#### “PART IV

##### DISALLOWED DEBITS

- 9 (1) This paragraph has effect in a case to which section 768B applies for determining the debits to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) for—
  - (a) the accounting period beginning immediately after the change in the ownership of the company; and
  - (b) any subsequent accounting period.
- (2) The debits so brought into account shall not include the debits falling within paragraph 11 below to the extent (if at all) that the aggregate of—
  - (a) the amount of those debits, and
  - (b) the amount of any debits falling within that paragraph which have been brought into account for the purposes of that Chapter for any previous accounting period ending after the change in the ownership,exceeds the profits for the accounting period ending with the change in the ownership.
- (3) The reference in sub-paragraph (2) above to the profits is a reference to profits after making all deductions and giving all reliefs that for the purposes of corporation tax are made or given against the profits, including deductions and reliefs which under any provision are treated as reducing them for those purposes.
- 10 (1) This paragraph has effect in a case to which section 768C applies for determining the debits to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) for—
  - (a) the accounting period beginning immediately after the change in the ownership of the relevant company; and
  - (b) any subsequent accounting period.
- (2) The debits so brought into account for any such accounting period shall not include the debits falling within paragraph 11 below to the extent (if at all) that the amount of those debits exceeds the modified total profits for the accounting period.
- (3) The reference in sub-paragraph (2) above to the modified total profits for an accounting period is a reference to the total profits for that period—
  - (a) reduced, if that period is the period in which the relevant gain accrues, by an amount equal to the amount of the total profits for that period which represents the relevant gain; and
  - (b) after making all deductions and giving all reliefs that for the purposes of corporation tax are made or given against

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the profits, including deductions and reliefs which under any provision are treated as reducing them for those purposes, other than any reduction by virtue of paragraph 1(2) of Schedule 8 to the Finance Act 1996.

- (4) Where by virtue of sub-paragraph (2) above a debit is to any extent not brought into account for an accounting period, that debit may (to that extent) be brought into account for the next accounting period, but this is subject to the application of sub-paragraphs (1) to (3) above to that next accounting period.
- 11 (1) A debit falls within this paragraph if it is a non-trading debit which—
- (a) falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in accordance with an authorised accruals basis of accounting;
  - (b) so falls to be brought into account on the assumption, specified in sub-paragraph (2) of paragraph 2 of Schedule 9 to that Act, that the interest to which it relates does not accrue until it is paid; and
  - (c) apart from that sub-paragraph, would have fallen to be brought into account for those purposes for an accounting period ending before or with the change in the ownership of the company or, as the case may be, the relevant company.
- (2) The debits that fall within this paragraph also include—
- (a) any non-trading debit given by section 83(3) of the Finance Act 1996 (carried forward deficit from previous period not set off against non-trading profits of current period) for the post-change accounting period;
  - (b) any non-trading debit given by paragraph 13 of Schedule 15 to the Finance Act 1996 (transitional adjustment for past interest) in respect of any debtor relationship of the company or, as the case may be, the relevant company.
- (3) The debits that fall within this paragraph also include any non-trading debit which—
- (a) is not such a debit as is mentioned in sub-paragraph (1) or (2) above;
  - (b) is a debit in respect of a debtor relationship of the company or, as the case may be, the relevant company;
  - (c) falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in accordance with an authorised accruals basis of accounting; and
  - (d) relates to an amount that accrued before the change in the ownership of that company.
- (4) In this paragraph “post-change accounting period” means the accounting period beginning immediately after the change in the ownership of the company or, as the case may be, the relevant company.
- 12 Expressions used both in this Part of this Schedule and in Chapter II of Part IV of the Finance Act 1996 have the same meanings in this Part of this Schedule as in that Chapter.”

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- (5) In paragraph 13(1) of that Schedule (amounts in issue for the purposes of section 768C of that Act), after paragraph (e) there shall be inserted the following paragraphs—
- “(ea) the amount (if any) of the adjusted Case III profits and gains or non-trading deficit of the company for that accounting period;
  - (eb) the amount of any non-trading debit (other than one within paragraph (ec) or (ed) below) that falls to be brought into account for that accounting period for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in respect of any debtor relationship of the company;
  - (ec) the amount of any non-trading debit given for that accounting period by section 83(3) of the Finance Act 1996 (carried forward deficit not set off against profits);
  - (ed) the amount of any non-trading debit given for that accounting period by paragraph 13 of Schedule 15 to the Finance Act 1996 (transitional adjustment for past interest) in respect of any debtor relationship of the company;”.
- (6) In Part V of that Schedule, after paragraph 13 there shall be inserted the following paragraph—
- “13A Paragraph 6A above shall apply for the purposes of paragraph 13(1)(ea) above as it applies for the purposes of paragraph 6(da) above.”
- (7) In paragraph 16(1) of that Schedule (apportionment for the purposes of section 768C)
- (a) in paragraph (b), after “in paragraph 13(1)(d) above,” there shall be inserted “or in the case of the non-trading debit mentioned in paragraph 13(1)(ec) above, ”;
  - (b) in paragraph (c), after “13(1)(e)” there shall be inserted “, (ea) ”; and
  - (c) after paragraph (c) there shall be inserted the following paragraphs—
    - “(d) in the case of any such debit as—
      - (i) is mentioned in paragraph 13(1)(eb) above,
      - (ii) falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in accordance with an authorised accruals basis of accounting, and
      - (iii) so falls to be brought into account otherwise than on the assumption, specified in paragraph 2(2) of Schedule 9 to that Act, that the interest to which it relates does not accrue until it is paid,by reference to the time of accrual of the amount to which the debit relates;
    - (e) in the case of any such debit as—
      - (i) is mentioned in paragraph 13(1)(eb) above,
      - (ii) falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 in accordance with an authorised accruals basis of accounting, and
      - (iii) so falls to be brought into account on the assumption mentioned in paragraph (d)(iii) above,

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- by apportioning the whole amount of the debit to the first part of the accounting period being divided;
- (f) in the case of any such debit as is mentioned in paragraph 13(1)(ed) above, by apportioning the whole amount of the debit to the first part of the accounting period being divided.”

*The British Steel Act 1988 (c. 35)*

- 55 In section 11 of the British Steel Act 1988 (taxation provisions), for subsection (7) there shall be substituted the following subsection—

“(7) For the purposes of Part VI of the <sup>M29</sup>Income and Corporation Taxes Act 1988 (company distributions) and Chapter II of Part IV of the Finance Act 1996 (loan relationships), any debentures issued in pursuance of section 3 above shall be treated as having been issued for new consideration equal to the principal sum payable under the debenture.”

**Marginal Citations**

M29 1988 c. 1.

*The Finance Act 1989 (c. 26)*

- 56 In section 88(3) of the Finance Act 1989 (relevant profits of company), the following paragraph shall be inserted before paragraph (a)—

“(aa) amounts falling in respect of any non-trading deficits on the company’s loan relationships to be brought into account in that period in accordance with paragraph 4 of Schedule 11 to the Finance Act 1996,”.

- 57 Schedule 11 to that Act (deep gain securities) shall cease to have effect.

*The Finance Act 1990 (c. 29)*

- 58 Schedule 10 to the Finance Act 1990 (convertible securities) shall cease to have effect.

*The Taxation of Chargeable Gains Act 1992 (c. 12)*

- 59 In section 108(1) of the Taxation of Chargeable Gains Act 1992 (meaning of relevant securities), after paragraph (a) there shall be inserted the following paragraph—

“(aa) qualifying corporate bonds;”.

- 60 (1) Section 116 of that Act (reorganisations, conversions and reconstructions) shall be amended as follows.

- (2) After subsection (4) there shall be inserted the following subsection—

“(4A) In determining for the purposes of subsections (1) to (4) above, as they apply for the purposes of corporation tax—

- (a) whether sections 127 to 130 would apply in any case, and

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- (b) what, in a case where they would apply, would constitute the original shares and the new holding,  
it shall be assumed that every asset representing a loan relationship of a company is a security within the meaning of section 132.”
- (3) After subsection (8) there shall be inserted the following subsection—
- “(8A) Where subsection (6) above applies for the purposes of corporation tax in a case where the old asset consists of a qualifying corporate bond, Chapter II of Part IV of the Finance Act 1996 (loan relationships) shall have effect so as to require such debits and credits to be brought into account for the purposes of that Chapter in relation to the relevant transaction as would have been brought into account if the transaction had been a disposal of the old asset at the market value mentioned in that subsection.”
- (4) After subsection (15) there shall be inserted the following subsection—
- “(16) This section has effect for the purposes of corporation tax notwithstanding anything in section 80(5) of the Finance Act 1996 (matters to be brought into account in the case of loan relationships only under Chapter II of Part IV of that Act).”
- 61 (1) In section 117 of that Act (meaning of “qualifying corporate bond”), before subsection (1) there shall be inserted the following subsection—
- “(A1) For the purposes of corporation tax “qualifying corporate bond” means (subject to sections 117A and 117B below) any asset representing a loan relationship of a company; and for purposes other than those of corporation tax references to a qualifying corporate bond shall be construed in accordance with the following provisions of this section.”
- (2) After subsection (2) of that section there shall be inserted the following subsection—
- “(2AA) For the purposes of this section “corporate bond” also includes any asset which is not included in the definition in subsection (1) above and which is a relevant discounted security for the purposes of Schedule 13 to the Finance Act 1996.”
- (3) After subsection (6A) of that section there shall be inserted the following subsections—
- “(6B) An excluded indexed security issued on or after 6th April 1996 is not a corporate bond for the purposes of this section; and an excluded indexed security issued before that date shall be taken to be such a bond for the purposes of this section only if—
- (a) it would be so taken apart from this subsection; and
- (b) the question whether it should be so taken arises for the purposes of section 116(10).
- (6C) In subsection (6B) above “excluded indexed security” has the same meaning as in Schedule 13 to the Finance Act 1996 (relevant discounted securities).”
- (4) After subsection (8) of that section there shall be inserted the following subsection—
- “(8A) A corporate bond falling within subsection (2AA) above is a qualifying corporate bond whatever its date of issue.”

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62 After section 117 of that Act there shall be inserted the following sections—

**“117A Assets that are not qualifying corporate bonds for corporation tax purposes.**

- (1) An asset to which this section applies is not a qualifying corporate bond for the purposes of corporation tax in relation to any disposal of that asset.
- (2) This section applies to any asset representing a loan relationship of a company where—
  - (a) subsection (3) or (4) below applies to the asset; and
  - (b) it is held in exempt circumstances.
- (3) This subsection applies to an asset if—
  - (a) the settlement currency of the debt to which it relates is a currency other than sterling; and
  - (b) that debt is not a debt on a security.
- (4) This subsection applies to an asset if the debt to which it relates is a debt on a security and is in a foreign currency.
- (5) For the purposes of subsection (4) above a debt is a debt in a foreign currency if it is—
  - (a) a debt expressed in a currency other than sterling;
  - (b) a debt the amount of which in sterling falls at any time to be determined by reference to the value at that time of a currency other than sterling; or
  - (c) subject to subsection (6) below, a debt as respects which provision is made for its conversion into, or redemption in, a currency other than sterling.
- (6) A debt is not a debt in a foreign currency for those purposes by reason only that provision is made for its redemption on payment of an amount in a currency other than sterling equal, at the rate prevailing at the date of redemption, to a specified amount in sterling.
- (7) The provisions specified in subsection (8) below, so far as they require a disposal to be treated as a disposal on which neither a gain nor a loss accrues, shall not apply to any disposal of an asset to which this section applies.
- (8) The provisions referred to in subsection (7) above are—
  - (a) sections 139, 140A, 171 and 172 of this Act; and
  - (b) section 486(8) of the Taxes Act.
- (9) Paragraph 3 of Schedule 17 to the <sup>M30</sup>Finance Act 1993 shall have effect for construing the reference in subsection (2)(b) above to exempt circumstances as if references to a currency were references to the debt to which the relationship relates.
- (10) In this section “security” includes a debenture that is deemed to be a security for the purposes of section 251 by virtue of subsection (6) of that section.



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### **117B Holdings in unit trusts and offshore funds excluded from treatment as qualifying corporate bonds.**

- (1) For the purposes of corporation tax an asset to which this section applies is not a qualifying corporate bond in relation to any disposal of that asset in an accounting period for which that asset falls, under paragraph 4 of Schedule 10 to the Finance Act 1996 (holdings in unit trusts and offshore funds), to be treated as a right under a creditor relationship of a company.
- (2) This section applies to an asset which is comprised in a relevant holding (within the meaning of paragraph 4 of Schedule 10 to the Finance Act 1996) if—
  - (a) it is denominated in a currency other than sterling; and
  - (b) it is held in exempt circumstances.
- (3) For the purposes of this section—
  - (a) a unit in a unit trust scheme, or
  - (b) a right (other than a share in a company) which constitutes a relevant interest in an offshore fund,shall be taken to be denominated in a currency other than sterling if the price at which it may be acquired from, or disposed of to, persons concerned in the management of the trust or fund is fixed by those persons in a currency other than sterling.
- (4) For the purposes of this section shares constituting a relevant interest in an offshore fund shall be taken to be denominated in a currency other than sterling if their nominal value is expressed in such a currency.
- (5) The provisions specified in subsection (6) below, so far as they require a disposal to be treated as a disposal on which neither a gain nor a loss accrues, shall not apply to any disposal in relation to which this section applies.
- (6) The provisions referred to in subsection (5) above are—
  - (a) sections 139, 140A, 171 and 172 of this Act; and
  - (b) section 486(8) of the Taxes Act.
- (7) Paragraph 3 of Schedule 17 to the <sup>M31</sup>Finance Act 1993 shall have effect for construing the reference in subsection (2)(b) above to exempt circumstances as if references to a currency were references to the asset in question.
- (8) Paragraph 7 of Schedule 10 to the Finance Act 1996 shall apply for construing any reference in this section to a relevant interest in an offshore fund as it applies for the purposes of paragraph 4 of that Schedule.”

#### **Marginal Citations**

**M30** 1993 c. 34.

**M31** 1993 c. 34.

63 In section 212 of that Act (annual deemed disposal of holdings of unit trusts), after subsection (2) there shall be inserted the following subsection—

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“(2A) Subsection (1) above shall not apply to assets falling by virtue of paragraph 4 of Schedule 10 to the Finance Act 1996 (company holdings in unit trusts) to be treated for the accounting period in question as representing rights under a creditor relationship of the company.”

64 In section 251 of that Act (exclusion for debts that are not debts on a security), after subsection (6) there shall be inserted the following subsections—

“(7) Where any instrument specified in subsection (8) below is not a security (as defined in section 132), that instrument shall be deemed to be such a security for the purposes of this section, other than the purposes of determining what is or is not an allowable loss in any case.

(8) The instruments mentioned in subsection (7) above are—

- (a) any instrument that would fall to be treated for the purposes of this Act as an asset representing a loan relationship of a company if the provisions of sections 92(4) and 93(4) of the Finance Act 1996 (convertible securities and assets linked to the value of chargeable assets) were disregarded; or
- (b) any instrument which (even apart from those provisions) is not a loan relationship of a company but which would be a relevant discounted security for the purposes of Schedule 13 to that Act if paragraph 3(2)(c) of that Schedule (excluded indexed securities) were omitted.”

65 In section 253(3) of that Act (relief for loans to traders), in the words after paragraph (c), at the beginning there shall be inserted—

“then, to the extent that that amount is not an amount which, in the case of the claimant, falls to be brought into account as a debit given for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships),”.

66 (1) In section 254 of that Act (relief for debts on qualifying corporate bonds), in subsection (1)(c), after “bond” there shall be inserted “ but is not a relevant discounted security for the purposes of Schedule 13 to the Finance Act 1996 ”.

(2) After subsection (12) of that section there shall be inserted the following subsection—

“(13) This section does not apply for the purposes of corporation tax.”

*The Finance Act 1993 (c. 34)*

67 F337 .....

**Textual Amendments**  
F337 Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(10)

68 F338 .....

*Status: Point in time view as at 06/04/2006.*

*Changes to legislation: Finance Act 1996 is up to date with all changes known to be in force on or before 17 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**Textual Amendments**

**F338** Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**

69 **F339** .....

**Textual Amendments**

**F339** Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**

70 **F340** .....

**Textual Amendments**

**F340** Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**

71 **F341** .....

**Textual Amendments**

**F341** Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**

72 **F342** .....

**Textual Amendments**

**F342** Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**

73 **F343** .....

**Textual Amendments**

**F343** Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**

74 **F344** .....

**Textual Amendments**

**F344** Sch. 14 paras. 67-74 repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, **Sch. 40 Pt. 3(10)**

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*The Finance Act 1994 (c. 9)*

75 F345 .....

**Textual Amendments**  
F345 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

76 F346 .....

**Textual Amendments**  
F346 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

77 F347 .....

**Textual Amendments**  
F347 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

78 F348 .....

**Textual Amendments**  
F348 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

79 F349 .....

**Textual Amendments**  
F349 Sch. 14 paras. 75-79 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

*Status: Point in time view as at 06/04/2006.*

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## SCHEDULE 15

Section 105.

### LOAN RELATIONSHIPS: SAVINGS AND TRANSITIONAL PROVISIONS

#### PART I

##### CORPORATION TAX

###### *Application and interpretation of Part I*

- 1 (1) This Part of this Schedule has effect for the purposes of corporation tax.
- (2) In this Part of this Schedule—
  - “the 1992 Act” means the <sup>M32</sup>Taxation of Chargeable Gains Act 1992;
  - “continuing loan relationship”, in relation to any company, means any loan relationship to which the company was a party both immediately before and on 1st April 1996;
  - “first relevant accounting period”, in relation to a company, means the first accounting period of the company to end after 31st March 1996; and
  - “transitional accounting period”, in relation to a company, means any accounting period of the company beginning before and ending on or after 1st April 1996.
- (3) Any question as to whether, or to what extent, credits or debits falling to be brought into account for the purposes of this Chapter by virtue of this Part of this Schedule are referable to any category of an insurance company’s [<sup>F350</sup>long-term] business shall be determined according to any apportionment in relation to the loan relationship in question which is made for the company’s first relevant accounting period.
- (4) In this Part of this Schedule references to this Chapter include references to any repeals having effect for the purposes of this Chapter.

#### **Textual Amendments**

**F350** Words in [Sch. 15 para. 1\(3\)](#) substituted (1.12.2001) by [S.I. 2001/3629](#), [art. 96\(1\)\(c\)](#)

#### **Marginal Citations**

**M32** [1992 c. 12](#).

###### *Loan relationships terminated before 1st April 1996*

- 2 Subject to paragraph 13(6) below, the amounts which are to be brought into account for the purposes of corporation tax in any transitional accounting period of a company by reference to any loan relationship to which it was a party only at a time before 1st April 1996—
  - (a) shall not be computed in accordance with this Chapter; but
  - (b) shall, instead, be computed as they would be for an accounting period ending on 31st March 1996.

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*Basic rules for transitional accounting periods*

- 3 (1) This paragraph applies as respects any continuing loan relationship of a company.
- (2) In a transitional accounting period an amount accruing before 1st April 1996 in respect of a continuing loan relationship (whether it accrues as a right or liability) shall be brought into account for the purposes of this Chapter in accordance with an authorised accruals basis of accounting only if it is an amount accruing as interest.
- (3) In a transitional accounting period an amount becoming due and payable before 1st April 1996 in respect of a continuing loan relationship shall be brought into account for the purposes of this Chapter in accordance with an authorised mark to market basis of accounting only if it is an amount becoming so due and payable as interest.
- (4) Except where sub-paragraph (6) below applies and subject to the following provisions of this Part of this Schedule, any opening valuation that is to be made for the purpose of bringing amounts into account for the purposes of this Chapter in a transitional accounting period on a mark to market basis of accounting shall be made as at 1st April 1996, instead of as at any earlier time.
- (5) Where any opening valuation is made in accordance with sub-paragraph (4) above for any transitional accounting period—
- (a) that valuation, and
  - (b) any closing valuation made as at the end of that period for the purposes mentioned in that sub-paragraph,
- shall each be made disregarding any amount of interest that has accrued in respect of any part of that period.
- [<sup>F351</sup>(5A) Where—
- (a) sub-paragraph (5) above applies for determining the closing value of a continuing loan relationship of a company for a transitional accounting period ending on or after 14th November 1996, and
  - (b) an opening valuation of that relationship falls to be made, as at the beginning of the immediately following accounting period, for the purpose of bringing amounts into account in that company's case on a mark to market basis of accounting,
- the opening value given by that opening valuation shall be taken to be the same as the closing value given in accordance with that sub-paragraph.]
- (6) This sub-paragraph applies in the case of a continuing loan relationship if, apart from this Chapter—
- (a) a mark to market basis of accounting would have been used, in the case of the relationship, for the purpose of bringing amounts into account in the transitional accounting period; and
  - (b) on that basis, an opening valuation as respects the relationship would have fallen to be made for that purpose as at a time before 1st April 1996.
- (7) Notwithstanding anything in sub-paragraph (2) or (3) above, where—
- (a) there is an amount that accrued or became due and payable before 1st April 1996 in respect of a continuing loan relationship of a company,
  - (b) that amount is not interest, and
  - (c) that amount would, apart from this Chapter, have been brought into account for the purposes of corporation tax in the accounting period in which it accrued or, as the case may be, became due and payable,

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that amount shall be brought into account in that period for the purposes of corporation tax to the same extent as it would have been so brought into account apart from this Chapter and shall not otherwise be brought into account by virtue of the application in relation to times on or after 1st April 1996 of any authorised accounting method.

#### Textual Amendments

**F351** Sch. 15 para. 5(3A) inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 2

*<sup>F352</sup> Adjustment of opening value where new accounting basis adopted as from an accounting period beginning on 1st April 1996*

#### Textual Amendments

**F352** Sch. 15 para. 3A and crossheading inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 3

<sup>F353</sup>3A (1) This paragraph applies in the case of a continuing loan relationship of a company where—

- (a) the company's first relevant accounting period begins on 1st April 1996;
- (b) in that period amounts are brought into account for the purposes of this Chapter in respect of the relationship on a mark to market basis of accounting;
- (c) amounts falling to be brought into account in respect of the relationship for the purposes of corporation tax in the accounting period ending with 31st March 1996 were or (if there had been any) would have been so brought into account otherwise than on a mark to market basis of accounting; and
- (d) an opening valuation of the relationship falls to be made, as at the beginning of the accounting period immediately following the first relevant accounting period, for the purpose of bringing amounts into account on a mark to market basis of accounting.

(2) Where this paragraph applies in the case of a continuing loan relationship of a company, the opening valuation mentioned in sub-paragraph (1)(d) above shall be made disregarding any amount of interest that has accrued in the company's first relevant accounting period or in any of its accounting periods preceding that period.]

#### Textual Amendments

**F353** Sch. 15 para. 3A and crossheading inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 3

*Application of accruals basis to pre-commencement relationships*

4 Subject to the following provisions of this Schedule, any question for the purposes of this Chapter as to the amounts which are to be treated (in accordance with an authorised accruals basis of accounting) as accruing to a company on or after

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1st April 1996 shall be determined by applying that basis of accounting for determining, first, what amounts had accrued before that date.

*Adjustments in respect of pre-commencement trading relationships*

- 5 (1) This paragraph applies in the case of any continuing loan relationship of a company as respects which any amounts would have been brought into account for the purposes of corporation tax in computing the profits or losses of the company from any trade carried on by it if—
- (a) the company had ceased to be a party to the relationship on 31st March 1996; and
  - (b) where it is not otherwise the case, an accounting period of the company had ended on that date.
- (2) Where there is a difference between—
- (a) the notional closing value of the relationship as at 31st March 1996, and
  - (b) the adjusted closing value of that relationship as at that date,
- that difference shall be brought into account as provided for in paragraph 6 below.
- (3) Except where sub-paragraph (4) or (6) below applies, the notional closing value as at 31st March 1996 of a loan relationship of a company shall be taken for the purposes of this paragraph to be the amount which, for the purposes of computing the profits or losses of the company from any trade carried on by it—
- (a) was as at that date, or
  - (b) had an accounting period of the company ended on that date, would have been,
- the amount falling to be brought into account as representing the value of the company's rights or liabilities under the relationship.
- (4) Except where sub-paragraph (6) below applies, if no amount is given by sub-paragraph (3) above, the notional closing value as at 31st March 1996 of a loan relationship of a company shall be taken for the purposes of this paragraph to be the amount which, for the purposes of computing the profits or losses of the company from any trade carried on by it, would have been deductible as representing the cost of becoming a party to the relationship if the company had ceased to be a party to the relationship on 31st March 1996.
- [<sup>F354</sup>(4A) In sub-paragraph (4) above the reference, in relation to a creditor relationship, to the amount deductible as representing the cost of a company's becoming a party to the relationship shall not, except where sub-paragraph (4B) or (4C) below applies, include a reference to so much of that amount as would represent the cost of acquiring any right to accrued interest under the loan relationship.
- (4B) This sub-paragraph applies where—
- (a) the company became a party to the relationship before the beginning of its first relevant accounting period,
  - (b) interest accruing under the relationship before the company became a party to it was paid to the company after it became a party to it but before the beginning of the company's first relevant accounting period, and
  - (c) the interest under the relationship which, in the case of that company, has been brought into account for the purposes of corporation tax has included



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interest accruing under the relationship before the company became a party to it but paid afterwards.

- (4C) This sub-paragraph applies where—
- (a) the company became a party to the loan relationship in a transitional accounting period, and
  - (b) in the case of that company, interest under the relationship which—
    - (i) accrued before the company became a party to the relationship, but
    - (ii) became due and payable afterwards,is brought into account for the purposes of this Chapter in accordance with an authorised mark to market basis of accounting.]
- (5) Except where sub-paragraph (6) below applies, the adjusted closing value of that relationship as at that date shall be taken for the purposes of this paragraph to be the amount which for the purposes of this Chapter is the opening value as at 1st April 1996 of the company's rights and liabilities under the relationship.
- (6) For the purposes of this paragraph where the asset representing a loan relationship of a company is a relevant qualifying asset of the company, or the liabilities of the company under the relationship are relevant liabilities—
- (a) the notional closing value of the relationship as at 31st March 1996 shall be taken for the purposes of this paragraph to be the value given by paragraph 12 below as the notional closing value as at 31st March 1996 of that asset or, as the case may be, of those liabilities; and
  - (b) the adjusted closing value of the relationship as at 31st March 1996 shall be taken for those purposes to be the amount which is as at 1st April 1996 the opening value of the asset or liabilities for the purposes of this Chapter.
- (7) For the purposes of this paragraph, where an accruals basis of accounting is used as respects a loan relationship for the first relevant accounting period of the company, the opening value as at 1st April 1996 of the company's rights and liabilities under the relationship shall be taken to be the value which (disregarding interest) is treated in accordance with paragraph 4 above as having accrued to the company before that date.
- (8) In this paragraph—
- “attributed amount” means any attributed gain or loss falling to be calculated in accordance with any regulations made under Schedule 16 to the <sup>M33</sup>Finance Act 1993 (transitional provisions for exchange gains and losses) which contain any such provision as is mentioned in paragraph 3(1) of that Schedule;
  - “commencement day”, in relation to a company, means its commencement day for the purposes of Chapter II of Part II of the <sup>M34</sup>Finance Act 1993;
  - “market value” has the same meaning as in the 1992 Act;
  - “relevant liability”, in relation to a company, means any liability under a loan relationship the value of which has been determined as at the company's commencement day for the purpose of calculating any attributed amount;
  - “relevant qualifying asset”, in relation to a company, means any qualifying asset for the purposes of Chapter II of Part II of the <sup>M35</sup>Finance Act 1993 the value of which has been determined as at the company's commencement day for the purpose of calculating any attributed amount.

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#### Textual Amendments

**F354** Sch. 15 para. 5(4A)-(4C) inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 4

#### Modifications etc. (not altering text)

**C27** Sch. 15 para. 5(7) applied (with modifications) (24.7.2002) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 3 para. 64(6)

#### Marginal Citations

**M33** 1993 c. 34.

**M34** 1993 c. 34.

**M35** 1993 c. 34.

#### *Method of giving effect to paragraph 5 adjustments*

- 6 (1) Subject to sub-paragraph (4) below, the difference mentioned in paragraph 5(2) above shall be brought into account in accordance with sub-paragraph (2) or (3) below in the accounting period in which the company ceases to be a party to the relationship.
- (2) If—
- (a) the relationship is a creditor relationship and the difference consists in an excess of the amount mentioned in paragraph 5(2)(b) above over the amount mentioned in paragraph 5(2)(a) above, or
  - (b) the relationship is a debtor relationship and the difference consists in an excess of the amount mentioned in paragraph 5(2)(a) above over the amount mentioned in paragraph 5(2)(b) above,
- the difference shall be brought into account as a credit given for the purposes of this Chapter for the period mentioned in sub-paragraph (1) above.
- (3) In any other case, the difference shall be brought into account as a debit given for the purposes of this Chapter for the period so mentioned.
- (4) Where the company, by notice in writing given on or before 30th September 1996 to an officer of the Board, makes an election for the purposes of this sub-paragraph—
- (a) sub-paragraphs (1) to (3) above shall not apply; and
  - (b) instead, one sixth of every credit and debit which would have fallen, in accordance with those sub-paragraphs, to be brought into account on the relevant assumption shall be brought into account for each year in the period of six years beginning with the company's first relevant accounting period; and for this purpose "the relevant assumption" is that the company had ceased on 1st April 1996 to be a party to every one of its continuing loan relationships to which paragraph 5 above applies.
- (5) Where any amount representing a fraction of a credit or debit falls to be brought into account for any year under sub-paragraph (4) above, that amount shall be—
- (a) apportioned between the accounting periods beginning or ending in that year; and
  - (b) brought into account in the periods to which it is allocated in accordance with that apportionment.

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- (6) An apportionment between accounting periods of an amount to be brought into account under sub-paragraph (4) above for any year shall be made according to how much of the year is included in each period; and, if that year and the accounting period are the same, the apportionment shall be effected by the allocation of the whole amount to that accounting period.
- (7) If the company ceases to be within the charge to corporation tax before the end of the six years mentioned in sub-paragraph (4)(b) above, the whole amount of the excess, so far as it has not fallen to be brought into account for an earlier accounting period, shall be brought into account as a debit or credit for the accounting period ending when the company ceases to be within that charge.
- (8) Where any credit or debit falls to be brought into account under this paragraph for any accounting period for the whole or any part of which the company carries on the trade in question, the credit or debit shall be brought into account under section 82(2) of this Act in relation to that trade; and, in any other case, it shall be brought into account as a non-trading credit or non-trading debit.

**Modifications etc. (not altering text)**

**C28** Sch. 15 para. 6(1)(2) extended (27.7.1999 with effect as mentioned in s. 81(12) of the amending Act) by 1999 c. 16, s. 81(4)(5)

*General savings for the taxation of chargeable gains*

- 7 The amendments of the 1992 Act contained in Schedule 14 to this Act and the related repeals made by this Act—
- (a) so far as they relate to section 253 of the 1992 Act, do not apply to any loan the outstanding amount of principal on which became irrecoverable before 1st April 1996;
  - (b) so far as they relate to section 254 of the 1992 Act, do not apply to any security whose value became negligible before 1st April 1996;
  - (c) so far as they relate to anything else, do not apply in relation to any disposal made, or deemed to be made, before 1st April 1996.

*Transitional provision for chargeable assets held after commencement*

- 8 (1) This paragraph applies where—
- (a) on 31st March 1996 any company (“the relevant company”) held any asset representing, in whole or in part, any loan relationship to which it was a party on that date;
  - (b) the company did not dispose of that asset on that date and does not fall (apart from by virtue of this paragraph) to be treated for the purposes of the 1992 Act as having made a disposal of it on that date;
  - (c) the asset is not one to which section 92 of this Act or paragraph 15 below applies;
  - (d) that asset is not an asset representing a loan relationship to which section 93 of this Act applies;
  - (e) that asset is not a relevant qualifying asset; and
  - (f) a relevant event occurs.

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- (2) For the purposes of this paragraph a relevant event occurs on the first occasion after 31st March 1996 when the relevant company or any other company falls to be treated for the purposes of the 1992 Act as making a disposal, other than one to which section 139, 140A, [<sup>F355</sup>or 171(1)] of that Act (disposals on which neither a gain nor a loss accrues) applies, of—
- (a) the asset in question, so far as it has not come to be represented by an asset falling within paragraph (b) below, or
  - (b) any such asset as falls to be treated for the purposes of that Act as the same as that asset.
- (3) The amount of any chargeable gain or allowable loss which would have been treated as accruing to the relevant company on the assumption—
- (a) that it had made a disposal of the asset on 31st March 1996, and
  - (b) (so far as relevant for the purpose of computing the amount of that gain or loss) that the disposal had been for a consideration equal to the market value of the asset,
- shall be brought into account (subject to the following provisions of this paragraph and to paragraph 9 below) as one accruing to the company (“the chargeable company”) which makes the disposal constituting the relevant event, and shall be so brought into account in the accounting period in which that event occurs.
- (4) The amount of the deemed chargeable gain or deemed allowable loss falling to be brought into account in accordance with sub-paragraph (3) above shall be treated as reduced by the extent (if any) to which it is, in relation to the company, an amount that already has been, or falls to be, taken into account for the purposes of corporation tax by virtue of the use of any accruals or mark to market basis of accounting—
- (a) for those purposes;
  - (b) as respects times before 1st April 1996; and
  - (c) in relation to the asset in question.
- (5) To the extent that any deemed chargeable gain or deemed allowable loss falling to be brought into account under sub-paragraph (3) above includes any gain or loss deemed to accrue under section 116(10)(b) of the 1992 Act (qualifying corporate bonds acquired in a reorganisation etc.), that gain or loss shall be deemed to have accrued for the purposes of that sub-paragraph and (without prejudice to its being brought into account in accordance with that sub-paragraph) shall not be taken to accrue again on the occurrence of the relevant event or any subsequent disposal of any asset.
- [<sup>F356</sup>(5A) In any case where the relevant event has not occurred before 14th November 1996, the deemed chargeable gain or deemed allowable loss falling to be brought into account in accordance with sub-paragraph (3) above shall be computed without any account being taken of the provisions of section 119(6) and (7) of the 1992 Act (transfer of securities with or without accrued interest).]
- (6) In any case where—
- (a) the relevant company is one which at any time before 1st April 1996 was not resident in the United Kingdom,
  - (b) the asset was held by the relevant company at such a time, and
  - (c) if the asset had been disposed of at that time and a gain had accrued to the relevant company on that disposal, it would not have been included in the company’s chargeable profits by virtue of section [<sup>F357</sup>10B] of the 1992

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Act (gain [<sup>F358</sup>attributable to a permanent establishment] of a non-resident company),

the relevant company shall be deemed for the purposes of sub-paragraph (3) above to have acquired the asset, at market value, on the first day on which any relevant gain would have been included in the company's chargeable profits for the purposes of corporation tax (whether because it is a day on which the company became resident, or the asset became situated, in the United Kingdom or for any other reason).

- (7) In sub-paragraph (6) above the reference, in relation to a company, to a relevant gain is a reference to any gain which would have accrued to the company on the following assumptions, that is to say—
- (a) that the relevant company disposed of the asset on the day in question;
  - (b) that that disposal gave rise to a gain; and
  - (c) that any allowable losses which might have been available for deduction under section 8(1) of, or Schedule 7A to, the 1992 Act were to be disregarded.
- (8) In any case where the company acquired the asset on a disposal on which, by virtue of any enactment specified in section 35(3)(d) of the 1992 Act, neither a gain nor a loss accrued to the person making the disposal, the reference in sub-paragraph (6) or (7) above to the relevant company includes—
- (a) a reference to the company from which it acquired the asset; and
  - (b) if that company also acquired the asset on such a disposal, a reference to the company from which the asset was acquired by that company, and so on through any number of such disposals.
- (9) In any case where section 176 of the 1992 Act (depreciatory transactions within a group) would have applied in relation to the disposal referred to in sub-paragraph (3) above if that disposal had actually taken place, that section shall apply for the calculation of any deemed allowable loss to be brought into account by virtue of that sub-paragraph.
- (10) For the purposes of this paragraph a company that ceases to be within the charge to corporation tax shall be deemed to make a disposal of all its assets at their market value immediately before ceasing to be within that charge.
- (11) In this section—
- “market value” has the same meaning as in the 1992 Act; and
  - “relevant qualifying asset” has the same meaning as in paragraph 5 above.

#### Textual Amendments

- F355** Words in Sch. 15 para. 8(2) substituted (28.7.2000 with effect in relation to disposals on or after 1.4.2000) by 2000 c. 17, s. 102, Sch. 29 paras. 3(2), 45
- F356** Sch. 15 para. 8(5A) inserted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) by 1997 c. 15, s. 83(6), Sch. 13 para. 5
- F357** Word in Sch. 15 para. 8(6)(c) substituted (with effect in accordance with s. 155(2) of the amending Act) by Finance Act 2003 (c. 14), Sch. 27 para. 8(a)
- F358** Words in Sch. 15 para. 8(6)(c) substituted (with effect in accordance with s. 155(2) of the amending Act) by Finance Act 2003 (c. 14), Sch. 27 para. 8(b)

*Status: Point in time view as at 06/04/2006.*

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*Election for alternative treatment of amounts specified in paragraph 8*

- 9 (1) Subject to the following provisions of this paragraph, where (apart from this paragraph) any amount representing a deemed allowable loss would fall in the case of any company to be brought into account for any accounting period in accordance with sub-paragraph (3) of paragraph 8 above, the chargeable company may elect for that amount to be brought into account for that period for the purposes of this Chapter, instead of in accordance with that sub-paragraph.
- (2) An amount brought into account for the purposes of this Chapter by virtue of an election under this paragraph shall be so brought into account as a debit given for that period for the purposes of this Chapter.
- (3) The question whether or not any debit brought into account for any accounting period in accordance with sub-paragraph (2) above is to be brought into account for that period as a non-trading debit shall be determined according to how other credits or debits relating to the loan relationship in question are, or (if there were any) would be, brought into account for that period.
- (4) No election shall be made under this paragraph in respect of any deemed allowable loss in any case where the asset in respect of which that loss is deemed to have accrued was one which, as at 1st April 1996, either—
- (a) fell in accordance with section 127 or 214(9) of the 1992 Act (equation of new holding with previous holding) to be treated as the same as an asset which was not an asset representing a loan relationship; or
  - (b) would have so fallen but for section 116(5) of that Act.
- (5) An election shall not be made under this paragraph at any time more than two years after the occurrence of the relevant event by virtue of which the amount to which the election relates would fall to be brought into account in accordance with paragraph 8(3) above.

*Adjustments of opening value for mark to market accounting in the case of chargeable assets*

- 10 (1) Where—
- (a) a mark to market basis of accounting is used as respects any loan relationship of a company for the company's first relevant accounting period,
  - (b) for the purpose of bringing amounts into account for the purposes of this Chapter on that basis, an opening valuation of an asset representing that relationship falls to be made as at 1st April 1996, and
  - (c) that asset is a chargeable asset held by that company on 31st March 1996, the value of that asset on 1st April 1996 shall be taken for the purpose of the opening valuation to be equal to whatever, in relation to a disposal on 31st March 1996, would have been taken to be its market value for the purposes of the 1992 Act.
- (2) In this paragraph “chargeable asset”, in relation to a company, means (subject to sub-paragraph (3) below) any asset in the case of which one of the following conditions is satisfied, that is to say—
- (a) a gain accruing to the company on a disposal of that asset on 31st March 1996 would have fallen to be treated in relation to the company as a chargeable gain; or
  - (b) a chargeable gain or allowable loss would be deemed to have accrued to the company on any disposal of that asset on that date.

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- (3) An asset is not a chargeable asset for the purposes of this paragraph if (disregarding the provisions of this Chapter) it is an asset any disposal of which on 31st March 1996 would have fallen to be regarded for the purposes of the 1992 Act as a disposal of a qualifying corporate bond.

*Other adjustments in the case of chargeable assets etc.*

- 11 (1) Where—
- (a) an authorised accruals basis of accounting is applied as respects any continuing loan relationship of a company for the company's first relevant accounting period,
  - (b) an asset representing that relationship is a relevant asset or any liability under it is a relevant liability, and
  - (c) the relationship is not one as respects which, if the company had ceased to be a party to the relationship on 31st March 1996, any amounts would have been brought into account in computing, for an accounting period ending on or after that date, the profits or losses of the company from any trade carried on by it,

that accounting method shall be taken for the purposes of this Chapter to require the asset or liability to be given a notional closing value as at 31st March 1996 in accordance with paragraph 12 below and the following provisions of this paragraph shall apply if there is any difference in the case of that relationship between the amounts mentioned in sub-paragraph (2) below.

[<sup>F359</sup>(2) Those amounts are—

- (a) the notional closing value of the relationship as at 31st March 1996; and
- (b) the amount which would be taken on a computation made—
  - (i) in accordance with an authorised accruals basis of accounting, and
  - (ii) on the assumption that such a basis of accounting had always been used as respects that relationship,

to represent the accrued value of the loan relationship in question on 1st April 1996.

[ If, in a case where the continuing loan relationship is a creditor relationship,—

- <sup>F360</sup>(2A) (a) the company acquired its rights under the relationship on or before 31st March 1996 by virtue of an arm's length transaction,
- (b) for the accounting period in which it acquired those rights—
  - (i) there was no connection (as defined in sub-paragraph (2C) below) between the company and the person from whom the company acquired the asset, but
  - (ii) there was such a connection between the company and a company standing in the position of a debtor as respects the money debt, and
- (c) there had been no such connection between the companies mentioned in paragraph (b)(ii) above at any time in the period which—
  - (i) begins 4 years before the date on which the company acquired those rights, and
  - (ii) ends twelve months before that date,

this paragraph shall have effect as if the amount mentioned in sub-paragraph (2)(b) above were an amount equal to the greater of the amounts mentioned in sub-paragraph (2B) below.

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- (2B) Those amounts are—
- (a) the fair value of the rights at the time when the company ceases to be a party to the loan relationship; and
  - (b) the fair value of the rights on 1st April 1996.
- (2C) For the purposes of sub-paragraph (2A) above there is a connection between a company and another person at any time if at that time—
- (a) the other person is a company and one of the companies has control of the other,
  - (b) the other person is a company and both companies are under the control of the same person, or
  - (c) the company is a close company and the other person is a participator in that company or the associate of a person who is such a participator,
- and there is a connection between a company and another person for an accounting period if there is a connection (within paragraphs (a) to (c) above) between the company and the person at any time in that accounting period.
- (2D) For the purposes of sub-paragraph (2C) above—
- (a) subsections (2) to (6) of section 416 of the Taxes Act 1988 (meaning of control) shall apply as they apply for the purposes of Part 11 of that Act;
  - (b) subject to paragraph (c) below, “participator” and “associate” have the meaning given for the purposes of that Part by section 417 of that Act;
  - (c) a person shall not be regarded as a participator in relation to a company by reason only that he is a loan creditor of the company.]
- (3) Where there is a difference between the amounts mentioned in sub-paragraph (2) above, that difference shall be brought into account—
- (a) where the amount mentioned in paragraph (a) of that sub-paragraph is the smaller, as a credit given for the purposes of this Chapter for the accounting period in which the company ceases to be a party to the relationship; and
  - (b) in any other case, as a debit so given.]
- (5) Where the company ceases to be within the charge to corporation tax, it shall be deemed for the purposes of this paragraph to have ceased to be a party to the relationship in question immediately before ceasing to be within that charge.
- (6) A credit or debit brought into account under this paragraph shall be brought into account as a non-trading credit or non-trading debit.
- (7) In this paragraph—
- “chargeable asset”, in relation to a company, means (subject to sub-paragraph (8) below) any asset held by the company on 31st March 1996 in the case of which one of the following conditions is satisfied, that is to say—
- (a) a gain accruing to the company on a disposal of that asset on that date would have fallen to be treated in relation to the company as a chargeable gain; or
  - (b) a chargeable gain or allowable loss would be deemed to have accrued to the company on any disposal of that asset on that date;
- and
- “relevant asset” means a chargeable asset or a relevant qualifying asset.



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- (8) An asset is not a chargeable asset for the purposes of this paragraph if (disregarding the provisions of this Chapter) it is an asset any disposal of which on 31st March 1996 would have fallen to be regarded for the purposes of the 1992 Act as a disposal of a qualifying corporate bond.
- (9) Expressions used in this paragraph and paragraph 5 above have the same meanings in this paragraph as in that paragraph.

#### Textual Amendments

- F359** Sch. 15 para. 11(2)(3) substituted (19.3.1997 with effect as mentioned in Sch. 13 para. 7 of the amending Act) for Sch. 15 para. 11(2)-(4) by 1997 c. 15, s. 83(6), Sch. 13 para. 6
- F360** Sch. 15 para. 11(2A)-(2D) inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 41(2)

*[<sup>F361</sup>Reduction of paragraph 11 credit where s.251(4) of 1992 Act prevents paragraph 8 loss*

#### Textual Amendments

- F361** Sch. 15 para. 11A and cross-heading inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by Finance Act 2002 (c. 23), s. 82(1), Sch. 25 Pt. 1 para. 42

- 11A (1) This paragraph applies where, in the case of any asset representing in whole or in part a loan relationship of a company, an amount representing a deemed allowable loss would (apart from this paragraph) fall or have fallen to be brought into account in accordance with paragraph 8(3) above for an accounting period (whenever beginning or ending), but for section 251(4) of the 1992 Act (no allowable loss on disposal of debt acquired from connected person).
- (2) Where this paragraph applies, the amount of any credit falling within sub-paragraph (3) below shall be treated for the purposes of this Chapter as reduced (but not below nil) by the amount described in sub-paragraph (1) above.
- (3) A credit falls within this sub-paragraph if (apart from this paragraph)—
- the credit falls to be given by virtue of paragraph 11(3)(a) above for an accounting period beginning on or after 1st October 2002; and
  - the loan relationship mentioned in paragraph 11(1)(a) above in the case of the credit is the same loan relationship as the one mentioned in sub-paragraph (1) above.]

#### *Notional closing values of relevant assets*

- 12 (1) Subject to sub-paragraph (2) below, the notional closing value as at 31st March 1996 of any relevant asset representing a loan relationship of a company, or of any relevant liability, shall be taken for the purposes of paragraphs 5 and 11 above, to be an amount equal to the following amount, that is to say—
- in the case of a chargeable asset, its market value on that date;
  - in the case of a relevant qualifying asset or relevant liability, the value given to it as at the company's commencement day for the purpose of computing any attributed amount.

*Status: Point in time view as at 06/04/2006.*

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- (2) Sub-paragraph (3) below applies where a company, by notice in writing given on or before 30th September 1996 to an officer of the Board, makes an election for the purposes of that sub-paragraph in relation to all of its relevant qualifying assets which—
- (a) apart from the election, would be given a notional closing value as at 31st March 1996 by sub-paragraph (1) above; and
  - (b) but for Chapter II of Part II of the <sup>M36</sup>Finance Act 1993 (exchange gains and losses), would be chargeable assets.
- (3) Where such an election is made as respects those assets—
- (a) sub-paragraph (1) above shall not apply as respects those assets; but
  - (b) the value of each of those assets as at 1st April 1996 shall be taken for the purposes of this Chapter to be its market value on that date.
- (4) In this paragraph “chargeable asset” and “relevant asset” have the same meanings as in paragraph 11 above; and expressions used in this paragraph and paragraph 5 above have the same meanings in this paragraph as in that paragraph.

**Marginal Citations**

**M36** 1993 c. 34.

*Further transitional rules for interest under loan relationships*

- 13 (1) Where—
- (a) an amount of interest under a loan relationship of a company accrues or becomes due and payable in an accounting period ending on or after 1st April 1996, but
  - (b) the amount accruing or becoming due and payable has already, in the case of that company, been brought into account for the purposes of corporation tax for an old accounting period,
- no credit or, as the case may be, debit relating to that amount shall be brought into account in the case of that company for the purposes of this Chapter.
- (2) This Chapter shall have effect in accordance with sub-paragraphs (3) and (4) below in relation to any pre-commencement late interest, that is to say, interest which—
- (a) has accrued or become due and payable in an old accounting period, but
  - (b) is paid in an accounting period ending on or after 1st April 1996.
- (3) Where—
- (a) an amount of pre-commencement late interest under a debtor relationship of a company is paid by that company,
  - (b) the amount paid is not interest which, in the case of that company, was brought into account for the purposes of corporation tax for any old accounting period,
  - (c) relief would have been allowable in respect of the amount paid if the provisions of this Chapter had not been enacted, and
  - (d) the amount paid is not interest in relation to which any debit falls (apart from under this sub-paragraph) to be brought into account for the purposes of this Chapter in the case of that company,

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debits shall be brought into account for the purposes of this Chapter in the case of that company as if the amount paid were interest accruing, and becoming due and payable, at the time when it is paid.

(4) Where—

- (a) an amount of pre-commencement late interest under a creditor relationship of a company is paid to that company,
- (b) the amount paid is not interest which, in the case of that company, was brought into account for the purposes of corporation tax for any old accounting period,
- (c) the amount paid is not interest in relation to which any credit falls (apart from under this sub-paragraph) to be brought into account for the purposes of this Chapter in the case of that company, and
- (d) the amount paid is not an amount of interest which in relation to a transfer before 1st April 1996 was unrealised interest within the meaning of section 716 of the Taxes Act 1988,

credits shall be brought into account for the purposes of this Chapter in the case of that company as if the amount paid were interest accruing, and becoming due and payable, at the time when it is paid.

(5) Where—

- (a) any interest under a debtor relationship of a company was paid by that company at a time on or after 20th December 1995 but during an old accounting period,
- (b) the company was not required to make the payment at or before that time by virtue of any contractual obligation entered into by that company before 20th December 1995, and
- (c) the interest paid is not interest which, if brought into account for the purposes of corporation tax in accordance with an authorised accruals basis of accounting, would fall to be so brought into account in an old accounting period,

the interest paid shall not, in the case of that company, be brought into account for the purposes of corporation tax in any old accounting period.

(6) Where on 1st April 1996 any interest under a loan relationship remains to be paid to or by a company that ceased to be a party to that relationship before that date, this Chapter (including the preceding provisions of this paragraph) shall have effect, so far as relating to interest under a loan relationship, as if the relationship were a continuing loan relationship.

(7) Sub-paragraphs (8) and (9) below apply where the accounting period for which any credits or debits relating to interest under a loan relationship are brought into account for the purposes of this Chapter is determined either—

- (a) in accordance with an accruals basis of accounting, by reference to the time when by virtue of this paragraph that interest is deemed to accrue; or
- (b) in accordance with a mark to market basis of accounting, by reference to the time when by virtue of this paragraph the interest is deemed to become due and payable.

(8) If—

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- (a) at the time when the interest in fact accrued or (as the case may be) when the interest in fact became due and payable, the company was a party to the relationship in question for the purposes of a trade carried on by it, and
- (b) the credits or debits relating to that interest fall to be brought into account for an accounting period determined as mentioned in sub-paragraph (7) above which is a period for the whole or any part of which that company carries on that trade,

those credits or debits shall be so brought into account under section 82(2) of this Act.

- (9) In a case not falling within sub-paragraph (8) above, credits or debits relating to any interest that fall to be brought into account for the purposes of this Chapter for an accounting period determined as mentioned in sub-paragraph (7) above shall be so brought into account as non-trading credits or, as the case may be, non-trading debits.
- (10) References in this paragraph to interest under a loan relationship include references to any amounts brought into account for the purposes of corporation tax in accordance with the provisions of section 477A(3) of the Taxes Act 1988 (whether under those provisions as they had effect apart from the amendments made by this Act or under those provisions as amended by this Act).
- (11) In this paragraph “old accounting period”, in relation to a company, means any accounting period of that company ending before 1st April 1996.

*Transitional in respect of incidental expenses already allowed*

- 14 To the extent that any deduction in respect of any charges or expenses incurred as mentioned in section 84(3) of this Act has been made for the purposes of corporation tax in any accounting period ending before 1st April 1996, those charges or expenses shall not be included in the charges or expenses in relation to which debits may be brought into account for the purposes of this Chapter.

*Holdings of unit trusts etc.*

- 15 (1) This paragraph applies to any asset which—
  - (a) is an asset of an insurance company’s long term business fund (within the meaning of Chapter I of Part XII of the Taxes Act 1988) both on and immediately after 31st March 1996; and
  - (b) falls by virtue of paragraph 4 of Schedule 10 to this Act to be treated for a transitional accounting period of the company as representing rights under a creditor relationship of the company.
- (2) Sections 212 and 213 of the 1992 Act (annual disposal of holdings of unit trusts etc.) shall have effect (without the amendment made by this Chapter) in relation to the assets to which this paragraph applies as if (where it would not otherwise be the case) 31st March 1996 were the last day of an accounting period of the company holding the asset.
- (3) Nothing in this Chapter shall prejudice the effect of section 213 of the 1992 Act in relation to any disposal which (whether by virtue of sub-paragraph (2) above or otherwise) is deemed under section 212 of that Act to be made on or before 31st March 1996.

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*Bad debt relieved before commencement*

- 16 (1) This paragraph applies where—
- (a) an amount becomes, or is to become, due and payable under a creditor relationship of a company in an accounting period ending on or after 1st April 1996, but
  - (b) by virtue of any of sub-paragraphs (i) to (iii) of section 74(1)(j) of the Taxes Act 1988 (or any enactment re-enacted in those sub-paragraphs), a deduction of an amount representing the whole or any part of the amount payable was authorised to be made, and was made, in computing for the purposes of corporation tax the profits of the company for any accounting period ending before that date.
- (2) Subject to sub-paragraph (3) below, nothing in this Chapter shall require it to be assumed for the purposes of this Chapter that any part of the amount to which the deduction relates will be paid in full as it becomes due.
- (3) Subject to sub-paragraph (4) below, where—
- (a) the deduction relates to an amount payable under a creditor relationship of a company which has been proved or estimated to be a bad debt, but
  - (b) in an accounting period ending on or after 1st April 1996 the whole or any part of the liability under that relationship to pay that amount is discharged by payment,
- this Chapter shall have effect, in the case of that company, as if there were a credit equal to the amount of the payment to be brought into account for the purposes of this Chapter for that period.
- (4) Sub-paragraph (3) above does not apply to so much of any payment as is an amount in relation to which a credit falls to be brought into account for the purposes of this Chapter in accordance with paragraph 13(4) above.

*Transitional for overseas sovereign debt etc.*

- 17 (1) Subject to any regulations under sub-paragraph (4) below and notwithstanding anything in the preceding provisions of this Schedule, the value which for the purposes of this Chapter is to be taken to be the value as at 1st April 1996 of a company's rights under any creditor relationship relating to a relevant overseas debt any part of which falls to be estimated as bad, is the following amount—
- (a) where the company was not entitled to the debt before the end of its last period of account to end before 1st April 1996, the amount for which the company acquired those rights; and
  - (b) in any other case, the amount of so much of that debt as did not fall, in accordance with section 88B of the Taxes Act 1988, to be estimated as at the end of that period to be bad.
- (2) Subject to any regulations under sub-paragraph (4) below, sub-paragraph (3) below shall apply where there is a loss incurred before 1st April 1996 to which section 88C of the Taxes Act 1988 has applied or applies by virtue of paragraph 2 above.
- (3) Where, apart from this Chapter, any amount would have been allowed in respect of the loss as a deduction for any accounting period ending after 31st March 1996, that amount shall not be so allowed but shall, instead, be brought into account for the purposes of this Chapter as if it were a debit given for that accounting period by

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paragraph 9 of Schedule 9 to this Act in respect of a loss incurred on or after 1st April 1996.

- (4) The Treasury may by regulations—
- (a) make such transitional provision as they consider appropriate for purposes connected with the coming into force of paragraphs 8 and 9 of Schedule 9 to this Act and the repeal of sections 88A to 88C of the Taxes Act 1988 (which contained corresponding provisions); and
  - (b) in connection with any such provision, make such modifications of this Schedule (including sub-paragraphs (1) to (3) above) as they consider appropriate;
- and regulations made by virtue of this sub-paragraph may have retrospective effect in relation to any accounting periods ending on or after 1st April 1996.
- (5) The Treasury shall not make any regulations under sub-paragraph (4) above unless a draft of them has been laid before and approved by a resolution of the House of Commons.
- (6) In this paragraph “relevant overseas debt” has the same meaning as in paragraphs 8 and 9 of Schedule 9 to this Act.

*Transitional for accrued income scheme*

- 18 (1) Subject to sub-paragraph (2) below, where, apart from this Chapter, any company would be treated under subsection (2) or (4) of section 714 of the Taxes Act 1988 (treatment of deemed sums and reliefs under accrued income scheme)—
- (a) as receiving any amount at the end of a period beginning before and ending on or after 1st April 1996, or
  - (b) as entitled to any allowance of any amount in such a period,
- that amount shall be brought into account as a non-trading credit or, as the case may be, non-trading debit given for the purposes of this Chapter for the company’s first relevant accounting period, instead of in accordance with that subsection.
- (2) A debit in respect of an allowance relating to a security shall not, in the case of any company, be brought into account for the purposes of this Chapter in accordance with sub-paragraph (1) above if—
- (a) the security was transferred to that company with accrued interest in a transitional accounting period; and
  - (b) for the purposes of this Chapter an authorised accruals basis of accounting is used for that period as respects the creditor relationship of the company represented by that security.
- (3) Where any excess would, apart from this Chapter, be available by virtue of section 103(4) of the <sup>M37</sup>Finance Act 1993 (transitional provision in connection with the repeal of section 724(7) of the Taxes Act 1988) to be applied in reducing the annual profits or gains of a company (if any) for its first relevant accounting period, that excess shall be brought into account for the purposes of this Chapter in the case of that company as a non-trading debit for that period.
- (4) Subsection (6) of section 807 of the Taxes Act 1988 shall not prevent that section from having effect for an accounting period ending on or after 1st April 1996 in relation to amounts brought into account under this paragraph.

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- (5) The repeal by this Act of section 63 of the <sup>M38</sup>Finance Act 1993 (deemed transfers for the purposes of the accrued income scheme) and of enactments relating to that section shall not apply in relation to relevant days falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.

**Marginal Citations**

**M37** 1993 c. 34.

**M38** 1993 c. 34.

*Deep discount securities*

- 19 (1) This Chapter shall not affect—
- (a) the application of paragraph 3 of Schedule 4 to the Taxes Act 1988 (charge to tax after acquisition of deep discount securities) in relation to occasions before 1st April 1996;
  - (b) the application of paragraph 4 of that Schedule (charge to tax on disposal of such securities) in relation to any disposal before that date; or
  - (c) the application of paragraph 5 of that Schedule (relief in respect of the income element), in accordance (where applicable) with paragraphs 9 and 10 of that Schedule, in relation to income periods ending before that date.
- (2) For the purposes of paragraph 5 of Schedule 4 to the Taxes Act 1988 and sub-paragraph (1)(c) above every income period current on 31st March 1996 shall be deemed to end on that date.
- (3) The repeal by this Act of section 64 of the <sup>M39</sup>Finance Act 1993 (deemed transfers in the case of deep discount securities) and of enactments relating to that section shall not apply in relation to relevant times falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.
- [<sup>F362</sup>(3A) Any income that is treated as arising at the time mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (3) above, shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period in which that time falls.]
- (4) Where—
- (a) a company issued a deep discount security before 1st April 1996 which was not redeemed before that date, and
  - (b) there is a difference between the adjusted issue price of the security as at 31st March 1996 and the adjusted closing value of that security as at that date,
- the amount of that difference shall, in the case of that company, be brought into account for the purposes of this Chapter in accordance with sub-paragraph (5) below.
- (5) An amount falling to be brought into account for the purposes of this Chapter in accordance with this sub-paragraph shall be brought into account for those purposes for the accounting period in which the security is redeemed—

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- (a) if the adjusted issue price of the security as at 31st March 1996 is greater than the adjusted closing value of the security as at that date, as a non-trading credit; and
  - (b) if the adjusted closing value of the security as at that date is the greater, as a non-trading debit.
- (6) Where—
- (a) a company held a deep discount security on 31st March 1996,
  - (b) the company did not make any disposal of that security on that date,
  - (c) the security is not one in relation to which there is, or is deemed to be, a relevant time on that date for the purposes of section 64 of the <sup>M40</sup>Finance Act 1993, and
  - (d) there is an amount which, if the company had made a disposal of that security on that date, would have been treated under paragraph 4 of Schedule 4 to the Taxes Act 1988 as income chargeable to tax under Case III or IV of Schedule D,
- that amount shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period mentioned in sub-paragraph (9) below.
- (7) Where—
- (a) a company held a deep discount security on 31st March 1996,
  - <sup>F363</sup>(b) the company did not make any disposal of that security on that date,]
  - (c) the security is not an asset falling to be treated as a relevant asset of the company for the purposes of paragraph 11 above, and
  - (d) there is a difference between the adjusted issue price of the security as at 31st March 1996 and the adjusted closing value of that security as at that date,
- the amount of that difference (in addition to any amount given by sub-paragraph (6) above) shall, in the case of that company, be brought into account for the purposes of this Chapter in accordance with sub-paragraph (8) below.
- (8) An amount falling to be brought into account for the purposes of this Chapter in accordance with this sub-paragraph shall be brought into account for those purposes for the accounting period mentioned in sub-paragraph (9) below—
- (a) if the adjusted issue price of the security as at 31st March 1996 is greater than the adjusted closing value of the security as at that date, as a non-trading debit; and
  - (b) if the adjusted closing value of the security as at that date is the greater, as a non-trading credit.
- (9) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—
- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
  - (b) the day on which the security is redeemed; and
  - (c) the day on which the company makes a disposal of that security.
- (10) The repeal by this Act of the reference in any enactment to, or to any provision of, paragraph 5 of Schedule 4 to the Taxes Act 1988 shall not have effect in relation to amounts treated as paid before 1st April 1996.



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- (11) For the purposes of this paragraph, in relation to any company—
- (a) the adjusted issue price of a deep discount security as at 31st March 1996 is whatever for the purposes of Schedule 4 to the Taxes Act 1988 would have been the adjusted issue price of that security for an income period beginning with 1st April 1996; and
  - (b) the adjusted closing value of a security as at 31st March 1996 is the amount which for the purposes of this Chapter is the opening value as at 1st April 1996 of the company's rights and liabilities under the loan relationship of the company that is represented by that security;
- and sub-paragraph (7) of paragraph 5 above shall apply for the purposes of this sub-paragraph as it applies for the purposes of that paragraph.
- (12) In this paragraph “deep discount security”, “disposal” and “income period” have the same meanings as in Schedule 4 to the Taxes Act 1988.

#### Textual Amendments

**F362** Sch. 15 para. 19(3A) inserted (27.7.1999 with effect as mentioned in s. 67(6) of the amending Act) by 1999 c. 16, s. 67(1)

**F363** Sch. 15 para. 19(7)(b) substituted (27.7.1999 with effect as mentioned in s. 67(7) of the amending Act) by 1999 c. 16, s. 67(3)

#### Marginal Citations

**M39** 1993 c. 34.

**M40** 1993 c. 34.

#### *Deep gain securities*

- 20 (1) This Chapter shall not affect the application of paragraph 5 of Schedule 11 to the <sup>M41</sup>Finance Act 1989 (charge on deep gain securities) in relation to any transfer or redemption occurring before 1st April 1996.
- (2) The repeal by this Act of section 65 of the <sup>M42</sup>Finance Act 1993 (deemed transfers in the case of deep gain securities) and of enactments relating to that section shall not apply in relation to relevant days falling before 1st April 1996; but for the purposes of that section and this sub-paragraph 31st March 1996 shall be deemed (where it would not otherwise be so) to be the last day of an accounting period.
- [<sup>F364</sup>(2A) Any income that is treated as arising on the day mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (2) above, shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period in which that day falls.]
- (3) Where—
- (a) a company held a deep gain security on 31st March 1996,
  - (b) the security was not transferred or redeemed by that company on that date,
  - (c) the security is not one in relation to which that date is, or is deemed to be, a relevant day for the purposes of section 65 of the Finance Act 1993, and
  - (d) there is an amount which, if the company had made a transfer of that security on that date by selling it for its adjusted closing value, would have been

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treated under paragraph 5 of Schedule 11 to the Finance Act 1989 as income chargeable to tax under Case III or IV of Schedule D,

that amount shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period mentioned in sub-paragraph (4) below.

- (4) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—
- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
  - (b) the day on which the security is redeemed; and
  - (c) the day on which the company makes a disposal of that security.
- (5) For the purposes of this paragraph the adjusted closing value of a deep gain security held by a company on 31st March 1996 shall be the amount which for the purposes of this Chapter is the opening value as at 1st April 1996 of the company's rights and liabilities under the relationship represented by that security; and sub-paragraph (7) of paragraph 5 above shall apply for the purposes of this sub-paragraph as it applies for the purposes of that paragraph.
- (6) In this paragraph “deep gain security” and “transfer” have the same meanings as in Schedule 11 to the <sup>M43</sup>Finance Act 1989.

#### **Textual Amendments**

**F364** Sch. 15 para. 20(2A) inserted (27.7.1999 with effect as mentioned in s. 67(6) of the amending Act) by 1999 c. 16, s. 67(2)

#### **Marginal Citations**

**M41** 1989 c. 26.

**M42** 1993 c. 34.

**M43** 1989 c. 26.

### *Convertible securities*

- 21 (1) This Chapter shall not affect—
- (a) the application of paragraph 12 of Schedule 10 to the <sup>M44</sup>Finance Act 1990 (charge in the case of convertible securities) in relation to any chargeable event occurring before 1st April 1996; or
  - (b) the application of paragraph 25 of that Schedule (relief in the case of convertible securities) in relation to any redemption occurring before that date.
- (2) Where—
- (a) a company held a qualifying convertible security on 31st March 1996,
  - (b) that date was not a date on which any chargeable event occurred in relation to that security, and
  - (c) there is an amount which, if there had been a chargeable event on that date, would have been treated under paragraph 12 of Schedule 10 to the Finance Act 1990 as income chargeable to tax under Case III or IV of Schedule D,

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that amount shall be brought into account, in the case of that company, as a non-trading credit given for the purposes of this Chapter for the accounting period mentioned in sub-paragraph (3) below.

(3) That period is the accounting period in which falls whichever is the earliest of the following, that is to say—

- (a) the earliest day after 31st March 1996 on which, under the terms on which the security was issued, the company holding the security is entitled to require it to be redeemed;
- (b) the day on which the security is redeemed; and
- (c) the day on which the company makes a disposal of that security.

(4) Where—

- (a) any qualifying convertible security is redeemed, and
- (b) that security is one in the case of which any amount falls to be brought into account under sub-paragraph (2) above,

an amount equal to that amount shall be brought into account, in the case of the company that issued the security, as a non-trading debit given for the purposes of this Chapter for the accounting period in which the redemption occurs.

(5) In this paragraph “chargeable event” and “qualifying convertible security” have the same meanings as in Schedule 10 to the Finance Act 1990.

#### Marginal Citations

M44 1990 c. 29.

#### *Transitional and savings for Chapter II of Part II of the Finance Act 1993*

22 F365 .....

#### Textual Amendments

F365 Sch. 15 para. 22-24 repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), ss. 79(2), 141, Sch. 23 Pt. 1 para. 16, Sch. 40 Pt. 3(10) (with Sch. 23 Pt. 3 para. 25)

#### *Carrying back non-trading losses against exchange profits etc.*

23 F366 .....

#### Textual Amendments

F366 Sch. 15 para. 22-24 repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), ss. 79(2), 141, Sch. 23 Pt. 1 para. 16, Sch. 40 Pt. 3(10) (with Sch. 23 Pt. 3 para. 25)

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*Exchange losses etc. carried forward from before 1st April 1996*

24 F367 .....

**Textual Amendments**

**F367** Sch. 15 para. 22-24 repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by Finance Act 2002 (c. 23), ss. 79(2), 141, Sch. 23 Pt. 1 para. 16, Sch. 40 Pt. 3(10) (with Sch. 23 Pt. 3 para. 25)

*Transitional for debt contracts and options to which Chapter II of Part IV of the Finance Act 1994 is applied*

25 F368 .....

**Textual Amendments**

**F368** Sch. 15 para. 25 repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by Finance Act 2002 (c. 23), s. 141, Sch. 40 Pt. 3(13)

**PART II**

INCOME TAX AND CAPITAL GAINS TAX

*Application and interpretation of Part II*

- 26 (1) This Part of this Schedule (except paragraph 29) has effect for the purposes of income tax and capital gains tax but not for the purposes of corporation tax.
- (2) In this Part of this Schedule—
- “the 1992 Act” means the <sup>M45</sup>Taxation of Chargeable Gains Act 1992;
- “market value” has the same meaning as in the 1992 Act;
- “qualifying indexed security” has the meaning given by paragraph 2 of Schedule 11 to the <sup>M46</sup>Finance Act 1989; and
- [<sup>F369</sup>“deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430)].
- (3) References in this Part of this Schedule to a disposal within marriage [<sup>F370</sup>or civil partnership] are references to any disposal to which section 58 of the 1992 Act applies.

**Textual Amendments**

- F369** Words in Sch. 15 para. 26(2) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 1 para. 491(2) (with Sch. 2)
- F370** Words in Sch. 15 para. 26(3) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), 130

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#### Marginal Citations

**M45** 1992 c. 12.

**M46** 1989 c. 26.

#### *Qualifying indexed securities*

- 27 (1) This paragraph applies where—
- (a) on 5th April 1996 any person (“the relevant person”) held a qualifying indexed security;
  - (b) that person did not dispose of that security on that date and does not fall (apart from by virtue of this paragraph) to be treated for the purposes of the 1992 Act as having made a disposal of it on that date; and
  - (c) a relevant event occurs.
- (2) For the purposes of this paragraph a relevant event occurs on the first occasion after 5th April 1996 when the relevant person, or a person to whom that person has made a disposal of the security within marriage [<sup>F371</sup>or civil partnership], falls to be treated for the purposes of the 1992 Act as making a disposal (otherwise than within marriage [<sup>F371</sup>or civil partnership]) which is—
- (a) a disposal of the security in question; or
  - (b) a disposal of any such asset as falls to be treated for the purposes of that Act as the same as that security.
- (3) The amount of any chargeable gain or allowable loss which would have been treated as accruing to the relevant person if—
- (a) he had made a disposal of the asset on 5th April 1996, and
  - (b) that disposal had been for a consideration equal to the market value of the asset,
- shall be brought into account as one accruing to the person who makes the disposal constituting the relevant event in the year of assessment in which that event occurs.

#### Textual Amendments

**F371** Words in [Sch. 15 para. 27\(2\)](#) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **130**

- 28 For the purposes of [<sup>F372</sup>Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities)] where—
- (a) a person held a qualifying indexed security both on and immediately after 5th April 1996, and
  - (b) that security is a [<sup>F372</sup>deeply] discounted security,
- the amount which that person shall be taken to have paid in respect of his acquisition of that security on or before 5th April 1996 shall be an amount equal to its market value on that date.

#### Textual Amendments

**F372** Words in [Sch. 15 para. 28](#) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 491\(3\)](#) (with [Sch. 2](#))

*Status: Point in time view as at 06/04/2006.*

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- 29 For the purposes of paragraph 2 of Schedule 10 to this Act, paragraphs 27 and 28 above shall have effect in relation to an authorised unit trust for the first of its accounting periods to end after 31st March 1996 as if references in those paragraphs to 5th April 1996 were references to 31st March 1996.

*Transitional in relation to qualifying corporate bonds*

- 30 (1) This paragraph applies where—
- (a) any person holds any asset on and immediately after 5th April 1996;
  - (b) that asset is one which came to be held by that person as a result of a transaction to which section 127 of the 1992 Act applies; and
  - (c) that asset falls from 5th April 1996 to be treated as a [<sup>F373</sup>deeply] discounted security but is neither a qualifying indexed security nor such that it would have fallen to be treated as a qualifying corporate bond in relation to any disposal of it on that date.
- (2) Section 116 of the 1992 Act (reorganisations etc. involving qualifying corporate bonds) shall have effect as if—
- (a) there had been a transaction on 5th April 1996 by which the person holding the asset had disposed of it and immediately re-acquired it;
  - (b) the asset re-acquired had been a qualifying corporate bond; and
  - (c) the transaction had been a transaction to which section 127 of the 1992 Act would have applied but for section 116(5) of that Act.

**Textual Amendments**

**F373** Word in Sch. 15 para. 30(1)(c) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 491\(4\)](#) (with Sch. 2)

<sup>F374</sup>SCHEDULE 16

Section 114.

**Textual Amendments**

**F374** Sch. 16 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), s. 723, Sch. 8 Pt. 1](#) (with Sch. 7)

SCHEDULE 17

Section 128.

CLAIMS FOR RELIEF INVOLVING TWO OR MORE YEARS

*Preliminary*

- 1 (1) In this Schedule—

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- (a) any reference to a claim includes a reference to an election or notice; and
  - (b) any reference to the amount in which a person is chargeable to tax is a reference to the amount in which he is so chargeable after taking into account any relief or allowance for which a claim is made.
- (2) For the purposes of this Schedule, two or more claims to which this Schedule applies which are made by the same person are associated with each other in so far as the same year of assessment is the earlier year in relation to each of those claims.
- (3) In sub-paragraph (2) above, any reference to claims to which this Schedule applies includes a reference to amendments and revocations to which paragraph 4 below applies.

#### *Loss relief*

- 2
- (1) This paragraph applies where a person makes a claim requiring relief for a loss incurred or treated as incurred, or a payment made, in one year of assessment (“the later year”) to be given in an earlier year of assessment (“the earlier year”).
  - (2) Section 42(2) of this Act shall not apply in relation to the claim.
  - (3) The claim shall relate to the later year.
  - (4) Subject to sub-paragraph (5) below, the claim shall be for an amount equal to the difference between—
    - (a) the amount in which the person is chargeable to tax for the earlier year (“amount A”); and
    - (b) the amount in which he would be so chargeable on the assumption that effect could be, and were, given to the claim in relation to that year (“amount B”).
  - (5) Where effect has been given to one or more associated claims, amounts A and B above shall each be determined on the assumption that effect could have been, and had been, given to the associated claim or claims in relation to the earlier year.
  - (6) Effect shall be given to the claim in relation to the later year, whether by repayment or set-off, or by an increase in the aggregate amount given by section 59B(1)(b) of this Act, or otherwise.
  - (7) For the purposes of this paragraph, any deduction made under section 62(2) of the 1992 Act (death: general provisions) in respect of an allowable loss shall be deemed to be made in pursuance of a claim requiring relief to be given in respect of that loss.

#### *Relief for fluctuating profits of farming etc.*

- 3
- (1) This paragraph applies where a person who is or has been carrying on a trade of farming or market gardening claims that subsection (2) or (3) of section 96 of the principal Act shall have effect in relation to his profits from that trade for two consecutive years of assessment (“the earlier year” and “the later year”).
  - (2) The claim shall relate to the later year.
  - (3) Subject to sub-paragraph (4) below, in so far as the claim relates to the profits of the earlier year, the claim shall be for an amount equal to the difference between—
    - (a) the amount in which the person is chargeable to tax for the earlier year (“amount A”); and

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- (b) the amount in which he would be so chargeable on the assumption that effect could be, and were, given to the claim in relation to that year (“amount B”).
- (4) Where effect has been given to one or more associated claims, amounts A and B above shall each be determined on the assumption that effect could have been, and had been, given to the associated claim or claims in relation to the earlier year.
- (5) In so far as the claim relates to the profits of the earlier year, effect shall be given to the claim in relation to the later year by an increase in the amount of tax payable or, as the case may require, in the aggregate amount given by section 59B(1)(b) of this Act.
- (6) Where this paragraph applies twice in relation to the same year of assessment, the increase or reduction in the amount of tax payable for that year which is required by sub-paragraph (5) above on the earlier application shall be disregarded in determining amounts A and B above for the purposes of the later application.

*Relief claimed by virtue of section 96(9)*

- 4
- (1) This paragraph applies where—
    - (a) a person who claims that subsection (2) or (3) of section 96 of the principal Act shall have effect for two consecutive years of assessment (“the earlier year” and “the later year”) makes or amends a claim for relief under any other provision of the Income Tax Acts for either of those years; and
    - (b) the making or amendment of the claim would be out of time but for subsection (9) of that section.
  - (2) The claim or amendment shall relate to the later year.
  - (3) Subject to sub-paragraph (4) below, in so far as the claim or amendment relates to income of the earlier year, the amount claimed, or (as the case may be) the increase or reduction in the amount claimed, shall be equal to the difference between—
    - (a) the amount in which the person is chargeable to tax for the earlier year (“amount A”); and
    - (b) the amount in which he would be so chargeable on the assumption that effect could be, and were, given to the claim or amendment in relation to that year (“amount B”).
  - (4) Where effect has been given to one or more associated claims, amounts A and B above shall each be determined on the assumption that effect could have been, and had been, given to the associated claim or claims in relation to the earlier year.
  - (5) In so far as the claim or amendment relates to income of the earlier year, effect shall be given to the claim or amendment in relation to the later year by an increase in the amount of tax payable or, as the case may require, in the aggregate amount given by section 59B(1)(b) of this Act.
  - (6) In this paragraph “amend” includes revoke and “amendment” shall be construed accordingly.

*Carry-back of post-cessation etc. receipts*

- 5
- (1) This paragraph applies where a person who has received a sum to which section 108 of the principal Act applies (election for carry-back) makes an election under that section requiring tax to be charged as if the sum were received on the date on which



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the discontinuance took place or, as the case may be, on the last day of the period at the end of which the change of basis took place; and in this paragraph—

“the earlier year” means the year in which the sum is treated as received;

“the later year” means the year in which the sum is received.

- (2) The claim shall relate to the later year.
- (3) Subject to sub-paragraph (4) below, the claim shall be for an amount equal to the difference between—
  - (a) the amount in which the person is chargeable to tax for the earlier year (“amount A”); and
  - (b) the amount in which he would be so chargeable on the assumption that effect could be, and were, given to the claim in relation to that year (“amount B”).
- (4) Where effect has been given to one or more associated claims, amounts A and B above shall each be determined on the assumption that effect could have been, and had been, given to the associated claim or claims in relation to the earlier year.
- (5) In computing amount B for the purposes of this paragraph, no further deduction or relief shall be made or given in respect of any loss or allowance deducted in pursuance of section 105 of the principal Act.
- (6) Effect shall be given to the claim in relation to the later year by an increase in the amount of tax payable.

#### *Backward spreading of certain payments*

- 6 (1) This paragraph applies where a person who has received a payment to which any of the following sections applies, namely—
  - (a) section 534 of the principal Act (relief for copyright payments etc.);
  - (b) section 537A of that Act (relief for payments in respect of designs); and
  - (c) section 538 of that Act (relief for painters, sculptors and other artists),makes a claim under subsection (1) of that section requiring that effect be given to the following provisions of that section in connection with that payment.
- (2) The claim shall relate to the year of assessment in which the payment in question is receivable (“the payment year”); and for the purposes of this sub-paragraph a payment shall be regarded as receivable in the year of assessment in computing the amount of the profits or gains of which it would, but for the relevant section, be included.
- (3) Subject to sub-paragraph (4) below, in so far as the claim relates to the profits or gains of a year of assessment earlier than the payment year (“the earlier year”), the claim shall be for an amount equal to the difference between—
  - (a) the amount in which the person is chargeable to tax for the earlier year (“amount A”); and
  - (b) the amount in which he would be so chargeable on the assumption that effect could be, and were, given to the claim or amendment in relation to that year (“amount B”).
- (4) Where effect has been given to one or more associated claims, amounts A and B above shall each be determined on the assumption that effect could have been, and had been, given to the associated claim or claims in relation to the earlier year.

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- (5) In so far as the claim relates to the profits or gains of the earlier year, effect shall be given to the claim in relation to the payment year by an increase in the amount of tax payable.

## SCHEDULE 18

Section 132.

### OVERDUE TAX AND EXCESSIVE PAYMENTS BY THE BOARD

#### *The Taxes Management Act 1970*

- 1 In section 55 of the <sup>M47</sup>Taxes Management Act 1970 (recovery of tax not postponed) in subsection (1) (which specifies the appeals to which section 55 applies) for paragraph (b) (assessments under section 29) there shall be substituted—
- “(b) an assessment to tax made otherwise than under section 9 of this Act,”.

#### **Marginal Citations**

**M47** 1970 c. 9.

- 2 (1) Section 59A of the Taxes Management Act 1970 (payments on account of income tax) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (2) (requirement to make payments on account and determination, subject to subsections (4) and (4A), of the amount of such payments) for “(4) and (4A)” there shall be substituted “ (4) to (4B) ”.
- (3) In subsection (4A) (determination, subject to subsections (3) and (4), of amount of payments on account in the case of late or amended assessments), after “subsections (3) and (4) above” there shall be inserted “ and subsection (4B) below ”.
- (4) After subsection (4A) there shall be inserted—
- “(4B) If as regards the year immediately preceding the year of assessment the taxpayer is assessed to income tax under section 29 of this Act in any amount, then, subject to subsections (3) and (4) above and to any subsequent application of this subsection, the amount of each payment on account shall be, and shall be deemed always to have been, the total of—
- (a) the amount which, immediately before the making of the assessment under section 29, is the amount of that payment, and
- (b) an amount equal to 50 per cent. of the amount in which he is assessed under that assessment;
- and if that assessment is varied, the amount in which he is assessed under it shall be taken for the purposes of paragraph (b) above to be the amount of the assessment as varied.”
- (5) In subsection (5) (adjustments to be made where subsection (4A) applies) after “subsection (4A)” there shall be inserted “ or (4B) ”.

*Status: Point in time view as at 06/04/2006.*

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- 3 (1) Section 86 of the <sup>M48</sup>Taxes Management Act 1970 (interest on overdue income tax and capital gains tax) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (4) (subsection (5) to apply with respect to interest in cases where taxpayer makes a claim under section 59A(3) or (4) but an amount becomes payable by him under certain provisions of section 59B) in paragraph (b), after “payable by him” there shall be inserted “ (i) ” and at the end of that paragraph there shall be added “or
- (ii) in accordance with section 59B(6) of this Act in respect of income tax assessed under section 29 of this Act.”
- (3) In subsection (6) (determination of what amount is payable in accordance with section 59B(3), (4) or (5)) after “section 59B(3), (4) or (5) of this Act” there shall be inserted “ or, in respect of income tax assessed under section 29 of this Act, in accordance with section 59B(6) of this Act ”.

**Marginal Citations**

**M48** 1970 c. 9.

- 4 (1) Section 88 of the Taxes Management Act 1970 (which relates to interest on tax recovered to make good loss due to the taxpayer’s fault and which is superseded by section 86 of that Act, as substituted by the <sup>M49</sup>Finance Act 1995) shall cease to have effect.
- (2) In consequence of the repeal of section 88 of the <sup>M50</sup>Taxes Management Act 1970—
- (a) section 88A of that Act (determinations under section 88) shall cease to have effect;
- (b) in section 91 of that Act (effect of interest on reliefs) in subsection (1)—
- (i) the words “or section 88” shall cease to have effect; and
- (ii) for the words “those provisions”, in each place where they occur, there shall be substituted “ that section ”; and
- (c) in section 113 of that Act (form of returns and other documents) subsection (1C) shall cease to have effect.

**Marginal Citations**

**M49** 1995 c. 4.

**M50** 1970 c. 9.

*The Taxes Act 1988*

- 5 In section 307 of the Taxes Act 1988 (enterprise investment scheme and business expansion scheme: withdrawal of relief) in subsection (6) (application of section 86 of the Taxes Management Act 1970 to assessments made by virtue of section 307 as if the reckonable date were as specified in that subsection) for “the reckonable date” there shall be substituted “ the relevant date ”.
- 6 (1) Section 369 of the Taxes Act 1988 (MIRAS) shall be amended in accordance with the following provisions of this paragraph.

*Status: Point in time view as at 06/04/2006.*

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(2) In subsection (7)—

- (a) for paragraph (a) (which applies section 29(3)(c) of the Taxes Management Act 1970) there shall be substituted—
  - “(a) section 29(1)(c) (excessive relief) as it has effect apart from section 29(2) to (10) of that Act;”;
- (b) in paragraph (b) (which applies section 30 of the Taxes Management Act 1970) after the words in parentheses there shall be inserted “ apart from subsection (1B) ”;
- (c) in paragraph (c) (which applies section 88 of the Taxes Management Act 1970) for “section 88” there shall be substituted “ section 86 ”; and
- (d) in the words following paragraph (d) after “as if it had been repaid” there shall be inserted “ as respects a chargeable period ”.

(3) After subsection (7) there shall be inserted—

- “(8) In the application of section 86 of the Management Act by virtue of subsection (7) above in relation to sums due and payable by virtue of an assessment made for the whole or part of a year of assessment (“the relevant year of assessment”) under section 29(1)(c) or 30 of that Act, as applied by that subsection, the relevant date—
  - (a) is 1st January in the relevant year of assessment in a case where the person falling within subsection (6) above has made a relevant interim claim; and
  - (b) in any other case, is the later of the following dates, that is to say—
    - (i) 1st January in the relevant year of assessment; or
    - (ii) the date of the making of the payment by the Board which gives rise to the assessment.

(9) In this section—

“financial year”, in relation to any person, means a financial year of that person for the purposes of the relevant regulations;

“interim claim” means an interim claim within the meaning of the relevant regulations;

“relevant interim claim” means, in relation to an assessment made for a period coterminous with, or falling wholly within, a person’s financial year, an interim claim made for a period falling wholly or partly within that financial year; and

“the relevant regulations” means regulations made under section 378(3) for the purposes of subsection (6) above.”

- 7 In section 374A of the Taxes Act 1988 (interest which never has been relevant loan interest etc) in subsection (4) (which provides for the application of the <sup>M51</sup>Taxes Management Act 1970 to an assessment under subsection (3) of that section as if it were an assessment to income tax and as if certain other things were the case) the words from “and as if” onwards shall be omitted.

#### Marginal Citations

M51 1970 c. 9.

*Status: Point in time view as at 06/04/2006.*

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- 8 In section 375 of the Taxes Act 1988 (interest ceasing to be relevant loan interest etc) in subsection (4) (which provides for the application of the Taxes Management Act 1970 to an assessment under subsection (3) of that section as it applies by virtue of section 374A(4) to an assessment under section 374A(3)) for “as it applies, by virtue of subsection (4) of section 374A, to an assessment under subsection (3) of that section” there shall be substituted “ as if it were an assessment to income tax for the year of assessment in which the deduction was made ”.
- 9 In section 412(4) of the Taxes Act 1988 (group relief: power to assess under section 412(3) is without prejudice to the making of assessments under section 29(3)(c) of the Taxes Management Act 1970) for “section 29(3)(c)” there shall be substituted “ section 29(1)(c) ”.

F375 10 .....

#### Textual Amendments

**F375** Sch. 18 para. 10 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

- 11 (1) Schedule 14 to the Taxes Act 1988 (life assurance premium relief: provisions ancillary to section 266) shall be amended in accordance with the following provisions of this paragraph.
- (2) In paragraph 6(2) (which provides for the application of the <sup>M52</sup>Taxes Management Act 1970 to an assessment under paragraph 6 of that Schedule as if it were an assessment to tax for the year of assessment in which the relief was given and as if certain other things were the case) the words from “and as if” onwards shall be omitted.
- (3) In paragraph 7(3) (which applies specified provisions of the Taxes Management Act 1970 to the payment of a sum claimed under section 266(5)(b))—
- (a) for paragraph (a) (which applies section 29(3)(c) of the Taxes Management Act 1970) there shall be substituted—
- “(a) section 29(1)(c) (excessive relief) as it has effect apart from section 29(2) to (10) of that Act;”;
- (b) in paragraph (b) (which applies section 30 of the Taxes Management Act 1970) after the words in parentheses there shall be inserted “ apart from subsection (1B) ”;
- (c) in paragraph (c) (which applies section 88 of the Taxes Management Act 1970) for “section 88” there shall be substituted “ section 86 ”; and
- (d) for the words following paragraph (d) there shall be substituted—
- “shall apply in relation to an amount which is paid to any person by the Board as an amount recoverable by virtue of section 266(5)(b) but to which that person is not entitled as if it were income tax which ought not to have been repaid and, where that amount was claimed by that person, as if it had been repaid as respects a chargeable period as a relief which was not due.”
- (4) After paragraph 7(3) there shall be added—
- “(4) In the application of section 86 of the Management Act by virtue of subparagraph (3) above in relation to sums due and payable by virtue of an

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assessment made for the whole or part of a year of assessment (“the relevant year of assessment”) under section 29(1)(c) or 30 of that Act, as applied by that sub-paragraph, the relevant date—

- (a) is 1st January in the relevant year of assessment in a case where the person falling within section 266(5)(b) has made a relevant interim claim; and
- (b) in any other case, is the later of the following dates, that is to say—
  - (i) 1st January in the relevant year of assessment; or
  - (ii) the date of the making of the payment by the Board which gives rise to the assessment.

(5) In this paragraph—

“financial year”, in relation to any person, means a financial year of that person for the purposes of the relevant regulations;

“interim claim” means an interim claim within the meaning of the relevant regulations;

“relevant interim claim” means, in relation to an assessment made for a period coterminous with, or falling wholly within, a person’s financial year, an interim claim made for a period falling wholly or partly within that financial year;

“the relevant regulations” means regulations made under sub-paragraph (1) above.”

#### **Marginal Citations**

**M52** 1970 c. 9.

#### *The Finance Act 1989*

[<sup>F376</sup>12(1) Section 57 of the <sup>M53</sup>Finance Act 1989 (medical insurance: supplementary) shall be amended in accordance with the following provisions of this paragraph.

(2) In subsection (3) (which applies specified provisions of the <sup>M54</sup>Taxes Management Act 1970 to the payment of an amount claimed under section 54(6)(b))—

- (a) for paragraph (a) (which applies section 29(3)(c) of the Taxes Management Act 1970) there shall be substituted—
  - “(a) section 29(1)(c) (excessive relief) as it has effect apart from section 29(2) to (10) of that Act;”;
- (b) in paragraph (b) (which applies section 30 of the Taxes Management Act 1970) after the words in parentheses there shall be inserted “ apart from subsection (1B) ”;
- (c) in paragraph (c) (which applies section 88 of the Taxes Management Act 1970) for “section 88” there shall be substituted “ section 86 ”; and
- (d) for the words following paragraph (d) there shall be substituted—

“shall apply in relation to an amount which is paid to any person by the Board as an amount recoverable by virtue of section 54(6)(b) above but to which that person is not entitled as if it were income tax which ought not to have been repaid and, where that amount was claimed by that person, as if it had been repaid as respects a chargeable period as a relief which was not due.”

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(3) After subsection (3) there shall be inserted—

“(3A) In the application of section 86 of the Taxes Management Act 1970 by virtue of subsection (3) above in relation to sums due and payable by virtue of an assessment made under section 29(1)(c) or 30 of that Act, as applied by that subsection, the relevant date—

- (a) in a case where the person falling within section 54(6) above has made any interim claim, within the meaning of regulations made under subsection (1) and section 54(4) above, as respects some part of the year of assessment for which the assessment is made, is 1st January in that year of assessment; and
- (b) in any other case, is the later of the following dates, that is to say—
  - (i) 1st January in the year of assessment for which the assessment is made; or
  - (ii) the date of the making of the payment by the Board which gives rise to the assessment.”]

#### Textual Amendments

**F376** Sch. 18 para. 12 repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(2), Note of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(2)

#### Marginal Citations

**M53** 1989 c. 26.

**M54** 1970 c. 9.

13 In section 178 of the Finance Act 1989 (setting rates of interest) in subsection (2) (f) (which specifies the provisions of the Taxes Management Act 1970 to which the section applies) the words “88” shall be omitted.

#### *The Finance Act 1991*

[<sup>F377</sup>14(1) Section 33 of the <sup>M55</sup>Finance Act 1991 (vocational training) shall be amended in accordance with the following provisions of this paragraph.

(2) In subsection (3) (which applies specified provisions of the Taxes Management Act 1970 to the payment of an amount claimed under section 32(5)(b))—

(a) for paragraph (a) (which applies section 29(3)(c) of the Taxes Management Act 1970) there shall be substituted—

“(a) section 29(1)(c) (excessive relief) as it has effect apart from section 29(2) to (10) of that Act;”;

(b) in paragraph (b) (which applies section 30 of the <sup>M56</sup>Taxes Management Act 1970) after the words in parentheses there shall be inserted “ apart from subsection (1B) ”;

(c) in paragraph (c) (which applies section 88 of the Taxes Management Act 1970) for “section 88” there shall be substituted “ section 86 ”; and

(d) for the words following paragraph (d) there shall be substituted—

“shall apply in relation to an amount which is paid to any person by the Board as an amount recoverable by virtue of section 32(5)(b) above but to which that person is not entitled as if it were income tax which ought not



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to have been repaid and, where that amount was claimed by that person, as if it had been repaid as respects a chargeable period as a relief which was not due.”

(3) After subsection (3) there shall be inserted—

“(3A) In the application of section 86 of the Taxes Management Act 1970 by virtue of subsection (3) above in relation to sums due and payable by virtue of an assessment made under section 29(1)(c) or 30 of that Act, as applied by that subsection, the relevant date—

- (a) in a case where the person falling within section 32(5) above has made any interim claim, within the meaning of regulations made under subsection (1) above, as respects some part of the year of assessment for which the assessment is made, is 1st January in that year of assessment; and
- (b) in any other case, is the later of the following dates, that is to say—
  - (i) 1st January in the year of assessment for which the assessment is made; or
  - (ii) the date of the making of the payment by the Board which gives rise to the assessment.”]

#### **Textual Amendments**

**F377** *Sch. 18 para. 14* 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**

**M55** 1991 c. 31.

**M56** 1970 c. 9.

#### *The Taxation of Chargeable Gains Act 1992*

- 15 (1) Section 281 of the <sup>M57</sup>Taxation of Chargeable Gains Act 1992 (payment by instalments of tax on gifts) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (5), for paragraph (a) (tax payable by instalments to carry interest in accordance with Part IX of the Taxes Management Act 1970, except section 88) there shall be substituted—
- “(a) tax payable by instalments by virtue of this section carries interest in accordance with Part IX of the Management Act as that Part applies where no election is made under subsection (2) above, and”.
- (3) In subsection (6) (power to pay at any time unpaid tax payable by instalments, with interest to the date of payment) after “with interest” there shall be inserted “ (determined in accordance with subsection (5)(a) above) ”.
- (4) In subsection (7) (cases where tax payable by instalments, with interest to the date of payment, becomes due and payable immediately) after “with interest” there shall be inserted “ (determined in accordance with subsection (5)(a) above as if the tax were tax payable by instalments by virtue of this section) ”.



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**Marginal Citations**

M57 1992 c. 12.

*The Finance Act 1995*

- 16 In section 73(4) of the <sup>M58</sup>Finance Act 1995 (power to apply certain provisions of the Taxes Management Act 1970 in relation to certain sums payable in connection with venture capital trusts)—
- (a) for “section 29(3)(c)” there shall be substituted “ section 29(1)(c) ”;
  - (b) for “section 88” there shall be substituted “ section 86 ”; and
  - (c) after paragraph (d) there shall be added—
- “and section 86 of that Act may be so applied with such modifications as respects the relevant date as may be specified in the regulations.”

**Marginal Citations**

M58 1995 c. 4.

*Commencement*

- 17 (1) Paragraphs 1 to 3, 6(2)(a) and (b), 8, <sup>F378</sup>... 11(3)(a) and (b), [<sup>F379</sup>12(2)(a) and (b)], 14(2)(a) and (b) and 16(a) above have effect, subject to sub-paragraph (2) below—
- (a) for the purposes of income tax and capital gains tax, as respects the year 1996-97 and subsequent years of assessment; and
  - (b) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the <sup>M59</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).
- (2) Paragraphs 1, 3, 6(2)(a) and (b), <sup>F378</sup>... 11(3)(a) and (b), [<sup>F379</sup>12(2)(a) and (b)] and 14(2)(a) and (b) above, so far as relating to partnerships whose trades, professions or businesses were set up and commenced before 6th April 1994, has effect as respects the year 1997-98 and subsequent years of assessment.
- (3) Paragraphs 4, 5, 6(2)(c) and (3), 11(3)(c) and (4), [<sup>F379</sup>12(2)(c) and (3)], 13, 14(2)(c) and (3), 15 and 16(b) and (c) above have effect, subject to sub-paragraph (4) below—
- (a) as respects the year 1996-97 and subsequent years of assessment; and
  - (b) in relation to any income tax or capital gains tax which—
    - (i) is charged by an assessment made on or after 6th April 1998; and
    - (ii) is for the year 1995-96 or any earlier year of assessment;and where sub-paragraph (4) of paragraph 11, sub-paragraph (3) of paragraph 12, or sub-paragraph (3) of paragraph 14 has effect by virtue of paragraph (b) of this sub-paragraph it shall have effect with the substitution, in the provision inserted by that sub-paragraph, for “section 29(1)(c)” of “section 29(3)(c)”.

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- (4) Paragraphs 4, 6(2)(c) and (3), 11(3)(c) and (4), [F379 12(2)(c) and (3)], 13 and 14(2)(c) and (3) above, so far as relating to partnerships whose trades, professions or businesses were set up and commenced before 6th April 1994 have effect—
- (a) as respects the year 1997-98 and subsequent years of assessment; and
  - (b) in relation to any income tax which—
    - (i) is charged by an assessment made on or after 6th April 1998; and
    - (ii) is for the year 1995-96 or any earlier year of assessment.
- (5) Paragraphs 7 and 11(2) above have effect—
- (a) as respects the year 1996-97 and subsequent years of assessment; and
  - (b) subject to sub-paragraphs (6) and (7) below, in relation to any income tax or capital gains tax which—
    - (i) is charged by an assessment made on or after 6th April 1998; and
    - (ii) is for the year 1995-96 or any earlier year of assessment.
- (6) Sub-paragraph (5)(b) above does not apply to paragraph 7 above so far as paragraph 7 provides for the omission of—
- (a) paragraph (a) of subsection (4) of section 374A of the Taxes Act 1988, and
  - (b) the words “and as if” so far as they relate to paragraph (a) of that subsection.
- (7) Sub-paragraph (5)(b) above does not apply to paragraph 11(2) above so far as paragraph 11(2) provides for the omission of—
- (a) the words “sections 55(1) (recovery of tax not postponed) and”, and
  - (b) the words “and as if—
    - (a) the assessment were among those specified in”
 so far as those words relate to the words mentioned in paragraph (a) of this sub-paragraph.
- (8) Paragraphs 6(2)(d), 11(3)(d), [F379 12(2)(d)] and 14(2)(d) above shall not apply in relation to any payment if the payment, or the claim on which it is made, was made before the day on which this Act is passed.
- (9) Paragraph 9 above has effect as respects accounting periods ending on or after the day appointed under section 199 of the M60 Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).
- (10) Any power to make regulations exercisable by virtue of an amendment made by any of the preceding provisions of this Schedule may be exercised so as to make provision having effect in relation to any year of assessment in relation to which that provision has effect in accordance with sub-paragraphs (1) to (9) above.

#### Textual Amendments

**F378** Word in Sch. 18 para. 17(1)(2) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)

**F379** Words in Sch. 18 para. 17(1)-(4)(8) repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(2), Note of the amending Act) by [1997 c. 58](#), s. 52, [Sch. 8 Pt. II\(2\)](#)

#### Marginal Citations

**M59** [1994 c. 9](#).

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**M60** 1994 c. 9.

## SCHEDULE 19

Section 133.

### SELF-ASSESSMENT: CLAIMS AND ENQUIRIES

#### *Introductory*

- 1 The <sup>M61</sup>Taxes Management Act 1970, as it has effect—
- (a) for the purposes of income tax and capital gains tax, as respects the year 1996-97 and subsequent years of assessment, and
  - (b) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions),
- shall be amended in accordance with the following provisions of this Schedule.

#### **Marginal Citations**

**M61** 1970 c. 9.

#### *Matters subject to enquiry*

- 2 In each of sections <sup>F380</sup> . . . [<sup>F381</sup>11AB(1)], . . . (matters subject to enquiry), after paragraph (b) there shall be inserted “or
- (c) any claim or election included in the return (by amendment or otherwise)”.

#### **Textual Amendments**

**F380** Words in [Sch. 19 para. 2](#) repealed (11.5.2001 with effect as mentioned in [Sch. 33 Pt. 2\(13\)](#), Note of the amending Act) by [2001 c. 9, s. 110](#), [Sch. 33 Pt. 2\(13\)](#)

**F381** Words in [Sch. 19 para. 2](#) repealed (31.7.1998 with effect as mentioned in [Sch. 27 Pt. III\(28\)](#), Note of the amending Act) by [1998 c. 36, s. 165](#), [Sch. 27 Pt. III\(28\)](#)

#### *Power to call for documents*

- 3 (1) In section 19A (power to call for documents for the purposes of certain enquiries), after subsection (2) there shall be inserted the following subsection—
- “(2A) The officer of the Board may also (whether or not he imposes a requirement under subsection (2) above), by a notice in writing, require the taxpayer, within such time (which shall not be less than 30 days) as may be specified in the notice—
- (a) to produce to the officer such documents as are in the taxpayer’s possession or power and as the officer may reasonably require for the purpose of making a determination for the purposes of section 28A(7A)(d) or 28B(6A)(d) of this Act, and

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- (b) to furnish the officer with such accounts or particulars as he may reasonably require for that purpose.”
- (2) In subsections (3), (5), (7), (9)(a) and (10) of that section, for the words “subsection (2)”, in each place where they occur, there shall be substituted “subsection (2) or (2A) ”.
- (3) In subsection (4) of that section, for “subsection (2) or” there shall be substituted “subsection (2), (2A) or ”.
- (4) In section 97AA(1) (penalty for failure to comply with notice), for “section 19A(2) or (3)” there shall be substituted “ section 19A(2), (2A) or (3) ”.

*Further amendments of section 28A*

F382<sub>4</sub> .....

**Textual Amendments**

**F382** Sch. 19 para. 4 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, **Sch. 33 Pt. 2(13)**

*Further amendments of section 28B*

F383<sub>5</sub> .....

**Textual Amendments**

**F383** Sch. 19 para. 5 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, **Sch. 33 Pt. 2(13)**

*Right of appeal against notice disallowing claim in return*

F384<sub>6</sub> .....

**Textual Amendments**

**F384** Sch. 19 para. 6 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, **Sch. 33 Pt. 2(13)**

7 In section 50 (procedure on appeals), after subsection (7) there shall be inserted the following subsection—

“(7A) If, on appeal, it appears to the Commissioners that a claim or election specified in a notice under section 28A(4A) of this Act should have been allowed or disallowed to an extent different from that specified in the notice, the claim or election shall be allowed or disallowed accordingly to the extent that appears to them appropriate, but otherwise the decision in the notice shall stand good.”

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*Claims not included in returns*

- 8 (1) In Schedule 1A (claims not included in returns), in paragraph 4 (giving effect to claims and amendments), in sub-paragraph (1) for “(1A) and (3)” there shall be substituted “ (1A), (3) and (4) ”.
- (2) In sub-paragraph (2) of that paragraph, for “sub-paragraph (3)” there shall be substituted “ sub-paragraphs (3) and (4) ”.
- (3) After sub-paragraph (3) there shall be inserted the following sub-paragraph—
- “ (4) Nothing in this paragraph applies in relation to a claim or an amendment of a claim if the claim is not one for discharge or repayment of tax.”

F385g .....

**Textual Amendments**

**F385** Sch. 19 para. 9 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(13)

*Right of appeal against notice disallowing claim not in return*

- 10 F386 (1) .....
- (2) In sub-paragraph (2) of that paragraph, for “making of the amendment under paragraph 7(3) above” there shall be substituted “ date mentioned in sub-paragraph (1) above ”.
- (3) In sub-paragraph (3) of that paragraph, for “under this paragraph” there shall be substituted “ against an amendment under paragraph 7(3) above ”.
- (4) After sub-paragraph (4) of that paragraph there shall be inserted the following sub-paragraph—
- “ (5) If, on appeal, it appears to the Commissioners that a claim specified in a notice under paragraph 7(3A) above should have been allowed or disallowed to an extent different from that specified in the notice, the claim shall be allowed or disallowed accordingly to the extent that appears to them appropriate, but otherwise the decision in the notice shall stand good.”

**Textual Amendments**

**F386** Sch. 19 para. 10(1) repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(13)

*Status: Point in time view as at 06/04/2006.*

*Changes to legislation: Finance Act 1996 is up to date with all changes known to be in force on or before 17 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

SCHEDULE 20

Section 134.

SELF-ASSESSMENT: DISCRETIONS EXERCISABLE BY THE BOARD ETC.

*The Taxes Act 1988*

- 1 In section 24(2) of the Taxes Act 1988 (presumption as to sums being paid by way of premium unless the contrary is shown) for “is” there shall be substituted “ can be ”.
- 2 In section 38(4) of the Taxes Act 1988 (assumptions as to benefits and payments relating to leases) in the words after paragraph (b), for “is” there shall be substituted “ can be ”.

F387<sup>3</sup> .....

**Textual Amendments**  
**F387** Sch. 20 para. 3 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))

- 4 In section 74(1)(j) of the Taxes Act 1988 (Case I or II of Schedule D: no deduction in respect of debts), in sub-paragraph (i) (deduction allowed for a bad debt proved to be such) the words “proved to be such” shall cease to have effect.
- 5 (1) In section 109A of the Taxes Act 1988 (relief for post-cessation expenditure) in subsection (4) (relief for debt taken into account in computing profits or gains and later released or proved to be bad), in the first sentence, for the words following “entitled” there shall be substituted “is released in whole or in part as part of a relevant arrangement or compromise (within the meaning of section 74), he shall be treated as making a payment to which this section applies of—
  - (a) an amount equal to the amount released, or
  - (b) if he was entitled to only part of the benefit of the debt, an amount equal to an appropriate proportion of that amount.”

(2) After that subsection there shall be inserted—

“(4A) Where a trade, profession or vocation carried on by a person has been permanently discontinued and subsequently an unpaid debt which was taken into account in computing the profits and gains of that trade, profession or vocation and to the benefit of which he is entitled, proves to be bad, then if—

- (a) in making a claim for a year of assessment under subsection (1) above he gives notice that the debt was bad in any part of that year, and
- (b) he has not given such a notice in respect of that debt in the making of any other such claim,

he shall be treated as making in that year a payment to which this section applies of an amount equal to the amount of the debt or, if he was entitled to only part of the benefit of the debt, to an appropriate proportion of that amount.

If any sum is subsequently received by him in payment of a debt for which relief has been given by virtue of this subsection, the sum shall be treated as one to which section 103 applies; and no deduction shall be made under section 105 in respect of any sum.”

*Status: Point in time view as at 06/04/2006.*

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F388<sup>6</sup> .....

**Textual Amendments**

**F388** Sch. 20 paras. 6-10 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, **Sch. 8 Pt. 1** (with Sch. 7)

F388<sup>7</sup> .....

**Textual Amendments**

**F388** Sch. 20 paras. 6-10 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, **Sch. 8 Pt. 1** (with Sch. 7)

F388<sup>8</sup> .....

**Textual Amendments**

**F388** Sch. 20 paras. 6-10 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, **Sch. 8 Pt. 1** (with Sch. 7)

F388<sup>9</sup> .....

**Textual Amendments**

**F388** Sch. 20 paras. 6-10 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, **Sch. 8 Pt. 1** (with Sch. 7)

F388<sup>10</sup> .....

**Textual Amendments**

**F388** Sch. 20 paras. 6-10 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, **Sch. 8 Pt. 1** (with Sch. 7)

11 In section 186(10) of the Taxes Act 1988 (value of the proceeds of certain disposals)

- (a) for paragraph (b) there shall be substituted the following paragraph—
  - “(b) any other disposal falling within that subsection is not at arm’s length;”;
- (b) in paragraph (c) for “that sub-paragraph” there shall be substituted “ that subsection ”.

F389<sup>12</sup> .....

**Textual Amendments**

**F389** Sch. 20 para. 12 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 3** (with Sch. 2)



*Status: Point in time view as at 06/04/2006.*

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- 13 In section 257 of the Taxes Act 1988 (personal allowance)—
- (a) in subsection (2) (claimant entitled to deduction if he proves that he is 65 or over), and
  - (b) in subsection (3) (claimant entitled to deduction if he proves that he is 75 or over),
- the words “proves that he” shall cease to have effect.
- 14 (1) Section 257A of the Taxes Act 1988 (married couple’s allowance) shall be amended in accordance with the following provisions of this paragraph.
- [<sup>F390</sup>(2) In subsection (1) (claimant entitled to reduction if he proves that he is a married man whose wife is living with him) for the words from the beginning to “he is” there shall be substituted “ If the claimant is, for the whole or any part of the year of assessment, ”.]
- (3) In—
- (a) subsection (2) (claimant entitled to reduction if he proves that he is a married man whose wife is living with him and that either of them is 65 or over), and
  - (b) subsection (3) (similar provision on proof that claimant or wife is 75 or over),
- for the words from the beginning to “and that” there shall be substituted “ If the claimant is, for the whole or any part of the year of assessment, a married man whose wife is living with him, and ”.

#### Textual Amendments

**F390** Sch. 20 para. 14(2) repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(3), Note 2 of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(3)

- [<sup>F391</sup>15 In section 257E(1) of the Taxes Act 1988 (claimant entitled to relief if his wife lives with him and he proves that for the year 1989-90 he was entitled as described in paragraph (a) or (b))—
- (a) the words “he proves” shall cease to have effect; and
  - (b) the word “that”, in the first and third places where it occurs in each of paragraphs (a) and (b), shall cease to have effect.]

#### Textual Amendments

**F391** Sch. 20 para. 15 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(3), Note 2 of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(3)

- [<sup>F392</sup>16(1) Section 257F of the Taxes Act 1988 (transitional relief: effect of preceding sections where claimant who does not live with his wife proves that paragraphs (a) to (c) apply) shall be amended in accordance with the following provisions of this paragraph.
- (2) The words “the claimant proves” shall cease to have effect.
- (3) In paragraph (a)—
- (a) for “that he” there shall be substituted “ the claimant ”; and
  - (b) the word “that” in the second place where it occurs shall cease to have effect.



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- (4) In paragraph (b) the word “that” in the first place where it occurs shall cease to have effect.
- (5) In paragraph (c) the word “that” in the first and third places where it occurs shall cease to have effect.]

#### Textual Amendments

**F392** Sch. 20 para. 16 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(3), Note 2 of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(3)

- [<sup>F393</sup>17(1) Section 259 of the Taxes Act 1988 (additional relief in respect of children) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (2) (claimant entitled to reduction if he proves that a qualifying child is resident with him) for the words from “if the claimant” to “he shall be entitled” there shall be substituted
- (a) the claimant is a person to whom this section applies, and
- (b) a qualifying child is resident with him for the whole or a part of a year of assessment,
- the claimant shall be entitled ”.
- (3) In subsection (6) (circumstances in which the reference in subsection (5) to a child receiving full-time instruction includes a child undergoing training for a trade, profession or vocation) the second paragraph (inspector’s power to require particulars of training) shall cease to have effect.]

#### Textual Amendments

**F393** Sch. 20 para. 17 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(4), Note of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(4)

- [<sup>F394</sup>18 In section 261A(1) of the Taxes Act 1988 (person who proves that a qualifying child is resident with him in the year in which he and his wife separate is entitled to relief) for “who proves that a qualifying child is resident with him” there shall be substituted “ with whom a qualifying child is resident ”.]

#### Textual Amendments

**F394** Sch. 20 para. 18 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(4), Note of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(4)

- 19 In section 265(1) of the Taxes Act 1988 (claimant entitled to blind person’s allowance if he proves that he is a registered blind person) the words “proves that he” shall cease to have effect.
- 20 In section 274(4) of the Taxes Act 1988 (effect of war insurance premiums on the limit on relief under section 266 or 273) in the second paragraph (definition of war insurance premiums: to include any part of any premium paid in respect of a life insurance policy which appears to the inspector to be attributable to risks arising

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- from war or war service abroad) for “appears to the inspector to be” there shall be substituted “ is ”.
- 21 In section 278(2) of the Taxes Act 1988 (bar on relief for non-residents not to apply to an individual who satisfies the Board that he or she is a Commonwealth citizen etc) the words “satisfies the Board that he or she” shall cease to have effect.
- 22 In section 306(2) of the Taxes Act 1988 (claim for relief in respect of eligible shares must be accompanied by a certificate issued by the company) for the words from the beginning to “accompanied by” there shall be substituted “ No claim for relief in respect of eligible shares in a company may be made unless the person making the claim has received from the company ”.
- 23 In section 311(4) of the Taxes Act 1988 (application of section 306(2) to claims in respect of shares issued to the managers of an approved fund) for the words from “as if it required” to “accompanied by” there shall be substituted—
- “(a) as if it required the certificate referred to in that section to be issued by the company to the managers; and
  - (b) as if it provided that no claim for relief may be made unless the person making the claim has received from the managers”.
- 24 In section 381(4) of the Taxes Act 1988 (no relief unless it is shown that trade was on a commercial basis) the words “it is shown that” shall cease to have effect.
- 25 (1) In section 384 of the Taxes Act 1988 (restrictions on right of set-off) in subsection (1) (no relief unless it is shown that trade was on a commercial basis and with a view to the realisation of profits) the words “it is shown that” shall cease to have effect.
- (2) For subsection (9) of that section (conclusive evidence that a trade was carried on with a view to the realisation of profits) there shall be substituted—
- “(9) Where at any time a trade is carried on so as to afford a reasonable expectation of profit, it shall be treated for the purposes of subsection (1) above as being carried on at that time with a view to the realisation of profits.”
- 26 In section 393A of the Taxes Act 1988 (losses: set-off against profits of the same or an earlier accounting period)—
- (a) in subsection (3)(b) (no relief unless trade was on commercial basis and with a view to the realisation of gain) for “it is shown that for” there shall be substituted “ for ”; and
  - (b) in subsection (4), for paragraph (a) (conclusive evidence that a trade was carried on with a view to the realisation of gain) there shall be substituted—
    - “(a) where at any time a trade is carried on so as to afford a reasonable expectation of gain, it shall be treated as being carried on at that time with a view to the realisation of gain; and”.
- 27 In section 397(3) of the Taxes Act 1988 (farming and market gardening: relief not to be restricted in certain cases)—
- (a) for “, if it is shown by the claimant” there shall be substituted “ in any case ”; and
  - (b) for the word “that”, at the beginning of each of paragraphs (a) and (b), there shall be substituted “ where ”.

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- 28 (1) Section 488 of the Taxes Act 1988 (co-operative housing associations) shall be amended in accordance with the following provisions of this paragraph.
- (2) For subsection (9) (which provides for a claim to be made to the inspector within two years and excludes the operation of section 42 of the <sup>M62</sup>Taxes Management Act 1970) there shall be substituted—
- “(9) A claim under this section may be made at any time not later than two years after the end of the year of assessment or accounting period to which, or to a part of which, it relates.”
- (3) In subsection (10) (no claim under the section to have effect unless it is proved that the conditions there specified are complied with) for the words from “no claim” to “it is proved that” there shall be substituted “no claim shall be made under this section unless”.
- (4) For subsection (11) (power of Board to direct that a claim shall have effect if they are satisfied that the conditions in subsection (10) are substantially complied with, and power to revoke the direction on subsequent information) there shall be substituted—
- “(11) A housing association may make a claim under this section notwithstanding anything in subsection (10) above, if the association reasonably considers that the requirements of that subsection are substantially complied with.
- (11A) If as a result of an enquiry—
- (a) under section 11AB of the Management Act into a return, or an amendment of a return, in which a claim under this section by a housing association is included, or
- (b) under paragraph 5 of Schedule 1A to that Act into a claim under this section by a housing association, or an amendment of such a claim, an amendment is made to the association’s self-assessment or, as the case may be, to the claim, the liability of all persons concerned to tax for all relevant years or accounting periods may also be adjusted by the making of assessments or otherwise.”
- [<sup>F395</sup>(5) For subsection (12) (particulars required to be included in a claim may include an authority granted by the members for the use of information in their tax returns for determining the claim) there shall be substituted—
- “(12) A housing association making a claim under this section may be required under or by virtue of section 11(1) of, or paragraph 2(5) of Schedule 1A to, the Management Act to deliver an authority, granted by all members of the association, for any relevant information contained in any return made by a member under the provisions of the Income Tax Acts to be used by an officer of the Board in such manner as he may think fit in connection with any enquiry under section 11AB of, or paragraph 5 of Schedule 1A to, the Management Act, so far as relating to the association’s claim under this section.”]

#### Textual Amendments

**F395** Sch. 20 para. 28(5) repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28) and expressed to be repealed (27.7.1999 with

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effect as mentioned in Sch. 20 Pt. III(7), Note 4 of the amending Act) by 1999 c. 16, s. 139, **Sch. 20 Pt. III(7)**

#### Marginal Citations

**M62** 1970 c. 9.

- 29 (1) Section 489 of the Taxes Act 1988 (self-build societies) shall be amended in accordance with the following provisions of this paragraph.
- (2) For subsection (7) (which excludes the operation of section 42 of the <sup>M63</sup>Taxes Management Act 1970 but provides for a claim to be made to the inspector within two years) there shall be substituted—
- “(7) A claim under this section may be made at any time not later than two years after the end of the year of assessment or accounting period to which, or to a part of which, it relates.”
- (3) In subsection (8) (no claim under the section to have effect unless it is proved that the conditions there specified are complied with) for the words from “no claim” to “it is proved that” there shall be substituted “no claim shall be made under this section unless”.
- (4) For subsection (9) (power of Board to direct that a claim shall have effect if they are satisfied that the conditions in subsection (8) are substantially complied with, and power to revoke the direction on subsequent information) there shall be substituted—
- “(9) A self-build society may make a claim under this section notwithstanding anything in subsection (8) above, if the society reasonably considers that the requirements of that subsection are substantially complied with.
- (9A) If as a result of an enquiry—
- (a) under section 11AB of the Management Act into a return, or an amendment of a return, in which a claim under this section by a self-build society is included, or
- (b) under paragraph 5 of Schedule 1A to that Act into a claim under this section by a self-build society or an amendment of such a claim,
- an amendment is made to the society’s self-assessment or, as the case may be, to the claim, the society’s liability to tax for all relevant years or accounting periods may also be adjusted by the making of assessments or otherwise.”

#### Marginal Citations

**M63** 1970 c. 9.

- [<sup>F396</sup>30 In section 503(6) of the Taxes Act 1988 (apportionments where a letting relates only in part to holiday accommodation) for “appear to the inspector, or on appeal the Commissioners, to be” there shall be substituted “are”.]

#### Textual Amendments

**F396** Sch. 20 para. 30 repealed (31.7.1998 with effect as mentioned in s. 38(2)(3) of the amending Act) by 1998 c. 36, s. 165, **Sch. 27 Pt. III(4)**, Note

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- 31 In section 570(2) of the Taxes Act 1988 (schemes for rationalizing industry: treatment of certain payments made under such schemes)—
- (a) the words “on a claim it is shown in accordance with the provisions of Part II of Schedule 21 that” shall cease to have effect;
  - (b) after “the Tax Acts” there shall be inserted “ and a claim is made to that effect, ”;
  - (c) for “that Schedule”, where those words first occur, there shall be substituted “ Schedule 21 ”; and
  - (d) at the end there shall be added—  

“and paragraph 6 of that Schedule applies for the purposes of this subsection as it applies for the purposes of that Schedule.”
- 32 In section 582(2)(b) of the Taxes Act 1988 (cases where retention of funding bonds is impracticable)—
- (a) the words “the Board are satisfied that” shall cease to have effect; and
  - (b) in sub-paragraph (i), for the words from the beginning to “them” there shall be substituted—  

“(i) any such person shall be relieved from the obligation to retain bonds and account for income tax under that paragraph, on his furnishing to the Board”.
- 33 (1) Section 584 of the Taxes Act 1988 (relief for unremittable overseas income) shall be amended in accordance with the following provisions of this paragraph.
- (2) For subsections (2) and (3) (the account to be taken of overseas income which the Board are satisfied is unremittable) there shall be substituted—
- “(2) Subject to subsection (2A) below, where a person so chargeable makes a claim under this subsection in relation to any overseas income—
- (a) which is unremittable; and
  - (b) to which subsection (1)(a) above will continue to apply notwithstanding any reasonable endeavours on his part,
- then, in the first instance, account shall not be taken of that income, and tax shall be assessed, or, in the case of corporation tax, assessable, and shall be charged on all persons concerned and for all periods accordingly.
- (2A) If on any date paragraph (a) or (b) of subsection (2) above ceases to apply to any part of any overseas income in relation to which a claim has been made under that subsection—
- (a) that part of the income shall be treated as income arising on that date, and
  - (b) account shall be taken of it, and of any tax payable in respect of it under the law of the territory where it arises, according to their value at that date.”
- (3) In subsection (4) (company chargeable to corporation tax in respect of source of income that it has ceased to possess) for “a company becomes chargeable to corporation tax in respect of income from any source by virtue of subsections (2) and (3)” there shall be substituted “ a person becomes chargeable to income tax or corporation tax in respect of income from any source by virtue of subsection (2) or (2A) ”.

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(4) In subsection (5) (where payment made by ECGD in respect of income, conditions in subsection (2) treated as not satisfied) for the words following “treated as income” there shall be substituted “ to which paragraphs (a) and (b) of subsection (2) above do not apply (and accordingly cannot cease to apply) ”.

(5) For subsection (6) (delivery of notices under subsection (2) and making of assessments required by such notices) there shall be substituted—

“(6) A claim under subsection (2) above—

- (a) for the purposes of income tax, shall be made on or before the first anniversary of the 31st January next following the year of assessment in which the income arises;
- (b) for the purposes of corporation tax, shall be made no later than two years after the end of the accounting period in which the income arises.”

F397(6) . . . . .

(7) In subsection (8) (how to determine the amount of unremittable overseas income) for “(3)” there shall be substituted “ (2A) ”.

**Textual Amendments**  
**F397** Sch. 20 para. 33(6) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

F398<sup>34</sup> . . . . .

**Textual Amendments**  
**F398** Sch. 20 para. 34 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

35 In section 717(9) of the Taxes Act 1988 (which provides for section 713 to have effect for certain cases with the substitution of a new provision for subsections (3) to (6)) in the substituted subsection, for “an inspector decides is just and reasonable; and the jurisdiction of the General Commissioners or the Special Commissioners on any appeal shall include jurisdiction to review such a decision of the inspector” there shall be substituted “ is just and reasonable ”.

36 In section 731(3) of the Taxes Act 1988 (cases of purchase and sale of securities where sections 732 to 734 do not apply)—

- (a) in paragraph (b) (it is shown to the satisfaction of the Board that certain conditions are satisfied in relation to the purchase and sale) for the words from “it is shown” to “and that” there shall be substituted “ the purchase and sale were each effected at the current market price, and ”; and
- (b) the words following paragraph (b) (appeals) shall cease to have effect.

37 In section 769(2)(d) of the Taxes Act 1988 (acquisitions of shares on death and certain gifts of shares to be left out of account in applying the rules in subsection (1) for ascertaining change in ownership of company)—

- (a) for “and, if it is shown that the gift” there shall be substituted “ , and any gift of shares which ”; and

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- (b) the words “any gift of shares” shall cease to have effect.
- 38 (1) Section 812 of the Taxes Act 1988 (withdrawal of right to tax credit of certain non-resident companies connected with unitary states) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (4), paragraph (a) (one of the conditions for the withdrawal of the right to tax credit treated as being satisfied unless, on making a claim under section 213(3), the claimant proves otherwise to the satisfaction of the Board) shall cease to have effect.
- (3) In subsection (7) (power to substitute one of two sets of provisions for subsections (3) and (4)) for the words following “there shall be substituted” there shall be substituted either the following subsection—
- “**(3)** A company shall be treated as having a qualifying presence in a unitary state if it is liable in such a state to a tax charged on its income or profits by whatever name called for any period ending after the relevant date for which that state charges tax.”;
- or the following subsections—
- “**(3)** A company shall be treated as having a qualifying presence in a unitary state if it has its principal place of business in such a state at any time after the relevant date.
- (4)** For the purposes of subsection (3) above the principal place of business of a company shall include both the place where central management and control of the company is exercised and the place where the immediate day-to-day management of the company as a whole is exercised.”.
- 39 In section 815A of the Taxes Act 1988 (transfer of a non-UK trade) for subsections (2) to (4) there shall be substituted—
- “**(2)** Where gains accruing to company A on the transfer would have been chargeable to tax under the law of the relevant member State but for the Mergers Directive, this Part, including any arrangements having effect by virtue of section 788, shall apply as if the amount of tax, calculated on the required basis, which would have been payable under that law in respect of the gains so accruing but for that Directive, were tax payable under that law.”

F399 40 .....

**Textual Amendments**

**F399** Sch. 20 para. 40 repealed (28.7.2000 with effect as mentioned in s. 59 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(3) Note

F400 41 .....

**Textual Amendments**

**F400** Sch. 20 para. 41 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), s. 723, Sch. 8 Pt. 1 (with Sch. 7)

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F401 42 .....

**Textual Amendments**  
**F401** Sch. 20 para. 42 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by **Income Tax (Earnings and Pensions) Act 2003 (c. 1)**, s. 723, **Sch. 8 Pt. 1** (with Sch. 7)

43 In Schedule 21 to the Taxes Act 1988 (tax relief in connection with schemes for rationalizing industry and other redundancy schemes), paragraph 3 (no relief in respect of payments under schemes unless certain amounts are shown) shall cease to have effect.

*The Capital Allowances Act 1990*

F402 44 .....

**Textual Amendments**  
**F402** Sch. 20 para. 44 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by **2001 c. 2**, s. 580, **Sch. 4**

*The Taxation of Chargeable Gains Act 1992*

45 In the following provisions of this Schedule “the Gains Act” means the <sup>M64</sup>Taxation of Chargeable Gains Act 1992.

**Marginal Citations**  
**M64** 1992 c. 12.

46 In section 30(4) of the Gains Act (section not to apply if it is shown that there was no tax avoidance purpose) for “if it is shown that” there shall be substituted “ in a case where ”.

47 In each of—

- (a) subsections (5) and (6) of section 30 of the Gains Act (consideration to be increased or reduced by such amount as appears to the inspector etc to be just and reasonable),
- (b) section 32(4)(b) of the Gains Act (costs in cases of part disposal to be such proportion as appears to the inspector etc to be just and reasonable), and
- (c) subsections (7) and (8) of section 33 of the Gains Act (amounts to be reduced to such amount as appears to the inspector etc to be just and reasonable),

for “appears to the inspector, or on appeal the Commissioners concerned, to be” there shall be substituted “ is ”.

48 In section 48 of the Gains Act (consideration due after time of disposal and irrecoverable consideration) for the words following “if any part of the consideration so brought into account” there shall be substituted “ subsequently proves to be irrecoverable, there shall be made, on a claim being made to that effect,



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- such adjustment, whether by way of discharge or repayment of tax or otherwise, as is required in consequence.”
- 49 In section 49 of the Gains Act (contingent liabilities) for subsection (2) (adjustment to be made if it is shown to the satisfaction of the inspector that a contingent liability has become enforceable) there shall be substituted—
- “(2) If any such contingent liability subsequently becomes enforceable and is being or has been enforced, there shall be made, on a claim being made to that effect, such adjustment, whether by way of discharge or repayment of tax or otherwise, as is required in consequence.”
- 50 In section 52(4) of the Gains Act (apportionments by such method as appears to the inspector etc to be just and reasonable) the words “such method as appears to the inspector or on appeal the Commissioners concerned to be” shall cease to have effect.
- 51 In section 116(13) of the Gains Act (subsection (12) not to apply where inspector, being satisfied sum is comparatively small, so directs) the words “the inspector is satisfied that” and “and so directs,” shall cease to have effect.
- 52 (1) In section 122 of the Gains Act (distribution which is not a new holding) in subsection (2) (treatment of distributions which the inspector is satisfied are comparatively small) the words “the inspector is satisfied that” and “and so directs” shall cease to have effect.
- (2) Subsection (3) of that section (appeals from decisions of inspectors under subsection (2)) shall cease to have effect.
- (3) In subsection (4)(a) of that section (subsections (2) and (3) not to apply in certain cases) for “subsections (2) and (3)” there shall be substituted “ subsection (2) ”.
- 53 (1) In section 133 of the Gains Act (premiums on conversion of securities) in subsection (2) (treatment of premiums which the inspector is satisfied are comparatively small) the words “the inspector is satisfied that” and “and so directs” shall cease to have effect.
- (2) Subsection (3) of that section (appeals from decisions of inspectors under subsection (2)) shall cease to have effect.
- (3) In subsection (4)(a) of that section (subsections (2) and (3) not to apply in certain cases) for “subsections (2) and (3)” there shall be substituted “ subsection (2) ”.
- 54 In each of sections 150(10)(a) and 150A(9)(a) of the Gains Act (reductions in relief to be apportioned in such a way as appears to the inspector etc to be just and reasonable) for “such a way as appears to the inspector, or on appeal to the Commissioners concerned, to be” there shall be substituted “ a way which is ”.
- 55 In section 164F(8)(a) of the Gains Act (section not to apply where it is shown that winding up etc is bona fide) the words “it is shown that” shall cease to have effect.
- 56 In section 164FG of the Gains Act (multiple claims for reductions under section 164A(2) or 164F(10A) of the Gains Act) in subsection (2) (reductions to be treated as claimed separately in such sequence as the claimant elects or an officer of the Board in default of an election determines) the words “or an officer of the Board in default of an election determines” shall cease to have effect.
- 57 (1) In each of subsections (4) and (6) of section 176 of the Gains Act (losses or gains on disposals where there have been depreciatory transactions to be reduced to such

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extent as appears to the inspector etc to be just and reasonable) for “appears to the inspector, or, on appeal, the Commissioners concerned, to be” there shall be substituted “ is ”.

- (2) In subsection (5) of that section (footing on which decision under subsection (4) is to be made) for “The inspector or the Commissioners shall make the decision under subsection (4) above” there shall be substituted “ A reduction under subsection (4) above shall be made ”.
- 58 In section 181(1)(b) of the Gains Act (sections 178 and 179 not to apply where it is shown that merger was bona fide) the words “it is shown that”, and the word “that” in the second place where it occurs, shall cease to have effect.
- 59 (1) Section 222 of the Gains Act (relief on disposal of residence and land up to the permitted area, which is 0.5 of a hectare) shall be amended in accordance with the following provisions of this paragraph.
- (2) For subsection (3) (which provides for the permitted area in certain cases to be such area, larger than 0.5 of a hectare, as the Commissioners may determine) there shall be substituted—
- “(3) Where the area required for the reasonable enjoyment of the dwelling-house (or of the part in question) as a residence, having regard to the size and character of the dwelling-house, is larger than 0.5 of a hectare, that larger area shall be the permitted area.”
- (3) In subsection (5) (determination of individual’s main residence)—
- (a) paragraph (b) (which, subject to conclusive notice by the individual under paragraph (a), provides for the question to be determined by an inspector), and
- (b) the words following that paragraph (right of appeal against inspector’s determination),
- shall cease to have effect.
- (4) In subsection (6), paragraph (b) (further provision about the right of appeal against determinations under subsection (5)(b)) and the word “and” immediately preceding it shall cease to have effect.
- 60 In section 224(2) of the Gains Act (adjustment of relief given by section 223 for changes occurring during period of ownership) for “may be adjusted in such manner as the Commissioners concerned may consider to be just and reasonable” there shall be substituted “ may be adjusted in a manner which is just and reasonable ”.
- 61 In section 226 of the Gains Act (relief in respect of private residence occupied by dependent relative before 6th April 1988) subsection (5) (power of inspector, before granting a claim for relief under that section, to require claimant to show that granting the claim will not preclude relief to claimant’s wife or husband) shall cease to have effect.
- 62 In section 241(7) of the Gains Act (apportionments where a letting relates only in part to holiday accommodation) for “appear to the inspector, or on appeal the Commissioners, to be” there shall be substituted “ are ”.
- 63 (1) In section 271 of the Gains Act (miscellaneous exemptions) in subsections (1)(g) and (2), for “such extent as the Board are satisfied” there shall be substituted “ the extent ”.

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- (2) In subsection (2) of that section, in the second paragraph, the words “the Board are satisfied that” shall cease to have effect.
- 64 In section 279(1) of the Gains Act (claimant for deduction in respect of gains accruing from the disposal of foreign assets must show that conditions in subsection (3) are satisfied) for paragraph (b) there shall be substituted—
- “(b) the person charged or chargeable makes a claim, and
  - (c) the conditions set out in subsection (3) below are, so far as applicable, satisfied as respects those gains (“the qualifying gains”);”.
- 65 In section 280 of the Gains Act (payment of tax by instalments where consideration payable by instalments) for “if the person making the disposal satisfies the Board that he would otherwise suffer undue hardship, the tax on a chargeable gain accruing on the disposal may, at his option,” there shall be substituted “at the option of the person making the disposal, the tax on a chargeable gain accruing on the disposal may”.
- [<sup>F403</sup>66(1) Schedule 6 to the Gains Act (retirement relief) shall be amended in accordance with the following provisions of this paragraph.
- (2) In paragraph 3, in sub-paragraphs (1), (3) and (4) (under each of which a person is treated as having retired on ill-health grounds if, on production of such evidence as the Board may reasonably require, the Board are satisfied as there mentioned)—
- (a) the words “on production of such evidence as the Board may reasonably require, the Board are satisfied” shall cease to have effect, and
  - (b) for “that he” (in each place where those words occur) there shall be substituted “he”.
- (3) At the end of that paragraph there shall be added—
- “(5) In any case where—
  - (a) an officer of the Board gives notice to any person under section 9A(1) of, or paragraph 5(1) of Schedule 1A to, the Management Act (notice of intention to enquire into a return or claim or an amendment of a return or claim), and
  - (b) the enquiry to any extent relates to the question whether or not a person falls to be treated as having retired on ill-health grounds by virtue of the foregoing provisions of this paragraph,
- then, without prejudice to any other powers of such an officer in relation to such an enquiry, an officer of the Board may at the same or any subsequent time by notice in writing require that person, within such time (which shall not be less than 30 days) as may be specified in the notice, to produce such evidence relating to the question mentioned in paragraph (b) above as may reasonably be specified in the notice.”
- (4) In paragraph 10 (limitation of retirement relief in certain cases)—
- (a) in sub-paragraph (1) for “appears to the Board to be” there shall be substituted “is”; and
  - (b) in sub-paragraph (2) for “the Board shall have regard” there shall be substituted “regard shall be had”.]

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**Textual Amendments**

**F403** [Sch. 20 para. 66](#) repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(31), Note of the amending Act) by [1998 c. 36, s. 165](#), [Sch. 27 Pt. III\(31\)](#)

67            In Schedule 8 to the Gains Act (leases) in paragraph 10(2) (presumption as to sums being paid by way of premium unless the contrary is shown) for the words following “in so far as” there shall be substituted “ other sufficient consideration for the payment can be shown to have been given ”.

*The Finance Act 1993*

68            **F404** .....

**Textual Amendments**

**F404** [Sch. 20 paras. 68-70](#) repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\), s. 141](#), [Sch. 40 Pt. 3\(10\)](#)

69            **F405** .....

**Textual Amendments**

**F405** [Sch. 20 paras. 68-70](#) repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\), s. 141](#), [Sch. 40 Pt. 3\(10\)](#)

70            **F406** .....

**Textual Amendments**

**F406** [Sch. 20 paras. 68-70](#) repealed (24.7.2002 with effect in accordance with s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\), s. 141](#), [Sch. 40 Pt. 3\(10\)](#)

*The Finance Act 1994*

71            **F407** .....

**Textual Amendments**

**F407** [Sch. 20 para. 71](#) repealed (24.7.2002 with effect in accordance with s. 83(3) of the repealing Act) by [Finance Act 2002 \(c. 23\), s. 141](#), [Sch. 40 Pt. 3\(13\)](#)

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## SCHEDULE 21

Section 135.

### SELF-ASSESSMENT: TIME LIMITS

#### *The Taxes Act 1988*

F408 1 .....

#### Textual Amendments

**F408** Sch. 21 para. 1 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\)](#), [Sch. 3](#) (with [Sch. 2](#))

- 2 (1) Section 84 of the Taxes Act 1988 (relief for gifts to educational establishments) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (3), in the words following paragraph (b) (relief not available unless donor makes claim within two years of making the gift) for “two years of making the gift” there shall be substituted “ the period specified in subsection (3A) below ”.
- (3) After that subsection there shall be inserted—
- “(3A) The period mentioned in subsection (3) above is—
- (a) in the case of a claim with respect to income tax, the period ending with the first anniversary of the 31st January next following the year of assessment in whose basis period the gift is made;
- (b) in the case of a claim with respect to corporation tax, the period of two years beginning at the end of the accounting period in which the gift is made.
- (3B) In paragraph (a) of subsection (3A) above “basis period” means—
- (a) in relation to a year of assessment for which a basis period is given by sections 60 to 63, that basis period,
- (b) in relation to a year of assessment for which no basis period is given by those sections, the year of assessment.”
- 3 (1) Section 101 of the Taxes Act 1988 (valuation of work in progress at discontinuance of profession or vocation) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (2) (election may be made within 12 months after discontinuance) for “12 months after the discontinuance” there shall be substituted “ the period specified in subsection (2A) below ”.
- (3) After that subsection there shall be inserted—
- “(2A) The period mentioned in subsection (2) above is—
- (a) in the case of an election for the purposes of income tax, the period ending with the first anniversary of the 31st January next following the year of assessment in which the profession or vocation is discontinued;
- (b) in the case of an election for the purposes of corporation tax, the period of two years beginning at the end of the accounting period in which the profession or vocation is discontinued.”

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- 4 In section 257BB(5)(a) of the Taxes Act 1988 (notice to be given not later than six years after the end of the year of assessment to which it relates) for “not later than six years after” there shall be substituted “ on or before the fifth anniversary of the 31st January next following ”.
- [<sup>F409</sup>5 In section 257D(9)(a) of the Taxes Act 1988 (notice to be given not later than six years after the end of the year of assessment to which it relates) for “not later than six years after” there shall be substituted “ on or before the fifth anniversary of the 31st January next following ”.]

#### Textual Amendments

**F409** Sch. 21 para. 5 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(3), Note 2 of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(3)

- 6 In section 265(5)(a) of the Taxes Act 1988 (notice to be given not later than six years after the end of the year of assessment to which it relates) for “not later than six years after” there shall be substituted “ on or before the fifth anniversary of the 31st January next following ”.
- 7 In section 306(1) of the Taxes Act 1988 (claim for relief in respect of eligible shares) as it has effect in relation to shares issued on or after 1st January 1994 (the enterprise investment scheme) for paragraph (b) (claim to be made not later than twelve months after the inspector authorises the issue of a certificate) there shall be substituted—
- “(b) not later than the fifth anniversary of the 31st January next following that year of assessment”.
- [<sup>F410</sup>8 (1) Section 356B of the Taxes Act 1988 (residence basis: married couples) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (2)(a) (election to be made before the end of the period of twelve months beginning with the end of the first year of assessment for which it is made or such longer period as the Board may in any particular case allow) for the words following “shall be made” there shall be substituted
- (i) the first anniversary of the 31st January next following the first year of assessment for which it is made, or
- (ii) such later date as the Board may in any particular case allow.”.
- (3) In subsection (4)(b) (notice of withdrawal not to be given after the end of the period of twelve months beginning with the end of the first year of assessment for which it is given or such longer period as the Board may in any particular case allow) for the words following “shall not be given after” there shall be substituted—
- “(i) the first anniversary of the 31st January next following the year of assessment for which it is given, or
- (ii) such later date as the Board may in any particular case allow, and”.]

#### Textual Amendments

**F410** Sch. 21 para. 8 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(7), Note 4 of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(7)

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- [<sup>F411</sup>9 In section 356C(6) of the Taxes Act 1988, for paragraph (a) (election to have effect for the period in which it is made and subsequent periods) there shall be substituted—
- “(a) shall be made on or before the first anniversary of the 31st January next following the year of assessment in which falls the first period for which it is made and shall have effect for that period and subsequent periods.”.]

**Textual Amendments**

**F411** Sch. 21 para. 9 repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. III(7), Note 4 of the amending Act) by 1999 c. 16, s. 139, **Sch. 20 Pt. III(7)**

- 10 In section 381(1) of the Taxes Act 1988 (claim to be made by notice given within two years after year of assessment in which loss sustained) for “within two years after” there shall be substituted “ on or before the first anniversary of the 31st January next following ”.

<sup>F412</sup>11 .....

**Textual Amendments**

**F412** Sch. 21 para. 11 repealed (6.4.2005) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 3** (with Sch. 2)

- [<sup>F413</sup>12 In section 471 of the Taxes Act 1988 (exchange of securities in connection with conversion operations, nationalisation etc.) for subsection (2) (tax treatment under subsection (1) not to apply to a person who gives notice to the inspector that he desires not to be treated as mentioned in that subsection) there shall be substituted—

“(2) Subsection (1) above shall not apply to a person who elects, by notice given to an officer of the Board, not to be treated as mentioned in that subsection.

(2A) A notice under subsection (2) above—

- (a) for the purposes of income tax, shall be given on or before the first anniversary of the 31st January next following the year of assessment in whose basis period the exchange takes place;
- (b) for the purposes of corporation tax, shall be given no later than two years after the end of the accounting period in which the exchange takes place.

(2B) In paragraph (a) of subsection (2A) above “basis period” means—

- (a) in relation to a year of assessment for which a basis period is given by sections 60 to 63, that basis period;
- (b) in relation to a year of assessment for which no basis period is given by those sections, the year of assessment.”]

**Textual Amendments**

**F413** Sch. 21 para. 12 repealed (31.7.1998 with effect as mentioned in s. 101(3) of the amending Act) by 1998 c. 36, s. 165, **Sch. 27 Pt. III(23)**, Note 1

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- [<sup>F414</sup>13(1) In section 472 of the Taxes Act 1988 (distribution of securities issued in connection with nationalisation etc.) in subsection (1) (dealer to be treated for tax purposes in the manner specified in subsections (2) and (3), unless he gives notice to the inspector that he desires not to be so treated) for “gives notice to the inspector not later than two years after the end of the chargeable period in which the distribution takes place that he desires” there shall be substituted “ elects, by notice given to an officer of the Board, ”.
- (2) After subsection (3) of that section there shall be inserted—
- “(3A) A notice under subsection (1) above—
- (a) for the purposes of income tax, shall be given on or before the first anniversary of the 31st January next following the year of assessment in whose basis period the distribution takes place;
- (b) for the purposes of corporation tax, shall be given no later than two years after the end of the accounting period in which the distribution takes place.
- (3B) In paragraph (a) of subsection (3A) above “basis period” means—
- (a) in relation to a year of assessment for which a basis period is given by sections 60 to 63, that basis period;
- (b) in relation to a year of assessment for which no basis period is given by those sections, the year of assessment.”]

#### Textual Amendments

**F414** Sch. 21 para. 13 repealed (31.7.1998 with effect as mentioned in s. 101(4) of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(23), Note 2

- 14 (1) Section 504 of the Taxes Act 1988 shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (6) (claim to be made within two years after the year of assessment or accounting period in which holiday accommodation is let) for “two years after that year or period” there shall be substituted “ the time specified in subsection (6A) below ”.
- (3) After subsection (6) there shall be inserted—
- “(6A) The time mentioned in subsection (6) above is—
- (a) in the case of a claim for the purposes of income tax, the period ending with the first anniversary of the 31st January next following the year of assessment in which the accommodation was let;
- (b) in the case of a claim for the purposes of corporation tax, the period of two years beginning at the end of the accounting period in which the accommodation was let.”
- 15 (1) Section 524 of the Taxes Act 1988 (taxation of receipts from sale of patent rights) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (2) (election to be made by notice served on the inspector not later than two years after end of chargeable period in which sum received)—



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- (a) for “the inspector not later than two years after the end of the chargeable period in which the sum was received” there shall be substituted “ an officer of the Board within the period specified in subsection (2A) below ”; and
- (b) for “that chargeable period” there shall be substituted “ the chargeable period in which it was received ”.

(3) After that subsection there shall be inserted—

“(2A) The period mentioned in subsection (2) above is—

- (a) in the case of an election for the purposes of income tax, the period ending with the first anniversary of the 31st January next following the year of assessment in which the sum was received;
- (b) in the case of an election for the purposes of corporation tax, the period of two years beginning at the end of the accounting period in which the sum was received.”

F415(4) .....

**Textual Amendments**

**F415** Sch. 21 para. 15(4) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\)](#), [Sch. 3](#) (with [Sch. 2](#))

F416<sub>16</sub> .....

**Textual Amendments**

**F416** Sch. 21 para. 16 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\)](#), [Sch. 3](#) (with [Sch. 2](#))

F417<sub>17</sub> .....

**Textual Amendments**

**F417** Sch. 21 para. 17 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

F418<sub>18</sub> .....

**Textual Amendments**

**F418** Sch. 21 para. 18 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(4) Note 3 of the amending Act) by [2000 c. 17, s. 156](#), [Sch. 40 Pt. II\(4\)](#)

19 In section 691(4) of the Taxes Act 1988 (election to be made within two years of the end of the year of assessment to which it relates) for “within two years of the end of” there shall be substituted “ on or before the first anniversary of the 31st January next following ”.

20 In section 700(3) of the Taxes Act 1988 (time for making assessments, adjustments or claims shall not expire before the end of the third year following the year of assessment in which the administration of the estate was completed) for “third year”

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- there shall be substituted “ period of three years beginning with the 31st January next ”.
- 21 (1) Section 781 of the Taxes Act 1988 (assets leased to traders and others) shall be amended in accordance with the following provisions of this paragraph.
- (2) In subsection (8) (adjustment may be made at any time not more than six years from end of chargeable period in which payment made) for the words following “at any time” there shall be substituted “ within the period specified in subsection (8A) below ”.
- (3) After that subsection there shall be inserted—
- “(8A) The period mentioned in subsection (8) above is—
- (a) in the case of adjustments with respect to income tax, the period ending with the fifth anniversary of the 31st January next following the year of assessment in which the payment was made;
- (b) in the case of adjustments with respect to corporation tax, the period of six years beginning at the end of the accounting period in which the payment was made.”
- 22 In section 804(7) of the Taxes Act 1988 (claim for credit against tax for any year of assessment to be made within six years of the end of that year of assessment) for “within six years of the end of”, in each place where those words occur, there shall be substituted “ on or before the fifth anniversary of the 31st January next following ”.
- 23 In section 806(1) of the Taxes Act 1988 (claim to be made not later than six years from end of chargeable period for which income or gain falls to be charged to tax) for the words following “any income or chargeable gain” there shall be substituted—
- “(a) shall, in the case of any income or chargeable gain which—
- (i) falls to be charged to income tax for a year of assessment, or
- (ii) would fall to be charged to income tax for a year of assessment if any income tax were chargeable in respect of the income or gain,
- be made on or before the fifth anniversary of the 31st January next following that year of assessment;
- (b) shall, in the case of any income or chargeable gain which—
- (i) falls to be charged to corporation tax for an accounting period, or
- (ii) would fall to be charged to corporation tax for an accounting period if any corporation tax were chargeable in respect of the income or gain,
- be made not more than six years after the end of that accounting period.”
- [<sup>F419</sup>24 In Schedule 11 to the Taxes Act 1988, in paragraph 12 (election to be made by notice given to the inspector within six years after the year of assessment in which payment made) for “the inspector within six years after” there shall be substituted “ an officer of the Board on or before the fifth anniversary of the 31st January next following ”.]

*Status: Point in time view as at 06/04/2006.*

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**Textual Amendments**

**F419** Sch. 21 para. 24 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(9), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(9)

*The Finance Act 1988 (c. 39)*

[<sup>F420</sup>25 In section 39(2)(b) of the Finance Act 1988 (election to be made not later than twelve months after the end of the first year of assessment for which it is to have effect) for “not later than twelve months after the end of” there shall be substituted “on or before the first anniversary of the 31st January next following”.]

**Textual Amendments**

**F420** Sch. 21 para. 25 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)

*The Capital Allowances Act 1990 (c. 1)*

<sup>F421</sup>26 .....

**Textual Amendments**

**F421** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

<sup>F422</sup>27 .....

**Textual Amendments**

**F422** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

<sup>F423</sup>28 .....

**Textual Amendments**

**F423** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

<sup>F424</sup>29 .....

**Textual Amendments**

**F424** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

<sup>F425</sup>30 .....

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**Textual Amendments**

**F425** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, **Sch. 4**

<sup>F426</sup>31 .....

**Textual Amendments**

**F426** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, **Sch. 4**

<sup>F427</sup>32 .....

**Textual Amendments**

**F427** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, **Sch. 4**

<sup>F428</sup>33 .....

**Textual Amendments**

**F428** Sch. 21 paras. 26-34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, **Sch. 4**

<sup>F429</sup>34 .....

**Textual Amendments**

**F429** Sch. 21 para. 34 repealed (19.3.1997 with effect in accordance with Sch. 15 para. 9(1) of the amending Act) by 1997 c. 16, s. 85, **Sch. 18 Pt. VI(11)** and Sch. 21 para. 34 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, **Sch. 4**

*The Taxation of Chargeable Gains Act 1992 (c. 12)*

35 In section 35(6) of the Taxation of Chargeable Gains Act 1992 (elections under section 35(5) to be made by notice to the inspector within period ending 2 years after the end of the year of assessment or accounting period in which the disposal is made or at such later time as the Board may allow)—

- (a) for “the inspector” there shall be substituted “an officer of the Board”; and
- (b) for paragraphs (a) and (b) there shall be substituted—
  - “(a) in the case of an election for the purposes of capital gains tax, with the first anniversary of the 31st January next following the year of assessment in which the disposal is made;
  - (aa) in the case of an election for the purposes of corporation tax, 2 years after the end of the accounting period in which the disposal is made; or

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- (b) in either case, at such later time as the Board may allow;”.
- 36 In section 161 of the Taxation of Chargeable Gains Act 1992 (appropriations to and from stock) after subsection (3) there shall be inserted—
- “(3A) An election under subsection (3) above shall be made—
- (a) for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which ends the period of account in which the asset is appropriated for the purposes of the trade as trading stock;
  - (b) for the purposes of corporation tax, within 2 years after the end of the accounting period in which the asset is appropriated for the purposes of the trade as trading stock;
- and in paragraph (a) above “period of account” means a period for which the accounts of the trade are made up.”
- 37 In section 242 of the Taxation of Chargeable Gains Act 1992 (small part disposals) after subsection (2) there shall be inserted—
- “(2A) A claim under subsection (2) above shall be made—
- (a) for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the transfer is made;
  - (b) for the purposes of corporation tax, within 2 years after the end of the accounting period in which the transfer is made.”
- 38 In section 243 of the Taxation of Chargeable Gains Act 1992 (part disposal to authority with compulsory powers) after subsection (2) there shall be inserted—
- “(2A) A claim under subsection (2) above shall be made—
- (a) for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the transfer is made;
  - (b) for the purposes of corporation tax, within 2 years after the end of the accounting period in which the transfer is made.”
- 39 In section 244 of the Taxation of Chargeable Gains Act 1992 (part disposal: consideration exceeding allowable expenditure) after subsection (2) there shall be inserted—
- “(3) An election under subsection (2)(b) above shall be made—
- (a) for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the part disposal is made;
  - (b) for the purposes of corporation tax, within 2 years after the end of the accounting period in which the part disposal is made.”
- 40 In section 253 of the Taxation of Chargeable Gains Act 1992 (relief for loans to traders) after subsection (4) there shall be inserted—
- “(4A) A claim under subsection (4) above shall be made—
- (a) for the purposes of capital gains tax, on or before the fifth anniversary of the 31st January next following the year of assessment in which the payment was made;

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- (b) for the purposes of corporation tax, within 6 years after the end of the accounting period in which the payment was made.”
- 41 In section 279 of the Taxation of Chargeable Gains Act 1992 (foreign assets: delayed remittances) for subsection (5) (no claim under section 279 to be made more than 6 years after end of year of assessment in which chargeable gain accrues) there shall be substituted—
- “(5) No claim under this section in respect of a chargeable gain shall be made—
- (a) in the case of a claim for the purposes of capital gains tax, at any time after the fifth anniversary of the 31st January next following the year of assessment in which the gain accrues; or
- (b) in the case of a claim for the purposes of corporation tax, more than 6 years after the end of the accounting period in which the gain accrues.”
- 42 (1) Schedule 2 to the Taxation of Chargeable Gains Act 1992 shall be amended in accordance with the following provisions of this paragraph.
- (2) In paragraph 4 (election for pooling) in sub-paragraph (11) (election to be made by notice to the inspector not later than the expiration of 2 years from the end of the year of assessment or accounting period of a company in which the first relevant disposal is made, or such further time as the Board may allow) for the words following “notice to” there shall be substituted “an officer of the Board given—
- (a) in the case of an election for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the first relevant disposal is made;
- (b) in the case of an election for the purposes of corporation tax, not later than the expiration of 2 years from the end of the accounting period in which the first relevant disposal is made; or
- (c) in either case, within such further time as the Board may allow.”
- (3) In paragraph 17 (election for valuation at 6th April) in sub-paragraph (3) (election to be made by notice to the inspector given within 2 years from the end of the year of assessment or accounting period of a company in which the disposal is made, or such further time as the Board may by notice allow) for the words following “by notice to” there shall be substituted “an officer of the Board given—
- (a) in the case of an election for the purposes of capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the disposal is made;
- (b) in the case of an election for the purposes of corporation tax, within 2 years from the end of the accounting period in which the disposal is made; or
- (c) in either case, within such further time as the Board may by notice allow.”
- 43 In Schedule 4 to the Taxation of Chargeable Gains Act 1992 (deferred charges on gains before 31st March 1982) in paragraph 9(1) (time for making claims)—
- (a) in paragraph (b)—
- (i) for “any other case” there shall be substituted “ the case of a disposal made by, or a gain treated as accruing to, a person chargeable to corporation tax ”; and
- (ii) the words “year of assessment or” shall be omitted;

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- (b) after paragraph (b) there shall be inserted—
- “(c) in the case of a disposal made by, or a gain treated as accruing to, a person who is chargeable to capital gains tax, on or before the first anniversary of the 31st January next following the year of assessment in which the disposal in question is made or the gain in question is treated as accruing.”; and
- (c) in the words following paragraph (b), after “period” there shall be inserted “ or (as the case may be) on or before such later date ”.

[<sup>F430</sup>44(1) Schedule 6 to the Taxation of Chargeable Gains Act 1992 (retirement relief etc.) shall be amended in accordance with the following provisions of this paragraph.

- (2) In paragraph 2(1) (election to be made by notice given to the Board not more than 2 years after the end of the year of assessment in which the disposal occurred) for “not more than 2 years after the end of” there shall be substituted “ on or before the first anniversary of the 31st January next following ”.
- (3) In paragraph 5(2) (claim for relief to be made not later than 2 years after the end of the year of assessment in which the disposal occurred) for “not later than 2 years after the end of” there shall be substituted “ on or before the first anniversary of the 31st January next following ”.
- (4) In paragraph 12(5)(b) (election to be made by giving notice to the inspector not later than 2 years after the end of the year of assessment in which capital distribution received)—
- (a) for “not later than 2 years after the end of” there shall be substituted “ on or before the first anniversary of the 31st January next following ”; and
- (b) for “the inspector” there shall be substituted “ an officer of the Board ”.
- (5) In paragraph 16 (aggregation of spouse’s interest in the business: election to be made by giving notice to the inspector not later than 2 years after the end of the year of assessment in which material disposal occurred)—
- (a) in sub-paragraph (1)(e) for “not later than 2 years after the end of” there shall be substituted “ on or before the first anniversary of the 31st January next following ”; and
- (b) in sub-paragraph (2) for “the inspector” there shall be substituted “ an officer of the Board ”.]

#### Textual Amendments

**F430** Sch. 21 para. 44 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(31), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(31)

#### *The Finance (No. 2) Act 1992 (c. 48)*

45 For section 41(6) of the Finance (No. 2) Act 1992 (claim to be made not later than two years after the end of the relevant period in which the expenditure to which it relates becomes payable) there shall be substituted—

- “(6) A claim under this section shall be made—
- (a) for the purposes of income tax, on or before the first anniversary of the 31st January next following the year of assessment in which

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ends the relevant period in which the expenditure to which it relates becomes payable;

- (b) for the purposes of corporation tax, not later than two years after the end of the relevant period in which the expenditure to which it relates becomes payable.”

46 For section 42(6) of the Finance (No. 2) Act 1992 (claim to be made not later than two years after the end of the relevant period to which it relates) there shall be substituted—

“(6) A claim under this section shall be made—

- (a) for the purposes of income tax, on or before the first anniversary of the 31st January next following the year of assessment in which ends the relevant period to which the claim relates,  
(b) for the purposes of corporation tax, not later than two years after the end of the relevant period to which the claim relates,

and shall be irrevocable.”

F431 47 .....

#### Textual Amendments

**F431** Sch. 21 para. 47 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

#### *The Finance Act 1994 (c. 9)*

48 (1) Section 118 of the Finance Act 1994 (expenditure on machinery or plant: notification) shall be amended in accordance with the following provisions of this paragraph.

(2) In subsection (3) (condition fulfilled with respect to a chargeable period if notice given to the inspector not later than two years after the end of the period) for “the inspector, in such form as the Board may require, not later than two years after the end of that period” there shall be substituted “an officer of the Board, in such form as the Board may require, within the period specified in subsection (3A) below”.

(3) After subsection (3) there shall be inserted—

“(3A) A notice under subsection (3) above—

- (a) for the purposes of income tax, shall be given on or before the first anniversary of the 31st January next following the year of assessment in which ends the chargeable period mentioned in that subsection;  
(b) for the purposes of corporation tax, shall be given no later than two years after the end of the chargeable period mentioned in that subsection.”



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SCHEDULE 22

Section 136.

SELF-ASSESSMENT: APPEALS

*The Taxes Management Act 1970*

1 The <sup>M65</sup>Taxes Management Act 1970 shall be amended in accordance with paragraphs 2 to 10 below.

**Marginal Citations**

**M65** 1970 c. 9.

2 In section 19A (power to call for documents for purposes of certain enquiries), for subsection (11) there shall be substituted the following subsection—

“(11) The determination of the Commissioners of an appeal under subsection (6) above shall be final and conclusive (notwithstanding any provision having effect by virtue of section 56B of this Act).”

F432<sup>3</sup> .....

**Textual Amendments**

**F432** Sch. 22 para. 3 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(13)

F433<sup>4</sup> .....

**Textual Amendments**

**F433** Sch. 22 para. 4 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(13)

5 In section 33A (error or mistake in partnership statement), for subsection (8) there shall be substituted the following subsections—

“(8) Subject to subsection (8A) below, the determination of the Special Commissioners of an appeal under subsection (6) above shall be final and conclusive (notwithstanding any provision having effect by virtue of section 56B of this Act).

(8A) Subsection (8) above does not apply in relation to a point of law arising in connection with the computation of profits.”

6 Section 42(12) and Schedule 2 (Commissioners to whom appeal lies where appeal is against amendment of claim not included in return) shall be omitted.

7 For section 47 there shall be substituted the following sections—

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**“46B Questions to be determined by Special Commissioners.**

- (1) In so far as the question in dispute on an appeal to which this section applies is a question which under this section is to be determined by the Special Commissioners, the question shall be determined by them.
- (2) This section applies to—
  - (a) an appeal against an amendment under section 28A(2) or (4) of this Act of a self-assessment;
  - (b) an appeal against a decision contained in a notice under section 28A(4A) of this Act disallowing a claim or election in whole or in part;
  - (c) an appeal against an amendment under section 28B(3) or 30B(1) of this Act of a partnership statement;
  - (d) an appeal against an assessment to tax which is not a self-assessment;
  - (e) an appeal against an amendment under paragraph 7(3) of Schedule 1A to this Act of a claim or election made otherwise than by being included in a return;
  - (f) an appeal against a decision contained in a notice under paragraph 7(3A) of Schedule 1A to this Act disallowing in whole or in part a claim or election made otherwise than by being included in a return.
- (3) Any question—
  - (a) of the value of any shares or securities in a company resident in the United Kingdom, other than shares or securities quoted in The Stock Exchange Daily Official List, and
  - (b) arising in relation to the taxation of chargeable gains (whether under capital gains tax or corporation tax) or in relation to a claim under the 1992 Act,is a question to be determined by the Special Commissioners.
- (4) Any question as to the application of any of the following provisions of the principal Act is a question to be determined by the Special Commissioners—
  - (a) Chapter IA or IB of Part XV (settlements);
  - (b) Part XVI (administration of estates);
  - (c) sections 740 and 743(1) (liability in respect of transfer of assets abroad);
  - (d) section 747(4)(a) (liability in respect of controlled foreign company).
- (5) Any question as to the application of—
  - (a) section 830 of the principal Act, or
  - (b) section 276 of the 1992 Act,(liability in relation to territorial sea and designated areas) is a question to be determined by the Special Commissioners.

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#### **46C Jurisdiction of Special Commissioners over certain claims included in returns.**

- (1) In so far as the question in dispute on an appeal to which this section applies concerns a claim made—
  - (a) to the Board, or
  - (b) under any of the provisions of the principal Act listed in subsection (3) below,the question shall be determined by the Special Commissioners.
- (2) This section applies to—
  - (a) an appeal against an amendment under section 28A(2) or (4) of this Act of a self-assessment;
  - (b) an appeal against an amendment under section 28B(3) or 30B(1) of this Act of a partnership statement.
- (3) The provisions of the principal Act mentioned in subsection (1) above are—
  - (a) section 121(1) and (2) (management expenses of owner of mineral rights);
  - (b) sections 459 and 460 (exemption for certain friendly societies);
  - (c) section 467 (exemption for certain trade unions and employers' associations);
  - (d) sections 527, 534, 536 and 538 (reliefs in respect of royalties, copyright payments etc.);
  - (e) Chapter I of Part XVIII.

#### **46D Questions to be determined by Lands Tribunal.**

- (1) In so far as the question in dispute on an appeal to which this section applies—
  - (a) is a question of the value of any land or of a lease of land, and
  - (b) arises in relation to the taxation of chargeable gains (whether under capital gains tax or corporation tax) or in relation to a claim under the 1992 Act,the question shall be determined by the relevant Lands Tribunal.
- (2) This section applies to—
  - (a) an appeal against an amendment under section 28A(2) or (4) of this Act of a self-assessment;
  - (b) an appeal against a decision contained in a notice under section 28A(4A) of this Act disallowing a claim or election in whole or in part;
  - (c) an appeal against an amendment under section 28B(3) or 30B(1) of this Act of a partnership statement;
  - (d) an appeal against an assessment to tax which is not a self-assessment;
  - (e) an appeal against an amendment under paragraph 7(3) of Schedule 1A to this Act of a claim or election made otherwise than by being included in a return;

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- (f) an appeal against a decision contained in a notice under paragraph 7(3A) of Schedule 1A to this Act disallowing in whole or in part a claim or election made otherwise than by being included in a return.
- (3) In this section “the relevant Lands Tribunal” means—
- (a) in relation to land in England and Wales, the Lands Tribunal;
  - (b) in relation to land in Scotland, the Lands Tribunal for Scotland;
  - (c) in relation to land in Northern Ireland, the Lands Tribunal for Northern Ireland.”
- 8 In section 57(3)(c) (power to make regulations authorising conditional decisions where more than one tribunal is determining questions in the proceedings), for “section 47” there shall be substituted “ section 46B, 46C or 46D ”.
- 9 In Schedule 1A (claims not included in returns), after paragraph 9 there shall be inserted the following paragraphs—
- “10 An appeal against an amendment under paragraph 7(3) above of a claim made—
- (a) to the Board,
  - (b) under Part XVI of the principal Act (administration of estates), or
  - (c) under any of the provisions of the principal Act listed in section 46C(3) of this Act,
- shall be to the Special Commissioners.
- 11 (1) Subject to paragraph 10 above and the following provisions of this paragraph, an appeal under paragraph 9(1) above shall be to the General Commissioners.
- (2) The appellant may elect (in accordance with section 46(1) of this Act) to bring the appeal before the Special Commissioners.
- (3) Such an election shall be disregarded if—
- (a) the appellant and the officer of the Board agree in writing, at any time before the determination of the appeal, that it is to be disregarded; or
  - (b) the General Commissioners have given a direction under subparagraph (5) below and have not revoked it.
- (4) At any time before the determination of an appeal in respect of which an election has been made an officer of the Board after giving notice to the appellant may refer the election to the General Commissioners.
- (5) On any such reference the Commissioners shall, unless they are satisfied that the appellant has arguments to present or evidence to adduce on the merits of the appeal, give a direction that the election be disregarded.
- (6) If, at any time after the giving of such a direction (but before the determination of the appeal) the General Commissioners are satisfied that the appellant has arguments to present or evidence to adduce on the merits of the appeal, they shall revoke the direction.
- (7) Any decision to give or revoke such a direction shall be final.
- (8) If—

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(a) a person bringing an appeal under paragraph 9(1) above has another appeal pending to either body of Commissioners concerning an assessment on him, and

(b) the appeals relate to the same source of income,  
the appeal under paragraph 9(1) above shall be to the body of Commissioners before whom the appeal concerning the assessment is being brought.

(9) This paragraph is subject to provision made by or under Part V of this Act.”

10 The following Schedule shall be substituted for Schedule 3—

### “SCHEDULE 3

#### RULES FOR ASSIGNING PROCEEDINGS TO GENERAL COMMISSIONERS

##### *Introductory*

1 In this Schedule—

“the relevant place” means the place referred to in section 44(1) of this Act, which is used to identify the General Commissioners before whom proceedings are to be brought; and

“the taxpayer”, in relation to any proceedings, means the party to the proceedings who is neither the Board nor an officer of the Board.

##### *General rule for income and capital gains tax proceedings*

2 (1) In the case of any proceedings relating to income tax or capital gains tax the relevant place is whichever of the places specified in sub-paragraph (2) below is identified—

- (a) except where the proceedings are commenced by an officer of the Board, by an election made by the taxpayer; and
- (b) where the proceedings are so commenced, by an election made by the officer.

(2) Those places are—

- (a) the place (if any) in the United Kingdom which, at the time when the election is made, is the taxpayer’s place of residence;
- (b) the place (if any) which at that time is the taxpayer’s place of business in the United Kingdom;
- (c) the place (if any) in the United Kingdom which at that time is the taxpayer’s place of employment;

and, in the case of a place of employment, it shall be immaterial for the purposes of this paragraph whether the proceedings in question relate to matters connected with the employment of the taxpayer.

(3) Where the taxpayer fails to make an election for the purposes of this paragraph before the time limit given by paragraph 5 below, an officer of the Board may elect which of the places specified in sub-paragraph (2) above is to be the relevant place.

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- (4) In sub-paragraph (2)(a) above “place of residence” means—
- (a) in relation to an election made by the taxpayer, his usual place of residence; and
  - (b) in relation to an election made by an officer of the Board, the taxpayer’s usual place of residence or, if that is unknown, his last known place of residence.
- (5) In sub-paragraph (2)(b) above “place of business” means—
- (a) the place where the trade, profession, vocation or business with which the proceedings are concerned is carried on, or
  - (b) if the trade, profession, vocation or business is carried on at more than one place, the head office or place where it is mainly carried on.
- (6) This paragraph does not apply in the case of any proceedings to which paragraph 3, 4 or 7 below applies.

*PAYE appeals*

- 3 (1) In the case of an appeal in exercise of a right of appeal conferred by regulations under section 203 of the principal Act, the relevant place is—
- (a) except in a case falling in paragraph (b) below, the place determined by the regulations, and
  - (b) if the appellant elects for one of the places specified in paragraph 2(2) above to be the relevant place instead, the place identified by the election.
- (2) This paragraph does not apply in the case of any proceedings to which paragraph 4 or 7 below applies.

*Corporation tax etc.*

- 4 (1) In the case of the proceedings mentioned in sub-paragraph (2) below the relevant place is whichever of the places specified in sub-paragraph (3) below is identified—
- (a) except where the proceedings are commenced by an officer of the Board, by an election made by the company or other body corporate which is a party to the proceedings (“the corporate taxpayer”); and
  - (b) where the proceedings are so commenced, by an election made by the officer.
- (2) The proceedings are—
- (a) proceedings relating to corporation tax;
  - (b) proceedings relating to income tax which are proceedings to which a company resident in the United Kingdom and within the charge to corporation tax is a party;
  - (c) proceedings relating to tax assessable under sections 419 and 420 of the principal Act (close company loans).
- (3) The places are—
- (a) the place where, at the time when the election is made, the corporate taxpayer carries on its trade or business;

*Status: Point in time view as at 06/04/2006.*

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- (b) the place where, at that time, the head office or principal place of business of the corporate taxpayer is situated;
  - (c) the place where, at that time, the corporate taxpayer resides.
- (4) Where the corporate taxpayer fails to make an election for the purposes of this paragraph before the time limit given by paragraph 5 below, an officer of the Board may elect which of the places specified in sub-paragraph (3) above is to be the relevant place.
- (5) This paragraph does not apply in the case of any proceedings to which paragraph 7 below applies.

*Procedure for making elections, etc.*

- 5 (1) An election by a taxpayer for the purposes of this Schedule shall be made by notice in writing to an officer of the Board.
- (2) The time limit for the making of such an election in relation to proceedings is—
- (a) the time when the taxpayer gives notice of appeal or, if the proceedings are not an appeal, otherwise commences the proceedings; or
  - (b) such later date as the Board allows.
- (3) Such an election shall be irrevocable.
- 6 An election by an officer of the Board for the purposes of this Schedule shall be made by notice in writing served on the taxpayer.

*Partnerships*

- 7 In the case of proceedings relating to a partnership to which a partner of that partnership is a party, the relevant place is—
- (a) the place where the trade, profession or business of the partnership is carried on, or
  - (b) if the trade, profession or business is carried on at more than one place, the place where it is mainly carried on.

*Directions by the Board*

- 8 (1) The Board may give a direction in relation to any class of proceedings specified in the direction that, notwithstanding the preceding provisions of this Schedule, the relevant place shall be taken to be a place in a division specified in the direction.
- (2) A direction given under this paragraph shall not have effect in relation to any proceedings unless an officer of the Board has served on the taxpayer a notice in writing stating the effect of the direction in relation to those proceedings.
- (3) A direction given under this paragraph shall not have effect if the taxpayer gives a notice in accordance with sub-paragraph (4) below objecting to the direction.

*Status: Point in time view as at 06/04/2006.*

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- (4) The taxpayer gives a notice in accordance with this sub-paragraph if he gives it in writing to the Board within the period of 30 days beginning with the day on which the notice under sub-paragraph (2) above was served on him.
- 9 (1) The Board may give directions for determining the relevant place in cases where —
- (a) the proceedings fall within paragraph 2, 4 or 7 above, but there is no place falling within paragraph 2(2), 4(3) or, as the case may be, paragraph 7; or
  - (b) the relevant place would, apart from the direction, be a place outside the United Kingdom.
- (2) A direction given under this paragraph by the Board shall not have effect in relation to any proceedings unless an officer of the Board has served on the taxpayer a notice in writing stating the effect of the direction in relation to those proceedings.
- (3) A direction under sub-paragraph (1) above may be given in relation to—
- (a) proceedings falling within that sub-paragraph;
  - (b) any class of such proceedings specified in the direction; or
  - (c) proceedings specified in the direction.

*Other provisions*

- 10 The provisions of this Schedule have effect subject to sections 44(2), 46A and 57 of this Act, sections 102(1), 113(5), 343(10) and 783(9) of the principal Act and section 151 of the <sup>M66</sup>Capital Allowances Act 1990.”

**Marginal Citations**

**M66** 1990 c. 1.

*Section 102 of the Taxes Act 1988*

- 11 In section 102(1)(a) of the Taxes Act 1988 (cases where jurisdiction exercised by General Commissioners) for “both the trades, professions or vocations” there shall be substituted “ each of the persons whose trade, profession or vocation is one of those ”.

*Commencement of Schedule*

- 12 This Schedule has effect in relation to—
- (a) any proceedings relating to the year 1996-97 or any subsequent year of assessment, and
  - (b) any proceedings relating to an accounting period ending on or after the day appointed under section 199 of the <sup>M67</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment).



*Status: Point in time view as at 06/04/2006.*

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#### Marginal Citations

M67 1994 c. 9.

## SCHEDULE 23

Section 137.

### SELF-ASSESSMENT: SCHEDULES 13 AND 16 TO THE TAXES ACT 1988

#### PART I

##### SCHEDULE 13 TO THE TAXES ACT 1988

[<sup>F434</sup>1 Schedule 13 to the Taxes Act 1988 (collection of advance corporation tax) shall be amended in accordance with the following provisions of this Part of this Schedule.]

#### Textual Amendments

**F434** Sch. 23 para. 1 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

[<sup>F435</sup>2 In paragraph 2 (contents of returns) in sub-paragraph (2) (specification of particular matters to be included in a return) after “The return shall specify” there shall be inserted “ (a) ” and at the end of that sub-paragraph there shall be inserted—

- “(b) whether any estimated amount of franked payments is included under that paragraph by virtue of paragraph 7(2) below and, if so, the amount so included;
- (c) whether any estimated amount of advance corporation tax is included under paragraph (c) of sub-paragraph (1) above by virtue of paragraph 7(2) below and, if so, the amount so included.”]

#### Textual Amendments

**F435** Sch. 23 para. 2 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

[<sup>F436</sup>3 In paragraph 3(3) (power of the inspector to make an assessment in certain cases)—

- (a) for “the inspector”, where first occurring, there shall be substituted “ an officer of the Board ”; and
- (b) for “or if the inspector is dissatisfied with any return, he may” there shall be substituted “ or if an officer of the Board is of the opinion that a return is incorrect, any such officer may ”.]

#### Textual Amendments

**F436** Sch. 23 para. 3 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

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- [<sup>F437</sup>4 (1) In sub-paragraph (1) of paragraph 3B (power of the inspector to make an assessment where he is not satisfied that there is a reasonable basis for the company treating itself as an international headquarters company)—
- (a) for “the inspector is not satisfied that there was a reasonable basis” there shall be substituted “ an officer of the Board is of the opinion that there was not a reasonable basis ”; and
  - (b) for “he may” there shall be substituted “ any such officer may ”.
- (2) In sub-paragraph (3) of that paragraph for “the inspector” there shall be substituted “ an officer of the Board ”.]

**Textual Amendments**

**F437** Sch. 23 para. 4 repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

- [<sup>F438</sup>5 In paragraph 5 (certain deemed claims for set-off in respect of franked investment income to be supported by such evidence as the inspector may reasonably require) for “the inspector” there shall be substituted “ an officer of the Board ”.]

**Textual Amendments**

**F438** Sch. 23 para. 5 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

- [<sup>F439</sup>6 In paragraph 6A(1) (certain deemed claims for set-off in respect of foreign income dividends to be supported by such evidence as the inspector may reasonably require) for “the inspector” there shall be substituted “ an officer of the Board ”.]

**Textual Amendments**

**F439** Sch. 23 para. 6 repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

- [<sup>F440</sup>7 (1) Paragraph 7 (special provision for qualifying distributions which are not payments and payments whose nature is not clear) shall be amended as follows.
- (2) For sub-paragraph (2) (no amount to be shown under paragraph 2(1)(a) or (c) in respect of those qualifying distributions or payments) there shall be substituted—
- “(2) No amount is required to be shown under paragraph 2(1)(a) or (c) above in respect of the qualifying distribution or payment and, unless estimated amounts are shown by virtue of paragraph (a) below, paragraph 3(1) above shall not apply in relation to advance corporation tax in respect thereof; but—
- (a) the company making the return may include under paragraph 2(1) (a) and (c) above estimated amounts in respect of the qualifying distribution or payment; and
  - (b) if it does so, paragraph 3(1) above shall apply in relation to advance corporation tax in respect thereof as it applies in relation to advance corporation tax in respect of franked payments which are required to be included in the return.”

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- (3) In sub-paragraph (3) (particulars of the qualifying distribution or payment to be given separately in the return) at the beginning there shall be inserted “Whether or not estimated amounts are also included under paragraph 2(1)(a) or (c) above in respect of the qualifying distribution or payment,”.
- (4) For sub-paragraph (4) (assessment of advance corporation tax) there shall be substituted—
- “(3A) Sub-paragraph (4) below applies—
- (a) if an estimated amount is not included under paragraph 2(1)(a) or (c) above in respect of the qualifying distribution or payment; or
  - (b) if an officer of the Board is of the opinion that an estimated amount which is included under paragraph 2(1)(a) or (c) above in respect of the qualifying distribution or payment is incorrect.
- (4) Where this sub-paragraph applies, any advance corporation tax payable in respect of the qualifying distribution or payment shall be assessed on the company and shall be so assessed without regard to any franked investment income received by the company, but—
- (a) relief shall be given in accordance with sub-paragraph (4A) or (4B) below;
  - (b) for the purposes of the application of paragraph 2(3) above to any subsequent return period, the amount of the franked payment comprising the qualifying distribution or payment shall be taken to be the amount calculated as mentioned in sub-paragraph (4A) or (4B) below, as the case may be; and
  - (c) any advance corporation tax due under an assessment made by virtue of this sub-paragraph shall be treated for the purposes of interest on unpaid tax as having been payable at the time when it would have been payable if correct amounts had been included under paragraph 2(1)(a) and (c) above in respect of the qualifying distribution or payment.
- (4A) Where sub-paragraph (4) above applies by virtue of sub-paragraph (3A)(a) above, relief shall be given from the tax assessed (by discharge thereof) to the extent, if any, to which that tax exceeds the tax that would have been payable if the amount of the franked payment comprising the qualifying distribution or payment, calculated on the amount or value thereof shown in the assessment, had been included in the return under sub-paragraph (1) (a) of paragraph 2 above and the tax had been calculated in accordance with sub-paragraph (4) of that paragraph.
- (4B) Where sub-paragraph (4) above applies by virtue of sub-paragraph (3A)(b) above, relief shall be given from the tax assessed (by discharge thereof) to the extent, if any, to which that tax exceeds the tax that would have been payable if the excess (if any) of—
- (a) the amount of the franked payment comprising the qualifying distribution or payment, calculated on the amount or value thereof shown in the assessment, over
  - (b) the estimated amount specified under paragraph 2(2)(b) above in respect of that franked payment,

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had been included in the return under sub-paragraph (1)(a) of paragraph 2 above and the tax had been calculated in accordance with sub-paragraph (4) of that paragraph.”]

#### Textual Amendments

**F440** Sch. 23 para. 7 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

[<sup>F441</sup>8 After paragraph 7 there shall be inserted—

*“ Amended return where company becomes aware of an error*

7A (1) If a company becomes aware—

- (a) that anything which ought to have been included in a return made by it under this Schedule for any return period has not been so included,
- (b) that anything which ought not to have been included in a return made by it under this Schedule for any return period has been so included,
- (c) that an estimated amount included by virtue of paragraph 7(2)(a) above in a return under this Schedule for any period is incorrect, or
- (d) that any other error has occurred in a return made by it under this Schedule for any return period,

it shall forthwith supply to the collector an amended return for that return period.

- (2) The duty imposed by sub-paragraph (1) above is without prejudice to any duty that may also arise under paragraph 7A of Schedule 16.
- (3) Where an amended return is supplied under this paragraph, all such assessments, adjustments, set-offs or payments or repayments of tax shall be made as may be required for securing that the resulting liabilities to tax (including interest on unpaid or overpaid tax) whether of the company or any other person are the same as they would have been if a correct return had been made.”]

#### Textual Amendments

**F441** Sch. 23 para. 8 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

[<sup>F442</sup>9 In paragraph 8 (power of inspector to make assessments etc where items are included in returns under the Schedule in error) for “the inspector” there shall be substituted “ an officer of the Board ”.]

#### Textual Amendments

**F442** Sch. 23 para. 9 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

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## PART II

### SCHEDULE 16 TO THE TAXES ACT 1988

- 10 Schedule 16 to the Taxes Act 1988 (collection of income tax on company payments which are not distributions) shall be amended in accordance with the following provisions of this Part of this Schedule.
- 11 In paragraph 4(2) (cases where the inspector may make an assessment)—
- (a) for “the inspector”, where first occurring, there shall be substituted “ an officer of the Board ”; and
  - (b) for “or if the inspector is dissatisfied with any return, he may” there shall be substituted “ or if an officer of the Board is of the opinion that a return is incorrect, any such officer may ”.
- 12 After paragraph 7 there shall be inserted—
- “ Amended return where company becomes aware of an error*
- 7A (1) If a company becomes aware—
- (a) that anything which ought to have been included in a return made by it under this Schedule for any period has not been so included,
  - (b) that anything which ought not to have been included in a return made by it under this Schedule for any period has been so included, or
  - (c) that any other error has occurred in a return made by it under this Schedule for any period,
- it shall forthwith supply to the collector an amended return for that period.
- (2) The duty imposed by sub-paragraph (1) above is without prejudice to any duty that may also arise under paragraph 7A of Schedule 13.
- (3) Where an amended return is supplied under this paragraph, all such assessments, adjustments, set-offs or payments or repayments of tax shall be made as may be required for securing that the resulting liabilities to tax (including interest on unpaid or overpaid tax) whether of the company or any other person are the same as they would have been if a correct return had been made.”
- 13 In paragraph 8 (power of inspector to make assessments etc where items are included in returns under the Schedule in error) for “the inspector” there shall be substituted “ an officer of the Board ”.

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## SCHEDULE 24

Section 138.

## SELF-ASSESSMENT: ACCOUNTING PERIODS ETC.

## PART I

## AMENDMENTS OF THE TAXES MANAGEMENT ACT 1970

*Introductory*

- 1 The <sup>M68</sup>Taxes Management Act 1970 shall be amended in accordance with this Part of this Schedule.

**Marginal Citations**

M68 1970 c. 9.

- [<sup>F443</sup>2 In section 11 (return of profits), after subsection (9) there shall be inserted the following subsection—

“(10) In the following provisions of this Act “section 11 notice” means a notice under this section.”]

**Textual Amendments**

F443 Sch. 24 para. 2 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

*Power to enquire into return for wrong period, etc.*

- [<sup>F444</sup>3 In section 11AA (return of profits to include self-assessment), after subsection (4) there shall be inserted the following subsections—

“(5) This section, except subsection (4) above, applies in relation to a return for a period—

- (a) which ends in or at the end of the period specified in the section 11 notice;
- (b) which in the return is treated as an accounting period; but
- (c) which is not, or may not be, an accounting period.

(6) In relation to such a return, “the filing date” means, in this section and section 11AB of this Act, the day which would be the day mentioned in section 11(4) of this Act if the period for which the return is made were an accounting period.”]

**Textual Amendments**

F444 Sch. 24 para. 3 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

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- [<sup>F445</sup>4 (1) In section 11AB(1) (power to enquire into return of profits), after paragraph (c) (which is inserted by paragraph 2 of Schedule 19 to this Act), there shall be inserted
- (d) if it appears to the officer that a return delivered in response to a section 11 notice—
    - (i) is or may be a return for the wrong period, or
    - (ii) has become a return for the wrong period as a result of a direction under section 12(5A) of the principal Act, the period for which the return should have been made;”.
- (2) After subsection (3) of that section there shall be inserted the following subsections—
- “(4) For the purposes of subsection (1)(d) above a return is a return for the wrong period in each of the cases set out below.
- (5) The first case is where—
- (a) the return is made for a period which ends in or at the end of the period specified in the section 11 notice and which in the return is treated as an accounting period; but
  - (b) the period for which the return is made is not an accounting period of the company.
- (6) The second case is where—
- (a) the return is made for a part of the period specified in the section 11 notice which in the return is treated as not falling within an accounting period of the company; but
  - (b) there is an accounting period ending in or at the end of the period specified in the section 11 notice.”]

**Textual Amendments**

**F445** Sch. 24 para. 4 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

<sup>F446</sup>5 .....

**Textual Amendments**

**F446** Sch. 24 para. 5 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(13), Note of the amending Act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(13)

*Amendment of return for wrong period*

[<sup>F447</sup>6 After section 28A there shall be inserted the following sections—

“ **Amendment of return of profits made for wrong period.**

- (1) Where an officer of the Board gives notice under section 11AB(1) of this Act to a company of his intention to enquire into the period for which a return should have been made, the officer’s enquiries shall be treated as completed at such time as he by notice—
- (a) informs the company that he has completed his enquiries; and

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- (b) states his conclusions on the subject of his enquiries.
- (2) Subsections (3) and (4) below apply where the officer in the conclusions stated under subsection (1) above designates a period, in accordance with subsections (6) to (8) below, as the accounting period for which the return should have been made.
- (3) At any time in the period of 30 days beginning with the day on which the officer's enquiries are completed, the company may amend the return for the purpose of making it a return appropriate to the designated period.
- (4) At any time in the period of 30 days beginning immediately after the period mentioned in subsection (3) above, the officer may by notice to the company amend the return for the purpose of making it a return appropriate to the designated period.
- (5) The power under subsections (3) and (4) above to amend a return includes the power to amend a self-assessment so as to make clear that it is a self-assessment for the designated period.
- (6) If there is only one accounting period ending in or at the end of the period specified in the section 11 notice, the only period which the officer may designate is that period.
- (7) If there is more than one accounting period ending in or at the end of the period specified in the section 11 notice, the only period which the officer may designate is the earliest of those accounting periods for which no return has been delivered.
- (8) In designating a period, the officer must specify the dates on which the period begins and ends.

#### **Provisions supplementary to section 28AA.**

- (1) On an application made by the company, the Commissioners shall direct the officer to give a notice under section 28AA(1) of this Act within a period specified in the direction, unless they are satisfied that the officer has reasonable grounds for not giving such a notice.
- (2) Proceedings under subsection (1) above shall be heard and determined in the same way as an appeal.
- (3) An appeal may be brought against an amendment made under section 28AA(4) of this Act within the period of 30 days beginning with the date on which the notice of the amendment was issued.
- (4) The provisions of this Act relating to appeals shall have effect in relation to an appeal under subsection (3) above as they have effect in relation to an appeal against an assessment to tax.
- (5) Subsection (6) below applies where—
- (a) a return is delivered in response to a section 11 notice;
  - (b) following a statement of conclusions under section 28AA of this Act, a period is finally determined to be the accounting period for which the return should have been made;



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- (c) the effect of the determination is that there is a period (“a further period”) which—
    - (i) before the determination was not an accounting period ending in or at the end of the period specified in the section 11 notice, and
    - (ii) as a result of the determination, becomes a period so ending;
  - and
  - (d) there is no return which can be amended under section 28AA of this Act so as to become a return for that further period.
- (6) Where this subsection applies, the section 11 notice shall be taken to require a return for the further period before the postponed final day.
- (7) The postponed final day is whichever is the later of—
- (a) the final day determined under section 11(4) of this Act; and
  - (b) the last day of the period of 30 days beginning with the day on which the accounting period for the return mentioned in subsection (5)(a) above is finally determined.
- (8) In relation to any return for the further period the provisions of this Act shall have effect as if any reference to the filing date in relation to that return were a reference to the postponed final day.”]

#### Textual Amendments

**F447** Sch. 24 para. 6 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

#### *Failure to deliver return: determinations*

[<sup>F448</sup>7 After section 28C there shall be inserted the following sections—

#### “ **Determination of corporation tax where no return delivered.**

- (1) Where—
  - (a) a section 11 notice has been served on a company, and
  - (b) no return is delivered to an officer of the Board in response to the notice before the relevant day,the officer may make a determination of the amounts in which, to the best of his information and belief, the company is chargeable to corporation tax for the relevant period.
- (2) In subsection (1) above “the relevant period” means—
  - (a) if there is only one accounting period ending in or at the end of the period specified in the section 11 notice, that accounting period;
  - (b) if there is more than one accounting period ending in or at the end of the period so specified, each of those accounting periods;
  - (c) if the officer has insufficient information to identify the accounting periods of the company, such period or periods ending in or at the end of the period so specified as he may determine.

*Status: Point in time view as at 06/04/2006.*

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- (3) Subject to subsections (4) and (5) below, a determination under subsection (1) above shall have effect for the purposes of Parts VA, VI, IX and XI of this Act as if—
- (a) it were a self-assessment made under section 11AA of this Act; and
  - (b) (where subsection (2)(c) above applies) the period for which the determination is made were an accounting period of the company.
- (4) If—
- (a) the company delivers a return for a period ending in or at the end of the period specified in the section 11 notice,
  - (b) the period is, or is treated in the return as, an accounting period, and
  - (c) the return includes a self-assessment under section 11AA of this Act,
- the self-assessment shall supersede the determination under subsection (1) above or, if there is more than one determination under that subsection, the determination for the period which is, or most closely approximates to, the period for which the return is made.
- (5) If the company shows—
- (a) that there is no period ending in or at the end of the period specified in the section 11 notice which is an accounting period of the company, or
  - (b) that it has delivered a return containing a self-assessment for the accounting period, or each accounting period, ending in or at the end of the period specified in the section 11 notice,
- any determination under subsection (1) above shall be of no effect.

**Determination of corporation tax where notice complied with in part.**

- (1) Where—
- (a) a company delivers a return for an accounting period ending in or at the end of the period specified in a section 11 notice served on the company, but
  - (b) there is another period so ending (an “outstanding period”) which it appears to an officer of the Board is or may be an accounting period but for which no return has been delivered before the relevant day,
- the officer may make a determination of the amounts in which, to the best of his information and belief, the company is chargeable to corporation tax for the outstanding period.
- (2) Subject to subsections (3) and (4) below, a determination under subsection (1) above shall have effect for the purposes of Parts VA, VI, IX and XI of this Act as if—
- (a) it were a self-assessment made under section 11AA of this Act; and
  - (b) where the officer has insufficient information to determine whether the outstanding period is an accounting period, the period for which the determination is made were an accounting period of the company.
- (3) If, after the determination is made—
- (a) the company delivers a further return for a period ending in or at the end of the period specified in the section 11 notice,

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- (b) the period is, or is treated in the return as, an accounting period, and
  - (c) the return includes a self-assessment under section 11AA of this Act,
- the self-assessment shall supersede the determination under subsection (1) above.
- (4) If the company shows that it has delivered a return containing a self-assessment for the accounting period, or each accounting period, ending in or at the end of the period specified in the section 11 notice, the determination under subsection (1) above shall be of no effect.

**Corporation tax determinations: supplementary.**

- (1) Notice of any determination under section 28D or 28E of this Act shall be served on the person in respect of whom it is made and shall state the date on which it is issued.
- (2) No determination may be made under section 28D or 28E of this Act after the end of the period of five years beginning with the relevant day.
- (3) A self-assessment shall not supersede a determination under section 28D or 28E of this Act if it is made after whichever is the later of—
  - (a) the end of the period of five years beginning with the relevant day; and
  - (b) the end of the period of twelve months beginning with the date of the determination.
- (4) Where—
  - (a) an officer of the Board has commenced any proceedings for the recovery of any tax charged by a determination under section 28D or 28E of this Act, and
  - (b) before those proceedings are concluded, the determination is superseded by a self-assessment,those proceedings may be continued as if they were proceedings for the recovery of so much of the tax charged by the self-assessment as is due and payable and has not been paid.
- (5) In sections 28D and 28E of this Act and this section “the relevant day” means, in relation to a section 11 notice—
  - (a) if the final day for the delivery of any return required by the notice can be ascertained in accordance with section 11(4) of this Act, that day;
  - (b) in any other case, the day determined in accordance with subsection (6) below.
- (6) The day is whichever is the later of—
  - (a) the last day of the period of 30 months from the end of the period specified in the section 11 notice; and
  - (b) the last day of the period of three months from the day on which the section 11 notice was served.”]

*Status: Point in time view as at 06/04/2006.*

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#### Textual Amendments

**F448** Sch. 24 para. 7 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

#### Commencement

- 8 (1) Paragraphs 3 to 6 above have effect in relation to returns made for periods ending on or after the day appointed under section 199 of the <sup>M69</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment).
- [<sup>F449</sup>(2) Paragraph 7 above has effect in relation to notices under section 11 of the <sup>M70</sup>Taxes Management Act 1970 specifying a period ending on or after the day so appointed.]

#### Textual Amendments

**F449** Sch. 24 para. 8(2) repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

#### Marginal Citations

**M69** 1994 c. 9.  
**M70** 1970 c. 9.

## PART II

### OTHER AMENDMENTS

#### General

- 9 In this Part of this Schedule “the appointed day” means the day appointed as mentioned in paragraph 8(1) above.

#### *Repeal of section 8A of the Taxes Act 1988*

- 10 Section 8A of the Taxes Act 1988 (resolutions to reduce corporation tax) shall cease to have effect.

#### *Determination of accounting date*

- 11 (1) Section 12 of the Taxes Act 1988 (basis of, and periods for, assessment) shall be amended as follows.
- (2) In subsection (5)—
- (a) at the beginning there shall be inserted “ Subject to subsection (5A) below ”; and
  - (b) for the words “as the Board may determine” there shall be substituted “ as the company may determine ”.
- (3) After subsection (5) there shall be inserted the following subsection—

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“(5A) If the Board is of the opinion, on reasonable grounds, that a date determined by a company for the purposes of subsection (5) above is inappropriate, they may by notice direct that the accounting date of such other of the trades referred to in that subsection as appears to them to be appropriate shall be used instead.”

- (4) This paragraph has effect where each of the different dates referred to in section 12(5) of the Taxes Act 1988 occurs on or after the appointed day.

#### *Companies in liquidation*

- 12 (1) Section 342 of the Taxes Act 1988 (companies in liquidation) shall be amended as follows.
- (2) In subsection (5) (assumption as to commencement date of final accounting period where company being wound up), for the words “the inspector may, with the concurrence of the liquidator” there shall be substituted “ the liquidator may ”.
- (3) In subsection (6) for the words from “as if” to the end there shall be substituted “ as if the winding-up had commenced with the beginning of that new accounting period ”.
- (4) This paragraph has effect in relation to the winding up of a company if the date on which the affairs of the company are completely wound up does not occur before the appointed day.

#### *Construction of references to assessments*

- [<sup>F450</sup>13 In section 197(1) of the <sup>M71</sup>Finance Act 1994 (construction of certain references), in paragraph (b) after “28C” there shall be inserted “ , 28D or 28E ”.]

#### **Textual Amendments**

**F450** Sch. 24 para. 13 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(28), Note of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

#### **Marginal Citations**

**M71** 1994 c. 9.

## [<sup>F451</sup>SCHEDULE 25

Section 139.

### SELF-ASSESSMENT: SURRENDERS OF ADVANCE CORPORATION TAX]

#### **Textual Amendments**

**F451** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

*Status: Point in time view as at 06/04/2006.*

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*[<sup>F452</sup> Amendments of section 240 of the Taxes Act 1988]*

**Textual Amendments**

**F452** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

- [<sup>F453</sup> 1] (1) Section 240 of the Taxes Act 1988 (set-off of company’s advance corporation tax against subsidiary’s liability to corporation tax) shall be amended as follows.
- (2) For subsection (1) there shall be substituted the following subsections—
- “(1) Where a company (“the surrendering company”) has paid an amount of advance corporation tax in respect of a dividend or dividends paid by it in an accounting period, it may under this section surrender the benefit of so much of that amount as is available for surrender, or any part of that amount that is available for surrender, to any company which was a subsidiary of it throughout that accounting period.
- (1A) The surrender shall take effect on the surrendering company making a claim in accordance with Schedule 13A.
- (1B) A claim to surrender an amount exceeding the amount the benefit of which, at the time the claim is made, is available for surrender shall be of no effect.”
- (3) For subsections (6) and (7) there shall be substituted the following subsections—
- “(5A) A claim under subsection (1A) above may be withdrawn by the surrendering company with the consent of the subsidiary to whom the surrender was made.
- (5B) The withdrawal of a claim under subsection (1A) above to make a surrender for an accounting period of the surrendering company shall not prevent the making of a further claim under that subsection for that accounting period (whether to the same or a different subsidiary).
- (5C) Where the surrendering company withdraws a claim by virtue of which an amount of advance corporation tax was treated under subsection (2) above as paid by its subsidiary in respect of a distribution made on a date determined under that subsection—
- (a) the subsidiary shall be treated as if it had not paid that amount in respect of a distribution made by it on the date so determined; and
- (b) subject to the effect of any further claim, the surrendering company shall be treated as having paid a corresponding amount of advance corporation tax in respect of a distribution made by it on the date so determined.
- (5D) The amount of advance corporation tax the benefit of which is at any time available for surrender is the amount referred to in subsection (1) above less any amount which at that time falls within subsection (5E) below.
- (5E) The amounts are—
- (a) any amount which has been repaid to the surrendering company;
- (b) any amount which has been dealt with under section 239(3);
- (c) any amount surrendered under a claim for that period which has not been withdrawn.

*Status: Point in time view as at 06/04/2006.*

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(5F) Subject to subsection (5C)(b) above, no amount of advance corporation tax the benefit of which has been surrendered under this section shall be treated for the purposes of section 239 as advance corporation tax paid by the surrendering company.”

(4) After subsection (13) there shall be inserted the following subsection—

“(14) Schedule 13A (which makes supplementary provision with respect to surrenders of advance corporation tax) shall have effect.”]

#### Textual Amendments

**F453** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

*[<sup>F454</sup>The new Schedule 13A to the Taxes Act 1988]*

#### Textual Amendments

**F454** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

<sup>F455</sup>2 After Schedule 13 to the Taxes Act 1988 there shall be inserted the following Schedule—

### “SCHEDULE 13A

#### SURRENDERS OF ADVANCE CORPORATION TAX

##### *General*

- 1 (1) In this Schedule any reference to a claim is to a claim under section 240(1A).
- (2) In this Schedule “the relevant accounting period of the surrendering company” means, in relation to a claim by the surrendering company, the accounting period referred to in section 240(1).

##### *Multiple claims*

- 2 (1) Surrenders to different subsidiaries or to the same subsidiary at different times shall be treated as made by separate claims (however the claims are presented).
- (2) Where a surrendering company makes more than one claim at the same time, the claims shall be treated as made in such sequence as the surrendering company at that time elects or as, in default of such an election, an officer of the Board determines.

##### *Content of claims etc.*

- 3 (1) A claim must specify—

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- (a) the amount the benefit of which is surrendered; and
  - (b) the subsidiary to whom the surrender is made.
- (2) The amount specified in compliance with sub-paragraph (1)(a) above must be an amount which is quantified at the time when the claim is made.

*Time limit for claims*

- 4 A claim by the surrendering company must be made within the period of six years from the end of the relevant accounting period of the surrendering company.

*Claim to be included in return where possible*

- 5 (1) Where a claim could be made by being included in a return under section 11 of the Management Act, or an amendment of such a return, it must be so made.
- (2) Section 42 of and Schedule 1A to the Management Act (procedure for making claims) shall not apply to the making of claims.
- 6 (1) A claim not included in a return or an amendment of a return must be made to an officer of the Board and must be supported by such documents as the officer may require.
- (2) The claim shall be made in such form as the Board may determine.
- (3) The form of claim shall provide for a declaration to the effect that all the particulars given in the form are correctly stated to the best of the information and belief of the person making the claim.

*Contents of notices of withdrawal, etc.*

- 7 (1) A claim shall not be withdrawn except by a notice given to an officer of the Board in such form as the Board may determine.
- (2) A notice withdrawing a claim must specify—
- (a) the surrendering company which made the claim;
  - (b) the amount the benefit of which was surrendered under the claim;
  - (c) the subsidiary to whom the surrender was made; and
  - (d) the relevant accounting period of the surrendering company in relation to the claim.
- (3) A notice withdrawing a claim must be accompanied by a notice signifying the consent required by section 240(5A).
- (4) Where a claim included in a return is withdrawn and the withdrawal could be made by an amendment of the return, it must be so made.

*Simultaneous claims and withdrawals of claims*

- 8 Where—
- (a) a claim (“claim A”) is withdrawn, and



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- (b) at the time when claim A is withdrawn, another claim (“claim B”) is made,  
claim A shall be treated as being withdrawn before claim B is treated as made.

*Time limit for withdrawing claims*

- 9 (1) Subject to sub-paragraph (3) below, a claim shall not be withdrawn after the earlier of—
- (a) the end of the period of six years from the end of the relevant accounting period of the surrendering company; and
  - (b) the date on which an assessment for any relevant accounting period of the subsidiary in whose favour the claim was made becomes final.
- (2) In this paragraph “relevant accounting period of the subsidiary” means, in relation to a claim, any period in which a distribution is treated under section 240(2) as made by virtue of the claim.
- (3) In the circumstances given by sub-paragraph (4) below, a claim may be withdrawn at any time before the end of the period of six years from the end of the relevant accounting period of the surrendering company.
- (4) The circumstances are that—
- (a) the claim was made—
    - (i) after the date on which an assessment for a relevant accounting period of the subsidiary in whose favour the claim is made becomes final; and
    - (ii) after a further assessment has been made on the subsidiary for that period by an officer of the Board or the Board; and
  - (b) immediately before the claim is withdrawn, none of the advance corporation tax which, by virtue of the claim, is treated as paid by the subsidiary has been finally dealt with to the subsidiary’s advantage.
- (5) For the purposes of sub-paragraph (4) above, advance corporation tax is finally dealt with to the subsidiary’s advantage if—
- (a) it is set against any liability of the subsidiary under any assessment to corporation tax which has become final; or
  - (b) any of it is repaid to the subsidiary.

*No amendment of claims*

- 10 Nothing in the Management Act shall be read as allowing a claim to be amended.

*Further self-assessments by the surrendering company*

- 11 (1) Where—
- (a) a claim is made after an assessment to corporation tax for the relevant accounting period of the surrendering company has become final,
  - (b) under section 239(1), advance corporation tax has been set against the company’s liability to corporation tax for that period, and

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- (c) the claim is a claim to surrender the benefit of an amount which is or includes the whole or a part of the amount set-off,  
the claim must be accompanied by an assessment (a self-assessment) of the corporation tax due as a result of the claim.
- (2) The tax shall be treated as due and payable, in accordance with section 59D of the Management Act, on the day following the expiry of nine months from the end of the relevant accounting period.
- (3) The standard provisions about enquiries into self-assessments (given by paragraph 14 below) apply to self-assessments provided under this paragraph.
- 12 (1) Where—
- (a) by virtue of section 239(4), advance corporation tax paid in the relevant accounting period of the surrendering company has been set against the company’s liability to corporation tax for a later accounting period,
- (b) the claim is made after assessments to corporation tax for both periods have become final, and
- (c) the claim is a claim to surrender the benefit of an amount which is or includes the whole or a part of the amount set-off,  
the claim must be accompanied by an assessment (a self-assessment) of the corporation tax due as a result of the claim.
- (2) The tax shall be treated as due and payable, in accordance with section 59D of the Management Act, on the day following the expiry of nine months from the end of the later accounting period.
- (3) The standard provisions about enquiries into self-assessments (given by paragraph 14 below) apply to self-assessments provided under this paragraph.
- (4) For the purposes of sub-paragraph (1)(a) above, advance corporation tax which was in fact paid in the relevant accounting period of the surrendering company shall be treated as set against the liability of the company to corporation tax for the later accounting period after any other advance corporation tax available to be so treated.

*Further self-assessments by subsidiary*

- 13 (1) Sub-paragraph (3) below applies where—
- (a) under section 239(1), advance corporation tax has been set against the subsidiary’s liability to corporation tax for an accounting period (“the relevant accounting period”),
- (b) the advance corporation tax is, includes or is part of advance corporation tax which is treated as paid by the subsidiary in respect of that period on the assumption that section 240(2) required that treatment, and
- (c) after an assessment to corporation tax for that period has become final, the subsidiary becomes aware of facts (“the true facts”) which, by virtue of section 240(1B), make that treatment incorrect.
- (2) Sub-paragraph (3) below also applies where—

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- (a) by virtue of section 239(4), advance corporation tax has been set against the subsidiary's liability to corporation tax for an accounting period ("the relevant accounting period"),
  - (b) the advance corporation tax is, includes or is part of advance corporation tax which is treated as paid by the subsidiary in respect of a previous accounting period on the assumption that section 240(2) required that treatment, and
  - (c) after an assessment to corporation tax for that period has become final, the subsidiary becomes aware of facts ("the true facts") which, by virtue of section 240(1B), make that treatment incorrect.
- (3) The subsidiary must, before the end of the period of three months beginning with the day on which it becomes aware of the true facts, provide an officer of the Board with an assessment (a self-assessment) of the amount of corporation tax which was due for the relevant accounting period on the basis of the true facts.
- (4) The tax shall be treated as due and payable, in accordance with section 59D of the Management Act, on the day following the expiry of nine months from the end of the relevant accounting period of the subsidiary.
- (5) The standard provisions about enquiries into self-assessments (given by paragraph 14 below) apply to self-assessments provided under this paragraph.
- (6) For the purposes of this paragraph it shall be assumed that advance corporation tax actually paid (or correctly treated as paid) by the subsidiary has been set against the subsidiary's liability to corporation tax before any advance corporation tax incorrectly treated as paid by the subsidiary.

*Standard provisions about enquiries into self-assessments*

- 14 (1) The standard provisions about enquiries into self-assessments (which correspond, in general terms, to certain provisions of section 28A of the Management Act) are as follows.
- (2) An officer of the Board may, at any time before the end of the period of one year beginning with the day on which the self-assessment is received, give notice of his intention to enquire into the self-assessment.
  - (3) The officer's enquiries shall end on such day as he by notice—
    - (a) informs the company that he has completed his enquiries, and
    - (b) states his conclusions as to the amount of tax which should be contained in the company's self-assessment.
  - (4) At any time in the period of 30 days beginning with the day on which the enquiries end, the company may amend its self-assessment so as to make good any deficiency or eliminate any excess in the amount of tax contained in the self-assessment.
  - (5) At any time in the period of 30 days beginning immediately after the period mentioned in sub-paragraph (4) above, the officer may by notice to the company amend the company's self-assessment so as to make good any deficiency or eliminate any excess in the amount of tax contained in the self-assessment.

*Status: Point in time view as at 06/04/2006.*

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- (6) The provisions of the Management Act apply to an amendment of a self-assessment under sub-paragraph (5) above as they apply to an amendment of a self-assessment under section 28A(4) of that Act.
- (7) At any time before a notice is given under sub-paragraph (3) above, the company may apply for a direction that the officer shall give such a notice within such period as may be specified in the direction.
- (8) Subject to sub-paragraph (9) below, an application under sub-paragraph (7) above shall be heard and determined in the same way as an appeal against an amendment of a self-assessment under section 28A(2) or (4) of the Management Act.
- (9) The Commissioners hearing an application under sub-paragraph (7) above shall give the direction applied for unless they are satisfied that the officer has reasonable grounds for not giving the notice.

#### *Repayments*

- 15 (1) Where—
- (a) a claim is withdrawn after an assessment for the relevant accounting period of the surrendering company has become final, and
  - (b) an amount of corporation tax paid by the surrendering company in respect of that period would not have been payable if the claim had not been made,
- the surrendering company shall be entitled by notice to claim repayment of that amount.
- (2) Where—
- (a) a claim is made after the date on which an assessment for any relevant accounting period of the subsidiary in whose favour the claim is made becomes final, and
  - (b) an amount of corporation tax paid by the subsidiary in respect of that period would not have been payable if the claim had not been made,
- the subsidiary shall be entitled by notice to claim repayment of that amount.
- (3) In this paragraph “relevant accounting period of the subsidiary” has the same meaning as in paragraph 9.”]

#### **Textual Amendments**

**F455** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

[<sup>F4563</sup> Paragraphs 1 and 2 above have effect where the accounting period of the surrendering company ends on or after the day appointed under section 199 of the <sup>M72</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment).]

*Status: Point in time view as at 06/04/2006.*

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**Textual Amendments**

**F456** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

**Marginal Citations**

**M72** 1994 c. 9.

*[<sup>F457</sup> Other amendments]*

**Textual Amendments**

**F457** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

[<sup>F458</sup>4 Section 239(5) of the Taxes Act 1988 (manner in which claims under section 239(1) and (4) to be given effect) shall cease to have effect in relation to accounting periods ending on or after the day appointed as mentioned in paragraph 3 above.]

**Textual Amendments**

**F458** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

[<sup>F459</sup>5 In the Table in section 98 of the <sup>M73</sup>Taxes Management Act 1970 (penalties in respect of certain information provisions), after the entry in the second column relating to Schedule 13 to the Taxes Act 1988, there shall be inserted the following entry—  
“Schedule 13A, paragraphs 11, 12 and 13;”.]

**Textual Amendments**

**F459** Sch. 25 repealed (31.7.1998 with effect in accordance with Sch. 3 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(2), Note

**Marginal Citations**

**M73** 1970 c. 9.

<sup>F460</sup>SCHEDULE 26

Section 150.

DAMAGES AND COMPENSATION FOR PERSONAL INJURY

**Textual Amendments**

**F460** Sch. 26 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), Sch. 3 (with Sch. 2)

*Status: Point in time view as at 06/04/2006.*

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SCHEDULE 27

Section 153.

FOREIGN INCOME DIVIDENDS

*Companies that pay FIDs*

- [<sup>F461</sup>1] (1) In section 246A(1) of the Taxes Act 1988 (foreign income dividends) after “a company” there shall be inserted “resident in the United Kingdom”.
- (2) This paragraph has effect in relation to dividends paid on or after 28th November 1995.]

**Textual Amendments**

**F461** Sch. 27 para.1 repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

*Recipients of FIDs*

- [<sup>F462</sup>2] Section 246D(5) of that Act (exclusion of section 233(1) and (1A) in the case of foreign income dividends) shall have effect, and be deemed always to have had effect, as if at the end there were inserted “to which an individual is beneficially entitled, a foreign income dividend paid to personal representatives or a foreign income dividend paid to trustees in a case in which the dividend is income to which section 686 applies.”]

**Textual Amendments**

**F462** Sch. 27 para. 2 repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

*Calculation of the distributable foreign profit and the notional foreign source ACT*

- [<sup>F463</sup>3] (1) In section 246I(6) of that Act, for the words from “an amount equal” onwards there shall be substituted “the amount of corporation tax payable, before double taxation relief is afforded, in respect of the foreign source profit.”
- (2) In section 246P(2) of that Act (assumptions to apply for the purposes of calculating the notional foreign source ACT), the following paragraph shall be inserted before the “and” at the end of paragraph (e)—
- “(ea) where any of the matched foreign source profits represent an amount (“a gross profit”) reduced by one or more such deductions as are mentioned in section 246I(2), the amount of double taxation relief which is to be taken, in finding the amount of corporation tax falling finally to be borne, to have been available (after the reduction) to be allowed by reference to the amount representing the gross profit was equal to the amount that would have been available to be so allowed had no reduction been made;”.

*Status: Point in time view as at 06/04/2006.*

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(3) In section 246P of that Act, after subsection (12) there shall be inserted the following subsection—

“(12A) In this section “double taxation relief” has the same meaning as in section 246I.”

(4) Subject to sub-paragraph (5) below, this paragraph has effect in relation to accounting periods ending after 28th November 1995.

(5) This paragraph, so far as applicable as respects authorised unit trusts, has effect in relation to any distribution period ending after 28th November 1995.]

#### Textual Amendments

**F463** Sch. 27 para. 3 repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

#### *International headquarters company*

[<sup>F464</sup> (1) Section 246S of that Act (conditions for treatment as international headquarters company) shall be amended as follows.

(2) In subsection (3) (wholly-owned subsidiary of foreign quoted parent company), in paragraph (a), for “wholly owned by” there shall be substituted “ a 100 per cent. subsidiary of”.

(3) Subsection (8) (extension of subsection (3)) shall cease to have effect.

(4) After subsection (10) there shall be inserted the following subsection—

“(10A) For the purposes of this section a company is a 100 per cent. subsidiary of another if and so long as it is a body corporate all of whose share capital would fall to be treated for the purposes of section 838 as owned directly or indirectly by the other and that other is a body corporate; but for this purpose references in that section to owning share capital shall be construed in accordance with subsection (12) below.”

(5) Subject to sub-paragraph (6) below, this paragraph has effect in relation to any accounting period ending after 28th November 1995.

(6) Where—

(a) this paragraph has effect under sub-paragraph (5) above in relation to an accounting period in which a dividend is paid, and

(b) the immediately preceding period ended on or before 28th November 1995, subsection (9) (requirement to be international headquarters company in the period before that in which a dividend is paid) shall have effect in the case of that dividend as if this paragraph also had effect in relation to that immediately preceding period.]

#### Textual Amendments

**F464** Sch. 27 para. 4 repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

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*Life assurance business charged under Case I of Schedule D*

- [<sup>F465</sup>5 (1) In section 440B of that Act (modifications for life assurance business charged under Case I of Schedule D), after subsection (1) there shall be inserted the following subsection—

“(1A) Nothing in section 208 shall prevent foreign income dividends from being taken into account in any computation of the profits of the company’s life assurance business charged in accordance with Case I of Schedule D.”

- (2) This paragraph has effect in relation to accounting periods beginning on or after 1st January 1996.]

**Textual Amendments**

**F465** Sch. 27 para. 5 repealed (31.7.1997 with effect as mentioned in Sch. 8 Pt. II(6), Note of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(6)

*Foreign income distributions to corporate unit holders*

- [<sup>F466</sup>6 (1) In section 468R of that Act (foreign income distributions to corporate unit holders), after subsection (3) there shall be inserted the following subsection—

“(4) No repayment shall be made of any tax which is deemed to have been deducted by virtue of the application of paragraph (b) of section 468Q(2) in relation to a foreign income distribution.”

- (2) This paragraph applies in relation to any distribution period ending on or after 28th November 1995.]

**Textual Amendments**

**F466** Sch. 27 para. 6 repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

SCHEDULE 28

Section 154.

FOTRA SECURITIES: CONSEQUENTIAL AMENDMENTS

*The Taxes Act 1988*

- 1 Section 47 of the Taxes Act 1988 (FOTRA securities) shall cease to have effect.
- 2 Section 474(2) of that Act (which prevents the deduction of expenses in respect of securities the income on which is exempt from tax) shall cease to have effect.
- 3 (1) In section 475 of that Act (tax-free securities: exclusion of interest on borrowed money), for subsection (1) there shall be substituted the following subsection—
- “(1) This section has effect where a banking business, an insurance business or a business consisting wholly or partly in dealing in securities—



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- (a) is carried on in the United Kingdom by a person not ordinarily resident there; and
  - (b) in computing for any of the purposes of the Tax Acts the profits arising from, or loss sustained, in the business, any amount which would otherwise be brought into account is disregarded by virtue of a condition subject to which any 3½% War Loan 1952 or after was issued;
- and for this purpose insurance business includes insurance business of any category.”
- (2) In subsections (3) and (8) of that section for the words “tax-free Treasury securities”, in each place where they occur, there shall be substituted “ 3½% War Loan 1952 or after ”.
- (3) Subsections (6) and (7) of that section shall cease to have effect.

F467 4 . . . . .

**Textual Amendments**

**F467** Sch. 28 para. 4 repealed (1.9.2000 with effect in relation to accounting periods of a company beginning on or after 1.1.2000 and ending on or after 1.9.2000) by S.I. 2000/2188, arts. 1, 6(2)

- 5 In paragraph 5C of Schedule 19AC to that Act (modification for overseas life insurance companies in relation to tax-free securities), for sub-paragraph (2) there shall be substituted the following sub-paragraphs—
- “(2) Where, in computing the income to which this paragraph applies, any profits and gains arising from a FOTRA security, or from any loan relationship represented by it, are excluded by virtue of the tax exemption condition of that security, the amount which by virtue of section 76 is to be deductible by way of management expenses shall be reduced in accordance with sub-paragraph (3) below.
  - (3) That amount shall be reduced so that it bears to the amount which would be deductible apart from this sub-paragraph the same proportion as the amount of the income to which this paragraph applies (after applying the provisions of section 154(2) to (7) of the Finance Act 1996) bears to what would be the amount of that income if the tax exemption condition were disregarded.
  - (4) Subsection (8) of section 154 of the Finance Act 1996 (meaning of “FOTRA security” and “tax exemption condition”) shall apply for the purposes of this paragraph as it applies for the purposes of that section.”
- 6 In paragraph 1(3) of Schedule 24 to that Act and in paragraph 5(5) of Schedule 27 to that Act (amount taken into account in computing tax of company on the assumption that it is resident in the United Kingdom), for “by virtue of section 47 or 48” there shall be substituted, in each case, “ and have been so received by virtue of section 154(2) of the Finance Act 1996 ”.

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*The Inheritance Tax Act 1984 (c. 51)*

- 7 In section 6(2) of the Inheritance Tax Act 1984 (FOTRA securities to be excluded property in specified circumstances), for the words from “neither” to “United Kingdom” there shall be substituted “ of a description specified in the condition ”.
- 8 In each of paragraphs (a) and (b) of section 48(4) of that Act (excluded property in the case of settlements), for the words from “neither” to “United Kingdom” there shall be substituted “ of a description specified in the condition in question ”.

[<sup>F468</sup>SCHEDULE 29

Section 156.]

PAYING AND COLLECTING AGENTS ETC.

**Textual Amendments**

**F468** Sch. 29 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Notes 1-3 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

**PART I**

THE NEW CHAPTER

- [<sup>F469</sup>1 In Part IV of the Taxes Act 1988 (provisions relating to the Schedule D charge) the following Chapter shall be inserted after Chapter VII—

“CHAPTER VIIIA

*PAYING AND COLLECTING AGENTS*

**Definitions.**

118A In this Chapter—

- (a) except in the terms “agent concerned”, “collecting agent” and “paying agent”, references to an “agent” include a person acting as nominee or sub-agent for an agent;
- (b) “bank” has the meaning given by section 840A;
- (c) the “chargeable date”—
  - (i) in the case of a relevant payment, has the meaning given by section 118B(5); and
  - (ii) in the case of a relevant receipt, has the meaning given by section 118C(4);
- (d) “collecting agent” has the meaning given by section 118C(1), and in relation to any relevant receipt or chargeable receipt, a reference to the collecting agent is a reference to the collecting agent by virtue of whose performance of a relevant function that receipt was received or arose;

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- (e) in relation to any dividends, references to “coupons” include warrants for and bills of exchange purporting to be drawn or made in payment of those dividends;
- (f) references to a depositary include references to a person acting as agent or nominee for a depositary;
- (g) except in paragraph (h) below, references to “dividends” are references to foreign dividends, United Kingdom public revenue dividends or relevant dividends as the context requires;
- (h) “foreign dividends” means any annual payments, interest or dividends payable out of or in respect of foreign holdings;
- (i) “foreign holdings” means the stocks, funds, shares or securities of any body of persons not resident in the United Kingdom or of a government or public or local authority in a country outside the United Kingdom;
- (j) “gilt-edged securities” means any securities which—
  - (i) are gilt-edged securities for the purposes of the 1992 Act; or
  - (ii) will be such securities on the making of any order under paragraph 1 of Schedule 9 to that Act the making of which is anticipated in the prospectus under which they were issued;
- (k) “international organisation” has the meaning given by section 51A(8);
- (l) references to a “nominee” include a person acting as agent or nominee for a nominee;
- (m) “paying agent” has the meaning given by section 118B(1);
- (n) “prescribed” means prescribed in regulations made by the Board under this Chapter or prescribed by the Board in accordance with such regulations;
- (o) “quoted Eurobond” means a quoted Eurobond within the meaning of section 124 the interest on which is chargeable to tax under Case III of Schedule D, and “quoted Eurobond interest” means interest on such a quoted Eurobond;
- (p) “relevant dividends” means foreign dividends and quoted Eurobond interest;
- (q) “relevant holdings” means foreign holdings and quoted Eurobonds;
- (r) “relevant payment” has the meaning given by section 118B(5);
- (s) “relevant receipt” has the meaning given by section 118C(2);
- (t) “securities” includes any loan stocks or similar securities, whether secured or unsecured; and
- (u) “United Kingdom public revenue dividends” means income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland.

#### **Paying agents.**

118B) A person specified in column 1 of Table A below shall be a paying agent for the purposes of this Chapter in relation to such dividends as are—

- (a) of a description set out in column 2 of that Table opposite his specification; and
- (b) entrusted to him for payment or distribution.

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**Table A**

| <b>1</b>                             | <b>2</b>  |
|--------------------------------------|---|
| 1. Any person in the United Kingdom. | United Kingdom public revenue dividends   |
| 2. The Bank of England               | United Kingdom public revenue dividends paid on securities entered in the register of the Bank of Ireland in Dublin |
| 3. Any person in the United Kingdom  | foreign dividends which are payable to persons in the United Kingdom and do not fall within subsection (4) below    |

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- (2) The Bank of England and the Bank of Ireland shall be treated as paying agents for the purposes of this Chapter in relation to United Kingdom public revenue dividends which are payable to them.
- (3) The National Debt Commissioners shall be treated as paying agents for the purposes of this Chapter in relation to United Kingdom public revenue dividends payable by them.
- (4) Foreign dividends fall within this subsection if they are payable out of, or in respect of, the stocks, funds, shares or securities of an organisation which is for the time being designated for the purposes of this subsection pursuant to section 582A(1).
- (5) Any payment in relation to which a person is a paying agent shall be a relevant payment for the purposes of this Chapter; and the chargeable date is—
- (a) in relation to such a payment as is mentioned in subsection (2) above, the date on which the payment is received; and
  - (b) in relation to any other relevant payment, the date on which the payment is made.

**Collecting agents.**

- 118(1) Subject to subsection (3) below, a person described in column 1 of Table B below shall be a collecting agent for the purposes of this Chapter in relation to such functions performed by him as are set out in that description, which shall be relevant functions for the purposes of this Chapter.
- (2) Such dividends or proceeds of sale or other realisation as—
- (a) are set out in column 2 of Table B below opposite the description of a collecting agent in column 1; and
  - (b) are received or arise by virtue of that collecting agent's performance of a relevant function comprised in that description
- shall be relevant receipts for the purposes of this Chapter.

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**Table B**

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| <b>1</b>  | <b>2</b>  |
|---|---|
| 1. Any person in the United Kingdom who, in the course of a trade or profession, acts as custodian of any relevant holdings   | any relevant dividends in respect of those relevant holdings which are received by him or are paid to another person at his direction or with his consent |
| 2. Any person in the United Kingdom who, in the course of a trade or profession, by means of coupons collects or secures payment of or receives relevant dividends for another person | the relevant dividends which he so collects or receives or of which he so secures payment   |
| 3. Any person in the United Kingdom who, in the course of a trade or profession, otherwise acts for another person in arranging to collect or secure payment of relevant dividends    | the relevant dividends which he so collects or of which he so secures payment   |
| 4. Any bank in the United Kingdom which sells or otherwise realises coupons for relevant dividends and pays over the proceeds or carries them into an account                         | the proceeds of sale or other realisation of those coupons  |
| 5. Any dealer in coupons in the United Kingdom who purchases any coupons for relevant dividends otherwise than from a bank or another dealer in coupons                               | the proceeds of sale of those coupons   |

(3) Neither the clearing of a cheque, nor the arranging for the clearing of a cheque, shall of itself be a relevant function.

(4) The chargeable date, in relation to a relevant receipt, is—

- (a) in the case of a relevant receipt falling within paragraph 4 or 5 of Table B above, the date on which the sale or realisation is effected, and
- (b) in any other case, the date on which the dividends are paid.

(5) For the purposes of paragraph 1 of Table B above, a person acts as a custodian of relevant holdings if he holds them, or an entitlement to them, for another person.

(6) The Board may by regulations provide for the application of the provisions of this Chapter relating to collecting agents where—

- (a) a person in the United Kingdom—
  - (i) holds, beneficially or otherwise, a right (the relevant right) which is a right to delivery of, or to amounts representing the whole or substantially the whole of the value of, a specified quantity of shares or securities comprised in a relevant holding which is held by a person outside the United Kingdom, and
  - (ii) is entitled to receive income (the relevant income) which is derived from, or which represents, foreign dividends or quoted Eurobond interest on that quantity of shares or securities; and

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- (b) apart from the provisions of the regulations, the relevant right is not a relevant holding, or the relevant income does not constitute foreign dividends or quoted Eurobond interest.
- (7) Regulations under subsection (6) above may—
- (a) treat the relevant right as a foreign holding or, as the case may be, a holding of quoted Eurobonds (the notional holding); and
  - (b) treat the relevant income as foreign dividends or, as the case may be, quoted Eurobond interest paid on the notional holding.

### **Chargeable payments and chargeable receipts.**

118D) For the purposes of this Chapter, every relevant payment shall be a chargeable payment unless—

- (a) it is made in respect of a foreign dividend—
    - (i) which is payable on foreign holdings held in a recognised clearing system; and
    - (ii) in respect of which any conditions imposed by virtue of subsection (8) below are satisfied; or
  - (b) it is a payment of interest on an exempted certificate of deposit; or
  - (c) the making of the payment is excluded from being a chargeable payment by subsections (4), (5) or (6) below or by section 118G.
- (2) For the purposes of this Chapter, every relevant receipt shall be a chargeable receipt, unless—
- (a) it arises in respect of relevant holdings which are held in a recognised clearing system and—
    - (i) the collecting agent pays or accounts for the relevant receipt directly or indirectly to the recognised clearing system, and
    - (ii) any conditions imposed by virtue of subsection (8) below are satisfied; or
  - (b) it arises in respect of relevant holdings which are held in a recognised clearing system for which the collecting agent is acting as depositary; or
  - (c) it is excluded from being a chargeable receipt by subsection (7) below or by section 118G.
- (3) In subsection (1)(b) above, “exempted certificate of deposit” means a certificate of deposit (within the meaning of section 56(5)) issued by a person in the United Kingdom relating to a deposit with a branch in the United Kingdom through which a company resident outside, and not resident in, the United Kingdom carries on a trade.
- (4) The payment of United Kingdom public revenue dividends on securities the interest on which is, by virtue of directions given (or treated by section 51 as having been given) under section 50(1), payable without deduction of income tax shall not be a chargeable payment unless the interest is for the time being payable under deduction of income tax pursuant to an application made (or treated by section 51 as having been made) under section 50(2).
- (5) The payment of United Kingdom public revenue dividends in respect of securities standing in the name of the official custodian for charities, or in

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respect of which there is given to the paying agent a certificate from the Board to the effect that the dividends are subject only to charitable trusts and are exempt from tax, shall not be a chargeable payment.

- (6) In a case where—
- (a) foreign dividends are entrusted by a company which at the time they are entrusted (the “relevant time”) is not resident in the United Kingdom,
  - (b) they are entrusted for payment to a company which at the relevant time is resident in the United Kingdom, and
  - (c) at the relevant time the company mentioned in paragraph (b) above directly or indirectly controls not less than 10 per cent. of the voting power in the company mentioned in paragraph (a) above,
- the payment of those dividends shall not be a chargeable payment.

- (7) In a case where—
- (a) foreign dividends are payable by a company which at the time of the payment (the “relevant time”) is not resident in the United Kingdom,
  - (b) payment of those dividends is collected, received or secured, or coupons for those dividends are realised, on behalf of a company which at the relevant time is resident in the United Kingdom, and
  - (c) at the relevant time the company mentioned in paragraph (b) above directly or indirectly controls not less than 10 per cent. of the voting power in the company mentioned in paragraph (a) above,
- those dividends or, as the case may be, the proceeds of realisation of those coupons shall not be a chargeable receipt.

- (8) The Board may by regulations provide that subsection (1)(a) above does not apply in respect of a relevant payment, or that subsection (2)(a) above does not apply in respect of a relevant receipt, unless the paying agent or, as the case may be, the collecting agent has obtained a declaration from the recognised clearing system or its depository in such form, and containing such information, as may be required by those regulations.

- (9) The Board may by regulations make such provision as they may consider appropriate for requiring paying agents and collecting agents to deliver returns setting out particulars of—
- (a) any relevant payments made by them which would have been chargeable payments but for the provisions of section 118D(1)(a);
  - (b) any relevant receipts which would have been chargeable receipts but for the provisions of section 118D(2)(a) or (b);

and for the keeping and production to, or to an officer of, the Board of any document in which any such declaration as is mentioned in subsection (8) above is contained.

#### **Deduction of tax from chargeable payments and chargeable receipts.**

118E) Subject to subsection (2) below, where a paying agent makes a chargeable payment—

- (a) he shall, on making the payment, deduct from it a sum representing the amount of income tax thereon;
- (b) he shall become liable to account for that sum;

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- (c) the person to whom the chargeable payment is made shall allow the deduction on receipt of the residue of the payment, and the paying agent shall be acquitted and discharged of so much money as is represented by the deduction, as if that sum had actually been paid; and
  - (d) the deduction shall be treated as income tax paid by the person entitled to the chargeable payment.
- (2) In relation to United Kingdom public revenue dividends payable to the Bank of Ireland out of the public revenue of the United Kingdom, or which are entrusted to the Bank of Ireland for payment and distribution and are not payable by that Bank out of its principal office in Belfast, subsection (1) above shall not apply, but—
- (a) the money which, apart from this subsection, would be issuable to the Bank of Ireland under section 14 of the <sup>M74</sup>National Debt Act 1870, or otherwise payable to the Bank of Ireland for the purpose of dividends on securities of the United Kingdom government entered in the register of the Bank of Ireland in Dublin, shall be issued and paid to the Bank of England;
  - (b) the Bank of England shall deduct from the money so issued and paid to it a sum representing the amount of income tax on the dividends payable to the Bank of Ireland, and on the dividends on the securities of the United Kingdom government entered in the register of the Bank of Ireland in Dublin, and shall become liable to account for the same under section 118F(1);
  - (c) the Bank of England shall pay to the Bank of Ireland the residue of the money so issued and paid to it, to be applied by the Bank of Ireland in payment of the dividends; and
  - (d) the deduction shall be treated as income tax paid by the person entitled to the dividends, and the Bank of England and the Bank of Ireland shall be acquitted and discharged of so much money as is represented by the deduction, as if that sum had actually been paid.
- (3) Where a collecting agent performs a relevant function—
- (a) he shall on the chargeable date become liable to account for a sum representing the amount of income tax on any chargeable receipt in relation to which he is the collecting agent;
  - (b) he shall be entitled—
    - (i) to be indemnified by the person entitled to the chargeable receipt against the income tax for which he is liable to account in accordance with paragraph (a) above; and
    - (ii) to deduct out of the chargeable receipt or to retain from any other sums otherwise due from him to the person entitled to the chargeable receipt, or received by him on behalf of that person, amounts sufficient for meeting any liability to account for such income tax which he has discharged or to which he is subject;
  - (c) the person entitled to the chargeable receipt shall allow the deduction or retention on receipt of the residue of the chargeable receipt, and the collecting agent shall be acquitted and discharged of so much money as is represented by the deduction, as if that sum had actually been paid; and



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- (d) the amount for which the collecting agent is liable to account shall be treated as income tax paid by the person entitled to the chargeable receipt.
- (4) A paying agent who makes a chargeable payment, or a collecting agent who is required to account for tax on a chargeable receipt, shall, if the person entitled to the chargeable payment or, as the case may be, the chargeable receipt so requests in writing, furnish him within thirty days after receiving that request with a certificate showing—
  - (a) the gross amount of the payment or receipt;
  - (b) the amount of income tax treated as paid by him;
  - (c) the actual amount actually paid or accounted for to him; and
  - (d) the chargeable date.
- (5) The Board may by regulations—
  - (a) require a certificate furnished pursuant to subsection (4) above to contain information additional to that set out in paragraphs (a) to (d) of that subsection or a declaration made by or on behalf of the paying agent or collecting agent;
  - (b) make provision for the form of such a certificate or declaration.
- (6) The duty imposed by subsection (4) above shall be enforceable at the suit or instance of the person requesting the certificate.

#### **Accounting for tax on chargeable payments and chargeable receipts.**

- 118F) Income tax in respect of United Kingdom public revenue dividends for which the Bank of England, the Bank of Ireland, the National Debt Commissioners or any public office or department of the Crown are liable to account pursuant to section 118E(1) or (2) shall become due and payable on the seventh day after the chargeable date and shall be paid into the general account of the Board at the Bank of England or, in the case of the Bank of Ireland, at the Bank of Ireland.
- (2) Any other income tax for which a paying agent is liable to account under section 118E(1), and any income tax for which a collecting agent is liable to account under section 118E(3), shall become due and payable on the fourteenth day from the end of the month in which the chargeable date falls.
- (3) Any tax due under subsection (1) or (2) above shall carry interest, at the rate applicable under section 178 of the <sup>M75</sup>Finance Act 1989, from the date on which it becomes due until it is paid.
- (4) The Board may by regulations make such provision as they may consider appropriate—
  - (a) for requiring paying agents and collecting agents to deliver returns setting out particulars of—
    - (i) chargeable payments made by them;
    - (ii) chargeable receipts in respect of which they are liable to account for tax;
    - (iii) any relevant payments made by them which would have been chargeable payments but for the provisions of section 118G;

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- (iv) any relevant receipts which would have been chargeable receipts but for the provisions of section 118G;
- (v) the amount of any tax accounted for by them, or for which they are liable to account, in relation to chargeable payments or chargeable receipts;
- (vi) in the case of relevant payments falling within subparagraph (iii) above, the paragraphs of subsection (3) or (4) of section 118G that applied to them;
- (vii) in the case of relevant receipts falling within subparagraph (iv) above, the paragraphs of subsection (4) of section 118G that applied to them;
- (viii) the names and addresses of the persons entitled to the relevant payments or relevant receipts;
- (b) with respect to the furnishing of information by paying agents or collecting agents, including the inspection of books, documents and other records on behalf of the Board;
- (c) for the assessment under the regulations of amounts due and for appeals against such assessments;
- (d) for the repayment in specified circumstances of amounts paid (or purporting to be paid) under this Chapter.

**Relevant securities of eligible persons.**

- 118G(1) Subject to subsection (2) below, and to the provisions of any regulations under section 118H—
- (a) any relevant payment to which subsection (3) or (4) below applies shall not be a chargeable payment; and
  - (b) any relevant receipt to which subsection (4) below applies shall not be a chargeable receipt.
- (2) Regulations made under paragraph (g), (h) or (i) of subsection (4) below may provide that only one of paragraphs (a) and (b) of subsection (1) above is to apply by virtue of those regulations in relation to relevant payments or relevant receipts of a particular kind or from a particular source.
- (3) This subsection applies to payments of United Kingdom public revenue dividends so long as—
- (a) they are exempt from tax by virtue of section 46, 49, 516 or 517;
  - (b) they are payable in respect of gilt-edged securities which for the time being are treated by section 51A as issued subject to the condition that interest on them is paid without deduction of income tax;
  - (c) they are payable in respect of securities which have been issued with such a condition as is authorised by section 22(1) of the <sup>M76</sup>Finance (No. 2) Act 1931 and which are for the time being beneficially owned by a person who is not ordinarily resident in the United Kingdom;
  - (d) they are eligible for relief from tax by virtue of section 505(1)(c) or (d), or would be so eligible but for section 505(3);
  - (e) they are eligible for relief from tax by virtue of section 592(2), 608(2)(a), 613(4), 614(2), (3) or (4) or 643(2); or

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- (f) they are payable in respect of securities held by or on behalf of a person of such a description as may be prescribed.
- (4) This subsection applies to relevant payments (not being payments of United Kingdom public revenue dividends) and relevant receipts—
- (a) to which a person who, at the chargeable date—
    - (i) is not resident in the United Kingdom, and
    - (ii) beneficially owns the relevant holdings from which they are derived,is beneficially entitled;
  - (b) which consist of, or of the proceeds of sale or other realisation of coupons for, interest (other than quoted Eurobond interest) to which a bank which, at the chargeable date—
    - (i) is resident in the United Kingdom, and
    - (ii) beneficially owns the foreign holdings from which they are derived,is beneficially entitled;
  - (c) which arise to the trustees of a qualifying discretionary or accumulation trust in their capacity as such in respect of relevant holdings held on the trusts thereof;
  - (d) which are eligible for relief from tax by virtue of section 505(1)(c) or (d), or would be so eligible but for section 505(3);
  - (e) which are eligible for relief from tax by virtue of section 592(2), 608(2)(a), 613(4), 614(2), (3) or (4), 620(6) or 643(2);
  - (f) which consist of, or of the proceeds of sale or other realisation of coupons for, dividends payable out of the public revenue of the Republic of Ireland or out of or in respect of shares or securities issued by or on behalf of any Republic of Ireland company, society, adventure or concern;
  - (g) to which a person of such a description as may be prescribed and who, at the chargeable date, beneficially owns the securities from which they are derived, is beneficially entitled;
  - (h) which are derived from relevant holdings held by or on behalf of a person of such a description as may be prescribed;
  - (i) which are of such a description as may be prescribed; or
  - (j) which fall to be treated as the income of, or of the government of, a sovereign power or of an international organisation.
- (5) For the purposes of subsection (4)(c) above, a trust is a qualifying discretionary or accumulation trust if—
- (a) it is such that some or all of any income arising to the trustees would fall (unless treated as income of the settlor or applied in defraying expenses of the trustees) to be comprised for the year of assessment in which it arises in income to which section 686 (liability to additional rate tax of certain income of discretionary trusts) applies;
  - (b) the trustees are not resident in the United Kingdom; and
  - (c) none of the beneficiaries of the trust is resident in the United Kingdom.

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- (6) The persons who are to be taken for the purposes of subsection (5) above to be the beneficiaries of a discretionary or accumulation trust shall be every person who, as a person falling wholly or partly within any description of actual or potential beneficiaries, is either—
- (a) a person who is, or will or may become, entitled under the trust to receive the whole or any part of any income under the trust; or
  - (b) a person to or for the benefit of whom the whole or any part of such income may be paid or applied in exercise of any discretion conferred by the trust;
- and for the purposes of this subsection references, in relation to a trust, to income under the trust shall include references to so much (if any) of any property falling to be treated as capital under the trust as represents amounts originally received by the trustees as income.
- (7) The Board may by regulations provide that a paying agent who is entrusted with the payment or distribution of—
- (a) United Kingdom public revenue dividends on securities which are held by a nominee approved for the purposes of this subsection, or
  - (b) foreign dividends on foreign holdings held by such a nominee,
- shall treat those dividends as not being chargeable payments.
- (8) For the purpose of giving relief from tax pursuant to arrangements which have effect by virtue of section 788, the Board may by regulations provide that a paying agent who is entrusted with the payment or distribution of United Kingdom public revenue dividends on gilt-edged securities held by a nominee approved for the purposes of this subsection shall—
- (a) treat those dividends as not being chargeable payments, or
  - (b) deduct tax from them at such reduced rates (being lower than the rate that would otherwise be applicable by virtue of section 118E(1)) as may be prescribed.
- (9) Where, pursuant to subsection (7) or (8) above, dividends are paid without deduction of tax, or subject to deduction of tax at a reduced rate, the provisions of this Chapter shall apply, subject to subsection (10) below and to the provisions of regulations under section 118H, as though the nominee was the paying agent in relation to those dividends and the chargeable date was the date on which he received them.
- (10) Where tax has been deducted from dividends at a reduced rate pursuant to regulations under subsection (8) above, the tax for which the nominee is liable to account by virtue of subsection (9) above shall not exceed the difference between the amount of tax on those dividends at the rate that is applicable by virtue of section 118E(1) and the tax already deducted from them.

**Relevant securities of eligible persons: administration.**

- 118H) The Board may by regulations provide that section 118G(1) shall not apply as regards relevant payments or relevant receipts—
- (a) unless such conditions as may be prescribed are fulfilled;
  - (b) where the Board have reason to believe that section 118G(3) does not apply to, or to the whole of, any relevant payments; or

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- (c) where the Board have reason to believe that section 118G(4) does not apply to, or to the whole of, any relevant payments or relevant receipts.
- (2) In subsection (3) below, references to the relevant exclusion are to exclusion from being a chargeable payment or chargeable receipt pursuant to section 118G(1) or regulations made under section 118G(7) or (8), or to the deduction of tax at a reduced rate pursuant to regulations under section 118G(8), as the case may be; and references to the agent concerned are to the paying agent or collecting agent or, as the case may be, to the nominee approved for the purpose of section 118G(7) or (8).
- (3) Regulations under this section or section 118G(7) or (8) may—
  - (a) disapply the relevant exclusion in respect of any relevant payments or relevant receipts derived from any securities or relevant holdings unless the appropriate person has made a declaration in writing to the agent concerned, in such form as may be prescribed or authorised by the Board, confirming that the requirements for the exclusion are satisfied;
  - (b) require the person who makes such a declaration to undertake in the declaration to notify the agent concerned if the circumstances set out in the declaration change;
  - (c) require the agent concerned to consider the accuracy of any declaration made pursuant to a requirement imposed by virtue of paragraph (a) above;
  - (d) impose obligations—
    - (i) on persons having any rights in relation to relevant payments or relevant receipts in respect of which the relevant exclusion applies or is claimed to apply; and
    - (ii) on persons who are the agents concerned in relation to such relevant payments or relevant receipts as are mentioned in sub-paragraph (i) aboveas to the provision of information, and the production of documents, to the Board or, on request, to an officer of the Board;
  - (e) provide for notices to be issued by the Board to persons who fail to comply with requirements for the provision of information or documents mentioned in paragraph (d) above, disapplying the relevant exclusion in relation to relevant payments or relevant receipts in relation to which they have any rights or in relation to which they are the agents concerned;
  - (f) impose requirements as to—
    - (i) the form and contents of any declaration to be made in accordance with the regulations under this section;
    - (ii) the appropriate person to make such a declaration;
    - (iii) the form and manner in which, and the time at which, any declaration is to be made or provided; and
    - (iv) the keeping and production to, or to an officer of, the Board of any document in which any such declaration is contained;
  - (g) provide for notices to be issued by the Board to such persons as may be described in the regulations where the Board are satisfied that the

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relevant exclusion applies, or where the Board are satisfied or have reason to believe that the relevant exclusion does not apply.

- (4) Regulations under section 118G(7) or (8) may—
- (a) prescribe conditions for the inclusion of securities or foreign holdings in arrangements established under that subsection;
  - (b) set out procedures for the approval of nominees for the purpose of that subsection and for the withdrawal of such approval.

**Deduction of tax at reduced rate.**

118I The Board may make regulations which provide for the amount of any income tax which a paying agent would otherwise be liable to deduct under section 118E(1)(a), or for which a collecting agent would otherwise be liable to account under section 118E(3)(a), to be reduced by reference to liabilities for such tax paid under the law of a territory outside the United Kingdom as may be prescribed.

**Prevention of double accounting.**

- 118J) A relevant dividend the payment of which is a chargeable payment shall not be a chargeable receipt for the purpose of this Chapter.
- (2) Subsection (1) above does not prevent the proceeds of sale or other realisation of a coupon from being a chargeable receipt.
  - (3) The Board may make regulations—
    - (a) for preventing more than one collecting agent from being liable to account for tax on the same dividend; or
    - (b) which provide that—
      - (i) where more than one person is a collecting agent in relation to a dividend, those persons may agree between themselves which one of their number shall be treated as the collecting agent in relation to that dividend; and
      - (ii) the person so identified shall for all the purposes of this Chapter be treated as the sole collecting agent in relation to that dividend.

**Regulations.**

- 118K) Any power to make regulations under this Chapter—
- (a) may be exercised as regards prescribed cases or descriptions of case; and
  - (b) may be exercised differently in relation to different cases or descriptions of case, or in relation to different persons or descriptions of person.
- (2) Regulations under this Chapter may include such supplementary, incidental, consequential or transitional provisions as appear to the Board to be necessary or expedient.
  - (3) No specific provision of this Chapter about regulations shall prejudice the generality of subsections (1) and (2) above.”]

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#### Textual Amendments

**F469** Sch. 29 para. 1 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 1 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

#### Marginal Citations

**M74** 1870 c. 71.

**M75** 1989 c. 26.

**M76** 1931 c. 49.

## PART II

### OTHER PROVISIONS

#### *Penalties*

- [<sup>F470</sup>2 (1) In section 98 of the <sup>M77</sup>Taxes Management Act 1970 (penalties in respect of certain information provisions) the words “regulations under section 118D, 118F, 118G, 118H or 118I;” shall be inserted—
- (a) in column 1 of the Table, after “regulations under section 42A”; and
  - (b) in column 2 of the Table, after “regulations under section 51B”.
- (2) In the same section—
- (a) the words “ regulations under section 124(3); ” shall be inserted in column 1 of the Table after the words inserted by sub-paragraph (1)(a) above; and
  - (b) for the words “section 124(3)” in column 2 of the Table there shall be substituted “ regulations under section 124(3) ”.]

#### Textual Amendments

**F470** Sch. 29 para. 2 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 1 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

#### Marginal Citations

**M77** 1970 c. 9.

#### *Amendments of the Taxes Act 1988*

- [<sup>F471</sup>3 The Taxes Act 1988 shall be amended in accordance with paragraphs 4 to 7 below.]

#### Textual Amendments

**F471** Sch. 29 para. 3 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Notes 1, 2 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

- [<sup>F472</sup>4 For section 124(2) to (5) there shall be substituted—
- “(2) The conditions are—
- (a) that a person who—

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- (i) is not resident in the United Kingdom, and
  - (ii) beneficially owns the quoted Eurobond
- is beneficially entitled to the interest;
- (b) that the quoted Eurobond is held in a recognised clearing system.
- (3) The Board may by regulations provide that subsection (1)(b) above shall be taken not to apply to a payment of interest unless—
- (a) the person by or through whom the payment is made (the relevant payer) has received a declaration confirming that one of the conditions of subsection (2) above is satisfied, or
  - (b) they have issued a notice to the relevant payer stating that they consider that one (or both) of those conditions is satisfied.
- (4) Regulations under subsection (3) above may—
- (a) impose requirements as to—
    - (i) the contents of any declaration to be made in accordance with regulations under subsection (3)(a) above,
    - (ii) the form and manner in which any declaration is to be provided in accordance with any such regulations, and
    - (iii) the keeping and production to, or to an officer of, the Board of any document in which any such declaration is contained;
  - (b) make provision for any such declaration to be made by the person entitled to the interest (or, as the case may be, the depositary for the recognised clearing system) or by such other person as may be prescribed by the regulations;
  - (c) require the relevant payer to consider the accuracy of any such declaration;
  - (d) make provision for notices to be issued by the Board to such persons as may be described in the regulations where the Board consider that
    - (i) one (or both) of the conditions of subsection (2) above, or
    - (ii) neither of those conditions
 is satisfied in relation to interest paid on any holding of quoted Eurobonds;
  - (e) make provision with respect to the furnishing of information by relevant payers, including the inspection of books and other records on behalf of the Board;
  - (f) require relevant payers to deliver returns setting out particulars of payments made by them to which subsection (1)(b) above applies and the names and addresses of the persons entitled to them;
  - (g) contain such supplementary, incidental, consequential or transitional provisions as appear to the Board to be necessary or expedient.”]

#### Textual Amendments

**F472** Sch. 29 para. 4 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 2 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

<sup>F473</sup>5 (1) In section 348(3) and in section 349(1), at the end there shall be inserted “ or to any payment which is a relevant payment for the purposes of Chapter VIIA of Part IV ”.



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- (2) In section 349(3), the following paragraph shall be inserted after paragraph (d)—  
“(e) to any payment which is a relevant payment for the purposes of Chapter VIIA of Part IV; or”]

**Textual Amendments**

**F473** Sch. 29 para. 5 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 1 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

- [<sup>F474</sup>6 In section 582A (designated international organisations: miscellaneous exemptions), in subsection (1) for “(2) to (6) below” there shall be substituted “ (2) and (4) to (6) below and section 118B(4) ”.]

**Textual Amendments**

**F474** Sch. 29 para. 6 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 1 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

- [<sup>F475</sup>7 In paragraph 4(8) of Schedule 23A (manufactured overseas dividends), for the words “subsection (2) or (3) of section 123 or under Part III, as the case may be, and for Parts III and IV of Schedule 3” there shall be substituted “ Chapter VIIA of Part IV and for that Chapter ”.]

**Textual Amendments**

**F475** Sch. 29 para. 7 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 1 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

*Amendment of the Finance Act 1989*

- [<sup>F476</sup>8 In section 178 of the <sup>M78</sup>Finance Act 1989 (setting rates of interest), in subsection (2) (m), before “160” there shall be inserted “ 118F, ”.]

**Textual Amendments**

**F476** Sch. 29 para. 8 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 1 of the amending Act) by 2000 c. 17, ss. 156, Sch. 40 Pt. II(17)

**Marginal Citations**

**M78** 1989 c. 26.

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## SCHEDULE 30

Section 160.

## INVESTMENTS IN HOUSING

*Reduced rate of corporation tax*

1 After section 508 of the Taxes Act 1988 there shall be inserted the following sections—

**“508A Investment trusts investing in housing.**

- (1) Where any company that is an investment trust has eligible rental income for any accounting period—
  - (a) the rate of corporation tax chargeable for any financial year on the trust’s housing investment profits for that period shall be deemed to be the small companies’ rate for that year; and
  - (b) its housing investment profits for that period shall be treated for the purposes of section 13 as excluded from its basic profits for that period.
- (2) For the purposes of this section—
  - (a) a company’s eligible rental income for any period is so much of its income for that period as consists in rents or other receipts deriving from lettings by the company of eligible properties; and
  - (b) its housing investment profits for any period are so much of its profits for that period as represents the amount chargeable to tax under Schedule A in respect of its eligible rental income for that period.
- (3) In computing the amount mentioned in subsection (2)(b) above for any period, deductions shall be made which (except in so far as they exceed the amount from which they are deducted) are, in aggregate, not less than the sum of the following amounts—
  - (a) every amount which is both—
    - (i) deductible (otherwise than as a debit brought into account under Chapter II of Part IV of the Finance Act 1996) in the computation of any income of the company, or of its total profits, for that period, and
    - (ii) referable to, or to activities connected with, the letting by the company on assured tenancies of dwelling-houses that are eligible properties when so let,

and

  - (b) any amount that is so referable that would represent a non-trading deficit on the company’s loan relationships for that period.
- (4) For the purposes of subsection (3) above any question—
  - (a) whether for any period there is an amount referable to any matter that would represent a non-trading deficit on a company’s loan relationships, or
  - (b) as to what that amount is for that period,

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shall be determined by computing whether and to what extent there would for that period have been a non-trading deficit on the company's loan relationships if debits and credits fell to be brought into account under Chapter II of Part IV of the Finance Act 1996 to the extent only that they are referable to that matter.

#### **508B Interpretation of section 508A.**

- (1) In section 508A “eligible property”, in relation to a company, means (subject to the following provisions of this section) any dwelling-house as respects which the following conditions are satisfied—
  - (a) the company first acquired an interest in the dwelling-house on or after 1st April 1996;
  - (b) that interest was not, at the time when it was acquired, subject to any letting or to any statutory tenancy;
  - (c) at that time no arrangements had been made by the company or any person connected with it for the letting of the dwelling-house;
  - (d) the interest of the company in the dwelling-house is a freehold interest or an interest under a long lease at a low rent;
  - (e) the consideration given by the company for the acquisition of its interest in the dwelling-house did not exceed—
    - (i) £125,000, in the case of a dwelling-house in Greater London, or
    - (ii) £85,000, in any other case;
  - (f) the dwelling-house is let by the company under an assured tenancy and is neither—
    - (i) let by the company in consideration of a premium within the meaning of Schedule 8 to the 1992 Act, nor
    - (ii) a dwelling-house in respect of which the person to whom it is let or any associate of his has been granted any option to purchase.
- (2) For the purposes of paragraph (b) of subsection (1) above, no account shall be taken of any shorthold tenancy or statutory shorthold tenancy to which the interest became subject before the time when it was acquired.
- (3) For the purposes of paragraph (c) of subsection (1) above, no account shall be taken of any arrangements made by a person connected with the company in question before the time when the interest was acquired by the company if—
  - (a) that person had an interest in the dwelling-house when he made those arrangements;
  - (b) that person did not dispose of his interest at any time after the arrangements were entered into and before the company acquired its interest; and
  - (c) the arrangements were such as to confer a relevant entitlement on a person who, at the time when the company acquired its interest, was a tenant under any shorthold tenancy of the dwelling-house (or any part of it).
- (4) For the purposes of subsection (3)(c) above a relevant entitlement is an entitlement of a tenant under a shorthold tenancy of any premises, on the

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coming to an end of that tenancy, to such a further tenancy of the same or substantially the same premises as will itself be a shorthold tenancy.

(5) For the purposes of this section the consideration given by a company for the acquisition of an interest in a dwelling-house shall be taken (subject to subsection (6) below) to include—

- (a) any amount expended by the company on the construction or renovation of the dwelling-house or on any conversion by virtue of which that dwelling-house came to be usable as such;
- (b) any amount so expended by a person connected with the company; and
- (c) any consideration given by a person connected with the company for the acquisition of any such interest in the dwelling-house as—
  - (i) is subsequently acquired by the company, or
  - (ii) is held by such a person at the same time as the company holds its interest in the premises.

(6) Where a company has acquired any interest in a dwelling house from a person connected with that company—

- (a) amounts expended by that person as mentioned in paragraph (a) of subsection (5) above, and
- (b) the amount of any consideration given by that person for an interest in the dwelling-house,

shall be treated by virtue of that subsection as included in the consideration given by the company to the extent only that the aggregate of those amounts exceeds the consideration given by that company to that person for the interest acquired from that person by the company.

(7) In section 508A and this section—

“associate” has the meaning given by subsections (3) and (4) of section 417;

“assured tenancy” means—

- (a) any letting which is an assured tenancy for the purposes of the <sup>M79</sup>Housing Act 1988 or the <sup>M80</sup>Housing (Scotland) Act 1988, or
- (b) any tenancy in Northern Ireland which complies with such requirements or conditions as may be prescribed by regulations made by the Department of the Environment for Northern Ireland;

“letting” includes a letting by virtue of an agreement for a lease or under a licence, and “let” shall be construed accordingly;

“long lease”, in relation to the interest of a company in any dwelling-house, means a lease for a term of years certain of which at least 21 years remains unexpired at the time when that interest was acquired by the company;

“low rent” means a rent at an annual rate not exceeding—

- (a) £1,000, in the case of a dwelling-house in Greater London; and
- (b) £250, in any other case;

“rent” has the same meaning as it has for the purposes of Schedule A in its application to companies within the charge to corporation tax;

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“shorthold tenancy” means any letting which is an assured shorthold tenancy for the purposes of the <sup>M81</sup>Housing Act 1988 or a short assured tenancy for the purposes of the <sup>M82</sup>Housing (Scotland) Act 1988;

“statutory shorthold tenancy” means—

- (a) a statutory periodic tenancy within the meaning of the Housing Act 1988 which arose on the coming to an end of an assured shorthold tenancy which was a fixed term tenancy, or
- (b) a statutory assured tenancy within the meaning of the Housing (Scotland) Act 1988 which arose on the coming to an end of a short assured tenancy;

“statutory tenancy”—

- (a) in relation to England and Wales, has the same meaning as in the <sup>M83</sup>Rent Act 1977;
- (b) in relation to Scotland, has the same meaning as in the <sup>M84</sup>Rent (Scotland) Act 1984; and
- (c) in relation to Northern Ireland, has the same meaning as in the <sup>M85</sup>Rent (Northern Ireland) Order 1978.

(8) Section 839 shall apply for the purposes of this section.

(9) Section 508A shall have effect where—

- (a) a company acquires an interest in any dwelling-house, and
- (b) a person connected with the company has previously acquired an interest in the dwelling-house, being an interest subsequently acquired by the company or one held by that person at the same time as the company holds its interest,

as if references in this section (except in subsection (3) above) to the time when the company first acquired an interest in the premises included references to the time when the person connected with the company first acquired his interest.

(10) The Treasury may, if they think fit, by order vary the figures for the time being specified in paragraph (e) of subsection (1) above; and an order under this subsection may make different provision for different localities in Greater London or elsewhere.

(11) In the application of this section to Scotland—

- (a) references to acquiring an interest shall be construed, if there is a contract to acquire the interest, as references to entering into that contract;
- (b) references to the freehold interest shall be construed as references to the estate or interest of the proprietor of the *dominium utile* or, in the case of property other than feudal property, of the owner;
- (c) in the definition of “long lease” in subsection (7) above, the word “certain” shall be omitted.

(12) Regulations made for the purposes of paragraph (b) of the definition of “assured tenancy” in subsection (7) above shall be made by statutory rule for the purposes of the <sup>M86</sup>Statutory Rules (Northern Ireland) Order 1979, and

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shall be subject to negative resolution within the meaning of section 41(6) of the <sup>M87</sup> Interpretation Act (Northern Ireland) 1954.”

#### Marginal Citations

- M79 1988 c. 50.
- M80 1988 c. 43.
- M81 1988 c. 50.
- M82 1988 c. 43.
- M83 1977 c. 42.
- M84 1984 c. 58.
- M85 S.I. 1978/1050 (N.I. 20).
- M86 S.I. 1979/1573 (N.I. 12).
- M87 1954 c. 33 (N.I.).

#### *Investments in housing by investment trusts*

- 2 (1) Section 842 of the Taxes Act 1988 (investment trusts) shall be amended as follows.
- (2) In subsection (1) (conditions as to a company’s income for approval as an investment trust)—
- (a) in paragraph (a), for “derived wholly or mainly from shares or securities” there shall be substituted “ consists wholly or mainly of eligible investment income ”; and
  - (b) in paragraph (e), for “the income it derives from shares or securities” there shall be substituted “ its eligible investment income ”.
- (3) After that subsection there shall be inserted the following subsection—
- “(1AA) Income is eligible investment income for the purposes of this section in so far as it is either—
- (a) income deriving from shares or securities, or
  - (b) eligible rental income, within the meaning of section 508A.”

#### *Commencement*

- 3 This Schedule has effect in relation to accounting periods beginning on or after the day on which this Act is passed.

### SCHEDULE 31

Section 163.

#### LIFE ASSURANCE BUSINESS LOSSES

#### *Expenses of management*

- 1 In section 76 of the Taxes Act 1988 (expenses of management: insurance companies) in subsection (1) (which applies section 75 of that Act with specified exceptions) before paragraph (a) there shall be inserted—
- “(aa) where the whole or any part of a loss arising to the company in respect of its life assurance business in an accounting period is set

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off under section 393A or 403(1), there shall be deducted from the amount treated as the expenses of management for that period an amount equal to so much of the loss as, in the aggregate, is so set off, reduced by the amounts by which any losses for that period under section 436, 439B or 441 fall to be reduced under section 434A(2) (b); and

(ab) section 75(1) shall have effect with the substitution for “in computing profits apart from this section” of—

“(a) in computing income for the purposes of Schedule A, or

(b) by virtue of section 121(3) in computing income from the letting of rights to work minerals in the United Kingdom”

; and ”.

#### *Computation of losses and limitation on relief*

2 (1) In relation to accounting periods beginning on or after 1st January 1996 and ending after 31st March 1996, section 434A of the Taxes Act 1988 (life assurance business: computation of losses and limitation on relief) shall be amended as follows—

(a) for subsection (2) there shall be substituted the subsection (2) set out in sub-paragraph (2) below; and

(b) in subsection (2A) (which is inserted by paragraph 23(2) of Schedule 14 to this Act) for “(2)(c)” there shall be substituted “ (2)(a)(ii) ”.

(2) The subsection (2) set out in this sub-paragraph is as follows—

“(2) Where for any accounting period the loss arising to an insurance company from its life assurance business falls to be computed in accordance with the provisions of this Act applicable to Case I of Schedule D—

(a) the loss resulting from the computation shall be reduced (but not below nil) by the aggregate of—

(i) the aggregate amount treated as a charge on income in computing for the period, otherwise than in accordance with those provisions, the profits or losses of the company’s life assurance business; and

(ii) any relevant non-trading deficit for that period on the company’s debtor relationships; and

(b) if the whole or any part of that loss as so reduced is set off—

(i) under section 393A, or

(ii) under section 403(1),

any losses for that period under section 436, 439B or 441 shall be reduced to nil, unless the aggregate of those losses exceeds the total of the amounts set off as mentioned in sub-paragraphs (i) and (ii) above, in which case each of those losses shall be reduced by an amount which bears to that total the proportion which the loss in question bears to that aggregate.”

(3) In relation to accounting periods beginning on or after 1st January 1996 and ending on or before 31st March 1996, for subsection (2) of section 434A of the Taxes Act 1988 there shall be substituted the subsection (2) set out in sub-paragraph (2) above, but with the following amendments to paragraph (a), that is to say—

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- (a) in the words preceding sub-paragraph (i), the words “the aggregate of” shall be omitted;
- (b) in sub-paragraph (i), for “aggregate amount treated as a charge on income” there shall be substituted “amount of interest and annuities treated as charges on income ”; and
- (c) sub-paragraph (ii) shall be omitted.

*Spreading of relief for acquisition expenses*

F4773

**Textual Amendments**

F477 Sch. 31 para. 3(1)(2) repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)

*Ascertainment of losses*

4 In section 83 of the Finance Act 1989 (receipts to be brought into account) for subsection (3) (ascertainment of losses) there shall be substituted—

“(3) In ascertaining whether or to what extent a company has incurred a loss in respect of that business in a case where an amount is added to the company’s long term business fund as part of or in connection with—

- (a) a transfer of business to the company, or
- (b) a demutualisation of the company not involving a transfer of business,

that amount shall (subject to subsection (4) below) be taken into account, for the period for which it is brought into account, as an increase in value of the assets of that fund within subsection (2)(b) above.

(4) Subsection (3) above does not apply where, or to the extent that, the amount concerned—

- (a) would fall to be taken into account as a receipt apart from this section,
- (b) is taken into account under subsection (2) above otherwise than by virtue of subsection (3) above, or
- (c) is specifically exempted from tax.

(5) Any amount which is to be taken into account pursuant to subsection (3) above for a period of account shall be so taken into account—

- (a) after the making of any reduction under subsection (6) of section 83AA below in relation to that period, but
- (b) before the making of any reduction under subsection (3) of that section in relation to an accounting period of the company ending in or with that period.

(6) In subsection (3) above “transfer of business” means—

- (a) a transfer of the whole or part of the long term business of an insurance company in accordance with a scheme sanctioned by a



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- court under Part I of Schedule 2C to the <sup>M88</sup>Insurance Companies Act 1982;
- (b) a qualifying overseas transfer, within the meaning of paragraph 4A of Schedule 19AC to the Taxes Act 1988; or
  - (c) the making of a contract of reinsurance which, in whole or in part, constitutes or forms part of a total reinsurance by the reinsured, unless the reinsurer under the contract falls within section 439A of the Taxes Act 1988 (pure reinsurance).
- (7) For the purposes of subsection (3)(a) above, a transfer of business falling within subsection (6)(c) above shall be treated as a transfer of business to the company which is the reinsurer under the contract of reinsurance.
- (8) In this section—
- “add”, in relation to an amount and a company’s long term business fund, includes transfer (whether from other assets of the company or otherwise);
  - “demutualisation” means the conversion, under the law of any territory, of a company which has been carrying on insurance business without having a share capital into a company with a share capital, without any change of legal personality;
  - “total reinsurance” means the reinsurance (whether effected by a single contract of reinsurance or by two or more such contracts, taken together, whether or not made with the same reinsurer) of the whole, or substantially the whole, of the reinsured’s risk—
    - (a) under policies of a particular description issued in respect of insurances made in the course of carrying on life assurance business before the making of the contract of reinsurance (or, in a case where there are two or more contracts of reinsurance, the last of them); or
    - (b) under contracts of a particular description so made.”

**Marginal Citations**  
**M88** 1982 c. 50.

*Application of surplus in reduction of certain losses*

5 After section 83 of the <sup>M89</sup>Finance Act 1989 there shall be inserted—

**“83AA Amounts added to long term business fund of a company in excess of that company’s loss.**

- (1) If one or more relevant amounts are brought into account for a period of account of a company and either—
  - (a) the aggregate of those amounts exceeds the loss which, after the making of any reduction under subsection (6) below but before any application of section 83(3) above in relation to that period, would have arisen to the company in that period in respect of its life assurance business, or
  - (b) no such loss would have so arisen,

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the surplus for that period shall be applied in accordance with the following provisions of this section and section 83AB below.

(2) In this section—

“relevant amount” means so much of any amount which is added to the long term business fund of a company as mentioned in subsection (3) of section 83 above as does not fall within any of the paragraphs of subsection (4) of that section;

“surplus”, in relation to a period of account of a company, means (subject to section 83AB(2) below)—

- (a) if the aggregate of the relevant amounts brought into account for that period exceeds the amount of any loss which, after the making of any reduction under subsection (6) below but before any application of section 83(3) above in relation to that period, would have arisen to the company in that period in respect of its life assurance business, the amount of the excess; or
- (b) if no such loss would have so arisen, the aggregate of the relevant amounts brought into account for that period.

(3) Where, apart from section 83AB(2) below, there is a surplus for a period of account of a company for which there are brought into account one or more relevant amounts which were added to the company’s long term business fund as part of, or in connection with, a particular transfer of business, the appropriate portion of the surplus for that period shall be treated as reducing (but not below nil) so much of any loss arising to the transferor company in the relevant accounting period as, on a just and reasonable apportionment of the loss, is referable to the business which is the subject of that particular transfer.

(4) For the purposes of subsection (3) above, the appropriate portion of the surplus for a period of account of a company is, in the case of any particular transfer of business, the amount which bears to that surplus (apart from any additions by virtue of section 83AB(2) below) the proportion which A bears to B, where—

A is the aggregate of such of the relevant amounts added to the company’s long term business fund as part of, or in connection with, that particular transfer of business as are brought into account for that period, and

B is the aggregate of the relevant amounts brought into account for that period.

(5) Any reduction pursuant to subsection (3) above of the loss arising to the transferor company in the relevant accounting period shall be made after—

- (a) the making of any reduction under subsection (6) below, and
- (b) any application of section 83(3) above,

in relation to the period of account of that company in which falls the date of the particular transfer of business in question.

(6) Any loss arising to a company in respect of its life assurance business in a period of account subsequent to one for which there is a surplus shall be reduced (but not below nil) by so much of that surplus as cannot be applied—

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- (a) under subsection (3) above;
  - (b) under this subsection, in the reduction of a loss arising to the company in an earlier period of account; or
  - (c) under section 83AB below, in relation to a transfer of business from the company in that or any earlier period of account.
- (7) Any reduction pursuant to subsection (6) above of a loss arising to a company in a period of account shall be made—
  - (a) before any application of section 83(3) above in relation to that period, and
  - (b) if the company is also the transferor company in relation to a particular transfer of business, before the making of any reduction under subsection (3) above in relation to that one of its accounting periods which is the relevant accounting period in relation to that transfer.
- (8) A surplus in respect of an earlier period of account shall be applied under subsection (6) above before a surplus in respect of a later period of account.
- (9) All such adjustments to the liability to tax of any person shall be made, whether by assessment or otherwise, as may be required to give effect to this section.
- (10) In this section—
  - “add” has the same meaning as in section 83 above;
  - “the relevant accounting period” means the accounting period of the transferor company which—
    - (a) ends on the date of the transfer of business mentioned in subsection (3) above, or
    - (b) if that transfer of business falls within section 83(6)(c) above and no accounting period of the transferor company ends on that date, ends next after that date;
  - “transfer of business” has the same meaning as in section 83(3) above;
  - “the transferor company” means the company from which the transfer of business mentioned in subsection (3) above is effected.
- (11) A transfer of business falling within section 83(6)(c) above shall be treated for the purposes of this section as a transfer of business from the company which is the reinsured under the contract of reinsurance.

**83AB Treatment of surplus where there is a subsequent transfer of business from the company etc.**

- (1) If an amount is added to the long term business fund of a company as part of or in connection with a transfer of business to the company, or a demutualisation of the company not involving a transfer of business, and—
  - (a) there is a surplus for the period of account of the company for which that amount is brought into account,
  - (b) at any time after the transfer of business or demutualisation, there is a transfer of business from the company (the “subsequent transfer”), and

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- (c) at the end of the relevant period of account there remains at least some of the surplus mentioned in paragraph (a) above which cannot be applied—
- (i) under subsection (3) of section 83AA above,
  - (ii) under subsection (6) of that section, in the reduction of a loss arising to the company in an earlier period of account, or
  - (iii) under this section, in relation to an earlier subsequent transfer,
- so much of the surplus falling within paragraph (c) above as, on a just and reasonable apportionment, is referable to business which is the subject of the subsequent transfer shall be applied under this section.
- (2) An amount of surplus which is to be applied under this section shall be so applied by being treated as an amount of surplus (additional to any other amounts of surplus) for the period of account of the transferee company which last precedes the period of account of that company in which the subsequent transfer is effected, whether or not there is in fact any such preceding period of account.
- (3) If, in a case where an amount is treated under subsection (2) above as an amount of surplus for a period of account of a company, the period is not one for which there is brought into account an amount added to the company's long term business fund in connection with the subsequent transfer, subsection (1) above shall have effect in relation to any transfer of business from the company subsequent to that transfer as if an amount had been so added and had been brought into account for that period.
- (4) Any question as to what is a just and reasonable apportionment in any case for the purposes of subsection (1) above shall be determined by the Special Commissioners who shall determine the question in the same manner as they determine appeals; but any person affected by the apportionment shall be entitled to appear and be heard or make representations in writing.
- (5) A surplus in respect of an earlier period of account shall be applied under this section before a surplus in respect of a later period of account.
- (6) All such adjustments to the liability to tax of any person shall be made, whether by assessment or otherwise, as may be required to give effect to this section.
- (7) In this section—
- “add” has the same meaning as in section 83 above;
  - “demutualisation” has the same meaning as in section 83 above;
  - “the relevant period of account” means the period of account of the company from which the subsequent transfer is effected which consists of or includes the accounting period of that company which—
- (a) ends with the day on which the subsequent transfer is effected; or
  - (b) if the subsequent transfer is a transfer of business falling within section 83(6)(c) above and no accounting period of the company ends on that day, ends next after that day;

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“surplus” has the same meaning as in section 83AA above;  
“transfer of business” has the same meaning as in section 83(3) above;  
“transferee company” means the company to which the subsequent transfer of business is effected.

- (8) Where it is necessary for any purpose of this section to identify the time at which a demutualisation of a company takes place, that time shall be taken to be the time when the company first issues shares.
- (9) A transfer of business falling within section 83(6)(c) above shall be treated for the purposes of this section as a transfer of business from the company which is the reinsured under the contract of reinsurance to the company which is the reinsurer under that contract.”

**Marginal Citations**

**M89** 1989 c. 26.

*Meaning of “brought into account” in sections 83AA and 83AB*

- 6 (1) In section 83A of the <sup>M90</sup>Finance Act 1989, in subsection (1) (meaning of “brought into account” in section 83)—
- (a) for “In section 83” there shall be substituted “ In sections 83 to 83AB ”; and
  - (b) for “that section” there shall be substituted “ those sections ”.
- (2) In subsection (2) of that section (the accounts which are recognised for the purposes of that section) for “that section” there shall be substituted “ those sections ”.

**Marginal Citations**

**M90** 1989 c. 26.

*Enactments disapplying section 83(3) of the Finance Act 1989*

- 7 (1) The following provisions of the Taxes Act 1988 (each of which provides for section 83(3) of the Finance Act 1989 not to apply in certain cases) shall cease to have effect—
- (a) section 436(3)(aa);
  - (b) section 439B(3)(b); and
  - (c) section 441(4)(aa).
- (2) In consequence of sub-paragraph (1)(b) and (c) above, the word “ and ” shall be added at the end of section 439B(3)(a) and section 441(4)(a) of the Taxes Act 1988.

*Overseas life insurance companies*

- 8 (1) Schedule 8A to the Finance Act 1989 (modifications of sections 83 and 89 in relation to overseas life insurance companies) shall be amended in accordance with the following provisions of this paragraph.

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- (2) In the Heading “Modifications of sections 83 and 89 in relation to overseas life insurance companies” after “83” there shall be inserted “ to 83A ”.
- (3) In paragraph 1(1), for “sections 83 and 83A” there shall be substituted “ sections 83 to 83A ”.
- (4) In paragraph 1A, in sub-paragraph (4)—
  - (a) for the words from “being transferred” to “added to that fund” there shall be substituted “ being added to the company’s long term business fund ”; and
  - (b) in the second sentence, for “a transfer” and “transferred” there shall be substituted respectively “ an addition ” and “ added ”.
- (5) After that sub-paragraph there shall be added—
 

“(5) Any reference in section 83AA(2), (3) or (4) or 83AB(1) or (3) to an amount being added to the relevant company’s long term business fund shall be construed in accordance with sub-paragraph (4) above.”
- (6) In paragraph 1C(4), for “transfer” there shall be substituted “ addition ”.

*Transitional provisions*

- 9 (1) In the application of section 83AA or 83AB of the <sup>M91</sup>Finance Act 1989 in a case where one or more relevant amounts added to a company’s long term business fund on or before 25th March 1996 are brought into account for a period of account beginning on or after 1st January 1996—
  - (a) the amount of any loss which, before any application of section 83(3) of that Act in relation to that period, would have arisen to the company in that period shall be treated as reduced (but not below nil) by the aggregate of those relevant amounts; and
  - (b) except as provided by paragraph (a) above, those relevant amounts shall be disregarded.
- (2) In the application of sub-paragraph (1) above in relation to an overseas life insurance company, any reference to an amount added to a company’s long term business fund shall be taken as a reference to any assets which became assets of the long term business fund of an overseas life insurance company used or held for the purposes of the company’s United Kingdom branch or agency, having immediately previously been—
  - (a) held by the company otherwise than as assets of that fund, or
  - (b) used or held otherwise than for those purposes.
- (3) If the relevant accounting period mentioned in subsection (3) of section 83AA of the Finance Act 1989 is a period beginning before 1st January 1996, only the appropriate portion of the eligible loss shall be reduced pursuant to that subsection; and for the purposes of this sub-paragraph—
  - (a) “the eligible loss” means so much of the loss arising to the transferor company in the relevant accounting period as, on a just and reasonable apportionment of the loss for the purposes of that subsection, is referable to the business which is the subject of the particular transfer of business in question; and
  - (b) “the appropriate portion” of the eligible loss is the amount which bears to the eligible loss the proportion which A bears to B where—

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A is the number of days in the relevant accounting period which fall on or after 1st January 1996; and

B is the total number of days in the relevant accounting period.

(4) Paragraph 10(2) below shall not prevent—

- (a) an amount of surplus for a period of account of a company beginning on or after 1st January 1996, or
- (b) an amount of surplus for any period of account of a company which, by virtue of the operation of this sub-paragraph, derives from an amount of surplus falling within paragraph (a) above,

from being treated by virtue of section 83AB of the Finance Act 1989 as an amount of surplus for the period of account of another company last preceding its earliest period of account ending on or after 1st January 1996 (whenever beginning) or from being applied accordingly under section 83AA(6) or 83AB of that Act.

(5) In this paragraph—

“add” has the same meaning as in section 83 of the Finance Act 1989;

“brought into account” has the same meaning as it has in sections 83 to 83AB of that Act by virtue of section 83A of that Act;

“relevant amount” has the same meaning as in section 83AA of that Act;

“surplus” has the same meaning as in sections 83AA and 83AB of that Act.

#### Marginal Citations

M91 1989 c. 26.

#### Commencement

- 10 (1) Subject to paragraph 2(1) and (3) above, paragraphs 1 to 3 above have effect in relation to accounting periods beginning on or after 1st January 1996.
- (2) Subject to paragraph 9 above, paragraphs 4 to 8 above have effect in relation to periods of account beginning on or after 1st January 1996.

### SCHEDULE 32

Section 166.

#### EQUALISATION RESERVES

- 1 In Chapter I of Part XII of the Taxes Act 1988 (insurance companies and capital redemption business), after section 444B there shall be inserted the following sections—

#### *“ Equalisation reserves*

#### **444BA Equalisation reserves for general business.**

- (1) Subject to the following provisions of this section and to sections 444BB to 444BD, the rules in subsection (2) below shall apply in making any

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computation, for the purposes of Case I or V of Schedule D, of the profits or losses for any accounting period of an insurance company whose business has at any time been or included business in respect of which it was required, by virtue of section 34A regulations, to maintain an equalisation reserve.

- (2) Those rules are—
- (a) that amounts which, in accordance with section 34A regulations, are transferred into the equalisation reserve in respect of the company's business for the accounting period in question are to be deductible;
  - (b) that amounts which, in accordance with any such regulations, are transferred out of the reserve in respect of the company's business for that period are to be treated as receipts of that business; and
  - (c) that it must be assumed that all such transfers as are required by section 34A regulations to be made into or out of the reserve in respect of the company's business for any period are made as required.
- (3) Where an insurance company having any business in respect of which it is required, by virtue of section 34A regulations, to maintain an equalisation reserve ceases to trade—
- (a) any balance which exists in the reserve at that time for the purposes of the Tax Acts shall be deemed to have been transferred out of the reserve immediately before the company ceases to trade; and
  - (b) that transfer out shall be deemed to be a transfer in respect of the company's business for the accounting period in which the company so ceases and to have been required by section 34A regulations.
- (4) Where—
- (a) an amount is transferred into an equalisation reserve in respect of the business of an insurance company for any accounting period,
  - (b) the rule in subsection (2)(a) above would apply to the transfer of that amount but for this subsection,
  - (c) that company by notice in writing to an officer of the Board makes an election in relation to that amount for the purposes of this subsection, and
  - (d) the notice of the election is given not more than two years after the end of that period,
- the rule mentioned in subsection (2)(a) above shall not apply to that transfer of that amount and, instead, the amount transferred (the "unrelieved transfer") shall be carried forward for the purposes of subsection (5) below to the next accounting period and (subject to subsection (6) below) from accounting period to accounting period.
- (5) Where—
- (a) in accordance with section 34A regulations, a transfer is made out of an equalisation reserve in respect of an insurance company's business for any accounting period,
  - (b) the rule in subsection (2)(b) above would apply to the transfer but for this subsection, and
  - (c) the accounting period is one to which any amount representing one or more unrelieved transfers has been carried forward under subsection (4) above,



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that rule mentioned in subsection (2)(b) above shall not apply to that transfer except to the extent (if any) that the amount of the transfer exceeds the aggregate of the amounts representing unrelieved transfers carried forward to that period.

(6) Where in the case of any company—

- (a) any amount representing one or more unrelieved transfers is carried forward to an accounting period in accordance with subsection (4) above, and
- (b) by virtue of subsection (5) above the rule in subsection (2)(b) above does not apply to an amount representing the whole or any part of any transfer out of an equalisation reserve in respect of the company's business for that period,

the amount mentioned in paragraph (a) above shall not be carried forward under subsection (4) above to the next accounting period except to the extent (if any) that it exceeds the amount mentioned in paragraph (b) above.

(7) To the extent that any actual or assumed transfer in accordance with section 34A regulations of any amount into an equalisation reserve is attributable to arrangements entered into wholly or mainly for tax purposes—

- (a) the rule in subsection (2)(a) above shall not apply to that transfer; and
- (b) the making of that transfer shall be disregarded in determining, for the purposes of the Tax Acts, whether and to what extent there is subsequently any requirement to make a transfer into or out of the reserve in accordance with section 34A regulations;

and this subsection applies irrespective of whether the insurance company in question is a party to the arrangements.

(8) For the purposes of this section the transfer of an amount into an equalisation reserve is attributable to arrangements entered into wholly or mainly for tax purposes to the extent that the arrangements to which it is attributable are arrangements—

- (a) the sole or main purpose of which is, or
- (b) the sole or main benefit accruing from which might (but for subsection (7) above) be expected to be,

the reduction by virtue of this section of any liability to tax.

(9) Where—

- (a) any transfer made into or out of an equalisation reserve maintained by an insurance company is made in accordance with section 34A regulations in respect of business carried on by that company over a period (“the equalisation period”), and
- (b) parts of the equalisation period are in different accounting periods,

the amount transferred shall be apportioned for the purposes of this section between the different accounting periods in the proportions that correspond to the number of days in the equalisation period that are included in each of those accounting periods.

(10) The Treasury may by regulations provide in relation to any accounting periods ending on or after 1st April 1996 for specified transitional provisions

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contained in section 34A regulations to be disregarded for the purposes of the Tax Acts in determining how much is required, on any occasion, to be transferred into or out of any equalisation reserve in accordance with the regulations.

- (11) In this section and sections 444BB to 444BD “section 34A regulations” means regulations made under section 34A of the <sup>M92</sup>Insurance Companies Act 1982 (equalisation reserves in respect of general business).

**444BB Modification of s. 444BA for mutual or overseas business and for non-resident companies.**

- (1) The Treasury may by regulations make provision modifying section 444BA so as, in cases mentioned in subsection (2) below—
- (a) to require—
    - (i) sums by reference to which the amount of any transfer into or out of an equalisation reserve falls to be computed, or
    - (ii) the amount of any such transfer,
 to be apportioned between different parts of the business carried on for any period by an insurance company; and
  - (b) to provide for the purposes of corporation tax for the amounts taken to be transferred into or out of an equalisation reserve to be computed disregarding any such sum or, as the case may be, any such part of a transfer as is attributed, in accordance with the regulations, to a part of the business described for the purpose in the regulations.
- (2) Those cases are cases where an insurance company which, in accordance with section 34A regulations, is required to make transfers into or out of an equalisation reserve in respect of any business carried on by that company for any period is carrying on, for the whole or any part of that period—
- (a) any business the income and gains of which fall to be disregarded in making a computation of the company’s profits in accordance with the rules applicable to Case I of Schedule D, or
  - (b) any business by reference to which double taxation relief is afforded in respect of any income or gains.
- (3) Section 444BA shall have effect (subject to any regulations under subsection (1) above) in the case of an equalisation reserve maintained by an insurance company which—
- (a) is not resident in the United Kingdom, and
  - (b) carries on business in the United Kingdom through a branch or agency,
- only if such conditions as may be prescribed by regulations made by the Treasury are satisfied in relation to that company and in relation to transfers into or out of that reserve.
- (4) Regulations under this section prescribing conditions subject to which section 444BA is to apply in the case of any equalisation reserve maintained by an insurance company may—
- (a) contain conditions imposing requirements on the company to furnish the Board with information with respect to any matters to

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which the regulations relate, or to produce to the Board documents or records relating to any such matters; and

- (b) provide that, where any prescribed condition is not, or ceases to be, satisfied in relation to the company or in relation to transfers into or out of that reserve, there is to be deemed for the purposes of the Tax Acts to have been a transfer out of that reserve of an amount determined under the regulations.

(5) Regulations under this section may—

- (a) provide for apportionments under the regulations to be made in such manner, and by reference to such factors, as may be specified or described in the regulations;
- (b) make different provision for different cases;
- (c) contain such supplementary, incidental, consequential and transitional provision as the Treasury may think fit;
- (d) make provision having retrospective effect in relation to accounting periods beginning not more than one year before the time when the regulations are made;

and the powers conferred by this section in relation to transfers into or out of any reserve shall be exercisable in relation to both actual and assumed transfers.

(6) In this section “double taxation relief” means—

- (a) relief under double taxation arrangements which takes the form of a credit allowed against corporation tax, or
- (b) unilateral relief under section 790(1) which takes that form;

and “double taxation arrangements” here means arrangements having effect by virtue of section 788.

#### **444BC Modification of s. 444BA for non-annual accounting etc.**

- (1) The Treasury may by regulations make provision modifying the operation of section 444BA in relation to cases where an insurance company has, for the purpose of preparing the documents it is required to prepare for the purposes of section 17 of the <sup>M93</sup>Insurance Companies Act 1982, applied for any period an accounting method described in paragraph 52 or 53 of Schedule 9A to the <sup>M94</sup>Companies Act 1985 (accounting on a non-annual basis).
- (2) Subsection (5) of section 444BB applies for the purposes of this section as it applies for the purposes of that section.

#### **444BD Application of s. 444BA rules to other equalisation reserves.**

- (1) The Treasury may by regulations provide for section 444BA to have effect, in such cases and subject to such modifications as may be specified in the regulations, in relation to any equivalent reserves as it has effect in relation to equalisation reserves maintained by virtue of section 34A regulations.
- (2) For the purposes of this section a reserve is an equivalent reserve if—
  - (a) it is maintained, otherwise than by virtue of section 34A regulations, either—

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- (i) by an EC company carrying on business in the United Kingdom through a branch or agency, or
  - (ii) in respect of any insurance business (within the meaning of the Insurance Companies Act 1982) which is carried on outside the United Kingdom by a company resident in the United Kingdom;
- and
- (b) the purpose for which, or the manner in which, it is maintained is such as to make it equivalent to an equalisation reserve maintained by virtue of section 34A regulations.
- (3) For the purposes of this section a reserve is also an equivalent reserve if it is maintained in respect of any credit insurance business in accordance with requirements imposed either—
- (a) by or under any enactment, or
  - (b) under so much of the law of any territory as secures compliance with the requirements of Article 1 of the credit insurance directive (equalisation reserves for credit insurance).
- (4) Without prejudice to the generality of subsection (1) above, the modifications made by virtue of that subsection may—
- (a) provide for section 444BA to apply in the case of an equivalent reserve only where such conditions as may be specified in the regulations are satisfied in relation to the company maintaining the reserve or in relation to transfers made into or out of it; and
  - (b) contain any other provision corresponding to any provision which, in the case of a reserve maintained by virtue of section 34A regulations, may be made under sections 444BA to 444BC.
- (5) Subsections (4) and (5) of section 444BB shall apply for the purposes of this section as they apply for the purposes of that section.
- (6) Without prejudice to the generality of section 444BB(5), the transitional provision which by virtue of subsection (5) above may be contained in regulations under this section shall include—
- (a) provision for treating the amount of any transfers made into or out of an equivalent reserve in respect of business carried on for any specified period as increased by the amount by which they would have been increased if no transfers into the reserve had been made in respect of business carried on for an earlier period; and
  - (b) provision for excluding from the rule in section 444BA(2)(b) so much of any amount transferred out of an equivalent reserve as represents, in pursuance of an apportionment made under the regulations, the transfer out of that reserve of amounts in respect of which there has been no entitlement to relief by virtue of section 444BA(2)(a).
- (7) In this section—
- “credit insurance business” means any insurance business falling within general business class 14 of Schedule 2 to the <sup>M95</sup>Insurance Companies Act 1982 that is not reinsurance business;

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“the credit insurance directive” means Council Directive [87/343/EEC](#) of 22nd June 1987 amending, as regards credit insurance and suretyship insurance, First Directive 73/239 on the coordination of laws, regulations and administrative provisions relating to the taking-up and pursuit of the business of direct insurance other than life assurance; and

“EC company” has the same meaning as in the <sup>M96</sup>Insurance Companies Act 1982.”

**Marginal Citations**

- M92 1982 c. 50.
- M93 1982 c. 50.
- M94 1985 c. 6.
- M95 1982 c. 50.
- M96 1982 c. 50.

- 2 In the second column of the Table in section 98 of the <sup>M97</sup>Taxes Management Act 1970 (penalties in respect of certain information provisions), after the entry relating to regulations under section 431E(1) or 441A(3) of the Taxes Act 1988 there shall be inserted the following entries—

“regulations under section 444BB;  
regulations under section 444BD;”.

**Marginal Citations**

- M97 1970 c. 9.

SCHEDULE 33

Section 168.

MANAGEMENT EXPENSES OF CAPITAL REDEMPTION BUSINESS

*Amendment of section 76 of Taxes Act*

- 1 (1) In section 76 of the Taxes Act 1988 (management expenses of companies carrying on life assurance business), after subsection (5) there shall be inserted the following subsection—
- “(5A) In the preceding provisions of this section references to life assurance business and references to basic life assurance and general annuity business shall be deemed, in each case, to include references to capital redemption business.”
- (2) In subsection (6) of that section, at the end there shall be inserted “or to any capital redemption business carried on by the company at or through that branch or agency.”
- (3) In subsection (8) of that section, before the definition of “investment business” there shall be inserted the following definition—

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““capital redemption business” means any capital redemption business, within the meaning of section 458, which is business to which that section applies;”.

*Treatment of capital redemption business*

- 2 In subsection (1) of section 458 of the Taxes Act 1988 (capital redemption business), at the end there shall be inserted “ and where section 76 applies by virtue of subsection (5A) of that section, it shall apply separately to capital redemption business ”.

*Overseas life insurance companies*

- 3 In sub-paragraph (1) of paragraph 5 of Schedule 19AC to the Taxes Act 1988 (modification of section 76), at the end of paragraph (a) of the subsection (6A) which is treated as inserted by that sub-paragraph there shall be inserted “ or capital redemption business ”.

*Commencement*

- 4 This Schedule has effect as respects accounting periods ending on or after the day appointed under section 199 of the <sup>M98</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).

**Marginal Citations**

M98 1994 c. 9.

F478 SCHEDULE 34

**Textual Amendments**

F478 Sch. 34 repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(12), Note of the amending Act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(12)

F482 SCHEDULE 35

**Textual Amendments**

F482 Sch. 35 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

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## SCHEDULE 36

Section 182.

### CONTROLLED FOREIGN COMPANIES

- 1 (1) Section 747A of the Taxes Act 1988 (special rule for computing chargeable profits: currency) shall be amended as follows.
- (2) Subsection (7) (first relevant accounting period of a trading company where subsection (6) does not apply) shall be omitted.
- (3) In subsection (8) (first relevant accounting period of a company which is not a trading company)—
  - (a) the words “the company is not a trading company and” shall be omitted;
  - <sup>F483</sup>(b) .....
  - <sup>F483</sup>(c) .....

#### Textual Amendments

<sup>F483</sup> Sch. 36 para. 1(3)(b)(c) repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 11 Pt. 2\(6\)](#)

- 2 In section 748(3) of the Taxes Act 1988 (direction under section 747(1) not to be given in cases where reduction in United Kingdom tax was not the main purpose etc) in paragraph (a), for “or any two or more of those transactions taken together” there shall be substituted “or any two or more transactions taken together, the results of at least one of which are so reflected, ”.
- 3 (1) Schedule 24 to the Taxes Act 1988 (assumptions for calculating chargeable profits etc) shall be amended in accordance with the following provisions of this paragraph.
  - (2) In paragraph 1 (general) after sub-paragraph (3) there shall be inserted—
    - “(3A) In any case where—
      - (a) it is at any time necessary for any purpose of Chapter IV of Part XVII to determine the chargeable profits of the company for an accounting period, and
      - (b) at that time—
        - (i) no direction has been given under section 747(1) with respect to that or any earlier accounting period of the company, and
        - (ii) it has not been established that that or any earlier accounting period of the company is an ADP exempt period,
    - in determining the chargeable profits of the company for the accounting period mentioned in paragraph (a) above it shall be assumed, for the purpose of any of the following provisions of this Schedule which refer to the first accounting period in respect of which a direction is given under section 747(1) or which is an ADP exempt period, that that period (but not any earlier period) is an accounting period in respect of which such a direction is given or which is an ADP exempt period.”
  - (3) After sub-paragraph (5) of that paragraph there shall be inserted—
    - “(6) Any reference in this Schedule to an “ADP exempt period”, in the case of any company, is a reference to an accounting period of the company—

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- (a) which begins on or after 28th November 1995; and
  - (b) in respect of which the company pursued, within the meaning of Part I of Schedule 25, an acceptable distribution policy.”
- (4) In paragraph 2(1) (company assumed to have become resident in the United Kingdom at the beginning of the first accounting period in respect of which a direction is given under section 747(1) and to have continued so resident etc) for “in respect of which a direction is given under section 747(1) and” there shall be substituted—
- “(a) in respect of which a direction is given under section 747(1), or
  - (b) which is an ADP exempt period,
- and .”
- (5) In paragraph 4 (maximum reliefs assumed to have been claimed etc unless notice requesting other treatment is given by UK resident company or companies with a majority interest) after sub-paragraph (1) there shall be inserted—
- “(1A) Sub-paragraph (2) below applies to any accounting period of the company—
- (a) in respect of which a direction is given under section 747(1); or
  - (b) which is an ADP exempt period.”
- (6) In sub-paragraph (2) of that paragraph (notice to be given not later than the expiry of the time for making an appeal under s.753 or within such longer period as the Board may allow)—
- (a) at the beginning there shall be inserted “ Where this sub-paragraph applies to an accounting period of the company, then ”; <sup>F484</sup>and
  - <sup>F484</sup>(b) for “the time for the making of an appeal under section 753” there shall be substituted “ the appropriate period ”.]
- <sup>F485</sup>(7) After that sub-paragraph there shall be inserted—
- “(2A) For the purposes of sub-paragraph (2) above, “the appropriate period”—
- (a) in the case of an accounting period in respect of which a direction is given under section 747(1), means the time for the making of an appeal under section 753; and
  - (b) in the case of an accounting period which is an ADP exempt period, means the period of twenty months following the end of the accounting period.”]
- (8) After sub-paragraph (3) of that paragraph (which defines the UK resident company or companies with a majority interest) there shall be inserted—
- “(3A) Sub-paragraph (3) above shall apply in relation to an accounting period which is an ADP exempt period as it would apply if—
- (a) that accounting period had instead been one in respect of which a direction had been duly given under section 747(1), and
  - (b) such apportionments and assessments as are mentioned in sub-paragraph (3) above had been made.”
- (9) In paragraph 9(1)(c) (losses incurred in accounting periods in which, among other things, the company was not resident in the United Kingdom) after “was not resident” there shall be inserted “ , and is not to be assumed by virtue of paragraph 2(1)(b) above to have been resident, ”.



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- (10) In paragraph 10 (capital allowances for expenditure incurred on machinery or plant before the first accounting period in respect of which a direction is given under section 747(1)) for “in respect of which a direction is given under section 747(1), the” there shall be substituted—
- “(a) in respect of which a direction is given under section 747(1), or
  - (b) which is an ADP exempt period, the”.
- (11) In paragraph 11 (write-down of allowances for certain years preceding the first for which a direction is given under section 747(1)) in sub-paragraph (2) (which defines the starting period as the first accounting period for which a direction is given and makes provision in respect of claims under paragraph 9(3)) for “in respect of which a direction is given under section 747(1) and” there shall be substituted—
- “(a) in respect of which a direction is given under section 747(1), or
  - (b) which is an ADP exempt period, and”.

#### Textual Amendments

**F484** Sch. 36 para. 3(6)(b) and the preceding word “and” repealed (31.7.1998 with effect in accordance with Sch. 17 para. 37 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(27), Note

**F485** Sch. 36 para. 7 repealed (31.7.1998 with effect in accordance with Sch. 17 para. 37 of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(27), Note

- 4 (1) Schedule 25 to the Taxes Act 1988 (cases excluded from direction-making powers) shall be amended as follows.
- (2) In paragraph 2 (acceptable distribution policy)—
- (a) in sub-paragraph (1)(d) (amount of the dividend etc paid to persons resident in the United Kingdom) for “50 per cent. of the company’s available profits” there shall be substituted “ 90 per cent. of the company’s net chargeable profits ”;
  - (b) in sub-paragraph (6) (computation of appropriate portion of profits in cases where there are two classes of issued shares) in the definition of “X”, for “available profits” there shall be substituted “ net chargeable profits ”.
- (3) In paragraph 2A (further provisions to determine whether a controlled foreign company which is not a trading company pursues an acceptable distribution policy)
- (a) in sub-paragraph (1) (application) the words “which is not a trading company” shall be omitted;
  - (b) in sub-paragraph (5)(c) (which modifies the definition of “X” in paragraph 2(6) for certain purposes) for “available profits” there shall be substituted “ net chargeable profits ”;
  - (c) sub-paragraphs (6) and (7) (which are superseded by amendments made to paragraph 2 by this Schedule) shall be omitted.
- (4) In paragraph 3 (“available profits” and “net chargeable profits” for purposes of Part I of the Schedule)—
- (a) sub-paragraphs (1) to (4) (ascertainment of “available profits”) shall be omitted;
  - (b) in sub-paragraph (5) (certain dividends to be left out of account in determining available profits or, where the company is not a trading

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company, chargeable profits) the words “the available profits or, where the company is not a trading company,” shall be omitted.

- (5) In paragraph 6 (exempt activities) in sub-paragraph (2)(b) (less than 50 per cent. of gross trading receipts from wholesale, distributive or financial business to be derived from connected or associated persons) after “connected or associated persons” there shall be added “ or persons who have an interest in the company at any time during that accounting period. ”
- (6) In paragraph 16(2) (reductions in United Kingdom tax: extended meaning of “transaction” in paragraphs 17 and 18)—
- (a) in paragraph (a), after “transaction” there shall be inserted “ the results of which are ”; and
  - (b) in paragraph (b), for “two or more such transactions taken together” there shall be substituted “ two or more transactions taken together, the results of at least one of which are so reflected ”.

## SCHEDULE 37

Section 198.

### BANKS

#### PART I

##### “BANK” RE-DEFINED FOR CERTAIN PURPOSES

- 1 (1) After section 840 of the Taxes Act 1988 there shall be inserted the following section—

##### “840A Banks.

- (1) In any provision in relation to which it is provided that “bank” has the meaning given by this section “bank” means—
- (a) the Bank of England;
  - (b) an institution authorised under the <sup>M104</sup>Banking Act 1987;
  - (c) a relevant European institution; or
  - (d) a relevant international organisation which is designated as a bank for the purposes of that provision by an order made by the Treasury.
- (2) For the purposes of subsection (1) above, an institution is a relevant European institution if—
- (a) it is a European authorised institution within the meaning of the <sup>M105</sup>Banking Co-ordination (Second Council Directive) Regulations 1992; and
  - (b) the requirements of paragraph 1 of Schedule 2 to those regulations have been complied with in relation to its establishment of a branch.
- (3) For the purposes of subsection (1) above, a relevant international organisation is an international organisation of which the United Kingdom is a member.”

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- (2) In section 828 of the Taxes Act 1988 (regulations and orders), in subsection (4), for “or 791” there shall be substituted “ 791 or 840A(1)(d) ”.

**Marginal Citations**

**M104** 1987 c. 22.

**M105** S.I. 1992/3218.

**PART II**

AMENDMENTS OF THE TAXES ACT 1988

*Provisions in which new meaning of “bank” applies*

- 2 (1) The following subsection—
- “(0) In this section “bank” has the meaning given by section 840A.”,
- shall be inserted in the Taxes Act 1988 in accordance with sub-paragraph (2) below.
- (2) The subsection shall be inserted—
- (a) in section 234A (information relating to distributions), after subsection (8), as subsection (8A);
  - (b) in section 349 (payment of interest under deduction of tax, etc.), after subsection (3), as subsection (3AA);
  - (c) in section 745 (obligation to furnish information not to apply to banks), after subsection (5), as subsection (5A);
  - (d) in section 816 (obligation to disclose certain particulars to apply to banks), after subsection (3), as subsection (3A).
- (3) In Schedule 20 to the Taxes Act 1988 (charities: qualifying investments and loans), in paragraph 7 (certain deposits with banks to be qualifying investments), after sub-paragraph (2), there shall be inserted the following sub-paragraph—
- “(3) In this paragraph “bank” has the meaning given by section 840A.”
- (4) The provisions of paragraph 10 of that Schedule shall become sub-paragraph (1) of that paragraph and after that sub-paragraph there shall be inserted the following sub-paragraph—
- “(2) In this paragraph “bank” has the meaning given by section 840A.”

*Related amendments*

- 3 In section 349(3) of the Taxes Act 1988—
- (a) in paragraph (a), for the words from “in the United Kingdom” to the end there shall be substituted “ on an advance from a bank, if at the time when the interest is paid the person beneficially entitled to the interest is within the charge to corporation tax as respects the interest ”;
  - (b) in paragraph (b), for “such a bank in the ordinary course of that” there shall be substituted “ a bank in the ordinary course of its ”.

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- 4 After subsection (3AA) of section 349 of the Taxes Act 1988 (inserted by paragraph 2 above) there shall be inserted the following subsection—
- “(3AB) An order under section 840A(1)(d) designating an organisation as a bank for the purposes of paragraph (a) of subsection (3) above may provide that that paragraph shall apply to the organisation as if the words from “if” to the end were omitted.”
- 5 In Schedule 20 to the <sup>M106</sup>Taxes Act 1988, in paragraphs 7(1) and 10, for “an institution authorised under the Banking Act 1987” there shall in each case be substituted “a bank”.

#### Marginal Citations

M106 1987 c. 22.

#### Application

- 6 The amendments of the Taxes Act 1988 made by paragraphs 2 to 5 above apply as mentioned in paragraphs 7 to 10 below.
- 7 The amendment of section 234A applies in relation to payments made on or after the day on which this Act is passed.
- 8 (1) The amendment of subsection (3)(a) of section 349, and inserted subsection (3AA) of that section so far as it relates to subsection (3)(a), apply in accordance with sub-paragraphs (2) to (6) below.
- (2) The amendments do not apply in relation to interest payable before the day on which this Act is passed.
- (3) In the case of an institution which—
- (a) immediately before the day on which this Act is passed, is treated for the purposes of section 349(3)(a) as a bank carrying on a bona fide banking business in the United Kingdom, and
  - (b) on that day, falls within the definition of “bank” given by section 840A(1),
- the amendments apply in relation to interest payable on an advance made before that day as well as in relation to interest payable on an advance made on or after that day.
- (4) In the case of an institution which—
- (a) immediately before the day on which this Act is passed, is not treated for the purposes of section 349(3)(a) as a bank carrying on a bona fide banking business in the United Kingdom, and
  - (b) on that day, falls within the definition of “bank” given by section 840A(1),
- the amendments apply only in relation to interest payable on an advance made on or after that day.
- (5) Sub-paragraph (6) below applies in the case of an institution which—
- (a) immediately before the day on which this Act is passed, is treated for the purposes of section 349(3)(a) as a bank carrying on a bona fide banking business in the United Kingdom; and
  - (b) on that day does not fall within the definition of “bank” given by section 840A(1).

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- (6) The amendments apply in relation to—
- (a) interest payable on an advance made on or after the day on which this Act is passed; and
  - (b) interest payable on an advance made before that day, if at the time when the interest is paid the person beneficially entitled to the interest is not within the charge to corporation tax as respects the interest.
- (7) The amendment of subsection (3)(b) of section 349, and inserted subsection (3AA) of that section so far as it relates to subsection (3)(b), apply in relation to interest paid on or after the day on which this Act is passed on an advance made on or after that day.
- (8) In relation to interest paid on an advance made before the day on which this Act is passed, section 349(3)(b) shall have effect as if for the words “such a bank” there were substituted “ a bank carrying on a bona fide banking business in the United Kingdom ” (and section 349(3AA) shall be disregarded).
- 9 The amendments of sections 745 and 816 apply in relation to requirements imposed on or after the day on which this Act is passed.
- 10 The amendments of paragraphs 7 and 10 of Schedule 20 apply in relation to deposits made or, as the case may be, money placed on or after the day on which this Act is passed.

### PART III

#### OTHER AMENDMENTS

##### *Amendments of the Management Act*

- 11 (1) The following subsection—
- “(0) In this section “bank” has the meaning given by section 840A of the principal Act.”,
- shall be inserted in the <sup>M107</sup>Taxes Management Act 1970 in accordance with subparagraph (2) below.
- (2) The subsection shall be inserted—
- (a) in section 17 (returns from banks etc.), after subsection (1), as subsection (1A);
  - (b) in section 18 (obligation to supply certain information not to apply to banks), after subsection (3), as subsection (3AA);
  - (c) in section 24 (obligation to disclose certain particulars not to apply to banks), after subsection (3), as subsection (3A).
- (3) In section 17(1) of that Act, for “person carrying on the trade or business of banking” there shall be substituted “ such person who is a bank ”.
- (4) In section 18(3) of that Act for the words from “carrying on” to the end there shall be substituted “ in respect of any interest paid by the bank in the ordinary course of its business ”.
- (5) This paragraph applies as follows—

*Status: Point in time view as at 06/04/2006.*

*Changes to legislation: Finance Act 1996 is up to date with all changes known to be in force on or before 17 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (a) the amendments of section 17 apply in relation to interest paid on or after the day on which this Act is passed; and
- (b) the amendments of sections 18 and 24 apply in relation to requirements imposed on or after the day on which this Act is passed.

**Marginal Citations**

M107 1970 c. 9.

*Amendments of the Inheritance Tax Act 1984*

- 12 (1) In section 157 of the <sup>M108</sup>Inheritance Tax Act 1984 (non-residents' bank accounts), in subsection (5), for “the Bank of England, the Post Office or an authorised institution” there shall be substituted “ a bank or the Post Office ”.
- (2) After that subsection there shall be inserted the following subsection—
- “(6) In this section “bank” has the meaning given by section 840A of the Taxes Act 1988.”
- (3) This paragraph applies in relation to deaths occurring on or after the day on which this Act is passed.

**Marginal Citations**

M108 1984 c. 51.

SCHEDULE 38

Section 199.

QUOTATION OR LISTING OF SECURITIES

*The Finance Act 1973*

- 1 (1) In section 38(2)(c) of the <sup>M109</sup>Finance Act 1973 (disposals of exploration or exploitation rights to include disposals of shares deriving their value from such rights), for “quoted” there shall be substituted “ listed ”.
- (2) This paragraph has effect in relation to disposals of shares on or after 1st April 1996.

**Marginal Citations**

M109 1973 c. 51.

*The Inheritance Tax Act 1984*

- 2 (1) For the second and the last occurrences of the word “quoted” in each of—
- (a) sections 105(1ZA) and 113A(3B) of the <sup>M110</sup>Inheritance Tax Act 1984 (meaning of “quoted” etc.), and

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(b) the paragraph in section 272 of that Act (general interpretation) which defines “quoted” and “unquoted”,  
there shall be substituted “ listed ”.

(2) This paragraph has effect—

- (a) in relation to transfers of value on or after 1st April 1996; and
- (b) for the purposes of any charge to tax by reason of an event occurring on or after 1st April 1996, in relation to transfers of value before that date.

#### Marginal Citations

M110 1984 c. 51.

3 (1) In section 180(3) of that Act (whether two investments are of the same description), for “quoted” there shall be substituted “ listed ”.

(2) This paragraph has effect in relation to any time falling on or after 1st April 1996.

4 (1) In section 178(2) of that Act (shares or investments whose quotation is suspended at time of death)—

- (a) for “quotation” there shall be substituted “ listing ”; and
- (b) for “quoted” there shall be substituted “ so listed or dealt in ”.

(2) In section 186B(1) of that Act (shares or investments whose quotation is suspended at the end of the relevant period), for “quotation” there shall be substituted “ listing ”.

(3) This paragraph has effect in relation to investments sold, or treated as sold, on or after 1st April 1996.

5 (1) In each of sections 227(1AA) and 228(5) of that Act (meaning of “unquoted”), for the word “quoted” there shall be substituted “ listed ”.

(2) This paragraph has effect—

- (a) in relation to transfers of value on or after 1st April 1996; and
- (b) for the purposes of any charge to tax by reason of an event occurring on or after 1st April 1996, in relation to transfers of value before that date.

#### *The Taxes Act 1988*

6 (1) In each of the provisions of the Taxes Act 1988 listed in sub-paragraph (2) below, for “quoted” (wherever occurring) there shall be substituted “ listed ”.

(2) The provisions referred to in sub-paragraph (1) above are—

- [<sup>F486</sup>(a) paragraph (b) of the definition of “quoted Eurobond” in section 124(6);]
- (b) section 209(2)(e)(ii);
- [<sup>F487</sup>(c) section 246S(3)(c) and (e);]
- (d) section 254(11);
- (e) section 349(3A)(b);
- (f) section 415(1)(b);
- (g) section 477A(1A);
- (h) section 576(4);
- (j) paragraph 11(a) and (c) of Schedule 9;

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- (k) paragraph (c) of paragraph 1(5C) of Schedule 18;
  - (l) paragraph 5 of Schedule 20; and
  - (m) paragraph 13(2)(c) of Schedule 25.
- [<sup>F486</sup>(3) So far as relating to the provision mentioned in sub-paragraph (2)(a) above, sub-paragraph (1) above has effect in relation to any interest paid on a quoted Eurobond on or after 1st April 1996.]
- (4) So far as relating to the provision mentioned in sub-paragraph (2)(b) above, sub-paragraph (1) above has effect in relation to any interest paid or other distribution made on or after 1st April 1996.
  - (5) So far as relating to the provisions mentioned in sub-paragraph [<sup>F488</sup>(2)(c) and](m) above, sub-paragraph (1) above has effect in relation to accounting periods ending on or after 1st April 1996.
  - (6) So far as relating to the provision mentioned in sub-paragraph (2)(d) above, sub-paragraph (1) above has effect in relation to securities issued on or after 1st April 1996.
  - (7) So far as relating to the provisions mentioned in sub-paragraph (2)(e) and (g) above, sub-paragraph (1) above has effect in relation to dividends or interest which become payable on or after 1st April 1996.
  - (8) So far as relating to the provision mentioned in sub-paragraph (2)(f) above, sub-paragraph (1) above has effect in relation to periods of 12 months ending on or after 1st April 1996.
  - (9) So far as relating to the provision mentioned in sub-paragraph (2)(h) above, sub-paragraph (1) above has effect in relation to relevant periods ending on or after 1st April 1996.
  - (10) So far as relating to the provisions mentioned in sub-paragraph (2)(j) and (k) above, sub-paragraph (1) above has effect in relation to any time falling on or after 1st April 1996.
  - (11) So far as relating to the provision mentioned in sub-paragraph (2)(l) above, sub-paragraph (1) above has effect in relation to chargeable periods ending on or after 1st April 1996.

#### Textual Amendments

- F486** Sch. 38 para. 6(2)(a)(3) repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note 2 of the amending Act) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)
- F487** Sch. 38 para. 6(2)(c) repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note
- F488** Words in Sch. 38 para. 6(5) repealed (31.7.1997 with effect in accordance with s. 36, Sch. 6 of the amending Act) by 1997 c. 58, s. 52, Sch. 8 Pt. II(11), Note

- 7 (1) In each of the provisions of that Act listed in sub-paragraph (2) below, for “quoted on” there shall be substituted “listed in the Official List of”.
- (2) The provisions referred to in sub-paragraph (1) above are—
- (a) paragraph (b) of the definition of “preference shares” in section 210(4);
  - (b) section 842(1)(c); and



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(c) section 842AA(2)(e).

- (3) Sub-paragraph (1) above, so far as relating to the provision mentioned in sub-paragraph (2)(a) above, has effect in relation to share capital repaid on or after 1st April 1996.
- (4) Sub-paragraph (1) above, so far as relating to the provisions mentioned in sub-paragraph (2)(b) and (c) above, has effect in relation to accounting periods ending on or after 1st April 1996.

F489g . . . . .

**Textual Amendments**

**F489** Sch. 38 para. 8 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 3 (with Sch. 2)

- 9 (1) In section 735(3) of that Act (meaning of the “appropriate proportion”)—
  - (a) after “the appropriate proportion” there shall be inserted “, in relation to securities listed in the Official List of the Stock Exchange, ”;
  - (b) in paragraph (a), for “first listed in The Stock Exchange Daily Official List at a price excluding the value of” there shall be substituted “, in accordance with announcements made by The Stock Exchange, first to be dealt in without carrying rights to ”; and
  - (c) in paragraph (b), for “quoted in that List at a price excluding the value of” there shall be substituted “, in accordance with such announcements, first to be dealt in without carrying rights to ”.
- (2) In section 735(4) of that Act (application of section 753(3) to securities purchased before their first interest payment), for “quoted” there shall be substituted “ to be dealt in ”.
- (3) In section 735(5) of that Act (application of section 735(3) to securities not listed in the Stock Exchange Daily Official List)—
  - (a) for “Stock Exchange Daily Official List” there shall be substituted “ Official List of The Stock Exchange ”; and
  - (b) after “shall have effect” there shall be inserted “ as it has effect in relation to securities which are so listed but ”.
- (4) This paragraph has effect in relation to cases where the first buyer purchases securities on or after 1st April 1996.

*The Taxation of Chargeable Gains Act 1992*

- 10 (1) In each of the provisions of the Taxation of Chargeable Gains Act 1992 listed in sub-paragraph (2) below, for the word “quoted” (wherever occurring) there shall be substituted “ listed ”.
- (2) The provisions referred to in sub-paragraph (1) above are—
  - (a) section 144(8)(b);
  - (b) the definition of “unquoted company” in section 164N(1);
  - F490(c) . . . . .
  - (d) section 276(2)(c) and (6);

*Status: Point in time view as at 06/04/2006.*

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- (e) section 281(3)(c); and
  - <sup>F490</sup>(f) .....
- (3) So far as relating to the provisions mentioned in sub-paragraph (2)(a) and (c) to (f) above, sub-paragraph (1) above has effect in relation to disposals on or after 1st April 1996.
- (4) So far as relating to the provision mentioned in sub-paragraph (2)(b) above, sub-paragraph (1) above has effect in relation to acquisitions of qualifying investments (within the meaning of section 164A of that Act) on or after 1st April 1996.

**Textual Amendments**

**F490** Sch. 38 para. 10(2)(c)(f) repealed (28.7.2000 with effect in relation to disposals made on or after 9.11.1999) by 2000 c. 17, s. 156, Sch. 40 Pt. II(10) Note 2

- 11 (1) In section 146(4)(b) of that Act (definition of “quoted shares and securities”), for the words “have a quoted market value” there shall be substituted the words “are listed”.
- (2) This paragraph has effect in relation to disposals of options on or after 1st April 1996.
- 12 (1) In section 272(3) of that Act (market value of certain listed shares or securities), for “listed” there shall be substituted “quoted”.
- (2) In Schedule 11 to that Act (transitional provisions and savings), in paragraph 7(1)(a) (modification of section 272(3) when ascertaining market values before 25th March 1973), for “listed” there shall be substituted “quoted”.
- (3) This paragraph has effect where the relevant date falls on or after 1st April 1996.

SCHEDULE 39

Section 201.

ENACTMENT OF CERTAIN INLAND REVENUE EXTRA-STATUTORY CONCESSIONS

**PART I**

INCOME TAX AND CORPORATION TAX

*Capital Allowances*

1 <sup>F491</sup>(1) .....

<sup>F492</sup>(2) The following section shall be inserted after section 15 of the 1990 Act:

**“ Balancing charge after cessation of trade.**

- (1) This section applies where:
  - (a) a balancing charge falls to be made as provided in section 15 on any person in respect of a building or structure which is temporarily out of use but is deemed by virtue of subsection (1) of that section still to be an industrial building or structure; and

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(b) when the building or structure was last in use, it was in use as an industrial building or structure for the purposes of a trade which was carried on by that person but which has since been permanently discontinued.

(2) Where this section applies, the amount of the balancing charge shall be treated for the purposes of section 105 of the principal Act (allowable deductions) as a sum received by that person which is chargeable to tax under section 103 or 104(1) of the principal Act (charges on receipts after discontinuance), and accordingly any loss, expense, debit or capital allowance such as is referred to in section 105(1) may be deducted from the amount of the balancing charge.

(3) Nothing in subsection (2) above shall prevent any amounts allowable under any other provisions of the Tax Acts from being deducted from the amount of the balancing charge.

(4) Section 15(3) shall apply for the purposes of this section.”]

(3) .....

F493 (4) .....

**Textual Amendments**

**F491** Sch. 39 para. 1(1)(3) repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

**F492** Sch. 39 para. 1(2) repealed (31.7.1998 with effect in accordance with s. 38(2)(3) of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(4), Note

**F493** Words in Sch. 39 para. 1(4) repealed (31.7.1998 with effect in accordance with s. 38(2)(3) of the amending Act) by 1998 c. 36, s. 165, Sch. 27 Pt. III(4), Note and Sch. 39 para. 1(4) repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

*Contributions to overseas pension schemes*

F494<sub>2</sub> .....

**Textual Amendments**

**F494** Sch. 39 para. 2 repealed (6.4.2006) by Finance Act 2004 (c. 12), Sch. 42 Pt. 3 (with Sch. 36)

**PART II**

**CHARGEABLE GAINS**

*Treatment of compensation and insurance money*

3 (1) Section 23 of the <sup>MIII</sup>Taxation of Chargeable Gains Act 1992 (receipt of compensation and insurance money not treated as a disposal) shall be amended as follows.

(2) The following subsections shall be substituted for subsection (6):

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- “(6) If a building (“the old building”) is destroyed or irreparably damaged, and all or part of a capital sum received by way of compensation for the destruction or damage, or under a policy of insurance of the risk of the destruction or damage, is applied by the recipient in constructing or otherwise acquiring a replacement building situated on other land (“the new building”), then for the purposes of subsections (4) and (5) above each of the old building and the new building shall be regarded as an asset separate from the land on which it is or was situated and the old building shall be treated as lost or destroyed.
- (7) For the purposes of subsection (6) above:
- (a) references to a building include references to any permanent or semi-permanent structure in the nature of a building; and
  - (b) the reference to a sum applied in acquiring the new building does not include a reference to a sum applied in acquiring the land on which the new building is situated; and
  - (c) all necessary apportionments shall be made of any expenditure, compensation or consideration, and the method of apportionment shall be such as is just and reasonable.
- (8) This section shall apply in relation to a wasting asset with the following modifications:
- (a) paragraphs (b) and (c) of subsection (1) above, and subsection (2) above, shall not apply; and
  - (b) in subsections (1) and (3) above, the amount of the expenditure from which the deduction is to be made shall be the amount which would have been allowable under Chapter III of this Part if the asset had been disposed of immediately after the application of the capital sum.”

(3) The amendments made by this paragraph shall have effect in relation to capital sums received on or after 6th April 1996.

**Marginal Citations**

M111 1992 c. 12.

*Assets of negligible value*

- 4 (1) Section 24 of the Taxation of Chargeable Gains Act 1992 (disposals where assets lost or destroyed, or become of negligible value) shall be amended by the substitution of the following subsection for subsection (2):
- “(2) Where the owner of an asset which has become of negligible value makes a claim to that effect:
- (a) this Act shall apply as if the claimant had sold, and immediately reacquired, the asset at the time of the claim or (subject to paragraphs (b) and (c) below) at any earlier time specified in the claim, for a consideration of an amount equal to the value specified in the claim.
  - (b) An earlier time may be specified in the claim if:
    - (i) the claimant owned the asset at the earlier time; and

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- (ii) the asset had become of negligible value at the earlier time; and either
  - (iii) for capital gains tax purposes the earlier time is not more than two years before the beginning of the year of assessment in which the claim is made; or
  - (iv) for corporation tax purposes the earlier time is on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.
- (c) Section 93 of and Schedule 12 to the <sup>M112</sup>Finance Act 1994 (indexation losses and transitional relief) shall have effect in relation to an asset to which this section applies as if the sale and reacquisition occurred at the time of the claim and not at any earlier time.”
- (2) The amendment made by this paragraph shall have effect in relation to claims made on or after 6th April 1996.

**Marginal Citations**

**M112** 1994 c. 9.

*Settled Property*

- 5 (1) Section 72 of the Taxation of Chargeable Gains Act 1992 (termination of life interest on death of person entitled) shall be amended as follows.
- (2) In subsections (1), (2) and (5), for the words “a life” wherever they occur, there shall be substituted “an ” and, in subsection (5), the word “life”, in the third place where it occurs, shall be omitted.
- (3) For subsections (3) and (4) there shall be substituted the following subsections:
- “(3) This section shall apply on the death of the person entitled to any annuity payable out of, or charged on, settled property or the income of settled property as it applies on the death of a person whose interest in possession in the whole or any part of settled property terminates on his death.
  - (4) Where, in the case of any entitlement to an annuity created by a settlement some of the settled property is appropriated by the trustees as a fund out of which the annuity is payable, and there is no right of recourse to, or to the income of, settled property not so appropriated, then without prejudice to subsection (5) below, the settled property so appropriated shall, while the annuity is payable, and on the occasion of the death of the person entitled to the annuity, be treated for the purposes of this section as being settled property under a separate settlement.”
- (4) The amendments made by this paragraph shall have effect in relation to deaths occurring on or after 6th April 1996.
- 6 (1) Section 73 of the <sup>M113</sup>Taxation of Chargeable Gains Act 1992 (death of life tenant: exclusion of chargeable gain) shall be amended as follows.

*Status: Point in time view as at 06/04/2006.*

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- (2) In subsection (1), for the words from “termination” to “that interest” there shall be substituted “ death of a person entitled to an interest in possession in the settled property ”.
- (3) In subsection (2), the word “life” shall be omitted.
- (4) In subsection (3), for the words from “subsection (5)” to “subsection (2) above” there shall be substituted “ subsections (3) to (5) of that section shall apply for the purposes of this section ”.
- (5) The amendments made by this paragraph shall have effect in relation to deaths occurring on or after 6th April 1996.

#### **Marginal Citations**

**M113** 1992 c. 12.

#### *Retirement Relief*

- [<sup>F495</sup> (1) Paragraph 14 of Schedule 6 to the Taxation of Chargeable Gains Act 1992 shall be amended as follows.
- (2) In subparagraph (2), the word “original” shall be inserted before “ qualifying period ”.
  - (3) The following subparagraphs shall be inserted at the end:
    - “(7) In relation to the expression “the original qualifying period”, the questions whether a disposal is a qualifying disposal and whether the period relating to that disposal is a qualifying period shall be determined without regard to the requirement that the length of the period be at least one year.
    - (8) This paragraph shall not apply if the extended qualifying period resulting from the operation of subparagraphs (1) to (7) would be a period of less than one year.”
  - (4) The amendments made by this paragraph shall have effect in relation to disposals made on or after 6th April 1996.]

#### **Textual Amendments**

**F495** *Sch. 39 para. 7* repealed (31.7.1998 with effect as mentioned in *Sch. 27 Pt. III(31)*, Note of the amending Act) by 1998 c. 36, s. 165, **Sch. 27 Pt. III(31)**

#### *Relief for loans to traders*

- 8 (1) Section 253 of the Taxation of Chargeable Gains Act 1992 (relief for loans to traders) shall be amended as follows.
- (2) In subsection (3):
  - (a) for the words from the beginning until “is satisfied that” there shall be substituted “ Where a person who has made a qualifying loan makes a claim and at that time ”; and

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- (b) for the words “when the claim was made” there shall be substituted “ at the time of the claim or (subject to subsection (3A) below) any earlier time specified in the claim. ”
- (3) The following subsection shall be inserted after subsection (3):
  - “(3A) For the purposes of subsection (3) above, an earlier time may be specified in the claim if:
    - (a) the amount to which that subsection applies was also irrecoverable at the earlier time; and either
    - (b) for capital gains tax purposes the earlier time falls not more than two years before the beginning of the year of assessment in which the claim is made; or
    - (c) for corporation tax purposes the earlier time falls on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.”
- (4) In subsection (4) for the words from the beginning until “is satisfied that” there shall be substituted “ Where a person who has guaranteed the repayment of a loan which is, or but for subsection (1)(c) above would be, a qualifying loan makes a claim and at that time ”.
- (5) The amendments made by this paragraph shall have effect in relation to claims made on or after 6th April 1996.

*Relief for debts on qualifying corporate bonds*

- 9 (1) Section 254 of the <sup>M14</sup>Taxation of Chargeable Gains Act 1992 (relief for debts on qualifying corporate bonds) shall be amended as follows.
  - (2) In subsection (2):
    - (a) for the words from the beginning until “is satisfied that” there shall be substituted “ Where a person who has made a qualifying loan makes a claim and at that time ”; and
    - (b) for the words “when the claim was made” there shall be substituted “ at the time of the claim or (subject to subsection (8A) below) any earlier time specified in the claim ”.
  - (3) In subsections (6) and (7), the words “the inspector is satisfied that” shall be omitted.
  - (4) In subsection (8), the words “in the inspector’s opinion” shall be omitted.
  - (5) The following subsection shall be inserted after subsection (8):
    - “(8A) For the purposes of subsection (2) above, an earlier time may be specified in the claim if:
      - (a) the condition which was fulfilled at the time of the claim was also fulfilled at the earlier time; and either
      - (b) for capital gains tax purposes the earlier time falls not more than two years before the beginning of the year of assessment in which the claim is made; or
      - (c) for corporation tax purposes the earlier time falls on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.”

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- (6) In subsection (11), the words “the inspector was satisfied that”, “by the inspector” and “he was satisfied that” shall be omitted.
- (7) The amendments made by this paragraph shall have effect in relation to claims made on or after 6th April 1996.

**Marginal Citations**

M114 1992 c. 12.

**PART III**

STAMP DUTY

*Lost or spoiled instruments*

- 10 (1) The <sup>M115</sup>Stamp Duties Management Act 1891 (“the Management Act”) shall be amended as follows.
- (2) In section 9 of the Management Act (procedure for obtaining allowance), subsection (7), paragraph (e), the words “which is inadvertently and undesignedly spoiled, and in lieu whereof another instrument made between the same parties and for the same purpose is executed and duly stamped, or” shall be omitted.
- (3) The following section shall be inserted after section 12 of the Management Act:

*“ Allowance for lost or spoiled instruments*

**12A Lost or spoiled instruments.**

- (1) This section applies where the Commissioners are satisfied that:
- (a) an instrument which was executed and duly stamped (“the original instrument”) has been accidentally lost or spoiled; and
  - (b) in place of the original instrument, another instrument made between the same persons and for the same purpose (“the replacement instrument”) has been executed; and
  - (c) an application for relief under this section is made to the Commissioners; and either
  - (d) where the original instrument has been lost, the applicant undertakes to deliver it up to the Commissioners to be cancelled if it is subsequently found; or
  - (e) where the original instrument has been spoiled:
    - (i) the application is made within two years after the date of the original instrument, or if it is not dated, within two years after the time when it was executed, or within such further time as the Commissioners may allow; and
    - (ii) no legal proceeding has been commenced in which the original instrument has been or could or would have been given or offered in evidence; and



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(iii) the original instrument is delivered up to the Commissioners to be cancelled.

(2) Where this section applies:

- (a) the replacement instrument shall not be chargeable with any duty, but shall be stamped with the duty with which it would otherwise have been chargeable in accordance with the law in force at the time when it was executed, and shall be deemed for all purposes to be duly stamped; and
- (b) if any duty, interest, fine or penalty was paid in respect of the replacement instrument before the application was made, the Commissioners shall pay to such person as they consider appropriate an amount equal to the duty, interest, fine or penalty so paid.

(3) For the purposes of this section the Commissioners may require the applicant to produce such evidence by statutory declaration or otherwise as they think fit.”

(4) Subject to subparagraph (5) below, the amendments made by this paragraph shall have effect from the day on which this Act is passed.

(5) The amendments made by this paragraph shall not apply in relation to an instrument which has been accidentally spoiled if an application for allowance under section 9 of the Management Act was made before the day on which this Act is passed.

**Marginal Citations**

M115 1891 c. 38.

SCHEDULE 40

Section 202.

GILT STRIPPING: TAXATION PROVISIONS

*The Stamp Act 1891 (c. 39)*

1 In the definition of “stock” in section 122(1) of the Stamp Act 1891, after “Bank of Ireland,” there shall be inserted “ any strip (within the meaning of section 47 of the <sup>M116</sup>Finance Act 1942) of any such stocks or funds, ”.

**Marginal Citations**

M116 1942 c. 21.

<sup>F4962</sup> (1) At the end of paragraph (1) of the general exemptions at the end of Schedule 1 to the Stamp Act 1891 (exemption for Government stocks etc.) there shall be inserted “ or strips (within the meaning of section 47 of the <sup>M117</sup>Finance Act 1942) of such stocks or funds ”.

(2) Where any day is appointed as the abolition day for the purposes of sections 107 to 110 of the <sup>M118</sup>Finance Act 1990, sub-paragraph (1) above shall cease to have effect

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in accordance with the provisions of that Act for the coming into force of the repeal of the paragraph mentioned in that sub-paragraph.]

#### Textual Amendments

**F496** [Sch. 40 para. 2](#) repealed (27.7.1999 with effect as mentioned in Sch. 20 Pt. V(5), Notes 1, 2 of the amending Act) by [1999 c. 16, s. 139](#), [Sch. 20 Pt. V\(5\)](#)

#### Marginal Citations

**M117** [1942 c. 21](#).

**M118** [1990 c. 29](#).

#### *The Taxes Act 1988*

- 3 (1) At the end of subsection (5) of section 710 of the Taxes Act 1988 (meaning of “transfer”), there shall be inserted—
- “(b) except as otherwise provided by subsections (1) and (3) of section 722A, does not include any transaction forming part of any such exchange as is mentioned in either of those subsections.”
- (2) After subsection (13) of that section there shall be inserted the following subsections—
- “(13A) Where a security is deemed to have been transferred by virtue of section 722A(1), the interest period in which the exchange in question takes place shall be treated as ending on the day on which it would have ended had the exchange not taken place.
- (13B) Where a security is deemed to have been transferred by virtue of section 722A(3), the interest period in which the exchange in question takes place shall be treated as having begun on such day as shall for that purpose be specified in the security.”
- 4 In section 711 of the Taxes Act 1988 (interpretation of sections 710 and 712 to 728 of that Act), after subsection (6) there shall be inserted the following subsection—
- “(6A) In any case where section 722A(1) or (3) applies, the deemed transfer shall be treated as made—
- (a) without accrued interest in any such case where the exchange in question is made at any time after the balance has been struck for a dividend on the security but before the day on which that dividend is payable;
- (b) with accrued interest in any other such case.”
- 5 In section 712(4) of the Taxes Act 1988 (meaning of “settlement day”), after “722” there shall be inserted “, 722A ”.
- 6 In the Taxes Act 1988, the following section shall be inserted after section 722—

#### “722A Gilt strips: deemed transfer.

- (1) For the purposes of sections 710 to 728, where a gilt-edged security is exchanged by any person for strips of that security the security shall be deemed to have been transferred by that person.

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- (2) Nothing in subsection (1) above shall have effect to cause any person to be treated as the transferee of any securities for the purposes of section 713(2) (b).
- (3) For the purposes of sections 710 to 728, where strips of gilt-edged securities are exchanged by any person for a single gilt-edged security consolidating those strips, that security shall be deemed to have been transferred to that person.
- (4) Nothing in subsection (3) above shall have effect to cause any person to be treated as the transferor of any securities for the purposes of section 713(2) (a).
- (5) In this section—  
“gilt-edged security” has the same meaning as in section 51A; and  
“strip” means anything which, within the meaning of section 47 of the <sup>M119</sup>Finance Act 1942, is a strip of a gilt-edged security.”

**Marginal Citations**

[M119](#) 1942 c. 21.

F4977

**Textual Amendments**

**F497** [Sch. 40 para. 7](#) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*The Taxation of Chargeable Gains Act 1992 (c. 12)*

8 In Schedule 9 to the Taxation of Chargeable Gains Act 1992 (gilt-edged securities), after paragraph 1 there shall be inserted the following paragraph—

- “1A (1) Any security which is a strip of a security which is a gilt-edged security for the purposes of this Act is also itself a gilt-edged security for those purposes.
- (2) In this paragraph “strip” has the same meaning as in section 47 of the Finance Act 1942.”

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## SCHEDULE 41

### REPEALS

#### PART I

##### HYDROCARBON OIL DUTY: RELIEF FOR MARINE VOYAGES

| Chapter     | Short title   | Extent of repeal  |
|-------------|---|---|
| 1979 c. 2.  | The Customs and Excise Management Act 1979.         | In section 61(2), the words from “and in” to “waters”.  |
| 1979 c. 5.  | The Hydrocarbon Oil Duties Act 1979.                | Section 18 and in section 19(1), paragraph (a) and the words from “by the owner” to “be”.<br><br>In section 24(1), the words “section 18(1)”.<br><br>In Schedule 4, in paragraph 3, the word “18(1)”. |
| 1979 c. 8.  | The Excise Duties (Surcharges or Rebates) Act 1979. | In section 1(7), paragraph (c) and in paragraph (d), the words “fishing boats”.   |
| 1981 c. 35. | The Finance Act 1981.                               | In section 6(1) and (4), the word “18(1)”.  |
| 1994 c. 9.  | The Finance Act 1994.                               | In Schedule 4, paragraph 53.  |

The power in section 8(2) of this Act applies to these repeals as it applies to that section.

#### PART II

##### VEHICLE EXCISE AND REGISTRATION

###### (1) Electrically propelled vehicles

| Chapter     | Short title                                   | Extent of repeal                |
|-------------|---|---------------------------------|
| 1994 c. 22. | The Vehicle Excise and Registration Act 1994. | In Schedule 1, paragraph 4F(2). |

This repeal has effect in accordance with section 15(4) of this Act.

###### (2) Vehicles capable of conveying loads

| Chapter     | Short title                                   | Extent of repeal |
|-------------|---|------------------|
| 1994 c. 22. | The Vehicle Excise and Registration Act 1994. | In Schedule 1—   |

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- (a) in paragraph 9(2), the word “and” immediately preceding paragraph (b);
- (b) in paragraph 11(2), the word “and” immediately preceding paragraph (b);
- (c) paragraph 15; and
- (d) in paragraph 16(1), paragraph (b) and the word “or” immediately preceding it.

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These repeals have effect in accordance with section 17 of this Act.

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### **(3) Old vehicles**

| <b>Chapter</b> | <b>Short title</b>                            | <b>Extent of repeal</b>                         |
|----------------|---|---|
| 1994 c. 22.    | The Vehicle Excise and Registration Act 1994. | In Schedule 1, paragraphs 1(3) to (5) and 2(2). |
| 1995 c. 4.     | The Finance Act 1995.                         | In Schedule 4, paragraph 6(2).                  |

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These repeals have effect in accordance with section 18(5) of this Act.

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### **(4) Exemptions for vehicle testing**

| <b>Chapter</b> | <b>Short title</b>                            | <b>Extent of repeal</b>  |
|----------------|---|--|
| 1994 c. 22.    | The Vehicle Excise and Registration Act 1994. | In paragraph 22 of Schedule 2— <ul style="list-style-type: none"><li>(a) in each of paragraphs (b) and (d) of sub-paragraph (5), the word “goods”;</li><li>(b) sub-paragraph (5)(c);</li><li>(c) the word “and” at the end of sub-paragraph (7)(b); and</li><li>(d) in sub-paragraph (10)(a), the words “(or, in Northern Ireland, a vehicle test certificate)”.</li></ul> |

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These repeals have effect in accordance with section 20 of this Act.

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### **(5) Provisions relating to Northern Ireland**

| <b>Chapter</b> | <b>Short title</b>                            | <b>Extent of repeal</b>                |
|----------------|---|--|
| 1994 c. 22.    | The Vehicle Excise and Registration Act 1994. | In paragraph 17 of Schedule 3, in sub- |

*Status: Point in time view as at 06/04/2006.*

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paragraph (1), “29(2),”  
and “34(6),” and sub-  
paragraph (2).

#### (6) Licensing and registration

| Chapter     | Short title                                   | Extent of repeal   |
|-------------|---|--|
| 1994 c. 22. | The Vehicle Excise and Registration Act 1994. | In section 22—<br><br>(a) in subsection (1), the word “and” immediately preceding paragraph (h); and<br>(b) in subsection (1B), the word “above”.<br><br>In section 57(1), the words “(other than sections 7(2) and (3), 8, 26, 27, 52 and 54)”. |

### PART III

#### EXCISE DUTIES: REPEAL OF DRAWBACKS ETC.

| Chapter     | Short title                           | Extent of repeal  |
|-------------|---------------------------------------|---|
| 1977 c. 36. | The Finance Act 1977.                 | Section 3.  |
| 1979 c. 4.  | The Alcoholic Liquor Duties Act 1979. | Section 22(6).<br><br>Section 23.<br><br>Section 92(6).   |
| 1979 c. 7.  | The Tobacco Products Duty Act 1979.   | Section 11(3).  |
| 1979 c. 58. | The Isle of Man Act 1979.             | In section 9—<br><br>(a) in subsection (1), the words “subsection (2) below and”; and<br><br>(b) subsections (2) and (3). |

### PART IV

#### VALUE ADDED TAX

#### (1) Fiscal warehousing

| Chapter | Short title | Extent of repeal |
|---------|-------------|------------------|
|---------|-------------|------------------|

*Status: Point in time view as at 06/04/2006.*

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|             |                               |   |
|-------------|-------------------------------|---|
| 1994 c. 23. | The Value Added Tax Act 1994. | In section 62(1)(a), the words “or” at the end of sub-paragraph (i) and “and” at the end of sub-paragraph (ii). |
|-------------|-------------------------------|---|

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This repeal has effect in accordance with section 26(2) of this Act.

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**(2) Work on materials**

| <b>Chapter</b> | <b>Short title</b>            | <b>Extent of repeal</b>  |
|----------------|-------------------------------|--|
| 1994 c. 23.    | The Value Added Tax Act 1994. | Section 22.<br><br>In section 55(5)(a), the word “or” at the end of the paragraph.<br>Section 97(4)(b).<br>In Schedule 4, paragraph 2. |

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**(3) Value of imported goods**

| <b>Chapter</b> | <b>Short title</b>            | <b>Extent of repeal</b>  |
|----------------|-------------------------------|--|
| 1994 c. 23.    | The Value Added Tax Act 1994. | In section 21(2)(a), the word “and” at the end of the paragraph. |

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This repeal has effect in accordance with section 27(4) of this Act.

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**(4) Construction and conversion of buildings**

| <b>Chapter</b> | <b>Short title</b>    | <b>Extent of repeal</b> |
|----------------|-----------------------|-------------------------|
| 1995 c. 4.     | The Finance Act 1995. | Section 33(2).          |

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This repeal has effect in accordance with section 30(4) of this Act.

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**(5) Groups**

| <b>Chapter</b> | <b>Short title</b>            | <b>Extent of repeal</b>  |
|----------------|-------------------------------|--|
| 1994 c. 23.    | The Value Added Tax Act 1994. | Section 43(1A).  |
| 1995 c. 4.     | The Finance Act 1995.         | In section 25(2), the words from the beginning to the word “and” immediately after the subsection (1A) inserted in section 43 of the Value Added Tax Act 1994. |

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These repeals have effect in accordance with section 31(5) of this Act.

*Status: Point in time view as at 06/04/2006.*

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## PART V

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

#### (1) Application of lower rate to income from savings

| Chapter     | Short title                                | Extent of repeal   |
|-------------|--|--|
| 1988 c. 1.  | The Income and Corporation Taxes Act 1988. | Section 207A.<br><br>Sections 468E and 468EE.<br>In section 469—<br>(a) in subsection (1), paragraph (b) and the word “and” immediately preceding it; and<br>(b) the second paragraph of subsection (3). |
| 1990 c. 29. | The Finance Act 1990.                      | Section 51.  |
| 1992 c. 48. | The Finance (No. 2) Act 1992.              | Section 19(4).   |
| 1993 c. 34. | The Finance Act 1993.                      | Section 77(1) and (2).<br>Section 79(3).<br>In Schedule 6, paragraph 14.   |
| 1994 c. 9.  | The Finance Act 1994.                      | Section 111.   |

1. Subject to note 2 below, these repeals come into force in accordance with section 73 of, and Schedule 6 to, this Act.

2. The repeals in section 469 of the Taxes Act 1988 come into force for distribution periods ending on or after 6th April 1996.

#### (2) Transfer of Schedule C charge etc.

| Chapter    | Short title                                | Extent of repeal   |
|------------|--|--|
| 1970 c. 9. | The Taxes Management Act 1970.             | In the Table in section 98—<br><br>(a) in the first column, the entry relating to paragraph 13(1) of Schedule 3 to the Taxes Act 1988; and<br>(b) in the second column, the entry relating to paragraph 6C of that Schedule. |
| 1988 c. 1. | The Income and Corporation Taxes Act 1988. | Section 17.  |



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|             |                               |  |
|-------------|-------------------------------|--|
|             |                               | <p>In section 18(3), in Case IV, the words “except such income as is charged under Schedule C”.</p> <p>Sections 44 and 45.</p> <p>Section 48.</p> <p>In sections 50(1) and 51A(1), the words “but shall be chargeable to tax under Case III of Schedule D”.</p> <p>Section 52.</p> <p>Section 123.</p> <p>In section 124—</p> <p>(a) in subsection (6), the definitions of “recognised clearing system” and “relevant foreign securities”, and the word “and” immediately preceding those definitions; and</p> <p>(b) subsection (7).</p> <p>In section 322(1), the words “and he shall be treated as not resident in the United Kingdom for the purposes of sections 48 and 123(4)”.</p> <p>In section 398(b), the words “C or”.</p> <p>Section 474(1) and (3).</p> <p>Section 505(1)(c)(i).</p> <p>Section 582A(3).</p> <p>In section 832(1), the definition of “recognised clearing system”.</p> <p>Schedule 3.</p> |
| 1988 c. 39. | The Finance Act 1988.         | Section 76(1), (2), (3) and (5).   |
| 1989 c. 26. | The Finance Act 1989.         | In section 178(2)(m), the words “and paragraph 6B of Schedule 3 to”.   |
| 1992 c. 48. | The Finance (No. 2) Act 1992. | Section 30.  |

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|             |                       |   |
|-------------|-----------------------|---|
|             |                       | In Schedule 11, paragraphs 1, 2, 4 and 5.     |
| 1993 c. 34. | The Finance Act 1993. | In Schedule 6, paragraphs 17 and 25(5).       |
| 1995 c. 4.  | The Finance Act 1995. | In section 128(3)(a), the words “Schedule C”. |

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These repeals have effect—

- (a) in accordance with Schedule 7 to this Act; and
  - (b) without prejudice to paragraph 25 of Schedule 6 to this Act.
- 

### **(3) Loan relationships**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1970 c. 9.     | The Taxes Management Act 1970.             | In section 42 (as substituted by paragraph 13 of Schedule 19 to the Finance Act 1994), in subsection (7) (a), “484.”.   |
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | Section 57.<br><br>Section 78.<br>Sections 88A to 88C.<br>Sections 126 and 126A.<br>In section 242, in each of subsections (2)(b) and (8)(b), the words “or paragraph 5 of Schedule 4”.<br>In section 337—<br>(a) in subsection (2), the words “to subsection (3) below and”; and<br>(b) subsection (3).<br>In section 338—<br>(a) in subsection (3), the words from “and” at the end of paragraph (a) to the end of the subsection;<br>(b) in subsection (4), paragraphs (b) and (c);<br>(c) in subsection (5)(a), the words “, not being interest”; and |

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|             |                       |  |
|-------------|-----------------------|--|
|             |                       | (d) subsection (6).  |
|             |                       | Section 338A.  |
|             |                       | Section 340.   |
|             |                       | Section 341.   |
|             |                       | Section 401(1A).   |
|             |                       | In section 404(6)(c)(ii), the words “or paragraph 5(2) of Schedule 4”.                   |
|             |                       | In section 477A, subsections (3A) to (3C).   |
|             |                       | Sections 484 and 485.  |
|             |                       | In section 494(3), the words “not consisting of a payment of interest”.                  |
|             |                       | Section 714(6).  |
|             |                       | Section 724.   |
|             |                       | In section 804A(3), in paragraph (b) of the definition of “B”, the words “and interest”. |
|             |                       | Schedule 4.  |
|             |                       | In Schedule 19AC, in paragraph 5B(2)(b), the words “or paragraph 5 of Schedule 4”.       |
|             |                       | In Schedule 23A, paragraphs 6(3), (4), (6) and (7).                                      |
|             |                       | In Schedule 26, the word “and” at the end of paragraph 1(3)(d).                          |
| 1989 c. 15. | The Water Act 1989.   | Section 95(10).  |
| 1989 c. 26. | The Finance Act 1989. | Sections 93 to 95.<br>Section 116.   |
|             |                       | Schedules 10 and 11.   |
| 1990 c. 29. | The Finance Act 1990. | Section 56.<br>Sections 58 and 59.<br>Section 74.  |
|             |                       | Schedule 10.   |
| 1991 c. 31. | The Finance Act 1991. | Section 52(2) and (3).   |

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|             |  |   |
|-------------|--|---|
|             |  | In Schedule 12, paragraphs 3 and 4.   |
| 1992 c. 12. | The Taxation of Chargeable Gains Act 1992. | Section 108(1)(b).  |
|             |  | Section 117(2A), (3), (9) and (10).   |
|             |  | Section 118.  |
|             |  | In Schedule 10, paragraphs 14(6), (29) and (57), 19(6) and 22(4).                       |
| 1992 c. 48. | The Finance (No. 2) Act 1992.              | Section 33.   |
|             |  | In section 65(2)—   |
|             |  | (a) paragraphs (b) and (c); and   |
|             |  | (b) in paragraph (f), the words “to (c)”.   |
|             |  | Schedule 7.   |
| 1993 c. 34. | The Finance Act 1993.                      | Sections 61 to 66.  |
|             |  | Section 103(4).   |
|             |  | Section 129(5) and (6).   |
|             |  | Section 152(2).   |
|             |  | Section 153(6) and (11A).   |
|             |  | Section 164(12).  |
|             |  | Section 176(3)(b) to (d).   |
|             |  | In Schedule 6—  |
|             |  | (a) paragraph 18;   |
|             |  | (b) in paragraph 20, the words “and in paragraph 11(1) of Schedule 11 to that Act”; and |
|             |  | (c) paragraph 21.   |
|             |  | In Schedule 17, paragraphs 4 to 6.  |
|             |  | In Schedule 18, paragraphs 3 and 7.   |
| 1994 c. 9.  | The Finance Act 1994.                      | Section 171.  |
|             |  | Section 251(12).  |
|             |  | In Schedule 18, in paragraph 4—   |

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|            |                       |   |
|------------|-----------------------|---|
| 1995 c. 4. | The Finance Act 1995. | (a) the definition of “the I minus E basis”; and<br>(b) the words after the definition of “non-life mutual business”.<br>In Schedule 24, in paragraph 9—<br>(a) the words “and 254” and the words “or 254”, in each place where they occur; and<br>(b) in sub-paragraph (9), the words “and subsection (10) of section 254 of that Act”.<br>Section 42(6).<br>Section 50.<br>Section 87(6).<br>Sections 88 and 89.<br>Schedule 7.<br>In Schedule 8, paragraphs 10 and 12(1)(c).<br>In Schedule 24, paragraphs 4 to 6. |
|------------|-----------------------|---|

These repeals come into force in accordance with the provisions of Chapter II of Part IV of this Act.

#### **(4) Provision of living accommodation**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In section 145(1), the words “and is not otherwise made the subject of any charge to him by way of income tax”. |

This repeal has effect in accordance with section 106 of this Act.

#### **(5) Share option schemes etc.**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>  |
|----------------|--|--|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In section 187(8), paragraph (b) and the word “and” immediately preceding it.<br>In Schedule 9, in paragraph 21(1), the word “and” |

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|             |  |   |
|-------------|--|---|
|             |  | immediately preceding paragraph (e), paragraph 28(2) and (4) and paragraph 29(8). |
| 1989 c. 26. | The Finance Act 1989.                      | In Schedule 5, in paragraph 4(5)(a), the words “not less than one year and”.      |
| 1992 c. 12. | The Taxation of Chargeable Gains Act 1992. | Section 149A(4).<br><br>Section 238(4).   |

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1. The repeal in section 187 of the Taxes Act 1988 has effect in accordance with section 117 of this Act.
  2. The repeal in paragraph 21 of Schedule 9 to that Act has effect in accordance with section 113 of this Act.
  3. The repeals in paragraphs 28 and 29 of that Schedule have effect in accordance with section 114 of this Act.
  4. The repeal in the Finance Act 1989 has effect in accordance with section 119 of this Act.
  5. The repeal of section 149A(4) of the Taxation of Chargeable Gains Act 1992 has effect in accordance with section 111(6) of this Act.
  6. The repeal of section 238(4) of that Act 1992 has effect in accordance with section 112(2) and (3) of this Act.
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**(6) Self-assessment: returns etc.**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1970 c. 9.     | The Taxes Management Act 1970.             | In section 8(1A), the words from “and the amounts referred to” to the end.<br><br>In section 8A(1A), the words from “and the amounts referred to” to the end.<br><br>In section 12AA(7)(a), the words “any part of”.<br><br>Section 12AC(6).<br><br>In section 28C(3), the words “or 11AA”.<br><br>In section 42, subsections (3A) and (3B) and, in subsection (7)(a), the words “534, 535, 537A, 538”. |
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In section 108, the words from “and, in any such case” to the end.  |

*Status: Point in time view as at 06/04/2006.*

*Changes to legislation: Finance Act 1996 is up to date with all changes known to be in force on or before 17 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

|             |  |  |
|-------------|--|--|
|             |  | In section 535, in subsection (4), the words “Subject to subsection (5) below”, subsections (5) and (7) and, in subsection (6), the words from “unless the author” to the end. |
|             |  | In section 547(5)(a), the words from “no assessment” to “but”.   |
|             |  | In section 599A, in subsection (6), the words from “subject” to “and” and subsection (7).  |
| 1992 c. 12. | The Taxation of Chargeable Gains Act 1992. | In section 246, the words from “or, if earlier” to the end.  |
| 1994 c. 9.  | The Finance Act 1994.                      | In Schedule 19, paragraph 23.  |

1. The repeals of subsections (3A) and (3B) of section 42 of the Taxes Management Act 1970 and the repeals in sections 108 and 535 of the Income and Corporation Taxes Act 1988 have effect in accordance with section 128(11) of this Act.

2. The repeal in subsection (7)(a) of section 42 of the Taxes Management Act 1970 has effect in accordance with section 128(12) of this Act.

3. The other repeals have effect in accordance with section 121(8) of this Act.

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**(7) Self-assessment: notices**

| <b>Chapter</b> | <b>Short title</b>             | <b>Extent of repeal</b>   |
|----------------|--------------------------------|---|
| 1970 c. 9.     | The Taxes Management Act 1970. | In section 42, in subsection (7), in paragraph (a), “62A,” and “401,” and in paragraph (c), “30,” “33,” “48, 49,” and “124A,” and in subsection (10) the words “and notices”. |

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These repeals have effect in accordance with section 130 of this Act.

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**(8) Overdue tax and excessive payments by the Board**

| <b>Chapter</b> | <b>Short title</b>             | <b>Extent of repeal</b>         |
|----------------|--------------------------------|---------------------------------|
| 1970 c. 9.     | The Taxes Management Act 1970. | Section 88.<br><br>Section 88A. |

*Status: Point in time view as at 06/04/2006.*

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|             |  |  |
|-------------|--|--|
|             |  | In section 91(1), the words “or section 88”.   |
|             |  | Section 113(1C).   |
| 1971 c. 68. | The Finance Act 1971.                      | In Schedule 6, paragraph 87.   |
| 1975 c. 45. | The Finance (No. 2) Act 1975.              | Section 46(4).   |
| 1980 c. 48. | The Finance Act 1980.                      | Section 61(4), so far as relating to section 88(5) (c) and (d) of the Taxes Management Act 1970.   |
| 1988 c. 1.  | The Income and Corporation Taxes Act 1988. | In section 374A(4), the words from “and as if” onwards.<br><br>In Schedule 14, in paragraph 6(2) the words from “and as if” onwards.<br><br>In Schedule 29, in paragraph 32, the entries relating to section 88(2), section 88(5) (b) and section 88(5)(c) of the Taxes Management Act 1970. |
| 1989 c. 26. | The Finance Act 1989.                      | Section 159.<br><br>Section 160(1), (2) and (4).<br><br>Section 161.<br><br>In section 178(2)(f), the words “88”.<br><br>In section 179(1)(b)(i), the words “and 88(1)”.   |

These repeals have effect in accordance with paragraph 17 of Schedule 18 to this Act.

#### **(9) Self-assessment: claims and enquiries**

| <b>Chapter</b> | <b>Short title</b>             | <b>Extent of repeal</b>                               |
|----------------|--------------------------------|---|
| 1970 c. 9.     | The Taxes Management Act 1970. | In section 31(5), the words “against any assessment”. |

This repeal has effect in accordance with Schedule 19 to this Act.

#### **(10) Self-assessment: discretions etc.**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>                                |
|----------------|--|--|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In section 74(1)(j)(i), the words “proved to be such”. |



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In section 145(7)(a) and (b), the words “it can be shown that”.

Section 159(4) to (6).

In section 161, in subsection (3), the words “it is shown that” and, in subsection (4), the words “shows that he”.

In section 231(3A), the words “it appears to the inspector that”.

In section 257(2) and (3), the words “proves that he”.

In section 257E(1) the words “he proves” and, in each of paragraphs (a) and (b), the word “that” in the first and third places where it occurs.

In section 257F, in the words preceding paragraph (a), the words “the claimant proves”, and the word “that” in the second place where it occurs in paragraph (a), the first place where it occurs in paragraph (b) and the first and third places where it occurs in paragraph (c).

In section 259(6), the second paragraph.

In section 265(1), the words “proves that he”.

In section 278(2), the words “satisfies the Board that he or she”.

In section 381(4), the words “it is shown that”.

In section 384(1), the words “it is shown that”.

In section 570(2), the words “on a claim it is shown in accordance with the provisions of Part II of Schedule 21 that”.

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1992 c. 12.

The Taxation of Chargeable  
Gains Act 1992.

In section 582(2)(b), the words “the Board are satisfied that”.

In section 731(3), the words following paragraph (b).

In section 769(2)(d), the words “any gift of shares”.

In section 812(4), paragraph (a).

In Schedule 7, in paragraph 1(5), the words “and shown to have been made”.

In Schedule 12, in paragraph 2(2), the words “shown to be”.

In Schedule 21, paragraph 3.

In section 52(4), the words “such method as appears to the inspector or on appeal the Commissioners concerned to be”.

In section 116(13), the words “the inspector is satisfied that” and “and so directs”.

In section 122, in subsection (2), the words “the inspector is satisfied that” and “and so directs” and subsection (3).

In section 133, in subsection (2), the words “the inspector is satisfied that” and “and so directs” and subsection (3).

In section 164F(8)(a), the words “it is shown that”.

In section 164FG(2), the words “or an officer of the Board in default of an election determines”.

In section 181(1)(b), the words “it is shown that” and the word “that” in the second place where it occurs.

In section 222, in subsection (5), paragraph (b)

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|             |                       |  |
|-------------|-----------------------|--|
|             |                       | and the words following it and, in subsection (6), paragraph (b) and the word “and” immediately preceding it.  |
|             |                       | Section 226(5).  |
|             |                       | In section 271(2), in the second paragraph, the words “the Board are satisfied that”.  |
|             |                       | In Schedule 6, in paragraph 3, in sub-paragraphs (1), (3) and (4), the words “on production of such evidence as the Board may reasonably require, the Board are satisfied”.  |
| 1993 c. 34. | The Finance Act 1993. | In section 144, in subsections (1)(b) and (2)(b), the words “the inspector is satisfied,” and the word “that”, in the first place where it occurs, and, in subsection (3)(b), the words “in the opinion of the inspector” and subsection (4).  |
|             |                       | In section 145, in subsection (1)(c), the words “the inspector is satisfied that”, in subsections (2)(b) and (3)(b), the words “in the opinion of the inspector”, in subsection (4)(b), the words “the inspector is satisfied that” and in subsection (5), the words “in the opinion of the inspector” and subsection (6). |

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These repeals have effect in accordance with section 134 of, and Schedule 20 to, this Act.

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**(11) Self-assessment: time limits**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1990 c. 1.     | The Capital Allowances Act 1990.           | In section 37(2), the words following paragraph (d).                    |
| 1992 c. 12.    | The Taxation of Chargeable Gains Act 1992. | In Schedule 4, in paragraph 9(1)(b), the words “year of assessment or”. |
| 1994 c. 9.     | The Finance Act 1994.                      | In Schedule 15, paragraph 21(a)(ii).                                    |

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*Status: Point in time view as at 06/04/2006.*

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These repeals have effect in accordance with section 135 of, and Schedule 21 to, this Act.

### **(12) Self-assessment: appeals**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1970 c. 9.     | The Taxes Management Act 1970.             | Section 42(12).<br><br>In section 44—<br>(a) subsections (1A) and (1B), and<br>(b) in subsection (2), the words “and any direction under subsection (1A) above”.<br>Schedule 2. |
| 1975 c. 7.     | The Finance Act 1975.                      | Section 54.   |
| 1975 c. 45.    | The Finance (No. 2) Act 1975.              | Section 66.   |
| 1976 c. 40.    | The Finance Act 1976.                      | In Schedule 9, paragraph 11.  |
| 1984 c. 43.    | The Finance Act 1984.                      | In Schedule 22, paragraph 3(2).   |
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In the Table in paragraph 32 of Schedule 29, the entries relating to Schedule 3 to the Taxes Management Act 1970.   |
| 1988 c. 39.    | The Finance Act 1988.                      | Section 133(1).   |
| 1989 c. 26.    | The Finance Act 1989.                      | Section 160(6).<br>Section 168(8).  |
| 1990 c. 1.     | The Capital Allowances Act 1990.           | In Schedule 1, paragraph 1(4).  |
| 1994 c. 9.     | The Finance Act 1994.                      | In Schedule 19, paragraph 36.   |
| 1995 c. 4.     | The Finance Act 1995.                      | In Schedule 17, in paragraph 22, the words “(including that provision as proposed to be substituted by paragraph 7 of Schedule 19 to the Finance Act 1994)”.                    |

These repeals have effect in accordance with Schedule 22 to this Act.

### **(13) Self-assessment: accounting periods etc.**

| <b>Chapter</b> | <b>Short title</b> | <b>Extent of repeal</b> |
|----------------|--------------------|-------------------------|
|----------------|--------------------|-------------------------|

*Status: Point in time view as at 06/04/2006.*

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|             |  |                 |
|-------------|--|-----------------|
| 1988 c. 1.  | The Income and Corporation Taxes Act 1988. | Section 8A.     |
| 1993 c. 34. | The Finance Act 1993.                      | Section 206(2). |

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#### **(14) Self-assessment: advance corporation tax**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b> |
|----------------|--|-------------------------|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | Section 239(5).         |

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This repeal has effect in accordance with Schedule 25 to this Act.

#### **(15) Class 4 contributions**

| <b>Chapter</b> | <b>Short title</b>  | <b>Extent of repeal</b>  |
|----------------|---|--|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988.                                  | Section 617(5).  |
| 1992 c. 4.     | The Social Security Contributions and Benefits Act 1992.                    | In Schedule 2, in paragraph 3(2), the words “(e) section 617(5) (relief for Class 4 contributions)”. |
| 1992 c. 7.     | The Social Security Contributions and Benefits (Northern Ireland) Act 1992. | In Schedule 2, in paragraph 3(2), the words “(e) section 617(5) (relief for Class 4 contributions)”. |

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These repeals have effect in accordance with section 147 of this Act.

#### **(16) Personal injury damages and compensation**

| <b>Chapter</b> | <b>Short title</b>                           | <b>Extent of repeal</b> |
|----------------|--|-------------------------|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988.   | Sections 329A to 329C.  |
| 1995 c. 4.     | The Finance Act 1995.                        | Section 142.            |
| 1995 c. 53.    | The Criminal Injuries Compensation Act 1995. | Section 8.              |

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#### **(17) Foreign income dividends**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In section 246S—<br><br>(a) in subsection (3), the words after paragraph (e);<br>and<br><br>(b) subsection (8). |

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*Status: Point in time view as at 06/04/2006.*

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These repeals have effect in accordance with Schedule 27 to this Act.

### (18) FOTRA securities

| Chapter     | Short title                                | Extent of repeal  |
|-------------|--|---|
| 1988 c. 1.  | The Income and Corporation Taxes Act 1988. | Section 47.<br><br>Section 474(2).<br>In section 475—<br>(a) in subsection (5), the words “Subject to subsection (6) below,”;<br>(b) subsections (6) and (7); and (c) in subsection (8), the words from “and this subsection” onwards.<br>In section 715—<br>(a) in subsection (1), paragraphs (g) and (h); and<br>(b) in subsection (8), the definition of “FOTRA securities”. |
| 1993 c. 34. | The Finance Act 1993.                      | In section 174—<br>(a) subsection (6); and<br>(b) in subsection (7), the definitions of “FOTRA securities” and “non-resident United Kingdom trader”.  |
| 1994 c. 9.  | The Finance Act 1994.                      | Section 222(6) and (7).   |

These repeals come into force in accordance with section 154(9) of this Act.

### (19) Paying and collecting agents

| Chapter     | Short title           | Extent of repeal       |
|-------------|-----------------------|------------------------|
| 1988 c. 39. | The Finance Act 1988. | Section 76(4) and (6). |

### (20) Accrued income scheme

| Chapter    | Short title                                | Extent of repeal        |
|------------|--|-------------------------|
| 1988 c. 1. | The Income and Corporation Taxes Act 1988. | Section 721(1) and (4). |

These repeals come into force in accordance with section 158 of this Act.

*Status: Point in time view as at 06/04/2006.*

*Changes to legislation: Finance Act 1996 is up to date with all changes known to be in force on or before 17 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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### **(21) Manufactured payments, repos, etc.**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1970 c. 9.     | The Taxes Management Act 1970.             | In the first column of the Table in section 98, the entry relating to section 729(11) of the Taxes Act 1988.  |
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | Section 729.<br><br>Section 732(3).<br><br>In section 737(5AA)(b), the words from “and the words” onwards.<br><br>Section 737A(2)(b).<br><br>Section 786(4).<br><br>In Schedule 23A, paragraph 4(7A). |
| 1994 c. 9.     | The Finance Act 1994.                      | Section 124.  |
| 1995 c. 4.     | The Finance Act 1995.                      | Section 80(2).  |

1. Subject to note 2 below, these repeals have effect in accordance with section 159(1) of this Act.

2. The repeals in section 737 of, and Schedule 23A to, the Taxes Act 1988, and the repeal of section 124 of the Finance Act 1994, come into force on the day on which this Act is passed.

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### **(22) Venture capital trusts**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>  |
|----------------|--|--|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In Schedule 28B, in paragraph 9, in subparagraph (1) the words “subject to subparagraph (2) below” and subparagraph (2). |

These repeals have effect in accordance with section 161 of this Act.

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### **(23) Life assurance business losses**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | Section 436(3)(aa).<br><br>Section 439B(3)(b).<br><br>Section 441(4)(aa). |

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|            |                       |   |
|------------|-----------------------|---|
| 1995 c. 4. | The Finance Act 1995. | In Schedule 8, paragraph 16(4) and (5). |
|------------|-----------------------|---|

These repeals have effect in accordance with paragraph 10(2) of Schedule 31 to this Act.

#### **(24) Management expenses of insurance companies**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | <p>In section 434(1)(b), the words from “of the tax” onwards.</p> <p>In section 434D(8), in paragraph (b) of the second sentence, the words from “of the tax” onwards.</p> <p>In section 442(3), the words “otherwise than for the purposes of section 76(2)”.</p> <p>In section 473, subsection (5).</p> <p>In Schedule 19AC—</p> <p>(a) in paragraph 5(1), in the subsection (6B) deemed to be inserted in section 76, the words “and subsections (2) and (3)(b) above”; and</p> <p>(b) in paragraph 9, in the subsection (1A) deemed to be inserted in section 434, the words from “of the tax” onwards.</p> |
| 1992 c. 12.    | The Taxation of Chargeable Gains Act 1992. | In Schedule 10, in paragraph 14(27)(a), the words “and (5)”.  |

These repeals come into force in accordance with section 164(5) of this Act.

#### **(25) Annual payments under insurance policies**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b> |
|----------------|--|-------------------------|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | Section 434B(1).        |

This repeal has effect in accordance with section 165 of this Act.

#### **(26) Industrial assurance business**

| <b>Chapter</b> | <b>Short title</b> | <b>Extent of repeal</b> |
|----------------|--------------------|-------------------------|
|----------------|--------------------|-------------------------|



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|             |  |  |
|-------------|--|--|
| 1988 c. 1.  | The Income and Corporation Taxes Act 1988. | In section 431(2)—<br><br>(a) the definitions of “industrial assurance business” and of “ordinary long term business” and “ordinary life assurance business”; and<br><br>(b) in the definition of “long term business fund”, the words from “or, where” to “so maintained”.<br><br>Section 432(2).<br><br>In section 458(3), the words “or industrial assurance business”. |
| 1989 c. 26. | The Finance Act 1989.                      | Section 83A(5).  |
| 1990 c. 29. | The Finance Act 1990.                      | In Schedule 6, paragraph 3.  |

These repeals come into force in relation to accounting periods beginning on or after 1st January 1996.

**(27) Provisional repayments in connection with insurance companies’ pension business**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In Schedule 19AB, in paragraph 1(5)(b), the word “and” immediately preceding sub-paragraph (ii) and paragraphs 1(8) and 6(3).<br><br>In Schedule 19AC, paragraph 15(1). |

These repeals have effect in accordance with section 169 of, and Schedule 34 to, this Act.

**(28) Friendly societies**

| <b>Chapter</b> | <b>Short title</b>            | <b>Extent of repeal</b>         |
|----------------|-------------------------------|---------------------------------|
| 1992 c. 48.    | The Finance (No. 2) Act 1992. | In Schedule 9, paragraph 14(2). |

This repeal has effect in accordance with section 171 of this Act.

**(29) Loans to participators etc.**

| <b>Chapter</b> | <b>Short title</b> | <b>Extent of repeal</b> |
|----------------|--------------------|-------------------------|
|----------------|--------------------|-------------------------|

*Status: Point in time view as at 06/04/2006.*

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|            |  |   |
|------------|--|---|
| 1988 c. 1. | The Income and Corporation Taxes Act 1988. | In section 419(6), the words “and to a company not resident in the United Kingdom”. |
|------------|--|---|

This repeal has effect in accordance with section 173(6) of this Act.

### **(30) Chargeable gains: non-resident companies**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>  |
|----------------|--|--|
| 1992 c. 12.    | The Taxation of Chargeable Gains Act 1992. | Section 13(5)(a) and (6).<br><br>In Schedule 5, paragraph 8(10). |

These repeals come into force in relation to gains accruing on or after 28th November 1995.

### **(31) Cancellation of tax advantages: transactions in certain securities**

| <b>Chapter</b> | <b>Short title</b>    | <b>Extent of repeal</b>  |
|----------------|-----------------------|--|
| 1996 c. 8.     | The Finance Act 1996. | In section 175, subsections (2) and (3) and, in subsection (4), the words “Except as provided by subsection (3) above,”. |

These repeals have effect in accordance with section 175(3) of this Act.

### **(32) Sub-contractors in the construction industry**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In section 566(2), the words “and any such regulations may make different provision for different circumstances.” |

### **(33) Capital allowances: roll-over relief in respect of ships**

| <b>Chapter</b> | <b>Short title</b>               | <b>Extent of repeal</b>  |
|----------------|----------------------------------|--|
| 1990 c. 1.     | The Capital Allowances Act 1990. | In section 33C(2), the words “to be”, in the first place where they occur. |

### **(34) Controlled foreign companies**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>   |
|----------------|--|---|
| 1988 c. 1.     | The Income and Corporation Taxes Act 1988. | In section 747A, subsection (7) and, in subsection (8), the words |

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“the company is not a trading company and”.

In Schedule 25, in paragraph 2A, in sub-paragraph (1), the words “which is not a trading company” and sub-paragraphs (6) and (7) and, in paragraph 3, sub-paragraphs (1) to (4) and, in sub-paragraph (5), the words “the available profits or, where the company is not a trading company,”.

These repeals have effect in accordance with section 182 of this Act.

## PART VI

### INHERITANCE TAX

| Chapter     | Short title                   | Extent of repeal  |
|-------------|-------------------------------|---|
| 1984 c. 51. | The Inheritance Tax Act 1984. | In section 105—<br><br>(a) in subsection (1), “109A”, the words “shares in or” in paragraph (b), and paragraph (c);<br><br>(b) subsections (1A) and (1B);<br><br>(c) in subsection (2), the words “(b) or”; and (d) subsection (2A).<br><br>In section 107(4), the words “and section 109A below”.<br><br>Section 109A.<br><br>Section 116(2A). |
| 1987 c. 16. | The Finance Act 1987.         | In Schedule 8, paragraphs 5 to 7.   |
| 1995 c. 4.  | The Finance Act 1995.         | Section 155(2).   |

- 1 Subject to note 2 below, these repeals have effect in accordance with section 184(6)(b) of this Act.
- 2 The repeal in section 116 of the Inheritance Tax Act 1984, and the related repeal in section 155 of the Finance Act 1995, have effect in accordance with section 185(3) and (6) of this Act.

*Status: Point in time view as at 06/04/2006.*

*Changes to legislation: Finance Act 1996 is up to date with all changes known to be in force on or before 17 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

## PART VII

### STAMP DUTY AND STAMP DUTY RESERVE TAX

| Chapter     | Short title  | Extent of repeal  |
|-------------|--|---|
| 1986 c. 41. | The Finance Act 1986.  | In section 87, in subsection (2), the words “the expiry of the period of two months beginning with” and the words from “unless” to the end and subsections (4), (5) and (8).<br>Section 88(2) and (3) Section 94(8).<br>Section 96(12).<br>Section 97(2). |
| 1996 c. 8.  | The Finance Act 1996.  | Sections 186 to 196.  |
| 1           | The repeals in sections 87 and 88 of the Finance Act 1986 have effect in accordance with sections 188 and 192 of this Act.   |   |
| 2           | The repeals in sections 94 and 96 of the Finance Act 1986 have effect in accordance with section 194 of this Act.  |   |
| 3           | The repeal in section 97 of the Finance Act 1986 has effect in accordance with section 196(4) of this Act.   |   |
| 4           | The repeals in the Finance Act 1996 have effect—<br>(a) so far as relating to stamp duty, in accordance with section 108 of the Finance Act 1990; and<br>(b) so far as relating to stamp duty reserve tax, in accordance with section 110 of the Finance Act 1990. |   |

## PART VIII

### MISCELLANEOUS

#### (1) Rates of interest

| Chapter     | Short title                   | Extent of repeal  |
|-------------|-------------------------------|---|
| 1994 c. 9.  | The Finance Act 1994.         | In Schedule 6, paragraph 11.<br>In Schedule 7, paragraph 21(5). |
| 1994 c. 23. | The Value Added Tax Act 1994. | Section 74(6).  |

Subsection (7) of section 197 of this Act applies in relation to these repeals as it applies in relation to subsection (6) of that section.

*Status: Point in time view as at 06/04/2006.*

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## **(2) Banks**

| <b>Chapter</b> | <b>Short title</b>            | <b>Extent of repeal</b>   |
|----------------|-------------------------------|---|
| 1984 c. 51.    | The Inheritance Tax Act 1984. | In section 157(5), paragraph (b) and the word “and” immediately preceding it. |
| 1987 c. 22.    | The Banking Act 1987.         | In Schedule 6, paragraph 17.  |

These repeals have effect in accordance with Schedule 37 to this Act.

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## **(3) Quotation and listing of securities**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b> |
|----------------|--|-------------------------|
| 1992 c. 12.    | The Taxation of Chargeable Gains Act 1992. | Section 288(4).         |

This repeal has effect in relation to times falling on or after 1st April 1996.

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## **(4) Enactment of extra-statutory concessions**

| <b>Chapter</b> | <b>Short title</b>                         | <b>Extent of repeal</b>  |
|----------------|--|--|
| 1891 c. 38.    | The Stamp Duties Management Act 1891.      | In section 9(7)(e), the words from “which is inadvertently” to “executed and duly stamped, or”.  |
| 1992 c. 12.    | The Taxation of Chargeable Gains Act 1992. | In section 72(5), the word “life” in the third place where it occurs.<br><br>In section 73(2), the word “life”.<br><br>Section 75.<br><br>In section 254—<br><br>(a) in subsections (6) and (7), the words “the inspector is satisfied that”;<br><br>(b) in subsection (8), the words “in the inspector’s opinion”; and<br><br>(c) in subsection (11), the words “the inspector was satisfied that”, “by the inspector” and “he was satisfied that”. |

These repeals have effect in accordance with Schedule 39 to this Act.

**Status:**

Point in time view as at 06/04/2006.

**Changes to legislation:**

Finance Act 1996 is up to date with all changes known to be in force on or before 17 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.